

WELLS REAL ESTATE INVESTMENT TRUST II INC
Form 424B3
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WELLS REAL ESTATE INVESTMENT TRUST II, INC.

SUPPLEMENT NO. 3 DATED AUGUST 21, 2007

TO THE PROSPECTUS DATED APRIL 24, 2007

This document supplements, and should be read in conjunction with, our prospectus dated April 24, 2007 relating to our offering of 475,000,000 shares of common stock, as supplemented by supplement no. 1 dated May 3, 2007 and supplement no. 2 dated May 16, 2007. Capitalized terms used in this supplement have the same meanings as set forth in the prospectus. The purpose of this supplement is to disclose:

the status of our public offerings;

the acquisition of two office buildings and one retail building containing approximately 265,000 aggregate rentable square feet located on an 8.2-acre parcel of land in Pasadena, California;

the acquisition of a five-story office building containing approximately 248,000 rentable square feet located on a 14.6-acre parcel of land in Columbia, Maryland;

the acquisition of an 83.4-acre parcel of land in Cranberry, Pennsylvania;

the acquisition of a 25-story office building containing approximately 372,000 rentable square feet located on a 0.5-acre parcel of land in New York, New York;

information regarding our indebtedness;

Management's Discussion and Analysis of Financial Condition and Results of Operations similar to that filed in our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2007, filed on August 8, 2007; and

our unaudited financial statements as of and for the three and six months ended June 30, 2007 as filed in our Quarterly Report on Form 10-Q, filed on August 8, 2007.

Status of Our Public 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 this offering of 300.6 million shares of common stock. Of these shares, we are offering 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 this offering and our initial public offering in order to offer in a combined prospectus the 300.6 million shares registered under the

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follow-on offering and 174.4 million unsold shares related to the dividend reinvestment plan and registered under the initial public offering. As of August 17, 2007, we had received gross offering proceeds of approximately \$1.5 billion from the sale of approximately 155.3 million shares in this follow-on offering, including dividend reinvestment plan shares sold under the combined prospectus.

As of August 17, 2007, we had received aggregate gross offering proceeds of approximately \$3.5 billion from the sale of approximately 352.4 million shares in our public offerings. After incurring approximately \$70.2 million in acquisition fees, approximately \$326.8 million in selling commissions and dealer-manager fees, approximately \$48.6 million in other organization and offering expenses, and funding common stock redemptions of approximately \$86.3 million pursuant to the share redemption program, as of August 17, 2007, we had raised aggregate net offering proceeds available for investment in properties of approximately \$3.0 billion, substantially all of which had been invested in real estate properties.

Acquisition of the Pasadena Corporate Park Buildings

On July 11, 2007, we purchased two three-story office buildings and a one-story retail building collectively containing approximately 265,000 rentable square feet (the Pasadena Corporate Park Buildings) for approximately \$116.0 million, exclusive of closing costs. The acquisition was funded with net proceeds raised from this offering. The Pasadena Corporate Park Buildings are located on approximately 8.2 acres of land located at 3453 3475 East Foothill Boulevard in Pasadena, California. The Pasadena Corporate Park Buildings were purchased from IndyMac Bank, F.S.B. (the Seller), which is not affiliated with us or Wells Capital, Inc. (Wells Capital).

The Pasadena Corporate Park Buildings are leased to IndyMac Bank (IndyMac) (approximately 71%), Tetra Tech, Inc. (Tetra Tech) (approximately 27%) and two retail tenants (approximately 2%). The current aggregate annual base rent for IndyMac, Tetra Tech and the other two tenants of the Pasadena Corporate Park Buildings is approximately \$8.8 million. The current weighted-average remaining lease term for IndyMac, Tetra Tech and the other two tenants of the Pasadena Corporate Park Buildings is approximately 10 years.

IndyMac is the seventh largest savings and loan and second largest independent mortgage lender in the nation. IndyMac operates as a hybrid thrift/mortgage banker, providing financing for the acquisition, development, and improvement of single-family homes. IndyMac also provides financing secured by single-family homes and other banking products. The IndyMac lease commenced in July 2007 and expires in July 2017. IndyMac has the right to extend the term of its lease for three successive periods of five years.

Tetra Tech is a leading provider of specialized management consulting and technical services in the areas of resource management, infrastructure, and communications. Tetra Tech may extend the term of its lease for two additional five-year periods.

We do not intend to make significant renovations or improvements to the Pasadena Corporate Park Buildings. We believe that the Pasadena Corporate Park Buildings are adequately insured.

Acquisition of the 7031 Columbia Gateway Drive Building

On July 12, 2007, we purchased a five-story office building containing approximately 248,000 rentable square feet (the 7031 Columbia Gateway Drive Building) for approximately \$62.1 million, exclusive of closing costs. The 7031 Columbia Gateway Drive Building is located on an approximate 14.6-acre parcel of land at 7031 Columbia Gateway Drive, Columbia, Maryland. The 7031 Columbia Gateway Drive Building was purchased from the Columbia Gateway Office Corporation (the Seller), which is not affiliated with us or Wells Capital. The acquisition was funded with net proceeds raised in this offering.

The 7031 Columbia Gateway Drive Building, which was completed in 2000, is entirely leased to Micros Systems, Inc. (Micros). Micros is a leading worldwide designer, manufacturer, marketer, and servicer of enterprise information solutions for the global hospitality and specialty retail industries. Micros reported a net worth, as of March 31, 2007, of approximately \$533.9 million.

We do not intend to make significant renovations or improvements to the 7031 Columbia Gateway Drive Building in the near term. We believe that the 7031 Columbia Gateway Drive Building is adequately insured.

Acquisition of Cranberry Woods Drive Land Parcel

On August 1, 2007, we purchased an 83.4 acre parcel of land (the Cranberry Woods Drive Land) for approximately \$14.6 million, exclusive of closing costs, with the intent of constructing three office buildings with an aggregate total of approximately 792,000 gross square feet at 900 1100 Cranberry Woods Drive in Cranberry, Pennsylvania (the Cranberry Woods Drive Buildings). The Cranberry Woods Drive Land Parcel was purchased from Mine Safety Appliances Company (the Seller), which is not affiliated with us or Wells Capital. The acquisition of the Cranberry Woods Drive Land was funded with net proceeds raised in this offering.

We entered into a development agreement with Trammell Crow Development & Investment, Inc. (the Developer) to complete the construction of the Cranberry Woods Drive Buildings at a total estimated cost of approximately \$166.4 million, which will be funded with net proceeds raised in this offering and proceeds from our line of credit with Wachovia Bank, N.A. The Cranberry Woods Drive Buildings are scheduled to be constructed in two phases, with the first phase (approximately 423,000 gross square feet) scheduled to be completed in 2009 and the second phase (approximately 369,000 gross square feet) to be completed in 2010.

Upon completion of construction, the Cranberry Woods Drive Buildings will be entirely leased to Westinghouse Electric Company, LLC (Westinghouse) under a 15-year net lease. Westinghouse is a subsidiary of Toshiba Corporation and provides fuel, services, technology, plant design, and equipment for the commercial nuclear electric power industry. Westinghouse has the right, at its option, to extend the term of its lease for two additional five-year periods.

Acquisition of the 222 East 41st Street Building

On August 17, 2007, we purchased a 25-story office building containing approximately 372,000 rentable square feet (the 222 East 41st Street Building) for approximately \$319.8 million, exclusive of closing costs. The 222 East 41st Street Building is located on approximately 0.5 acres of land located at 222 East 41st Street in New York City, New York. We purchased the 222 East 41st Street Building subject to a ground lease that expires on March 31, 2051. The current annual rent due under the ground lease is approximately \$1.2 million.

The acquisition was funded with net proceeds raised in this offering, the assumption of a \$130.3 million variable rate loan secured by the 222 East 41st Street Building in favor of Anglo Irish Bank and proceeds from our \$400 million line of credit with Wachovia Bank, N.A. The 222 East 41st Street Building was purchased from Zeta-Ceres, L.P., which is not affiliated with us or Wells Capital.

The 222 East 41st Street Building, which was completed in 2001, is leased to Jones Day (approximately 81%), Council of the European Union (Council of the EU) (approximately 10%) and various other office tenants (approximately 6%). Approximately 3% of the 222 East 41st Street Building is currently vacant. The current aggregate annual base rent for Jones Day, Council of the EU and the other four tenants of the 222 East 41st Street Building is approximately \$21.2 million. The current weighted-average remaining lease term for Jones Day, Council of the EU and the other four tenants of the 222 East 41st Street Building is approximately 9 years.

Jones Day is a law firm acting as principal outside counsel to, or providing significant legal representation for, more than half of the Fortune 500 companies, as well as a wide variety of other entities, including privately held companies, financial institutions, investment firms, health care providers, retail chains, foundations, educational institutions, and individuals. Jones Day employs over 2,200 lawyers in 30 locations worldwide. The Jones Day lease commenced on September 2001 and expires in October 2016. Jones Day has the right, at its option, to extend the initial term of its lease for two additional five-year periods.

Council of the EU is the governing body of the European Union. The Council of the EU lease commenced in July 2003 and expires in July 2013. Council of the EU has the right, at its option, to terminate its lease as of November 2010 for a termination fee of \$420,000.

We do not intend to make significant renovations or improvements to the 222 East 41st Street Building. We believe that the 222 East 41st Street is adequately insured.

