

KFORCE INC
Form 4
July 30, 2014

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SIMMONS N JOHN

(Last) (First) (Middle)

1001 EAST PALM AVENUE

(Street)

TAMPA, FL 33605

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
KFORCE INC [kfrc]

3. Date of Earliest Transaction
(Month/Day/Year)
07/29/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount (A) or (D) Price		
Common Stock	07/29/2014		A		5,000 (1) \$ 0	D	
					5,000 (2)		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2001

AND FOR THE SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders Equity
BALANCE, December 31, 2000	31,509,807	\$ 315,097	\$ 275,573,339	\$ (9,133,855)	\$ 0	(141,297)	\$ (1,412,969)	\$ 0	\$ 265,341,612
Issuance of common stock	52,251,662	522,517	521,994,103	0	0	0	0	0	522,516,620
Treasury stock purchased	0	0	0	0	0	(413,743)	(4,137,427)	0	(4,137,427)
Net income	0	0	0	0	21,723,967	0	0	0	21,723,967
Dividends (\$.76 per share)	0	0	0	(15,047,237)	(21,723,967)	0	0	0	(36,771,204)
Sales commissions and discounts	0	0	(49,246,118)	0	0	0	0	0	(49,246,118)
Other offering expenses	0	0	(10,084,799)	0	0	0	0	0	(10,084,799)
BALANCE, December 31, 2001	83,761,469	837,614	738,236,525	(24,181,092)	0	(555,040)	(5,550,396)	0	709,342,651
Issuance of common stock	61,827,594	618,276	617,657,655	0	0	0	0	0	618,275,931
Treasury stock purchased	0	0	0	0	0	(667,341)	(6,673,412)	0	(6,673,412)
Net income	0	0	0	0	24,536,142	0	0	0	24,536,142
Dividends (\$.39 per share)	0	0	0	(19,810,577)	(24,536,142)	0	0	0	(44,346,719)
Sales commissions and discounts	0	0	(58,958,984)	0	0	0	0	0	(58,958,984)
Other offering expenses	0	0	(6,076,681)	0	0	0	0	0	(6,076,681)
Gain/(loss) on interest rate swap	0	0	0	0	0	0	0	(289,379)	(289,379)
BALANCE, June 30, 2002 (unaudited)	145,589,063	\$ 1,455,890	\$ 1,290,858,515	\$ (43,991,669)	\$ 0	(1,222,381)	\$ (12,223,808)	\$ (289,379)	\$ 1,235,809,549

See accompanying condensed notes to financial statements.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Six Months Ended	
	June 30,	June 30,
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 24,536,142	\$ 8,314,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint venture	(2,478,686)	(1,519,194)
Depreciation	12,903,282	6,393,817
Amortization of deferred financing costs	424,992	291,899
Amortization of deferred leasing costs	150,815	151,674
Changes in assets and liabilities:		
Accounts receivable	(4,705,925)	(1,304,851)
Due from affiliates	(30,532)	
Deferred rental income	351,887	(285,776)
Accounts payable and accrued expenses	3,112,741	425,824
Prepaid expenses and other assets, net	(1,017,517)	3,525,288
Due to affiliates	(108,912)	295,385
Net cash provided by operating activities	<u>33,138,287</u>	<u>16,288,309</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(259,535,578)	(3,784,088)
Investment in joint venture	0	(16,126,925)
Deferred project costs paid	(22,008,219)	(5,642,317)
Distributions received from joint ventures	3,496,746	1,784,599
Deferred lease acquisition costs paid	(400,000)	0
Net cash used in investing activities	<u>(278,447,051)</u>	<u>(23,768,731)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	7,533,697	21,398,850
Repayment of note payable	0	(138,763,187)
Dividends paid	(40,867,110)	(13,795,534)
Issuance of common stock	618,275,931	162,606,610
Sales commissions paid	(58,958,984)	(15,314,860)
Offering costs paid	(6,817,978)	(4,836,272)
Treasury stock purchased	(6,673,412)	(1,397,561)
Deferred financing costs paid	(859,773)	(640,999)

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Net cash provided by financing activities	511,632,371	9,257,047
NET INCREASE IN CASH AND CASH EQUIVALENTS	266,323,607	1,776,625
CASH AND CASH EQUIVALENTS, beginning of year	75,586,168	4,298,301
CASH AND CASH EQUIVALENTS, end of period	\$ 341,909,775	\$ 6,074,926
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	\$ 10,068,319	\$ 5,516,763
Deferred project costs applied to joint ventures	\$ 0	\$ 671,961
Deferred project costs due to affiliate	\$ 512,044	\$ 335,667
Interest rate swap	\$ (289,379)	\$ 0
Deferred offering costs due to affiliate	\$ 1,392,934	\$ 731,573
Other offering costs due to affiliate	\$ 201,811	\$ 287,715

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the Company) is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust (REIT). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16,500,000 shares of common stock at \$10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, upon receiving and accepting subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately \$132,181,919 had been received from the sale of approximately 13,218,192 shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately \$175,229,193 from the sale of approximately 17,522,919 shares from the second public offering. The Company commenced its third public offering of the shares of common stock on December 20, 2000. As of June 30, 2002, the Company has received gross proceeds of approximately \$1,148,480,413 from the sale of approximately 114,848,041 shares from its third public offering. Accordingly, as of June 30, 2002, the Company has received aggregate gross offering proceeds of approximately \$1,455,891,526 from the sale of 145,589,153 shares of its common stock to investors. After payment of \$50,528,371 in acquisition and advisory fees and acquisition expenses, payment of \$163,576,134 in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of \$885,294,095 for property acquisitions, and common stock redemptions of \$12,223,808 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of \$344,269,118 available for investment in properties, as of June 30, 2002.

(b) Properties

As of June 30, 2002, the Company owned interests in 52 properties listed in the table below through its ownership in Wells OP. As of June 30, 2002, all of these properties were 100% leased.

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Property	Property	%	Purchase	Square	Annual	
Name	Tenant	Location	Owned	Price	Feet	Rent
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	\$ 25,800,000	148,605	\$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	\$ 21,060,000	108,240	\$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	\$ 31,742,274	174,585	\$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	\$ 35,150,000	292,700	\$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	\$ 6,850,000	47,400	\$ 747,033
Agilent Atlanta	Agilent Technologies, Inc.	Alpharetta, GA	100%	\$ 15,100,000	66,811	\$ 1,344,905
	Koninklijke Philips Electronics N.V.				34,396	\$ 692,391
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	\$ 10,395,845	68,165	\$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	\$ 41,950,000(1)	147,004	\$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above) (1)	112,480	\$ 2,330,600
Novartis Atlanta	Novartis Ophthalmics, Inc.	Duluth, GA	100%	\$ 15,000,000	100,087	\$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	\$ 22,000,000	103,260	\$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	\$ 1,153,227
Arthur Andersen	Arthur Andersen LLP	Sarasota, FL	100%	\$ 21,400,000	157,700	\$ 1,988,454
Windy Point I	TCI Great Lakes, Inc.	Schaumburg, IL	100%	\$ 32,225,000(2)	129,157	\$ 2,067,204
	The Apollo Group, Inc.				28,322	
					22,028	\$ 477,226
	Global Knowledge Network				8,884	\$ 393,776
	Various other tenants					\$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	\$ 57,050,000(2)	300,034	\$ 5,091,577
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	\$ 13,255,000	100,000	\$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	\$ 12,954,213	148,204	\$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	\$ 17,650,000	120,000	\$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	\$ 21,050,000	701,819	\$ 2,035,275
Nissan (3)	Nissan Motor Acceptance Corporation	Irving, TX	100%	\$ 42,259,000(4)	268,290	\$ 4,225,860(5)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	\$ 20,650,000	157,790	\$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	\$ 49,563,000	234,668	\$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	\$ 12,500,000	85,000	\$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	\$ 24,950,000	201,237	\$ 2,458,638
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	\$ 15,300,000	103,500	\$ 1,242,000
	Jordan Associates, Inc.				25,000	\$ 294,500

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Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	\$ 52,800,000	300,633	\$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	\$ 44,970,000	206,048	\$ 4,533,056
	SYSCO Corporation				106,516	\$ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	\$ 33,648,156	236,710	\$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	\$ 7,193,000	65,006	\$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	\$ 19,800,000	107,193	\$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	\$ 13,250,000	132,070	\$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	\$ 14,265,000	77,054	\$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	\$ 16,000,000	133,225	\$ 1,843,834
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	\$ 17,355,000	95,133	\$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	\$ 14,250,000	129,689	\$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	\$ 12,700,000	101,100	\$ 1,187,925
Cinemark	Cinemark USA, Inc.	Plano, TX	100%	\$ 21,800,000	65,521	\$ 1,366,491
	The Coca-Cola Company				52,587	\$ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	\$ 8,320,000	62,400	\$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	\$ 32,630,940	250,354	\$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	\$ 8,000,000	130,000	\$ 854,748
Alstom Power Richmond (3)	Alstom Power, Inc.	Midlothian, VA	100%	\$ 11,400,000	99,057	\$ 1,213,324
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	\$ 9,500,000	68,900	\$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	\$ 5,085,000	169,510	\$ 550,908
Matsushita (3)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	\$ 18,431,206	144,906	\$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	\$ 12,291,200	81,859	\$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	\$ 21,127,854	130,091	\$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	\$ 6,400,000	52,000	\$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	\$ 8,900,000	58,424	\$ 920,144

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Property Name	Tenant	Property Location	% Owned	Purchase Price	Square Feet	Annual Rent
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	\$ 5,504,276	57,186	\$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	\$ 5,025,000	108,250	\$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	\$ 8,275,000	51,975	\$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	\$ 10,325,000	106,750	\$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	\$ 7,900,000	84,404	\$ 1,106,520

- (1) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of \$41,950,000.
- (2) Windy Point I and Windy Point II were purchased for an aggregate purchase price of \$89,275,000.
- (3) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.
- (4) Includes estimated costs for the planning, design, development, construction and completion of the Nissan Property.
- (5) Annual rent for Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.

Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

Joint Venture	Joint Venture Partners	Properties Held by Joint Venture
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P.	AmeriCredit
	Wells Real Estate Fund XIII, L.P.	ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P.	Siemens
	Wells Real Estate Fund XII, L.P.	AT&T Oklahoma
		Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P.	EYBL CarTex
	Wells Real Estate Fund XI, L.P.	Sprint
	Wells Real Estate Fund XII, L.P.	Johnson Matthey

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		Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P.	Alstom Power Knoxville
	Wells Real Estate Fund IX, L.P.	Ohmeda
	Wells Real Estate Fund X, L.P.	Interlocken
	Wells Real Estate Fund XI, L.P.	Avaya
		Iomega
Wells/Fremont Associates Joint Venture (the Fremont Joint Venture)	Wells Operating Partnership, L.P.	Fairchild
	Fund X-XI Joint Venture	
Wells/Orange County Associates Joint Venture (the Orange County Joint Venture)	Wells Operating Partnership, L.P.	Cort Furniture
	Fund X-XI Joint Venture	
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P.	Quest
	Fund VIII-IX Joint Venture	

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions.

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These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets in 2002 or 2001.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the Advisor) by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of June 30, 2002, amounted to \$50,528,371 and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at June 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As the actual equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of June 30, 2002, the

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Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of \$27,886,146, of which the Advisor had been reimbursed \$25,572,034, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the Code), to be taxed as a Real Estate Investment Trust (REIT) under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling \$683,535 and \$254,000 for the six months ended June 30, 2002 and 2001, respectively and \$366,380 and \$163,725 for the three months ended June 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

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For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of \$200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the Board of Directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2 INVESTMENT IN JOINT VENTURES**(a) Basis of Presentation**

As of June 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of June 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and six months ended June 30, 2002.

Total Revenues		Net Income		Wells OP's Share of Net Income	
Three Months Ended		Three Months Ended		Three Months Ended	
June 30,	June 30,	June 30,	June 30,	June 30,	June 30,

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	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Fund IX-X-XI-REIT Joint Venture	\$ 1,436,601	\$ 1,087,746	\$ 619,173	\$ 734,418	\$ 22,982	\$ 27,258
Cort Joint Venture	208,707	198,881	140,206	131,374	61,224	57,367
Fremont Joint Venture	227,023	225,178	140,944	135,990	109,237	105,398
Fund XI-XII-REIT Joint Venture	859,027	847,767	545,009	499,960	309,363	283,792
Fund XII-REIT Joint Venture	1,483,224	1,102,873	852,672	587,864	468,646	310,812
Fund VIII-IX-REIT Joint Venture	309,605	313,539	147,998	155,320	23,370	24,854
Fund XIII-REIT Joint Venture	707,919	0	406,236	0	277,041	0
	<u>\$5,232,106</u>	<u>\$3,775,984</u>	<u>\$2,852,238</u>	<u>\$2,244,926</u>	<u>\$1,271,863</u>	<u>\$ 809,481</u>

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	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Six Months Ended		Six Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2002	2001	2002	2001	2002	2001
Fund IX-X-XI-REIT Joint Venture	\$ 2,815,660	\$ 2,181,096	\$ 1,173,441	\$ 1,372,853	\$ 43,554	\$ 50,954
Cort Joint Venture	420,713	398,468	269,956	265,127	117,882	115,773
Fremont Joint Venture	452,184	450,356	276,892	278,602	214,602	215,928
Fund XI-XII-REIT Joint Venture	1,717,246	1,689,191	1,042,158	1,014,237	591,560	575,710
Fund XII-REIT Joint Venture	3,154,087	1,896,195	1,658,185	1,033,184	911,372	519,445
Fund VIII-IX-REIT Joint Venture	633,351	580,923	308,694	260,352	48,744	41,384
Fund XIII-REIT Joint Venture	1,408,567	0	807,910	0	550,972	0
	\$ 10,601,808	\$ 7,196,229	\$ 5,537,236	\$ 4,224,355	\$ 2,478,686	\$ 1,519,194

3. INVESTMENTS IN REAL ESTATE

As of June 30, 2002, the Company, through its ownership in Wells OP, owns 35 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended June 30, 2002.

The Travelers Express Denver Building

On April 10, 2002, Wells OP purchased the Travelers Express Denver Building, a one-story office building containing 68,165 rentable square feet located in Lakewood, Jefferson County, Colorado for a purchase price of \$10,395,845, excluding closing costs. Travelers Express Building is 100% leased to Travelers Express Company, Inc. (Travelers Express). The Travelers Express lease is a net lease that commenced in April 2002 and expires in March 2012. The current annual base rent payable under the Travelers Express lease is \$1,012,250. Travelers Express, at its option, has the right to extend the initial term of its lease for two additional five-year terms. Base rent for the first renewal term shall be \$19.00 per square foot for years 1-3 and \$20.50 per square foot for years 4-5. The base rent for the second renewal term shall be at the then-current market rental rate.

The Agilent Atlanta Building

On April 18, 2002, Wells OP purchased the Agilent Atlanta Building, a two-story office building containing 101,207 rentable square feet located in Alpharetta, Fulton County, Georgia for a purchase price of \$15,100,000, excluding closing costs. The Agilent Atlanta Building is leased to Agilent Technologies, Inc. (Agilent) and Koninklijke Philips Electronics N.V. (Philips).

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The Agilent lease is a net lease that covers approximately 66,811 square feet commencing in September 2001 and expiring in September 2011. The initial annual base rent payable under the Agilent lease is \$1,344,905. Agilent, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a \$763,650 termination fee.

The Philips lease is a net lease that covers approximately 34,396 rentable square feet commencing in September 2001 and expiring in September 2011. The current annual base rent payable under the Philips lease is \$692,391. Philips, at its option, has the right to extend the initial term of its lease for either (1) one additional three-year period, or (2) one additional five-year period, at the then-current market rental rate. In addition, Philips may terminate the lease at the end of the seventh lease year by paying a \$393,146 termination fee.

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The BellSouth Ft. Lauderdale Building

On April 18, 2002, Wells OP purchased the BellSouth Ft. Lauderdale Building, a one-story office building containing 47,400 rentable square feet located in Ft. Lauderdale, Broward County, Florida for a purchase price of \$6,850,000, excluding closing costs. The BellSouth Ft. Lauderdale Building is 100% leased to BellSouth Advertising and Publishing Corporation (BellSouth). The BellSouth lease is a net lease that commenced in July 2001 and expires in July 2008. The current annual base rent payable under the BellSouth lease is \$747,033. BellSouth, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The Experian/TRW Buildings

On May 1, 2002, Wells OP purchased the Experian/TRW Buildings, two two-story office buildings containing 292,700 rentable square feet located in Allen, Collin County, Texas for a purchase price of \$35,150,000, excluding closing costs. The Experian/TRW Buildings are both 100% leased to Experian, Inc. (Experian). The Experian lease is a net lease that commenced in April 1993 and expires in October 2010. The current annual base rent payable under the Experian lease is \$3,438,277. Experian, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 95% of the then-current market rental rate. TRW, Inc., the original tenant on the Experian lease, assigned its interest in the Experian lease to Experian in 1996 but remains as an obligor of the Experian lease.

The Agilent Boston Building

On May 3, 2002, Wells OP purchased the Agilent Boston Building, a three-story office building containing 174,585 rentable square feet located in Boxborough, Middlesex County, Massachusetts for a purchase price of \$31,742,274, excluding closing costs. In addition, Wells OP has assumed the obligation, as the landlord, to provide Agilent \$3,407,496 for tenant improvements. The Agilent Boston Building is 100% leased to Agilent Technologies, Inc. (Agilent). The Agilent Boston lease is a net lease that commenced in September 2001 and expires in September 2011. The current annual base rent payable under the Agilent Boston lease is \$3,578,993. Agilent, at its option, has the right to extend the initial term of its lease for one additional five-year period at a rate equal to the greater of (1) the then-current market rental rate, or (2) 75% of the annual base rent in the final year of the initial term of the Agilent Boston lease. In addition, Agilent may terminate the lease at the end of the seventh lease year by paying a \$4,190,000 termination fee.

The TRW Denver Building

On May 29, 2002, Wells OP purchased the TRW Denver Building, a three-story office building containing 108,240 rentable square feet located in Aurora, Arapahoe County, Colorado for a purchase price of \$21,060,000, excluding closing costs. The TRW Denver Building is 100% leased to TRW, Inc. (TRW). The TRW lease is a net lease that commenced in October 1997 and expires in September 2007. The current annual base rent payable under the TRW lease is \$2,870,709. TRW, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

The MFS Phoenix Building

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On June 5, 2002, Wells OP purchased the MFS Phoenix Building, a three-story office building containing 148,605 rentable square feet located in Phoenix, Maricopa County, Arizona for a purchase price of \$25,800,000, excluding closing costs. The MFS Phoenix Building is 100% leased to Massachusetts Financial Services Company (MFS). The MFS lease is a net lease that commenced in April 2001 and expires in July 2011. The current annual base rent payable under the MFS lease is \$2,347,959. MFS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of \$5,210,000. The loan was made to fund above-standard tenant

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improvement costs to the building. The note receivable will be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of \$107,966.

5. NOTES PAYABLE

Wells OP has established four secured lines of credit with SouthTrust Bank totaling \$72,140,000 which are secured by first priority mortgages against the Cinemark, ASML, Dial, PwC, Motorola Tempe, Alstom Power Richmond and Avnet Buildings. Notes payable at June 30, 2002 consists of (i) \$7,655,600 of draws on a \$7,900,000 line of credit from SouthTrust Bank secured by a first mortgage on the Alstom Power Richmond Building and (ii) \$8,002,541 outstanding on the construction loan from Bank of America, N.A.(Bank of America) which is being used to fund the development of the Nissan Property.

6. INTEREST RATE SWAP

Wells OP entered into an interest rate swap agreement with Bank of America in an attempt to hedge its interest rate exposure on the Bank of America construction loan for the Nissan Property. The interest rate swap became effective January 15, 2002 and terminates on June 15, 2003, the maturity date of the construction loan. The notional amount of the interest rate swap is the balance outstanding on the construction loan on the payment date, which is the fifteenth of each month. The interest rate swap agreement involves the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. Wells OP, as the fixed rate payer, has an interest rate of 5.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. During the six months ended June 30, 2002, Wells OP made interest payments totaling approximately \$23,100 under the terms of the interest rate swap. At June 30, 2002, the estimated fair value of the interest rate swap was (\$289,379).

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company's consolidated financial statements.

7. DUE TO AFFILIATES

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of \$601,963 have been made as of June 30, 2002 toward funding the obligation under the Matsushita agreement.

8. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor (Wells Exchange) has developed a program (the Wells Section 1031 Program) involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

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Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of \$137,500 in 2001 and \$134,102 in 2002. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. Pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

9. SUBSEQUENT EVENTS***The ISS Atlanta Buildings***

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of \$40,500,000, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County (Development Authority). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds (Bonds) totaling \$32,500,000 in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation (ISS). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is \$4,623,445. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of \$14,650,000, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. (PacifiCare). The PacifiCare lease is a net lease that commenced on November 20, 2000 and expires on November 30, 2010. The current annual base rent payable under the PacifiCare lease is \$1,471,700. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be \$163,994 and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr McGee Property

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On July 29, 2002, Wells OP purchased the Kerr McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of \$1,738,044, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the Kerr McGee Project) on the Kerr McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately \$15,760,000.

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The entire 100,000 rentable square feet of the Kerr McGee Project will be leased to Kerr McGee Oil & Gas Corporation (Kerr McGee), a wholly owned subsidiary of Kerr McGee Corporation. The initial term of the Kerr McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of \$13,700,000 from Bank of America to fund the construction of a building on the Kerr McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr McGee Property.

The BMG Greenville Building

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of \$26,900,000, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. (BMG Marketing) and BMG Music (BMG Music).

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet commencing in March 1988 and expiring in March 2011. The initial annual base rent payable under the BMG Marketing lease is \$1,394,156. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet commencing in December 1987 and expiring in March 2011. The current annual base rent payable under the BMG Music lease is \$763,600. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of \$11,625,000, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. (Kraft) and PerkinElmer Instruments, LLC (PerkinElmer).

The Kraft lease is a net lease that covers approximately 73,264 square feet commencing in February 2002 and expiring in January 2012. The initial annual base rent payable under the Kraft lease is \$1,263,804. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a \$7,000,000 termination fee, or (2) at the end of the seventh lease year by paying a \$1,845,296 termination fee.

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The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet commencing in December 2001 and expiring in November 2016. The current annual base rent payable under the PerkinElmer lease is \$194,672. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a \$325,000 termination fee.

Issuance of Common Stock

From July 1, 2002 through August 7, 2002, the Company raised \$170,921,990 through the issuance of 17,092,199 shares of common stock in the Company.

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The Fourth Offering of Common Stock

The Company terminated its third public offering and commenced its fourth public offering of common stock on July 26, 2002, the effective date of the Registration Statement initially filed with the Securities and Exchange Commission on April 8, 2002. The Company is offering up to an aggregate of \$3,300,000,000 (330,000,000 shares) of which \$3,000,000,000 (300,000,000 shares) are being offered to the public and \$300,000,000 (30,000,000 shares) are being offered pursuant to the dividend reinvestment plan.

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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. 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 filed in the previous two years.

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 and the Kraft Atlanta Building (collectively, the Recent Acquisitions) 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, 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) and the 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 and the 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, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

	Pro Forma Adjustments						Pro Forma Total
	Recent Acquisitions						
	Wells Real Estate Investment Trust, Inc (e)		PacifiCare San Antonio	Kerr McGee	BMG Greenville	Kraft Atlanta	
	Other						
REAL ESTATE ASSETS, at cost:							
Land	\$ 110,330,449	\$ 0	\$ 2,450,000(a)	\$ 1,738,044(a)	\$ 1,600,000(a)	\$ 2,700,000(a)	\$ 119,163,936
		0	99,709(b)	70,734(b)	65,116(b)	109,884(b)	
Buildings, less accumulated depreciation of \$37,717,737	689,490,969	0	12,239,827(a)	0	25,087,017(a)	8,975,771(a)	737,677,992
		0	498,132(b)	0	1,020,983(b)	365,293(b)	
Construction in progress	16,081,841	0	0	379,901(a)	0	0	16,461,742
Total real estate assets	815,903,259	0	15,287,668	2,188,679	27,773,116	12,150,948	873,303,670
CASH AND CASH EQUIVALENTS	341,909,775	145,053,219(c)	(14,689,827)(a)	(2,103,115)(a)	(14,984,256)(a)	(11,675,771)(a)	438,433,162
		(5,076,863)(d)					
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	0	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	0	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	0	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	0	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	5,076,863(d)	(597,841)(b)	(70,734)(b)	(1,086,099)(b)	(475,177)(b)	17,161,926
DEFERRED OFFERING COSTS	1,392,934	0	0	0	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	0	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	0	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	0	0	0	1,881,308

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Total assets	\$ 1,293,166,873	\$ 145,053,219	\$ 0	\$ 14,830	\$ 11,702,761	\$ 0	\$ 1,449,937,683
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	Pro Forma Adjustments						Pro Forma Total
	Recent Acquisitions						
	Wells Real Estate	PacifiCare		Kerr	BMG	Kraft	
	Investment Trust, Inc (e)	Other	San Antonio	McGee	Greenville	Atlanta	
LIABILITIES:							
Accounts payable and accrued expenses	\$ 11,840,214	\$ 0	\$ 0	\$ 14,830(a)	\$ 0	\$ 0	\$ 11,855,044
Notes payable	15,658,141	0	0	0	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	0	0	0	22,000,000
Dividends payable	4,538,635	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	0	0	0	1,013,544
Total liabilities	57,157,324	0	0	14,830	11,702,761	0	68,874,915
COMMITMENTS AND CONTINGENCIES							
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	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	145,053(c)	0	0	0	0	1,600,943
Additional paid-in capital	1,290,858,515	144,908,166(c)	0	0	0	0	1,435,766,681
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	(289,379)
Total shareholders equity	1,235,809,549	145,053,219	0	0	0	0	1,380,862,768
Total liabilities and shareholders equity	\$ 1,293,166,873	\$ 145,053,219	\$ 0	\$ 14,830	\$ 11,702,761	\$ 0	\$ 1,449,937,683

(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 purchase price.

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- (c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Kraft Atlanta acquisition date.
- (d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.
- (e) Historical financial information derived from quarterly report on Form 10-Q

The accompanying notes are an integral part of this statement.

