

WELLS REAL ESTATE INVESTMENT TRUST II INC  
Form POS AM  
May 10, 2004  
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As filed with the Securities and Exchange Commission on May 10, 2004

Registration No. 333-107066

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### POST-EFFECTIVE AMENDMENT NO. 3

TO

FORM S-11

### REGISTRATION STATEMENT

*Under*

*THE SECURITIES ACT OF 1933*

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## Wells Real Estate Investment Trust II, Inc.

(Exact name of registrant as specified in its charter)

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6200 The Corners Parkway, Suite 250

Norcross, Georgia 30092

(770) 449-7800

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

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**Leo F. Wells, III**

**President**

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

**6200 The Corners Parkway, Suite 250**

**Norcross, Georgia 30092**

**(770) 449-7800**

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

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*Copies to:*

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**1201 West Peachtree Street**

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

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

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

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

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This Post-Effective Amendment No.3 consists of the following:

1. The Registrant's final form of Prospectus dated November 26, 2003, previously filed pursuant to Rule 424(b)(4) on December 1, 2003 and refiled herewith.
2. Supplement No. 8 dated May 10, 2004 to the Registrant's Prospectus dated November 26, 2003, included herewith, which will be delivered as an unattached document along with the Prospectus dated November 26, 2003. Supplement No. 8 supersedes and replaces all prior supplements to the Prospectus.
3. Part II included herewith.
4. Signatures, included herewith.

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## WELLS REAL ESTATE INVESTMENT TRUST II, INC.

Maximum Offering of 785,000,000 Shares of Common Stock

Minimum Offering of 250,000 Shares of Common Stock

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Wells Real Estate Investment Trust II, Inc. is a newly organized Maryland corporation that intends to qualify as a REIT beginning with the taxable year that will end December 31, 2003. We expect to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate primarily consisting of high quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool.

We are offering up to 600,000,000 shares of common stock in our primary offering for \$10 per share, with discounts available for certain categories of purchasers as described in Plan of Distribution. We are also offering up to 185,000,000 shares to be issued pursuant to our dividend reinvestment plan at a purchase price equal to the higher of \$9.55 per share or 95% of the estimated value of a share of our common stock, as estimated by our advisor or another firm we choose for that purpose.

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**See Risk Factors beginning on page 21 to read about risks you should consider before buying shares of our common stock. These risks include the following:**

No public market currently exists for our shares of common stock. If you are able to sell your shares, you would likely have to sell them at a substantial discount.

We are dependent on our advisor to select investments and conduct our operations. Adverse changes in the financial health of our advisor or our relationship with our advisor could adversely affect us.

We have no operating history nor do we currently own any properties. We have not identified any properties to acquire with proceeds from this offering.

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

If we raise substantially less than the maximum offering, we may not be able to invest in a diverse portfolio of properties and the value of your investment may vary more widely with the performance of specific properties.

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

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

The use of projections or forecasts in this offering is prohibited. No one is permitted to make any oral or written predictions about the cash benefits or tax consequences you will receive from your investment.

	Price to Public*	Selling Commissions*	Dealer Manager Fee*	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	\$ 10.00	\$ 0.70	\$ 0.25	\$ 9.05
Total Minimum	\$ 2,500,000	\$ 175,000	\$ 62,500	\$ 2,262,500
Total Maximum	\$ 6,000,000,000	\$ 420,000,000	\$ 150,000,000	\$ 5,430,000,000
Dividend Reinvestment Plan				
Per Share	\$ 9.55	\$ 0.4775	\$	\$ 9.0725
Total Maximum	\$ 1,766,750,000	\$ 88,337,500	\$	\$ 1,678,412,500

\* The selling commissions and, in some cases, all or a portion of the dealer manager fee will not be charged with regard to shares sold to or for the account of certain categories of purchasers. The reduction in these fees will be accompanied by a corresponding reduction in the per share purchase price, except that all shares sold under the dividend reinvestment plan will be at the higher of \$9.55 per share or 95% of the estimated value of a share of our common stock. See Plan of Distribution.

The dealer manager of this offering, Wells Investment Securities, Inc., is our affiliate and will offer the shares on a best-efforts basis. The minimum permitted purchase is generally \$1,000. We will not sell any shares unless we sell a minimum of 250,000 shares to the public for \$10 per share by November 26, 2004 (one year from the date of this prospectus). Pending satisfaction of this condition, all subscription payments will be placed in an account held by the escrow agent, SouthTrust Bank, in trust for subscribers' benefit, pending release to us. If we do not sell at least 250,000 shares for \$10 per share by November 26, 2004, we will return all funds in the escrow account (including interest), and we will stop selling shares.

## WELLS INVESTMENT SECURITIES, INC.

November 26, 2003

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**SUITABILITY STANDARDS**

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

a net worth of at least \$150,000; or

gross annual income of at least \$45,000 and a net worth of at least \$45,000.

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

**California, Iowa, Massachusetts, Michigan, Missouri, New Jersey and Tennessee** - Investors must have either (1) a net worth of at least \$225,000, or (2) gross annual income of at least \$60,000 and a net worth of at least \$60,000.

**Maine** - Investors must have either (1) a net worth of at least \$200,000, or (2) gross annual income of at least \$50,000 and a net worth of at least \$50,000.

**Iowa, Missouri, Ohio and Pennsylvania** - In addition to the suitability requirements described above, investors must have a net worth of at least 10 times their investment in us.

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

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

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**QUESTIONS AND ANSWERS ABOUT THIS OFFERING**

Below we have provided some of the more frequently asked questions and answers relating to an offering of this type. Please see the Prospectus Summary and the remainder of this prospectus for more detailed information about this offering.