On August 16, 2007, in connection with the acquisition of the 222 East 41st Street Building, we obtained a \$130.3 million loan (the Anglo Irish Loan) secured by the 222 East 41st Street Building in favor of Anglo Irish Bank Corporation, PLC (Anglo Irish Bank). We may prepay the Anglo Irish Loan in full or in part at any time subject to the payment of a cost maintenance fee, as defined by the loan agreement. The Anglo Irish Loan bears interest at LIBOR plus 120 basis points and matures on August 16, 2017. The interest payment date is the 16th of each month; however, under the terms of the loan agreement, the monthly debt service is to be capitalized and added to the outstanding balance of the Anglo Irish Loan as it becomes due.

In connection with obtaining the Anglo Irish Loan, we entered into an interest rate swap agreement with Anglo Irish Bank. The effective date of the interest rate swap agreement is August 16, 2007 and terminates August 16, 2017. Under the terms of the interest rate swap agreement, we will pay Anglo Irish Bank monthly interest at a fixed rate of 5.475% and receive a monthly payment from Anglo Irish Bank equal to LIBOR. The interest rate swap effectively fixes our interest rate on the Anglo Irish Loan at 5.475% plus 120 basis points, which is used to determine the amount of monthly debt service to be added to the Anglo Irish Loan and paid off at maturity.

Indebtedness

As of August 17, 2007, our leverage ratio, that is, the ratio of total debt to total purchase price of real estate assets plus cash and cash equivalents, was approximately 23%. As of August 17, 2007, total indebtedness was approximately \$878.9 million, which consisted of fixed-rate mortgages on certain properties of approximately \$660.4 million and two variable rate mortgages on two properties of approximately \$178.5 million. We currently have \$40.0 million outstanding under the Wachovia Line of Credit. Based on the value of our borrowing-base properties, we had approximately \$319.2 million in remaining capacity under the Wachovia Line of Credit, of which approximately \$2.0 million was pledged in the form of letters of credit for future tenant improvements and leasing costs.

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

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto contained in this supplement no. 3, as well as our consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2006 included in the prospectus. This discussion contains forward-looking statements, which can be identified with the use of forward-looking terminology such as may, will, intend or similar words. Actual results may differ from those described in forward-looking statements. For a discussion of the factors that could cause actual results to differ from those anticipated, see Risk Factors in the prospectus.

We commenced our initial public offering on December 1, 2003 and have received investor proceeds under this offering and our initial public offering of common stock and invested in real estate assets through June 30, 2007. Thus, our results of operations for the three months and six months ended June 30, 2007 and 2006, respectively, reflect growing operational revenues and expenses and general and administrative expenses. Operational revenues and expenses have increased due to real property acquisitions. General and administrative expenses have increased commensurate with our overall growth, however, as a percent of total revenues, have remained stable at approximately 4% for the three months and six months ended June 30, 2007 and 2006.

Liquidity and Capital Resources

Overview

From January 2004 through June 2007, we raised significant funds through the sale of our common stock in this offering and our initial public offering. We primarily used the proceeds from these sales of common stock, net of offering costs and other expenses, to acquire real properties and fund certain capital improvements identified at the time of acquisition. We anticipate receiving proceeds from the sale of our common stock in this offering in the future, and investing such proceeds in future acquisitions of real properties. We also anticipate receiving proceeds from the sale of our common stock under our dividend reinvestment plan in the future, and using a significant portion of such proceeds to fund redemptions of our common stock under our share redemption program. We expect that our primary source of future operating cash flows will be cash generated from the operations of the properties currently in our portfolio and those to be acquired in the future. The amount of future dividends to be paid to our stockholders will be largely dependent upon the amount of cash generated from our operating activities, how quickly we are able to invest investor proceeds in quality income-producing assets, our expectations of future cash flows, and our determination of near-term cash needs for capital improvements, tenant re-leasing, redemptions of our common stock, and debt repayments.

The competition to acquire high-quality commercial office properties remains high. Timing differences arise between acquiring properties and raising capital and between making operating payments and collecting operating receipts. Accordingly, we may periodically be required to borrow funds on a short-term basis to meet our dividend payment schedule. Our primary focus, however, is to continue to maintain the quality of our portfolio. Thus, in this intensely competitive environment, we may opt to lower the dividend rather than compromise that quality or accumulate significant borrowings to meet a dividend level higher than operating cash flow would support. We continue to carefully monitor our cash flows and market conditions and their impact on our earnings and future dividend projections.

Short-term Liquidity and Capital Resources

During the six months ended June 30, 2007, we generated net cash flows from operating activities of approximately \$86.0 million, which is primarily comprised of receipts for rental income, tenant reimbursements, hotel income, and interest and other income, partially offset by payments for operating costs, interest expense, asset and property management fees, hotel operating costs and general and administrative expenses. From net cash flows from operating activities and cash on hand, we paid dividends to stockholders of approximately \$90.0 million during the six months ended June 30, 2007. We generated net cash flows from financing activities of approximately \$302.4 million during the six months ended June 30, 2007, primarily as a result of raising proceeds from the sale of common stock in this offering and our initial public offering, net of commissions, dealer-manager fees, and other offering costs, of approximately \$492.9 million, reduced by net debt repayments of approximately \$71.7 million. Such net cash flows from financing activities and cash on hand were used primarily to invest approximately \$126.1 million in real estate and pay acquisition fees of approximately \$14.2 million. We expect to utilize the residual cash balance of approximately \$291.1 million as of June 30, 2007 to satisfy current liabilities, pay future dividends, fund future acquisitions of real properties, or reduce indebtedness.

We intend to continue to generate capital from the sale of common stock in this offering and from third-party borrowings, and to use such capital primarily to fund future acquisitions of real estate. We expect that we will use a significant portion of the proceeds from sales under our dividend reinvestment plan to fund redemptions under the share redemption program. As of August 17, 2007, we had a borrowing capacity of approximately \$317.2 million under the Wachovia Line of Credit. Accordingly, we believe that we have adequate capacity to continue to expand our portfolio and meet our future operating cash flow needs. We expect to use substantially all of our future operating cash flow, after payments for certain capital expenditures, to pay dividends to stockholders.

On June 1, 2007, our board of directors declared a daily dividend for stockholders of record from June 16, 2007 through September 15, 2007 in an amount equal to an annualized dividend of \$0.60 per share, which is consistent with the rate of dividends declared for the first two quarters of 2007 and each quarter of 2006 on a per-share basis. Such dividend will be paid in September 2007.

Long-term Liquidity and Capital Resources

We expect that our primary sources of capital over the long term will include proceeds from the sale of our common stock, proceeds from secured or unsecured borrowings from third-party lenders, and net cash flows from operations. This offering, which we commenced in November 2005, was extended until the earlier of the sale of all 300.0 million shares or December 1, 2008. Thereafter, we expect to commence a second follow-on offering. We may continue to offer the 175.0 million dividend reinvestment plan shares beyond these dates until we have sold all of these shares through the reinvestment of dividends. We expect that our primary uses of capital will be for property acquisitions, either directly or through investments in joint ventures, tenant improvements, offering-related costs, operating expenses, including interest expense on any outstanding indebtedness, and dividends.

In determining how and when to allocate cash resources, we initially consider the source of the cash. We expect that substantially all future net operating cash flows, after payments for certain capital expenditures such as tenant improvements and leasing commissions, will be used to pay dividends. However, we may temporarily use other sources of cash, such as short-term borrowings, to fund dividends from time to time (see *Liquidity and Capital Resources Overview* above). We expect to use substantially all net cash flows generated from raising equity or debt financing to fund acquisitions, certain capital expenditures identified upon acquisition, the repayment of outstanding borrowings, and the redemption of shares under the share redemption program. If sufficient equity or debt capital is not available, our future investments in real estate will be lower.

To the extent that future cash flows provided by operations are lower due to lower returns on properties, future dividends paid may be lower as well. Our cash flow from operations depends significantly on market rents and our tenants' ability to make rental payments. We believe that the diversity of our tenant base and the concentration of creditworthy tenants in our portfolio help to mitigate the risk of a tenant defaulting on a lease. However, general economic downturns, downturns in one or more of our core markets, or downturns in the particular industries in which our tenants operate could adversely impact the ability of our tenants to make lease payments and our ability to re-lease space on favorable terms when leases expire. In the event of any of these situations, our cash flow and consequently our ability to meet capital needs, could adversely affect our ability to pay dividends in the future.

Contractual Commitments and Contingencies

Our contractual obligations as of June 30, 2007 will become payable in the following periods (in thousands):

Contractual Obligations	Total	2007	2008-2009	2010-2011	Thereafter
Outstanding debt obligations ⁽¹⁾	\$ 704,894	\$ 396	\$ 115,625	\$ 71,646	\$ 517,227
Capital lease obligations ⁽²⁾	78,000				78,000
Operating lease obligations	3,090	30	120	120	2,820
Total	\$ 785,984	\$ 426	\$ 115,745	\$ 71,766	\$ 598,047

(1) Amounts include principal payments only. We made interest payments of \$17.9 million during the six months ended June 30, 2007 and expect to pay interest in future periods on outstanding debt obligations based on the rates and terms disclosed in Note 4 to our consolidated financial statements for the year ended December 31, 2006 included in the prospectus.

(2) Amount includes principal payments only. We made interest payments of \$2.3 million during the six months ended June 30, 2007 and expect to pay interest in future periods based on the terms disclosed in Note 4 to our consolidated financial statements for the year ended December 31, 2006 included in the prospectus.

Results of Operations

Overview

Our results of operations are not indicative of those expected in future periods, as we expect that rental income, tenant reimbursements, property operating costs, asset and property management fees, depreciation, amortization, and net income will increase in future periods as a result of owning the assets we acquired prior to and during the periods presented for an entire period and as a result of anticipated future acquisitions of real estate assets.