Table of Contents**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 Total	
	2001	2002	Recent Acquisitions				
			PacifiCare	BMG	Kraft		
			San Antonio	Greenville	Atlanta		
Acquisitions	Acquisitions						
REVENUES:							
Rental income	\$ 44,204,279	\$ 11,349,076(a)	\$ 14,846,431(a)	\$ 1,556,473(a)	\$ 2,445,210(a)	\$ 18,429(a)	\$ 74,419,898
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	<u>49,308,802</u>	<u>12,460,926</u>	<u>14,846,431</u>	<u>1,556,473</u>	<u>2,445,210</u>	<u>18,429</u>	<u>80,636,271</u>
EXPENSES:							
Depreciation and amortization	15,344,801	5,772,761(c)	5,356,374(c)	509,518(c)	1,044,320(c)	31,137(c)	28,058,911
Interest	3,411,210	0	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	0	0	5,452(d)	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	70,041(e)	110,034(e)	829(e)	3,866,890
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	<u>27,584,835</u>	<u>9,137,744</u>	<u>7,529,733</u>	<u>579,559</u>	<u>1,154,354</u>	<u>37,418</u>	<u>46,023,643</u>
NET INCOME	\$ 21,723,967	\$ 3,323,182	\$ 7,316,698	\$ 976,914	\$ 1,290,856	\$ (18,989)	\$ 34,612,628

EARNINGS PER SHARE, basic and diluted	\$ 0.43	\$ 0.22
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853	158,872,092

- (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.
- (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.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****PRO FORMA STATEMENT OF INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2002****(Unaudited)**

	Pro Forma Adjustments					Pro Forma Total
	Wells Real Estate Investment Trust, Inc. (e)	2002 Acquisitions	Recent Acquisitions			
			PacifiCare San Antonio	BMG Greenville	Kraft Atlanta	
REVENUES:						
Rental income	\$ 38,571,815	\$ 7,307,774(a)	\$ 778,237(a)	\$ 1,222,605(a)	\$ 651,493(a)	\$ 48,531,924
Equity in income of joint ventures	2,478,686	0	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	0	2,648,351
Take out fee	134,102	0	0	0	0	134,102
	<u>43,832,954</u>	<u>7,307,774</u>	<u>778,237</u>	<u>1,222,605</u>	<u>651,493</u>	<u>53,793,063</u>
EXPENSES:						
Depreciation and amortization	12,903,282	2,588,546(b)	254,759(b)	522,160(b)	186,821(b)	16,455,568
Interest	880,002	0	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	0	0	79,067(c)	2,443,082
Management and leasing fees	1,903,082	328,850(d)	35,021(d)	55,017(d)	29,317(d)	2,351,287
General and administrative	1,121,457	0	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	0	424,992
	<u>19,296,812</u>	<u>3,217,414</u>	<u>289,780</u>	<u>577,177</u>	<u>295,205</u>	<u>23,676,388</u>
NET INCOME	<u>\$ 24,536,142</u>	<u>\$ 4,090,360</u>	<u>\$ 488,457</u>	<u>\$ 645,428</u>	<u>\$ 356,288</u>	<u>\$ 30,116,675</u>
EARNINGS PER SHARE, basic and diluted	<u>\$ 0.22</u>					<u>\$ 0.19</u>
WEIGHTED AVERAGE SHARES, basic and	110,885,641					158,872,092

diluted

- (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.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 2 DATED AUGUST 29, 2002 TO THE PROSPECTUS

DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002. When we refer to the prospectus in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

- (1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);
- (2) The declaration of dividends for the fourth quarter of 2002;
- (3) Revisions to the Description of Real Estate Investments section of the prospectus to describe the following real property matters:
 - (A) Acquisition of three office buildings in Irving, Texas (Nokia Dallas Buildings);
 - (B) Acquisition of a seven-story office building in Austin, Texas (Harcourt Austin Building); and
 - (C) Execution of a lease with AmeriCredit Financial Services in connection with a build-to-suit three-story office building in Chandler, Arizona (AmeriCredit Arizona Building);
- (4) Revisions to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the prospectus; and
- (5) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nokia Dallas Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately \$132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately \$175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately \$1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

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Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately \$84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering.

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Dividends

As we described in Supplement No. 1 to the prospectus, we acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our stockholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of \$10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of \$0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Description of Properties

As of August 25, 2002, we had purchased interests in 59 real estate properties located in 19 states, each of which was 100% leased to tenants. Below are the descriptions of our recent real property acquisitions through August 25, 2002.

Nokia Dallas Buildings

On August 15, 2002, 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 REIT, purchased three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of \$119,550,000, plus closing costs (Nokia Dallas Buildings). The Nokia Dallas Buildings consist of (1) a nine-story office building located at 6031 Connection Drive (Nokia I Building), (2) a seven-story office building located at 6021 Connection Drive (Nokia II Building), and (3) a six-story office building located at 6011 Connection Drive (Nokia III Building). The Nokia I Building and Nokia III Building were built in 1999, and the Nokia II Building was built in 2000.

The Nokia Dallas Buildings are all leased entirely to Nokia, Inc., the U.S. operating subsidiary of Nokia Corporation (Nokia), under long-term net leases (i.e., operating costs and maintenance costs are paid by the tenant) for periods of 10 years, with approximately seven to eight years remaining on such leases. Nokia, the guarantor of the Nokia, Inc. leases, is a Finnish corporation whose shares are traded on the New York Stock Exchange. Nokia is a mobile communications company that supplies mobile phones and mobile, fixed broadband, and Internet protocol networks. Nokia sells its products in over 130 countries worldwide. Nokia reported a net worth, as of December 31, 2001, of approximately \$12 billion Euros.

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Since the Dallas Nokia Buildings are leased to a single tenant on a long-term basis under net leases that transfer substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the leases, Nokia, is more relevant to investors than financial statements of the property acquired. Nokia is a public company which currently files its financial statements in reports filed with the Securities and Exchange Commission, and following is summary financial data regarding Nokia taken from its previously filed public reports:

Consolidated Profit and Loss Accounts

	For the Fiscal Year Ended		
	December 31, 2001	December 31, 2000	December 31, 1999
	(In millions of Euros)		
Net Sales	31,191	30,376	19,772
Operating Profit	3,362	5,776	3,908
Net Profit	2,200	3,938	2,577

Consolidated Balance Sheet Data

	December 31, 2001	December 31, 2000
	(In millions of Euros)	
Total Assets	22,427	19,890
Long-term liabilities	460	311
Shareholders Equity	12,205	10,808

If you would like to review more detailed financial information regarding Nokia, please refer to the financial statements of Nokia, which are publicly available with the Securities and Exchange Commission at <http://www.sec.gov>.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is \$4,413,485.

The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is \$4,547,614.

The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is \$3,024,990.

Nokia, Inc. has a right of first offer on the future sale of each of the Nokia Dallas Buildings.

Harcourt Austin Building

On August 15, 2002, Wells OP purchased a seven-story office building containing 195,230 rentable square feet located in Austin, Texas (Harcourt Austin Building) for a purchase price of \$39,000,000, plus closing costs. The Harcourt Austin Building was built in 2001 and is located at 10801 North Mopac Expressway, Austin, Texas.

The Harcourt Austin Building is leased entirely to Harcourt, Inc., a wholly owned subsidiary of Harcourt General, Inc. (Harcourt General), the guarantor of the Harcourt lease. Harcourt General is a Delaware corporation having its corporate headquarters in Newton, Massachusetts. Harcourt General is a worldwide education company that provides books, print, and electronic learning materials, assessments, and professional development programs to students and teachers in pre-kindergarten through 12th grade. Harcourt General was acquired in July 2001, by, and became a wholly owned subsidiary of, Reed Elsevier PLC, a privately held company.

The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is \$3,353,040.

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Lease of AmeriCredit Arizona Building

On August 9, 2002, Wells OP entered into a 10-year lease with AmeriCredit Financial Services, Inc. (AmeriCredit) for a build-to-suit property on a 14-acre tract of land located in Chandler, Arizona (AmeriCredit Arizona Property). Wells OP expects to enter into a definitive agreement to acquire the AmeriCredit Arizona Property in the near future.

AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the NYSE. AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately \$1.2 billion.

The AmeriCredit Arizona lease will commence shortly after completion of construction of a three-story office building containing approximately 153,494 rentable square feet on the AmeriCredit Arizona Property, which we expect to occur in approximately March 2003 at a total estimated cost of \$24,700,000. The AmeriCredit Arizona lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Arizona lease at the end of the 88th month by paying a \$2,512,697 termination fee.

As an inducement for Wells OP to enter into the AmeriCredit Arizona lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Arizona Building at a discounted amount equal to \$4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Arizona lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP's obligation to repay the prepaid rent under these conditions.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of 4.5% of gross revenues from the Nokia Dallas Buildings, the Harcourt Austin Building and the AmeriCredit Arizona Building, subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Arizona Building equal to one month's rent estimated to be approximately \$207,000.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately \$132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately \$175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately \$1,292,032,232 in gross offering proceeds from the sale of 129,203,223 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of August 25, 2002, we had received additional gross proceeds of approximately \$84,871,857 from the sale of approximately 8,487,186 shares in our fourth public offering. Accordingly, as of August 25, 2002, we had received aggregate gross offering proceeds of approximately \$1,684,315,201 from the sale of approximately 168,431,520 shares in all of our public offerings. After payment of \$58,452,949 in acquisition and advisory fees and acquisition expenses, payment of \$187,490,370 in selling commissions and organization and offering expenses, and common stock redemptions of \$14,230,931 pursuant to our share redemption program, as of August 25, 2002, we had raised aggregate net offering proceeds available for investment in properties of \$1,424,140,951, out of which \$1,128,348,590 had been invested in real estate properties, and \$295,792,361 remained available for investment in real estate properties.

Financial Statements

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

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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. 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 Other Recent Acquisitions) and the Nokia Dallas Buildings (collectively, the Recent Acquisitions) 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, 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) and the 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 and the 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, 2002 Acquisitions and the Recent Acquisitions been consummated as of January 1, 2001.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments		Pro Forma Total
		Recent Acquisitions		
		Other	Nokia Dallas	
REAL ESTATE ASSETS, at cost:				
Land	\$ 110,330,449	\$ 8,488,044 (a) 345,443 (b)	\$ 9,100,000 (a) 370,348 (b)	\$ 128,634,284
Buildings, less accumulated depreciation of \$37,717,737	689,490,969	46,302,615 (a) 1,884,408 (b)	110,831,069 (a) 4,510,567 (b)	853,019,628
Construction in progress	16,081,841	379,901 (a)	0	16,461,742
Total real estate assets	815,903,259	57,400,411	124,811,984	998,115,654
CASH AND CASH EQUIVALENTS	341,909,775	(43,452,969)(a) 200,566,384 (c) (7,019,823)(d)	(119,931,069)(a)	372,072,298
INVESTMENT IN JOINT VENTURES	76,217,870	0	0	76,217,870
INVESTMENT IN BONDS	22,000,000	0	0	22,000,000
ACCOUNTS RECEIVABLE	10,709,104	0	0	10,709,104
DEFERRED LEASE ACQUISITION COSTS, net	1,790,608	0	0	1,790,608
DEFERRED PROJECT COSTS	14,314,914	(2,229,851)(b) 7,019,823 (d)	(4,880,915)(b)	14,223,971
DEFERRED OFFERING COSTS	1,392,934	0	0	1,392,934
DUE FROM AFFILIATES	1,897,309	0	0	1,897,309
NOTE RECEIVABLE	5,149,792	0	0	5,149,792
PREPAID EXPENSES AND OTHER ASSETS, net	1,881,308	0	0	1,881,308

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Total assets	\$ 1,293,166,873	\$ 212,283,975	\$ 0	\$ 1,505,450,848
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Table of Contents**LIABILITIES AND SHAREHOLDERS EQUITY**

	Wells Real Estate Investment Trust, Inc. (e)	Pro Forma Adjustments		Pro Forma Total
		Recent Acquisitions		
		Other	Nokia	
			Dallas	
LIABILITIES:				
Accounts payable and accrued expenses	\$ 11,840,214	\$ 14,830(a)	\$ 0	\$ 11,855,044
Notes payable	15,658,141	11,702,761(a)	0	27,360,902
Obligations under capital lease	22,000,000	0	0	22,000,000
Dividends payable	4,538,635	0	0	4,538,635
Due to affiliates	2,106,790	0	0	2,106,790
Deferred rental income	1,013,544	0	0	1,013,544
Total liabilities	57,157,324	11,717,591	0	68,874,915
COMMITMENTS AND CONTINGENCIES				
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	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	200,566(c)	0	1,656,456
Additional paid-in capital	1,290,858,515	200,365,818(c)	0	1,491,224,333
Cumulative distributions in excess of earnings	(43,991,669)	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	(289,379)
Total shareholders equity	1,235,809,549	200,566,384	0	1,436,375,933
Total liabilities and shareholders equity	\$ 1,293,166,873	\$ 212,283,975	\$ 0	\$ 1,505,450,848

(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 purchase price.

(c) Reflects capital raised through issuance of additional shares subsequent to June 30, 2002 through Nokia Dallas acquisition date.

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

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

The accompanying notes are an integral part of this statement.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****PRO FORMA STATEMENT OF INCOME****FOR THE YEAR ENDED DECEMBER 31, 2001****(Unaudited)**

	Pro Forma Adjustments					Pro Forma Total
	Wells Real Estate Investment Trust, Inc.(f)	Recent Acquisitions				
		2001	2002	Nokia		
		Acquisitions	Acquisitions	Other	Dallas	
REVENUES:						
Rental income	\$ 44,204,279	\$ 11,349,076(a)	\$ 14,846,431(a)	\$ 4,020,112(a)	\$ 12,518,628(a)	\$ 86,938,526
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	137,500
	<u>49,308,802</u>	<u>12,460,926</u>	<u>14,846,431</u>	<u>4,020,112</u>	<u>12,518,628</u>	<u>93,154,899</u>
EXPENSES:						
Depreciation	15,344,801	5,772,761(c)	5,356,374(c)	1,584,975(c)	4,613,665(c)	32,672,576
Interest	3,411,210	0	0	0	0	3,411,210
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	8,493,879
Management and leasing fees	2,507,188	510,708(e)	668,090(e)	180,904(e)	563,338(e)	4,430,228
General and administrative	973,785	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	448,776
	<u>27,584,835</u>	<u>9,137,744</u>	<u>7,529,733</u>	<u>1,771,331</u>	<u>5,177,003</u>	<u>51,200,646</u>
NET INCOME	<u>\$ 21,723,967</u>	<u>\$ 3,323,182</u>	<u>\$ 7,316,698</u>	<u>\$ 2,248,781</u>	<u>\$ 7,341,625</u>	<u>\$ 41,954,253</u>
EARNINGS PER SHARE, basic and diluted	<u>\$ 0.43</u>					<u>\$ 0.26</u>
WEIGHTED AVERAGE SHARES, basic and diluted	<u>50,520,853</u>					<u>164,423,411</u>

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- (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.
- (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.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****PRO FORMA STATEMENT OF INCOME****FOR THE SIX MONTHS ENDED JUNE 30, 2002****(Unaudited)**

	Pro Forma Adjustments				Pro Forma Total
	Wells Real Estate Investment Trust, Inc.(e)	2002 Acquisitions	Recent Acquisitions		
			Other	Nokia	
				Dallas	
REVENUES:					
Rental income	\$ 38,571,815	\$ 7,307,774(a)	\$ 2,652,335(a)	\$ 6,259,314(a)	\$ 54,791,238
Equity in income of joint ventures	2,478,686	0	0	0	2,478,686
Interest income	2,648,351	0	0	0	2,648,351
Take out fee	134,102	0	0	0	134,102
	<u>43,832,954</u>	<u>7,307,774</u>	<u>2,652,335</u>	<u>6,259,314</u>	<u>60,052,377</u>
EXPENSES:					
Depreciation	12,903,282	2,588,546(b)	963,740(b)	2,306,833(b)	18,762,401
Interest	880,002	0	0	0	880,002
Operating costs, net of reimbursements	2,063,997	300,018(c)	79,067(c)	0	2,443,082
Management and leasing fees	1,903,082	328,850(d)	119,355(d)	281,669(d)	2,632,956
General and administrative	1,121,457	0	0	0	1,121,457
Amortization of deferred financing costs	424,992	0	0	0	424,992
	<u>19,296,812</u>	<u>3,217,414</u>	<u>1,162,162</u>	<u>2,588,502</u>	<u>26,264,890</u>
NET INCOME	<u>\$ 24,536,142</u>	<u>\$ 4,090,360</u>	<u>\$ 1,490,173</u>	<u>\$ 3,670,812</u>	<u>\$ 33,787,487</u>
EARNINGS PER SHARE, basic and diluted	<u>\$ 0.22</u>				<u>\$ 0.21</u>
WEIGHTED AVERAGE SHARES, basic and diluted	<u>110,885,641</u>				<u>164,423,411</u>

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- (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.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 3 DATED OCTOBER 15, 2002 TO THE PROSPECTUS

DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002. When we refer to the prospectus in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

- (1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);
- (2) Revisions to the Description of Real Estate Investments section of the prospectus to describe the following real property acquisitions:
 - (A) Acquisition of a two-story office building and a one-story daycare facility in Holtsville, New York (IRS Long Island Buildings);
 - (B) Acquisition of a 14.74 acre tract of land and the build-to-suit construction of a three-story office building in Chandler, Arizona (AmeriCredit Phoenix Building);
 - (C) Acquisition of a four-story office building in Parsippany, New Jersey (KeyBank Parsippany Building);
 - (D) Acquisition of a one-story office building located in Indianapolis, Indiana (Allstate Indianapolis Building);
 - (E) Acquisition of a three-story office building located in Colorado Springs, Colorado (Federal Express Colorado Springs Building);
 - (F) Acquisition of a one-story office and distribution building in Des Moines, Iowa (EDS Des Moines Building);
 - (G) Acquisition of a two-story office building with a three-story wing located in Plano, Texas (Intuit Dallas Building); and
 - (H) Acquisition of a two-story office building in Westlake, Texas (Daimler Chrysler Dallas Building);
- (3) Revisions to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the prospectus;
- (4) Status of the development of the Nissan Project;

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- (5) Audited financial statements relating to the Harcourt Austin Building, which acquisition was described in Supplement No. 2 dated August 29, 2002, the IRS Long Island Buildings and the KeyBank Parsippany Building; and
- (6) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Harcourt Austin Building, IRS Long Island Buildings, AmeriCredit Phoenix Property, KeyBank Parsippany Building, Allstate Indianapolis Building, Federal Express Colorado Springs Building, EDS Des Moines Building, Intuit Dallas Building and Daimler Chrysler Dallas Building.

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Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately \$132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately \$175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately \$1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately \$276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering.

Description of Properties

As of October 15, 2002, we had purchased interests in 67 real estate properties located in 22 states. Below are the descriptions of our recent real property acquisitions.

IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC (REIT-Holtsville), a Georgia limited liability company wholly-owned by 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 REIT, purchased a two-story office building (IRS Office Building) and a one-story daycare facility (IRS Daycare Facility) containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of \$50,975,000, plus closing costs from HIRS Associates LLC (HIRS). HIRS is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville, or our advisor, Wells Capital, Inc.

The IRS Office Building was built in 2000 and is located at 5000 Corporate Court in Holtsville, New York on a 36.25-acre tract of land. The IRS Daycare Facility was built in 1999 and is located on a 1.87-acre tract of land located at 2 Corporate Drive in Holtsville, New York. The IRS Office Building is located in central Long Island in a campus setting. The property was developed as a flagship campus for the Internal Revenue Service (IRS) and is one of only eight processing and collection facilities in the country.

Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS (IRS Collection), the compliance division of the IRS (IRS Compliance), and the IRS Daycare Facility. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as the IRS.

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REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to \$14,500,000 as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

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All three of the IRS leases are net leases (i.e., operating costs and maintenance costs are paid by the tenant) which include provisions that require the landlord and the property manager to comply with various employment related practices and other various laws typically required by government entities. Although we believe that the Wells REIT, Wells OP and REIT-Holtsville should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenant has the right under each of the IRS leases to terminate the lease or to require compliance by the appropriate entities. REIT-Holtsville, as the landlord, is responsible for maintaining and repairing the roof, structural elements and mechanical systems of the IRS Long Island Buildings.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is \$5,029,380. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be \$2,814,900. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of \$4,209,869 and \$4,999,219, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is \$1,663,200. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of \$2,217,600.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is \$486,799. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of \$435,600.

AmCap Management Corporation, an affiliate of HIRS, the seller of the property, will serve as the initial property manager of the IRS Long Island Buildings for a period of up to 18 months. AmCap Management Corporation is not in any way affiliated with the Wells REIT, Wells OP, REIT-Holtsville or our advisor. Prior to the expiration of the 18-month term of the property management agreement, REIT-Holtsville will be required to locate and hire a new property manager for the IRS Long Island Buildings.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased a 14.74 acre tract of land located in Chandler, Maricopa County, Arizona (AmeriCredit Phoenix Property (formerly referred to as AmeriCredit Arizona Property)) for \$2,632,298, plus closing costs from Price & Germann Roads, L.L.C., an Arizona limited liability company (Price). Price is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP has entered into a development agreement and an owner-contractor agreement to construct a three-story office building containing 153,494 rentable square feet (AmeriCredit Phoenix Project) on the AmeriCredit Phoenix Property. Wells OP anticipates that the aggregate of all costs and expenses to be incurred with respect to the acquisition of the AmeriCredit Phoenix Property, and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately \$24,700,000.

Development Agreement. Wells OP entered into a Development Agreement (Development Agreement) with ADEVCO Corporation, a Georgia corporation (Developer), as the exclusive development manager to supervise, manage and coordinate the planning, design, construction and completion of the AmeriCredit Phoenix Project. As compensation for the services to be rendered by the Developer under the Development

Agreement, Wells OP will pay a development fee payable ratably (on

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the basis of the percentage of construction completed) as the construction and development of the AmeriCredit Phoenix Project is completed.

Owner-Contractor Agreement. Wells OP entered into an Owner-Contractor Agreement (Construction Agreement) with Bovis Lend Lease, Inc. (Contractor) for the construction of the AmeriCredit Phoenix Project. The Contractor is a worldwide construction company with U.S. headquarters in New York. The Contractor provides services in a variety of sectors in the construction industry, including commercial, residential, industrial, pharmaceutical, sports and leisure, and retail and entertainment. The Contractor began construction in September 2002 of a three-story office building containing approximately 153,494 rentable square feet (AmeriCredit Phoenix Building).

The Construction Agreement provides that Wells OP will pay the Contractor a maximum of \$10,398,274 for the construction of the AmeriCredit Phoenix Project which includes all estimated fees and costs, including the architect fees. The Contractor will be responsible for all costs of labor, materials, construction equipment and machinery necessary for completion of the AmeriCredit Phoenix Project. In addition, the Contractor will be required to secure and pay for any additional business licenses, tap fees and building permits which may be necessary for construction of the AmeriCredit Phoenix Project.

AmeriCredit Phoenix Lease. The AmeriCredit Phoenix Building will be leased entirely to AmeriCredit Financial Services, Inc. (AmeriCredit). AmeriCredit is wholly-owned by, and serves as the primary operating subsidiary for, AmeriCredit Corp., a Texas corporation whose common stock is publicly traded on the New York Stock Exchange (NYSE). AmeriCredit Corp. is the guarantor of the lease. AmeriCredit is the world's largest independent middle-market automobile finance company. AmeriCredit purchases loans made by franchised and select independent dealers to consumers buying late model used and, to a lesser extent, new automobiles. AmeriCredit Corp. reported a net worth, as of December 31, 2001, of approximately \$1.2 billion.

The AmeriCredit Phoenix lease is a net lease (i.e., operating costs and maintenance costs to be paid by the tenant) and will commence shortly after completion of construction of the AmeriCredit Phoenix Building, which we currently expect to occur in approximately March 2003. The AmeriCredit Phoenix lease expires 10 years and four months after lease commencement. AmeriCredit has the right to extend the initial term of this lease for two additional five-year terms at 95% of the then-current market rental rate. In addition, AmeriCredit may terminate the AmeriCredit Phoenix lease at the end of the 88th month by paying a \$2,512,697 termination fee. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, structural walls, exterior windows, parking lot, driveways, and light poles.

As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent on the AmeriCredit Phoenix Building at a discounted amount equal to \$4,827,945 rather than the amount of base rent that would otherwise have been payable ratably over the first three years of the lease term. Wells OP will be required to repay this prepaid rent or some portion thereof under certain circumstances described in the AmeriCredit Phoenix lease such as failure of Wells OP to substantially complete construction of the building in accordance with specifications by August 1, 2003, damage or destruction of the building, eminent domain taking of the property and failure of Wells OP to make required repairs to the building. Wells OP has obtained and delivered an irrevocable stand-by letter of credit from Bank of America, N.A. to AmeriCredit in the amount of the prepaid rent to secure Wells OP's obligation to repay the prepaid rent under these conditions.

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KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased a four-story office building containing 404,515 rentable square feet located on a 19.06 acre tract of land in Parsippany, New Jersey (KeyBank Parsippany Building) for a purchase price of \$101,350,000, plus closing costs from Two Gatehall Associates, L.L.C. (Gatehall) and Asset Preservation, Inc. (Asset). Neither Gatehall nor Asset are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Key Bank Parsippany Building was completed in 1985 and is located at Two Gatehall Drive in Parsippany, Morris County, New Jersey. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (KeyBank) and Gemini Technology Services (Gemini).

KeyBank is a national banking association and a wholly-owned subsidiary of KeyCorp, the guarantor on the lease. KeyCorp, whose shares are traded on the NYSE, is a bank-based financial services company that provides investment management, retail and commercial banking, retirement, consumer finance, and investment banking products and services to individuals and companies throughout the United States and internationally. KeyCorp operates approximately 2,300 ATMs across the United States. KeyCorp reported a net worth, as of June 30, 2002, of approximately \$6.6 billion.

The KeyBank lease covers 200,000 rentable square feet (49%) and is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is \$3,800,000. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

Gemini Technology Services is an information technology subsidiary of Deutsch Bank AG (Deutsch Bank). Deutsch Bank provides financial services around the world to individuals and institutional clients and serves more than 12 million customers in 75 countries worldwide.

The Gemini lease covers 204,515 rentable square feet (51%) and is a gross lease (i.e., operating costs and maintenance costs are the responsibility of the landlord) that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is \$5,726,420. Gemini secured its obligations under the Gemini lease with a \$35,000,000 irrevocable letter of credit, which amount decreases over time during the initial term of the Gemini lease. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased a one-story office building containing 89,956 rentable square feet located on a 12.71 acre tract of land in Indianapolis, Indiana (Allstate Indianapolis Building) for a purchase price of \$10,900,000, plus closing costs from Hartsfield Building, LLC (Hartsfield). In addition, at closing, Hartsfield assigned to Wells OP a purchase option agreement for the right to purchase an additional adjacent 2.38 acre tract of land for \$249,000 on or before January 2007. Hartsfield is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

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The Allstate Indianapolis Building was completed in 2002 and is located at 5757 Decatur Blvd. in Indianapolis, Marion County, Indiana. The Allstate Indianapolis Building is leased to Allstate Insurance Company (Allstate) and Holladay Property Services Midwest, Inc. (Holladay).