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Q: What is a REIT?

A: In general, a REIT is a company that:

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

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

is required to pay dividends to investors of at least 90% of its taxable income; and

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

---

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

A: Wells Real Estate Investment Trust II, Inc. is a newly organized Maryland corporation that intends to qualify as a REIT beginning with the taxable year that will end December 31, 2003. We expect to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate primarily consisting of high quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. We may also invest in entities that make similar investments. We were incorporated in the State of Maryland in July 2003.

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Q: What is your relationship to Wells Real Estate Investment Trust, Inc.?

A: Wells Real Estate Investment Trust, Inc., which we refer to as Wells REIT I, is a separate REIT from us. However, we have a common advisor, Wells Capital, Inc., and some of our directors and all of our officers are also directors and officers of Wells REIT I.

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Q: Are there any risks involved in an investment in your shares?

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- A: An investment in our shares involves significant risk. You should read the Risk Factors section of this prospectus beginning on page 21. That section contains a detailed discussion of material risks that you should consider before you invest in the common stock we are selling with this

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prospectus. Some of the more significant risks relating to an investment in our shares include the following:

No public market currently exists for our shares of common stock. If you are able to sell your shares, you would likely have to sell them at a substantial discount from their public offering price.

We have no operating history, nor do we currently own any properties. We have not identified any properties to acquire with proceeds from this offering.

If we raise substantially less than the maximum offering, we may not be able to invest in a diverse portfolio of properties, and the value of your investment may vary more widely with the performance of specific properties.

We are dependent on our advisor to select investments and conduct our operations; thus, adverse changes in the financial health of our advisor or our relationship with our advisor could adversely affect us.

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

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

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Q: Who is your advisor?

A: Wells Capital is our advisor. Wells Capital was incorporated in the State of Georgia in 1984. As of September 30, 2003, Wells Capital had sponsored or advised public real estate programs that had raised approximately \$4.3 billion from approximately 119,000 investors and that owned and operated more than 22 million square feet of commercial real estate properties.

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Q: What will the advisor do?

A: Wells Capital, as our advisor, will manage our daily affairs and make recommendations on all property acquisitions to our board of directors. We expect that a committee of our board of directors comprised of all of our independent directors will exercise its right to approve or reject all proposed property acquisitions. Wells Capital will also provide asset management, marketing, investor relations and other administrative services on our behalf.

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Q: How will Wells Capital select potential properties for acquisition?

A: Wells Capital will generally seek to acquire high quality office and industrial buildings located in densely populated metropolitan markets leased to creditworthy companies and governmental entities. Current tenants of public real estate programs sponsored or advised by Wells Capital





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include The Coca-Cola Company, State Street Bank, AT&T, Siemens Automotive, PricewaterhouseCoopers, Novartis and SYSCO Corporation.

To find properties that best meet our selection criteria for investment, Wells Capital's property acquisition team will study regional demographics and market conditions and interview local brokers to gain the practical knowledge that these studies sometimes lack. An experienced commercial construction engineer will inspect the structural soundness and the operating systems of each building, and an environmental firm will investigate all environmental issues to ensure each property meets our quality specifications.

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Q: What conflicts of interest will your advisor face?

A: Some of our directors and all of our officers are directors and officers of the advisor. Additionally, some of our directors are also directors of Wells REIT I, with which we may engage in joint ventures. Wells Capital and its affiliates will receive fees in connection with transactions involving the purchase, management and sale of our properties regardless of the quality of the property acquired or the services provided to us. Wells Capital must determine which investment opportunities to recommend to us or another Wells program or joint venture and may also be in the position of structuring the terms of joint ventures between us and other Wells-sponsored programs. Wells Capital, Wells Investment Securities and their affiliates will also receive fees in connection with our public offerings of equity securities. These conflicts of interest could influence the judgment of our advisor and its affiliates, including our officers and some of our directors, resulting in decisions that are not in our best interests. We discuss these specific conflicts of interest, as well as others arising from these relationships, under **Risk Factors** **Risks Related to Conflicts of Interest** and under **Conflicts of Interest**.

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

A: We will pay Wells Capital and Wells Investment Securities, Inc. (the dealer manager for this offering) compensation for services they will perform for us. We will pay the advisor acquisition fees in connection with the selection, acquisition, development or construction of properties in an amount equal to 2% of gross offering proceeds. We will also reimburse Wells Capital for expenses it pays on our behalf, including reimbursement for our organization and offering expenses. Our reimbursement obligation for organization and offerings costs, however, may not exceed 2% of our gross offering proceeds.

We will pay a selling commission and a dealer manager fee to Wells Investment Securities equal to 7% and 2.5%, respectively, of the gross proceeds raised in connection with a sale of shares in this offering. The selling commissions will be reallocated to participating broker-dealers, as may a portion of the dealer manager fee. The selling commission and dealer manager fee will be reduced or waived in connection with certain categories of sales, such as sales through investment advisers or banks acting as trustees or fiduciaries and sales under our dividend reinvestment plan.

We will also pay our advisor a monthly asset-management fee of one-twelfth of 0.75% of the sum of the cost of all occupied properties we own plus the cost of investments in joint ventures. This asset-management fee is capped on a quarterly basis at 1.0% of the net asset value of those investments at quarter end after deducting debt used to acquire or refinance properties. We might

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also engage an affiliate of our advisor to provide property-management services. We would pay market rates for such property-management services, possibly including the property manager's costs of providing property-management services. We will reimburse the advisor for the costs and expenses it incurs in providing asset-management services and administrative services, such as the cost of providing investor services.