We commenced our initial public offering on December 1, 2003. Following the receipt and acceptance of subscriptions for the minimum offering of \$2.5 million on January 22, 2004, we acquired 18 properties during the year ended December 31, 2004, 21 properties during the year ended December 31, 2005, and 10 properties during the year ended December 31, 2006. During the six months ended June 30, 2007, we acquired two properties, bringing our total portfolio to 51 properties as of June 30, 2007. Accordingly, the results of operations presented for the three months and six months ended June 30, 2007 and 2006, respectively, are not directly comparable.

Comparison of the three months ended June 30, 2006 versus the three months ended June 30, 2007

Rental income and tenant reimbursements increased from approximately \$58.5 million and \$14.5 million, respectively, for the three months ended June 30, 2006 to approximately \$75.8 million and \$20.7 million, respectively, for the three months ended June 30, 2007, primarily as a result of the growth in the portfolio during the last six months of 2006 and the first six months of 2007. Rental income and tenant reimbursements are expected to continue to increase in future periods, as compared to historical periods, as a result of owning the assets acquired during the last six months of 2006 and the first six months of 2007 for an entire period and future acquisitions of real estate assets.

Other rental income increased from approximately \$60,000 for the three months ended June 30, 2006 to approximately \$2.0 million for the three months ended June 30, 2007 and is primarily comprised of income recognized for lease terminations. Unlike the majority of rental income, which is recognized ratably over long-term contracts, other rental income is recognized once we have completed our obligation to provide space to the tenant. Other rental income for the three months ended June 30, 2007 relates primarily to the early termination of rights to lease space at 5 Houston Center.

Property operating costs and asset and property management fees increased from approximately \$21.5 million and \$6.2 million, respectively, for the three months ended June 30, 2006 to approximately \$32.3 million and \$7.8 million, respectively, for the three months ended June 30, 2007, primarily as a result of the growth in the portfolio during the last six months of 2006 and the first six months of 2007. Property operating costs and asset and property management fees are expected to continue to increase in future periods, as compared to historical periods, due to owning the assets acquired during the last six months of 2006 and the first six months of 2007 for an entire period and future acquisitions of additional real estate assets.

Depreciation and amortization increased from approximately \$11.2 million and \$20.0 million, respectively, for the three months ended June 30, 2006 to approximately \$14.1 million and \$26.5 million, respectively, for the three months ended June 30, 2007, primarily as a result of the growth in the portfolio during the last six months of 2006 and the first six months of 2007. Depreciation and amortization are expected to continue to increase in future periods, as compared to historical periods, due to owning the assets acquired during the last six months of 2006 and the first six months of 2007 for an entire period and future acquisitions of additional real estate assets.

General and administrative expenses increased from approximately \$3.0 million for the three months ended June 30, 2006 to approximately \$4.5 million for the three months ended June 30, 2007 due to the increase in the size of our portfolio of real estate assets during the last six months of 2006 and the first six months of 2007. General and administrative expenses, as a percent of total revenues, remained stable at approximately 4.0% for the three months ended June 30, 2006 and 2007.

Interest expense increased slightly from the three months ended June 30, 2006 to the three months ended June 30, 2007, primarily due to new mortgage notes being offset by the decrease in the average balance outstanding under the Wachovia Line of Credit. Future levels of interest expense will vary primarily based on the amounts of future borrowings and the costs of borrowings. Future borrowings will be used primarily to fund future acquisitions of real estate or interests therein. Accordingly, the amounts of future borrowings and future interest expense will largely depend on the level of additional proceeds we raise in this offering and any future offerings, the opportunities to acquire real estate assets consistent with our investment objectives, and the timing of such future acquisitions.

Interest and other income increased from approximately \$2.0 million for the three months ended June 30, 2006 to approximately \$2.7 million for the three months ended June 30, 2007, primarily as a result of holding higher average cash balances during the three months ended June 30, 2007, as compared to the three months ended June 30, 2006, due to timing differences in raising capital in this offering and our initial public offering, debt activity and closing on property acquisitions between periods.

Net income increased from approximately \$4.1 million for the three months ended June 30, 2006 to approximately \$7.7 million for the three months ended June 30, 2007 primarily due to other rental income recognized for lease terminations and the increase in interest and other income resulting from higher average cash balances on hand. Net income per share remained stable at approximately \$0.02 per share for the three months ended June 30, 2007 and 2006. We expect future real estate acquisitions to increase net income in future periods and expect future net income per share to fluctuate primarily based on the level of proceeds raised in this offering and any future offerings and the rate at which we are able to invest such proceeds in income-generating real estate assets.

Comparison of the six months ended June 30, 2006 versus the six months ended June 30, 2007

Rental income and tenant reimbursements increased from approximately \$114.7 million and \$27.4 million, respectively, for the six months ended June 30, 2006 to approximately \$149.3 million and \$41.0 million, respectively, for the six months ended June 30, 2007, primarily as a result of the growth in the portfolio during the last six months of 2006 and the first six months of 2007. Rental income and tenant reimbursements are expected to continue to increase in future periods, as compared to historical periods, as a result of owning the assets acquired during the last six months of 2006 and the first six months of 2007 for an entire period and future acquisitions of real estate assets.

Other rental income increased from approximately \$77,000 for the six months ended June 30, 2006 to approximately \$2.0 million for the six months ended June 30, 2007 and is primarily comprised of income recognized for lease terminations. Unlike the majority of rental income, which is recognized ratably over long-term contracts, other rental income is recognized once we have completed our obligation to provide space to the tenant. Other rental income for the six months ended June 30, 2007 relates primarily to the termination of rights to lease space at 5 Houston Center.

Property operating costs and asset and property management fees increased from approximately \$43.0 million and \$12.0 million, respectively, for the six months ended June 30, 2006 to approximately \$62.9 million and \$15.4 million, respectively, for the six months ended June 30, 2007, primarily as a result of the growth in the portfolio during the last six months of 2006 and the first six months of 2007. Property operating costs and asset and property management fees are expected to continue to increase in future periods, as compared to historical periods, due to owning the assets acquired during the last six months of 2006 and the first six months of 2007 for an entire period and future acquisitions of additional real estate assets.

Depreciation increased from approximately \$21.9 million for the six months ended June 30, 2006 to approximately \$28.3 million for the six months ended June 30, 2007, primarily as a result of the growth to the portfolio during the last six months of 2006 and the first six months of 2007. Depreciation is expected to increase in future periods, as compared to historical periods, due to owning the assets acquired during the last six months of 2006 and the first six months of 2007 for an entire period and future acquisitions of real estate assets.

Amortization increased from approximately \$39.5 million for the six months ended June 30, 2006 to approximately \$57.4 million for the six months ended June 30, 2007 due to the growth in the portfolio during the last six months of 2006 and the first six months of 2007 and recognizing write-offs of unamortized lease-specific assets related to an early termination of the right to lease space at 5 Houston Center of approximately \$5.2 million in the first quarter of 2007. Exclusive of the aforementioned write-off of \$5.2 million, amortization is expected to increase in future periods, as compared to historical periods, due to owning the assets acquired during the last six months of 2006 and the first six months of 2007 for an entire period and future acquisitions of additional real estate assets.

General and administrative expenses increased from approximately \$5.9 million for the six months ended June 30, 2006 to approximately \$8.0 million for the six months ended June 30, 2007, primarily due to the increase in the size of our portfolio of real estate assets during the last six months of 2006 and the first six months of 2007. General and administrative expenses, as a percent of total revenues, remained stable at approximately 4.0% for the six months ended June 30, 2006 and 2007.

Interest expense increased slightly from the six months ended June 30, 2006 to the six months ended June 30, 2007, primarily due to new mortgage notes being offset by the decrease in the average balance outstanding under the Wachovia Line of Credit. Future levels of interest expense will vary primarily based on the amounts of future borrowings and the costs of borrowings. Future borrowings will be used primarily to fund future acquisitions of real estate or interests therein.

Accordingly, the amounts of future borrowings and future interest expense will largely depend on the level of additional proceeds we raise in this offering and any future offerings, the opportunities to acquire real estate assets consistent with our investment objectives, and the timing of such future acquisitions.

We recognized a loss on early extinguishment of debt of \$1.1 million during the six months ended June 30, 2006 in connection with prepaying the University Circle Buildings mortgage note in January 2006. The loss resulted from a prepayment penalty of \$5.7 million and a write-off of \$0.6 million in deferred financing costs, partially offset by a write-off of the unamortized fair value adjustment to debt of approximately \$5.2 million.

Interest and other income increased from approximately \$3.7 million for the six months ended June 30, 2006 to approximately \$4.3 million for the six months ended June 30, 2007, primarily as a result of holding higher average cash balances during the six months ended June 30, 2007, as compared to the six months ended June 30, 2006, due to timing differences in raising capital in this offering and our initial public offering, debt activity and closing on property acquisitions between periods.

Net income and net income per share increased from approximately \$3.2 million and \$0.01, respectively, for the six months ended June 30, 2006 to approximately \$5.1 million and \$0.02, respectively, for the six months ended June 30, 2007 primarily due to other rental income recognized for early lease terminations and additional income from the growth of our portfolio, partially offset by write-offs of unamortized lease-specific assets related to the termination at 5 Houston Center described above. We expect future real estate acquisitions to increase net income in future periods and expect future net income per share to fluctuate primarily based on the level of proceeds raised in this offering and any future offerings and the rate at which we are able to invest such proceeds in income-generating real estate assets.