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Allstate Corporation, the holding company for Allstate whose shares are traded on the NYSE, provides automobile, homeowner s, and life insurance throughout the United States, as well as numerous investment products, including retirement planning, annuities and mutual funds. Allstate Corporation reported a net worth, as of June 30, 2002, of approximately \$17.2 billion.

The Allstate lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is \$1,246,164. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of a \$385,000 fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building. Wells OP, as the landlord, will be responsible for maintaining the exterior of the building, parking lots, driveways, roof and all structural parts of the building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is \$74,832.

Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased a three-story office building containing 155,808 rentable square feet located on a 28.01 acre tract of land in Colorado Springs, Colorado (Federal Express Colorado Springs Building) for a purchase price of \$26,000,000, plus closing costs from KDC-CO I Investment Limited Partnership (KDC). KDC is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Federal Express Colorado Springs Building was completed in 2001 and is located at 350 Spectrum Loop in Colorado Springs, El Paso County, Colorado. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (Federal Express). The Federal Express lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in October 2016. Federal Express, whose shares are traded on the NYSE, provides transportation, e-commerce and supply chain management services in over 210 countries through its numerous subsidiaries.

Since the Federal Express Colorado Springs Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about Federal Express is more relevant to investors than financial statements of the property acquired.

Federal Express currently files its financial statements in reports filed with the Securities and Exchange Commission (SEC), and the following summary financial data regarding Federal Express is taken from its previously filed public reports:

FOR THE FISCAL YEAR ENDED

MAY 31, 2002	MAY 31, 2001	MAY 31, 2000
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	(IN MILLIONS)		
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	\$ 15,327	\$ 15,534	\$ 15,068
Operating Income	\$ 811	\$ 847	\$ 900
Net Income	\$ 443	\$ 499	\$ 510

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	MAY 31, 2002	MAY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	\$ 9,949	\$ 9,623
Long-Term Debt	\$ 851	\$ 852
Stockholders' Equity	\$ 4,673	\$ 4,248

For more detailed financial information regarding Federal Express, please refer to the financial statements of Federal Express Corporation, which are publicly available with the SEC at <http://www.sec.gov>.

The current annual base rent payable under the Federal Express lease is \$2,248,309. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building. Wells OP has agreed to allow Koll Development Company, LLC (Koll Development), an affiliate of the seller of the property, to develop such expansion provided that Wells OP shall have the right of first refusal to purchase such expansion property within three years after completion. Koll Development is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, structural components of the parking areas, drives and sidewalks and the underground utilities of the Federal Express Colorado Springs Building. In addition, Wells OP is responsible for the capital replacements of the mechanical and electrical systems for the Federal Express Colorado Springs Building.

EDS Des Moines Building

On September 27, 2002, Wells OP purchased from KDC-EDS Des Moines Investments, LLC (KDC-EDS), Koll Development and Koll Corporate Development I-Iowa, L.P. (Koll Corporate) all of the partnership interests in KDC-EDS Des Moines Investment Limited Partnership, a Texas limited partnership, which owns a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located on a 27.97 acre tract of land in Des Moines, Iowa (EDS Des Moines Building) for a purchase price of \$26,500,000, plus closing costs. Neither KDC-EDS, Koll Development nor Koll Corporate are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The EDS Des Moines Building was completed in 2002 and is located at 3600 Army Post Road in Des Moines, Polk County, Iowa. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. (EDS), a wholly-owned subsidiary of Electronic Data Systems Corporation (EDS Corp). EDS Corp is the guarantor of the EDS lease. The EDS lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in May 2002 and expires in April 2012. EDS Corp, whose shares are traded on the NYSE, is a global information technology services company with services ranging from computer support to server management to web hosting. EDS Corp operates in 60 countries worldwide.

Since the EDS Des Moines Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about EDS Corp, the guarantor of the EDS lease, is more relevant to investors than financial statements of the property acquired.

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EDS Corp currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding EDS Corp is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	DECEMBER 31, 2001	DECEMBER 31, 2000	DECEMBER 31, 1999
	(IN MILLIONS)		
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	\$ 21,543	\$ 19,227	\$ 18,732
Operating Income	\$ 2,096	\$ 1,818	\$ 473
Net Income	\$ 1,363	\$ 1,143	\$ 421

	DECEMBER 31, 2001	DECEMBER 31, 2000
		(IN MILLIONS)
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	\$ 16,353	\$ 12,692
Long-Term Debt	\$ 4,692	\$ 2,585
Stockholders' Equity	\$ 6,446	\$ 5,139

For more detailed financial information regarding EDS Corp, please refer to the financial statements of Electronic Data Systems Corporation, which are publicly available with the SEC at <http://www.sec.gov>.

The current annual base rent payable under the EDS lease is \$2,389,500. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, exterior walls, plumbing and electrical lines for the EDS Des Moines Building.

Intuit Dallas Building

On September 27, 2002, Wells OP purchased a two-story office building with a three-story wing containing 166,238 rentable square feet located on a 10.7 acre tract of land in Plano, Texas (Intuit Dallas Building) for a purchase price of \$26,500,000, plus closing costs from KDC-TX I Investment Limited Partnership (KDC-TX). KDC-TX is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Intuit Dallas Building was completed in 2001 and is located at 5601 Headquarters Drive in Plano, Collin County, Texas. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation (Lacerte), a wholly-owned subsidiary of Intuit, Inc. (Intuit). Intuit is the guarantor of the Lacerte lease. The Lacerte lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in July 2001 and expires in June 2011.

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Lacerte is a tax software development company that offers a variety of tax software products and customer support services. Intuit, whose shares are traded on the NASDAQ, provides small business, tax preparation and personal finance software products and Web-based services that simplify complex financial tasks for consumers, small businesses and accounting professionals.

Since the Intuit Dallas Building is leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that financial information about the guarantor of the lease, Intuit, is more relevant to investors than financial statements of the property acquired.

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Intuit currently files its financial statements in reports filed with the SEC, and the following summary financial data regarding Intuit is taken from its previously filed public reports:

	FOR THE FISCAL YEAR ENDED		
	JULY 31, 2002	JULY 31, 2001	JULY 31, 2000
	(IN MILLIONS)		
CONSOLIDATED STATEMENTS OF OPERATIONS:			
Revenues	\$ 1,358	\$ 1,148	\$ 1,037
Income (Loss) from Continuing Operations	\$ 59	\$ (74)	\$ 9
Net Income (Loss)	\$ 140	\$ (83)	\$ 306

	JULY 31, 2002	JULY 31, 2001
	(IN MILLIONS)	
CONSOLIDATED BALANCE SHEET DATA:		
Total Assets	\$ 2,963	\$ 2,862
Long-Term Debt	\$ 15	\$ 12
Stockholders' Equity	\$ 2,216	\$ 2,161

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

The current annual base rent payable under the Lacerte lease is \$2,461,985. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of \$17.92 per square foot and \$19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19-acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon. Wells OP has agreed to allow Koll Development, an affiliate of KDC-TX, the seller of the property, to develop any such expansion. Wells OP, as the landlord, is responsible for maintaining the structural elements of the building, including the parking deck, roof, building facade, foundation, load bearing walls and building and utility systems for the Intuit Dallas Building.

Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased from Hillwood Operating, L.P. (Hillwood) and ABI Commercial L.P. (ABI) all of the partnership interests in CT Corporate Center No. 1, L.P. (CT), a Texas limited partnership, which owns a two-story office building containing 130,290 rentable square feet located in Westlake, Texas (Daimler Chrysler Dallas Building) for a purchase price of \$25,100,000, plus closing costs. Neither Hillwood nor ABI are in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Daimler Chrysler Dallas Building was completed in 2001 and is located at 2050 Roanoke Road in Westlake, Tarrant County, Texas. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC (Daimler Chrysler NA). Daimler Chrysler NA is a wholly owned subsidiary of DaimlerChrysler AG (DaimlerChrysler). DaimlerChrysler is one of the world's leading automotive,

transportation and services companies and has over 50 operating plants worldwide.

The Daimler Chrysler NA lease is a gross lease (i.e., operating costs and maintenance costs are paid by the landlord) which commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is \$3,189,499. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease. Wells OP, as the landlord, is responsible for maintaining the roof, foundation, and structural members of the exterior walls of the building, trash

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removal, janitorial and window-washing services, pest control, landscaping maintenance, water, lighting and passenger elevator service for the Daimler Chrysler Dallas Building.

Property Management Fees

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the AmeriCredit Phoenix Building, the KeyBank Parsippany Building, the Allstate Indianapolis Building, the Federal Express Colorado Springs Building, the EDS Des Moines Building, the Intuit Dallas Building and the Daimler Chrysler Dallas Building subject to certain limitations. In addition, Wells Management will receive a one-time initial lease-up fee relating to the leasing of the AmeriCredit Phoenix Building equal to one month's rent estimated to be approximately \$207,000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002 and Supplement No. 2 dated August 29, 2002.

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately \$132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately \$175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately \$1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of October 15, 2002, we had received additional gross proceeds of approximately \$276,782,914 from the sale of approximately 27,678,291 shares in our fourth public offering. Accordingly, as of October 15, 2002, we had received aggregate gross offering proceeds of approximately \$1,876,226,258 from the sale of approximately 187,622,626 shares in all of our public offerings. After payment of \$65,068,579 in acquisition and advisory fees and acquisition expenses, payment of \$208,356,782 in selling commissions and organization and offering expenses, and common stock redemptions of \$17,123,992 pursuant to our share redemption program, as of October 15, 2002, we had raised aggregate net offering proceeds available for investment in properties of \$1,585,676,905, out of which \$1,400,791,370 had been invested in real estate properties, and \$184,885,535 remained available for investment in real estate properties.

Status of the Nissan Project

As of September 30, 2002, Wells OP had expended \$24,226,880 towards the construction of the three-story approximately 268,290 rentable square foot office building in Irving, Texas. The Nissan Project is approximately 47% complete and is currently expected to be completed in February 2003. We estimate that the aggregate cost and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Nissan Project will total approximately \$41,855,600, which is within the budgeted amount for the property.

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Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The statements of revenues over certain operating expenses of the Harcourt Austin Building, the IRS Long Island Buildings and the KeyBank Parsippany Building for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of June 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the six months ended June 30, 2002, which are included in this supplement, have not been audited.

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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 Harcourt Austin Building (the Building) for the year ended December 31, 2001. This statement is the responsibility of the 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 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 Harcourt Austin 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

October 21, 2002

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Harcourt Austin Building

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	<u>2002</u>	<u>2001</u>
	(Unaudited)	
Rental revenues	\$ 1,770,085	\$ 1,770,085
Operating expenses, net of reimbursements	64,780	67,131
	<u> </u>	<u> </u>
Revenues over certain operating expenses	\$ 1,705,305	\$ 1,702,954
	<u> </u>	<u> </u>

See accompanying notes.

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Harcourt Austin Building

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On August 15, 2002, the Wells Operating Partnership, L.P. (Wells OP) acquired the Harcourt Austin Building from Carr Development & Construction, LP (Carr). 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.

Harcourt, Inc. (Harcourt) currently occupies the entire 195,230 rentable square feet of the seven-story office building under a lease agreement (the Harcourt Lease). Harcourt is a Delaware corporation owned equally by Reed Elsevier PLC and Reed Elsevier NV whose shares are traded on the New York Stock Exchange. Carr s interest in the Harcourt Lease was assigned to Wells OP upon acquisition of the building. The initial term of the Harcourt Lease commenced in July 2001 and expires in June 2016. Under the Harcourt Lease, Harcourt is required to pay, as additional rent, all operating costs, including but not limited to electricity, water, sewer, insurance, taxes and a management fee not to exceed 3.5% of rent. Furthermore, Harcourt will be required to reimburse the landlord for costs of capital improvements that are intended to reduce operating costs or improve safety and any replacement or capital repairs to the Building s HVAC systems. Wells OP will be responsible for maintaining and repairing the Building s roof, structural elements and mechanical systems.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease. The accompanying statements of revenues over certain operating expenses include rental revenues from the date of commencement of the Harcourt Lease in July 2001.

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

Harcourt Austin Building after its acquisition by Wells OP.

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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	\$ 3,104,157
2003	3,104,157
2004	3,104,157
2005	3,104,157
2006	3,314,029
Thereafter	35,819,824
	<hr/>
	\$ 51,550,481
	<hr/>

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the 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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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 IRS Long Island Buildings (the Buildings) for the year ended December 31, 2001. This statement is the responsibility of the Buildings 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 Buildings 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 IRS Long Island Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia

September 26, 2002

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IRS Long Island Buildings

Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

	<u>2002</u>	<u>2001</u>
	(Unaudited)	
Rental revenues	\$ 3,106,658	\$ 4,665,840
Operating expenses, net of reimbursements	641,803	745,258
	<u> </u>	<u> </u>
Revenues over certain operating expenses	\$ 2,464,855	\$ 3,920,582
	<u> </u>	<u> </u>

See accompanying notes.

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IRS Long Island Buildings

Notes to Statements of Revenues Over Certain Operating Expenses

Year ended December 31, 2001 and the six months ended June 30, 2002 (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 13, 2002, Wells REIT Holtsville, NY, LLC (the Company) acquired the IRS Long Island Buildings (the Buildings) from HIRS Associates, LLC (HIRS). The Company, a Georgia limited liability company, was created on September 10, 2002 by the Wells Operating Partnership, L.P. (Wells OP) as 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 United States of America, through the U.S. General Services Administration (GSA), currently leases 191,049 of the total 259,700 rentable square feet on behalf of the Internal Revenue Service under three leases (the IRS Collection Lease, the IRS Compliance Lease and the IRS Daycare Facility Lease, collectively, the IRS Leases). The GSA is a centralized federal procurement and property management agency created by Congress to improve government efficiency and effectiveness. GSA acquires on the government's behalf, the office space, equipment, telecommunications, information technology, supplies and services they need to achieve their agency's mission of services to the public. HIRS's interests in the GSA Leases were assigned to Wells OP upon acquisition of the Buildings. The IRS Collection Lease commenced in August 2000 and expires in August 2005. The IRS Compliance Lease commenced in December 2001 and expires in December 2011. The IRS Daycare Facility Lease commenced in October 1999 and expires in September 2004. Under the IRS Leases, beginning in the second lease year and each year after, the tenant will pay, as adjusted rent, changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Wells OP will be responsible for maintaining and repairing the Buildings' roof, structural elements and mechanical systems.

If the Company secures an additional lease with the IRS or another suitable tenant for the remaining 68,651 square feet of vacant space in the Buildings within 18 months, the Company would owe an additional amount of up to \$14,500,000 as additional purchase price for the Buildings pursuant to the terms of an earnout agreement entered into between the Company and HIRS at closing.

Rental Revenues

Rental income is recognized on a straight-line basis over the term of the lease.

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.

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Notes to Statements of Revenues Over Certain Operating Expenses

(Continued)

Accordingly, these statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as depreciation, interest, and management fees. Therefore, these statements are not comparable to the statement of operations of the Buildings after its acquisition by Wells OP.

3. FUTURE MINIMUM RENTAL COMMITMENTS

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

2002	\$ 6,761,367
2003	6,256,896
2004	4,843,722
2005	3,305,530
2006	1,663,200
Thereafter	8,316,000
	<hr/>
	\$ 31,146,715
	<hr/>

4. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 30, 2002 is unaudited, however in the 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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Report of Independent Auditors

Board of Directors and Stockholders

Wells Real Estate Investment Trust, Inc.

We have audited the accompanying statement of revenues over certain operating expenses of the KeyBank Parsippany Building (the Building) for the year ended December 31, 2001. This statement is the responsibility of the 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 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 KeyBank Parsippany Building for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

New York, New York

January 31, 2002

Table of Contents**KeyBank Parsippany****Statements of Revenues Over Certain Operating Expenses***(Amounts in thousands)*

	Six Months Ended June 30, 2002	Year Ended December 31, 2001
	(Unaudited)	
Revenues:		
Base rent	\$ 5,089	\$ 9,421
Tenant reimbursements	1,117	1,833
Total revenues	6,206	11,254
Operating expenses	1,522	3,159
Revenues over certain operating expenses	\$ 4,684	\$ 8,095

See accompanying notes.

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KeyBank Parsippany

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2001 and the six months ended

June 30, 2002 (Unaudited)

(Amounts in thousands)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On September 27, 2002, the Wells Operating Partnership acquired the KeyBank Parsippany Building (the Building), a 404,515 square foot office building in Parsippany, New Jersey, from Two Gatehall Acquisition, L.L.C. and Asset Preservation, Inc. (collectively the Seller).

At December 31, 2001, the Building was 100% leased to two tenants, Exodus Communications, Inc. (Exodus) and KeyBank USA National Association, under operating leases that were both executed in 2000. Both operating leases expire over the next 15 years.

Exodus filed bankruptcy in 2001. On January 17, 2002, the Exodus lease was assigned to Gemini Technology Services, Inc., an affiliate of Deutsche Bank, AG. Deutsche Bank, AG assumed all of the obligations of Exodus under the lease.

The lease agreements provide for certain reimbursements of real estate taxes, insurance and certain common area maintenance costs.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the initial term of the lease. The excess of rents so recognized over amounts contractually due pursuant to the underlying leases for the six months ended June 30, 2002 and the year ended December 31, 2001 was \$326 (unaudited) and \$3,279, respectively. Such amounts are included in rental and reimbursement revenues in the accompanying financial statements.

Use of Estimates

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

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 Building such as depreciation and interest.

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3. LEASE AGREEMENTS

The minimum rental receipts due on the noncancelable operating leases as of December 31, 2001 are as follows:

2002	\$ 9,526
2003	9,526
2004	9,526
2005	9,526
2006	10,464
Thereafter	88,139
	<u>\$ 136,707</u>

Reimbursement revenue was \$1,117 (unaudited) and \$1,833 for the six months ended June 30, 2002 and the year ended December 31, 2001, respectively.

4. RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, an affiliate of the Seller has responsibilities of property management and leasing of the Building.

5. INTERIM UNAUDITED FINANCIAL INFORMATION

The financial statement for the six months ended June 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 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. 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 ISS Atlanta Buildings, the PacifiCare San Antonio Building, the Kerr McGee Property, the BMG Greenville Buildings, the Kraft Atlanta Building, the Nokia Dallas Buildings (the Other Recent Acquisitions), the Harcourt Austin Building, the AmeriCredit Phoenix Property, 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 and the Daimler Chrysler Dallas Building (collectively, the Recent Acquisitions) 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, 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) 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 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 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.

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

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2002

(Unaudited)

ASSETS

Pro Forma Adjustments

Recent Acquisitions

Real Estate Investment Inc.(i)	Other	Harcourt Austin	AmeriCredit Phoenix	IRS Long Island	KeyBank Parsippany	Allstate Indianapolis	Federal Express Colorado Springs	EDS Des Moines	Intuit Dallas	Da Ch D
330,449	\$ 20,288,044(a) 825,675(b)	\$ 5,860,000(a) 238,488(b)	\$ 2,671,324(a) 108,717(b)	\$ 4,200,000(a) 174,724(b)	\$ 8,700,000(a) 353,694(b)	\$ 1,275,000(a) 51,753(b)	\$ 2,100,000(a) 85,465(b)	\$ 850,000(a) 34,593(b)	\$ 3,030,000(a) 123,314(b)	\$ 2,
490,969	195,198,843(a) 7,944,138(b)	33,143,323(a) 1,348,856(b)	0 0	46,287,120(a) 1,925,583(b)	92,943,893(a) 3,778,591(b)	9,679,933(a) 392,914(b)	23,987,714(a) 976,244(b)	25,727,376(a) 1,047,044(b)	23,639,654(a) 962,079(b)	22,
081,841	379,901(a)	0	0	0	0	0	0	0	0	
003,259	224,636,601	40,590,667	2,780,041	52,587,427	105,776,178	11,399,600	27,149,423	27,659,013	27,755,047	26,
009,775	(203,990,460)(a) 365,329,012(c) (12,786,515)(e)	(39,003,323)(a)	(2,671,324)(a) 4,827,945(h)	(51,454,530)(a)	(101,643,893)(a)	(10,954,933)(a)	(26,087,714)(a)	(26,577,376)(a)	(26,669,654)(a)	25,
217,870	0	0	0	0	0	0	0	0	0	
000,000	32,500,000(e)	0	0	0	0	0	0	0	0	
709,104	0	0	0	0	0	0	0	0	0	
790,608	0	0	0	0	0	0	0	0	0	

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314,914	(8,769,813)(b)	(1,587,344)(b)	(108,717)(b)	(2,100,307)(b)	(4,132,285)(b)	(444,667)(b)	(1,061,709)(b)	(1,081,637)(b)	(1,085,393)(b)	(1,
	12,786,515(e)									
392,934	0	0	0	0	0	0	0	0	0	0
397,309	0	0	0	0	0	0	0	0	0	0
449,792	0	0	0	0	0	0	0	0	0	0
881,308	0	0	0	967,410(g)	0	0	0	0	0	0
166,873	\$ 409,705,340	\$ 0	\$ 4,827,945	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Table of Contents**LIABILITIES AND SHAREHOLDERS EQUITY**

Wells Real Estate Investment Trust, Inc. (i)	Pro Forma Adjustments											Pro Forma Total
	Recent Acquisitions											
Other	Harcourt	AmeriCredit	IRSKeyBank	KeyBank	First Federal	Express	ES	Intuit	Daimler	Chrysler	Dallas	Total
		Austin	Phoenix	Long Island	Portland	Indianapolis	Chicago	Springfield	Dallas			
LIABILITIES:												
Accounts payable and accrued expenses	\$ 11,840,214	\$ 173,567(a)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,240(a)	\$ 12,058,021
Notes payable	15,658,141	11,702,761(a)	0	0	0	0	0	0	0	0	0	27,360,902
Obligations under capital lease	22,000,000	32,500,000(f)	0	0	0	0	0	0	0	0	0	54,500,000
Dividends payable	4,538,635	0	0	0	0	0	0	0	0	0	0	4,538,635
Due to affiliates	2,106,790	0	0	0	0	0	0	0	0	0	0	2,106,790
Deferred rental income	1,013,544	0	0	4,827,945(h)	0	0	0	0	0	0	0	5,841,489
Total liabilities	57,157,324	44,376,328	0	4,827,945	0	0	0	0	0	0	44,240	106,405,837
COMMITMENTS AND CONTINGENCIES												
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	0	0	0	0	0	0	0	0	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	365,329(c)	0	0	0	0	0	0	0	0	0	1,821,219
Additional paid-in capital	1,290,858,515	364,963,683(c)	0	0	0	0	0	0	0	0	0	1,655,822,198
Cumulative distributions in excess of earnings	(43,991,669)	0	0	0	0	0	0	0	0	0	0	(43,991,669)
Treasury stock, at cost, 1,222,381 shares	(12,223,808)	0	0	0	0	0	0	0	0	0	0	(12,223,808)
Other comprehensive loss	(289,379)	0	0	0	0	0	0	0	0	0	0	(289,379)
Total shareholders equity	1,235,809,549	365,329,012	0	0	0	0	0	0	0	0	0	1,601,138,561
Total liabilities and shareholders equity	\$ 1,293,166,873	\$ 409,705,340	\$ 0	\$ 4,827,945	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,240	\$ 1,707,744,398

- (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 Daimler Chrysler acquisition date.
- (d) Reflects deferred project costs capitalized as a result of additional capital raised described in note (c) above.
- (e) Reflects investment in bonds for which 100% of the principal balance becomes payable on December 1, 2015.
- (f) 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.
- (g) Reflects portion of purchase price placed in escrow to ensure completion of seller repairs.
- (h) Reflects prepaid rent received for the three years of the AmeriCredit lease agreement.
- (i) Historical financial information derived from quarterly report on Form 10-Q.

