

WELLS REAL ESTATE INVESTMENT TRUST II INC

Form 424B3

August 20, 2009

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FILED PURSUANT TO RULE 424(B)(3)

REGISTRATION NO. 333-144414

WELLS REAL ESTATE INVESTMENT TRUST II, INC.

SUPPLEMENT NO. 2 DATED AUGUST 20, 2009

TO THE PROSPECTUS DATED APRIL 30, 2009

This document supplements, and should be read in conjunction with, our prospectus dated April 30, 2009 relating to our offering of 375,000,000 shares of common stock, as supplemented by supplement no. 1 dated May 20, 2009. 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;

information regarding our indebtedness;

an additional risk related to an investment in us;

amendments to our share redemption program;

updated information regarding the estimated per share value of our shares in connection with our dividend reinvestment plan;

information regarding the renewal and amendment of our advisory agreement;

a change to our registrar and transfer agent;

additional liquidity information regarding prior programs sponsored by our sponsor;

the acquisition of a nine-story office tower containing approximately 145,000 aggregate rentable square feet located in Moscow, Russia;

the completion of the first phase of a five-story office building containing approximately 424,000 rentable square feet located in Cranberry, Pennsylvania;

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, 2009, filed on August 13, 2009; and

our unaudited financial statements as of and for the three and six months ended June 30, 2009 as filed in our Quarterly Report on Form 10-Q, filed on August 13, 2009.

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

On November 11, 2008, we began to accept subscriptions for shares of our common stock in this offering. As of August 14, 2009, we had raised gross offering proceeds of approximately \$0.5 billion from the sale of approximately 49.8 million shares in this offering, including the dividend reinvestment plan. As of August 14, 2009, approximately 325.2 million shares remained available for sale to the public in this offering, including the dividend reinvestment plan. As of August 14, 2009, we had received aggregate gross

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offering proceeds of approximately \$5.0 billion from the sale of approximately 504.5 million shares in our public offerings. After incurring approximately \$100.3 million in acquisition fees, approximately \$456.7 million in selling commissions and dealer-manager fees, approximately \$67.9 million in other organization and offering expenses, and funding common stock redemptions of approximately \$304.8 million pursuant to the share redemption program, as of August 14, 2009, we had raised aggregate net offering proceeds available for investment in properties of approximately \$4.1 billion, substantially all of which had been invested in real estate properties.

Indebtedness

As of June 30, 2009, our debt-to-real-estate-asset ratio, that is, the total third-party borrowings divided by the sum of gross real estate assets plus gross intangible lease assets (liabilities), as reflected on the balance sheet, was approximately 22.4%. As of August 14, 2009, we had total outstanding indebtedness of approximately \$1.1 billion, which consisted of \$12.2 million outstanding under a fixed-rate loan, and \$865.8 million outstanding under mortgage loans with fixed interest rates, or with interest rates that are effectively fixed when considered in connection with an interest rate swap agreement, and \$190.0 million outstanding under the amended and restated line of credit with Wachovia Bank.

On May 7, 2009, we entered into a \$50.0 million, three-month, unsecured term loan facility with Bank of America, N.A. which was fully repaid on July 31, 2009. In addition, we continue to use investor proceeds to repay amounts outstanding on our line of credit with Wachovia Bank. Additional information regarding our outstanding third-party borrowings can be found in Note 4 to our accompanying consolidated financial statements.

A Risk Related to an Investment in Us

The following risk factor should be read together with the risk factors disclosed in our prospectus dated April 30, 2009, which includes a comprehensive discussion of some of the risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements.

Current economic conditions may cause the creditworthiness of our tenants to deteriorate and market rental rates to decline.

During 2008 and 2009, current economic conditions have contributed to a considerable decline in U.S. real estate markets with respect to the availability and cost of capital, higher vacancy rates, and diminished expectations for resale values. Should such economic conditions continue for a prolonged period of time, our tenants' ability to honor their contractual obligations may suffer. Further, it may become increasingly difficult to achieve future rental rates comparable to the rental rates of our currently in-place leases as we seek to release space and/or to renew existing leases.

Our office property portfolio was 96.8% leased at June 30, 2009, and provisions for uncollectible tenant receivables, net of recoveries, were less than 0.3% of total revenues for the six months then ended. As a percentage of 2008 annualized gross base rent, 1% of leases expire in 2009, 6% of leases expire in 2010, and 10% of leases expire in 2011 (see Item 2 on page 23 of our Annual Report on Form 10-K for the year ended December 31, 2008, incorporated by reference into the prospectus). No assurances can be given that current economic conditions will not have a material adverse effect on our ability to re-lease space at favorable rates or on our ability to maintain our current occupancy rate and our low provisions for uncollectible tenant receivables.

Amendment of Share Redemption Program

On August 13, 2009, our board of directors approved an amendment to the share redemption program to suspend all Ordinary Redemptions until at least September 2010. However, we make no assurances as to when Ordinary Redemptions will resume because, with respect to the provisions of the share redemption program relating to Ordinary Redemptions, the share redemption program may be amended, suspended, or terminated again at any time. As provided under the share redemption program, all Ordinary Redemption requests will be placed in a pool and honored on a pro rata basis once those redemptions resume.

The amendment also revised the definition of offering stage, which definition is relevant for determining when the redemption price for Ordinary Redemptions goes from 91% of the original issue price of the shares to 95% of the estimated per share value of our common stock. As amended, the change in pricing occurs upon completion of our offering stage. We will view our offering stage as complete 18 months after the termination of an offering of shares of our common stock if no subsequent offering of our common stock commenced within such 18-month period. For purposes of the foregoing definition of our offering stage, an offering (i) shall be a public offering or a private offering if the private offering is to third parties and is deemed sufficiently robust by our board of directors as to be the basis for establishing a fair market value for our shares of common stock and (ii) shall not include offerings on behalf of selling stockholders or offerings related to any dividend reinvestment plan, employee benefit plan, or the redemption of interests in Wells OP II.

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Stock Purchases Under Our Dividend Reinvestment Plan

Our amended and restated dividend reinvestment plan provides that the purchase price per share 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 chosen for that purpose. Consistent with our amended share redemption program, we intend to use our advisor's estimate until completion of our offering stage. We will view our offering stage as complete 18 months after the termination of an offering of shares of our common stock if no subsequent offering of our common stock commenced within such 18-month period. For purposes of the foregoing definition of our offering stage, an offering (i) shall be a public offering or a private offering if the private offering is to third parties and is deemed sufficiently robust by our board of directors as to be the basis for establishing a fair market value for our shares of common stock and (ii) shall not include offerings on behalf of selling stockholders or offerings related to any dividend reinvestment plan, employee benefit plan, or the redemption of interests in Wells OP II.

Renewal and Amendment of Advisory Agreement

On June 29, 2009, we renewed our advisory agreement with Wells Capital, our advisor, in its then-existing form through July 31, 2009. On July 22, 2009, we amended and restated the advisory agreement effective for a one-year period from August 1, 2009 through July 31, 2010. The amended and restated advisory agreement is substantially the same as the previous advisory agreement. We agreed with Wells Capital to the following amendments:

The conditions under which Wells Capital would receive a disposition fee were clarified by providing a bright-line test. The previous advisory agreement provided that we would pay Wells Capital a disposition fee on asset sales but excluded a large portfolio sale or sale of the company itself. A large portfolio sale accomplished through the systematic liquidation of the portfolio in a large number of transactions would entitle Wells Capital to the disposition fee. The amended and restated advisory agreement addresses how to distinguish between a portfolio sale accomplished in a small number of transactions (but not all at once and which would not entitle Wells Capital to a disposition fee) and one accomplished through a larger number of transactions (the latter of which would entitle Wells Capital to a disposition fee). The amended and restated advisory agreement provides that a liquidation of all or substantially all of our assets effected in a transaction or series of transactions with three or fewer buyers or their affiliates that are closed in a period of a year or less would not entitle Wells Capital to earn a disposition fee.

In the previous advisory agreement, debt not used for investment purposes was excluded from calculating the net asset value (on the theory that Wells Capital had no control over such debt, for example the board of directors could decide to issue debt to finance the repurchase of shares). The revised definition includes such debt in the calculation of net asset value. Net asset value is used in calculating the limitation on asset management fees, and including all such debt puts a stricter limit on the amount of asset management fees.

The previous advisory agreement excluded a property in the calculation of the asset management fee if it had been economically vacant. The amended and restated advisory agreement excludes a property if over 30% of its leasable square feet does not have third-party tenant leases in place, or if it has not generated at least 70% of its potential rental revenue based on full occupancy (other than as a result of tenant improvements or leasing concessions). The change to the definition of vacant property was intended to provide a bright-line test to determine whether a property should be included in the calculation of the asset management fee. In addition, we agreed with Wells Capital to other changes that clarified language but did not alter the intended meaning of the contract.

Change to Registrar and Transfer Agent

Effective as of July 27, 2009, we changed our registrar and transfer agent from Wells Capital, Inc. to Boston Financial Data Services, Inc., a registered transfer agent.

Update to Prior Program Liquidity Events

As previously disclosed in the prospectus, Piedmont Office Realty Trust, Inc. (Piedmont REIT) sought and has received stockholder approval to extend the date by which it must commence an orderly process of liquidation if its shares were not listed on a securities exchange from January 30, 2008 to July 30, 2009. Piedmont REIT also received stockholder approval to grant to its board of directors the sole discretion to

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further extend the liquidation date to January 30, 2011. Piedmont REIT has reported that its board of directors made the recommendation to its stockholders to extend its liquidity date based on its assessment of volatility in the public real estate securities market, fundamentals of the office real estate market, the prices that could be obtained in a sales transaction for Piedmont REIT and discussions with its financial advisor regarding the long-term potential values of Piedmont REIT.

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On July 21, 2009, the board of directors of Piedmont REIT unanimously approved a further extension of the liquidation date to January 30, 2011.

