

WELLS REAL ESTATE INVESTMENT TRUST II INC

Form POS AM

April 02, 2009

[Table of Contents](#)

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 2, 2009

Registration No. 333-144414

## **SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

### **POST-EFFECTIVE AMENDMENT NO. 3 TO**

### **FORM S-11**

### **REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

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

(Exact name of registrant as specified in its charter)

6200 The Corners Parkway

Norcross, Georgia 30092

(770) 449-7800

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

**Leo F. Wells, III**

**President**

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

**6200 The Corners Parkway**

**Norcross, Georgia 30092**

**(770) 449-7800**

(Name, address, including zip code and telephone number, including area code, of agent for service)

*Copies to:*

**Robert H. Bergdolt, Esq.**

**Damon M. McLean, Esq.**

**DLA Piper LLP (US)**

**4141 Parklake Avenue, Suite 300**

**Raleigh, North Carolina 27612-2350**

**(919) 786-2000**

**Approximate date of commencement of proposed sale to public:** As soon as practicable after the effectiveness of the registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

## Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST II INC - Form POS AM

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer "

Accelerated filer "

Non-accelerated filer   
(Do not check if a smaller

Smaller Reporting Company "

reporting company)

**The registrant hereby amends this post-effective amendment to the above referenced registration statement (file no. 333-144414) on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this post-effective amendment shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the post-effective amendment shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**The information in this prospectus is not complete and may be changed. We may not sell these securities pursuant to this prospectus until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION**

**PRELIMINARY PROSPECTUS DATED APRIL 1, 2008**

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

### **375,000,000 Shares of Common Stock**

Wells Real Estate Investment Trust II, Inc. buys, owns and operates commercial real estate consisting primarily of high-quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. As of December 31, 2008, we owned interests in 63 office properties, one industrial building, one hotel and one office property under construction, comprising approximately 20.1 million square feet of commercial space located in 23 states and the District of Columbia. We were incorporated in the State of Maryland in July 2003 and, beginning with our first year of operations ended December 31, 2003, we have elected to be taxed as a REIT.

We are offering up to 300,000,000 shares of common stock in our primary offering for \$10 per share, with volume discounts available to investors who purchase more than 50,000 shares at any one time. Discounts are also available for other categories of purchasers. We are also offering up to 75,000,000 shares pursuant to our dividend reinvestment plan at a purchase price equal to the higher of \$9.55 per share or 95% of the estimated value of a share of our common stock.

See **Risk Factors** beginning on page 16 to read about risks you should consider before buying shares of our common stock. These risks include the following:

No public market currently exists for our shares of common stock, and we have no current plans to list our shares on an exchange. If you are able to sell your shares, you would likely have to sell them at a substantial discount from their public offering price.

We will pay substantial fees and expenses to our advisor, its affiliates and participating broker-dealers, which payments increase the risk that you will not earn a profit on your investment.

The offering price was not established on an independent basis and bears no relationship to the net value of our assets. The offering price is likely to be higher than the amount you would receive per share if we were to liquidate at this time because of the up-front fees that we pay in connection with the issuance of our shares as well as the recent reduction in the demand for real estate as a result of current disruptions in the credit markets and the economic slowdown.

## Edgar Filing: WELLS REAL ESTATE INVESTMENT TRUST II INC - Form POS AM

We are dependent upon our advisor and its affiliates to conduct our operations and this offering; thus, adverse changes in their financial health or our relationship with them could cause our operations to suffer.

If we raise substantial offering proceeds in a short period of time, we may not be able to invest all of the net offering proceeds promptly, which may cause our distributions and the long-term returns of our investors to be lower than they otherwise would.

Our advisor and its affiliates will face conflicts of interest, including significant conflicts created by our advisor's compensation arrangements with us and other Wells-sponsored programs.

Our failure to qualify as a REIT for federal income tax purposes would reduce the amount of income we have available for distribution and limit our ability to make distributions to our stockholders.

**Neither the SEC, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.**

**This investment involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment. The use of projections or forecasts in this offering is prohibited. No one is permitted to make any oral or written predictions about the cash benefits or tax consequences you will receive from your investment.**

	Price to Public	Selling Commissions	Dealer Manager Fee	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	\$ 10.00	\$ 0.70*	\$ 0.25*	\$ 9.05
Total Maximum	\$ 3,000,000,000	\$ 210,000,000	\$ 75,000,000	\$ 2,715,000,000
Dividend Reinvestment Plan				
Per Share	\$ 9.55	\$	\$	\$ 9.55
Total Maximum	\$ 716,250,000	\$	\$	\$ 716,250,000

\* The selling commissions and all or a portion of the dealer manager fee will not be charged with regard to shares sold to or for the account of certain categories of purchasers. The reduction in these fees will be accompanied by a corresponding reduction in the per share purchase price.

The dealer manager of this offering, Wells Investment Securities, Inc., who is our affiliate, is not required to sell any specific number or dollar amount of shares but will use its best efforts to sell the shares offered. The minimum permitted purchase is generally \$1,000. We expect to sell the 300,000,000 primary offering shares by October 1, 2010. Under rules promulgated by the SEC, under some circumstances we could continue the primary offering until as late as March 30, 2012. If we extend the primary offering beyond October 1, 2010, we will supplement this prospectus accordingly. We may continue to offer the 75,000,000 dividend reinvestment plan shares beyond this date until we have sold all of these shares through the reinvestment of distributions. In some states, we may not be able to continue the offering without renewing the registration statement or filing a new registration statement. We may terminate this offering at any time.