Funds From Operations

Funds from operations (FFO) is a non-GAAP financial measure and should not be viewed as an alternative to net income as a measurement of our operating performance. We believe that FFO is a beneficial indicator of the performance of equity real estate investment trusts (REITs). Specifically, FFO calculations exclude factors such as depreciation and amortization of real estate assets and gains or losses from sales of operating real estate assets. As such factors can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates, FFO may provide a valuable comparison of operating performance between periods and with other REITs. Management believes that accounting for real estate assets in accordance with U.S. generally accepted accounting principles (GAAP) implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the use of FFO, together with the required GAAP presentation, provides a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities. We calculate FFO in accordance with the current National Association of Real Estate Investment Trust (NAREIT) definition. However, other REITs may not define FFO in accordance with the NAREIT definition, or may interpret the current NAREIT definition differently than we do.

As presented below, FFO is adjusted to exclude the impact of certain noncash items, such as depreciation, amortization, and gains on the sale of real estate assets. Reconciliations of net income to FFO are presented below (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Net income	\$ 7,676	\$ 4,086	\$ 5,066	\$ 3,205
Add:				
Depreciation of real assets	14,097	11,232	28,291	21,909
Amortization of lease-related costs	26,503	20,044	57,408	39,513
FFO	\$ 48,276	\$ 35,362	\$ 90,765	\$ 64,627
Weighted-average common shares outstanding	317,184	227,108	304,173	216,664

Set forth below is additional information related to certain cash and noncash items included in or excluded from net income above, which may be helpful in assessing our operating results. In addition, cash flows generated from FFO may be used to fund all or a portion of certain capitalizable items that are excluded from FFO, such as capitalized interest, tenant improvements, building improvements, and deferred lease costs. Please see the accompanying consolidated statements of cash flows for details of our operating, investing, and financing cash activities.

Noncash Items Included in Net Income:

Straight-line rental revenue of approximately \$4.0 million and \$5.3 million was recognized for the three months ended June 30, 2007 and 2006, respectively, and approximately \$8.9 million and \$11.0 million was recognized for the six months ended June 30, 2007 and 2006, respectively;

Amortization of above-market/below-market in-place leases and lease incentives was recognized as net decreases to rental income of approximately \$2.8 million for the three months ended June 30, 2007 and 2006, respectively, and approximately \$7.4 million and \$5.7 million for the six months ended June 30, 2007 and 2006, respectively;

Amortization of deferred financing costs, discounts on notes payable, and interest accrued into the basis of notes payable of approximately \$1.3 million and \$0.4 million was recognized as interest expense for the three months ended June 30, 2007 and 2006, respectively, and approximately \$2.6 million and \$0.9 million was recognized as interest expense for the six months ended June 30, 2007 and 2006, respectively;

Approximately \$1.1 million was recognized as a loss on early extinguishment of debt for the six months ended June 30, 2006 in connection with prepayment of the University Circle Buildings mortgage note during January 2006; and

Cash Item Excluded from Net Income:

Master lease proceeds relating to previous acquisitions of approximately \$0 and \$0.1 million were collected during the three months ended June 30, 2007 and 2006, respectively, and approximately \$0.2 million and \$0.3 million were collected during the six months ended June 30, 2007 and 2006, respectively. Master lease proceeds are recorded as an adjustment to the basis of real estate assets during the period acquired and, accordingly, are not included in net income or FFO. We consider master lease proceeds when determining cash available for dividends to our stockholders.

Election as a REIT

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), and have operated as such beginning with our taxable year ended December 31, 2003. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted taxable income, as defined in the Code, to our stockholders, computed without regard to the dividends-paid deduction and by excluding our net capital gain. As a REIT, 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 then be subject to federal income taxes on our taxable income for that year and for the four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders. However, we believe that we are organized and operate in such a manner as to qualify for treatment as a REIT for federal income tax purposes.

Wells TRS II, LLC ("Wells TRS") is our wholly owned subsidiary. Wells TRS is organized as a Delaware limited liability company and includes the operations of, among other things, a full-service hotel. We have elected to treat Wells TRS as a taxable REIT subsidiary. We may perform additional, non-customary services for tenants of buildings that we own through Wells TRS, including any real estate or non-real estate related services; however, any earnings related to such services are subject to federal and state income taxes. In addition, for us to continue to qualify as a REIT, our investments in taxable REIT subsidiaries cannot exceed 20% of the value of our total assets. Deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted rates expected to be in effect when the temporary differences reverse.

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No provision for federal income taxes has been made in our accompanying consolidated financial statements, other than the provision relating to Wells TRS, as we made distributions in excess of taxable income for the periods presented. We are subject to certain state and local taxes related to property operations in certain locations, which have been provided for in our accompanying consolidated financial statements.

Inflation

We are exposed to inflation risk, as income from long-term leases is the primary source of our cash flows from operations. There are provisions in the majority of our tenant leases that are intended to protect us from, and mitigate the risk of, the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through 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. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to fully cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with 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 the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Buildings	40 years
Building improvements	5-25 years
Tenant improvements	Shorter of economic life or lease term
Intangible lease assets	Lease term

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of real properties, we allocate the purchase price of properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases and the value of in-place leases, based in each case on our estimate of their fair values.

The fair values of the tangible assets of an acquired property (which includes land and building) are determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to land and building based on our determination of the relative fair value of these assets. We determine the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors we consider in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases, including leasing commissions and other related costs. In estimating carrying costs, we include real estate taxes, insurance, and other operating expenses during the expected lease-up periods based on current market conditions.

The fair values of above-market and below-market in-place leases are recorded based on the present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) our estimate of market rates for the corresponding in-place leases, measured over a period equal to the remaining terms of the leases. The capitalized above-market and below-market lease values are recorded as intangible lease assets or liabilities and amortized as an adjustment to rental income over the remaining terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals that are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements, and other direct costs and are estimated based on our consideration of current market costs to execute a similar lease. These direct costs are included in deferred lease costs in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These lease intangibles are included in intangible lease assets in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases.

Estimates of the fair values of the tangible and intangible assets require us to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property is held for investment. The use of inappropriate estimates would result in an incorrect assessment of our purchase price allocations, which would impact the amount of our reported net income.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate and related intangible assets of both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present that suggest that the carrying amounts of real estate and related intangible assets may not be recoverable, we assess the recoverability of these assets by determining whether the carrying value will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we decrease the carrying value of the real estate and related intangible assets to the estimated fair values, as defined by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and recognize an impairment loss. Estimated fair values are calculated based on the following information, in order of preference, dependent upon availability: (i) recently quoted market prices, (ii) market prices for comparable properties, or (iii) the present value of undiscounted cash flows, including estimated salvage value. We have determined that there has been no impairment in the carrying value of our real estate assets to date.

Projections of expected future operating cash flows require that we estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, the number of months it takes to re-lease the property, and the number of years the property is held for investment, among other factors. The subjectivity of assumptions used in the future cash flow analysis, including discount rates, could result in an incorrect assessment of the property's fair value and could result in the misstatement of the carrying value of our real estate and related intangible assets and net income.

Related Parties

Transactions and Agreements

We have entered into agreements with our advisor, Wells Capital, Inc. (Wells Capital), and its affiliates, whereby we pay certain fees and reimbursements to Wells Capital or its affiliates, for acquisition fees, commissions, dealer-manager fees, asset and property management fees, construction fees, reimbursement of organizational and offering costs, and reimbursement of operating costs. See Note 7 to our accompanying consolidated financial statements included herein for a discussion of the various related-party transactions, agreements, and fees.

Our Relationship with Wells REIT and the Impact of Its Internalization Transaction on Us

Wells Real Estate Investment Trust, Inc. (Wells REIT) is a separate REIT from us that also was sponsored by Wells Real Estate Funds, Inc. (WREF), our sponsor and the sole stockholder of Wells Capital, Wells Investment Securities, Inc. (WIS), and Wells Management Company, Inc. (Wells Management). Prior to April 16, 2007, we and Wells REIT shared a common advisor, Wells Capital, and a common property manager, Wells Management. We also shared with Wells 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 Wells REIT entered into the merger agreement relating to the internalization transaction described below.

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

Some of the personnel acquired by Wells REIT in the internalization had primary responsibility for the management of six of our properties. To ensure continuity of property management services, we amended our existing Management Agreement to eliminate the provision of property management services for those six properties effective upon consummation of the Wells REIT internalization transaction. We also entered into a property management agreement with a subsidiary of Wells REIT to provide property management services to us for the six properties. Subsequent to the internalization, we entered into property management agreements with Wells REIT to provide property management services for seven additional properties. Wells Management and unaffiliated third parties, however, will continue to provide leasing services for these thirteen properties. The terms of our agreement with Wells 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 Wells REIT internalization transaction, all three of our officers resigned from their officer positions with Wells REIT, four of our board members resigned from their positions as board members of Wells REIT, and two Wells REIT directors resigned from our board. On May 9, 2007, Leo F. Wells, III resigned as chairman of the board of directors of Wells REIT. As a result, we and Wells REIT share no common officers and no common directors.