In connection with the sale of properties, we may pay the advisor or its affiliates a fee of up to 3% of the gross sales price of the properties. This fee, when combined with other real estate commissions paid to our advisor, its affiliates and unaffiliated third parties, may not exceed 6% of the contract sales price. Wells Capital may also receive a subordinated 10% share of the net sales proceeds from the sale of our portfolio if our stockholders have enjoyed an 8% cumulative, non-compounded return or a similar success-based fee if our shares trade at prices reflecting such a return (taking prior dividends into account) upon their listing on a national securities exchange or the Nasdaq National Market.

See Management Compensation and Plan of Distribution for a more detailed description of the fees and expenses payable to our advisor, our dealer manager and their affiliates.

---

Q: How many real estate properties do you currently own?

A: We currently do not own any properties. We expect to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate primarily consisting of high quality income-generating office and industrial properties leased to creditworthy companies and governmental entities. We may also invest in entities that make similar investments. Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool.

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Q: Will you acquire properties in joint ventures?

A: Probably. Among other reasons, we may want to acquire properties through a joint venture in order to diversify our portfolio of properties in terms of geographic region, property type and tenant industry group.

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Q: What steps will you take to make sure you purchase environmentally compliant properties?

A: We will obtain a Phase I environmental assessment of each property purchased. In addition, we generally expect to obtain a representation from the seller that, to its knowledge, the property is not contaminated with hazardous materials.

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Q: What will be the terms of your leases?

A: We will seek to secure leases with creditworthy tenants before or at the time we acquire a property. We expect that our leases generally will be economically net leases, which means that the tenant would be responsible for the cost of repairs, maintenance, property taxes, utilities, insurance and other operating costs. In most of these leases, we will probably be responsible for the

replacement of specific structural components of a property, such as the roof of the building

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or the parking lot. We expect that our leases generally will have terms of five or more years, some of which may have renewal options.

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Q: How will Wells REIT II own its real estate properties?

A: As an UPREIT, we expect to own substantially all of our real estate properties through Wells Operating Partnership II, L.P., which we refer to as Wells OP II. We organized Wells OP II to own, operate and manage real properties on our behalf. Wells REIT II is the sole general partner of Wells OP II.

---

Q: What is an UPREIT?

A: UPREIT stands for Umbrella Partnership Real Estate Investment Trust. The UPREIT structure is used because a sale of property directly to the REIT is generally a taxable transaction to the selling property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the UPREIT in exchange for limited partnership units in the UPREIT and defer taxation of gain until the seller later exchanges his UPREIT units on a one-for-one basis for REIT shares. If the REIT shares are publicly traded, the former property owner will achieve liquidity for his investment upon the exchange. Using an UPREIT structure may give us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results.

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Q: If I buy shares, will I receive dividends and how often?

A: To maintain our qualification as a REIT, we are required to make aggregate annual distributions to our stockholders of at least 90% of our taxable income (which does not necessarily equal net income as calculated in accordance with accounting principles generally accepted in the United States (GAAP)). We intend to pay dividends quarterly. Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant. We have not established a minimum distribution level.

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Q: How will you calculate the payment of dividends to stockholders?

A: We expect to calculate our quarterly dividends on a daily basis to stockholders of record so any dividend benefits may begin to accrue immediately upon becoming a stockholder.

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Q: May I reinvest my dividends in shares of Wells REIT II?

A: Yes. You may participate in our dividend reinvestment plan by checking the appropriate box on the Subscription Agreement or by filling out an enrollment form we will provide to you at your request. The purchase price for shares purchased under the dividend reinvestment plan will be the higher of \$9.55 or 95% of the estimated value of a share of our common stock, as estimated by our advisor or another firm

we choose for that purpose.

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Q: Will the dividends I receive be taxable as ordinary income?

A: Yes and No. Generally, dividends that you receive, including dividends that are reinvested pursuant to our dividend reinvestment plan, will be taxed as ordinary income to the extent they are from current or accumulated earnings and profits. We expect that some portion of your dividends will not be subject to tax in the year in which they are received because depreciation expense reduces the amount of taxable income but does not reduce cash available for distribution. The portion of your distribution that is not subject to tax immediately is considered a return of capital for tax purposes and will reduce the tax basis of your investment. This, in effect, defers a portion of your tax until your investment is sold or Wells REIT II is liquidated, at which time you will be taxed at capital gains rates. However, because each investor's tax considerations are different, we suggest that you consult with your tax advisor. You should also review the section of the prospectus entitled Federal Income Tax Considerations.

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Q: What will you do with the money raised in this offering?

A: We intend to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate primarily consisting of high quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. Depending primarily on the number of shares we sell in this offering and assuming a \$9.55 per share price for shares sold under our dividend reinvestment plan, we estimate for each share sold in this offering that between \$8.65 and \$8.83 will be available for the purchase of real estate, with the remaining proceeds to pay fees and expenses of this offering and an acquisition fee to our advisor.

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

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Q: What kind of offering is this?

A: We are offering up to 785,000,000 shares of common stock on a best efforts basis.

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Q: How does a best efforts offering work?

A: When shares are offered on a best efforts basis, the broker-dealers participating in the offering are only required to use their best efforts to sell the shares and have no firm commitment or obligation to purchase any of the shares. Therefore, we may not sell all or any of the shares that we are offering.

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Q: How long will this offering last?