**Table of Contents**

**SUITABILITY STANDARDS**

The shares we are offering are suitable only as a long-term investment. Because there is no public market for the shares, an investment in our shares is considered illiquid and you will have difficulty selling your shares. In consideration of these factors, we require initial stockholders and subsequent purchasers to have either:

a net worth of at least \$250,000; or

gross annual income of at least \$70,000 and a net worth of at least \$70,000.

In addition, we will not sell shares to investors in the states named below unless they meet special suitability standards.

**Alabama** Investors must have a liquid net worth of at least 10 times their investment in us and other similar programs and meet one of the above suitability standards.

**Iowa, Michigan, Ohio and Tennessee** Investors must have a net worth of at least 10 times their investment in us and our affiliates and meet one of the above suitability standards.

**Kansas** - It is recommended by the office of the Kansas Securities Commissioner that Kansas investors not invest, in the aggregate, more than 10% of their liquid net worth in this and similar direct participation investments. Liquid net worth is defined as that portion of net worth that consists of cash, cash equivalents and readily marketable securities.

**Kentucky, Massachusetts, Oregon and Pennsylvania** Investors must have a liquid net worth of at least 10 times their investment in us and meet one of the above suitability standards.

For purposes of determining suitability of an investor, net worth in all cases should be calculated excluding the value of an investor's home, home furnishings and automobiles. In the case of sales to fiduciary accounts, these suitability standards must be met by the fiduciary account, by the person who directly or indirectly supplied the funds for the purchase of the shares if such person is the fiduciary or by the beneficiary of the account.

Our sponsor, those selling shares on our behalf and participating broker-dealers and registered investment advisers recommending the purchase of shares in this offering must make every reasonable effort to determine that the purchase of shares in this offering is a suitable and appropriate investment for each stockholder based on information provided by the stockholder regarding the stockholder's financial situation and investment objectives. See Plan of Distribution Suitability Standards for a detailed discussion of the determinations regarding suitability that we require.

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>Suitability Standards</u></b>	<b>i</b>
<b><u>Prospectus Summary</u></b>	<b>1</b>
<b><u>Risk Factors</u></b>	<b>16</b>
<b><u>Cautionary Note Regarding Forward-Looking Statements</u></b>	<b>37</b>
<b><u>Estimated Use of Proceeds</u></b>	<b>38</b>
<b><u>Management</u></b>	<b>40</b>
<b><u>Management Compensation</u></b>	<b>56</b>
<b><u>Stock Ownership</u></b>	<b>61</b>
<b><u>Conflicts of Interest</u></b>	<b>62</b>
<b><u>Investment Objectives and Criteria</u></b>	<b>72</b>
<b><u>Description of Real Estate Investments</u></b>	<b>80</b>
<b><u>Selected Financial Data</u></b>	<b>85</b>
<b><u>Market for and Distributions on Our Common Stock and Related Stockholder Matters</u></b>	<b>86</b>
<b><u>Federal Income Tax Considerations</u></b>	<b>88</b>
<b><u>ERISA Considerations</u></b>	<b>107</b>
<b><u>Description of Shares</u></b>	<b>113</b>
<b><u>The Operating Partnership Agreement</u></b>	<b>124</b>
<b><u>Plan of Distribution</u></b>	<b>128</b>
<b><u>Legal Matters</u></b>	<b>134</b>
<b><u>Experts</u></b>	<b>134</b>
<b><u>Incorporation of Certain Documents by Reference</u></b>	<b>135</b>
<b><u>Appendix A Subscription Agreement (Sample) with Instructions</u></b>	<b>A-1</b>
<b><u>Appendix B Amended and Restated Dividend Reinvestment Plan</u></b>	<b>B-1</b>

You should rely only on the information contained in this prospectus or in any free writing prospectus prepared by us in connection with this offering or to which we have referred you. Neither we nor the dealer manager of this offering have authorized anyone to provide you with different information. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

Except where the context suggests otherwise, the terms we, us, our, the company and the Company refer to Wells Real Estate Investment Trust II, Inc., together with its subsidiaries, including Wells Operating Partnership II, L.P.



**Table of Contents**

**PROSPECTUS SUMMARY**

*This prospectus summary highlights material information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read the entire prospectus carefully, including the Risk Factors section, before making a decision to invest in our common stock.*

***What is a REIT?***

In general, a REIT is a company that:

combines the capital of many investors to acquire or provide financing for real estate properties;

allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of interests, typically shares, in the REIT;

is required to pay distributions to investors of at least 90% of its annual REIT taxable income (computed without regard to the dividends-paid deduction and excluding net capital gain); and

avoids the double taxation treatment of income that would normally result from investments in a corporation because a REIT does not generally pay federal corporate income taxes on its net income, provided certain income tax requirements are satisfied.

However, REITs are subject to numerous organizational and operational requirements. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

***What is Wells Real Estate Investment Trust II, Inc.?***

Wells Real Estate Investment Trust II, Inc. buys, owns and operates commercial real estate consisting primarily of high-quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. We may also invest in entities that make similar investments. As of December 31, 2008, we owned interests in 63 office properties, one industrial building, one hotel and one office property under construction, comprising approximately 20.1 million square feet of commercial space located in 23 states and the District of Columbia.