Acquisition of the Dvintsev Business Center Tower B

On May 29, 2009, we acquired a newly constructed, nine-story office tower containing approximately 145,000 rentable square feet and located in Moscow, Russia (the Dvintsev Business Center Tower B) for total capitalized costs of \$67.1 million from the developer, an unrelated third party. The acquisition of the Dvintsev Business Center Tower B was funded with a combination of net proceeds raised from this offering, borrowings from our line of credit, and from our loan with Bank Zenit. We may owe additional purchase consideration pursuant to an earn-out agreement under which the developer would be compensated for securing qualified leases, as defined, for currently vacant space within two years of the closing. As of June 30, 2009, approximately 38% of Dvintsev Business Center Tower B was leased to Nokia Siemens Networks under an economically triple-net lease for a period of 10 years with the option to extend for an additional seven years at then-prevailing market rental rates.

Completion of Cranberry Woods Phase I

On May 29, 2009, we completed construction of a five-story office building containing approximately 424,000 square feet and located in Cranberry, Pennsylvania (Cranberry Woods Phase I) for total construction costs of approximately \$96.4 million. Cranberry Woods Phase I was funded with net proceeds raised from this offering and proceeds from our line of credit with Wachovia Bank, N.A. This building is 100% leased to Westinghouse Electric Company, LLC. Westinghouse Electric Company, LLC provides fuel, services, technology, plant design, and equipment for the commercial nuclear electric power industry. Cranberry Woods Phase I is leased to Westinghouse Electric Company, LLC under an economically triple-net lease at rental rates determined as a factor of total construction costs. The lease is for a term of 15 years with options to extend for three successive periods of up to five years each at then-prevailing market rental rates. The final phase of this project is currently under construction and is anticipated to be completed in 2010.

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

The following discussion and analysis should be read in conjunction with our accompanying consolidated financial statements and notes thereto. See also our consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated by reference into 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 our prospectus dated April 30, 2009.

Overview

During the periods presented, we have continued to receive investor proceeds under our follow-on offerings of common stock and to invest in real estate assets. Our results of operations for the three months and six months ended June 30, 2009 and 2008, respectively, reflect growing operational revenues and expenses and interest expense, partially offset by acquisition fees and expenses. Effective January 1, 2009, changes in U. S. generally accepted accounting principles (GAAP) required us to begin to expense acquisition fees and expenses. Previously, acquisition fees and expenses were capitalized to real estate assets upon acquisition.

Liquidity and Capital Resources

Overview

We have continued to raise funds through the sale of our common stock and have invested the majority of those proceeds in real properties. We anticipate receiving additional proceeds from the sale of our common stock under our current public offering and using such proceeds to repay our line of credit in the short term. Over the long term, we expect to use a combination of offering proceeds and borrowings to invest in future acquisitions of real property. 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 distributions 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 proceeds from the sale of our common stock 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. Timing differences exist between acquiring properties and raising capital and between making operating payments and collecting operating receipts. Accordingly, we may be required to borrow funds or use offering proceeds to meet our distribution payment schedule from time to time. Our primary focus, however, is to continue

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to maintain the quality of our portfolio and to provide current income to our investors. Thus, we may opt to lower the distribution rate rather than to compromise that quality or to accumulate significant borrowings to meet a distribution level higher than our operations would

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support. We continue to carefully monitor our cash flows and market conditions and their impact on our earnings and future distribution projections.

Short-term Liquidity and Capital Resources

During the six months ended June 30, 2009, we generated net cash flows from operating activities of \$106.2 million, which primarily consists of receipts of rental payments, tenant reimbursements, hotel room fees, and interest earned on cash balances, reduced by payments for operating costs, interest expense, asset and property management fees, general and administrative expenses, and acquisition fees and expenses. For the first two quarters of 2009, our board of directors declared and paid distributions to stockholders equal to an annualized distribution of \$0.60 per share, which is consistent with the prior periods presented in this report on a per-share basis. For the six months ended June 30, 2009, cash distributions paid to stockholders, net of dividends reinvested, were entirely funded from net cash generated by operating activities during that period. For further discussion regarding our distributions, see [Distributions](#) below. We expect to use future operating cash flow, after payments for certain capital expenditures, to pay distributions to stockholders as well.

During the six months ended June 30, 2009, we also generated net proceeds from the sale of common stock under our third public offering, net of fees, offering cost reimbursements and share redemptions, of \$237.9 million, the majority of which was used to fund investments in real estate and related deposits of \$88.3 million and to repay net borrowings of \$135.5 million. We intend to continue to generate capital from the sale of common stock under our public offering and to use such offering proceeds, along with cash on hand, to repay our line of credit in the short term and to invest in additional real properties over the long term.

On May 7, 2009, we amended and restated our line of credit with Wachovia Bank, N. A. (the [Wachovia Line of Credit](#)) to allow us to borrow up to \$245.0 million under a one-year, unsecured revolving credit agreement at a variable rate of interest and took out an unsecured term loan for \$50.0 million (the [Bank of America Term Loan](#)), over a three-month repayment period (see Note 4 to our accompanying consolidated financial statements for terms and covenants). As of July 31, 2009, the Wachovia Line of Credit had an outstanding balance of \$206.0 million with available borrowing capacity of approximately \$35.8 million, which has been reduced for an approximate \$3.2 million letter of credit, and our Bank of America Term Loan had been paid in full.

Recent disruptions in global financial markets have adversely affected the availability of credit to businesses. We expect that our need for credit to repay amounts owed upon the maturity date of the Wachovia Line of Credit (May 2010) will be significantly lower than the maximum borrowings available under this facility because we anticipate using offering proceeds from our ongoing public offering to repay debt in the short term. In addition, our near term cash needs will be further reduced by our recent decision to suspend redemptions under our share redemption program until at least September 2010, except for redemptions sought within two years of the death of a stockholder or a qualifying disability. To the extent, however, that we determine that it is in our best interest to pursue acquisition opportunities before credit becomes available on more attractive terms, our short-term borrowing needs would increase.

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. As of July 31, 2009, approximately 263.9 million shares remain available for sale under our ongoing third public offering, which will expire upon the earlier of the sale of all 300.0 million shares or October 1, 2010, unless extended by our Board of Directors. Approximately 63.2 million additional shares remain available for sale under 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. Over the long term, we expect that our primary uses of capital will be for property acquisitions, either directly or through investments in joint ventures, tenant improvements, repaying or refinancing debt, offering-related costs, operating expenses, interest expense, distributions, and redemptions of shares of our common stock under our share redemption program.

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 will be used to pay distributions. However, we may temporarily use other sources of cash, such as offering proceeds or short-term borrowings, to fund distributions 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, capital expenditures, 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.

We have a policy of keeping our debt at no more than 50% of the cost of our assets (before depreciation) and, ideally, at significantly less than this 50% debt-to-real-estate-asset ratio. This conservative leverage goal could reduce the amount of current income we can generate for our stockholders, but it also reduces their risk of loss. We believe that preserving investor capital while generating stable current income is in the

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best interest of our stockholders. As of June 30, 2009, our debt-to-real-estate-asset ratio was approximately 22.4%.

To the extent that future cash flows provided by operations are lower due to lower returns on properties, future distributions paid may be lower as well. Cash flow from operations will depend significantly on the level of market rents and our tenants' ability to make

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rental payments in the future. We believe that the diversity and creditworthiness of our tenant base helps 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 distributions in the future.

Contractual Commitments and Contingencies

Our contractual obligations as of June 30, 2009 will become payable in the following periods (in thousands):

Contractual Obligations	Total	2009	2010-2011	2012-2013	Thereafter
Outstanding debt obligations ⁽¹⁾	\$ 1,139,355	\$ 34,639	\$ 413,978	\$ 71,377	\$ 619,361
Capital lease obligations ⁽²⁾	664,000			544,000	120,000
Purchase obligations ⁽³⁾	28,859	28,859			
Operating lease obligations	229,711	1,198	4,792	5,087	218,634
Total	\$ 2,061,925	\$ 64,696	\$ 418,770	\$ 620,464	\$ 957,995

⁽¹⁾ Amounts include principal payments only. We made interest payments, including amounts capitalized, of approximately \$21.7 million during the six months ended June 30, 2009 and expect to pay interest in future periods on outstanding debt obligations based on the rates and terms disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

⁽²⁾ Amount includes principal payments only. We made interest payments of approximately \$20.6 million during the six months ended June 30, 2009 and expect to pay interest in future periods based on the terms disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

⁽³⁾ Represents purchase commitments for the development project in Cranberry, Pennsylvania and the Dvintsev Business Center Tower B. (See Note 5 to our accompanying consolidated financial statements.)

Results of Operations*Overview*

Our results of operations are not indicative of those expected in future periods as a result of acquiring properties during the periods presented and future acquisitions of real estate assets.

Comparison of the three months ended June 30, 2008 versus the three months ended June 30, 2009

Rental income and tenant reimbursements increased from approximately \$96.7 million and \$23.9 million, respectively, for the three months ended June 30, 2008 to approximately \$107.5 million and \$26.3 million, respectively, for the three months ended June 30, 2009 primarily as a result of growth in the portfolio. Absent changes to the leases currently in place at our properties, rental income and tenant reimbursements are expected to increase slightly in future periods, as compared to historical periods, due to recent property acquisitions.

Property operating costs increased from approximately \$39.4 million for the three months ended June 30, 2008 to approximately \$42.4 million for the three months ended June 30, 2009 primarily due to the expiration of property tax abatements for the Key Center Complex assumed at acquisition effective December 31, 2008 and growth in the portfolio. Property operating costs are expected to increase slightly in future periods, as compared to historical periods, due to recent property acquisitions.

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Hotel income, net of hotel operating costs, decreased from approximately \$2.1 million for the three months ended June 30, 2008 to approximately \$1.4 million for the three months ended June 30, 2009 due to deterioration in local economic conditions, which has led to decreased demand for rooms. Hotel income and hotel operating costs are primarily driven by the current local economic conditions and, as a result, are expected to fluctuate according to changes in economic conditions in Cleveland, Ohio.