A: This offering will not last beyond November 26, 2005, except that we may continue to offer shares under the dividend reinvestment plan beyond that date until we have sold 185,000,000 shares through the reinvestment of dividends. In some states, we may not be able to continue the offering for these periods without renewing the registration statement or filing a new registration statement.

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Q: Who can buy shares?

A: You can buy shares pursuant to this prospectus provided that you have either (1) a net worth of at least \$45,000 and an annual gross income of at least \$45,000, or (2) a net worth of at least \$150,000. For this purpose, net worth does not include your home, home furnishings or personal automobiles. These minimum levels may be higher in certain states, so you should carefully read the more detailed description under Suitability Standards immediately following the cover page of this prospectus.

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Q: Is there any minimum investment required?

A: Yes. Generally, you must invest at least \$1,000. Except in Ohio, Maine, Minnesota, Nebraska and Washington, investors who have purchased units from an affiliated Wells public real estate program can make purchases for less than the minimum investment. These minimum investment levels may be higher in certain states, so you should carefully read the more detailed description under Plan of Distribution Minimum Purchase Requirements.

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Q: How do I subscribe for shares?

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

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Q: What happens if you don't sell at least 250,000 shares to the public?

A: If we do not sell at least 250,000 shares to the public at \$10 per share before November 26, 2004, we will terminate the offering and stop selling shares. In such event, within ten days after termination of the offering, the escrow agent will return your funds, including interest. Different escrow procedures apply to Pennsylvania investors. See Plan of Distribution Special Notice to Pennsylvania Investors.

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Q: If I buy shares in this offering, how may I later sell them?

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- A: At the time you purchase the shares, they will not be listed for trading on any securities exchange or over-the-counter market. In fact, we expect that there will not be any public market for the shares when you purchase them, and we cannot be sure if one will ever develop. In addition, our charter imposes restrictions on the ownership of our stock, which will apply to potential purchasers of your stock. As a result, you may find it difficult to find a buyer for your shares and



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realize a return on your investment. See Description of Shares Restriction on Ownership of Shares.

After you have held your shares for at least one year, you may be able to have your shares repurchased by us pursuant to our proposed share redemption program. For at least the next five years, the redemption price would generally be \$8.40. (The terms of our proposed redemption program would be more generous upon the death of a stockholder.) We do not intend to adopt the proposed share redemption program during this or any other primary offering unless the SEC grants us an exemption from its restrictions on issuers bidding for their securities during a distribution. Without this exemptive relief, the earliest that we could adopt the proposed share redemption program would be after the completion of our primary offering. Even if adopted, we could later amend or terminate the program. See Description of Shares Proposed Share Redemption Program.

We may return all or a portion of your capital contribution in connection with a sale of the company or the properties we will acquire. Alternatively, you may be able to obtain a return of all or a portion of your capital contribution in connection with the sale of your shares.

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Q: When will the company seek to list its shares of common stock?

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

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

seek stockholder approval of the liquidation of the corporation.

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

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Q: What is the experience of your officers and directors?

A: Our management team has extensive experience investing in and managing commercial real estate. Below is a short description of the background of each of our officers. See the Management Executive Officers and Directors section of this prospectus for a more detailed description of the experience of each of our officers and directors.

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<u>Name</u>	<u>Title</u>	<u>Experience</u>
Leo F. Wells, III	President and Director	Founder of Wells Real Estate Funds and has been involved in real estate sales, management and brokerage services for over 30 years
Douglas P. Williams	Executive Vice President, Secretary, Treasurer and Director	Former accounting executive at OneSource, Inc., a supplier of janitorial and landscape services
Charles R. Brown	Director*	President of CRB Realty Associates, a real estate developer, and former President of Technology Park/Atlanta, Inc., which developed Technology Park/Atlanta, a 600-acre office park
Richard W. Carpenter	Director*	Former President and Chairman of the Board of Southmark Properties, an Atlanta-based REIT investing in commercial properties
Bud Carter	Director*	Former broadcast news director and anchorman and current Senior Vice President for the Executive Committee, an organization established to aid corporate presidents and CEOs
Donald S. Moss	Director*	Former executive officer of Avon Products, Inc.
Jack M. Pinkerton	Director*	Former President of the Pinkerton and Laws Company, which was one of the 200 largest construction companies in the world at the time of his retirement in 1988
Walter W. Sessoms	Director*	Former executive officer of BellSouth Telecommunications, Inc.

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Neil H. Strickland	Director*	Founder of Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers
Wayne W. Woody	Director*	Interim Chief Financial Officer for Legacy Investment Group, a boutique investment firm, from 2000 to 2001. Senior Partner with KPMG LLP and predecessor firms, where he enjoyed a 31-year career
Randall D. Fretz	Senior Vice President	Former President of US & Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home decor

\* Denotes director is not affiliated with our advisor, Wells Capital.

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Q: Will I be notified of how my investment is doing?

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

Four detailed quarterly dividend reports;

An annual report;

An annual IRS Form 1099-DIV, if required;

Supplements to the prospectus; and

Three quarterly financial reports.

We will provide this information to you via one or more of the following methods, in our discretion and with your consent, if necessary:

U.S. mail or other courier;

Facsimile;

Electronic delivery; and

Posting on our affiliated website, which is [www.wellsref.com](http://www.wellsref.com).

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Q: When will I get my detailed tax information?

A: Your Form 1099-DIV tax information, if required, will be mailed by January 31 of each year.

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Q: Who can help answer my questions?

A: If you have more questions about the offering, or if you would like additional copies of this prospectus, you should contact your registered representative or contact:

Investor Services Department

Wells Real Estate Funds, Inc.