Legal Action Against Related Parties

On March 12, 2007, a stockholder of Wells REIT filed a putative class action and derivative complaint, *Washtenaw County Employees Retirement System v. Wells Real Estate Investment Trust, Inc., et al.* in the United States District Court for the District of Maryland against, among others, Wells REIT, our advisor, certain affiliates of WREF and certain of our officers and directors who formerly served as officers and directors of Wells REIT prior to the closing of the internalization transaction on April 16, 2007. The complaint alleges, among other things, violations of the federal proxy rules and breaches of fiduciary duty arising from the Wells REIT internalization transaction and the related proxy statement filed with the SEC on February 26, 2007, as amended. The complaint seeks, among other things, unspecified monetary damages and nullification of the Wells REIT internalization transaction. On April 9, 2007, the District Court denied the plaintiff's motion for an order enjoining the internalization transaction. On April 17, 2007, the Court granted the defendants' motion to transfer venue to the Northern District of Georgia, and the case was docketed in the Northern District of Georgia on April 24, 2007. The plaintiff filed an amended class action and derivative complaint on June 27, 2007. The amended complaint attempts to assert class action claims on behalf of those persons who received and were entitled to vote on the Wells REIT proxy statement filed with the SEC on February 26, 2007 and derivative claims on behalf of Wells REIT. The defendants responded on August 13, 2007. On July 9, 2007, the court denied the plaintiff's motion for expedited discovery related to an anticipated motion for a preliminary injunction, noting that the alleged conduct could be evaluated through the normal path of litigation. Our advisor and officers and directors who are named in the complaint intend to vigorously defend this action. Any financial loss incurred by Wells Capital or its affiliates could hinder their ability to successfully manage our operations and our portfolio of investments.

Commitments and Contingencies

We are subject to certain commitments and contingencies with regard to certain transactions. Refer to Note 5 of our accompanying consolidated financial statements for further explanation. Examples of such commitments and contingencies existing at June 30, 2007 include:

Commitments under existing lease agreements;

Property under contract; and

Litigation.

Share Redemption Program

Our board of directors has approved an amendment to the SRP, which will become effective on September 7, 2007. The amendment obligates us to honor all redemption requests if the request is made within two years of a stockholder's death. The redemption limits set forth in the SRP are summarized below:

We will not make an Ordinary Redemption (those that do not occur within two years of death or qualifying disability) until one year after the issuance of the share to be redeemed.

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We will not redeem shares on any redemption date to the extent that such redemptions would cause the amount paid for Ordinary 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 Ordinary Redemptions and those upon the qualifying disability of a stockholder 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.

Under the terms of our Corporate Governance Guidelines, until our board of directors decides to commence a liquidation of Wells REIT II, we may not amend the SRP in a way that materially adversely affects the rights of redeeming heirs without the approval of our stockholders.

In June 2006, we entered into an insurance agreement with an affiliate of London Life and Casualty Reinsurance Corporation to provide us with an insurance-backed funding source for the redemption of the shares under our share redemption program in the event we receive an unusually large number of redemption requests due to the death of investors. The insurance proceeds will be paid to us after a quarterly adjusted deductible, currently \$15.7 million for the quarter ending June 30, 2007, is met. The deductible adjusts with additional investment proceeds raised and with the changing demographics of our stockholder base (age, gender, etc.). The maximum dollar value of proceeds that we can collect under the insurance agreement is \$6.0 billion in aggregate or \$5.0 million for any individual redemption request. The insurance agreement has a 10-year term unless it expires earlier upon the occurrence of one of the following liquidity events: (i) the listing of our shares on a national exchange, (ii) our liquidation, or (iii) the acquisition of a majority of our shares by an unaffiliated entity or a merger in which we are not the surviving entity. Under our Corporate Governance Guidelines, we must seek the approval of our stockholders prior to terminating this insurance program.

Subsequent Events

Subsequent to June 30, 2007, we sold additional shares of common stock as more fully explained in this supplement no. 3 under the heading Status of Our Public Offerings. On July 11, 2007, we acquired the Pasadena Corporate Park Building as described under the heading Acquisition of the Pasadena Corporate Park Buildings. On July 12, 2007, we acquired the 7031 Columbia Gateway Drive Building as described under the heading Acquisition of the 7031 Columbia Gateway Drive Building. On August 1, 2007, we acquired the Cranberry Woods Drive Land as described under the heading Acquisition of Cranberry Woods Drive Land Parcel. On August 17, 2007, we acquired the 222 East 4th Street Building as described under the heading Acquisition of the 222 East 4th Street Building.

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WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per-share amounts)

	(Unaudited)	
	June 30,	December 31,
	2007	2006
Assets:		
Real estate assets, at cost:		
Land	\$ 384,620	\$ 370,971
Buildings and improvements, less accumulated depreciation of \$107,293 and \$79,175 as of June 30, 2007 and December 31, 2006, respectively	1,964,960	1,922,523
Intangible lease assets, less accumulated amortization of \$144,051 and \$106,147 as of June 30, 2007 and December 31, 2006, respectively	442,169	458,917
Construction in progress	1,995	420
Total real estate assets	2,793,744	2,752,831
Cash and cash equivalents	291,104	46,100
Tenant receivables, net of allowance for doubtful accounts of \$1,639 and \$1,548 as of June 30, 2007 and December 31, 2006, respectively	64,919	53,372
Prepaid expenses and other assets	43,880	35,554
Deferred financing costs, less accumulated amortization of \$2,052 and \$1,535 as of June 30, 2007 and December 31, 2006, respectively	2,962	3,184
Deferred lease costs, less accumulated amortization of \$73,306 and \$52,906 as of June 30, 2007 and December 31, 2006, respectively	306,320	319,184
Investment in bonds	78,000	78,000
Total assets	\$ 3,580,929	\$ 3,288,225
Liabilities:		
Line of credit and notes payable	\$ 704,894	\$ 774,523
Accounts payable, accrued expenses, and accrued capital expenditures	31,080	41,817
Due to affiliates	3,522	13,977
Dividends payable	8,125	7,317
Deferred income	10,761	9,138
Intangible lease liabilities, less accumulated amortization of \$15,221 and \$10,638 as of June 30, 2007 and December 31, 2006, respectively	87,451	92,343
Obligations under capital leases	78,000	78,000
Total liabilities	923,833	1,017,115
Commitments and Contingencies		
Minority Interest	3,081	3,090
Redeemable Common Stock	26,297	
Stockholders Equity:		
Common stock, \$0.01 par value; 900,000,000 shares authorized; 332,344,551 and 280,119,233 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively	3,323	2,801
Additional paid-in capital	2,960,983	2,491,817
Cumulative distributions in excess of earnings	(311,671)	(225,549)
Redeemable common stock	(26,297)	

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Other comprehensive income (loss)	1,380	(1,049)
Total stockholders' equity	2,627,718	2,268,020
Total liabilities, minority interest, redeemable common stock, and stockholders' equity	\$ 3,580,929	\$ 3,288,225

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per-share amounts)

	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues:				
Rental income	\$ 75,785	\$ 58,472	\$ 149,342	\$ 114,740
Tenant reimbursements	20,700	14,456	40,991	27,370
Hotel income	7,010	6,017	11,563	10,385
Other rental income	1,991	60	2,011	77
	105,486	79,005	203,907	152,572
Expenses:				
Property operating costs	32,310	21,507	62,948	43,006
Hotel operating costs	4,914	4,209	8,941	7,996
Asset and property management fees:				
Related-party	6,454	4,928	12,676	9,636
Other	1,324	1,229	2,735	2,377
Depreciation	14,097	11,232	28,291	21,909
Amortization	26,503	20,044	57,408	39,513
General and administrative	4,467	2,970	7,957	5,889
	90,069	66,119	180,956	130,326
Real estate operating income	15,417	12,886	22,951	22,246
Other income (expense):				
Interest expense	(10,389)	(10,167)	(22,111)	(21,339)
Loss on early extinguishment of debt				(1,115)
Interest and other income	2,677	1,985	4,281	3,741
	(7,712)	(8,182)	(17,830)	(18,713)
Income before minority interest and income tax (expense) benefit	7,705	4,704	5,121	3,533
Minority interest in earnings of consolidated entities	(11)	(405)	(19)	(376)
Income before income tax (expense) benefit	7,694	4,299	5,102	3,157
Income tax (expense) benefit	(18)	(213)	(36)	48
Net income	\$ 7,676	\$ 4,086	\$ 5,066	\$ 3,205
Per share information – basic and diluted:				
Net income available to common stockholders	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.01
Weighted-average common shares outstanding – basic and diluted	317,184	227,108	304,173	216,664

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST II, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006
AND THE SIX MONTHS ENDED JUNE 30, 2007 (UNAUDITED)

(in thousands, except per-share amounts)

	Common Stock		Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Income (Loss)	Total Stockholders Equity
	Shares	Amount					
Balance, December 31, 2005	197,403	\$ 1,974	\$ 1,752,162	\$ (94,382)	\$	\$	\$ 1,659,754
Issuance of common stock	86,526	865	864,395				865,260
Redemptions of common stock	(3,810)	(38)	(36,236)				(36,274)
Dividends (\$0.60 per share)				(142,435)			(142,435)
Commissions and discounts on stock sales and related dealer-manager fees			(77,814)				(77,814)
Other offering costs			(10,690)				(10,690)
Components of comprehensive income:							
Net income				11,268			11,268
Loss on interest rate swap						(1,049)	(1,049)
Comprehensive income							10,219
Balance, December 31, 2006	280,119	2,801	2,491,817	(225,549)		(1,049)	2,268,020
Adjustment resulting from the adoption of FIN 48 (Note 2)				(410)			(410)
Balance, January 1, 2007	280,119	2,801	2,491,817	(225,959)		(1,049)	2,267,610
Issuance of common stock	54,815	548	547,601				548,149
Redemptions of common stock	(2,589)	(26)	(24,561)				(24,587)
Redeemable common stock					(26,297)		(26,297)
Dividends (\$0.30 per share)				(90,778)			(90,778)
Commissions and discounts on stock sales and related dealer-manager fees			(49,294)				(49,294)
Other offering costs			(4,580)				(4,580)
Components of comprehensive income:							
Net income				5,066			5,066
Gain on interest rate swap						2,429	2,429
Comprehensive income							7,495
Balance, June 30, 2007	332,345	\$ 3,323	\$ 2,960,983	\$ (311,671)	\$ (26,297)	\$ 1,380	\$ 2,627,718