Asset and property management fees decreased slightly from approximately \$9.7 million for the three months ended June 30, 2008 to approximately \$9.5 million for the three months ended June 30, 2009 due to a reduction in the rate of asset management fees effective October 2008, partially offset by growth in the portfolio. Absent future property acquisitions, asset and property management fees are expected to remain at a level similar to that experienced in the second quarter of 2009.

Depreciation increased from approximately \$18.8 million for the three months ended June 30, 2008 to approximately \$22.7 million for the three months ended June 30, 2009 primarily as a result of the growth in the portfolio. Depreciation is expected to continue to increase in future periods, as compared to historical periods, due to recent property acquisitions.

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Amortization increased from approximately \$29.9 million for the three months ended June 30, 2008 to approximately \$30.3 million for the three months ended June 30, 2009 primarily as a result of the growth in the portfolio. Amortization is expected to increase in future periods, due to recent property acquisitions.

General and administrative expenses increased from approximately \$6.3 million for the three months ended June 30, 2008 to approximately \$9.2 million for the three months ended June 30, 2009 primarily due to non-recurring costs incurred in connection with a prospective acquisition that did not close. Absent non-recurring costs such as these, general and administrative expenses are expected to remain at a level similar to that experienced in the second quarter of 2009.

Effective January 1, 2009, we began to expense acquisition fees and expenses as a result of adopting SFAS 141(R).

Interest expense increased from approximately \$16.8 million for the three months ended June 30, 2008 to approximately \$23.4 million for the three months ended June 30, 2009 primarily due to incurring interest for a full period on capital leases assumed in connection with properties acquired in the second and third quarters of 2008, which is entirely offset by interest income earned on corresponding investments in development authority bonds. Absent interest expense incurred on capital leases, future levels of interest expense will depend largely upon the timing and availability of opportunities to acquire real estate assets consistent with our investment objectives, the level of additional proceeds that we are able to raise under our public offerings, our ability to secure financings or re-financings, and changes in market interest rates.

Interest and other income increased from approximately \$3.9 million for the three months ended June 30, 2008 to approximately \$10.3 million for the three months ended June 30, 2009 primarily due to interest earned on investments in development authority bonds. The interest earned on the investments in development authority bonds is entirely offset by interest expense incurred on corresponding capital leases. Absent interest income earned on investments in development authority bonds, future levels of interest income will vary primarily based on differences in the pace at which capital is raised in our public offerings and the pace at which such capital is invested in real estate assets or used to repay borrowings.

We recognized a gain on early extinguishment of debt of approximately \$3.0 million for the three months ended June 30, 2008 as a result of accepting an offer from the lender to settle \$14.5 million of the Key Center Complex mortgage notes for approximately \$11.5 million in advance of the stated maturity date.

We recognized a gain on interest rate swaps that do not qualify for hedge accounting treatment of \$8.4 million for the three months ended June 30, 2008, as compared to a gain of \$12.3 million for the three months ended June 30, 2009. Absent significant increases in market interest rates and provided the swap agreements are not terminated prior to their expiration dates, which are the same maturity dates as the hedged loans, we expect to continue to recognize gains on interest rate swaps in future periods as we continue to amortize the cumulative losses previously recognized back to earnings.

Net income attributable to common stockholders of Wells REIT II was relatively stable at approximately \$16.8 million (\$0.04 per share) for the three months ended June 30, 2008 and approximately \$16.8 million (\$0.04 per share) for the three months ended June 30, 2009. In the near-term, absent identifying and pursuing specific acquisition opportunities that we would consider to be in our best interests, we expect future net income to increase as interest expense continues to decline as a result of using funds generated from the sale of common stock under our public offering to repay outstanding borrowings. Should the recent decline in the U.S. real estate markets continue for a prolonged period of time, the creditworthiness of our tenants and our ability to achieve market rents comparable to the leases currently in-place at our properties may suffer and could lead to a decline in net income over the long term.

Comparison of the six months ended June 30, 2008 versus the six months ended June 30, 2009

Rental income and tenant reimbursements increased from approximately \$188.3 million and \$49.8 million, respectively, for the six months ended June 30, 2008 to approximately \$214.4 million and \$52.2 million, respectively, for the six months ended June 30, 2009 primarily as a result of growth in the portfolio. Absent changes to the leases currently in place at our properties, rental income and tenant reimbursements are expected to increase slightly in future periods, as compared to historical periods, due to recent property acquisitions.

Property operating costs increased from approximately \$79.4 million for the six months ended June 30, 2008 to approximately \$84.9 million for the six months ended June 30, 2009 primarily due to the expiration of property tax abatements for the Key Center Complex assumed at acquisition effective December 31, 2008 and growth in the portfolio. Property operating costs are expected to increase slightly in future periods, as compared to historical periods, due to recent property acquisitions.

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Hotel income, net of hotel operating costs, decreased from approximately \$2.7 million for the six months ended June 30, 2008 to approximately \$1.8 million for the six months ended June 30, 2009 due to deterioration in local economic conditions, which has led to decreased demand for rooms. Hotel income and hotel operating costs are primarily driven by the current local economic conditions and, as a result, are expected to fluctuate according to changes in economic conditions in Cleveland, Ohio.

Asset and property management fees decreased slightly from approximately \$19.0 million for the six months ended June 30, 2008 to approximately \$18.8 million for the six months ended June 30, 2009 due to a reduction in the rate of asset management fees effective

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October 2008, partially offset by growth in the portfolio. Absent future property acquisitions, asset and property management fees are expected to remain at a level similar to that experienced in the second quarter of 2009.

Depreciation increased from approximately \$36.3 million for the six months ended June 30, 2008 to approximately \$44.7 million for the six months ended June 30, 2009 primarily as a result of the growth in the portfolio. Depreciation is expected to continue to increase in future periods, as compared to historical periods, due to recent property acquisitions.

Amortization increased from approximately \$59.2 million for the six months ended June 30, 2008 to approximately \$60.3 million for the six months ended June 30, 2009 primarily as a result of the growth in the portfolio. Amortization is expected to increase in future periods, due to recent property acquisitions.

General and administrative expenses increased from approximately \$12.2 million for the six months ended June 30, 2008 to approximately \$16.0 million for the six months ended June 30, 2009 primarily due to non-recurring costs incurred in connection with a prospective acquisition that did not close. Absent non-recurring costs such as these, general and administrative expenses are expected to remain at a level similar to that experienced in the second quarter of 2009.

Effective January 1, 2009, we began to expense acquisition fees and expenses as a result of adopting SFAS 141(R).

Interest expense increased from approximately \$31.5 million for the six months ended June 30, 2008 to approximately \$45.2 million for the six months ended June 30, 2009 primarily due to incurring interest for a full period on capital leases assumed in connection with properties acquired in the second and third quarters of 2008, which is entirely offset by interest income earned on corresponding investments in development authority bonds. Absent interest expense incurred on capital leases, future levels of interest expense will depend largely upon the timing and availability of opportunities to acquire real estate assets consistent with our investment objectives, the level of additional proceeds that we are able to raise under our public offerings, our ability to secure financings or re-financings, and changes in market interest rates.

Interest and other income increased from approximately \$6.0 million for the six months ended June 30, 2008 to approximately \$20.6 million for the six months ended June 30, 2009 primarily due to interest earned on investments in development authority bonds. The interest earned on the investments in development authority bonds is entirely offset by interest expense incurred on corresponding capital leases. Absent interest income earned on investments in development authority bonds, future levels of interest income will vary primarily based on differences in the pace at which capital is raised in our public offerings and the pace at which such capital is invested in real estate assets or used to repay borrowings.

We recognized a gain on early extinguishment of debt of approximately \$3.0 million for the six months ended June 30, 2008 in connection with accepting an offer from the lender to pay \$14.5 million of the Key Center Complex mortgage notes for approximately \$11.5 million in advance of the stated maturity date.

We recognized a loss on interest rate swaps that do not qualify for hedge accounting treatment of \$0.6 million for the six months ended June 30, 2008, as compared to a gain of \$17.1 million for the six months ended June 30, 2009. Absent significant changes in market interest rates and provided the swap agreements are not terminated prior to their expiration dates, which are the same maturity dates as the hedged loans, we expect to continue to recognize gains on interest rate swaps in future periods as we continue to amortize the cumulative losses previously recognized back to earnings.

Net income attributable to common stockholders of Wells REIT II increased from approximately \$10.5 million (\$0.03 per share) for the six months ended June 30, 2008 to approximately \$23.6 million (\$0.05 per share) for the six months ended June 30, 2009 primarily due to gains recognized on interest rate swaps that do not qualify for hedge accounting treatment. In the near-term, absent additional fluctuations in market value adjustments to our interest rate swaps that do not qualify for hedge accounting treatment and absent identifying and pursuing specific acquisition opportunities that we would consider to be in our best interests, we expect future net income to increase as interest expense continues to decline as a result of using funds generated from the sale of common stock under our public offering to repay outstanding borrowings. Should the recent decline in the U.S. real estate markets continue for a prolonged period of time, the creditworthiness of our tenants and our ability to achieve market rents comparable to the leases currently in-place at our properties may suffer and could lead to a decline in net income over the long term.

Distributions

The amount of distributions that we pay to our common stockholders is determined by our board of directors and is dependent upon a number of factors, including the funds available for distribution to common stockholders, our financial condition, our capital expenditure requirements, our

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expectations of future sources of liquidity and the annual distribution requirements necessary to maintain our status as a real estate investment trust (REIT) under the Code.