We were incorporated in the State of Maryland on July 3, 2003 and, beginning with our first year of operations ended December 31, 2003, we have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. We intend to operate in such a manner so that we may continue to qualify for taxation as a REIT.

We have no paid employees and are externally advised by Wells Capital, Inc. Certain of our properties are managed by Wells Management Company, Inc., an affiliate of Wells Capital.

Our office is located at 6200 The Corners Parkway, Norcross, Georgia 30092-3365. Our telephone number outside the State of Georgia is 800-557-4830 (770-243-8282 in Georgia). Our fax

**Table of Contents**

number is (770) 243-8198, and the e-mail address of our investor relations department is investor.services@wellsref.com.

We also maintain an Internet site at www.wellsreitII.com at which there is additional information about us and our affiliates. Unless specifically incorporated herein as described in the section entitled Incorporation by Reference of Certain Documents, the contents of our web site are not incorporated by reference in, or otherwise a part of, this prospectus.

***What is your relationship to Piedmont Office Realty Trust, Inc., and what impact has its internalization transaction had on you?***

Piedmont Office Realty Trust, Inc., formerly known as Wells Real Estate Investment Trust, Inc., which we refer to as Piedmont REIT, is a separate REIT from us that was also sponsored by Wells Real Estate Funds, Inc. Wells Real Estate Funds is our sponsor and the sole stockholder of Wells Capital (our advisor), Wells Investment Securities (our dealer manager) and Wells Management Company (Wells Management, one of our property managers). Prior to April 16, 2007, we and Piedmont REIT shared a common advisor, Wells Capital, and a common property manager, Wells Management. We also shared with Piedmont REIT all of the same executive officers and many of the same directors, except that we had separate presidents from February 2, 2007, which is the date that Piedmont REIT entered into the merger agreement relating to the internalization transaction described below.

On April 16, 2007, Piedmont REIT acquired entities affiliated with Wells Real Estate Funds. Piedmont REIT entered into the merger in order to internalize advisory, asset-management, property-management and other services previously provided to Piedmont REIT by Wells Real Estate Funds and its affiliates. As a result of the internalization transaction, 81 employees of Wells Real Estate Funds and its affiliates became employees of Piedmont REIT. A majority of those employees did not provide significant services to us. Following the internalization transaction, Wells Real Estate Funds and its affiliates employed 351 individuals. Wells Real Estate Funds and its affiliates have engaged successors to some of the personnel who had provided services to us and became employees of Piedmont REIT in the internalization transaction.

Some of the personnel acquired by Piedmont REIT in the internalization had primary responsibility for the management of certain of our properties. To ensure continuity of property management services, we amended our existing Master Property Management, Leasing, and Construction Agreement with Wells Management to eliminate the provision of certain property management services for those properties effective upon consummation of the Piedmont REIT internalization transaction. We also entered into a property management agreement with a subsidiary of Piedmont REIT to provide certain property management services to us for those properties. Currently, a subsidiary of Piedmont REIT manages 14 of our properties. The terms of our agreement with Piedmont REIT for property management services are substantially similar to the terms under which we engage Wells Management for property management services.

In connection with the Piedmont REIT internalization transaction, all three of our officers resigned from their officer positions with Piedmont REIT, four of our board members resigned from their positions as board members of Piedmont REIT, and two Piedmont REIT directors resigned from our board. On May 9, 2007, Leo F. Wells, III resigned as chairman of the board of directors of Piedmont REIT. As a result, we and Piedmont REIT share no common officers and no common directors. Piedmont REIT, our advisor, certain affiliates of Wells Real Estate Funds, Mr. Wells and certain of our officers and directors who formerly served as officers and directors of Piedmont REIT are involved in litigation in connection with Piedmont REIT's internalization. The details of this litigation are disclosed in Risk Factors under the heading, Our operating performance could suffer if Wells Capital or its affiliates incur significant losses, including those losses that may result from litigation or from being the general partner of other entities or the guarantor of debt held by other entities.

## **Table of Contents**

### ***What are your investment objectives?***

Our primary investment objectives are:

to provide current income for you through the payment of cash distributions; and

to preserve and return your capital contributions.

We also seek capital gain from our investments. See the **Investment Objectives and Criteria** section of this prospectus for a more complete description of our investment policies and charter-imposed investment restrictions.

### ***Are there any risks involved in an investment in your shares?***

An investment in our shares involves significant risk. You should read the **Risk Factors** section of this prospectus beginning on page 16. That section contains a detailed discussion of material risks that you should consider before you invest in the common stock we are selling with this prospectus. Some of the more significant risks relating to an investment in our shares include the following:

No public market currently exists for our shares of common stock and we have no current plans to list our shares on an exchange. If you are able to sell your shares, you would likely have to sell them at a substantial discount from their public offering price.

The offering price was not established on an independent basis and bears no relationship to the net value of our assets. The offering price is likely to be higher than the amount you would receive per share if we were to liquidate at this time because of the up-front fees that we pay in connection with the issuance of our shares as well as the recent reduction in the demand for real estate as a result of current disruptions in the credit markets and the economic slowdown.

If we raise substantial offering proceeds in a short period of time, we may not be able to invest all of the net offering proceeds promptly, which may cause our distributions and the long-term returns of our investors to be lower than they otherwise would.