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, 2001

(Unaudited)

Wells Real Estate Investment Trust, Inc. (f)	Pro Forma Adjustments											
			Recent Acquisitions									
	2001	2002		Harcourt	IRS Long	KeyBank	Allstate	Federal Express	Intuit	Daimler		
Acquisitions	Acquisitions	Other	Austin	Island	Parsippany	Indianapolis	Colorado Springs	Dallas	Chrysler Dallas			
Income	\$ 44,204,279	\$ 11,349,076(a)	\$ 14,846,431(a)	\$ 20,937,018(a)	\$ 1,770,085(a)	\$ 4,605,406(a)	\$ 9,650,085(a)	\$ 18,708(a)	\$ 1,210,670(a)	\$ 1,292,500(a)	\$ 284,617(a)	\$ 11,349,076(a)
Operating expenses:												
Depreciation and amortization	3,720,959	1,111,850(b)	0	0	0	0	0	0	0	0	0	0
Real estate taxes	1,246,064	0	0	0	0	0	0	0	0	0	0	0
Other	137,500	0	0	0	0	0	0	0	0	0	0	0
Operating income	49,308,802	12,460,926	14,846,431	20,937,018	1,770,085	4,605,406	9,650,085	18,708	1,210,670	1,292,500	284,617	11,349,076
Interest expense	15,344,801	5,772,761(c)	5,356,374(c)	7,783,213(c)	689,844(c)	1,928,508(c)	3,868,899(c)	100,728(c)	499,279(c)	492,035(c)	78,314(c)	4,920,000(c)
Other	3,411,210	0	0	0	0	0	0	0	0	0	0	0
Operating costs:												
Depreciation and amortization	4,128,883	2,854,275(d)	1,505,269(d)	5,452(d)	0	814,339(d)	1,326,000(d)	2,962(d)	0	0	14,321(d)	1,505,269(d)
Real estate taxes	2,507,188	510,708(e)	668,090(e)	942,165(e)	79,654(e)	0	434,254(e)	842(e)	54,480(e)	58,163(e)	12,808(e)	668,090(e)
Other	973,785	0	0	0	0	0	0	0	0	0	0	0
Operating costs of												
Other	770,192	0	0	0	0	0	0	0	0	0	0	0
Other	448,776	0	0	0	0	0	0	0	0	0	0	0
Operating loss	27,584,835	9,137,744	7,529,733	8,730,830	769,498	2,742,847	5,629,153	104,532	553,759	550,198	105,443	6,828,835
Net income	\$ 21,723,967	\$ 3,323,182	\$ 7,316,698	\$ 12,206,188	\$ 1,000,587	\$ 1,862,559	\$ 4,020,932	\$ (85,824)	\$ 656,911	\$ 742,302	\$ 179,174	\$ 5,163,241
Net income per share	\$ 0.43											\$

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basic	50,520,853	18

- (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.
- (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) 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)

Pro Forma Adjustments

Wells Real Estate Investment Trust, Inc. (e)	Recent Acquisitions											
	2002 Acquisitions	Other	Harcourt	IRS	KeyBank	Allstate	Federal Express	EDS	Intuit	Daimler	Pro	
			Austin	Long Island	Parsippany	Indianapolis	Colorado Springs	Des Moines	Dallas	Chrysler Dallas		
Income:												
Income	\$ 38,571,815	\$ 7,307,774(a)	\$ 11,110,788(a)	\$ 1,770,085(a)	\$ 3,076,351(a)	\$ 5,172,857(a)	\$ 463,071(a)	\$ 1,210,670(a)	\$ 456,549(a)	\$ 1,292,500(a)	\$ 1,707,699(a)	\$ 7
Joint	2,478,686	0	0	0	0	0	0	0	0	0	0	0
Income	2,648,351	0	0	0	0	0	0	0	0	0	0	0
Fee	134,102	0	0	0	0	0	0	0	0	0	0	0
	<u>43,832,954</u>	<u>7,307,774</u>	<u>11,110,788</u>	<u>1,770,085</u>	<u>3,076,351</u>	<u>5,172,857</u>	<u>463,071</u>	<u>1,210,670</u>	<u>456,549</u>	<u>1,292,500</u>	<u>1,707,699</u>	<u>7</u>
Costs:												
Commission	12,903,282	2,588,546(b)	4,062,859(b)	689,844(b)	964,254(b)	1,934,450(b)	201,457(b)	499,279(b)	178,496(b)	492,035(b)	469,881(b)	2
Other costs,	880,002	0	0	0	0	0	0	0	0	0	0	0
Payments	2,063,997	300,018(c)	79,067(c)	0	687,948(c)	405,000(c)	34,940(c)	0	0	0	317,939(c)	0
Agent fees and	1,903,082	328,850(d)	499,985(d)	79,654(d)	0	232,779(d)	20,838(d)	54,480(d)	20,545(d)	58,163(d)	76,846(d)	0
Administrative	1,121,457	0	0	0	0	0	0	0	0	0	0	0
Costs of	424,992	0	0	0	0	0	0	0	0	0	0	0
	<u>19,296,812</u>	<u>3,217,414</u>	<u>4,641,911</u>	<u>769,498</u>	<u>1,652,202</u>	<u>2,572,229</u>	<u>257,235</u>	<u>553,759</u>	<u>199,041</u>	<u>550,198</u>	<u>864,666</u>	<u>3</u>
INCOME	\$ 24,536,142	\$ 4,090,360	\$ 6,468,877	\$ 1,000,587	\$ 1,424,149	\$ 2,600,628	\$ 205,836	\$ 656,911	\$ 257,508	\$ 742,302	\$ 843,033	\$ 4
PER SHARE,												
	\$ 0.22											\$

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110,885,641

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- (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, net of reimbursements.
- (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.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 4 DATED DECEMBER 10, 2002 TO THE PROSPECTUS

DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, and Supplement No. 3 dated October 25, 2002. When we refer to the prospectus in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

- (1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);
- (2) The declaration of dividends for the first quarter of 2003;
- (3) Revisions to the Management Executive Officers and Directors section of the prospectus to describe the appointment of Randall D. Fretz as a Vice President of the Wells REIT;
- (4) Revisions to the Description of Real Estate Investments section of the prospectus to describe the following real property acquisitions:
 - (A) Acquisition of two nine-story office buildings in Washington, DC (NASA Buildings);
 - (B) Acquisition of three three-story office buildings in Glen Allen, Virginia (Capital One Richmond Buildings); and
 - (C) Acquisition of an 11-story office building in Nashville, Tennessee (Caterpillar Nashville Building);
- (5) Status of Real Estate Loans;
- (6) Revisions to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the prospectus;
- (7) Status of the leasing of the Vertex Sarasota Building (formerly known as the Arthur Andersen Building);
- (8) Unaudited financial statements of the Wells REIT for the period ended September 30, 2002;
- (9) Audited financial statements relating to the recently acquired NASA Buildings and the Caterpillar Nashville Building; and

- (10) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the NASA Buildings, the Caterpillar Nashville Building and the Capital One Richmond Buildings.

Status of the Offering

We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately \$132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately \$175,229,193 in gross offering proceeds from the

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sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately \$1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of November 30, 2002, we had received additional gross proceeds of approximately \$448,615,344 from the sale of approximately 44,861,534 shares in our fourth public offering. Accordingly, as of November 30, 2002, we had received aggregate gross offering proceeds of approximately \$2,039,003,318 from the sale of approximately 203,900,332 shares in all of our public offerings. After payment of \$70,676,832 in acquisition and advisory fees and acquisition expenses, payment of \$226,160,588 in selling commissions and organization and offering expenses, and common stock redemptions of \$19,665,247 pursuant to our share redemption program, as of November 30, 2002, we had raised aggregate net offering proceeds available for investment in properties of \$1,722,500,651, out of which \$1,668,713,333 had been invested in real estate properties, and \$53,787,318 remained available for investment in real estate properties.

Dividends

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of \$10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of \$0.00 1944 (0. 1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Management

The following information should be read in conjunction with the Management Executive Officers and Directors section beginning on page 31 of the prospectus to include background information on Randall D. Fretz. On December 4, 2002, our board of directors appointed Randall D. Fretz as a Vice President of the Wells REIT.

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

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Description of Properties

As of December 10, 2002, we had purchased interests in 70 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

NASA Buildings

On November 22, 2002, Wells REIT-Independence Square, LLC (REIT-Independence), a single member Georgia limited liability company wholly-owned by the Wells REIT, purchased two nine-story office buildings containing an aggregate of approximately 948,800 rentable square feet located in Washington, D.C. (NASA Buildings) for a purchase price of \$345,000,000, plus closing costs from Southwest Market Limited Partnership (Southwest). In order to finance the acquisition of the NASA Buildings, the Wells REIT obtained \$85,000,000 in loan proceeds by having Wells OP draw down on its existing line of credit with Bank of America (BOA). Southwest is not in any way affiliated with the Wells REIT, REIT-Independence, or our advisor, Wells Capital.

The NASA Buildings, consisting of a nine-story office building containing approximately 347,796 rentable square feet (One Independence Square) and a nine-story office building containing approximately 601,017 rentable square feet (Two Independence Square), were built in 1991 and 1992 and are located on a 3.58-acre tract of land at One & Two Independence Square on E. Street in Washington, D.C.

The primary tenant in One Independence Square is the Office of the Comptroller of the Currency, an agency of the United States Government (OCC). Approximately 341,520 of the rentable square feet in the NASA Buildings (36.0%) is currently leased to the OCC. The OCC charters and regulates all national banks. It also supervises the federal branches and agencies of foreign banks. The OCC's nationwide staff of examiners conducts on-site reviews of national banks and provides sustained supervision of bank operations. The OCC issues rules, legal interpretations, and corporate decisions concerning banking, bank investments, bank community development activities, and other aspects of bank operations.

The OCC lease, which encompasses 341,520 rentable square feet (98.2%) in One Independence Square, commenced in May 1991 and expires in May 2006. Under the OCC Lease, operating and maintenance costs are the responsibility of the landlord, but the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for various operating expenses including cleaning services, electricity, heating, water, air conditioning and landscaping. The current annual base rent payable under the OCC lease is \$12,159,948, which includes approximately \$1,000,000 per year for the parking facility. The OCC, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rental rate for the first five-year period is 95% of the then-current market rental rate. The annual rental rate for the second five-year period is 90% of the then-current market rental rate.

The primary tenant in Two Independence Square is the National Aeronautics and Space Administration (NASA). Approximately 590,689 of the rentable square feet in the NASA Buildings (62.3%) is currently leased to the United States of America (U.S.A.) through the U.S. General Services Administration (GSA) for occupancy by NASA. The GSA is a centralized federal procurement and property management agency which acquires office space, equipment, telecommunications, information technology, supplies and services for federal agencies such as NASA. NASA, which was created in 1958, is the federal agency which runs the United States government's space program, including the space shuttle program and the launching of unmanned satellites and probes to explore the solar system.

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The NASA lease, which encompasses 590,689 rentable square feet (98.3%) in Two Independence Square, commenced in July 1992 and expires in July 2012. Under the terms of the NASA lease, operating and maintenance costs are the responsibility of the landlord but, in order to compensate the landlord for the tenant's share of increases in the operating and maintenance costs of the building, the tenant is required to pay annual rental increases computed by increasing the base year's operating costs of Two Independence Square by the percentage change in the Cost of Living Index each year.

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The current annual base rent payable under the NASA lease is \$21,534,124. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of \$31,255,936.

Approximately 14,920 of the remaining aggregate rentable square feet in the NASA Buildings (1.6%) is currently leased to four additional tenants, which account for current annual base rents payable of \$121,686, and 1,684 rentable square feet of the NASA Buildings (0.1%) is currently vacant. REIT-Independence will be responsible for maintaining and repairing the NASA Buildings roof, foundations, common areas, electrical systems and mechanical systems.

Both the OCC lease and the NASA lease include provisions that require the landlord and the property manager to comply with various employment related practices and various other laws typically required in leases with government entities. Although we believe that the Wells REIT and REIT-Independence should be deemed exempt from these requirements, if a determination were made that these or other affiliated entities violated these lease provisions, the tenants have the right under the OCC lease and the NASA lease to terminate the lease or to require compliance by the appropriate entities.

Boston Properties, Inc., an affiliate of the seller, is serving as the property manager of the NASA Buildings. Boston Properties, Inc. is not in any way affiliated with the Wells REIT, REIT-Independence or our advisor.

Capital One Richmond Buildings

On November 26, 2002, 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 REIT, purchased two three-story office buildings from Highwoods Realty Limited Partnership (Highwoods Realty) and one three-story office building from Highwoods/Florida Holdings, L.P. (Highwoods Florida) located on a 15.25 acre tract of land in Glen Allen, Virginia (Capital One Richmond Buildings) for an aggregate purchase price of \$28,509,000, plus closing costs. In order to finance the acquisition of the Capital One Richmond Buildings, Wells OP obtained approximately \$28,670,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust Bank (SouthTrust). Neither Highwoods Realty nor Highwoods Florida is in any way affiliated with the Wells REIT, Wells OP or our advisor.

The Capital One Richmond Buildings contain an aggregate of 225,220 rentable square feet and were completed in 1999. The Capital One Richmond Buildings are located at 100, 120 & 140 Eastshore Drive in Glen Allen, Henrico County, Virginia. Each of the Capital One Richmond Buildings is leased entirely to Capital One Services, Inc. (Capital One), under separate net lease agreements (i.e., operating costs and maintenance costs are paid by the tenant).

Capital One, a wholly-owned subsidiary of Capital One Financial Corporation (Capital One Financial), provides various operating, administrative and other services to Capital One Financial. Capital One Financial's primary focus is on credit card lending, but it also engages in unsecured installment lending and automobile financing.

The Capital One Richmond I Building contains 68,500 rentable square feet. The Capital One Richmond I lease commenced in March 2000 and expires in March 2010. The current annual base rent payable for the Capital One Richmond I lease is \$786,573. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

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The Capital One Richmond II Building contains 77,045 rentable square feet. The Capital One Richmond II lease commenced in June 1999 and expires in May 2004. The current annual base rent payable for the Capital One Richmond II lease is \$940,249. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for two additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

The Capital One Richmond III Building contains 79,675 rentable square feet. The Capital One Richmond III lease commenced in February 2000 and expires in February 2010. The current annual base rent payable for the Capital One Richmond III lease is \$912,822. The annual base rent increases each lease year by two percent. Capital One, at its option, has the right to extend the initial term of its lease for three additional five-year periods. The annual rent for each year of each extended term will continue to increase by two percent as described for the initial term.

Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, and mechanical and electrical systems of the Capital One Richmond Buildings. In addition, Capital One has a right of first refusal to purchase one or all of the Capital One Richmond Buildings upon Wells OP receiving an offer from any third party.

Highwoods Properties, Inc. (Highwoods), an affiliate of Highwoods Realty, Highwoods Florida and the seller of the Caterpillar Nashville Building (described below), has provided a guarantee of each of the leases for the Capital One Richmond Buildings. Highwoods has guaranteed the leases for the Capital One Richmond I Building and the Capital One Richmond III Building for the first five years of ownership by Wells OP. Highwoods has also guaranteed the lease for the Capital One Richmond II Building for the remainder of the current lease term and for any shortfall in rental income from May 2004 until November 2007 following the expiration of the current lease for the Capital One Richmond II Building. In addition, if the Capital One Richmond II lease expires or is terminated at any time prior to November 2007 and Highwoods provides Wells OP with a suitable replacement tenant which Wells OP declines, Highwoods has the right to repurchase the Capital One Richmond II Building at a purchase price of \$10,126,590. This repurchase right expires if Highwoods fails to exercise such right within 30 days of Wells OP declining a suitable tenant. Further, in the event that Highwoods exercises its right to repurchase, Wells OP, at its option, may rescind the Highwoods right to repurchase within ten days of such exercise, provided that the act of rescinding the repurchase right will release Highwoods from its rental income guaranty with respect to the Capital One Richmond II Building. Highwoods, a public company traded on the New York Stock Exchange, is a self-administered real estate investment trust that provides leasing, management, development, construction and other tenant-related services for its properties and for third parties. Highwoods reported a net worth, as of September 30, 2002, of approximately \$1.57 billion. Highwoods is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Capital One Richmond Buildings, subject to certain limitations. Wells OP has entered into five-year management agreements with Highwoods Realty, an affiliate of the sellers, to serve as the on-site property manager for each of the Capital One Richmond Buildings, which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Caterpillar Nashville Building

On November 26, 2002, Wells OP purchased all of the membership interests in 2120 West End Avenue, LLC, a Delaware limited liability company, which owned an 11-story office building located in Nashville, Tennessee (Caterpillar Nashville Building) for a purchase price of \$61,525,000, plus closing costs, from Highwoods/Tennessee Holdings, L.P. (Highwoods Tennessee). In order to finance the acquisition of the Caterpillar Nashville Building, Wells OP obtained \$25,000,000 in loan proceeds by drawing down on an existing line of credit with BOA and approximately \$33,560,000 in loan proceeds by drawing down on an existing line of credit with SouthTrust. Subsequent to this acquisition, Wells OP dissolved 2120 West End Avenue, LLC and became the direct owner of the Caterpillar Nashville Building. Highwoods Tennessee is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

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The Caterpillar Nashville Building, which is leased to Caterpillar Financial Services Corporation (Caterpillar), Thoughtworks, LLC (Thoughtworks) and Highwoods, contains 312,297 rentable square feet and was completed in 2000. The Caterpillar Nashville Building is located at 2120 West End Avenue in Nashville, Davidson County, Tennessee.

Caterpillar, as the primary tenant, occupies 300,901 rentable square feet (96.4%) of the Caterpillar Nashville Building. Caterpillar is a wholly owned subsidiary of Caterpillar, Inc. Caterpillar offers financing alternatives for various products manufactured by Caterpillar, Inc. and provides loans to customers and dealers of Caterpillar, Inc. products around the world. Caterpillar, Inc. is the one of the world's largest manufacturers of construction and mining equipment, natural gas and diesel engines, and industrial gas turbines. Caterpillar, which offers a wide variety of financial alternatives for purchasers of Caterpillar, Inc.'s equipment, has locations in over 26 countries worldwide.

The Caterpillar lease commenced in March 2000 and expires in February 2015. The current annual base rent payable under the Caterpillar lease is \$7,384,110. Caterpillar may terminate the Caterpillar lease after the 10th lease year (2010) by paying a termination fee to Wells OP of \$7,644,682.

Caterpillar has a right of first refusal to lease the space currently occupied by Thoughtworks and Highwoods if either terminates its lease. In addition, Caterpillar has expansion rights which it may exercise prior to the fourth and eighth lease years. Caterpillar, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Under the Caterpillar lease, operating and maintenance costs are the responsibility of the landlord, but Caterpillar is responsible for increases in operating costs, provided that its obligation to pay increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Further, under its lease Caterpillar is required to reimburse the landlord management fees up to 4% of annual gross rental receipts. Wells OP, as the landlord, will be responsible for maintaining the roof, foundation, exterior walls, interior structural walls, parking facilities and mechanical and electrical systems of the Caterpillar Nashville Building.

Thoughtworks is a privately held company that provides custom application development and advanced system integration services in the e-commerce industry. The Thoughtworks lease covers 6,400 rentable square feet (2.0%) and commenced in May 2000 and expires in May 2005. The current annual base rent payable under the Thoughtworks lease is \$162,944.

The Highwoods lease covers 4,996 rentable square feet (1.6%) and commenced in October 2000 and expires in September 2005. The current annual base rent payable under the Highwoods lease is \$129,946.

Wells Management, an affiliate of Wells REIT and our advisor, will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the Caterpillar Nashville Building, subject to certain limitations. Wells OP has entered into a 10-year management agreement with Highwoods Realty, an affiliate of the sellers of the Capital One Richmond Buildings and the Caterpillar Nashville Building, to serve as the property manager of the Caterpillar Nashville Building which property management fees will be paid out of or credited against the 4.5% fee payable to Wells Management.

Real Estate Loans

In November, 2002, Wells OP increased its existing line of credit with BOA to \$110 million. In addition, Wells OP is currently in the process of increasing its existing line of credit with SouthTrust to approximately \$98 million. As described above, Wells OP drew down on existing lines of

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credit with BOA and SouthTrust an aggregate approximately \$172,230,000 to finance the acquisitions of the NASA Buildings, the Capital One Richmond Buildings and the Caterpillar Nashville Building. As of November 30, 2002, the outstanding principal balance due under the BOA line of credit was approximately \$110,000,000, the outstanding principal balance due under the SouthTrust line of credit was approximately \$72,000,000, and the Wells REIT had a debt leverage ratio of approximately 11.5% to the value of its properties.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of \$988.5 million from the sale of 98.8 million shares of our common stock. After payment of \$34.8 million in acquisition and advisory fees and acquisition expenses, payment of \$104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of \$11.6 million pursuant to our share redemption program, we raised net offering proceeds of \$837.8 million during the first three quarters of 2002, of which \$144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of \$297.8 million from the sale of 29.8 million shares of its common stock. After payment of \$10.3 million in acquisition and advisory fees and acquisition expenses, payment of \$35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of \$2.1 million pursuant to our share redemption program, we raised net offering proceeds of \$249.8 million during the first three quarters of 2001, of which \$8.7 million remained available for investment in properties at quarter end.

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The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately \$0.1938 and \$0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately \$0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately \$71.4 million exceeded our Adjusted Funds From Operations for this period by approximately \$11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of \$10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of \$0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

Cash Flows From Operating Activities

Our net cash provided by operating activities was \$68.2 million and \$26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was \$826.9 million and \$155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

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Cash Flows From Financing Activities

Our net cash provided by financing activities was \$827.1 million and \$136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were \$208.1 million in the prior year. We raised \$988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to \$297.8 million for the same period in 2001. Additionally, we paid dividends totaling \$23.5 million in the first three quarters of 2001 compared to \$71.4 million in the same period of 2002.

Results of Operations

Gross revenues were \$74.5 million and \$34.1 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, interest income earned on funds we held prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of \$805.5 million in additional properties during 2002 and the purchase of \$114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled \$34.7 million for the nine months ended September 30, 2002, as compared to \$19.6 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from \$14.4 million for the nine months ended September 30, 2001 to \$39.8 million for the nine months ended September 30, 2002.

Earnings per share for the nine months ended September 30, 2002 decreased from \$0.33 per share for the nine months ended September 30, 2001 to \$0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from \$0.11 per share for the three months ended September 30, 2001 to \$0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

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	Three Months Ended		Nine Months Ended	
	(in thousands)		(in thousands)	
	September 30,	September 30,	September 30,	September 30,
	2002	2001	2002	2001
FUNDS FROM OPERATIONS:				
Net income	\$ 15,285	\$ 6,109	\$ 39,821	\$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent unconsolidated Partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid unconsolidated partnerships				(8)
Adjusted funds from operations	\$ 24,342	\$ 10,208	\$ 60,396	\$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

We reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen

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Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of \$979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

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Status of the leasing of the Vertex Sarasota Building (formerly the Arthur Andersen Building)

As set forth in the Subsequent Events subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this supplement, effective October 31, 2002, Andersen and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida, formerly known as the Arthur Andersen Building (Vertex Sarasota Building). On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for a portion of the Vertex Sarasota Building.

Approximately 47,388 rentable square feet of the Vertex Sarasota Building is currently under a net lease agreement with Vertex. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is \$621,257. Pursuant to the Vertex lease, Vertex has a right of first refusal to lease an additional 5,695 square feet of rentable space in the third floor of the building. Wells OP, as the landlord, will be responsible for maintaining the building's exterior walls, HVAC system, plumbing, elevators, fire protection, other mechanical systems, public areas, including parking lot, building structure, foundation and roof.

Vertex, a wholly owned subsidiary of Vertex, Inc., is a successor company of Andersen's corporate income tax technology solutions division. The Vertex lease is guaranteed by Vertex, Inc, which is a privately held company providing corporate customers with tax compliance software and research services for sales and use tax, property tax, payroll tax, telecommunications tax, and income tax.

Financial Statements

Audited Financial Statements

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the year ended December 31, 2001, which are included in this supplement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the NASA Buildings and the Caterpillar Nashville Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

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The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

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Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share amounts)

	September 30, 2002	December 31, 2001
	<u>2002</u>	<u>2001</u>
	(unaudited)	
ASSETS		
REAL ESTATE, at cost:		
Land	\$ 164,191	\$ 86,247
Building and improvements, less accumulated depreciation of \$48,000 in 2002 and \$24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
	<u>1,364,484</u>	<u>564,369</u>
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
	<u>1,671,264</u>	<u>752,281</u>
Total assets	\$ 1,671,264	\$ 752,281
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES:		
Notes payable	\$ 35,829	\$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
	<u>130,351</u>	<u>42,738</u>
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
	<u>1,826</u>	<u>838</u>
SHAREHOLDERS EQUITY:	1,826	838

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Common shares, \$.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001

Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and 555 shares at December 31, 2001	(17,167)	(5,550)
Other comprehensive loss	(415)	0
	<hr/>	<hr/>
Total shareholders' equity	1,540,713	709,343
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 1,671,264	\$ 752,281
	<hr/>	<hr/>

See accompanying condensed notes to financial statements.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF INCOME**

(unaudited and in thousands except per share amounts)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30</u>	<u>September 30</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
REVENUES:				
Rental income	\$ 27,549	\$ 11,317	\$ 66,121	\$ 31,028
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income	1,899	89	4,547	281
Take out fee	1	0	135	138
	<u>30,708</u>	<u>12,508</u>	<u>74,541</u>	<u>34,069</u>
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs, net of reimbursements	2,191	1,294	4,255	3,168
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense	598	148	1,478	2,957
Amortization of deferred financing costs	162	237	587	529
	<u>15,423</u>	<u>6,399</u>	<u>34,720</u>	<u>19,646</u>
NET INCOME	<u>\$ 15,285</u>	<u>\$ 6,109</u>	<u>\$ 39,821</u>	<u>\$ 14,423</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>\$ 0.09</u>	<u>\$ 0.11</u>	<u>\$ 0.31</u>	<u>\$ 0.33</u>
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	<u>163,395</u>	<u>54,112</u>	<u>128,541</u>	<u>43,726</u>

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2001

AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)

(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders Equity
BALANCE, December 31, 2000	31,510	\$ 315	\$ 275,573	\$ (9,134)	\$ 0	(141)	\$ (1,413)	\$ 0	\$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends (\$.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	98,848	988	987,482	0	0	0	0	0	988,470
Treasury stock purchased	0	0	0	0	0	(1,162)	(11,617)	0	(11,617)
Dividends (\$.58 per share)	0	0	0	(40,726)	(39,821)	0	0	0	(80,547)
Sales commissions and discounts	0	0	(94,097)	0	0	0	0	0	(94,097)
Other offering expenses	0	0	(10,245)	0	0	0	0	0	(10,245)
Components of comprehensive income:									
Net income	0	0	0	0	39,821	0	0	0	39,821
Gain/(loss) on interest rate swap	0	0	0	0	0	0	0	(415)	(415)
Comprehensive income									39,406
	182,609	\$ 1,826	\$ 1,621,376	\$ (64,907)	\$ 0	(1,717)	\$ (17,167)	\$ (415)	\$ 1,540,713

BALANCE, September 30,
2002 (unaudited)



See accompanying condensed notes to financial statements.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited and in thousands)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 39,821	\$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	<u>68,159</u>	<u>26,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	<u>(826,894)</u>	<u>(155,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775

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Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
	<u>827,061</u>	<u>136,054</u>
Net cash provided by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
	<u>143,912</u>	<u>11,132</u>
CASH AND CASH EQUIVALENTS, end of period	\$ 143,912	\$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	\$ 31,271	\$ 1,127
	<u>0</u>	<u>9,295</u>
Deferred project costs applied to joint ventures	\$	\$
	<u>587</u>	<u>(498)</u>
Deferred project costs due to affiliate	\$	\$
	<u>(415)</u>	<u>0</u>
Interest rate swap	\$	\$
	<u>3,537</u>	<u>(1,291)</u>
Increase (decrease) in deferred offering cost accrual	\$	\$
	<u>32,500</u>	<u>22,000</u>
Assumption of obligations under capital lease	\$	\$
	<u>32,500</u>	<u>22,000</u>
Investment in bonds	\$	\$
	<u>32,500</u>	<u>22,000</u>

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the Company) is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust (REIT). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at \$10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately \$132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately \$175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately \$1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately \$235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately \$1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of \$63.3 million in acquisition and advisory fees and acquisition expenses, payment of \$202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of \$1.4 billion for property acquisitions, and common stock redemptions of \$17.2 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of \$144.5 million available for investment in properties, as of September 30, 2002.