When evaluating the amount of cash available to fund distributions to stockholders, we consider net cash provided by operating activities (as presented in the accompanying GAAP-basis consolidated statements of cash flows). We also consider certain costs that were incurred for the purpose of generating future earnings and appreciation in value over the long term and that were funded with

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cash generated from the sale of common stock in our public offering rather than from cash generated from operations. Such costs are described below:

Acquisition Fees and Expenses

Upon adopting SFAS 141(R) on January 1, 2009, we began to expense acquisition fees and expenses as incurred. Prior to this date, such costs were capitalized and allocated to properties upon acquisition. As provided in the prospectuses for our public offerings, both acquisition fees and acquisition expenses have been and will continue to be funded with cash generated from the sale of common stock in our public offering and, therefore, will not utilize cash generated from operations. For the six months ended June 30, 2009, acquisition fees totaled \$10.1 million and were payable to our advisor in an amount equal to 2% of gross offering proceeds raised (see Note 7 to our accompanying consolidated financial statements). For the six months ended June 30, 2009, acquisition expenses totaled \$2.3 million. Acquisition expenses are customary third-party costs, such as legal fees and expenses, costs of appraisals, accounting fees and expenses, title insurance premiums and other closing costs and other miscellaneous expenses relating to the acquisition of real estate.

Settlement of Foreign Currency Exchange Contract

In the fourth quarter of 2007, we entered into a foreign currency exchange contract to effectively fix the amount of U.S. dollars needed to satisfy a portion of a Russian rouble-denominated forward contract to purchase Dvintsev Business Center Tower B upon completion of construction in 2009. On April 1, 2009, we settled this contract with an \$8.2 million payment, which has been materially offset by savings in the amount of U.S. dollars needed to satisfy the Russian rouble-based purchase agreement, which closed on May 29, 2009. The \$8.2 million settlement payment was funded with cash generated from the sale of common stock under our public offering and, therefore, did not utilize cash generated from operations.

The activities described above are more closely aligned with investing activities rather than with real estate operations and can vary among owners of similar assets in similar conditions. We believe that the consideration of such activities results in a more informed and appropriate basis on which to make decisions regarding distributions.

During the six months ended June 30, 2009, we paid distributions to common stockholders of \$135.2 million. During this period, we generated net cash from operating activities of \$106.2 million, which has been reduced by payments for acquisition fees and expenses of \$12.4 million and to settle a foreign currency exchange contract related to our investment in Dvintsev Business Center Tower B of \$8.2 million, both of which were funded with cash generated from the sale of common stock under our public offering. The remaining \$8.4 million of distributions paid to common stockholders in the six months ended June 30, 2009 was funded with cumulative operating cash flows generated in prior periods.

On June 1, 2009, our board of directors declared distributions for stockholders of record from June 16, 2009 through September 15, 2009 in an amount equal to an annualized distribution of \$0.60 per share, which is consistent with the prior periods presented in this report on a per-share basis. We expect that the cash distributions paid to stockholders, net of dividends reinvested, will be entirely funded from net cash generated by operating activities for this period. We expect to pay this distribution in September 2009.

We expect to use substantially all of our future operating cash flow, after payments for certain capital expenditures, to pay distributions to stockholders. We will continue to carefully monitor our cash flows and market conditions and their impact on our earnings and future distribution projections.

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.

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Wells TRS II, LLC (Wells TRS) is a wholly owned subsidiary of Wells Real Estate Investment Trust II, Inc. (Wells REIT II) that 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 certain additional, non-customary services for tenants of our buildings through Wells TRS; 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, we must limit our investments in taxable REIT subsidiaries to 25% of the value of our total assets in 2009 (20% of our total assets in 2008). 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.

Index to 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 reset 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
Site improvements	10 years
Tenant improvements	Shorter of economic life or lease term
Intangible lease assets	Lease term

Evaluating the Recoverability 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 assets and related intangible assets may not be recoverable, we assess the recoverability of these assets by determining whether the respective carrying values will be recovered through the estimated undiscounted future operating cash flows expected from the use of the assets and their eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying values, we adjust the carrying value of the real estate assets and related intangible assets to the estimated fair values, pursuant to the provisions of 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, depending upon availability: (i) recently quoted market prices, (ii) market prices for comparable properties, or (iii) the present value of future cash flows, including estimated salvage value. We have determined that there has been no impairment in the carrying value of our real estate assets and related intangible 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 assets and related intangible assets and net income (loss).

Allocation of Purchase Price of Acquired Assets

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

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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

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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 demand.

Intangible Assets and Liabilities Arising from In-Place Leases where We are the Lessor

As further described below, in-place leases where we are the lessor may have values related to: direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals that are avoided by acquiring an in-place lease, tenant relationships, and effective contractual rental rates that are above or below market rates:

Direct costs associated with obtaining a new tenant, including commissions, tenant improvements and other direct costs, are estimated based on management's consideration of current market costs to execute a similar lease. Such direct costs are included in intangible lease origination 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 associated with lost rentals avoided by acquiring an in-place lease is calculated based on the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Such opportunity costs 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.

The value of tenant relationships is calculated based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. Values associated with tenant relationships 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.

The value of effective rental rates of in-place leases that are above or below the market rates of comparable leases is calculated 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 received pursuant to the in-place leases and (ii) management's estimate of fair market lease 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.

As of June 30, 2009 and December 31, 2008, we had the following gross intangible in-place lease assets and liabilities (in thousands):

	Intangible Lease Assets		Intangible Lease Origination Costs	Intangible Below-Market In-Place Lease Liabilities
	Above-Market In-Place Lease Assets	Absorption Period Costs		
June 30, 2009	\$ 154,675	\$ 566,416	\$ 492,459	\$ 150,678
December 31, 2008	\$ 153,342	\$ 570,354	\$ 495,249	\$ 150,923

For the six months ended June 30, 2009 and the year ended December 31, 2008, we recognized the following amortization of intangible lease assets and liabilities (in thousands):

Above-Market In-Place Lease	Intangible Lease Assets Absorption Period Costs	Intangible Lease Origination	Intangible Below-Market In-Place
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	Assets		Costs	Lease Liabilities
For the six months ended June 30, 2009	\$ 9,022	\$ 32,364	\$ 25,717	\$ 7,288
For the year ended December 31, 2008	\$ 19,692	\$ 67,535	\$ 50,210	\$ 14,004

The remaining net intangible assets and liabilities as of June 30, 2009 will be amortized as follows (in thousands):

	Intangible Lease Assets		Intangible	Intangible
	Above-Market	Absorption	Lease	Below-Market
	In-Place	Period Costs	Origination	In-Place
	Lease		Costs	Lease
	Assets			Liabilities
For the year ending December 31:				
2009	\$ 8,924	\$ 31,440	\$ 25,043	\$ 7,254
2010	17,437	60,714	49,616	14,336

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2011	14,374	52,282	45,571	14,096
2012	10,701	43,895	40,338	13,498
2013	8,773	38,202	37,217	13,193
Thereafter	24,386	127,562	132,573	46,434
	\$ 84,595	\$ 354,095	\$ 330,358	\$ 108,811

Evaluating the Recoverability of Intangible Assets and Liabilities

The values of intangible lease assets and liabilities are determined based on assumptions made at the time of acquisition and have defined useful lives, which correspond with the lease terms. There may be instances in which intangible lease assets and liabilities become impaired and we are required to expense the remaining asset or liability immediately or over a shorter period of time. Lease restructurings, including lease terminations and lease extensions, may impact the value and useful life of in-place leases. In-place leases that are terminated, partially terminated, or modified will be evaluated for impairment if the original in-place lease terms have been modified. In the event that the discounted cash flows of the original in-place lease stream do not exceed the discounted modified in-place lease stream, we adjust the carrying value of the intangible lease assets to the discounted cash flows and recognize an impairment loss. For in-place lease extensions that are executed more than one year prior to the original in-place lease expiration date, the useful life of the in-place lease will be extended over the new lease term with the exception of those in-place lease components, such as lease commissions and tenant allowances, which have been renegotiated for the extended term. Renegotiated in-place lease components, such as lease commissions and tenant allowances, will be amortized over the shorter of the useful life of the asset or the new lease term.

Intangible Assets and Liabilities Arising from In-Place Leases where We are the Lessee

In-place ground leases where we are the lessee may have value associated with effective contractual rental rates that are above or below market rates. Such values are calculated 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 lease and (ii) management's estimate of fair market lease rates for the corresponding in-place lease, measured over a period equal to the remaining terms of the leases. The capitalized above-market and below-market in-place lease values are recorded as intangible lease liabilities or assets and amortized as an adjustment to property operating cost over the remaining term of the respective leases. We had a gross below-market lease asset of approximately \$110.7 million as of June 30, 2009 and December 31, 2008, and recognized amortization of this asset of approximately \$1.0 million for the six months ended June 30, 2009 and approximately \$2.1 million for the year ended December 31, 2008.

As of June 30, 2009, the remaining net below-market lease asset will be amortized as follows (in thousands):

For the year ending December 31:	
2009	\$ 1,035
2010	2,069
2011	2,069
2012	2,069
2013	2,069
Thereafter	97,623
	\$ 106,934

Related Parties*Transactions and Agreements*

We have entered into agreements with our advisor, 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 other 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.