We are dependent upon our advisor and our dealer manager to conduct our operations and this offering; thus, adverse changes in the financial health of our advisor or dealer manager or our relationship with them could cause our operations to suffer.

We will pay substantial fees and expenses to our advisor, its affiliates and participating broker-dealers, which payments increase the risk that you will not earn a profit on your investment.

Our advisor and its affiliates will face conflicts of interest, including significant conflicts created by our advisor's compensation arrangements with us and other Wells-sponsored programs and conflicts in allocating time among us and these other programs.

Our failure to qualify as a REIT for federal income tax purposes would reduce the amount of income we have available for distribution and limit our ability to make distributions to our stockholders.

### ***Who is your advisor?***

Wells Capital is our advisor. Wells Capital was incorporated in the State of Georgia in 1984. As of December 31, 2008, Wells Capital had sponsored or advised public real estate programs that had raised approximately \$12 billion from approximately 250,000 investors.



## **Table of Contents**

### ***What will the advisor do?***

Wells Capital, as our advisor, will manage our daily affairs and make recommendations on all property acquisitions to our board of directors. Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz, acting through our advisor will make most of the decisions regarding our investments. We expect that a committee of our board of directors consisting of all of our independent directors will exercise its right to approve or reject all proposed property acquisitions. Wells Capital will also provide asset management, marketing, investor relations and other administrative services on our behalf.

### ***How will Wells Capital select potential properties for acquisition?***

Wells Capital will generally seek to acquire high-quality office and industrial buildings located in or near densely populated metropolitan markets leased to creditworthy companies and governmental entities. To find properties that best meet our selection criteria for investment, Wells Capital's property acquisition team will study regional demographics and market conditions and interview local brokers to gain the practical knowledge that studies sometimes lack. An experienced commercial construction engineer will inspect the structural soundness and the operating systems of each building, and an environmental firm will investigate all environmental issues to ensure each property meets our quality specifications.

### ***What conflicts of interest will your advisor face?***

Wells Capital, as our advisor, will experience conflicts of interest in connection with the management of our business affairs, including the following:

Wells Capital must determine which investment opportunities to recommend to us or another Wells-sponsored program or joint venture.

Wells Capital may structure the terms of joint ventures between us and other Wells-sponsored programs.

Wells Capital must determine which property and leasing managers to retain and may retain Wells Management Company, Inc., an affiliate, to manage and lease some or all of our properties.

Wells Capital and its affiliates will have to allocate their time between us and other real estate programs and activities in which they are involved.

We may seek to become self-managed, which decision could lead to our acquisition of entities affiliated with Wells Capital at a substantial price. This possibility may provide incentives to our advisor or its management to pursue an internalization transaction rather than an alternative strategy, even if such alternative strategy might otherwise be in our stockholders' best interests.

Wells Capital and its affiliates will receive fees in connection with transactions involving the purchase, management and sale of our properties, regardless of the quality of the property acquired or the services provided to us.

Wells Capital, Wells Investment Securities and its affiliates will also receive fees in connection with our public offerings of equity securities.

All of our officers and two of our directors will also face these conflicts because of their affiliation with Wells Capital. In addition, all of our executive officers and some of our directors serve in



**Table of Contents**

similar capacities for Wells Timberland REIT, Inc. ( Wells Timberland ). See the Conflicts of Interest section of this prospectus for a detailed discussion of the various conflicts of interest relating to your investment, as well as the procedures that we have established to mitigate a number of these potential conflicts.

***What is the ownership structure of the Wells entities that perform services for you?***

The following chart shows the ownership structure of the various Wells entities that perform or are likely to perform important services for us.

**Table of Contents**

*What are the fees that you will pay to the advisor and its affiliates in connection with this offering?*

Wells Capital and its affiliates will receive compensation and reimbursement for services relating to this offering and the investment and management of our assets. The most significant items of compensation are included in the table below. The selling commissions and dealer manager fee may vary for different categories of purchasers. See Plan of Distribution. This table assumes the shares are sold through distribution channels associated with the highest possible selling commissions and dealer manager fees and assumes a \$9.55 price for each share sold through our dividend reinvestment plan.

<i>Type of Compensation</i>	<i>Determination of Amount Offering Stage</i>	<i>Estimated Amount for Maximum Offering (375,000,000 shares)</i>
Selling Commissions	7.0% of gross offering proceeds in the primary offering; no selling commissions are payable on shares sold under the dividend reinvestment plan; all selling commissions will be reallocated to participating broker-dealers.	\$ 210,000,000
Dealer Manager Fee	2.5% of gross offering proceeds in the primary offering; no dealer manager fee is payable on shares sold under the dividend reinvestment plan; Wells Investment Securities will reallocate a portion of its dealer manager fee to participating broker-dealers.	\$ 75,000,000
Other Organization and Offering Expenses	Up to 2.0% of gross offering proceeds; however, if we raise the maximum offering amount, we expect that these other organization and offering expenses will not exceed 0.72% of our gross offering proceeds, or \$26,742,000.	\$ 26,742,000
<i>Acquisition and Development Stage</i>		
Acquisition Fees	2.0% of gross offering proceeds.	\$ 74,325,000
<i>Operational Stage</i>		
Asset Management Fees	As of September 2008, a monthly fee equal to one-twelfth of 0.625% of the sum of the cost of all occupied properties we own plus the cost of investments in joint ventures until the monthly payment equals \$2,708,333.33 (or \$32.5 million annualized). The fee remains capped at that amount until the sum of the cost of all occupied properties we own plus the cost of investments in joint ventures equals at least \$6.5 billion.	The actual amounts are dependent upon the total equity and debt capital we raise and the results of our operations. For the fiscal year ended December 31, 2008, asset management fees totaled 31.0 million.
	After the sum of the cost of all occupied properties we own plus the cost of investments in joint ventures equals at least \$6.5 billion, a monthly fee equal to one-twelfth of 0.5% of the sum of the cost of	



all occupied properties we own plus the cost of investments in joint ventures.