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	(unaudited)	
	Six Months Ended June 30,	
	2007	2006
Cash Flows from Operating Activities:		
Net income	\$ 5,066	\$ 3,205
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,291	21,909
Other amortization	64,964	45,229
Non-cash interest expense	2,638	947
Loss on early extinguishment of debt		1,115
Minority interest in earnings of consolidated entities	19	376
Changes in assets and liabilities:		
Increase in tenant receivables, net	(11,610)	(13,358)
(Increase) decrease in prepaid expenses and other assets	(2,395)	4,088
Increase in accounts payable and accrued expenses	3,186	5,339
Decrease in due to affiliates	(5,754)	(2,455)
Increase (decrease) in deferred income	1,623	(388)
Net cash provided by operating activities	86,028	66,007
Cash Flows from Investing Activities:		
Investment in real estate and earnest money paid	(126,122)	(89,502)
Proceeds from master leases	182	300
Acquisition fees paid	(14,210)	(10,551)
Deferred lease costs paid	(3,263)	(3,324)
Net cash used in investing activities	(143,413)	(103,077)
Cash Flows from Financing Activities:		
Deferred financing costs paid	(390)	(17)
Proceeds from line of credit and notes payable	144,698	178,669
Repayments of line of credit and notes payable	(216,376)	(437,120)
Prepayment penalty on early extinguishment of debt		(5,734)
Distributions paid to minority interest partners	(28)	(201)
Issuance of common stock	544,442	421,382
Redemptions of common stock	(28,440)	(13,978)
Dividends paid to stockholders	(89,970)	(63,921)
Commissions on stock sales and related dealer-manager fees paid	(45,914)	(35,301)
Other offering costs paid	(5,633)	(7,827)
Net cash provided by financing activities	302,389	35,952
Net increase (decrease) in cash and cash equivalents	245,004	(1,118)
Cash and cash equivalents, beginning of period	46,100	35,352
Cash and cash equivalents, end of period	\$ 291,104	\$ 34,234

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007

(unaudited)

1. Organization

Wells Real Estate Investment Trust II, Inc. (Wells REIT II) is a Maryland corporation that has elected to be taxed as a real estate investment trust (REIT) for federal income tax purposes. Wells REIT II engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties that are under construction, are newly constructed, or have operating histories. Wells REIT II was incorporated on July 3, 2003 and commenced operations on January 22, 2004. Wells REIT II conducts business primarily through Wells Operating Partnership II, L.P. (Wells OP II), a Delaware limited partnership. Wells REIT II is the sole general partner of Wells OP II and possesses full legal control and authority over the operations of Wells OP II. Wells REIT II owns more than 99.9% of the equity interests in Wells OP II. Wells Capital, Inc. (Wells Capital), the external advisor to Wells REIT II, is the sole limited partner of Wells OP II. Wells OP II acquires, develops, owns, leases, and operates real properties directly, through wholly owned subsidiaries or through joint ventures. References to Wells REIT II herein shall include Wells REIT II, all subsidiaries of Wells REIT II, including consolidated joint ventures, Wells OP II, and Wells OP II 's subsidiaries. See Note 7 for a discussion of the advisory services provided by Wells Capital.

As of June 30, 2007, Wells REIT II owned interests in 49 office properties, one industrial building, and one hotel, comprising approximately 15.2 million square feet of commercial space located in 18 states and the District of Columbia. Forty-five of the properties are wholly owned and six are owned through consolidated joint ventures. As of June 30, 2007, the office and industrial properties were approximately 98% leased.

On December 1, 2003, Wells REIT II commenced its initial public offering of up to 785.0 million shares of common stock, of which 185.0 million shares were reserved for issuance through Wells REIT II 's dividend reinvestment plan, pursuant to a Registration Statement filed on Form S-11 under the Securities Act of 1933. Except for continuing to offer shares for sale through its dividend reinvestment plan, Wells REIT II stopped offering shares for sale under its initial public offering on November 26, 2005. Wells REIT II raised gross offering proceeds of approximately \$2.0 billion from the sale of approximately 197.1 million shares under its initial public offering, including shares sold under the dividend reinvestment plan through March 2006. On November 10, 2005, Wells REIT II commenced a follow-on offering of up to 300.6 million shares of common stock, of which 0.6 million shares were reserved for issuance under Wells REIT II 's dividend reinvestment plan, pursuant to a Registration Statement filed on Form S-11 under the Securities Act of 1933. On April 14, 2006, Wells REIT II amended the aforementioned registration statements to offer in a combined prospectus 300.6 million shares registered under the follow-on offering and 174.4 million unsold shares related to the dividend reinvestment plan originally registered under the initial public offering. As of June 30, 2007, Wells REIT II had raised gross offering proceeds of approximately \$1.4 billion from the sale of approximately 143.3 million shares under the follow-on offering.

As of June 30, 2007, Wells REIT II has raised gross offering proceeds from the sale of common stock under the initial public offering and follow-on offering of approximately \$3.4 billion. After deductions from such gross offering proceeds for payments of acquisition fees of approximately \$67.8 million, selling commissions and dealer-manager fees of approximately \$315.4 million, other organization and offering expenses of approximately \$47.6 million, and common stock redemptions of approximately \$80.7 million under the share redemption program, Wells REIT II had received aggregate net offering proceeds of approximately \$2.9 billion. Substantially all of Wells REIT II 's net offering proceeds have been invested in real properties and related assets.

Wells REIT II 's stock is not listed on a public securities exchange. However, Wells REIT II 's charter requires that in the event Wells REIT II 's stock is not listed on a national securities exchange by October 2015, Wells REIT II must either seek stockholder approval of an extension or amendment of this listing deadline or stockholder approval to begin liquidating investments and distributing the resulting proceeds to the stockholders. In the event that Wells REIT II seeks stockholder approval for an extension or amendment to this listing date and does not obtain it, Wells REIT II will then be required to seek stockholder approval to liquidate. In this circumstance, if Wells REIT II seeks and does not obtain approval to liquidate, Wells REIT II will not be required to list or liquidate and could continue to operate indefinitely as an unlisted company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Wells REIT II have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC), including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by U.S. generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of management, the statements for these unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair and consistent presentation of the results for such periods. Results for these interim periods are not necessarily indicative of a full year's results. Wells REIT II's consolidated financial statements include the accounts of Wells REIT II, Wells OP II, and a variable interest entity in which Wells REIT II is the primary beneficiary. For further information, refer to the financial statements and footnotes included in Wells REIT II's Annual Report on Form 10-K for the year ended December 31, 2006.

Redeemable Common Stock

As of June 30, 2007, Wells REIT II's share redemption program provided that Ordinary Redemptions (those that do not occur within two years of death or qualifying disability) and those sought upon qualifying disability during any calendar year are limited to those that can be funded with proceeds raised in the current calendar year from Wells REIT II's dividend reinvestment plan. Although Wells REIT II is under no obligation to redeem any shares to the extent that total redemptions would exceed the foregoing limit, the board of directors of Wells REIT II has reserved the right to redeem additional shares upon the death of stockholders.

As the use of proceeds raised in the current calendar year from the dividend reinvestment plan is outside the control of Wells REIT II, those proceeds are considered to be temporary equity under Accounting Series Release No. 268, *Presentation in Financial Statements of Redeemable Preferred Stock*. Therefore, Wells REIT II has included an amount equal to proceeds from shares issued through Wells REIT II's dividend reinvestment plan in the current calendar year, less the amount of redemptions previously funded during the current calendar year, as redeemable common stock in the accompanying consolidated financial statements as of June 30, 2007.

Further, upon being tendered for redemption by the holder, Wells REIT II reclassifies redeemable common shares from temporary equity to a liability at settlement value. As of June 30, 2007 and December 31, 2006, shares tendered for redemption and not yet redeemed of \$0 and approximately \$3.9 million, respectively, are included in accounts payable, accrued expenses, and accrued capital expenditures in the accompanying consolidated balance sheets.

Income Taxes

Wells REIT II has elected to be taxed as a REIT under the Internal Revenue Code of 1986 (the Code), as amended, and has operated as such beginning with its taxable year ended December 31, 2003. To qualify as a REIT, Wells REIT II must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its adjusted taxable income, as defined in the Code, to its stockholders. As a REIT, Wells REIT II generally is not subject to income tax on income it distributes to stockholders. Wells REIT II is subject to certain state and local taxes related to the operations of properties in certain locations, which have been provided for in the accompanying consolidated financial statements.

Wells TRS II, LLC (Wells TRS), is a wholly owned subsidiary of Wells REIT II and is organized as a Delaware limited liability company, which owns, among other things, a full-service hotel. Wells REIT II has elected to treat Wells TRS as a taxable REIT subsidiary. Wells REIT II may perform additional, non-customary services for tenants of buildings owned by Wells REIT II through Wells TRS, including any real estate or non-real estate related services; however, any earnings related to such services are subject to federal and state income taxes. In addition, for Wells REIT II to continue to qualify as a REIT, Wells REIT II's investments in taxable REIT subsidiaries cannot

exceed 20% of the value of the total assets of Wells REIT II. Deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted rates expected to be in effect when the temporary differences reverse.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period financial statement presentation.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*, (FIN 48), which clarifies the relevant criteria and approach for the recognition, derecognition, and measurement of uncertain tax positions. Wells REIT II records interest and penalties related to uncertain tax positions as general and administrative expense in the accompanying consolidated statements of income. Upon adopting FIN 48 effective January 1, 2007, Wells REIT II wrote-off deferred tax assets classified as prepaid expenses and other assets of approximately \$388,000 and recorded a liability for unrecognized tax benefits of approximately \$22,000 as reductions to the January 1, 2007 balance of cumulative distributions in excess of earnings. During the six months ended June 30, 2007, Wells REIT II recorded additional liabilities for unrecognized tax benefits of approximately \$36,000 as income tax expense. Wells REIT II does not currently anticipate the total amount of unrecognized tax benefits will significantly increase or decrease by the end of 2007. As of June 30, 2007, returns for the calendar years 2002 through 2006 remain subject to examination by U.S. or various state tax jurisdictions.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures required for fair value measurements under GAAP. SFAS 157 emphasizes that fair value is a market-based measurement, as opposed to a transaction-specific measurement. SFAS 157 will be effective for Wells REIT II beginning January 1, 2008. Wells REIT II is currently assessing the provisions and evaluating the financial impact of SFAS 157 on its consolidated financial statements.