Suite 250

6200 The Corners Parkway

Norcross, Georgia 30092

Telephone: (800) 557-4830 or (770) 243-8282

Fax: (770) 243-8198

E-mail: [investor.services@wellsref.com](mailto:investor.services@wellsref.com)

[www.wellsref.com](http://www.wellsref.com)

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**PROSPECTUS SUMMARY**

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

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

Wells Real Estate Investment Trust II, Inc. is a newly organized Maryland corporation that intends to qualify as a REIT beginning with the taxable year that will end December 31, 2003. We expect to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate primarily consisting of high quality, income-generating office and industrial properties leased to creditworthy companies and governmental entities. Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool.

Our office is located at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092. Our telephone number outside the State of Georgia is 800-557-4830 (770-243-8282 in Georgia). Our fax number is (770) 243-8198, and the e-mail address of our investor relations department is [investor.services@wellsref.com](mailto:investor.services@wellsref.com).

We also maintain an Internet site at [www.wellsref.com](http://www.wellsref.com) at which there is additional information about us and our affiliates, but the contents of that site are not incorporated by reference in or otherwise a part of this prospectus.

**Our Advisor**

Our advisor is Wells Capital, which will be responsible for managing our affairs on a day-to-day basis and for identifying and making acquisitions on our behalf.

**Our Management**

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

**Our REIT Status**

If we qualify as a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. Under the Internal Revenue Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute at least 90% of their annual taxable income to their stockholders. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Even if we qualify as a

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REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

## **Summary Risk Factors**

Following are the most significant risks relating to your investment:

No public market currently exists for our shares of common stock. If you are able to sell your shares, you would likely have to sell them at a substantial discount from their public offering price.

We have no operating history, nor do we currently own any properties. We have not identified any properties to acquire with proceeds from this offering.

If we raise substantially less than the maximum offering, we may not be able to invest in a diverse portfolio of properties, and the value of your investment may vary more widely with the performance of specific properties.

We are dependent on our advisor to select investments and conduct our operations; thus, adverse changes in the financial health of our advisor or our relationship with our advisor could adversely affect us.

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

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

Before you invest in us, you should see the complete discussion of the Risk Factors beginning on page 21 of this prospectus.

## **Description of Real Estate Investments**

We expect to use substantially all of the net proceeds from this offering to acquire and operate commercial real estate primarily consisting of high quality income-generating office and industrial properties leased to creditworthy companies and governmental entities. We may also invest in entities that make similar investments. Leo F. Wells, III, Douglas P. Williams, Randall D. Fretz, Donald A. Miller and David H. Steinwedell, acting through our advisor, Wells Capital, will make most of the decisions regarding our investments. We expect that our conflicts committee will exercise its right to approve or reject each of these investments.

Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool. As we acquire properties, we will supplement this prospectus to describe material changes to our portfolio.



**Estimated Use of Proceeds of Offering**

Depending primarily on the number of shares we sell in this offering and assuming all shares sold under our dividend reinvestment plan are sold at \$9.55 per share, we estimate for each share sold in this

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offering that between \$8.65 and \$8.83 will be available for the purchase of real estate. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer manager fee, and to pay the fee to our advisor for its services in connection with the selection, acquisition, development and construction of properties.

## **Investment Objectives**

Our primary investment objectives are:

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

to preserve and return your capital contributions.

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

## **Conflicts of Interest**

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

Wells Capital must determine which investment opportunities to recommend to us or another Wells program or joint venture;

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

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

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

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

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

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Our officers and two of our directors will also face these conflicts because of their affiliation with Wells Capital. In addition, our officers and eight of our directors serve as officers and directors of Wells REIT I. See the [Conflicts of Interest](#) section of this prospectus for a detailed discussion of the various conflicts of interest relating to your investment, as well as the procedures that we have established to mitigate a number of these potential conflicts.

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The following chart shows the ownership structure of the various Wells entities that are affiliated with Wells Capital.

## **Prior Offering Summary**

As of June 30, 2003, Wells Capital and its affiliates had sponsored 15 publicly offered real estate limited partnerships and Wells REIT I on an unspecified property, or "blind pool," basis. As of June 30, 2003, they had raised in excess of \$3.5 billion from approximately 108,000 investors in these 16 public real estate programs. The "Prior Performance Summary" of this prospectus contains a discussion of the Wells programs sponsored to date. We also provide certain statistical data relating to the Wells programs with investment objectives similar to ours in the "Prior Performance Tables" included at the end of this prospectus.

## **The Offering**

We are offering up to 600,000,000 shares of our common stock in our primary offering at \$10 per share, with discounts available for certain categories of purchasers as described in "Plan of Distribution" below. We are also offering 185,000,000 shares of common stock under our dividend reinvestment plan at the higher of \$9.55 or 95% of the estimated value of a share of our common stock, as estimated by our advisor or another firm we choose for that purpose. We will offer shares of common stock in our primary offering until the earlier of November 26, 2005 or the date we sell 600,000,000 shares. We may sell shares under the dividend reinvestment plan beyond November 26, 2005 until we have sold 185,000,000 shares through the reinvestment of dividends. In some states, we may not be able to continue the offering

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for these periods without renewing the registration statement or filing a new registration statement. We may terminate this offering at any time.