Legal Action Against Related Parties

On March 12, 2007, a stockholder of Piedmont Office Realty Trust, Inc. (Piedmont REIT) filed a putative class action and derivative complaint, presently styled *In re Wells Real Estate Investment Trust, Inc. Securities Litigation*, in the United States District Court for the District of Maryland against, among others, Piedmont REIT; Leo F. Wells, III, our President and the Chairman of our Board of Directors; Wells Capital, our advisor; Wells Management Company (Wells Management), our property manager; certain affiliates of Wells Real Estate Funds, Inc. (WREF); the directors of Piedmont REIT; and certain individuals who formerly served as officers or directors of Piedmont REIT prior to the closing of the internalization transaction on April 16, 2007. The complaint alleges,

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among other things, violations of the federal proxy rules and breaches of fiduciary duty arising from the Piedmont REIT internalization transaction and the related proxy statement filed with the Securities and Exchange Commission (SEC) on February 26, 2007, as amended. The complaint seeks, among other things, unspecified monetary damages and nullification of the Piedmont 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 United States District Court for the Northern District of Georgia, and the case was docketed in the Northern District of Georgia on April 24, 2007. On June 7, 2007, the Court granted a motion to designate the class lead plaintiff and class co-lead counsel. On June 27, 2007, the plaintiff filed an amended complaint, which attempts to assert class action claims on behalf of those persons who received and were entitled to vote on the Piedmont REIT proxy statement filed with the SEC on February 26, 2007, and derivative claims on behalf of Piedmont REIT. On July 9, 2007, the Court denied the plaintiff's motion for expedited discovery related to an anticipated motion for a preliminary injunction. On August 13, 2007, the defendants filed a motion to dismiss the amended complaint. On March 31, 2008, the Court granted in part the defendants' motion to dismiss the amended complaint. The Court dismissed five of the seven counts of the amended complaint in their entirety. The Court dismissed the remaining two counts with the exception of allegations regarding the failure to disclose in the Piedmont REIT proxy statement details of certain expressions of interest in acquiring Piedmont REIT. On April 21, 2008, the plaintiff filed a second amended complaint, which alleges violations of the federal proxy rules based upon allegations that the proxy statement to obtain approval for the Piedmont REIT internalization transaction omitted details of certain expressions of interest in acquiring Piedmont REIT. The second amended complaint seeks, among other things, unspecified monetary damages, to nullify and rescind the internalization transaction, and to cancel and rescind any stock issued to the defendants as consideration for the internalization transaction. On May 12, 2008, the defendants answered and raised defenses to the second amended complaint. On June 23, 2008, the plaintiff filed a motion for class certification. The defendants responded to the plaintiff's motion for class certification on January 16, 2009. The plaintiff filed its reply in support of its motions for class certification on February 19, 2009. The motion for class certification is currently pending before the Court. The parties are presently engaged in discovery. On April 13, 2009, the plaintiff moved for leave to amend the second amended complaint to add additional defendants. The defendants responded to the plaintiff's motion for leave to amend on April 30, 2009. The plaintiff filed its reply in support of its motion for leave to amend on May 18, 2009. The Court denied the plaintiff's motion for leave to amend on June 23, 2009. Mr. Wells, Wells Capital, and Wells Management intend to vigorously defend this action. Any financial loss incurred by Wells Capital, Wells Management, or their 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 include:

property under construction;

obligations under operating leases;

obligations under capital leases;

commitments under existing lease agreements; and

litigation.

Subsequent Events

We evaluate subsequent events in conjunction with the preparation of consolidated financial statements and notes thereto. Refer to Note 8 of our accompanying consolidated financial statements for specific disclosures.

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<u>Consolidated Balance Sheets as of June 30, 2009 (unaudited) and December 31, 2008</u>	F-2
<u>Consolidated Statements of Operations for the Three Months and Six Months Ended June 30, 2009 (unaudited) and 2008 (unaudited)</u>	F-3
<u>Consolidated Statements of Equity for the Six Months Ended June 30, 2009 (unaudited) and 2008 (unaudited)</u>	F-4
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<u>Condensed Notes to Consolidated Financial Statements (unaudited)</u>	F-6

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

	(Unaudited) June 30, 2009	December 31, 2008
Assets:		
Real estate assets, at cost:		
Land	\$ 552,802	\$ 552,698
Buildings and improvements, less accumulated depreciation of \$262,698 and \$218,866 as of June 30, 2009 and December 31, 2008, respectively	3,033,353	2,921,441
Intangible lease assets, less accumulated amortization of \$286,139 and \$249,079 as of June 30, 2009 and December 31, 2008, respectively	545,624	585,289
Construction in progress	63,070	97,764
Total real estate assets	4,194,849	4,157,192
Cash and cash equivalents	65,651	86,334
Tenant receivables, net of allowance for doubtful accounts of \$1,311 and \$506 as of June 30, 2009 and December 31, 2008, respectively	95,782	89,233
Prepaid expenses and other assets	28,647	73,727
Deferred financing costs, less accumulated amortization of \$2,359 and \$2,023 as of June 30, 2009 and December 31, 2008, respectively	6,678	5,019
Intangible lease origination costs, less accumulated amortization of \$162,101 and \$138,904 as of June 30, 2009 and December 31, 2008, respectively	330,358	356,345
Deferred lease costs, less accumulated amortization of \$8,259 and \$6,091 as of June 30, 2009 and December 31, 2008, respectively	43,119	42,924
Investment in development authority bonds	664,000	664,000
Total assets	\$ 5,429,084	\$ 5,474,774
Liabilities:		
Lines of credit and notes payable	\$ 1,139,355	\$ 1,268,522
Accounts payable, accrued expenses, and accrued capital expenditures	98,327	130,299
Due to affiliates	3,601	9,670
Distributions payable	11,524	11,559
Deferred income	25,592	31,028
Intangible lease liabilities, less accumulated amortization of \$41,867 and \$34,778 as of June 30, 2009 and December 31, 2008, respectively	108,811	116,145
Obligations under capital leases	664,000	664,000
Total liabilities	2,051,210	2,231,223
Commitments and Contingencies (Note 5)		
Redeemable Common Stock	684,162	661,340
Equity:		
Common stock, \$0.01 par value; 900,000,000 shares authorized; 468,817,682 and 442,009,370 shares issued and outstanding as of June 30, 2009 and December 31, 2008, respectively	4,688	4,420
Additional paid-in capital	4,182,381	3,943,266
Cumulative distributions in excess of earnings	(806,260)	(694,751)
Redeemable common stock	(684,162)	(661,340)
Other comprehensive loss	(8,321)	(14,812)

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Total Wells Real Estate Investment Trust II, Inc. stockholders' equity	2,688,326	2,576,783
Noncontrolling interests	5,386	5,428
Total equity	2,693,712	2,582,211
Total liabilities, redeemable common stock, and equity	\$ 5,429,084	\$ 5,474,774

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per-share amounts)

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Rental income	\$ 107,544	\$ 96,678	\$ 214,367	\$ 188,320
Tenant reimbursements	26,294	23,903	52,165	49,788
Hotel income	5,621	6,645	9,977	11,196
Other property income	194	675	480	768
	139,653	127,901	276,989	250,072
Expenses:				
Property operating costs	42,395	39,365	84,887	79,357
Hotel operating costs	4,222	4,499	8,186	8,447
Asset and property management fees:				
Related-party	8,414	8,647	16,772	16,991
Other	1,039	1,084	2,062	2,057
Depreciation	22,724	18,842	44,700	36,343
Amortization	30,309	29,936	60,257	59,226
General and administrative	9,214	6,256	16,020	12,245
Acquisition fees and expenses	3,572		12,396	
	121,889	108,629	245,280	214,666
Real estate operating income	17,764	19,272	31,709	35,406
Other income (expense):				
Interest expense	(23,394)	(16,801)	(45,216)	(31,485)
Interest and other income	10,295	3,904	20,641	6,001
Loss on foreign currency exchange contract		(184)	(582)	(1,305)
Gain on early extinguishment of debt		2,971		2,971
Gain (loss) on interest rate swaps	12,320	8,431	17,111	(639)
	(779)	(1,679)	(8,046)	(24,457)
Income before income tax (expense) benefit	16,985	17,593	23,663	10,949
Income tax (expense) benefit	(140)	(782)	77	(489)
Net income	16,845	16,811	23,740	10,460
Less: Net (income) loss attributable to noncontrolling interests	(63)	26	(103)	24
Net income attributable to common stockholders of Wells Real Estate Investment Trust II, Inc.	\$ 16,782	\$ 16,837	\$ 23,637	\$ 10,484
Per-share information basic and diluted:				
Net income attributable to common stockholders of Wells Real Estate Investment Trust II, Inc.	\$ 0.04	\$ 0.04	\$ 0.05	\$ 0.03

Weighted-average common shares outstanding	basic and diluted	459,549	397,692	452,864	388,108
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See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONSOLIDATED STATEMENTS OF EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (UNAUDITED)

(in thousands, except per-share amounts)

	Common Stock		Stockholders' Equity				Total Wells Real Estate Investment Trust II, Inc.		
	Shares	Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Loss	Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2008	442,009	\$ 4,420	\$ 3,943,266	\$ (694,751)	\$ (661,340)	\$ (14,812)	\$ 2,576,783	\$ 5,428	\$ 2,582,211
Issuance of common stock	33,207	332	331,735				332,067		332,067
Redemptions of common stock	(6,398)	(64)	(60,440)				(60,504)		(60,504)
Increase in redeemable common stock					(22,822)		(22,822)		(22,822)
Distributions to common stockholders (\$0.30 per share)				(135,146)			(135,146)		(135,146)
Distributions to noncontrolling interests								(145)	(145)
Commissions and discounts on stock sales and related dealer-manager fees			(27,688)				(27,688)		(27,688)
Other offering costs			(4,492)				(4,492)		(4,492)
Components of comprehensive income:									
Net income attributable to common stockholders of Wells Real Estate Investment Trust II, Inc.				23,637			23,637		23,637
Net income attributable to noncontrolling interests								103	103
Foreign currency translation adjustment						251	251		251
Market value adjustment to interest rate swap						6,240	6,240		6,240
Comprehensive income							30,128	103	30,231
Balance, June 30, 2009	468,818	\$ 4,688	\$ 4,182,381	\$ (806,260)	\$ (684,162)	\$ (8,321)	\$ 2,688,326	\$ 5,386	\$ 2,693,712

	Common Stock		Stockholders' Equity				Total Wells Real Estate Investment Trust II, Inc.		
	Shares	Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Loss	Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2007	371,510	\$ 3,715	\$ 3,311,895	\$ (427,857)	\$ (596,464)	\$ (3,369)	\$ 2,287,920	\$ 3,073	\$ 2,290,993
Issuance of common stock	42,208	422	421,656				422,078		422,078