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As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

<i>Property</i>		<i>Property</i>	<i>%</i>	<i>Purchase</i>	<i>Square</i>	<i>Annual</i>
<i>Name</i>	<i>Tenant</i>	<i>Location</i>	<i>Owned</i>	<i>Price</i>	<i>Feet</i>	<i>Rent</i>
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	\$ 25,100,000	130,290	\$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company	Indianapolis, IN	100%	\$ 10,900,000	84,200	\$ 1,246,164
	Holladay Property Services Midwest, Inc.				5,756	\$ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	\$ 26,500,000	166,238	\$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	\$ 26,500,000	405,000	\$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	\$ 26,000,000	155,808	\$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	Parsippany, NJ	100%	\$ 101,350,000	200,000	\$ 3,800,000
	Gemini Technology Services				204,515	\$ 5,726,420
IRS Long Island	IRS Collection	Holtsville, NY	100%	\$ 50,975,000	128,000	\$ 5,029,380(1)
	IRS Compliance				50,949	\$ 1,663,200
	IRS Daycare Facility				12,100	\$ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	\$ 24,700,000(2)	153,494	\$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	\$ 39,000,000	195,230	\$ 3,353,040
Nokia Dallas	Nokia, Inc.	Irving, TX	100%	\$ 119,550,000	228,678	\$ 4,413,485
	Nokia, Inc.				223,470	\$ 4,547,614
	Nokia, Inc.				152,086	\$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	Suwanee, GA	100%	\$ 11,625,000	73,264	\$ 1,263,804
	Perkin Elmer Instruments, LLC				13,955	\$ 194,672
BMG Greenville	BMG Direct Marketing, Inc.	Duncan, SC	100%	\$ 26,900,000	473,398	\$ 1,394,156
	BMG Music				313,380	\$ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	\$ 15,760,000(2)	100,000	\$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	\$ 14,650,000	142,500	\$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	\$ 40,500,000	238,600	\$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	\$ 25,800,000	148,605	\$ 2,347,959

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TRW Denver	TRW, Inc.	Aurora, CO	100%	\$ 21,060,000	108,240	\$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	\$ 31,742,274	174,585	\$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	\$ 35,150,000	292,700	\$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	\$ 6,850,000	47,400	\$ 747,033
Agilent Atlanta	Agilent Technologies, Inc.	Alpharetta, GA	100%	\$ 15,100,000	66,811	\$ 1,344,905
	Koninklijke Philips Electronics N.V.				34,396	\$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	\$ 10,395,845	68,165	\$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	\$ 41,950,000(4)	147,004	\$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	\$ 2,330,600
Novartis Atlanta	Novartis Ophthalmics, Inc.	Duluth, GA	100%	\$ 15,000,000	100,087	\$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	\$ 22,000,000	103,260	\$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	\$ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	\$ 21,400,000	157,700	\$ 1,988,454
Windy Point I	TCI Great Lakes, Inc.	Schaumburg, IL	100%	\$ 32,225,000(6)	129,157	\$ 2,067,204
	The Apollo Group, Inc.				28,322	
					22,028	\$ 477,226
	Global Knowledge Network				8,884	\$ 393,776
	Various other tenants					\$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	\$ 57,050,000(6)	300,034	\$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	\$ 13,255,000	100,000	\$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	\$ 12,954,213	148,204	\$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	\$ 17,650,000	120,000	\$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	\$ 21,050,000	701,819	\$ 2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	\$ 42,259,000(2)	268,290	\$ 4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	\$ 20,650,000	157,790	\$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	\$ 49,563,000	234,668	\$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	\$ 12,500,000	85,000	\$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	\$ 24,950,000	201,237	\$ 2,458,638

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<i>Property</i>		<i>Property</i>	<i>%</i>	<i>Purchase</i>	<i>Square</i>	<i>Annual</i>
<i>Name</i>	<i>Tenant</i>	<i>Location</i>	<i>Owned</i>	<i>Price</i>	<i>Feet</i>	<i>Rent</i>
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	\$ 15,300,000	103,500	\$ 1,242,000
	Jordan Associates, Inc.				25,000	\$ 294,500
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	\$ 52,800,000	300,633	\$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	\$ 44,970,000	206,048	\$ 4,533,056
	SYSCO Corporation				106,516	\$ 2,130,320
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	\$ 33,648,156	236,710	\$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	\$ 7,193,000	65,006	\$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	\$ 19,800,000	107,193	\$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	\$ 13,250,000	132,070	\$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	\$ 14,265,000	77,054	\$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	\$ 16,000,000	133,225	\$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	\$ 17,355,000	95,133	\$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	\$ 14,250,000	129,689	\$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	\$ 12,700,000	101,100	\$ 1,187,925
Cinemark	Cinemark USA, Inc.	Plano, TX	100%	\$ 21,800,000	65,521	\$ 1,366,491
	The Coca-Cola Company				52,587	\$ 1,354,184
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	\$ 8,320,000	62,400	\$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	\$ 32,630,940	250,354	\$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	\$ 8,000,000	130,000	\$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	\$ 11,400,000	99,057	\$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	\$ 9,500,000	68,900	\$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	\$ 5,085,000	169,510	\$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	\$ 18,431,206	144,906	\$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	\$ 12,291,200	81,859	\$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	\$ 21,127,854	130,091	\$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	\$ 6,400,000	52,000	\$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	\$ 8,900,000	58,424	\$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	\$ 5,504,276	57,186	\$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	\$ 5,025,000	108,250	\$ 659,868
Interlocken	ODS Technologies, L.P. and	Broomfield, CO	3.7%	\$ 8,275,000	51,975	\$ 1,070,515
	GAIAM, Inc.					
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	\$ 10,325,000	106,750	\$ 1,004,520

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Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	\$ 7,900,000	84,404	\$ 1,106,520
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- (1) Includes only the leased portion of this property.
- (2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.
- (3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.
- (4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of \$41,950,000.
- (5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and Subsequent Events in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.
- (6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of \$89,275,000.

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WellsOP owns interests in properties directly and through equity ownership in the following joint ventures:

<u>Joint Venture</u>	<u>Joint Venture Partners</u>	<u>Properties Held by Joint Venture</u>
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P.	AmeriCredit
	Wells Real Estate Fund XIII, L.P.	ADIC
Fund XII-REIT Joint Venture	Wells Operating Partnership, L.P.	Siemens
	Wells Real Estate Fund XII, L.P.	AT&T Oklahoma
		Comdata
Fund XI-XII-REIT Joint Venture	Wells Operating Partnership, L.P.	EYBL CarTex
	Wells Real Estate Fund XI, L.P.	Sprint
	Wells Real Estate Fund XII, L.P.	Johnson Matthey
		Gartner
Fund IX-X-XI-REIT Joint Venture	Wells Operating Partnership, L.P.	Alstom Power Knoxville
	Wells Real Estate Fund IX, L.P.	Ohmeda
	Wells Real Estate Fund X, L.P.	Interlocken
	Wells Real Estate Fund XI, L.P.	Avaya
		Iomega
Wells/Fremont Associates Joint Venture (the Fremont Joint Venture)	Wells Operating Partnership, L.P.	Fairchild
	Fund X-XI Joint Venture	
Wells/Orange County Associates	Wells Operating Partnership, L.P.	Cort Furniture
Joint Venture	Fund X-XI Joint Venture	
(the Orange County Joint Venture)		
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P.	Quest
	Fund VIII-IX Joint Venture	

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is

possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

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Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the Advisor) by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to \$63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of \$34.2 million, of which the Advisor had been reimbursed \$29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

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Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the Code), to be taxed as a Real Estate Investment Trust (REIT) under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling \$1.1 million and \$0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and \$0.5 million and \$0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

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(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of \$200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of management of the Company, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three months and nine months ended September 30, 2002.

Total Revenues		Net Income		Wells OP's Share of Net Income	
Three Months Ended		Three Months Ended		Three Months Ended	
(in thousands)		(in thousands)		(in thousands)	
September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
2002	2001	2002	2001	2002	2001

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Fund IX-X-XI-REIT						
Joint Venture	\$ 1,083	\$ 1,083	\$ 574	\$ 670	\$ 21	\$ 25
Cort Joint Venture	199	204	135	149	59	65
Fremont Joint						
Venture	226	227	142	142	110	110
Fund XI-XII-REIT						
Joint Venture	836	844	484	520	275	295
Fund XII-REIT						
Joint Venture	1,330	1,410	727	815	400	448
Fund VIII-IX-REIT						
Joint Venture	302	314	153	156	24	24
Fund XIII-REIT						
Joint Venture	704	306	408	155	370	135
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 4,680	\$ 4,388	\$ 2,623	\$ 2,607	\$ 1,259	\$ 1,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	Total Revenues		Net Income		Wells OP's Share of Net Income	
	Nine Months Ended (in thousands)		Nine Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
	2002	2001	2002	2001	2002	2001
Fund IX-X-XI-REIT						
Joint Venture	\$ 3,310	\$ 3,264	\$ 1,747	\$ 2,043	\$ 65	\$ 76
Cort Joint Venture	597	602	405	415	177	181
Fremont Joint Venture						
Venture	678	677	419	421	325	326
Fund XI-XII-REIT						
Joint Venture	2,525	2,533	1,526	1,534	866	871
Fund XII-REIT						
Joint Venture	4,143	3,306	2,385	1,848	1,311	967
Fund VIII-IX-REIT						
Joint Venture	906	894	461	416	73	66
Fund XIII-REIT						
Joint Venture	2,108	306	1,215	155	921	135
	<u>\$ 14,267</u>	<u>\$ 11,582</u>	<u>\$ 8,158</u>	<u>\$ 6,832</u>	<u>\$ 3,738</u>	<u>\$ 2,622</u>

3. INVESTMENTS IN REAL ESTATE

As of September 30, 2002, the Company, through its ownership in Wells OP, owns 50 properties directly. The following describes acquisitions made directly by Wells OP during the three months ended September 30, 2002.

The ISS Atlanta Buildings

On July 1, 2002, Wells OP purchased two five-story buildings containing a total of 238,600 rentable square feet located in Atlanta, Georgia for a purchase price of \$40.5 million, excluding closing costs. The ISS Atlanta Buildings were acquired by assigning to Wells OP an existing ground lease with the Development Authority of Fulton County ("Development Authority"). Fee simple title to the land upon which the ISS Atlanta Buildings are located is held by the Development Authority, which issued Development Authority of Fulton County Taxable Revenue Bonds ("Bonds") totaling \$32.5 million in connection with the construction of these buildings. The Bonds, which entitle Wells OP to certain real property tax abatement benefits, were also assigned to Wells OP at the closing. Fee title interest to the land will be transferred to Wells OP upon payment

of the outstanding balance on the Bonds, either by prepayment by Wells OP or at the expiration of the ground lease on December 1, 2015.

The entire rentable area of the ISS Atlanta Buildings is leased to Internet Security Systems, Inc., a Georgia corporation (ISS). The ISS Atlanta lease is a net lease that commenced in November 2000 and expires in May 2013. The current annual base rent payable under the ISS Atlanta lease is approximately \$4.6 million. ISS, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 95% of the then-current market rental rate.

The PacifiCare San Antonio Building

On July 12, 2002, Wells OP purchased the PacifiCare San Antonio Building, a two-story office building containing 142,500 rentable square feet located in San Antonio, Texas for a purchase price of \$14.7 million, excluding closing costs. The PacifiCare San Antonio Building is 100% leased to PacifiCare Health Systems, Inc. (PacifiCare). The PacifiCare lease is a net lease that commenced in November 2000 and expires in November 2010. The current annual base rent payable under the PacifiCare lease is approximately \$1.5 million. PacifiCare, at its option, has the right to extend the initial term of its lease for three additional five-year periods. Monthly base rent for the first renewal term will be approximately \$0.2

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million and monthly base rent for the second and third renewal terms will be the then-current market rental rate.

The Kerr-McGee Property

On July 29, 2002, Wells OP purchased the Kerr-McGee Property, a 4.2-acre tract of land located in Houston, Harris County, Texas for a purchase price of approximately \$1.7, excluding closing costs. Wells OP has entered into agreements to construct a four-story office building containing approximately 100,000 rentable square feet (the Kerr-McGee Project) on the Kerr-McGee Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the Kerr-McGee Property and the planning, design, development, construction and completion of the Kerr McGee Project will total approximately \$15.8 million.

The entire 100,000 rentable square feet of the Kerr-McGee Project will be leased to Kerr-McGee Oil & Gas Corporation (Kerr-McGee), a wholly owned subsidiary of Kerr-McGee Corporation. The initial term of the Kerr-McGee lease will extend 11 years and 1 month beyond the rent commencement date. Construction on the building is scheduled to be completed by July 2003. The rent commencement date will occur no later than July 1, 2003. Kerr-McGee has the right to extend the initial term of this lease for one additional period of twenty years or the option to extend the initial term for any combination of additional periods of ten years or five years for a total additional period of not more than twenty years. The base rental rate will be 95% of the existing market rate. The initial annual base rent payable under the Kerr-McGee lease will be calculated as 10.5% of project costs.

Wells OP obtained a construction loan in the amount of \$13.7 million from Bank of America, to fund the construction of a building on the Kerr-McGee Property. The loan requires monthly payments of interest only and matures on January 29, 2004. The interest rate on the loan as of August 6, 2002 was 3.80%. The Bank of America loan is secured by a first priority mortgage on the Kerr-McGee Property.

The BMG Greenville Buildings

On July 31, 2002, Wells OP purchased the BMG Greenville Buildings, two one-story office buildings containing 786,778 rentable square feet located in Duncan, Spartanburg County, South Carolina for a purchase price of \$26.9 million, excluding closing costs. The BMG Greenville Buildings are leased to BMG Direct Marketing, Inc. (BMG Marketing) and BMG Music (BMG Music).

The BMG Marketing lease is a net lease that covers approximately 473,398 square feet that commenced in March 1988 and expires in March 2011. The current annual base rent payable under the BMG Marketing lease is approximately \$1.4 million. BMG Marketing, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The BMG Music lease is a net lease that covers approximately 313,380 rentable square feet that commenced in December 1987 and expires in March 2011. The current annual base rent payable under the BMG Music lease is approximately \$0.8 million. BMG Music, at its option, has the right to extend the initial term of its lease for two consecutive ten-year periods at 95% of the then-current market rental rate.

The Kraft Atlanta Building

On August 1, 2002, Wells OP purchased the Kraft Atlanta Building, a one-story office building containing 87,219 rentable square feet located in Suwanee, Forsyth County, Georgia for a purchase price of approximately \$11.6 million, excluding closing costs. The Kraft Atlanta Building is leased to Kraft Foods North America, Inc. (Kraft) and PerkinElmer Instruments, LLC (PerkinElmer).

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The Kraft lease is a net lease that covers approximately 73,264 square feet that commenced in February 2002 and expires in January 2012. The current annual base rent payable under the Kraft lease is approximately \$1.3 million. Kraft, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Kraft may terminate the lease (1) at the end of the third year by paying a \$7.0 million termination fee, or (2) at the end of the seventh lease year by paying an approximately \$1.8 million termination fee.

The PerkinElmer lease is a net lease that covers approximately 13,955 rentable square feet that commenced in December 2001 and expires in November 2016. The current annual base rent payable under the PerkinElmer lease is approximately \$0.2 million. PerkinElmer, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, PerkinElmer may terminate the lease at the end of the tenth lease year by paying a \$0.3 million termination fee.

The Nokia Dallas Buildings

On August 15, 2002, Wells OP purchased the Nokia Dallas Buildings, three adjacent office buildings containing an aggregate of 604,234 rentable square feet located in Irving, Texas for an aggregate purchase price of approximately \$119.6 million, excluding closing costs. The Nokia Dallas Buildings are all leased entirely to Nokia, Inc (Nokia) under three long-term net leases for periods of 10 years, with approximately seven to eight years remaining on such leases.

The Nokia I Building is a nine-story building containing 228,678 rentable square feet. The Nokia I Building lease fully commenced in July 1999 and expires in July 2009. The current annual base rent payable under the Nokia I Building lease is approximately \$4.4 million. The Nokia II Building is a seven-story building containing 223,470 rentable square feet. The Nokia II Building lease commenced in December 2000 and expires in December 2010. The current annual base rent payable under the Nokia II Building lease is approximately \$4.5 million. The Nokia III Building is a six-story building containing 152,086 rentable square feet. The Nokia III Building lease commenced in June 1999 and expires in July 2009. The current annual base rent payable under the Nokia III Building lease is approximately \$3.0 million.

The Harcourt Austin Building

On August 15, 2002, Wells OP purchased the Harcourt Austin Building, a seven-story office building containing 195,230 rentable square feet located in Austin, Texas for a purchase price of \$39.0 million, excluding closing costs. The Harcourt Austin Building is leased entirely to Harcourt, Inc. (Harcourt), a wholly owned subsidiary of Harcourt General, Inc., the guarantor of the Harcourt lease. The Harcourt lease commenced in July 2001 and expires in June 2016. The current annual base rent payable under the Harcourt lease is approximately \$3.4 million.

The AmeriCredit Phoenix Property

On September 12, 2002, Wells OP purchased the AmeriCredit Phoenix Property, a 14.74-acre tract of land located in Chandler, Maricopa County, Arizona for a purchase price of approximately \$2.6 million, excluding closing costs. Wells OP has entered into agreements to construct a three-story office building containing approximately 153,494 rentable square feet (the AmeriCredit Phoenix Project) on the AmeriCredit Phoenix Property. It is currently anticipated that the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition of the AmeriCredit Phoenix Project and the planning, design, development, construction and completion of the AmeriCredit Phoenix Project will total approximately \$24.7 million.

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The entire 153,494 rentable square feet of the AmeriCredit Phoenix Project will be leased to AmeriCredit Financial Services, Inc. (AmeriCredit), a wholly owned subsidiary of AmeriCredit Corporation. The initial term of the AmeriCredit lease will extend 10 years and 4 month beyond the rent commencement date. Construction on the building is scheduled to be completed by August 2003. AmeriCredit has the right to extend the initial term of this lease for two additional periods of five years at 95% of the then-market rate. As an inducement for Wells OP to enter into the AmeriCredit Phoenix lease, AmeriCredit has prepaid to Wells OP the first three years of base rent at a discounted amount equal to approximately \$4.8 million.

The IRS Long Island Buildings

On September 16, 2002, Wells REIT-Holtsville, NY, LLC (REIT-Holtsville), a Georgia limited liability company wholly-owned by Wells OP purchased the IRS Long Island Buildings, a two-story office building and a one-story daycare facility containing an aggregate 259,700 rentable square feet located in Holtsville, New York for a purchase price of approximately \$51.0 million, excluding closing costs. Approximately 191,050 of the aggregate rentable square feet of the IRS Long Island Buildings (74%) is currently leased to the United States of America through the U.S. General Services Administration (U.S.A.) for occupancy by the IRS under three separate lease agreements for the processing & collection division of the IRS (IRS Collection), the compliance division of the IRS (IRS Compliance), and the IRS Daycare Facility. REIT-Holtsville is negotiating for the remaining 26% of the IRS Long Island Buildings to be leased by the U.S.A. on behalf of the IRS or to another suitable tenant. If REIT-Holtsville should lease this space to the U.S.A. or another suitable tenant within 18 months, REIT-Holtsville would owe the seller an additional amount of up to \$14.5 million as additional purchase price for the IRS Long Island Buildings pursuant to the terms of an earnout agreement entered into between REIT-Holtsville and the seller at the closing.

The IRS Collection lease, which encompasses 128,000 rentable square feet of the IRS Office Building, commenced in August 2000 and expires in August 2005. The current annual base rent payable under the IRS Collection lease is approximately \$5.0 million. The annual base rent payable under the IRS Collection lease for the remaining two years of the initial lease term will be approximately \$2.8 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at annual rental rates of approximately \$4.2 million and \$5.0 million, respectively.

The IRS Compliance lease, which encompasses 50,949 rentable square feet of the IRS Office Building, commenced in December 2001 and expires in December 2011. The annual base rent payable under the IRS Compliance lease for the initial term of the lease is approximately \$1.7 million. The U.S.A., at its option, has the right to extend the initial term of its lease for one additional ten-year period at an annual rental rate of approximately \$2.2 million.

The IRS Daycare Facility lease, which encompasses the entire 12,100 rentable square feet of the IRS Daycare Facility, commenced in October 1999 and expires in September 2004. The annual base rent payable under the IRS Daycare Facility lease for the initial term of the lease is approximately \$0.5 million. The U.S.A., at its option, has the right to extend the initial term of its lease for two additional five-year periods at an annual rental rate of approximately \$0.4 million.

The KeyBank Parsippany Building

On September 27, 2002, Wells OP purchased the KeyBank Parsippany Building, a four-story office building containing 404,515 rentable square feet located in Parsippany, New Jersey for a purchase price of approximately \$101.4 million, excluding closing costs. The KeyBank Parsippany Building is leased to Key Bank U.S.A., N.A. (KeyBank) and Gemini Technology Services (Gemini).

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The KeyBank lease covers 200,000 rentable square feet (49%) under a net lease that commenced in March 2001 and expires in February 2016. The current annual base rent payable under the KeyBank lease is \$3.8 million. KeyBank, at its option, has the right to extend the initial term of its lease for three additional five-year periods at the then-current market rental rate.

The Gemini lease covers 204,515 rentable square feet (51%) under a gross lease that commenced in December 2000 and expires in December 2013. The current annual base rent payable under the Gemini lease is approximately \$5.7 million. Gemini, at its option, has the right to extend the initial term of its lease for three additional five-year periods at a rate equal to the greater of (1) the annual rent during the final year of the initial lease term, or (2) 95% of the then-current market rental rate.

The Federal Express Colorado Springs Building

On September 27, 2002, Wells OP purchased the Federal Express Colorado Springs Building, a three-story office building containing 155,808 rentable square feet located in Colorado Springs, Colorado for a purchase price of \$26.0 million, excluding closing costs. The Federal Express Colorado Springs Building is leased entirely to Federal Express Corporation (Federal Express). The Federal Express lease commenced in July 2001 and expires in October 2016. The current annual base rent payable under the Federal Express lease is approximately \$2.2 million. Federal Express, at its option, has the right to extend the initial term of its lease for four additional five-year periods at 90% of the then-current market rental rate. In addition, Federal Express has an expansion option under its lease pursuant to which Wells OP would be required to construct an additional office building.

The EDS Des Moines Building

On September 27, 2002, Wells OP purchased the EDS Des Moines Building, a one-story office and distribution building containing 115,000 rentable square feet of office space and 290,000 rentable square feet of warehouse space located in Des Moines, Iowa for a purchase price of \$26.5 million, excluding closing costs. The EDS Des Moines Building is leased entirely to EDS Information Services L.L.C. (EDS), a wholly-owned subsidiary of Electronic Data Systems Corporation (EDS Corp.). EDS Corp. is the guarantor of the EDS lease. The EDS lease commenced in May 2002 and expires in April 2012. The current annual base rent payable under the EDS lease is approximately \$2.4 million. EDS, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, EDS has an expansion option under its lease for up to an additional 100,000 rentable square feet.

The Intuit Dallas Building

On September 27, 2002, Wells OP purchased the Intuit Dallas Building, a two-story office building with a three-story wing containing 166,238 rentable square feet located in Plano, Texas for a purchase price of \$26.5 million, excluding closing costs. The Intuit Dallas Building is leased entirely to Lacerte Software Corporation (Lacerte), a wholly-owned subsidiary of Intuit, Inc. (Intuit). Intuit is the guarantor of the Lacerte lease. The Lacerte lease commenced in July 2001 and expires in June 2011. The current annual base rent payable under the Lacerte lease is approximately \$2.5 million. Lacerte, at its option, has the right to extend the initial term of its lease for two additional five-year periods at rental rates of \$17.92 per square foot and \$19.71 per square foot, respectively. In addition, Lacerte has an expansion option through November 2004 pursuant to which Wells OP would be required to purchase an additional 19 acre tract of land and to construct up to an approximately 600,000 rentable square foot building thereon.

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The Allstate Indianapolis Building

On September 27, 2002, Wells OP purchased the Allstate Indianapolis Building, a one-story office building containing 89,956 rentable square feet located in Indianapolis, Indiana for a purchase price of \$10.9 million, excluding closing costs. The Allstate Indianapolis Building is leased to Allstate Insurance Company (Allstate) and Holladay Property Services Midwest, Inc. (Holladay).

The Allstate lease, which covers 84,200 rentable square feet (94%), commenced in March 2002 and expires in August 2012. The current annual base rent payable under the Allstate lease is approximately \$1.2 million. Allstate at its option has the right to (1) terminate the initial term of the Allstate lease at the end of the fifth lease year (August 2007) upon payment of an approximately \$0.4 million fee, or (2) reduce its area of occupancy to not less than 20,256 rentable square feet, by providing written notice on or before August 2006. Allstate, at its option, has the right to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. In addition, Allstate has a right of first refusal for the leasing of additional space in the Allstate Indianapolis Building.

Holladay is a property management company that manages the Allstate Indianapolis Building from the site. The Holladay lease, which covers 5,756 rentable square feet (6%), commenced in October 2001 and expires in September 2006. The current annual base rent payable under the Holladay lease is approximately \$.07 million.

The Daimler Chrysler Dallas Building

On September 30, 2002, Wells OP purchased the Daimler Chrysler Dallas Building, a two-story office building containing 130,290 rentable square feet located in Westlake, Texas for a purchase price of \$25.1 million, excluding closing costs. The Daimler Chrysler Dallas Building is leased entirely to Daimler Chrysler Services North America LLC (Daimler Chrysler NA). The Daimler Chrysler NA lease commenced in January 2002 and expires in December 2011. The current annual base rent payable under the Daimler Chrysler NA lease is approximately \$3.2 million. Daimler Chrysler NA, at its option, has the right to extend the initial term of its lease for three additional five-year periods at 98% of the then-current market rental rate. In addition, Daimler Chrysler NA has an expansion option for up to an additional 70,000 rentable square feet and a right of first offer if Wells OP desires to sell the Daimler Chrysler Dallas Building during the term of the lease.

4. NOTE RECEIVABLE

In connection with the purchase of the TRW Denver Building on May 29, 2002, Wells OP acquired a note receivable from the building's sole tenant, TRW, Inc., in the amount of \$5.2 million. The loan was made to fund above-standard tenant improvement costs to the building. The note receivable is structured to be fully amortized over the remaining lease term, which expires September 2007, at 11% interest with TRW making monthly loan payments of \$.1 million. At September 30, 2002, the principal balance of this note receivable was \$5.0 million.

Table of Contents**5. NOTES PAYABLE**

At September 30, 2002, Wells OP had the following debt:

<u>Lender</u>	<u>Collateral</u>	<u>Type of Debt</u>	<u>Maturity Date</u>	<u>Balance Outstanding (in millions)</u>
SouthTrust	The Alstom Power Richmond Building	\$7.9 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	\$7.7
SouthTrust	The PwC Building	\$12.8 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	2.1
SouthTrust	The Avnet Building and the Motorola Tempe Building	\$19.0 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
SouthTrust	The Cinemark Building, the Dial Building and the ASML Building	\$32.4 million line of credit, interest at 30 day LIBOR plus 175 basis points	December 10, 2002	0
Bank of America	The Nissan Property	\$34.2 million construction loan, interest at LIBOR plus 200 basis points	July 30, 2003	13.3
Bank of America	The Kerr McGee Property	\$13.7 million construction loan, interest at LIBOR plus 200 basis points	January 29, 2004	1.0
Bank of America	The Videojet Technologies Chicago Building, the AT&T Pennsylvania Building, the Matsushita Building, the Metris Tulsa Building, the Motorola Plainfield Building and the Delphi Building	\$85 million line of credit, interest at 30 day LIBOR plus 180 basis points	May 11, 2004	0
Prudential	The BMG Buildings	\$8.8 million note payable, interest at 8%, principal and interest payable monthly	December 15, 2003	8.8
Prudential	The BMG Buildings	\$2.9 million note payable, interest at 8.5%,	December 15, 2003	2.9

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interest payable monthly,
principal payable upon
maturity

Total

\$35.8

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6. INTEREST RATE SWAPS

Wells OP has entered into interest rate swap agreements with Bank of America in order to hedge its interest rate exposure on the Bank of America construction loans for the Nissan Property (the Nissan Loan) and the Kerr McGee Property (the Kerr McGee Loan). The interest rate swap agreements involve the exchange of amounts based on a fixed interest rate for amounts based on a variable interest rate over the life of the loan agreement without an exchange of the notional amount upon which the payments are based. The notional amount of both interest rate swaps is the balance outstanding on the construction loan on the payment date.