We will not sell any shares unless we sell a minimum of 250,000 shares to the public for \$10 per share by November 26, 2004. Purchases by our directors, officers, advisor or their affiliates will not count toward meeting this minimum threshold. Pending satisfaction of this condition, all subscription payments will be placed in an account held by the escrow agent, SouthTrust Bank, in trust for subscribers' benefit, pending release to us. If we do not sell 250,000 shares to the public for \$10 per share by November 26, 2004, we will terminate this offering and return all subscribers' funds, plus interest, except as noted below regarding procedures for Pennsylvania investors. Funds in escrow will be invested in short-term investments that mature on or before November 26, 2004 or that can be readily sold or otherwise disposed of for cash by such date without any dissipation of the offering proceeds invested.

Notwithstanding our \$2.5 million minimum offering amount for all other jurisdictions, we will not sell any shares to Pennsylvania investors unless we raise a minimum of \$200 million in gross offering proceeds (including sales made to residents of other jurisdictions). Pending satisfaction of this condition, all Pennsylvania subscription payments will be placed in an account held by the escrow agent, SouthTrust Bank, in trust for Pennsylvania subscribers' benefit, pending release to us. If we have not reached this \$200 million threshold within 120 days of the date that we first accept a subscription payment from a Pennsylvania investor, we will, within 10 days of the end of that 120-day period, notify Pennsylvania investors in writing of their right to receive refunds, without interest. If you request a refund within 10 days of receiving that notice, we will arrange for the escrow agent to return promptly by check the funds deposited in the Pennsylvania escrow account (or to return your check if the escrow agent has not yet collected on it) to each subscriber. Amounts held in the Pennsylvania escrow account from Pennsylvania investors not requesting a refund will continue to be held for subsequent 120-day periods until we raise at least \$200 million or until the end of the subsequent escrow periods. At the end of each subsequent escrow period, we will again notify you of your right to receive refunds with interest from the day after the expiration of the initial 120-day period.

## **Compensation to Wells Capital and its Affiliates**

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

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<i>Type of Compensation</i>	<i>Determination of Amount</i>	<i>Estimated Amount for Maximum Offering (785,000,000 shares)</i>
<b><i>Offering Stage</i></b>		
Selling Commissions	7.0% of gross offering proceeds in primary offering and 5% of gross proceeds from sales under dividend reinvestment plan; all selling commissions will be reallocated to participating broker-dealers	\$ 508,337,500
Dealer Manager Fee	Up to 2.5% of gross offering proceeds	\$ 150,000,000
Other Organization and Offering Expenses	Up to 2.0% of gross offering proceeds	\$ 34,778,830
<b><i>Acquisition and Development Stage</i></b>		
Acquisition Fees	2.0% of gross offering proceeds	\$ 155,335,000
<b><i>Operational Stage</i></b>		
Asset Management Fees	Monthly fee equal to one-twelfth of 0.75% of the sum of the cost of all occupied properties we own plus the cost of investments in joint ventures, provided that the amount paid in any calendar quarter may not exceed 1.0% of the net asset value of those investments at quarter end after deducting debt used to acquire or refinance properties; plus costs and expenses incurred by advisor in providing asset-management services	N/A
Property Management Fee	If we retain Wells Management to manage and lease some of our properties, we will pay a market-based property management fee, which may include reimbursement of Wells Management's personnel costs and other costs of managing the properties. Wells Management may also receive a fee for the initial leasing of newly constructed properties, which would generally equal one month's rent.	N/A
Operating Expenses	Reimbursement of our advisor's cost of providing administrative services	N/A

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<u>Type of Compensation</u>	<u>Determination of Amount</u>	<u>Estimated Amount for Maximum Offering (785,000,000 shares)</u>
<b>Liquidation/Listing Stage</b>		
Real Estate Commissions	Up to 3.0% of contract price for property sold for substantial assistance in connection with sale	N/A
Subordinated Participation In Net Sale Proceeds (payable only if we are not listed on an exchange)	10.0% of remaining net sale proceeds after return of capital plus payment to investors of an 8.0% cumulative, non-compounded return on the capital contributed by investors	N/A
Subordinated Incentive Listing Fee (payable only if we are listed on an exchange)	10.0% of the amount by which our adjusted market value plus distributions exceeds the aggregate capital contributed by investors plus an amount equal to an 8.0% cumulative, non-compounded return to investors	N/A

**Dividend Policy**

To maintain our qualification as a REIT, we are required to make aggregate annual distributions to our stockholders of at least 90% of our taxable income (which does not necessarily equal net income as calculated in accordance with GAAP). Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant. We have not established a minimum distribution level. We expect to calculate our quarterly dividends based upon daily record and dividend declaration dates so investors may be entitled to dividends immediately upon purchasing our shares.

**Listing**

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

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

seek stockholder approval of the liquidation of the corporation.

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





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### **Dividend Reinvestment Plan**

Under our dividend reinvestment plan, you may have the dividends you receive reinvested in additional shares of our common stock. The purchase price per share under our dividend reinvestment plan will be the higher of \$9.55 or 95% of the estimated value of a share of our common stock, as estimated by our advisor or another firm we choose for that purpose. Although we will not pay the 5% selling commissions in connection with sales to certain categories of purchasers, the price for all categories of purchasers will be the same. If you participate in the dividend reinvestment plan, you will not receive the cash from your dividends. As a result, you may have a tax liability with respect to your share of our taxable income, but you will not receive cash dividends to pay such liability. We may terminate the dividend reinvestment plan at our discretion at any time upon 10 days prior written notice to you.

### **Proposed Share Redemption Program**

Our board of directors has approved a share redemption program that could enable our stockholders to sell their shares to us in limited circumstances. However, we will not adopt the program during this primary offering or any subsequent primary offering unless the SEC grants us exemptive relief from restrictions on issuer repurchases during a distribution.