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Redemptions of common stock	(4,851)	(48)	(45,522)			(45,570)		(45,570)	
Increase in redeemable common stock				(50,649)		(50,649)		(50,649)	
Assumption of minority interest in consolidated joint venture							(800)	(800)	
Distributions to common stockholders (\$0.30 per share)				(115,728)		(115,728)		(115,728)	
Distributions to noncontrolling interests							(13)	(13)	
Commissions and discounts on stock sales and related dealer-manager fees				(36,553)		(36,553)		(36,553)	
Other offering costs				(4,915)		(4,915)		(4,915)	
Components of comprehensive income:									
Net income attributable to common stockholders of Wells Real Estate Investment Trust II, Inc.				10,484		10,484		10,484	
Net loss attributable to noncontrolling interests							(24)	(24)	
Foreign currency translation adjustment						(11)	(11)	(11)	
Market value adjustment to interest rate swap						(142)	(142)	(142)	
Comprehensive income (loss)						10,331	(24)	10,307	
Balance, June 30, 2008	408,867	\$ 4,089	\$ 3,646,561	\$ (533,101)	\$ (647,113)	\$ (3,522)	\$ 2,466,914	\$ 2,236	\$ 2,469,150

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	(unaudited)	
	Six months ended	
	June 30,	
	2009	2008
Cash Flows from Operating Activities:		
Net income	\$ 23,740	\$ 10,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Straight-line rental income	(6,239)	(8,058)
Depreciation	44,700	36,343
Amortization	63,448	64,122
(Gain) loss on interest rate swaps	(21,392)	639
Remeasurement gain on foreign currency	(538)	
Loss on foreign currency exchange contract	582	1,305
Noncash interest expense	8,214	7,413
Gain on early extinguishment of debt		(2,971)
Changes in assets and liabilities:		
Decrease in tenant receivables, net	256	35
Decrease (increase) in prepaid expenses and other assets	7,650	(4,768)
(Decrease) increase in accounts payable and accrued expenses	(4,214)	5,877
Decrease in due to affiliates	(4,563)	(6,337)
(Decrease) increase in deferred income	(5,436)	3,158
Net cash provided by operating activities	106,208	107,218
Cash Flows from Investing Activities:		
Investment in real estate and related deposits	(88,321)	(378,183)
Release of escrowed funds		18,848
Acquisition fees paid		(9,920)
Deferred lease costs paid	(2,772)	(2,308)
Net cash used in investing activities	(91,093)	(371,563)
Cash Flows from Financing Activities:		
Deferred financing costs paid	(3,301)	(1,241)
Proceeds from lines of credit and notes payable	294,206	259,223
Repayments of lines of credit and notes payable	(429,696)	(217,094)
Distributions paid to noncontrolling interests	(145)	(13)
Issuance of common stock	328,434	418,088
Redemptions of common stock	(60,504)	(45,174)
Distributions paid to stockholders	(135,181)	(115,413)
Commissions on stock sales and related dealer-manager fees paid	(24,162)	(33,479)
Other offering costs paid	(5,891)	(6,509)
Net cash (used in) provided by financing activities	(36,240)	258,388
Net decrease in cash and cash equivalents	(21,125)	(5,957)
Effect of foreign exchange rate on cash and cash equivalents	442	(12)
Cash and cash equivalents, beginning of period	86,334	47,513
Cash and cash equivalents, end of period	\$ 65,651	\$ 41,544

See accompanying notes.

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WELLS REAL ESTATE INVESTMENT TRUST II, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

(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, 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 and all subsidiaries of Wells REIT II, including consolidated joint ventures, Wells OP II, and Wells OP II 's direct and indirect subsidiaries. See Note 7 for a discussion of the advisory services provided by Wells Capital.

As of June 30, 2009, Wells REIT II owned controlling interests in 65 office properties, one industrial property and one hotel, which include 85 operational buildings and two buildings that are currently under construction. These properties have approximately 20.6 million square feet of commercial space and are located in 23 states, the District of Columbia and Moscow, Russia. Of these properties, 63 are wholly owned and four are owned through consolidated joint ventures. As of June 30, 2009, the operational office and industrial properties were approximately 96.8% 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 (DRP), 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 DRP, 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 DRP 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 DRP, 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 DRP originally registered under the initial public offering. Wells REIT II raised gross offering proceeds of approximately \$2.6 billion from the sale of approximately 257.6 million shares under its follow-on offering, including shares sold under the DRP through November 2008.

On July 9, 2007, Wells REIT II filed a Registration Statement on Form S-11 with the Securities and Exchange Commission (SEC) to register a third public offering of up to 375.0 million shares of common stock (the Third Offering). Pursuant to the Third Offering registration statement, as amended, Wells REIT II is offering up to 300.0 million shares of common stock in a primary offering for \$10 per share, with discounts available to certain categories of purchasers. Wells REIT II is also offering up to 75.0 million shares pursuant to its DRP 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. The Third Offering registration statement was declared effective by the SEC on October 1, 2008, and offering activities commenced promptly thereafter. Wells REIT II stopped offering shares for sale under the follow-on offering on November 10, 2008 and began accepting subscriptions under the Third Offering on November 11, 2008. As of June 30, 2009, Wells REIT II had raised gross offering proceeds of approximately \$0.4 billion from the sale of approximately 44.3 million shares under the Third Offering, including shares sold under the DRP.

As of June 30, 2009, Wells REIT II had raised gross offering proceeds from the sale of common stock under the initial public offering and follow-on offerings of approximately \$5.0 billion. After deductions from such gross offering proceeds for payments of acquisition fees of approximately \$99.2 million; selling commissions and dealer-manager fees of approximately \$451.5 million; other organization and offering expenses of approximately \$67.2 million; and common stock redemptions of approximately \$301.7 million under the share redemption program, Wells REIT II had received aggregate net offering proceeds of approximately \$4.1 billion. Substantially all of Wells REIT II 's net offering proceeds have been invested in real properties and related assets. As of June 30, 2009, approximately 267.5 million shares remain available for sale to the public under the Third Offering, exclusive of shares available under the DRP.

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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

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stockholder approval to extend or amend this listing deadline or seek stockholder approval to begin liquidating investments and distributing the resulting proceeds to the stockholders. If Wells REIT II seeks stockholder approval to extend or amend 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 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 any variable interest entity in which Wells REIT II or Wells OP II was deemed 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, 2008.

Interest Rate Swap Agreements

Wells REIT II enters into interest rate swap contracts to mitigate its interest rate risk on the related financial instruments. Wells REIT II does not enter into derivative or interest rate transactions for speculative purposes; however, certain of its derivatives may not qualify for hedge accounting treatment. Wells REIT II records the fair value of its interest rate swaps either as prepaid expenses and other assets or as accounts payable, accrued expenses, and accrued capital expenditures. Changes in the fair value of the effective portion of interest rate swaps that are designated as hedges are recorded as other comprehensive income (loss), while changes in the fair value of the ineffective portion of a hedge, if any, is recognized currently in earnings. Changes in the fair value of interest rate swaps that do not qualify for hedge accounting treatment are recorded as gain (loss) on interest rate swaps. Amounts received or paid under interest rate swap agreements are recorded as interest expense for contracts that qualify for hedge accounting treatment and as gain (loss) on interest rate swaps for contracts that do not qualify for hedge accounting treatment. For the three and six months ended June 30, 2009, net payments of \$2.2 million and \$4.3 million, respectively, are included in gain (loss) on interest rate swaps for interest rate swap agreements that do not qualify for hedge accounting treatment. For additional information about interest rate swap contracts that Wells REIT II has outstanding, see Fair Value Measurements on page 10 and Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Contract

On October 2, 2007, Wells REIT II entered into a foreign currency exchange contract to hedge its exposure to fluctuations in the U.S. dollar to Russian rouble exchange rate in connection with a Russian rouble denominated contract to purchase Dvintsev Business Center Tower B upon completion of construction. The foreign currency exchange contract was indexed against a requirement to purchase 802.4 million Russian roubles at a fixed price of \$0.04 per Russian rouble. As of December 31, 2008, Wells REIT II estimated the fair value of this contract equal to a liability of approximately \$7.6 million, which is included in accounts payable, accrued expenses, and accrued capital expenditures in the accompanying consolidated balance sheets. This contract was settled on April 1, 2009 for a payment of approximately \$8.2 million to the counterparty.

Fair Value Measurements

Wells REIT II estimates the fair value of its assets and liabilities (where currently required under GAAP) consistent with the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), which became effective for financial assets and liabilities on January 1, 2008 and for non-financial and nonrecurring assets and liabilities on January 1, 2009. Under this standard, fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. While various techniques and assumptions can be used to estimate fair value depending on the nature of the asset or liability, SFAS 157 provides the following fair value technique parameters and hierarchy, depending upon availability:

Level 1 Assets or liabilities for which the identical term is traded on an active exchange, such as publicly traded instruments or futures contracts.

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Level 2 Assets and liabilities valued based on observable market data for similar instruments.

Level 3 Assets or liabilities for which significant valuation assumptions are not readily observable in the market. Such assets or liabilities are valued based on the best available data, some of which may be internally developed. Significant assumptions may include risk premiums that a market participant would consider.

The following table presents information about Wells REIT II's assets and liabilities measured at fair value on a recurring basis as of June 30, 2009 and December 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value (in thousands):

	Fair Value Measurements as of June 30, 2009				Fair Value Measurements as of December 31, 2008			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities:								
Lines of credit and notes payable ⁽¹⁾	\$ 1,077,612	\$	\$ 1,077,612	\$	\$ 1,196,205	\$	\$ 1,196,205	\$
Interest rate swaps ⁽²⁾	\$ 37,746	\$	\$ 37,746 ⁽³⁾	\$	\$ 65,378	\$	\$ 65,378 ⁽⁴⁾	\$
Foreign currency exchange contract					\$ 7,638	\$	\$ 7,638 ⁽⁵⁾	\$

(1) Wells REIT II estimated the fair values of the Wachovia Line of Credit, the term loan with Wachovia Bank, N.A. (the Wachovia Term Loan), and the Bank of America Term Loan (see Note 4 where defined) by obtaining estimates for similar facilities from multiple lenders as of the respective reporting dates. The fair values of all other debt instruments were estimated based on discounted cash flow analyses using the current incremental borrowing rates for similar types of borrowing arrangements as of the respective reporting dates.