The interest rate swap for the Nissan Loan became effective January 15, 2002 and terminates on June 15, 2003. Wells OP, as the fixed rate payer, has an interest rate of 3.9%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 5.9% on the Nissan Loan.

The interest rate swap for the Kerr McGee Loan became effective September 15, 2002 and terminates on July 15, 2003. Wells OP as fixed rate payer has an interest rate of 2.27%. Bank of America, the variable rate payer, pays at a rate equal to U.S. dollar LIBOR on the payment date. The result is an effective interest rate of 4.27% on the Kerr McGee Loan.

During the nine months ended September 30, 2002, Wells OP made interest payments totaling approximately \$45,221 under the terms of the interest rate swap agreements. At September 30, 2002, the estimated fair value of the interest rate swap for the Nissan Loan and the Kerr McGee Loan was \$(384,855) and \$(30,180), respectively. The interest rate swaps are accounted for by mark-to-market accounting on a monthly basis and are included in prepaid and other assets on the accompanying consolidated balance sheet.

On January 1, 2001, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and No. 138 Accounting for Derivative Instruments and Hedging Activities. The effect of adopting the SFAS No. 133 did not have a material effect on the Company's consolidated financial statements.

7. INVESTMENT IN BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

In connection with the purchase of a ground leasehold interest in the Ingram Micro Distribution Facility pursuant to a Bond Real Property Lease dated December 20, 1995 (the Bond Lease), Wells OP acquired an Industrial Development Revenue Note (the Bond) dated December 20, 1995 in the principal amount of \$22 million. As part of the same transaction, Wells OP also acquired a Fee Construction Mortgage Deed of Trust Assignment of Rents and Leases (the Bond Deed of Trust), also dated December 20, 1995, which was executed by the Industrial Development Board in order to secure the Bond. Beginning in 2006, the holder of the Bond Lease has the option to purchase the land underlying the Ingram Micro Distribution Facility for \$100 plus satisfaction of the indebtedness evidenced by the Bond. Because Wells OP is technically subject to the obligation to pay the \$22 million indebtedness evidenced by the Bond, the obligation to pay the Bond is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bond, the Bond is also carried on the Company's books as an asset.

As part of the transaction to acquire a ground leasehold interest in the ISS Atlanta Buildings, Wells OP was assigned Development Authority of Fulton County Taxable Revenue Bonds totaling \$32.5 million, which were originally issued in connection with the development of the ISS Atlanta Buildings (the Bonds). The Bonds entitle Wells OP to certain property tax abatement benefits. Upon payment of the outstanding balance on the Bonds, on or before the expiration of the ground lease on December 1, 2015, fee title interest to the underlying land will be transferred to

Wells OP. Because Wells OP is technically subject to the obligation to pay the \$32.5 million indebtedness evidenced by the Bond, the

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obligation to pay the Bonds is carried on the Company's books as a liability. However, since Wells OP is also the owner of the Bonds, the Bonds are also carried on the Company's books as an asset.

8. Due to affiliates

Due to affiliates consists of amounts due to the Advisor for acquisitions and advisory fees and acquisition expenses, deferred offering costs, and other operating expenses paid on behalf of the Company. Also included in due to affiliates is the amount due to the Fund VIII-IX Joint Venture related to the Matsushita lease guarantee, which is explained in greater detail in the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001. Payments of \$.6 million have been made as of September 30, 2002 toward funding the obligation under the Matsushita agreement.

9. COMMITMENTS AND CONTINGENCIES

Take Out Purchase and Escrow Agreement

An affiliate of the Advisor (Wells Exchange) has developed a program (the Wells Section 1031 Program) involving the acquisition by Wells Exchange of income-producing commercial properties and the formation of a series of single member limited liability companies for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to be owned in co-tenancy arrangements with persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment in another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Code. Each of these properties will be financed by a combination of permanent first mortgage financing and interim loan financing obtained from institutional lenders.

Following the acquisition of each property, Wells Exchange will attempt to sell co-tenancy interests to 1031 Participants, the proceeds of which will be used to pay off the interim financing. In consideration for the payment of a take out fee to the Company, and following approval of the potential property acquisition by the Company's Board of Directors, it is anticipated that Wells OP will enter into a contractual relationship providing that, in the event that Wells Exchange is unable to sell all of the co-tenancy interests in that particular property to 1031 Participants, Wells OP will purchase, at Wells Exchange's cost, any co-tenancy interests remaining unsold at the end of the offering period. As a part of the initial transaction in the Wells Section 1031 Program, Wells OP entered into a take out purchase and escrow agreement dated April 16, 2001 providing, among other things, that Wells OP would be obligated to acquire, at Wells Exchange's cost, any unsold co-tenancy interests in the building known as the Ford Motor Credit Complex which remained unsold at the expiration of the offering of Wells Exchange, which was extended to April 15, 2002. Wells OP was compensated for its takeout commitment in the amount of \$.1 million in each of 2001 and 2002 by payment of a take out fee to Wells OP in an amount equal to 1.25% of its maximum financial obligation under the Ford Motor Credit take out purchase and escrow agreement. On April 12, 2002, Wells Exchange paid off the interim financing on the Ford Motor Credit Complex. This pay off of the loan triggered the release of Wells OP from its prior obligations under the take out purchase and escrow agreement relating to such property.

Letters of Credit

At September 30, 2002, Wells OP had three letters of credit totaling \$19.2 million outstanding from financial institutions, which were not recorded in the accompanying consolidated balance sheet. These letters of credit were required by three of the Company's tenants to ensure

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completion of the Company's contractual obligations. The Company's management does not anticipate a need to draw on these letters of credit.

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Properties under Contract

At September 30, 2002, the Company had three executed contracts for the acquisition of properties totaling \$82.0 million. Escrows of \$1.3 million have been paid out for these properties and are included in prepaid and other assets on the accompanying consolidated balance sheet.

10. SUBSEQUENT EVENTS

Issuance of Common Stock

From October 1, 2002 through October 25, 2002, the Company has raised approximately \$91.5 million through the issuance of 9.1 million shares of common stock in the Company.

Termination Agreement

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of \$979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking.

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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 NASA Buildings for the year ended December 31, 2001. This statement is the responsibility of the NASA Buildings 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 NASA Buildings 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 NASA Buildings for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia

November 26, 2002

Table of Contents**NASA Buildings****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	\$ 25,179,213	\$ 33,637,808
Tenant reimbursements	1,703,365	2,586,032
	<u>26,882,578</u>	<u>36,223,840</u>
Total revenues		
Operating expenses	7,761,014	10,200,082
	<u>19,121,564</u>	<u>26,023,758</u>
Revenues over certain operating expenses		

See accompanying notes.

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NASA Buildings

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 November 22, 2002, Wells REIT-Independence Square, LLC (the Company) acquired the NASA Buildings from Southwest Market Limited Partnership (Southwest Market). The Company, a Georgia limited liability company, was created on November 22, 2002 by Wells Real Estate Investment Trust, Inc., a Maryland corporation, the sole member of the Company.

The two nine-story buildings contain 948,813 square feet of net rentable area and are leased to six tenants, including the National Aeronautics and Space Administration (NASA) and The Office of the Comptroller of the Currency (OCC), which occupy a total of 932,209 square feet. The remaining square footage is leased to several retail tenants under lease agreements that expire over the next eight years. NASA occupies 590,689 square feet under a gross lease (NASA Lease) that commenced in July 1992 and expires in July 2012. OCC occupies 341,520 square feet under a lease (OCC Lease) that commenced in May 1991 and expires in May 2006. Southwest Market 's interests in the NASA Lease, the OCC Lease and other retail lease agreements were assigned to the Company upon the acquisition of the NASA Buildings.

Under the NASA Lease, the tenant is required to pay, as adjusted rent, its share of increases in real estate taxes and changes in costs from the first lease year for cleaning services, supplies, materials, maintenance, trash removal, landscaping, sewer charges and certain administrative expenses attributable to occupancy. The amount of the adjustment will be computed using the Cost of Living Index. Under the OCC Lease, the tenant is required to pay, as additional rent, its share of increases in real estate taxes and changes in costs from the first lease year for, including but not limited to, cleaning services, electricity, heating, water, air conditioning and landscaping. The Company will be responsible for maintaining and repairing the NASA Buildings ' roof, foundations, common areas, electrical systems and mechanical systems.

Rental Revenues

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

2. BASIS OF ACCOUNTING

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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 NASA Buildings after their acquisition by the Company.

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NASA Buildings

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	\$ 32,856,309
2003	32,875,773
2004	32,987,740
2005	33,104,624
2006	26,008,009
Thereafter	117,928,136
	<hr/>
	\$ 275,760,591
	<hr/>

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.

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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 Caterpillar Nashville Building for the year ended December 31, 2001. This statement is the responsibility of the Caterpillar Nashville 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 Caterpillar Nashville 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 Caterpillar Nashville Building for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia

November 26, 2002

Table of Contents**Caterpillar Nashville 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>
	(Unaudited)	
Revenues:		
Base rent	\$ 5,922,277	\$ 7,896,370
Tenant reimbursements	357,722	379,662
	<u>6,279,999</u>	<u>8,276,032</u>
Total revenues		
Operating expenses	1,910,316	2,565,309
	<u>4,369,683</u>	<u>5,710,723</u>
Revenues over certain operating expenses		

See accompanying notes.

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Caterpillar Nashville 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 November 26, 2002, the Wells Operating Partnership, L.P. (Wells OP) acquired the Caterpillar Nashville Building from Highwoods/Tennessee Holdings, LP. (Highwoods/Tennessee). 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 312,297 square foot 11-story Caterpillar Nashville Building is 100% leased to three tenants, Caterpillar Financial Services Corporation (Caterpillar), Thoughtworks, LLC (Thoughtworks) and Highwoods Properties, Inc. (Highwoods). Caterpillar currently occupies 300,901 square feet under a gross lease (Caterpillar Lease) that commenced in March 2000 and expires in February 2015. Thoughtworks currently occupies 6,400 square feet under a gross lease (Thoughtworks Lease) that commenced in May 2000 and expires in May 2005. Highwoods currently occupies 4,996 square feet under a gross lease (Highwoods Lease) that commenced in October 2000 and expires in September 2005. Highwoods/Tennessee's interests in the Caterpillar Lease, Thoughtworks Lease and Highwoods Lease were assigned to Wells OP upon acquisition of the Caterpillar Nashville Building.

Under the Caterpillar Lease, the Thoughtworks Lease and the Highwoods Lease, the tenants are required to pay, as additional rent, all operating costs in excess of a \$6.50 per square foot expense stop. Under the Caterpillar Lease, Caterpillar's responsibility for increases in expenses other than insurance, taxes and utilities is capped at 4.5% annually. Furthermore, Caterpillar will reimburse the landlord a management fee equal to 4% of gross rental receipts. Wells OP will be responsible for the maintenance and repair of the structural elements of the building and the capital repairs and replacement of the roof.

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 Caterpillar Nashville Building after its acquisition by Wells OP.

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Caterpillar Nashville 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	\$ 7,673,511
2003	7,680,935
2004	7,688,516
2005	7,808,282
2006	7,685,012
Thereafter	64,265,433
	<hr/>
	\$ 102,801,689
	<hr/>

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.

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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, 2001 and quarterly report on Form 10-Q 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 the Wells REIT and the Caterpillar Nashville Building and the Capital One Richmond Buildings by Wells OP (collectively, the Recent Acquisitions) as if the acquisitions occurred on September 30, 2002.

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 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.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells REIT. As the sole general partner of Wells OP, the 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.

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.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

September 30, 2002

(Unaudited)

ASSETS

	Pro Forma Adjustments					Pro Forma Total
	Wells Real Estate Investment Trust, Inc. (f)	Recent Acquisitions				
		Other	NASA	Caterpillar Nashville	Capital One Richmond	
REAL ESTATE ASSETS, at cost:						
Land	\$ 164,190,412	\$ 0	\$ 34,500,000(c) 1,067,468(d)	\$ 4,900,000(c) 7,512(d)	\$ 2,855,000(c) 0	\$ 207,520,392
Buildings, less accumulated depreciation of \$47,999,655	1,171,793,037	0	314,665,776(c) 820,631(d) 8,915,477(e)	56,861,000(c) 87,172(e)	25,779,345(c) 0	1,578,922,438
Construction in progress	28,500,195	0	0	0	0	28,500,195
Total real estate assets	1,364,483,644	0	359,969,352	61,855,684	28,634,345	1,814,943,025
CASH AND CASH EQUIVALENTS	143,911,852	206,602,229(a) (7,231,078)(b)	(264,165,776)(c)	(2,312,755)(c)	0	76,804,472
INVESTMENT IN JOINT VENTURES	75,388,348	0	0	0	0	75,388,348
INVESTMENT IN BONDS	54,500,000	0	0	0	0	54,500,000
ACCOUNTS RECEIVABLE	12,018,601	0	0	0	0	12,018,601
DEFERRED LEASE ACQUISITION COSTS, NET	1,712,541	0	0	0	0	1,712,541
DEFERRED PROJECT COSTS	5,963,370	7,231,078(b)	(10,803,576)(d)	(94,684) (d)	0	2,296,188
DEFERRED OFFERING COSTS	3,537,361	0	0	0	0	3,537,361
DUE FROM AFFILIATES	2,185,436	0	0	0	0	2,185,436
NOTE RECEIVABLE	4,965,838	0	0	0	0	4,965,838
PREPAID EXPENSES AND OTHER ASSETS, NET	2,597,110	0	0	0	37,764(c)	2,634,874
Total assets	\$ 1,671,264,101	\$ 206,602,229	\$ 85,000,000	\$ 59,448,245	\$ 28,672,109	\$ 2,050,986,684

Table of Contents**LIABILITIES AND SHAREHOLDERS EQUITY**

	Wells Real		Pro Forma Adjustments			
	Trust, Inc. (f)	Other	NASA	Nashville	Richmond	Pro Forma Total
LIABILITIES:						
Accounts payable and accrued expenses	\$ 17,538,820	\$ 0	\$ 0	\$ 881,644(c)	\$ 0	\$ 18,420,464
Notes payable	35,829,293	0	85,000,000(c)	58,566,601(c)	28,672,109(c)	208,068,003
Obligations under capital lease	54,500,000	0	0	0	0	54,500,000
Dividends payable	10,209,306	0	0	0	0	10,209,306
Due to affiliates	4,379,745	0	0	0	0	4,379,745
Deferred rental income	7,893,930	0	0	0	0	7,893,930
Total liabilities	130,351,094	0	85,000,000	59,448,245	28,672,109	303,471,448
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP						
	200,000	0	0	0	0	200,000
SHAREHOLDERS EQUITY:						
Common shares, \$.01 par value; 750,000,000 shares authorized, 182,608,517 shares issued and 180,891,792 outstanding at September 30, 2002	1,826,086	206,602(a)	0	0	0	2,032,688
Additional paid-in capital	1,621,376,451	206,395,627(a)	0	0	0	1,827,772,078
Cumulative distributions in excess of earnings	(64,907,241)	0	0	0	0	(64,907,241)
Treasury stock, at cost, 1,716,725 shares	(17,167,254)	0	0	0	0	(17,167,254)
Other comprehensive loss	(415,035)	0	0	0	0	(415,035)
Total shareholders equity	1,540,713,007	206,602,229	0	0	0	1,747,315,236
Total liabilities and shareholders equity	\$ 1,671,264,101	\$ 206,602,229	\$ 85,000,000	\$ 59,448,245	\$ 28,672,109	\$ 2,050,986,684

(a) Reflects capital raised through issuance of additional shares subsequent to September 30, 2002 through Capital One Richmond acquisition date.

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

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

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, 2001

(Unaudited)

Wells Real Estate Investment Trust, Inc. (g)	Pro Forma Adjustments						Pro Forma Total
	2001 Acquisitions	2002 Acquisitions	Recent Acquisitions			Total	
			NASA	Caterpillar Nashville	Capital One Richmond		
REVENUES:							
Rental income	\$ 44,204,279	\$ 11,349,076(a)	\$ 54,615,521(a)	\$ 34,603,317(a)	\$ 7,970,097(a)	\$ 2,744,112(a)	\$ 155,486,402
Equity in income of joint ventures	3,720,959	1,111,850(b)	0	0	0	0	4,832,809
Interest income	1,246,064	0	0	0	0	0	1,246,064
Take out fee	137,500	0	0	0	0	0	137,500
	<u>49,308,802</u>	<u>12,460,926</u>	<u>54,615,521</u>	<u>34,603,317</u>	<u>7,970,097</u>	<u>2,744,112</u>	<u>161,702,775</u>
EXPENSES:							
Depreciation	15,344,801	5,772,761(c)	22,487,278(c)	12,976,075(c)	2,277,927(c)	1,031,174(c)	59,890,016
Interest	3,411,210	0	0	4,664,800(f)	3,214,135(f)	1,573,525(f)	12,863,670
Operating costs, net of reimbursements	4,128,883	2,854,275(d)	3,668,343(d)	7,614,050(d)	2,014,828(d)	0	20,280,379
Management and leasing fees	2,507,188	510,708(e)	2,250,455(e)	0	358,654(e)	123,485(e)	5,750,490
General and administrative	973,785	0	0	0	0	0	973,785
Amortization of deferred financing costs	770,192	0	0	0	0	0	770,192
Legal and accounting	448,776	0	0	0	0	0	448,776
	<u>27,584,835</u>	<u>9,137,744</u>	<u>28,406,076</u>	<u>25,254,925</u>	<u>7,865,544</u>	<u>2,728,184</u>	<u>100,977,308</u>
NET INCOME	<u>\$ 21,723,967</u>	<u>\$ 3,323,182</u>	<u>\$ 26,209,445</u>	<u>\$ 9,348,392</u>	<u>\$ 104,553</u>	<u>\$ 15,928</u>	<u>\$ 60,725,467</u>
EARNINGS PER SHARE, basic and	\$ 0.43						\$ 0.30

diluted		
WEIGHTED AVERAGE SHARES, basic and diluted	50,520,853	201,302,216

- (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 Buildings.
- (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 the properties, which bear interest at approximately 5.488% for the year ended December 31, 2001.
- (g) Historical financial information derived from annual report on Form 10-K.

The accompanying notes are an integral part of this statement.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****PRO FORMA STATEMENT OF INCOME**

for the nine months ended September 30, 2002

(Unaudited)

	Pro Forma Adjustments					Pro Forma Total
	Wells Real Estate Investment Trust, Inc. (f)	2002 Acquisitions	Recent Acquisitions			
			NASA	Caterpillar Nashville	Capital One Richmond	
REVENUES:						
Rental income	\$ 66,120,992	\$ 42,103,180(a)	\$ 25,903,344(a)	\$ 5,977,573(a)	\$ 2,058,084(a)	\$ 142,163,173
Equity in income of joint ventures	3,738,045	0	0	0	0	3,738,045
Interest income	4,547,040	0	0	0	0	4,547,040
Take out fee	134,666	0	0	0	0	134,666
	<u>74,540,743</u>	<u>42,103,180</u>	<u>25,903,344</u>	<u>5,977,573</u>	<u>2,058,084</u>	<u>150,582,924</u>
EXPENSES:						
Depreciation	23,185,201	15,039,449(b)	9,732,057(b)	1,708,445(b)	773,380(b)	50,438,532
Interest	1,478,333	0	2,620,763(e)	1,805,755(e)	884,033(e)	6,788,884
Operating costs, net of reimbursements	4,254,882	3,410,341(c)	6,057,649(c)	1,412,091(c)	0	15,134,963
Management and leasing fees	3,348,210	1,697,775(d)	0	268,991(d)	92,614(d)	5,407,590
General and administrative	1,866,042	0	0	0	0	1,866,042
Amortization of deferred financing costs	586,822	0	0	0	0	586,822
	<u>34,719,490</u>	<u>20,147,565</u>	<u>18,410,469</u>	<u>5,195,282</u>	<u>1,750,027</u>	<u>80,222,833</u>
NET INCOME	<u>\$ 39,821,253</u>	<u>\$ 21,955,615</u>	<u>\$ 7,492,875</u>	<u>\$ 782,291</u>	<u>\$ 308,057</u>	<u>\$ 70,360,091</u>
EARNINGS PER SHARE, basic and diluted	<u>\$ 0.31</u>					<u>\$ 0.35</u>
WEIGHTED AVERAGE SHARES, basic and diluted	<u>128,541,432</u>					<u>201,302,216</u>

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- (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, net of reimbursements.
- (d) Management and leasing fees are calculated at 4.5% of rental income.
- (e) Represents interest expense on lines of credit used to acquire the properties, which bear interest at approximately 4.111% for the nine months ended September 30, 2002.
- (f) Historical financial information derived from quarterly report on Form 10-Q.

The accompanying notes are an integral part of this statement.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 5 DATED JANUARY 15, 2003 TO THE PROSPECTUS

DATED JULY 26, 2002

This document supplements, and should be read in conjunction with, the prospectus of Wells Real Estate Investment Trust, Inc. dated July 26, 2002, as supplemented and amended by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002, Supplement No. 3 dated October 25, 2002, and Supplement No. 4 dated December 10, 2002. When we refer to the prospectus in this supplement, we are also referring to any and all supplements to the prospectus. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe the following:

- (1) Status of the offering of shares in Wells Real Estate Investment Trust, Inc. (Wells REIT);
- (2) Revisions to the Description of Real Estate Investments section of the prospectus to describe the following real property acquisitions;
 - (A) Acquisition of an interest in a four-story office building in Fishers, Indiana (John Wiley Indianapolis Building);
 - (B) Acquisition of a 20-story office building in Glendale, California (Nestle Building); and
 - (C) Acquisition of two three-story office buildings in Mayfield Heights, Ohio (East Point Buildings);
- (3) The second transaction under the Section 1031 Exchange Program;
- (4) Revisions to the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the prospectus;
- (5) Amended and restated unaudited financial statements of the Wells REIT for the period ended September 30, 2002 to incorporate changes resulting from a change in accounting presentation;
- (6) Financial statements relating to the recently acquired Nestle Building; and
- (7) Unaudited pro forma financial statements of the Wells REIT reflecting the acquisition of the Nestle Building and the East Point Buildings, and an interest in the John Wiley Indianapolis Building.

Status of the Offering

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We commenced our initial public offering of common stock on January 30, 1998. Our initial public offering was terminated on December 19, 1999. We received approximately \$132,181,919 in gross offering proceeds from the sale of 13,218,192 shares in our initial public offering. We commenced our second offering of common stock on December 20, 1999. Our second public offering was terminated on December 19, 2000. We received approximately \$175,229,193 in gross offering proceeds from the sale of 17,522,919 shares in our second public offering. We commenced our third public offering of common stock on December 20, 2000. Our third public offering was terminated on July 26, 2002. We received approximately \$1,282,976,865 in gross offering proceeds from the sale of 128,297,687 shares in our third public offering.

Pursuant to the prospectus, we commenced our fourth public offering of common stock on July 26, 2002. As of January 15, 2003, we had received additional gross proceeds of approximately

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\$638,970,439 from the sale of approximately 63,897,044 shares in our fourth public offering. Accordingly, as of January 15, 2003, we had received aggregate gross offering proceeds of approximately \$2,229,358,416 from the sale of approximately 222,935,842 shares in all of our public offerings. After payment of \$77,283,698 in acquisition and advisory fees and acquisition expenses, payment of \$247,036,149 in selling commissions and organization and offering expenses, and common stock redemptions of \$21,252,750 pursuant to our share redemption program, as of January 15, 2003, we had raised aggregate net offering proceeds available for investment in properties of \$1,883,785,819, out of which \$1,853,694,118 had been invested in real estate properties, and \$30,091,701 remained available for investment in real estate properties.

Description of Properties

As of January 15, 2003, we had purchased interests in 73 real estate properties located in 23 states. Below are the descriptions of our recent real property acquisitions.

John Wiley Indianapolis Building

On December 12, 2002, Wells Fund XIII REIT Joint Venture Partnership (XIII-REIT Joint Venture), a joint venture partnership between Wells Real Estate Fund XIII, L.P. (Wells Fund XIII) and 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 REIT, purchased a four-story office building on a 10.28 acre tract of land located at 10475 Crosspoint Boulevard in Fishers, Hamilton County, Indiana (John Wiley Indianapolis Building) from Crosspoint Seven, LLC for a purchase price of \$17,450,000, plus closing costs. Crosspoint Seven, LLC is not in any way affiliated with the XIII-REIT Joint Venture, Wells REIT, Wells OP, or our advisor, Wells Capital, Inc.

Wells OP contributed \$8,928,915 and Wells Fund XIII contributed \$8,577,787 to the Wells Fund XIII REIT Joint Venture to fund their respective shares of the acquisition costs for the John Wiley Indianapolis Building. As of December 31, 2002, Wells OP held an equity percentage interest in the XIII REIT Joint Venture of approximately 61.28% and Wells Fund XIII held an equity percentage interest in the Wells Fund XIII REIT Joint Venture of approximately 38.72%.

The John Wiley Indianapolis Building, which was completed in 1999, contains approximately 141,047 rentable square feet and is leased to John Wiley & Sons, Inc. (John Wiley), United Student Aid Funds, Inc. (USA Funds) and Robert Half International, Inc. (Robert Half).

John Wiley, as the primary tenant, occupies 123,674 rentable square feet (87.7%) of the John Wiley Indianapolis Building. John Wiley, a New York corporation publicly traded on the New York Stock Exchange (NYSE), publishes books and journals in print and electronic media specializing in scientific, technical, medical, professional, and educational materials. John Wiley has operations in the United States, Europe, Canada, Asia, and Australia. John Wiley reported a net worth, as of April 30, 2002, of approximately \$276 million.

The John Wiley lease commenced in November 1999 and expires in October 2009. The current annual base rent payable under the John Wiley lease is \$1,940,892. John Wiley is obligated to lease the remaining 17,373 rentable square feet of the John Wiley Indianapolis Building upon the expiration of the USA Funds lease and the Robert Half lease described below. John Wiley has the right, at its option, to extend the initial term of its lease for two additional five-year periods at 95% of the then-current market rental rate. The XIII-REIT Joint Venture, as the landlord, is responsible for paying the operating and maintenance costs; however, under the John Wiley lease, John Wiley is responsible for its share of operating and maintenance costs in excess of \$3.55 per rentable square foot, along with its share of real estate taxes.