In June 2007, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position No. 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (SOP 07-1), which provides guidance for determining which entities fall within the scope of the AICPA Audit and Accounting Guide for Investment Companies and requires additional disclosures for certain of those entities. SOP 07-1 will be effective for Wells REIT II beginning January 1, 2008. Wells REIT II is currently in the process of evaluating the provisions of SOP 07-1 and related impact on its consolidated financial statements.

3. Line of Credit and Notes Payable

As of June 30, 2007 and December 31, 2006, Wells REIT II had the following indebtedness outstanding (in thousands):

Facility	June 30,	December 31,
	2007	2006
100 East Pratt Street Building mortgage note	\$ 105,000	\$ 105,000
Wildwood Buildings mortgage note	90,000	90,000
5 Houston Center Building mortgage note	90,000	90,000
Manhattan Towers Building mortgage note	75,000	75,000
263 Shuman Boulevard Building mortgage note	49,000	
80 Park Plaza Building mortgage note	48,240	46,667
One West Fourth Street Building mortgage note	47,639	48,414
800 North Frederick Building mortgage note	46,400	46,400
SanTan Corporate Center mortgage note	39,000	39,000
Highland Landmark Building mortgage note	33,039	30,840
9 Technology Drive Building mortgage note	23,800	23,800
One and Four Robbins Road Buildings mortgage note	23,000	23,000
215 Diehl Road Building mortgage note	21,000	
Key Center Complex mortgage notes	13,776	13,375
Wachovia Line of Credit		126,000
LakePointe 3 construction loan		17,027
Total indebtedness	\$ 704,894	\$ 774,523

During the three months ended June 30, 2007, Wells REIT II engaged in the following significant activities with respect to its notes payable:

On May 2, 2007, Wells REIT II repaid the entire outstanding principal balance on the LakePointe 3 construction loan of approximately \$17.1 million.

On June 18, 2007, Wells REIT II entered into a \$49.0 million interest-only promissory note with LaSalle Bank, N.A. (the 263 Shuman Boulevard Building mortgage note). The 263 Shuman Boulevard Building mortgage note is secured by the 263 Shuman Boulevard building. The note matures on July 1, 2017 and bears interest at a fixed rate of 5.55% per annum.

On June 18, 2007, Wells REIT II entered into a \$21.0 million interest-only promissory note with LaSalle Bank, N.A. (the 215 Diehl Road Building mortgage note). The 215 Diehl Road Building mortgage note is secured by the 215 Diehl Road building. The note matures on July 1, 2017 and bears interest at a fixed rate of 5.55% per annum.

Wells REIT II made interest payments, including amounts capitalized, of approximately \$17.9 million and \$19.1 million during the six months ended June 30, 2007 and 2006, respectively. In addition, Wells REIT II paid a \$5.7 million penalty in January 2006 related to repaying the University Circle Buildings mortgage note, which is included in loss on early extinguishment of debt in the accompanying consolidated statements of income.

Wells REIT II has a \$400.0 million unsecured revolving financing facility (the Wachovia Line of Credit) with a syndicate of banks led by Wachovia Bank, N.A., which expires May 9, 2008. As of June 30, 2007, Wells REIT II had borrowing capacity of up to approximately \$357.2 million under the Wachovia Line of Credit.

4. Share Redemption Program

The board of directors of Wells REIT II has approved an amendment to the share redemption program (SRP), which will become effective 30 days after the filing of this quarterly report on Form 10-Q. The amendment obligates Wells REIT II to honor all redemption requests if the request is made within two years of a stockholder's death. The redemption limits set forth in the amended SRP are summarized below:

Wells REIT II will not make an Ordinary Redemption (those that do not occur within two years of death or qualifying disability) until one year after the issuance of the shares to be redeemed.

Wells REIT II will not redeem shares on any redemption date to the extent that such redemptions would cause the amount paid for Ordinary Redemptions since the beginning of the then-current calendar year to exceed 50% of the net proceeds from the sale of shares under Wells REIT II's dividend reinvestment plan during such period.

Wells REIT II will limit Ordinary Redemptions and those upon the qualifying disability of a stockholder so that the aggregate of such redemptions during any calendar year do not exceed:

100% of the net proceeds from Wells REIT II's dividend reinvestment plan during the calendar year, or

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

5. Commitments and Contingencies

Property Under Contract

On June 21, 2007, Wells REIT II entered into a contract to acquire a five-story office building containing approximately 248,000 rentable square feet located on an approximate 14.6-acre tract of land at 7031 Columbia Gateway Drive in Columbia, Maryland (the 7031 Columbia Gateway Drive Building) for a total contract price of \$62.1 million, exclusive of closing costs. In connection with the execution of this agreement, Wells REIT II had paid a deposit of approximately \$3.0 million to an escrow agent, which is included in prepaid expenses and other assets in the accompanying consolidated balance sheets. On July 12, 2007, Wells REIT II closed on the acquisition of the 7031 Columbia Gateway Drive Building.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, may obligate Wells REIT II to expend capital to expand an existing property or provide other expenditures for the benefit of the tenant. As of June 30, 2007, no tenants have exercised such options that had not been materially satisfied.

Litigation

Wells REIT II is from time to time a party to legal proceedings that arise in the ordinary course of its business. Wells REIT II is not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on the results of operations or financial condition of Wells REIT II. Wells REIT II is not aware of any such legal proceedings contemplated by governmental authorities.

6. Supplemental Disclosures of Noncash Activities

Outlined below are significant noncash investing and financing transactions for the six months ended June 30, 2007 and 2006 (in thousands):

	Six Months Ended	
	June 30, 2007	2006
Investment in real estate funded with other assets	\$ 750	\$ 427
Acquisition fees applied to real estate assets	\$ 7,330	\$ 7,885
Gain on interest rate swap	\$ 2,429	\$
Liabilities assumed upon acquisition of properties	\$ 282	\$
Accrued capital expenditures and deferred lease costs	\$ 1,364	\$ 7,333
Acquisition fees due to affiliate	\$ 178	\$ 273
Commissions on stock sales and related dealer-manager fees due to affiliate	\$ 725	\$ 671
Other offering costs due to affiliate	\$ 1,330	\$ 846
Dividends payable	\$ 8,125	\$ 5,826
Discounts applied to issuance of common stock	\$ 3,707	\$ 2,366
Redeemable common stock	\$ 26,297	\$ 22,705

7. Related-Party Transactions and Agreements*Advisory Agreement*

Wells REIT II and Wells Capital are party to an advisory agreement (the *Advisory Agreement*) under which Wells Capital receives the following fees and reimbursements:

Reimbursement of organization and offering costs paid by Wells Capital on behalf of Wells REIT II, not to exceed 2.0% of gross offering proceeds;

Acquisition fees of 2.0% of gross offering proceeds, subject to certain limitations; Wells REIT II also reimburses Wells Capital for expenses it pays to third parties in connection with acquisitions or potential acquisitions;

Monthly asset management fees equal to one-twelfth of 0.75% of the cost of (i) all properties of Wells REIT II and (ii) investments in joint ventures. The amount of these fees paid in any calendar quarter may not exceed 0.25% of the net asset value of those investments at each quarter-end after deducting debt used to acquire or refinance properties;

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Reimbursement for all costs and expenses Wells Capital incurs in fulfilling its duties as the asset portfolio manager, including (i) wages and salaries and other employee-related expenses of Wells Capital's employees, who perform a full range of real estate services for Wells REIT II, including management, administration, operations, and marketing, and are billed to Wells REIT II based on the amount of time spent on Wells REIT II by such personnel, provided that such expenses are not reimbursed if incurred in connection with services for which Wells Capital receives a disposition fee (described below) or an acquisition fee, and (ii) amounts paid for IRA custodial service costs allocated to Wells REIT II accounts;

For any property sold by Wells REIT II, a disposition fee equal to 1.0% of the sales price, with the limitation that the total real estate commissions (including such disposition fee) for any Wells REIT II property sold may not exceed the lesser of (i) 6.0% of the sales price of each property or (ii) the level of real estate commissions customarily charged in light of the size, type, and location of the property;

Incentive fee of 10% of net sales proceeds remaining after stockholders have received distributions equal to the sum of the stockholders' invested capital plus an 8% return of invested capital; and

Listing fee of 10% of the excess by which the market value of the stock plus dividends paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

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Either party may terminate the Advisory Agreement without cause or penalty upon providing 60 days written notice to the other. Under the terms of the Advisory Agreement, Wells REIT II is required to reimburse Wells Capital for certain organization and offering costs up to the lesser of actual expenses or 2% of gross equity proceeds raised. As of June 30, 2007, Wells REIT II has incurred and charged to additional paid-in capital cumulative other offering costs of approximately \$31.7 million related to the initial public offering and \$15.9 million related to the follow-on offering, which represents approximately 1.6% and 1.1% of cumulative gross proceeds raised by Wells REIT II under each offering, respectively.