Even if we adopt the proposed share redemption program, there would be numerous restrictions on your ability to sell your shares to us under the proposed program. You generally would have to hold your shares for one year before selling your shares to us under the plan. In addition, we would limit the number of shares redeemed pursuant to our proposed share redemption program as follows: (1) during any calendar year, we would not redeem in excess of 5% of the weighted average number of shares outstanding during the prior calendar year; and (2) funding for the redemption of shares would come exclusively from the net proceeds we received from the sale of shares under our dividend reinvestment plan. These limits may prevent us from accommodating all requests made in any year. For three years after we complete this offering or any subsequent public equity offerings we commence within one year of the completion of a public equity offering, the price at which we would repurchase your stock would be \$8.40 per share. Thereafter, the redemption price would equal 95% of our per share value as estimated by Wells Capital or another financial advisor or valuation firm we chose for this purpose. The proposed share redemption program would have different rules if shares were being redeemed in connection with the death of a stockholder. See [Description of Shares Proposed Share Redemption Program](#) for more information about the proposed share redemption program. Our board of directors could amend or terminate the proposed share redemption program with 30 days advance notice.

### **Wells Operating Partnership II, L.P.**

We expect to own substantially all of our real estate properties through Wells Operating Partnership II, L.P. (Wells OP II), our operating partnership. We are the sole general partner of Wells OP II. Wells Capital has purchased \$200,000 of limited partner units in Wells OP II. This UPREIT structure may allow sellers of properties to transfer their properties to Wells OP II in exchange for limited partnership interests of Wells OP II and defer gain recognition for tax purposes with respect to such transfers of properties. The holders of units in Wells OP II may have their units redeemed for cash or, at our option, shares of our common stock. At present, we have no plans to acquire any specific properties in exchange for units of Wells OP II.

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### **ERISA Considerations**

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

### **Description of Shares**

#### ***Uncertificated Shares***

Our board of directors has authorized the issuance of shares of our capital stock without certificates. We expect that, until our shares are listed on a national securities exchange or the Nasdaq National Market, we will not issue shares in certificated form. We maintain a stock ledger that contains the name and address of each stockholder and the number of shares that the stockholder holds. With respect to uncertificated stock, we will continue to treat the stockholder registered on our stock ledger as the owner of the shares until the new owner delivers a properly executed form to us, which we will provide to any registered holder upon request.

#### ***Stockholder Voting Rights and Limitations***

We intend to hold annual meetings of our stockholders for the purpose of electing our directors or conducting other business matters that may be presented at such meetings. We may also call a special meeting of stockholders from time to time. You are entitled to one vote for each share of common stock you own at any of these meetings.

#### ***Restriction on Share Ownership***

Our charter contains restrictions on ownership of the shares that prevent any one person from owning more than 9.8% of our outstanding shares unless exempted by our board of directors. These restrictions are designed to enable us to comply with ownership restrictions imposed on REITs by the internal revenue code. see "Description of Shares" "Restriction on Ownership of Shares." Our charter also limits your ability to transfer your shares to prospective stockholders unless (i) they meet suitability standards regarding income or net worth, which are described above at "Suitability Standards" immediately following the cover page of this prospectus, and (ii) the transfer complies with minimum purchase requirements, which are described below at "Plan of Distribution" "Minimum Purchase Requirements."

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**RISK FACTORS**

*An investment in our common stock involves various risks and uncertainties. You should carefully consider the following risk factors in conjunction with the other information contained in this prospectus before purchasing our common stock. The risks discussed in this prospectus can adversely affect our business, operating results, prospects and financial condition. This could cause the value of our common stock to decline and could cause you to lose all or part of your investment. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business.*

**Risks Related to an Investment In Us**

*There is no public trading market for your shares; therefore, it will be difficult for you to sell your shares.*

There is no current public market for the shares. You may not sell your shares unless the buyer meets applicable suitability and minimum purchase standards. Our charter also prohibits the ownership of more than 9.8% of our stock, unless exempted by our board of directors, which may inhibit large investors from desiring to purchase your shares. Moreover, we have delayed adoption of our proposed share redemption program until the earlier of (i) the completion of this primary offering, which may last until November 26, 2005, or (ii) the receipt by us of SEC exemptive relief from rules restricting issuer purchases during distributions, which relief we may not be able to obtain. Even when one of these conditions is met, our board of directors could choose not to adopt the proposed share redemption program or to amend its proposed terms without stockholder approval. Our board would also be free to amend or terminate the program upon 30 days notice after its adoption. In addition, the proposed share redemption program includes numerous restrictions that would limit your ability to sell your shares. We describe these restrictions in more detail under **Description of Shares Proposed Share Redemption Program**. Therefore, it will be difficult for you to sell your shares promptly or at all. If you are able to sell your shares, you would likely have to sell them at a substantial discount to their public offering price. It is also likely that your shares would not be accepted as the primary collateral for a loan. You should purchase the shares only as a long-term investment because of the illiquid nature of the shares.

*If we are unable to find suitable investments, we may not be able to achieve our investment objectives or pay dividends.*

Our ability to achieve our investment objectives and to pay dividends depends upon the performance of Wells Capital, our advisor, in the acquisition of our investments and the determination of any financing arrangements and upon the performance of our property managers in the selection of tenants and negotiation of leasing arrangements. Except for the investments described in one or more supplements to this prospectus, you will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. You must rely entirely on the management abilities of Wells Capital, the property managers Wells Capital selects (which may include Wells Management) and the oversight of our board of directors. We cannot be sure that Wells Capital will be successful in obtaining suitable investments on financially attractive terms or that, if Wells Capital makes investments on our behalf, our objectives will be achieved. The more money we raise in this offering, the greater will be our challenge to invest all of the net offering proceeds on attractive terms. Therefore, the large size of this offering increases the risk that we may pay too much for real estate acquisitions.