(2) Wells REIT II has applied the provisions of SFAS 157 in recording its interest rate swaps at fair value. The valuation of the interest rate swaps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities.

(3) The balance relates to \$29,342 of interest rate swaps that do not qualify for hedge accounting treatment and \$8,404 that do qualify for cash flow hedge accounting treatment. Wells REIT II records the fair value of these interest rate swaps in accounts payable, accrued expenses, and accrued capital expenditures in the accompanying consolidated balance sheets.

(4) The balance relates to \$50,734 of interest rate swaps that do not qualify for hedge accounting treatment and \$14,644 that do qualify for cash flow hedge accounting treatment. Wells REIT II records the fair value of these interest rate swaps in accounts payable, accrued expenses, and accrued capital expenditures in the accompanying consolidated balance sheets.

(5) The foreign currency exchange contract was settled on April 1, 2009 for a payment of approximately \$8.2 million to the counterparty.

Income Taxes

Wells REIT II has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Code), 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 REIT taxable income, as defined by 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 and operates, 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 certain additional, noncustomary services for tenants of its buildings through Wells TRS; 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 must limit its investments in taxable REIT subsidiaries to 25% of the value of the total assets of Wells REIT II for 2009 (20% of the value of the total assets of Wells REIT II for 2008). Deferred tax assets and liabilities represent temporary differences between the financial reporting basis and the tax basis of assets and liabilities based on the enacted rates expected to be in effect when the temporary differences reverse.

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Wells REIT II records interest and penalties related to uncertain tax positions as general and administrative expense in the accompanying consolidated statements of operations.

Accounting Adjustment

Wells REIT II's net income is understated by \$0.4 million and \$2.6 million for the three and six months ended June 30, 2008, respectively. Wells REIT II recorded a gain in the third quarter of 2008 related to prior periods to correct the cumulative losses previously reported on a foreign currency exchange contract. Wells REIT II adjusted the basis of its foreign currency exchange contract to fair value based on estimates provided by the counterparty to the contract. During the period from October 2007 through June 2008, the estimates provided by the counterparty were incorrect. Wells REIT II believes that the understatement of net income for the three months and six months ended June 30, 2008 is not material to Wells REIT II's consolidated financial statements. In making this assessment, Wells REIT II has considered qualitative and quantitative factors, including the noncash nature of this activity and Wells REIT II's substantial equity balances at the end of the period affected.

Reclassifications

Wells REIT II has reclassified the impact of straight-line rental income to a separate adjustment to reconcile net income (loss) to net cash provided by operating activities in the accompanying consolidated statements of cash flows for all periods presented. Previously, the impact of straight-line rental income was included within (increase) decrease in tenant receivables, net on the accompanying consolidated statements of cash flows.

Recent Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 provides guidance on management's assessment of subsequent events. SFAS 165 clarifies U.S. auditing literature and states that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or are available to be issued. SFAS 165 allows the assessment of subsequent events to occur through the date on which the financial statements are available to be issued or the date they are issued; however, management must also disclose the date through which events or transactions have been evaluated. Management must perform its assessment for both interim and annual financial reporting periods. SFAS 165 is effective prospectively for interim and annual periods ending after June 15, 2009. The adoption of SFAS 165 did not have a material impact on Wells REIT II's consolidated financial statements or disclosures. See Note 8 for required subsequent event disclosures.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS 168). SFAS 168 requires that the FASB Accounting Standards Codification become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Once the Codification is in effect, all of its content will carry the same level of authority, effectively superseding SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Wells REIT II expects that the adoption of SFAS 168 will not have a significant impact on its consolidated financial statements or disclosures.

3. Real Estate Acquisitions

Summary

As of June 30, 2009, Wells REIT II owned interests in 67 properties as a result of acquiring the properties described below in the second quarter of 2009 and acquiring 65 properties in prior periods.

Dvintsev Business Center - Tower B

On May 29, 2009, Wells REIT II acquired a newly constructed, nine-story office tower containing approximately 145,000 rentable square feet and located in Moscow, Russia (Dvintsev Business Center - Tower B) for total capitalized costs of \$67.1 million from the developer who is an unrelated third party. As of June 30, 2009, Wells REIT II had funded approximately \$59.3 million of the capitalized costs through a combination of borrowings under the Bank Zenit loan (see Note 4) and cash, and anticipates funding the remaining approximately \$7.8 million in the third quarter of 2009. Wells REIT II may owe additional purchase consideration pursuant to an earn-out agreement under which the developer would be compensated for securing qualified leases, as defined, for currently vacant space within two years of the closing.

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Additionally, Wells REIT II has reimbursed the developer for \$6.1 million of value-added taxes paid on construction materials that are recorded as prepaid expenses and other assets on the accompanying consolidated balance sheet as of June 30, 2009. Wells REIT II is in the process of filing for reimbursement of these payments from the local taxing authority. As of June 30, 2009, approximately 38% of Dvintsev Business Center Tower B was leased to Nokia Siemens Networks under an economically triple-net lease for a period of 10 years with the option to extend for an additional seven years at then-prevailing market rental rates.

Cranberry Woods Drive Buildings

On May 29, 2009, Wells REIT II completed construction of a five-story office building containing approximately 424,000 square feet and located in Cranberry, Pennsylvania (Cranberry Woods Phase I) for total construction costs of approximately \$96.4 million. This building is 100% leased to Westinghouse Electric Company, LLC under an economically triple-net lease at rental rates determined as a factor of total construction costs. The lease is for a term of 15 years with options to extend for three successive periods of up to five years each at then-prevailing market rental rates. The final phase of this project is currently under construction and is anticipated to be completed in 2010 (see Note 5).

4. Lines of Credit and Notes Payable

As of June 30, 2009 and December 31, 2008, Wells REIT II had the following indebtedness outstanding (in thousands):

Facility	June 30, 2009	December 31, 2008
Wachovia Line of Credit	\$ 229,000	\$ 300,000
222 E. 41 st Street Building mortgage note	147,739	142,850
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
80 Park Plaza Building mortgage note	55,120	53,323
263 Shuman Boulevard Building mortgage note	49,000	49,000
800 North Frederick Building mortgage note	46,400	46,400
One West Fourth Street Building mortgage note	44,304	45,174
SanTan Corporate Center mortgage note	39,000	39,000
Highland Landmark Building mortgage note	33,840	33,840
Bank of America Term Loan	33,333	
Three Glenlake Building mortgage note	25,259	25,121
One and Four Robbins Road Buildings mortgage note	23,000	23,000
215 Diehl Road Building mortgage note	21,000	21,000
1580 West Nursery Road Buildings mortgage note	20,196	20,604
Bank Zenit loan (11.61%)	6,411	6,828
Bank Zenit loan (14.00%)	5,753	2,382
Wachovia Term Loan		100,000
Total indebtedness	\$ 1,139,355	\$ 1,268,522

On May 7, 2009, Wells REIT II amended and restated the credit facility that it entered into with a syndicate of banks led by Wachovia/Wells Fargo in May 2005 to allow Wells REIT II to borrow up to \$245.0 million under a one-year, unsecured revolving credit agreement (the Wachovia Line of Credit).

The amended and restated credit facility provides for interest costs to be incurred based on, at the option of Wells REIT II, the London Interbank Offered Rate (LIBOR) for 7- or 30-day periods, which is subject to a 2.00% floor, plus an applicable margin ranging from 3.00% to 3.75% (the LIBOR Indexed Rate) or at the floating base rate, plus an applicable margin ranging from 2.00% to 2.75% (the Base Indexed Rate). The base rate for any day is the greatest of the lenders' prime rate, as defined, for such day, the federal funds rate for such day plus 0.50%, and the one-month adjusted eurodollar rate, which is also subject to a 2.00% floor, for such day plus 1.00%. The margin component of the LIBOR Indexed Rate and the Base Indexed Rate is based on the ratio of Wells REIT II's debt to total asset value, as defined.

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Under the amended and restated Wachovia Line of Credit, accrued interest is payable in arrears on the first day of each calendar month. Wells REIT II is required to repay all outstanding principal balances and accrued interest on May 7, 2010. Wells REIT II may repay and close the Wachovia Line of Credit at any time without premium or penalty; however, unused fees are incurred at a rate of 0.35% of the available capacity for the entire time the credit agreement is in effect.

In addition, the amended and restated Wachovia Line of Credit contains, among others, the following restrictive covenants:

limits the ratio of debt to total asset value, as defined, to 50% or less at all times;

limits the ratio of secured debt to total asset value, as defined, to 40% or less at all times;

limits the ratio of unencumbered asset value, as defined, to total unsecured debt to be less than 2:1 at all times;

requires maintenance of certain interest and fixed-charge coverage ratios;

limits the ratio of secured recourse debt to total asset value, as defined, to 10% or less at all times;

limits the amount of the floating rate debt, as defined, to 20% of Wells REIT II's total asset value, as defined;

requires maintenance of certain minimum tangible net worth balances; and

limits investments that fall outside Wells REIT II's core investments of improved office and industrial properties located in the United States.

Wells REIT II may borrow up to 50% of the unencumbered asset value. Unencumbered asset value is calculated as the annualized net operating income of the lender-approved unencumbered properties owned for more than two consecutive fiscal quarters divided by 9.00%, plus the book value, computed in accordance with GAAP, of such properties acquired during the most recently ended two fiscal quarters, plus the GAAP book value of construction-in-process properties included in the lender-approved unencumbered properties.