Dealer-Manager Agreement

Wells REIT II is party to a Dealer-Manager Agreement with Wells Investment Securities, Inc. (WIS), whereby WIS, an affiliate of Wells Capital, performs the dealer-manager function for Wells REIT II. For these services, WIS earns a commission of up to 7% of the gross offering proceeds from the sale of the shares of Wells REIT II, of which a portion is re-allowed to participating broker dealers. Wells REIT II pays no commissions on shares issued under its dividend reinvestment plan.

Additionally, Wells REIT II is required to pay WIS a dealer-manager fee of 2.5% of the gross offering proceeds from the sale of Wells REIT II s stock at the time the shares are sold. Under the dealer-manager agreement, up to 1.5% of the gross offering proceeds may be reallowed by WIS to participating broker dealers. Wells REIT II pays no dealer-manager fees on shares issued under its dividend reinvestment plan.

Property Management, Leasing, and Construction Agreement

Wells REIT II and Wells Management Company, Inc. (Wells Management), an affiliate of Wells Capital, are party to a Master Property Management, Leasing, and Construction Agreement (the Management Agreement) under which Wells Management receives the following fees and reimbursements in consideration for supervising the management, leasing, and construction of certain Wells REIT II properties:

Property management fees in an amount equal to a percentage negotiated for each property managed by Wells Management of the gross monthly income collected for that property for the preceding month;

Leasing commissions for new, renewal, or expansion leases entered into with respect to any property for which Wells Management serves as leasing agent equal to a percentage as negotiated for that property of the total base rental and operating expenses to be paid to Wells REIT II during the applicable term of the lease, provided, however, that no commission shall be payable as to any portion of such term beyond ten years;

Initial lease-up fees for newly constructed properties under the agreement, generally equal to one month s rent;

Fees equal to a specified percentage of up to 5% of all construction build-out funded by Wells REIT II, given as a leasing concession, and overseen by Wells Management; and

Other fees as negotiated with the addition of each specific property covered under the agreement.

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Related-Party Costs

Pursuant to the terms of the agreements described above, Wells REIT II incurred the following related-party costs for the three months and six months ended June 30, 2007 and 2006, respectively (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Commissions ⁽¹⁾	\$ 19,317	\$ 14,247	\$ 35,590	\$ 27,661
Dealer-manager fees ⁽¹⁾	7,416	5,463	13,704	10,593
Asset management fees	6,070	4,804	12,030	9,405
Acquisition fees ⁽²⁾	5,892	4,345	10,889	8,428
Other offering costs ⁽¹⁾	2,656	2,758	4,580	5,926
Administrative reimbursements	1,917	1,320	3,628	2,786
Property management fees	384	124	646	231
Construction fees		150		150
	\$ 43,652	\$ 33,211	\$ 81,067	\$ 65,180

⁽¹⁾ Commissions, dealer-manager fees, and other offering costs are charged against stockholders' equity as incurred.

⁽²⁾ Acquisition fees are capitalized to prepaid expenses and other assets as incurred and allocated to properties upon funding acquisitions or repaying debt used to finance property acquisitions, with investor proceeds.

Wells REIT II incurred no related-party disposition fees, incentive fees, listing fees, or leasing commissions during the three months or six months ended June 30, 2007 or 2006, respectively.

Due to Affiliates

The detail of amounts due to affiliates is provided below as of June 30, 2007 and December 31, 2006 (in thousands):

	June 30,	
	2007	December 31, 2006
Other offering cost reimbursements due to Wells Capital	\$ 1,330	\$ 2,383
Administrative reimbursements due to Wells Capital and/or Wells Management	1,083	1,586
Commissions and dealer-manager fees due to WIS	725	1,052
Asset and property management fees due to Wells Capital and/or Wells Management	206	5,457
Acquisition fees due to Wells Capital	178	3,499
	\$ 3,522	\$ 13,977

Economic Dependency

Wells REIT II has engaged Wells Capital and its affiliates, Wells Management and WIS, to provide certain services that are essential to Wells REIT II, including asset management services, supervision of the property management and leasing of some properties owned by Wells REIT II, asset acquisition and disposition services, the sale of shares of Wells REIT II's common stock, as well as other administrative responsibilities for Wells REIT II, including accounting services, stockholder communications, and investor relations. As a result of these relationships, Wells REIT II is dependent upon Wells Capital, Wells Management, and WIS.

Wells Capital, Wells Management, and WIS are owned and controlled by Wells Real Estate Funds, Inc. (WREF). The operations of Wells Capital, Wells Management, and WIS represent substantially all of the business of WREF.

Accordingly, Wells REIT II focuses on the financial condition of WREF when assessing the financial condition of Wells Capital, Wells Management, and WIS. In the event that WREF were to become unable to meet its obligations as they become due, Wells REIT II might be required to find alternative service providers.

Future net income generated by WREF will be largely dependent upon the amount of fees earned by Wells Capital and Wells Management based on, among other things, the level of investor proceeds raised and the volume of future acquisitions and dispositions of real estate assets by Wells REIT II and other WREF-sponsored programs, as well as dividend income earned from equity interests in another REIT. As of June 30, 2007, Wells REIT II believes that WREF is generating adequate cash flow from operations and has adequate liquidity available in the form of cash on hand and current receivables necessary to meet its current and future obligations as they become due.

8. Subsequent Events

Sale of Shares of Common Stock

From July 1, 2007 through July 31, 2007, Wells REIT II raised approximately \$77.8 million through the issuance of approximately 7.8 million shares of common stock under its follow-on offering. As of July 31, 2007, approximately 161.5 million shares remained available for sale to the public under the follow-on offering, exclusive of shares available under Wells REIT II's dividend reinvestment plan.

On July 9, 2007, Wells REIT II filed a registration statement with the SEC to register 375,000,000 shares of its common stock, of which up to 300,000,000 shares will be offered in the primary offering for \$10 per share, with volume discounts available to investors who purchase more than 50,000 shares at any one time. Discounts may also be available for other categories of purchasers. The remaining 75,000,000 shares of common stock are offered under Wells REIT II's amended and restated 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 its common stock. Wells REIT II has not issued any shares under the aforementioned registration statement as it has not been declared effective by the SEC.

Pasadena Corporate Park Buildings Acquisition

On July 11, 2007, Wells REIT II purchased two three-story office buildings and a single-story retail building containing approximately 265,000 aggregate rentable square feet located on an approximate 8.2-acre tract of land at 3453, 3455, 3465 and 3475 East Foothill Boulevard in Pasadena, California for a purchase price of approximately \$116.0 million, exclusive of closing costs.

Cranberry Woods Drive Land Acquisition

On August 1, 2007, Wells REIT II purchased an 83.4 acre parcel of land in Cranberry, Pennsylvania for approximately \$14.6 million, exclusive of closing costs. Wells REIT II also entered into a development agreement for construction of three office buildings with an aggregate total of approximately 792,000 gross square feet at 900-1100 Cranberry Woods Drive (the Cranberry Woods Drive Buildings) for a total estimated cost of approximately \$166.4 million. The Cranberry Woods Drive Buildings are scheduled to be constructed in two phases, with the first phase (approximately 423,000 gross square feet) scheduled to be completed in 2009 and the second phase (approximately 369,000 gross square feet) to be completed in 2010. Upon completion of construction, the Cranberry Woods Drive Buildings will be entirely leased to Westinghouse Electric Company, LLC.

Property Under Contract

On July 16, 2007, Wells REIT II entered into a purchase and sale agreement to purchase a 25-story office building containing approximately 372,000 rentable square feet located at 222 E. 41st Street in New York, New York, for a total contract price of \$319.8 million, exclusive of closing costs. In connection with the execution of the agreement, Wells REIT II paid a deposit of \$5.0 million to an escrow agent, which will be applied to the purchase price at closing.

SUPPLEMENTAL INFORMATION The prospectus of Wells Real Estate Investment Trust II, Inc. consists of this sticker, the prospectus dated April 24, 2007, supplement no. 1 dated May 3, 2007, supplement no. 2 dated May 16, 2007 and supplement no. 3 dated August 21, 2007

Supplement no. 1 included:

information regarding a revision to suitability standards in Kansas.

Supplement no. 2 includes:

the status of our public offerings;

information regarding our indebtedness;

Management's Discussion and Analysis of Financial Condition and Results of Operations similar to that filed in our Quarterly Report on Form 10-Q for the three months ended March 31, 2007, filed on May 10, 2007; and

our unaudited financial statements as of and for the three months ended March 31, 2007.

Supplement no. 3 includes:

the status of our public offerings;

the acquisition of two office buildings and one retail building containing approximately 265,000 aggregate rentable square feet located on an 8.2-acre parcel of land in Pasadena, California;

the acquisition of a five-story office building containing approximately 248,000 rentable square feet located on a 14.6-acre parcel of land in Columbia, Maryland;

the acquisition of an 83.4-acre parcel of land in Cranberry, Pennsylvania;

the acquisition of a 25-story office building containing approximately 372,000 rentable square feet located on a 0.5-acre parcel of land in New York, New York;

information regarding our indebtedness;

Management's Discussion and Analysis of Financial Condition and Results of Operations similar to that filed in our Quarterly Report on Form 10-Q for the three and six months ended June 30, 2007, filed on August 8, 2007; and

our unaudited financial statements as of and for the three and six months ended June 30, 2007 as filed in our Quarterly Report on Form 10-Q, filed on August 8, 2007.