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USA Funds is a wholly owned subsidiary of SLM Corporation, which is a leading source of funding and servicing support for education loans. USA Funds is a nonprofit corporation that supports access to education by providing financial and other services to those who pursue, provide or promote education. The USA Funds lease covers 14,413 rentable square feet (10.2%) and commenced in February

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2001 and expires in July 2005. The current annual base rent payable under the USA Funds lease is \$223,401. Under the USA Funds lease, USA Funds is responsible for its share of operating and maintenance costs in excess of \$4.00 per rentable square foot, along with its share of real estate taxes.

Robert Half is a staffing services agency publicly traded on the NYSE. Robert Half specializes in the staffing of accountants, attorneys, finance professionals, administrative support technicians, information technology professionals, and web design professionals. Robert Half has more than 325 locations in North America, Europe, Australia and New Zealand. The Robert Half lease covers 2,960 rentable square feet (2.1%) and commenced in April 2000 and expires in April 2005. The current annual base rent payable under the Robert Half lease is \$55,256. Under the Robert Half lease, Robert Half is responsible for operating and maintenance costs and real estate taxes in excess of \$4.01 per rentable square foot.

The XIII-REIT Joint Venture, as landlord, is responsible for the maintenance and repair of the elevators, plumbing, heating, and air conditioning, exterior walls, doors, windows, corridors and other common areas of the John Wiley Indianapolis Building.

Wells Management Company, Inc. (Wells Management), an affiliate of the Wells REIT and our advisor, will manage the John Wiley Indianapolis Building on behalf of the XIII-REIT Joint Venture and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the John Wiley Indianapolis Building.

Nestle Building

On December 20, 2002, Wells REIT Glendale, CA, LLC (REIT Glendale), a Georgia limited liability company wholly-owned by Wells OP, purchased a 20-story office building containing approximately 505,115 rentable square feet located in Glendale, California (Nestle Building) for a purchase price of \$157,000,000, plus closing costs, from Douglas Emmett Joint Venture (Douglas Emmett). Douglas Emmett is not in any way affiliated with the Wells REIT, Wells OP or our advisor.

In connection with the acquisition of the Nestle Building, REIT Glendale assumed an existing \$90,000,000 loan in favor of Landesbank Schleswig-Holstein Girozentrale, Kiel (Landesbank Loan), a German chartered bank, secured by the property. The interest rate on the Landesbank Loan is equal to LIBOR plus 1.15%, and the current interest rate on the Landesbank Loan is fixed for the next six months at 2.53% per annum. The Landesbank Loan requires monthly payments of interest only and matures on December 27, 2006. REIT Glendale may prepay the Landesbank Loan any time after December 28, 2003 without incurring any penalty. REIT Glendale paid a \$450,000 loan assumption fee at closing in connection with the assumption of the Landesbank Loan.

The Nestle Building was built in 1990 and is located on a 4.02-acre tract of land at 800 N. Brand Boulevard in Glendale, California. Approximately 502,994 rentable square feet of the Nestle Building (99.6%) is leased to Nestle USA, Inc. (Nestle USA), a wholly-owned subsidiary of Nestle S.A., a Swiss company. Nestle USA operates manufacturing centers which produce various foods and beverages, including chocolate, prepared foods, juices and milk products. Some of Nestle USA's famous brands include Stouffer's, Carnation, Libby's, Taster's Choice and Nestle.

The Nestle USA lease commenced in August 1990 and expires in August 2010. The current annual base rent payable under the Nestle USA lease is \$14,839,519. Nestle has the right, at its option, to extend the initial term of its lease for four additional five-year periods at the

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then-current market rental rate. Nestle also has a right of first refusal to lease any additional available space in the Nestle Building. REIT Glendale, as the landlord, is responsible for paying the operating and maintenance costs under the Nestle USA lease; however, Nestle USA is responsible for its share of operating and maintenance costs in excess of the base year operating allowance established in the first lease year. REIT Glendale, as the landlord, is also responsible for

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maintaining and repairing the structural portions and mechanical systems of the Nestle Building, including plumbing, heating, air conditioning, and electrical systems.

Wells Management will manage the Nestle Building on behalf of REIT Glendale and will be paid management and leasing fees in the amount of 4.5% of the gross revenues from the Nestle Building, subject to certain limitations.

East Point Buildings

On January 9, 2003, Wells OP purchased two three-story office buildings containing approximately 187,735 aggregate rentable square feet located in Mayfield Heights, Ohio (East Point Buildings) for a purchase price of \$21,968,000, plus closing costs, from Best Property Fund, L.P. (Best Property). Best Property is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

The East Point Buildings, which were built in 2000, are located at 6085 Parkland Boulevard (East Point I) and 6095 Parkland Boulevard (East Point II) in Mayfield Heights, Cuyahoga County, Ohio. The entire 102,484 rentable square feet of East Point I is leased to Progressive Casualty Insurance Company (Progressive Casualty). Progressive Casualty is the principal operating subsidiary of Progressive Corporation (Progressive Corp.), the fourth largest auto insurance company in the United States. Progressive Corp., a public company traded on the NYSE, provides various insurance products, including personal automobile insurance, D&O insurance and employee misconduct insurance.

The Progressive Casualty lease is a net lease (i.e., operating costs and maintenance costs are paid by the tenant) which commenced in January 2003 and expires in December 2012. The current annual base rent payable under the Progressive Casualty lease is \$947,977. Progressive Casualty has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of \$1,332,292 and a second additional five-year period at 95% of the then-current market rental rate. If Progressive Casualty does not exercise the first five-year extension option described above, it has the right to exercise a six-month extension option for a monthly base rent of \$111,024. Progressive Casualty has a right of first offer to lease additional space in the East Point Buildings upon space becoming available, which is subordinate to the rights of the tenants of East Point II described below. In addition, Progressive Casualty has a right of first offer to purchase the East Point Buildings, which right is also subordinate to the right of The Austin Company (Austin) described below. If Wells OP subdivides East Point I and East Point II, Progressive Casualty's right of first offer will then apply only to East Point I.

East Point II contains approximately 85,251 rentable square feet, of which 70,585 is currently leased to Austin, Danaher Power Solutions LLC (Danaher) and Moreland Management Co. (Moreland). Approximately 14,666 rentable square feet (17.2%) of East Point II is vacant.

Austin leases 40,900 rentable square feet (48.0%) of East Point II. Austin is a private company with corporate headquarters in Cleveland, Ohio. Austin offers a wide range of in-house architectural, engineering, design-build and construction management services. Austin has offices in many major U.S. cities, London and Puerto Rico. The Austin lease is a net lease which commenced in June 2000 and expires in June 2010. The current annual base rent payable under the Austin lease is \$1,002,050. Austin has the right, at its option, to extend the initial term of its lease for one additional five-year period for an annual base rent of \$1,042,950. Austin has a right of first refusal to lease additional space on the second floor in East Point II upon space becoming available. In addition, Austin has a right of first offer to purchase the East Point Buildings upon the landlord's receipt of a third-party offer.

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Danaher leases 15,553 rentable square feet (18.2%) of East Point II. Danaher is a wholly owned subsidiary of Danaher Corporation (Danaher Corp.). Danaher designs, manufactures and provides power quality and reliability products and services. Danaher Corp., a public company traded on the NYSE, is located in 30 countries worldwide and conducts business in the process and environmental controls industry and the tools and components industry. The Danaher lease commenced in July 2002 and expires in November 2007. The current annual base rent payable under the Danaher lease is \$324,348. Wells OP, as the landlord, is responsible for paying the operating and maintenance costs under the Danaher lease; however, Danaher is responsible for its share of (1) operating

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and maintenance costs in excess of \$1.85 per rentable square foot, and (2) real estate taxes in excess of \$4.65 per rentable square foot.

Moreland leases 14,132 rentable square feet (16.6%) of East Point II. The Moreland lease commenced in August 2001 and expires in October 2011. The current annual base rent payable under the Moreland lease is \$325,036. Moreland has the right, at its option, to extend the initial term of its lease for two additional five-year periods at the then-current market rental rate. Moreland has a right of first refusal to lease additional space on the floor Moreland currently occupies in East Point II upon space becoming available.

Wells OP, as the landlord, is responsible for maintaining all common areas, building mechanical systems, exterior doors and walls, and the roof of the East Point Buildings.

Wells Management will be paid management and leasing fees in the amount of up to 4.5% of gross revenues from the East Point Buildings, subject to certain limitations. Wells OP has entered into a management agreement with CB Richard Ellis to serve as the on-site property manager for the East Point Buildings, which property management fees will be paid out of or credited against the fees payable to Wells Management. CB Richard Ellis is not in any way affiliated with the Wells REIT, Wells OP, or our advisor.

Second Transaction under the Section 1031 Exchange Program

As described in the Investment Objectives and Criteria Section 1031 Exchange Program section of our prospectus, an affiliate of our advisor has developed a program (Section 1031 Exchange Program) involving the acquisition of income-producing commercial properties and the formation of a series of single member limited liabilities companies (Wells Exchange) for the purpose of facilitating the resale of co-tenancy interests in such real estate properties to persons (1031 Participants) who are looking to invest the proceeds from a sale of real estate held for investment into another real estate investment for purposes of qualifying for like-kind exchange treatment under Section 1031 of the Internal Revenue Code. The initial transaction in the Section 1031 Exchange Program involved the acquisition by Wells Exchange and resale of co-tenancy interests in the Ford Motor Credit Complex located in Colorado Springs, Colorado. Since all of the co-tenancy interests in the Ford Motor Credit Complex were sold to 1031 Participants, Wells OP neither acquired any unsold co-tenancy interests in the Ford Motor Credit Complex, nor has any additional exposure under the Take Out Purchase and Escrow Agreement entered into in connection with the acquisition of the Ford Motor Credit Complex.

The second transaction in the Section 1031 Exchange Program involves the acquisition by Wells Exchange and resale of co-tenancy interests in two single tenant office buildings each containing approximately 98,216 rentable square feet located in Birmingham, Alabama (Meadow Brook Corporate Park) currently under lease agreements with Allstate Insurance Company (Allstate) and Computer Sciences Corporation (Computer Sciences). Allstate is a wholly owned subsidiary of Allstate Corporation, a Fortune 100 company. Allstate sells private passenger auto and homeowners insurance in the United States and Canada, as well as other lines of personal property and casualty insurance, including landlords, personal umbrella, renters, condominium, residential fire, manufactured housing, boat owners and selected commercial property and casualty. Computer Sciences, a public company traded on the NYSE, is in the technology services business and provides broad-based technology services that include management consulting, systems integration, and systems outsourcing to commercial markets and the federal government. Wells Exchange is currently engaged in the offer and sale of co-tenancy interests in the Meadow Brook Corporate Park to 1031 Participants.

In consideration for the payment of a Take Out Fee in the amount of \$175,000, and following approval of the potential property acquisition by our board of directors, Wells OP entered into a Take Out Purchase and Escrow Agreement relating to the Meadow Brook Corporate Park. Pursuant to the terms of

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the Take Out Purchase and Escrow Agreement, Wells OP is obligated to acquire, at Wells Exchange's cost (\$419,916 in cash for each 2.9994% co-tenancy interest), any co-tenancy interests in the Meadow Brook Corporate Park which remain unsold on September 30, 2003.

The obligations of Wells OP under the Take Out Purchase and Escrow Agreement are secured by a line of credit with Bank of America, N.A. (BOA). If, for any reason, Wells OP fails to acquire any of the co-tenancy interests in the Meadow Brook Corporate Park which remain unsold as of September 30, 2003, or if there is otherwise an uncured default under the interim loan between Wells Exchange and BOA or Well OP's loan documents, BOA is authorized to draw down on Wells OP's line of credit in the amount necessary to pay the outstanding balance of the interim loan in full, in which event the appropriate amount of unsold co-tenancy interests in the Meadow Brook Corporate Park would be deemed to Wells OP. Wells OP's maximum economic exposure in the transaction is \$14,000,000, in which event Wells OP would acquire the Meadow Brook Corporate Park for \$14,000,000 in cash plus assumption of the first mortgage financing in the amount of \$13,900,000. If Wells Exchange successfully sells 100% of the co-tenancy interests to 1031 Participants, Wells OP will not acquire any interest in the Meadow Brook Corporate Park. If some, but not all, of the co-tenancy interests are sold by Wells Exchange, Wells OP's exposure would be less, and it would end up owning an interest in the property in co-tenancy with 1031 Participants who had previously acquired co-tenancy interests in the Meadow Brook Corporate Park from Wells Exchange.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information amends and restates the information contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of Supplement No. 4 dated December 10, 2002, and should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations section beginning on page 101 of the prospectus, as supplemented by Supplement No. 1 dated August 14, 2002, Supplement No. 2 dated August 29, 2002 and Supplement No. 3 dated October 25, 2002. We amended our previously filed third quarter Form 10-Q by amending the Consolidated Statements of Income for the three and nine months ended September 30, 2002 and Notes 1(k) and 2 to the Condensed Notes to Financial Statements and the Results of Operations subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations in order to restate the presentation of certain of our operating costs reimbursed by tenants as revenue and the gross property operating costs as expenses pursuant to a FASB Emerging Issues Task Force release issued in November 2001. In addition, interest income and interest expense related to certain bonds held by the Wells REIT have been restated to reflect such amounts on a gross basis consistent with this revised presentation. The comparative financial information for prior periods was also reclassified to conform the presentation. Since this presentation does not impact the amount of reimbursements we received or the property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on our financial position, net income, earnings per share or cash flows.

Forward Looking Statements

This supplement contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of our financial condition, anticipated capital expenditures required to complete certain projects, amounts of anticipated cash distributions to shareholders in the future and certain other matters. Readers of this supplement should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this supplement, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, inability to invest in properties on a timely basis or in properties

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that will provide targeted rates of return and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

We have made an election under Section 856 (c) of the Internal Revenue Code (Internal Revenue Code) to be taxed as a REIT under the Internal Revenue Code beginning with its taxable year ended December 31, 1999. As a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is lost. Such an event could materially adversely affect our net income. However, management believes that we are organized and operate in a manner which will enable us to qualify for treatment as a REIT for federal income tax purposes during this fiscal year. In addition, management intends to continue to operate the Wells REIT so as to remain qualified as a REIT for federal income tax purposes.

Liquidity and Capital Resources

During the nine months ended September 30, 2002, we received aggregate gross offering proceeds of \$988.5 million from the sale of 98.8 million shares of our common stock. After payment of \$34.8 million in acquisition and advisory fees and acquisition expenses, payment of \$104.3 million in selling commissions and organization and offering expenses, and common stock redemptions of \$11.6 million pursuant to our share redemption program, we raised net offering proceeds of \$837.8 million during the first three quarters of 2002, of which \$144.5 million remained available for investment in properties at quarter end. In October, we reached our limit on stock redemptions for the year and, accordingly, there will be no further stock redemptions under our stock redemption program for the remainder of 2002.

During the nine months ended September 30, 2001, we received aggregate gross offering proceeds of \$297.8 million from the sale of 29.8 million shares of its common stock. After payment of \$10.3 million in acquisition and advisory fees and acquisition expenses, payment of \$35.6 million in selling commissions and organizational and offering expenses, and common stock redemptions of \$2.1 million pursuant to our share redemption program, we raised net offering proceeds of \$249.8 million during the first three quarters of 2001, of which \$8.7 million remained available for investment in properties at quarter end.

The significant increase in capital resources we have available is due to significantly increased sales of our common stock during the first three quarters of 2002.

As of September 30, 2002, we owned interests in 67 real estate properties either directly or through interests in joint ventures. Dividends declared for the third quarter of 2002 and 2001 were approximately \$0.1938 and \$0.1875 per share, respectively. In August 2002, our board of directors declared dividends for the fourth quarter of 2002 in the amount of approximately \$0.175 per share.

Due primarily to the pace of our property acquisitions, as explained in more detail in the following paragraphs, dividends paid in the first three quarters of 2002 in the aggregate amount of approximately \$71.4 million exceeded our Adjusted Funds From Operations for this period by approximately \$11 million.

We continue to acquire properties that meet our standards of quality both in terms of the real estate and the creditworthiness of the tenants. Creditworthy tenants of the type we target are becoming more and more highly valued in the marketplace and, accordingly, there is increased

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competition in acquiring properties with these creditworthy tenants. As a result, the purchase prices for such properties have increased with corresponding reductions in cap rates and returns on investment. In addition, changes in market conditions have caused us to add to our internal procedures for ensuring the

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creditworthiness of our tenants before any commitment to buy a property is made. We continue to remain steadfast in our commitment to invest in quality properties that will produce quality income for our shareholders. Accordingly, because the marketplace is now placing a higher value on our type of properties and because of the additional time it now takes in the acquisition process for us to assess tenant credit plus our commitment to adhere to purchasing properties with tenants that meet our investment criteria we were required to lower our dividend yield to investors.

As a result of the factors described in the preceding paragraph, on August 29, 2002, our board of directors declared dividends for the fourth quarter of 2002 in an amount equal to a 7.0% annualized percentage rate return on an investment of \$10 per share to be paid in December 2002. Our fourth quarter dividends are calculated on a daily record basis of \$0.001923 (0.1923 cents) per day per share on the outstanding shares of common stock payable to shareholders of record of such shares as shown on our books at the close of business on each day during the period, commencing on September 16, 2002, and continuing on each day thereafter through and including December 15, 2002.

For information relating to the dividends declared for the first quarter of 2003, see the *Subsequent Events* section below.

Cash Flows From Operating Activities

Our net cash provided by operating activities was \$68.2 million and \$26.5 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by operating activities was due primarily to the net income generated by additional properties acquired during 2002 and 2001.

Cash Flows Used In Investing Activities

Our net cash used in investing activities was \$826.9 million and \$155.7 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash used in investing activities was due primarily to investments in properties and the payment of related deferred project costs, partially offset by distributions received from joint ventures.

Cash Flows From Financing Activities

Our net cash provided by financing activities was \$827.1 million and \$136.1 million for the nine months ended September 30, 2002 and 2001, respectively. The increase in net cash provided by financing activities was due primarily to the raising of additional capital and the lack of debt payments, which were \$208.1 million in the prior year. We raised \$988.5 million in offering proceeds for the nine months ended September 30, 2002, as compared to \$297.8 million for the same period in 2001. Additionally, we paid dividends totaling \$23.5 million in the first three quarters of 2001 compared to \$71.4 million in the same period of 2002.

Results of Operations

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Gross revenues were \$87.9 million and \$38.5 million for the nine months ended September 30, 2002 and 2001, respectively. Gross revenues for the nine months ended September 30, 2002 and 2001 were attributable to rental income, operating cost reimbursements, interest income earned on funds held by the Company prior to the investment in properties, and income earned from joint ventures. The increase in revenues in 2002 was primarily attributable to the purchase of \$805.5 million in additional properties during 2002 and the purchase of \$114.1 million in additional properties during the fourth quarter of 2001 which were not owned for the first three quarters of 2001. The purchase of additional properties also resulted in an increase in expenses, which totaled \$48.1 million for the nine months ended September 30, 2002, as compared to \$24.1 million for the nine months ended September 30, 2001. Expenses in 2002 and 2001 consisted primarily of depreciation, operating costs, interest expense, management and leasing fees and general and administrative costs. As a result, our net income also increased from \$14.4 million for the nine months ended September 30, 2001 to \$39.8 million for the nine months ended September 30, 2002.

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Earnings per share for the nine months ended September 30, 2002 decreased from \$0.33 per share for the nine months ended September 30, 2001 to \$0.31 per share for the nine months ended September 30, 2002. Earnings per share for the third quarter decreased from \$0.11 per share for the three months ended September 30, 2001 to \$0.09 per share for the three months ended September 30, 2002. These decreases were primarily due to the substantial increase in the number of shares outstanding as a result of capital raised in 2002 which was not completely matched by a corresponding increase in net income because such capital proceeds were not fully invested in properties.

Funds From Operations

Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts (NAREIT), generally means net income, computed in accordance with GAAP excluding extraordinary items (as defined by GAAP) and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures and subsidiaries. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT. However, our calculation of FFO, while consistent with NAREIT's definition, may not be comparable to similarly titled measures presented by other REITs. Adjusted Funds From Operations (AFFO) is defined as FFO adjusted to exclude the effects of straight-line rent adjustments, deferred loan cost amortization and other non-cash and/or unusual items. Neither FFO nor AFFO represent cash generated from operating activities in accordance with GAAP and should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. The following table reflects the calculation of FFO and AFFO for the three and nine months ended September 30, 2002 and 2001, respectively:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 30,	September 30,	September 30,	September 30,
	2002	2001	2002	2001
FUNDS FROM OPERATIONS:				
Net income	\$ 15,285	\$ 6,109	\$ 39,821	\$ 14,423
Add:				
Depreciation	10,282	3,947	23,185	10,341
Amortization of deferred leasing costs	78	76	229	228
Depreciation and amortization unconsolidated partnerships	708	647	2,115	1,561
Funds from operations (FFO)	26,353	10,779	65,350	26,553
Adjustments:				
Loan cost amortization	162	237	587	529
Straight line rent	(2,146)	(708)	(5,312)	(1,930)
Straight line rent unconsolidated partnerships	(27)	(100)	(229)	(233)
Lease acquisitions fees paid unconsolidated partnerships				(8)
Adjusted funds from operations	\$ 24,342	\$ 10,208	\$ 60,396	\$ 24,911
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	163,395	54,112	128,541	43,726

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. However, there are provisions in the majority of tenant leases that are intended to protect us from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot

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basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Critical Accounting Policies

Our reported results of operations are impacted by management judgments related to application of accounting policies. A discussion of the accounting policies that management considers to be critical, in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain, is included in Footnote 1 to the financial statements.

Subsequent Events

Effective October 31, 2002, Arthur Andersen LLP (Andersen) and Wells OP entered into a termination agreement with respect to the lease for the three-story office building containing 157,700 rentable square feet located in Sarasota, Florida formerly known as the Arthur Andersen Building. In consideration for releasing Andersen from its obligation to pay rent under the lease, Andersen paid Wells OP a termination fee of \$979,760 and conveyed to Wells OP an approximately 1.3 acre tract of land adjacent to the property which was used for parking. On November 1, 2002, Wells OP entered into a net lease agreement with Vertex Tax Technology Enterprises, LLC (Vertex) for approximately 47,388 rentable square feet of the building. The current term of the lease is seven years, which commenced on November 1, 2002 and expires on October 31, 2009. The current annual base rent payable under the Vertex lease is \$621,257.

In November 2002, Shoreview Associates LLC (Shoreview), the owner of an office building located in Ramsey County, Minnesota that Wells OP had contracted to purchase, filed a lawsuit against Wells OP in state court in Minnesota alleging that it was entitled to the \$750,000 in earnest money that Wells OP had deposited under the contract. Wells OP has filed a counterclaim in the case asserting that it is entitled to the \$750,000 earnest money deposit. Procedurally, Wells OP had the case transferred to U.S. District Court in Minnesota and Shoreview has moved to transfer the case back to the state court. The dispute currently remains in litigation.

On December 4, 2002, our board of directors declared dividends for the first quarter of 2003 in the amount of a 7.0% annualized percentage rate return on an investment of \$10.00 per share to be paid in March 2003. Our first quarter dividends are calculated on a daily record basis of \$0.001944 (0.1944 cents) per day per share on the outstanding shares of common stock payable to stockholders of record of such shares as shown on the books of the Wells REIT at the close of business on each day during the period, commencing on December 16, 2002, and continuing on each day thereafter through and including March 15, 2003.

Financial Statements

Audited Financial Statements

The statement of revenues over certain operating expenses of the Nestle Building for the year ended December 31, 2001, which is included in this supplement, has been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Unaudited Financial Statements

The amended and restated financial statements of the Wells REIT, as of September 30, 2002, and for the three and nine month periods ended September 30, 2002 and September 30, 2001, which are included in this supplement, have not been audited.

The statements of revenues over certain operating expenses of the Nestle Building for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

The pro forma balance sheet of the Wells REIT, as of September 30, 2002, the pro forma statement of income for the year ended December 31, 2001, and the pro forma statement of income for the nine months ended September 30, 2002, which are included in this supplement, have not been audited.

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	September 30, 2002	December 31, 2001
	(unaudited)	
ASSETS		
REAL ESTATE, at cost:		
Land	\$ 164,191	\$ 86,247
Building and improvements, less accumulated depreciation of \$48,000 in 2002 and \$24,814 in 2001	1,171,793	472,383
Construction in progress	28,500	5,739
Total real estate	1,364,484	564,369
INVESTMENT IN JOINT VENTURES	75,388	77,410
CASH AND CASH EQUIVALENTS	143,912	75,586
INVESTMENT IN BONDS	54,500	22,000
STRAIGHT-LINE RENT RECEIVABLE	10,632	5,362
ACCOUNTS RECEIVABLE	1,387	641
NOTE RECEIVABLE	4,966	0
DEFERRED LEASE ACQUISITION COSTS, net	1,713	1,525
DEFERRED PROJECT COSTS	5,963	2,977
DUE FROM AFFILIATES	2,185	1,693
DEFERRED OFFERING COSTS	3,537	0
PREPAID EXPENSES AND OTHER ASSETS, net	2,597	718
Total assets	\$ 1,671,264	\$ 752,281
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES:		
Notes payable	\$ 35,829	\$ 8,124
Obligations under capital leases	54,500	22,000
Accounts payable and accrued expenses	17,539	8,727
Dividends payable	10,209	1,059
Deferred rental income	7,894	662
Due to affiliates	4,380	2,166
Total liabilities	130,351	42,738
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200	200
SHAREHOLDERS EQUITY:		
Common shares, \$.01 par value; 750,000 shares authorized, 182,609 shares issued and 180,892 outstanding at September 30, 2002, and 350,000 shares authorized, 83,761 shares issued and 83,206 shares outstanding at December 31, 2001	1,826	838
Additional paid-in capital	1,621,376	738,236
Cumulative distributions in excess of earnings	(64,907)	(24,181)
Treasury stock, at cost, 1,717 shares at September 30, 2002 and	(17,167)	(5,550)

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555 shares at December 31, 2001		
Other comprehensive loss	(415)	0
	<hr/>	<hr/>
Total shareholders' equity	1,540,713	709,343
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 1,671,264	\$ 752,281
	<hr/>	<hr/>

See accompanying condensed notes to financial statements.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF INCOME**

(unaudited and in thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30	September 30
	2002	2001	2002	2001
REVENUES:				
Rental income	\$ 27,549	\$ 11,317	\$ 66,121	\$ 31,028
Operating cost reimbursements*	3,677	1,331	12,854	4,470
Equity in income of joint ventures	1,259	1,102	3,738	2,622
Interest income*	2,427	89	5,075	281
Take out fee	1	0	135	138
	<u>34,913</u>	<u>13,839</u>	<u>87,923</u>	<u>38,539</u>
EXPENSES:				
Depreciation	10,282	3,947	23,185	10,341
Operating costs*	5,868	2,625	17,109	7,638
Management and leasing fees	1,445	632	3,348	1,750
Administrative costs	745	141	1,867	901
Interest expense*	1,126	148	2,006	2,957
Amortization of deferred financing costs	162	237	587	529
	<u>19,628</u>	<u>7,730</u>	<u>48,102</u>	<u>24,116</u>
NET INCOME	<u>\$ 15,285</u>	<u>\$ 6,109</u>	<u>\$ 39,821</u>	<u>\$ 14,423</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>\$ 0.09</u>	<u>\$ 0.11</u>	<u>\$ 0.31</u>	<u>\$ 0.33</u>
BASIC AND DILUTED WEIGHTED AVERAGE SHARES	<u>163,395</u>	<u>54,112</u>	<u>128,541</u>	<u>43,726</u>

See accompanying condensed notes to financial statements.