Notwithstanding the foregoing, the monthly fee related to the AT&T Lindbergh Center is currently one-twelfth of 0.5% of the cost of the property.

The amount paid in any three-month period may not exceed 0.25% of the average net asset value of those investments during the preceding three months after deducting debt used to acquire or refinance properties.

**Table of Contents**

<i>Type of Compensation</i>	<i>Determination of Amount</i>	<i>Estimated Amount for Maximum Offering (375,000,000 shares)</i>
Property Management Fee	For property management services for a property, we pay Wells Management a market-based property management fee based on the gross monthly income of the property. For leasing agent services for a property, we pay Wells Management: (i) a one-time fee in an amount not to exceed one-month's rent for the initial rent-up of a newly-constructed building; and (ii) a market-based commission based on the net rent payable. For construction management services for a property, we pay Wells Management that portion of lease concessions for tenant-directed improvements that are specified in the lease or lease renewal, subject to a limit of 5.0% of such lease concessions and a management fee.	Actual amounts are dependent upon the results of our operations. For the fiscal year ended December 31, 2008, property management fees paid to Wells Management were \$3.6 million.
Operating Expenses	Reimbursement of our advisor's cost of providing services to us other than personnel costs relating to services for which our advisor earns acquisition fees or real estate commissions.	Actual amounts are dependent upon the results of our operations. For the fiscal year ended December 31, 2008, operating expenses were \$13.6 million.
<b><i>Liquidation/Listing Stage</i></b>		
Real Estate Commissions	Up to 1.0% of contract price of property sold for substantial assistance in connection with sale.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
Subordinated Participation in Net Sale Proceeds (payable only if we are not listed on an exchange)	10.0% of remaining net sale proceeds after return of capital plus payment to investors of an 8.0% cumulative, non-compounded return on the capital contributed by investors.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
Subordinated Incentive Listing Fee (payable only if we are listed on an exchange)	10.0% of the amount by which our adjusted market value plus distributions exceeds the aggregate capital contributed by investors plus an amount equal to an 8.0% cumulative, non-compounded return to investors.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
See Management Compensation and Plan of Distribution for a more detailed description of the fees and expenses payable to our advisor, our dealer manager and their affiliates.		

***How many real estate properties do you currently own?***

As of December 31, 2008, we owned interests in 63 office properties, one industrial building, one hotel and one office property under construction comprising approximately 20.1 million square feet of commercial space located in 23 states and the District of Columbia. Of these properties, 62 are wholly owned and four are owned through consolidated joint ventures. Information with respect to all of our properties is set forth under Description of Real Estate Investments in this prospectus.

## **Table of Contents**

We expect to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate properties, including properties that are under construction, are newly constructed or have operating histories. Although we may invest in a wide variety of real estate, we will generally focus our acquisition efforts on high-quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. We may also invest in entities that make similar investments, including joint ventures. We have not yet identified the properties we will purchase with the proceeds of this offering.

### ***What steps do you take to make sure you purchase environmentally compliant properties?***

For acquisitions in the United States, we obtain a Phase I environmental assessment of each property we purchase. In addition, we will attempt to obtain a representation from the seller that, to its knowledge, the property is not contaminated with hazardous materials. With respect to international investments, we will seek to obtain an environmental assessment that is customary in the location where the property is being acquired.

### ***What will be the terms of your leases?***

We seek to secure leases with creditworthy tenants before or at the time we acquire a property. Generally, we are responsible for the replacement of specific structural components of a property such as the roof of the building or the parking lot. However, the majority of our leases include reimbursement provisions that require the tenant to pay, as additional rent, all or a portion of real estate taxes; sales and use taxes; special assessments; utilities, insurance and building repairs; and other building operation and management costs. Such reimbursement provisions mitigate the risks related to rising costs. We expect that our leases generally will have terms of five or more years, some of which may have renewal options.

### ***How will Wells REIT II own its real estate properties?***

We expect to own substantially all of our real estate properties through Wells Operating Partnership II, L.P. ( Wells OP II ), our operating partnership. Wells OP II was formed in July 2003 to acquire, own and operate properties on our behalf. We are the sole general partner of Wells OP II and, as of December 31, 2008, owned approximately 99.9% of the equity interests in Wells OP II. Wells Capital has purchased \$200,000 of limited partner units in Wells OP II and is the sole limited partner of Wells OP II. As a result of this structure we are considered an UPREIT.

### ***What is an UPREIT ?***

UPREIT stands for Umbrella Partnership Real Estate Investment Trust. The UPREIT structure is used because a sale of property directly to the REIT is generally a taxable transaction to the selling property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the UPREIT in exchange for limited partnership units in the UPREIT and defer taxation of gain until the seller later sells or exchanges his UPREIT units. Using an UPREIT structure may give us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results. At present, we have no plans to acquire any specific properties in exchange for units of Wells OP II.