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If we, through Wells Capital, are unable to find suitable investments promptly, we will hold the proceeds from this offering in an interest-bearing account or invest the proceeds in short-term, investment-grade investments and may, ultimately, liquidate. In such an event, our ability to pay dividends to our stockholders would be adversely affected.

*We may suffer from delays in locating suitable investments, which could adversely affect our ability to make distributions and the value of your investment.*

We could suffer from delays in locating suitable investments, particularly as a result of our reliance on our advisor at times when management of our advisor is simultaneously seeking to locate suitable investments for other affiliated programs. Of course, the more money we raise in this offering, the more difficult it will be to invest the net offering proceeds promptly. Therefore, the large size of this offering increases the risk of delays in investing our net offering proceeds. Delays we encounter in the selection, acquisition and development of income-producing properties would likely adversely affect our ability to pay dividends to our stockholders and our stockholders' overall returns. This, in turn, would reduce the value of your investment. In particular, where we acquire properties prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in the distribution of cash dividends attributable to those particular properties. You should expect to wait several months after the closing of a property acquisition before we are in a position to pay cash dividends attributable to such property.

*Because this is a blind pool offering, you will not have the opportunity to evaluate our investments before we make them, which makes your investment more speculative.*

Because we have not yet acquired or identified any investments that we may make, we are not able to provide you with information to evaluate our investments prior to acquisition. We will seek to invest substantially all of the offering proceeds available for investment, after the payment of fees and expenses, in the acquisition of commercial properties. However, you will be unable to evaluate the economic merit of real estate projects before we invest in them and will be entirely relying on the ability of our advisor to select well-performing investment properties. Furthermore, our board of directors will have broad discretion in implementing policies regarding tenant or mortgagor creditworthiness, and you will not have the opportunity to evaluate potential tenants, managers or borrowers. These factors increase the risk that your investment may not generate returns comparable to our competitors.

*If we are unable to raise substantial funds, we will be limited in the number and type of investments we may make, and the value of your investment in us will fluctuate with the performance of the specific properties we acquire.*

This offering is being made on a "best efforts" basis, whereby the brokers participating in the offering are only required to use their best efforts to sell our shares and have no firm commitment or obligation to purchase any of the shares. As a result, the amount of proceeds we raise in this offering may be substantially less than the amount we would need to achieve a broadly diversified property portfolio. We may be unable to raise even the minimum offering amount. If we are unable to raise substantially more than the minimum offering amount, we will make fewer investments resulting in less diversification in terms of the number of investments owned, the geographic regions in which our investments are located and the types of investments that we make. In that case, the likelihood that any single property's performance would adversely affect our profitability will increase. For example, if we only raise the minimum amount of \$2.5

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million, we will most likely make our investments through one or more joint ventures and may only be able to make one investment. If we only make one investment, we would not achieve any asset diversification. Additionally, we are not limited in the number or size of our investments or the percentage of net proceeds we may dedicate to a single investment. Your investment in our shares will be subject to greater risk to the extent that we lack a diversified portfolio of investments. In addition, our inability to raise substantial funds would increase our fixed operating expenses as a percentage of gross income, and our financial condition and ability to pay distributions could be adversely affected.

### ***Our lack of prior operating history or established financing sources hinders your ability to evaluate this investment.***

We have no operating history. You should not rely upon the past performance of other real estate investment programs our advisor or its affiliates sponsored. Such past performance may not predict our future results. We were incorporated in July 2003, and as of the date of this prospectus we have not made any investments in real estate or otherwise. This lack of operating history significantly increases the risk and uncertainty you face in making an investment in our shares.

### ***Our loss of or inability to obtain key personnel could delay or hinder implementation of our investment strategies, which could adversely affect our ability to make distributions and the value of your investment.***

Our success depends to a significant degree upon the contributions of Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz, each of whom would be difficult to replace. We do not have employment agreements with Messrs. Wells, Williams or Fretz, and we cannot guarantee that such persons will remain affiliated with us. Although Messrs. Wells, Williams and Fretz have entered into employment agreements with Wells Capital, these agreements are terminable at will by either party; thus, such persons may not remain affiliated with Wells Capital or us. If any of our key personnel were to cease their affiliation with us, we may be unable to find suitable replacement personnel, and our operating results could suffer. We do not intend to maintain key person life insurance on any person. We believe that our future success depends, in large part, upon our advisor's and our property managers' ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and our advisor and any property managers we retain may be unsuccessful in attracting and retaining such skilled personnel. Further, we intend to establish strategic relationships with firms that have special expertise in certain services or as to real properties in certain geographic regions. Maintaining such relationships will be important for us to effectively compete with other investors for properties in such regions. We may be unsuccessful in attracting and retaining such relationships. If we lose or are unable to obtain the services of highly skilled personnel or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered, and the value of your investment may decline.

### ***Our rights and the rights of our stockholders to recover claims against our independent directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.***

Maryland law provides that a director has no liability in that capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter provides that no independent director shall be liable to us or our stockholders for

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monetary damages and that we will generally indemnify them for losses unless they are grossly negligent or engage in willful misconduct. As a result, you and we may have more limited rights against our independent directors than might otherwise exist under common law, which could reduce your and our recovery from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our independent directors (as well as by our other directors, officers, employees and agents) in some cases, which would decrease the cash otherwise available for distr