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* These financial statement line items have been amended and restated as described in the accompanying Note 1(k).

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2001

AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)

(in thousands except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Other Comprehensive Income	Total Shareholders Equity
BALANCE, December 31, 2000	31,510	\$ 315	\$ 275,573	\$ (9,134)	\$ 0	(141)	\$ (1,413)	\$ 0	\$ 265,341
Issuance of common stock	52,251	523	521,994	0	0	0	0	0	522,517
Treasury stock purchased	0	0	0	0	0	(414)	(4,137)	0	(4,137)
Net income	0	0	0	0	21,724	0	0	0	21,724
Dividends (\$.76 per share)	0	0	0	(15,047)	(21,724)	0	0	0	(36,771)
Sales commissions and discounts	0	0	(49,246)	0	0	0	0	0	(49,246)
Other offering expenses	0	0	(10,085)	0	0	0	0	0	(10,085)
BALANCE, December 31, 2001	83,761	838	738,236	(24,181)	0	(555)	(5,550)	0	709,343
Issuance of common stock	98,848	988	987,482	0	0	0	0	0	988,470
Treasury stock purchased	0	0	0	0	0	(1,162)	(11,617)	0	(11,617)
Dividends (\$.58 per share)	0	0	0	(40,726)	(39,821)	0	0	0	(80,547)
Sales commissions and discounts	0	0	(94,097)	0	0	0	0	0	(94,097)
Other offering expenses	0	0	(10,245)	0	0	0	0	0	(10,245)
Components of comprehensive income:									
Net income	0	0	0	0	39,821	0	0	0	39,821
Gain/(loss) on interest rate swap	0	0	0	0	0	0	0	(415)	(415)
Comprehensive income									39,406

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BALANCE, September 30, 2002 (unaudited)	182,609	\$ 1,826	\$ 1,621,376	\$ (64,907)	\$ 0	(1,717)	\$ (17,167)	\$ (415)	\$ 1,540,713
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See accompanying condensed notes to financial statements.

Table of Contents**WELLS REAL ESTATE INVESTMENT TRUST, INC.****AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited and in thousands)**

	Nine Months Ended	
	September 30,	September 30,
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 39,821	\$ 14,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of joint ventures	(3,738)	(2,622)
Depreciation	23,185	10,341
Amortization of deferred financing costs	587	529
Amortization of deferred leasing costs	229	228
Bad debt expense	113	0
Changes in assets and liabilities:		
Accounts receivable	(746)	(370)
Straight-line rent receivable	(5,382)	(1,949)
Due from affiliates	(35)	0
Deferred rental income	7,232	(381)
Accounts payable and accrued expenses	8,811	3,309
Prepaid expenses and other assets, net	(1,813)	3,211
Due to affiliates	(105)	(235)
Net cash provided by operating activities	<u>68,159</u>	<u>26,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in real estate	(797,011)	(121,366)
Investment in joint ventures	0	(27,018)
Deferred project costs paid	(34,784)	(10,347)
Distributions received from joint ventures	5,301	3,027
Deferred lease acquisition costs paid	(400)	0
Net cash used in investing activities	<u>(826,894)</u>	<u>(155,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	27,742	107,587
Repayment of note payable	(37)	(208,102)
Dividends paid	(71,397)	(23,502)
Issuance of common stock	988,470	297,775
Sales commissions paid	(94,097)	(28,086)
Offering costs paid	(10,937)	(7,481)
Treasury stock purchased	(11,617)	(2,137)
Deferred financing costs paid	(1,066)	0
Net cash provided by financing activities	<u>827,061</u>	<u>136,054</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	68,326	6,834
CASH AND CASH EQUIVALENTS, beginning of year	75,586	4,298
CASH AND CASH EQUIVALENTS, end of period	\$ 143,912	\$ 11,132
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Deferred project costs applied to real estate assets	\$ 31,271	\$ 1,127
Deferred project costs applied to joint ventures	\$ 0	\$ 9,295
Deferred project costs due to affiliate	\$ 587	\$ (498)
Interest rate swap	\$ (415)	\$ 0
Increase (decrease) in deferred offering cost accrual	\$ 3,537	\$ (1,291)
Assumption of obligations under capital lease	\$ 32,500	\$ 22,000
Investment in bonds	\$ 32,500	\$ 22,000

See accompanying condensed notes to financial statements.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the Company) is a Maryland corporation formed on July 3, 1997, which qualifies as a real estate investment trust (REIT). Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (Wells OP), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing income producing commercial properties for investment purposes on behalf of the Company. The Company is the sole general partner of Wells OP.

On January 30, 1998, the Company commenced its initial public offering of up to 16.5 million shares of common stock at \$10 per share pursuant to a Registration Statement on Form S-11 filed under the Securities Act of 1933. The Company commenced active operations on June 5, 1998. The Company terminated its initial public offering on December 19, 1999 at which time gross proceeds of approximately \$132.2 million had been received from the sale of approximately 13.2 million shares. The Company commenced its second public offering of shares of common stock on December 20, 1999, which was terminated on December 19, 2000 after receipt of gross proceeds of approximately \$175.2 million from the sale of approximately 17.5 million shares. The Company commenced its third public offering of shares of common stock on December 20, 2000, which terminated on July 26, 2002 after receipt of gross proceeds of approximately \$1.3 billion from the sale of approximately 128.3 million shares. As of September 30, 2002, the Company has received gross proceeds of approximately \$235.7 million from the sale of approximately 23.6 million shares from its fourth public offering. Accordingly, as of September 30, 2002, the Company has received aggregate gross offering proceeds of approximately \$1.8 billion from the sale of 182.6 million shares of its common stock to investors. After payment of \$63.3 million in acquisition and advisory fees and acquisition expenses, payment of \$202.9 million in selling commissions and organization and offering expenses, capital contributions to joint ventures and acquisitions expenditures by Wells OP of \$1.4 billion for property acquisitions, and common stock redemptions of \$17.2 million pursuant to the Company's share redemption program, the Company was holding net offering proceeds of \$144.5 million available for investment in properties, as of September 30, 2002.

Table of Contents**(b) Properties**

As of September 30, 2002, the Company owned interests in 67 properties listed in the table below through its ownership in Wells OP.

Property	Property	%	Purchase	Square	Annual	
Name	Tenant	Owned	Price	Feet	Rent	
Daimler Chrysler Dallas	Daimler Chrysler Services North America LLC	Westlake, TX	100%	\$ 25,100,000	130,290	\$ 3,189,499
Allstate Indianapolis	Allstate Insurance Company	Indianapolis, IN	100%	\$ 10,900,000	84,200	\$ 1,246,164
	Holladay Property Services Midwest, Inc.				5,756	\$ 74,832
Intuit Dallas	Lacerte Software Corporation	Plano, TX	100%	\$ 26,500,000	166,238	\$ 2,461,985
EDS Des Moines	EDS Information Services LLC	Des Moines, IA	100%	\$ 26,500,000	405,000	\$ 2,389,500
Federal Express Colorado Springs	Federal Express Corporation	Colorado Springs, CO	100%	\$ 26,000,000	155,808	\$ 2,248,309
KeyBank Parsippany	KeyBank U.S.A., N.A.	Parsippany, NJ	100%	\$ 101,350,000	200,000	\$ 3,800,000
	Gemini Technology Services				204,515	\$ 5,726,420
IRS Long Island	IRS Collection	Holtsville, NY	100%	\$ 50,975,000	128,000	\$ 5,029,380(1)
	IRS Compliance				50,949	\$ 1,663,200
	IRS Daycare Facility				12,100	\$ 486,799
AmeriCredit Phoenix	AmeriCredit Financial Services, Inc.	Chandler, AZ	100%	\$ 24,700,000(2)	153,494	\$ 1,609,315(3)
Harcourt Austin	Harcourt, Inc.	Austin, TX	100%	\$ 39,000,000	195,230	\$ 3,353,040
Nokia Dallas	Nokia, Inc.	Irving, TX	100%	\$ 119,550,000	228,678	\$ 4,413,485
	Nokia, Inc.				223,470	\$ 4,547,614
	Nokia, Inc.				152,086	\$ 3,024,990
Kraft Atlanta	Kraft Foods North America, Inc.	Suwanee, GA	100%	\$ 11,625,000	73,264	\$ 1,263,804
	Perkin Elmer Instruments, LLC				13,955	\$ 194,672
BMG Greenville	BMG Direct Marketing, Inc.	Duncan, SC	100%	\$ 26,900,000	473,398	\$ 1,394,156
	BMG Music				313,380	\$ 763,600
Kerr-McGee	Kerr-McGee Oil & Gas Corporation	Houston, TX	100%	\$ 15,760,000(2)	100,000	\$ 1,655,000(3)
PacifiCare San Antonio	PacifiCare Health Systems, Inc.	San Antonio, TX	100%	\$ 14,650,000	142,500	\$ 1,471,700
ISS Atlanta	Internet Security Systems, Inc.	Atlanta, GA	100%	\$ 40,500,000	238,600	\$ 4,623,445
MFS Phoenix	Massachusetts Financial Services Company	Phoenix, AZ	100%	\$ 25,800,000	148,605	\$ 2,347,959
TRW Denver	TRW, Inc.	Aurora, CO	100%	\$ 21,060,000	108,240	\$ 2,870,709
Agilent Boston	Agilent Technologies, Inc.	Boxborough, MA	100%	\$ 31,742,274	174,585	\$ 3,578,993
Experian/TRW	Experian Information Solutions, Inc.	Allen, TX	100%	\$ 35,150,000	292,700	\$ 3,438,277
BellSouth Ft. Lauderdale	BellSouth Advertising and Publishing Corporation	Ft. Lauderdale, FL	100%	\$ 6,850,000	47,400	\$ 747,033
Agilent Atlanta	Agilent Technologies, Inc. Koninklijke Philips Electronics N.V.	Alpharetta, GA	100%	\$ 15,100,000	66,811	\$ 1,344,905
					34,396	\$ 704,430
Travelers Express Denver	Travelers Express Company, Inc.	Lakewood, CO	100%	\$ 10,395,845	68,165	\$ 1,012,250
Dana Kalamazoo	Dana Corporation	Kalamazoo, MI	100%	\$ 41,950,000(4)	147,004	\$ 1,842,800
Dana Detroit	Dana Corporation	Farmington Hills, MI	100%	(see above)(4)	112,480	\$ 2,330,600

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Novartis Atlanta	Novartis Ophthalmics, Inc.	Duluth, GA	100%	\$ 15,000,000	100,087	\$ 1,426,240
Transocean Houston	Transocean Deepwater Offshore Drilling, Inc.	Houston, TX	100%	\$ 22,000,000	103,260	\$ 2,110,035
	Newpark Drilling Fluids, Inc.				52,731	\$ 1,153,227
Arthur Andersen (5)	Arthur Andersen LLP	Sarasota, FL	100%	\$ 21,400,000	157,700	\$ 1,988,454
Windy Point I	TCI Great Lakes, Inc. The Apollo Group, Inc.	Schaumburg, IL	100%	\$ 32,225,000(6)	129,157	\$ 2,067,204
	Global Knowledge Network Various other tenants				28,322	
					22,028	\$ 477,226
					8,884	\$ 393,776
						\$ 160,000
Windy Point II	Zurich American Insurance	Schaumburg, IL	100%	\$ 57,050,000(6)	300,034	\$ 5,244,594
Convergys	Convergys Customer Management Group, Inc.	Tamarac, FL	100%	\$ 13,255,000	100,000	\$ 1,248,192
ADIC	Advanced Digital Information Corporation	Parker, CO	68.2%	\$ 12,954,213	148,204	\$ 1,222,683
Lucent	Lucent Technologies, Inc.	Cary, NC	100%	\$ 17,650,000	120,000	\$ 1,800,000
Ingram Micro	Ingram Micro, L.P.	Millington, TN	100%	\$ 21,050,000	701,819	\$ 2,035,275
Nissan	Nissan Motor Acceptance Corporation	Irving, TX	100%	\$ 42,259,000(2)	268,290	\$ 4,225,860(3)
IKON	IKON Office Solutions, Inc.	Houston, TX	100%	\$ 20,650,000	157,790	\$ 2,015,767
State Street	SSB Realty, LLC	Quincy, MA	100%	\$ 49,563,000	234,668	\$ 6,922,706
AmeriCredit	AmeriCredit Financial Services Corporation	Orange Park, FL	68.2%	\$ 12,500,000	85,000	\$ 1,336,200
Comdata	Comdata Network, Inc.	Brentwood, TN	55.0%	\$ 24,950,000	201,237	\$ 2,458,638

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Property	Property	%	Purchase	Square	Annual	
Name	Tenant	Owned	Price	Feet	Rent	
AT&T Oklahoma	AT&T Corp.	Oklahoma City, OK	55.0%	\$ 15,300,000	103,500	\$ 1,242,000
	Jordan Associates, Inc.			25,000	\$ 294,500	
Metris Minnesota	Metris Direct, Inc.	Minnetonka, MN	100%	\$ 52,800,000	300,633	\$ 4,960,445
Stone & Webster	Stone & Webster, Inc.	Houston, TX	100%	\$ 44,970,000	206,048	\$ 4,533,056
	SYSCO Corporation			106,516	\$ 2,130,320	
Motorola Plainfield	Motorola, Inc.	S. Plainfield, NJ	100%	\$ 33,648,156	236,710	\$ 3,324,428
Quest	Quest Software, Inc.	Irvine, CA	15.8%	\$ 7,193,000	65,006	\$ 1,287,119
Delphi	Delphi Automotive Systems, LLC	Troy, MI	100%	\$ 19,800,000	107,193	\$ 1,955,524
Avnet	Avnet, Inc.	Tempe, AZ	100%	\$ 13,250,000	132,070	\$ 1,516,164
Siemens	Siemens Automotive Corp.	Troy, MI	56.8%	\$ 14,265,000	77,054	\$ 1,374,643
Motorola Tempe	Motorola, Inc.	Tempe, AZ	100%	\$ 16,000,000	133,225	\$ 2,054,329
ASML	ASM Lithography, Inc.	Tempe, AZ	100%	\$ 17,355,000	95,133	\$ 1,927,788
Dial	Dial Corporation	Scottsdale, AZ	100%	\$ 14,250,000	129,689	\$ 1,387,672
Metris Tulsa	Metris Direct, Inc.	Tulsa, OK	100%	\$ 12,700,000	101,100	\$ 1,187,925
Cinemark	Cinemark USA, Inc.	Plano, TX	100%	\$ 21,800,000	65,521	\$ 1,366,491
	The Coca-Cola Company			52,587	\$ 1,354,184	
Gartner	The Gartner Group, Inc.	Ft. Myers, FL	56.8%	\$ 8,320,000	62,400	\$ 830,656
Videojet Technologies Chicago	Videojet Technologies, Inc.	Wood Dale, IL	100%	\$ 32,630,940	250,354	\$ 3,376,746
Johnson Matthey	Johnson Matthey, Inc.	Wayne, PA	56.8%	\$ 8,000,000	130,000	\$ 854,748
Alstom Power Richmond (2)	Alstom Power, Inc.	Midlothian, VA	100%	\$ 11,400,000	99,057	\$ 1,244,501
Sprint	Sprint Communications Company, L.P.	Leawood, KS	56.8%	\$ 9,500,000	68,900	\$ 1,102,404
EYBL CarTex	EYBL CarTex, Inc.	Fountain Inn, SC	56.8%	\$ 5,085,000	169,510	\$ 550,908
Matsushita (2)	Matsushita Avionics Systems Corporation	Lake Forest, CA	100%	\$ 18,431,206	144,906	\$ 2,005,464
AT&T Pennsylvania	Pennsylvania Cellular Telephone Corp.	Harrisburg, PA	100%	\$ 12,291,200	81,859	\$ 1,442,116
PwC	PricewaterhouseCoopers, LLP	Tampa, FL	100%	\$ 21,127,854	130,091	\$ 2,093,382
Cort Furniture	Cort Furniture Rental Corporation	Fountain Valley, CA	44.0%	\$ 6,400,000	52,000	\$ 834,888
Fairchild	Fairchild Technologies U.S.A., Inc.	Fremont, CA	77.5%	\$ 8,900,000	58,424	\$ 920,144
Avaya	Avaya, Inc.	Oklahoma City, OK	3.7%	\$ 5,504,276	57,186	\$ 536,977
Iomega	Iomega Corporation	Ogden, UT	3.7%	\$ 5,025,000	108,250	\$ 659,868
Interlocken	ODS Technologies, L.P. and GAIAM, Inc.	Broomfield, CO	3.7%	\$ 8,275,000	51,975	\$ 1,070,515
Ohmeda	Ohmeda, Inc.	Louisville, CO	3.7%	\$ 10,325,000	106,750	\$ 1,004,520
Alstom Power Knoxville	Alstom Power, Inc.	Knoxville, TN	3.7%	\$ 7,900,000	84,404	\$ 1,106,520

- (1) Includes only the leased portion of this property.
- (2) Includes the actual costs incurred or estimated to be incurred by Wells OP to develop and construct the building in addition to the purchase price of the land.
- (3) Annual rent for AmeriCredit Phoenix, Kerr McGee and Nissan Property does not take effect until construction of the building is completed and the tenant is occupying the building.
- (4) Dana Kalamazoo and Dana Detroit were purchased for an aggregate purchase price of \$41,950,000.
- (5) Subsequent to September 30, 2002, this building has been vacated by the tenant. See Footnote 10 and Subsequent Events in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this supplement.
- (6) Windy Point I and Windy Point II were purchased for an aggregate purchase price of \$89,275,000.

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Wells OP owns interests in properties directly and through equity ownership in the following joint ventures:

<u>Joint Venture</u>	<u>Joint Venture Partners</u>	<u>Properties Held by Joint Venture</u>
Fund XIII-REIT Joint Venture	Wells Operating Partnership, L.P.	AmeriCredit
Fund XII-REIT Joint Venture	Wells Real Estate Fund XIII, L.P.	ADIC
	Wells Operating Partnership, L.P.	Siemens
Fund XI-XII-REIT Joint Venture	Wells Real Estate Fund XII, L.P.	AT&T Oklahoma
	Wells Operating Partnership, L.P.	Comdata
	Wells Real Estate Fund XI, L.P.	EYBL CarTex
	Wells Real Estate Fund XII, L.P.	Sprint
Fund IX-X-XI-REIT Joint Venture	Wells Real Estate Fund XII, L.P.	Johnson Matthey
	Wells Operating Partnership, L.P.	Gartner
	Wells Real Estate Fund IX, L.P.	Alstom Power Knoxville
	Wells Real Estate Fund IX, L.P.	Ohmeda
Wells/Fremont Associates Joint Venture (the Fremont Joint Venture)	Wells Real Estate Fund X, L.P.	Interlocken
	Wells Real Estate Fund XI, L.P.	Avaya
	Wells Operating Partnership, L.P.	Iomega
	Fund X-XI Joint Venture	Fairchild
Wells/Orange County Associates Joint Venture (the Orange County Joint Venture)	Wells Operating Partnership, L.P.	Cort Furniture
	Fund X-XI Joint Venture	
Fund VIII-IX-REIT Joint Venture	Wells Operating Partnership, L.P.	Quest
	Fund VIII-IX Joint Venture	

(c) Critical Accounting Policies

The Company's accounting policies have been established in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied; thus, resulting in a different presentation of our financial statements. Below is a discussion of the accounting policies that we consider to be critical in that they may require complex judgment in their application or require estimates about matters which are inherently uncertain.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. If a tenant was to encounter financial difficulties in future periods, the amount recorded as a receivable may not be realized.

Operating Cost Reimbursements

The Company generally bills tenants for operating cost reimbursements, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely based on actual prior period activity, the current year budget and the respective lease terms. Such billings are generally adjusted on an annual basis to reflect reimbursements owed to the landlord based on the actual costs incurred during the period and the respective lease terms. Financial difficulties encountered by tenants may result in receivables not being realized.

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Real Estate

Management continually monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets in which the Company has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, management assesses the potential impairment by comparing the fair market value of the asset, estimated at an amount equal to the future undiscounted operating cash flows expected to be generated from tenants over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated fair market value, the Company would recognize an impairment loss in the amount required to adjust the carrying amount of the asset to its estimated fair market value. Neither the Company nor its joint ventures have recognized impairment losses on real estate assets to date.

Deferred Project Costs

The Company records acquisition and advisory fees and acquisition expenses payable to Wells Capital, Inc. (the Advisor) by capitalizing deferred project costs and reimbursing the Advisor in an amount equal to 3.5% of cumulative capital raised to date. As the Company invests its capital proceeds, deferred project costs are applied to real estate assets, either directly or through contributions to joint ventures, and depreciated over the useful lives of the respective real estate assets. Acquisition and advisory fees and acquisition expenses paid as of September 30, 2002, amounted to \$63.3 million and represented approximately 3.5% of capital contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint venture, or real estate assets. Deferred project costs at September 30, 2002 and December 31, 2001, represent fees paid, but not yet applied to properties.

Deferred Offering Costs

The Advisor expects to continue to fund 100% of the organization and offering costs and recognize related expenses, to the extent that such costs exceed 3% of cumulative capital raised, on behalf of the Company. Organization and offering costs include items such as legal and accounting fees, marketing and promotional costs, and printing costs, and specifically exclude sales costs and underwriting commissions. The Company records offering costs by accruing deferred offering costs, with an offsetting liability included in due to affiliates, at an amount equal to the lesser of 3% of cumulative capital raised to date or actual costs incurred from third-parties less reimbursements paid to the Advisor. As equity is raised, the Company reverses the deferred offering costs accrual and recognizes a charge to stockholders' equity upon reimbursing the Advisor. As of September 30, 2002, the Advisor had paid organization and offering expenses on behalf of the Company in an aggregate amount of \$34.2 million, of which the Advisor had been reimbursed \$29.7 million, which did not exceed the 3% limitation. Deferred offering costs in the accompanying balance sheet represent costs incurred by the Advisor which will be reimbursed by the Company.

(d) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of its real estate investment trusts' taxable income. The Company intends to make regular quarterly distributions to stockholders. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. The Company currently calculates quarterly dividends based on the daily record and dividend declaration dates; thus, stockholders are entitled to receive dividends immediately upon the purchase of shares.

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Dividends to be distributed to the stockholders are determined by the Board of Directors and are dependent on a number of factors related to the Company, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain the Company's status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

(e) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code of 1986, as amended (the Code), to be taxed as a Real Estate Investment Trust (REIT) under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(f) Employees

The Company has no direct employees. The employees of the Advisor and Wells Management Company, Inc. (Wells Management), an affiliate of the Company and the Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company. The Company has reimbursed the Advisor and Wells Management for allocated salaries, wages and other payroll related costs totaling \$1.1 million and \$0.4 million for the nine months ended September 30, 2002 and 2001, respectively, and \$0.5 million and \$0.1 million for the three months ended September 30, 2002 and 2001, respectively.

(g) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly or indirectly by the Company. In the opinion of management, the properties are adequately insured.

(h) Competition

The Company will experience competition for tenants from owners and managers of competing projects, which may include its affiliates. As a result, the Company may be required to provide free rent, reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(i) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

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(j) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. On December 31, 1997, Wells OP issued 20,000 limited partner units to the Advisor in exchange for a capital contribution of \$200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and Wells OP. The Advisor, a limited partner, is not currently receiving distributions from its investment in Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of management of the Company, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for interim periods are not necessarily indicative of full year results. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 2001.

(k) Reclassifications and Change in Presentation

The Company has historically reported property operating costs net of reimbursements from tenants as an expense in its Consolidated Statements of Income. These costs include property taxes, property insurance, utilities, repairs and maintenance, management fees and other expenses related to the ownership and operation of the Company's properties that are required to be reimbursed by the properties' tenants in accordance with the terms of their leases. In response to a FASB Emerging Issues Task Force release issued in November 2001, the Company will now present the reimbursements received from tenants as revenue and the gross property operating costs as expenses commencing in the first quarter of 2002. Consequently, the accompanying Consolidated Statements of Income for the three and nine months ended September 30, 2002 have been amended and restated to reflect the effects of this revised presentation. In addition, the comparative financial information for prior periods has been reclassified to conform to the presentation in the 2002 financial statements.

Since this presentation does not impact the amount of reimbursements received or property operating costs incurred and requires equal adjustments to revenues and expenses, the adoption of this guidance will have no impact on the financial position, net income, earnings per share or cash flows of the Company.

2. INVESTMENT IN JOINT VENTURES

(a) Basis of Presentation

As of September 30, 2002, the Company owned interests in 17 properties in joint ventures with related entities through its ownership in Wells OP, which owns interests in seven such joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint ventures is recorded using the equity method.

(b) Summary of Operations

The following information summarizes the results of operations of the unconsolidated joint ventures in which the Company, through Wells OP, had ownership interests as of September 30, 2002 and 2001, respectively. There were no additional investments in joint ventures made by the Company during the three and nine months ended September 30, 2002.

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	Total Revenues		Net Income		Wells OP s Share of Net Income	
	Three Months Ended (in thousands)		Three Months Ended (in thousands)		Three Months Ended (in thousands)	
	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
	2002	2001	2002	2001	2002	2001
Fund IX-X-XI-REIT						
Joint Venture	\$ 1,346	\$ 1,458	\$ 574	\$ 670	\$ 21	\$ 25
Cort Joint Venture	209	213	135	149	59	65
Fremont Joint Venture	226	227	142	142	110	110
Fund XI-XII-REIT Joint						
Venture	855	856	484	520	275	295
Fund XII-REIT Joint						
Venture	1,481	1,525	727	815	400	448
Fund VIII-IX-REIT						
Joint Venture	310	314	153	156	24	24
Fund XIII-REIT Joint						
Venture	707	306	408	155	370	135
	<u>\$ 5,134</u>	<u>\$ 4,899</u>	<u>\$ 2,623</u>	<u>\$ 2,607</u>	<u>\$ 1,259</u>	<u>\$ 1,102</u>