### ***If I buy shares, will I receive distributions and how often?***

To maintain our qualification as a REIT, we are required to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income (which is computed without regard to the

## **Table of Contents**

dividends-paid deduction and excludes net capital gain and which does not necessarily equal net income as calculated in accordance with accounting principles generally accepted in the United States ( GAAP ). Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant. We have not established a minimum distribution level.

### ***How will you calculate the payment of distributions to stockholders?***

We expect to calculate our quarterly dividends based upon daily record dates so that investors may be entitled to dividends immediately upon purchasing our shares.

### ***May I reinvest my distributions in shares of Wells REIT II?***

Yes. We have adopted an amended and restated dividend reinvestment plan. You may participate in our dividend reinvestment plan by checking the appropriate box on your Subscription Agreement or by filling out an enrollment form that we will provide to you at your request. The purchase price for shares purchased under this plan will be the higher of \$9.55 or 95% of the estimated value of a share of our common stock, as estimated by our advisor or another firm we choose for that purpose. We intend to use our advisor's estimate until at least three years after completion of our offering stage. We will view our offering stage as complete upon the termination of our first public equity offering that is followed by a one-year period during which we do not engage in another public equity offering. Our advisor has indicated that during this initial period it intends to use the most recent price paid to acquire a share in our offering (ignoring purchase price discounts for certain categories of purchasers) as its estimated per share value of our shares. However, this offering stage estimated value is likely to be higher than the price at which you could resell your shares because (1) our public offering involves the payment of underwriting compensation and other directed selling efforts, which payments and efforts are likely to produce a higher sales price than could otherwise be obtained, and (2) there is no public market for our shares. Moreover, this offering stage estimated value is likely to be higher than the amount you would receive per share if we were to liquidate during our offering stage because of the up-front fees that we pay in connection with the issuance of our shares. No selling commissions or dealer manager fees are payable on shares sold under our dividend reinvestment plan.

We may amend or terminate our dividend reinvestment plan at our discretion at any time provided that any amendment that adversely affects the rights or obligations of participants (as determined by the board) will only take effect upon 10 days' written notice to participants. For more information regarding the dividend reinvestment plan, see "Description of Shares" "Dividend Reinvestment Plan."

### ***Will the distributions I receive be taxable as ordinary income?***

Yes and No. Generally, distributions that you receive, including distributions that are reinvested pursuant to our dividend reinvestment plan, will be taxed as ordinary income to the extent they are from current or accumulated earnings and profits. Participants in our dividend reinvestment plan will also be treated for tax purposes as having received an additional distribution to the extent they purchase shares under our dividend reinvestment plan at a discount to fair market value. As a result, participants in our dividend reinvestment plan may have tax liability with respect to their share of our taxable income, but they will not receive cash distributions to pay such liability.

We expect that some portion of your distributions will not be subject to tax in the year in which they are received because depreciation expense reduces the amount of taxable income but does not reduce cash available for distribution. The portion of your distribution that is not subject to tax immediately is

## **Table of Contents**

considered a return of capital for tax purposes and will reduce the tax basis of your investment. Distributions that constitute a return of capital, in effect, defer a portion of your tax until your investment is sold or we are liquidated, at which time you will be taxed at capital gains rates. However, because each investor's tax considerations are different, we suggest that you consult with your tax advisor. You should also review the section of the prospectus entitled "Federal Income Tax Considerations."

### ***How much money have you raised in your prior offerings?***

We commenced our initial public offering of 785 million shares of common stock on December 1, 2003, which consisted of a 600 million-share primary offering and a 185 million-share offering under our dividend reinvestment plan. We stopped making offers under the primary offering on November 26, 2005. We raised gross offering proceeds of approximately \$2.0 billion from the sale of approximately 197.1 million shares in our initial public offering, including shares sold under the dividend reinvestment plan after the primary offering terminated.

On November 10, 2005, we commenced a follow-on public offering of 300.6 million shares of common stock. Of these shares, we offered 300 million shares in a primary offering and 0.6 million shares under our dividend reinvestment plan. On April 14, 2006, we amended the registration statements for the follow-on public offering and our initial public offering in order to offer in a combined prospectus the 300.6 million shares registered under the follow-on offering and 174.4 million unsold shares related to the dividend reinvestment plan registered under the initial public offering. We stopped making offers under the combined follow-on offering on November 10, 2008. We raised gross offering proceeds of approximately \$2.6 billion from the sale of approximately 257.6 million shares in our follow-on public offering.

We began accepting subscriptions in this offering on November 11, 2008. As of March 23, 2009, we had received aggregate gross offering proceeds of approximately \$4.8 billion from the sale of approximately 480.7 million shares in our public offerings. After incurring approximately \$95.6 million in acquisition fees, approximately \$436.1 million in selling commissions and dealer-manager fees, approximately \$64.2 million in other organization and offering expenses, and funding common stock redemptions of approximately \$283.9 million pursuant to the share redemption program, as of March 23, 2009, we had raised aggregate net offering proceeds available for investment in properties of approximately \$3.9 billion, substantially all of which had been invested in real estate properties.

Wells Capital and its affiliates have sponsored 15 publicly offered real estate limited partnerships, Piedmont REIT and Wells Timberland on an unspecified property, or "blind pool," basis. As of December 31, 2008, they had raised in excess of \$12 billion from approximately 250,000 investors in these 17 public real estate programs.

### ***What will you do with the money raised in this offering?***

We intend to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate consisting primarily of high-quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. Depending primarily on the number of shares we sell in the primary offering of up to 300,000,000 shares of common stock, we estimate that no more than 87.69% of our primary offering proceeds, or \$8.77 per share, will be used for investments, while the remainder will be used to pay offering expenses, including selling commissions and the dealer manager fee, and to pay a fee to our advisor for its services in connection with the selection, acquisition, development and construction of our real estate investments. Assuming a \$9.55 purchase price for shares sold under our dividend reinvestment plan and depending on the number of shares sold in the 75,000,000 share dividend reinvestment plan offering, we estimate no more than 97.66% of the gross offering proceeds from our dividend reinvestment plan, or \$9.33 per share, will be

## **Table of Contents**

used for investments and the repurchase of shares under our share redemption program, while the remainder will be used to pay offering expenses.

Until we invest the proceeds of this offering in real estate, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn as high a return as we expect to earn on our real estate investments, and we may not be able to invest the proceeds in real estate promptly.

### ***What kind of offering is this?***

We are offering up to 375,000,000 shares of common stock on a best efforts basis. We are offering up to 300,000,000 shares of our common stock in our primary offering at \$10 per share, with discounts available for certain categories of purchasers as described under Plan of Distribution below. We are also offering 75,000,000 shares of common stock under our dividend reinvestment plan at the higher of \$9.55 or 95% of the estimated value of a share of our common stock, as estimated by our advisor or another firm we choose for that purpose.

### ***How does a best efforts offering work?***

When shares are offered on a best efforts basis, the dealer manager is only required to use its best efforts to sell the shares in the offering and has no firm commitment or obligation to purchase any of the shares. Therefore, we may not sell all or any of the shares that we are offering.

### ***How long will this offering last?***

Our 300,000,000 share primary offering is scheduled to terminate by October 1, 2010. Under rules promulgated by the SEC, in some circumstances we could continue the primary offering until as late as March 30, 2012. If we continue the primary offering beyond October 1, 2010, we will supplement this prospectus accordingly. We may continue to offer the 75,000,000 dividend reinvestment plan shares beyond these dates until we have sold all of these shares through the reinvestment of distributions. In some states, we may not be able to continue the offering for these periods without renewing the registration statement or filing a new registration statement. We may terminate this offering at any time.

### ***Who can buy shares?***

You can buy shares pursuant to this prospectus provided that you have either (1) a net worth of at least \$70,000 and an annual gross income of at least \$70,000, or (2) a net worth of at least \$250,000. For this purpose, net worth does not include your home, home furnishings or personal automobiles. These minimum requirements may be higher in certain states, so you should carefully read the more detailed description under Suitability Standards immediately following the cover page of this prospectus.

### ***Are there any special restrictions on the ownership or transfer of shares?***

Yes. Our charter contains restrictions on the ownership of our shares that prevent any one person from owning more than 9.8% of our outstanding shares unless exempted by our board of directors. These restrictions are designed to enable us to comply with the ownership restrictions imposed on REITs by the Internal Revenue Code. See Description of Shares Restriction on Ownership of Shares. Our charter also limits your ability to sell your shares to prospective purchasers unless (i) they meet suitability standards regarding income or net worth, which are described above at Suitability Standards immediately following the cover page of this prospectus, and (ii) the transfer complies with minimum

## **Table of Contents**

purchase requirements, which are described below at [Plan of Distribution](#) [Minimum Purchase Requirements](#).

### ***Are there any special considerations that apply to employee benefit plans subject to ERISA or other retirement plans that are investing in shares?***

Yes. The section of this prospectus entitled [ERISA Considerations](#) describes the effect the purchase of shares will have on individual retirement accounts and retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended ( [ERISA](#) ), and/or the Internal Revenue Code. ERISA is a federal law that regulates the operation of certain tax-advantaged retirement plans. Any retirement plan trustee or individual considering purchasing shares for a retirement plan or an individual retirement account should read this section of the prospectus very carefully.

### ***Is there any minimum investment required?***

Yes. For your initial purchase of our shares you must generally invest at least \$1,000. The minimum investment levels are higher in certain states, so you should carefully read the more detailed description under [Plan of Distribution](#) [Minimum Purchase Requirements](#). Once you have satisfied the applicable minimum purchase requirement, you may make purchases for less than the minimum investment. Except in the states of Maine, Minnesota, Nebraska, Ohio and Washington, if you have purchased units or shares from an affiliated Wells public real estate program you can make purchases for less than the minimum investment.

### ***How do I subscribe for shares?***

If you choose to purchase shares in this offering, you will need to fill out a Subscription Agreement, like the one contained in this prospectus as Appendix A, for a specific number of shares and pay for the shares at the time you subscribe.

### ***If I buy shares in this offering, how may I later sell them?***

At the time you purchase the shares, they will not be listed for trading on any securities exchange or over-the-counter market. In fact, we expect that there will not be any public market for the shares when you purchase them, and we cannot be sure that one will ever develop. In addition, our charter imposes restrictions on the ownership of our common stock, which will apply to potential purchasers of your stock. As a result, you may find it difficult to find a buyer for your shares and realize a return on your investment. See [Description of Shares](#) [Restriction on Ownership of Shares](#).

You may be able to sell your shares to us pursuant to our share redemption program, though there are numerous restrictions on your ability to sell your shares to us under the program. Initially, we will repurchase shares under the share redemption program at 91% of the price at which we sold the share. For example, we will pay \$9.10 to redeem a share issued at \$10.00. This initial redemption price will remain fixed until three years after we complete our offering stage. For purposes of the share redemption program, we define the completion of our offering stage in the same manner as described in this prospectus under [Description of Shares](#) [Dividend Reinvestment Plan](#) [Stock Purchases](#). Thereafter, we will redeem shares at a price equal to 95% of the estimated per share value of the shares, as estimated by our advisor or another firm we choose for that purpose.

The limits on our ability to redeem shares under the program are as set forth below:

## **Table of Contents**

Except with respect to redemptions sought within two years of a stockholder's death or qualifying disability, we will not redeem shares until one year after the issuance of the shares to be redeemed.

Except with respect to redemptions sought within two years of a stockholder's death or qualifying disability, we will not redeem shares on any redemption date to the extent that such redemptions would cause the amount paid for redemptions since the beginning of the then-current calendar year to exceed 50% of the net proceeds from the sale of shares under our dividend reinvestment plan during such period.

We will limit all redemptions, other than those sought within two years of a stockholder's death, so that the aggregate of such redemptions during any calendar year do not exceed:

100% of the net proceeds from our dividend reinvestment plan during the calendar year; or

5% of the weighted-average number of shares outstanding in the prior calendar year.

Our share redemption program obligates us to honor all redemption requests made within two years of a stockholder's death. Furthermore, under the terms of our Corporate Governance Guidelines, until a secondary market develops for shares of our common stock or until our board of directors decides to commence a liquidation of the Company, we may not amend the share redemption program in a way that materially adversely affects the rights of redeeming heirs without the approval of our stockholders.

Our board of directors may amend, suspend or terminate our share redemption program upon 30 days' notice, except as described above with respect to amendments that would materially adversely affect the rights of redeeming heirs. For more information about the share redemption program, see [Description of Shares](#) [Share Redemption Program](#).

### ***When will the company seek to list its shares of common stock?***

We will seek to list our shares of common stock if and when our independent directors believe listing would be in the best interest of our stockholders. If we do not list our shares of common stock on a national securities exchange by October 2015, our charter requires that we either:

seek stockholder approval of an extension or amendment of this listing deadline; or

seek stockholder approval of the liquidation of the corporation.

If we sought and did not obtain stockholder approval of an extension or amendment to the listing deadline, we would then be required to seek stockholder approval of our liquidation. If we sought and failed to obtain stockholder approval of our liquidation, our charter would not require us to list or liquidate and we could continue to operate as before. If we sought and obtained stockholder approval of our liquidation, we would begin an orderly sale of our properties and distribute our net proceeds to you.

### ***What is the role of the board of directors?***

We have an eight-member board of directors. Currently, six seats are filled by directors independent of Wells Capital. All of our officers and two of our directors are affiliated with Wells Capital. Our charter, which requires that a majority of our directors be independent of Wells Capital, creates a committee of our board consisting solely of all of our independent directors. This committee, which we call the conflicts committee, is responsible for reviewing the performance of Wells Capital and must approve other matters set forth in our charter. See [Conflicts of Interest](#) [Certain Conflict Resolution Procedures](#). Our directors are elected annually by the stockholders.





## **Table of Contents**

### ***What is the experience of your officers and directors?***

Our management team has extensive experience investing in and managing commercial real estate. Our executive officers include Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz. Leo F. Wells, III, our President and one of our directors, is the founder of Wells Real Estate Funds and has been involved in real estate sales, management and brokerage services for over 30 years. Douglas P. Williams, our Executive Vice President, Secretary, Treasurer and one of our directors is a former accounting executive at OneSource, Inc., a supplier of janitorial and landscape services. Randall D. Fretz, our Senior Vice President, is a former President of US & Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home décor.

Our independent directors include Charles R. Brown, Richard W. Carpenter, Bud Carter, John L. Dixon, E. Nelson Mills and Neil H. Strickland. Charles R. Brown is chairman and former President of CRB Realty Associates, a private real estate consulting firm, and former President of Technology Park/Atlanta, Inc., where he was instrumental in developing Technology Park/Atlanta, a 600-acre office park. Richard W. Carpenter is former President and current Chairman of the Board of Southmark Properties, an Atlanta-based REIT investing in commercial properties. Bud Carter is a former broadcast news director and anchorman and a current Senior Vice President for Vistage International, an organization established to aid corporate presidents and CEOs. John L. Dixon is a former President and Director of Pacific Select Group, LLC and a former Chairman and Chief Executive Officer of Mutual Service Corporation, two broker-dealer companies owned or controlled by Pacific Life. E. Nelson Mills is current chief operations officer and chief financial officer of Williams Realty Advisors, LLC, advisor to a series of real estate investment funds. He has been involved in commercial real estate operations since 1998 and prior to that, a tax partner with KPMG. Neil H. Strickland is a founder and currently the Senior Operation Executive of Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers.

See the Management Executive Officers and Directors section of this prospectus for a more detailed description of the experience of each of our officers and directors.

### ***Will I be notified of how the company and my investment are performing?***

Yes, we will provide you with periodic updates on the performance of the company and your investment in us, including:

Four quarterly dividend reports;

An annual report; and

An annual IRS Form 1099-DIV, if required.

We will provide this information to you via U.S. mail or other cou