On May 7, 2009, Wells REIT II also entered into a \$50.0 million, three-month, unsecured term loan facility with Bank of America, N.A., which matures on August 5, 2009 and provides for interest costs to be incurred, at the option of Wells REIT II, at the LIBOR Indexed Rate or at the Base Indexed Rate, both as reset daily (the Bank of America Term Loan). The margin component of the LIBOR Indexed Rate and the Base Indexed Rate is based on the ratio of Wells REIT II's debt to total asset value, as defined. Wells REIT II is required to make monthly principal payments of approximately \$16.67 million, plus interest payments. Accrued interest is payable in arrears on the first day of each calendar month, upon any prepayment and at maturity. Wells REIT II may prepay the loan at any time without premium or penalty. As of July 31, 2009, the Bank of America Term Loan had been repaid in full.

During the six months ended June 30, 2009 and 2008, Wells REIT II made interest payments, including amounts capitalized, of approximately \$21.7 million and \$19.8 million, respectively.

5. Commitments and Contingencies

Properties Under Construction

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On August 1, 2007, Wells REIT II entered into a development agreement with an unrelated third party for the purpose of constructing three office buildings comprised of approximately 824,000 rentable square feet and located in Cranberry, Pennsylvania (the Cranberry Woods Development Project) for approximately \$187.6 million. The first phase of the Cranberry Woods Development Project was completed in May 2009 (see Note 3). The second and final phase of Cranberry Woods Development Project entails two buildings containing approximately 400,000 rentable square feet and is estimated to be completed in 2010. Upon completion of construction, the Cranberry Woods Development Project will be 100% leased to Westinghouse Electric Company, LLC at rental rates to be determined based on total construction costs. As of June 30, 2009, Wells REIT II had incurred and capitalized costs to complete the final phase of the Cranberry Woods Development Project of approximately \$70.1 million and estimates incurring additional costs of approximately \$21.1 million to complete the project.

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, 2009, no tenants have exercised such options that had not been materially satisfied.

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From time to time, Wells REIT II is party to legal proceedings, which arise in the ordinary course of its business. Wells REIT II is not currently involved in any legal proceedings for 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.

5 Houston Sky Bridge

In September 2008, Wells REIT II entered into a contract with the developer of a building adjacent to the 5 Houston Center Building that grants a perpetual easement between the two buildings to the developer in consideration for \$12.0 million payable to Wells REIT II in two nonrefundable installments. Upon execution of the contract, Wells REIT II received the first installment of \$6.0 million, which is recorded as deferred income in the accompanying consolidated balance sheets. Upon the earlier of the completion of the steel frame of the adjacent building or March 2010, the second installment will become payable and both payments will be recognized as income.

6. Supplemental Disclosures of Noncash Investing and Financing Activities

Outlined below are significant noncash investing and financing transactions for the six months ended June 30, 2009 and 2008 (in thousands):

	Six months ended June 30,	
	2009	2008
Acquisition fees applied to real estate assets	\$	\$ 8,345 ⁽¹⁾
Assumption of investment in development authority bonds and obligations under capital leases	\$	\$ 216,000
Assumption of minority interest in consolidated joint venture	\$	\$ 800
Other liabilities assumed upon acquisition of properties	\$	\$ 115
Noncash interest expense accruing to notes payable	\$ 6,824	\$ 6,270
Market value adjustment to interest rate swap that qualifies for hedge accounting treatment	\$ 6,240	\$ 142
Accrued capital expenditures and deferred lease costs	\$ 13,495	\$ 10,455
Accrued redemptions of common stock	\$	\$ 150
Acquisition fees due to affiliate ⁽¹⁾	\$ 155	\$ 179
Commissions on stock sales and related dealer-manager fees due to affiliate	\$ 1,027	\$ 984
Other offering costs due to affiliate	\$ 816	\$ 807
Distributions payable	\$ 11,524	\$ 10,025
Discounts applied to issuance of common stock	\$ 3,633	\$ 3,990
Increase in redeemable common stock	\$ 22,822	\$ 50,649

⁽¹⁾ Effective January 1, 2009, all acquisition fees and expenses have been expensed and are included in net cash provided by operating activities.

7. Related-Party Transactions and Agreements

Advisory Agreement

Wells REIT II and Wells Capital are party to an advisory agreement (the *Advisory Agreement*). As in effect at June 30, 2009, the *Advisory Agreement* provides that 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;

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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) investment in joint ventures for the months prior to October 2008. Thereafter, the monthly asset management fee is equal to one-twelfth of 0.625% of the cost of (i) all properties of Wells REIT II and (ii) investment in joint ventures until the monthly payment equals \$2,708,333.33 (or \$32.5 million annualized). The monthly payment remains capped at that amount until the cost of (i) all properties of Wells REIT II and (ii) investment in joint ventures is at least \$6.5 billion, after which the monthly asset management fee is equal to one-twelfth of 0.5% of the cost of (i) all properties of Wells REIT II and (ii) investment in joint ventures. However, the asset management fee related to the Lindbergh Center Buildings, which were acquired July 1, 2008, was immediately 0.5%. The amount of asset management fees paid in any three-month period is limited to 0.25% of the average of the preceding three months' net asset value calculations less Wells REIT II's outstanding debt borrowed for purposes of acquiring, improving, or refinancing investment properties;

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 amount by which the market value of the stock plus distributions paid prior to listing exceeds the sum of 100% of the invested capital plus an 8% return on invested capital.

Either party may terminate the Advisory Agreement without cause or penalty upon providing 60 days' prior 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, 2009, 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, \$28.8 million related to the follow-on offering, and \$6.7 million related to the Third Offering, which represents approximately 1.6%, 1.1%, and 1.5% of cumulative gross proceeds raised by Wells REIT II under each offering, respectively. On June 29, 2009, Wells REIT II renewed its advisory agreement in its then-existing form through July 31, 2009. The terms of the renewed Advisory Agreement are identical to those of the advisory agreement in effect through June 30, 2009.

On July 22, 2009, Wells REIT II amended and restated the Advisory Agreement with Wells Capital effective for a one-year period from August 1, 2009 through July 31, 2010. The amended Advisory Agreement is substantially the same as the previous Advisory Agreement. Wells REIT II and Wells Capital agreed to the following:

The conditions under which Wells Capital would receive a disposition fee were clarified by providing a bright-line test. The previous Advisory Agreement provided that Wells REIT II would pay Wells Capital a disposition fee on asset sales but excluded a large portfolio sale or sale of Wells REIT II itself. A large portfolio sale accomplished through the systematic liquidation of the portfolio in a large number of transactions would entitle

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Wells Capital to the disposition fee. The amended Advisory Agreement addresses how to distinguish between a portfolio sale accomplished in a small number of transactions (but not all at once and which would not entitle Wells Capital to a disposition fee) and one accomplished through a larger number of transactions (the latter of which would entitle Wells Capital to a disposition fee). The amended Advisory Agreement provides that a liquidation of all or substantially all of Wells REIT II's assets effected in a transaction or series of transactions with three or fewer buyers or their affiliates that are closed in a period of a year or less would not entitle Wells Capital to earn a disposition fee.

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In the previous Advisory Agreement, debt not used for investment purposes was formerly excluded from calculating the net asset value (on the theory that Wells Capital had no control over such debt, for example the board of directors could decide to issue debt to finance the repurchase of shares). The revised definition includes such debt in the calculation of net asset value. Net asset value is used in calculating the limitation on asset management fees, and including all such debt puts a stricter limit on the amount of asset management fees.

The previous Advisory Agreement excluded a property in the calculation of the asset management fee if it had been economically vacant. The amended Advisory Agreement excludes a property if over 30% of its leasable square feet does not have third-party tenant leases in place, or if it has not generated at least 70% of its potential rental revenue based on full occupancy (other than as a result of tenant improvements or leasing concessions). The change to the definition of vacant property was intended to provide a bright-line test to determine whether a property should be included in the calculation of the asset management fee.

In addition, Wells REIT II and Wells Capital agreed to other changes that clarified language but did not alter the intended meaning of the contract.

Dealer-Manager Agreement

Wells REIT II is party to a dealer-manager agreement (the 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 substantially all is re-allowed to participating broker dealers. Wells REIT II pays no commissions on shares issued under its DRP.

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 re-allowed by WIS to participating broker dealers. Wells REIT II pays no dealer-manager fees on shares issued under its DRP.

Property Management, Leasing, and Construction Agreement

Wells REIT II and Wells Management Company (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.

Related-Party Costs

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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, 2009 and 2008, respectively (in thousands):

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	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Commissions, net of discounts ⁽¹⁾⁽²⁾	\$ 9,101	\$ 13,519	\$ 17,637	\$ 23,739
Asset management fees	7,484	7,728	14,912	15,175
Acquisition fees ⁽³⁾	3,374	4,668	6,570	8,361
Dealer-manager fees, net of discounts ⁽¹⁾	3,275	4,995	6,418	8,824
Administrative reimbursements, net ⁽⁴⁾	2,929	2,795	5,786	5,471
Other offering costs ⁽¹⁾	2,463	2,509	4,492	4,915
Property management fees	930	919	1,860	1,816
Construction fees ⁽⁵⁾	114	202	242	252
Total	\$ 29,670	\$ 37,335	\$ 57,917	\$ 68,553

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

(2) Substantially all commissions were re-allowed to participating broker/dealers during the three months and six months ended June 30, 2009 and 2008.

(3) Pursuant to SFAS No. 141(R) *Business Combinations* (SFAS 141(R)), Wells REIT II began to expense acquisition fees as incurred effective January 1, 2009. Prior to this date, acquisition fees were capitalized to prepaid expenses and other assets as incurred and allocated to properties upon using investor proceeds to fund acquisitions or to repay debt used to finance property acquisitions. In connection with adopting SFAS 141(R), Wells REIT II wrote off approximately \$3.5 million of unapplied acquisition fees incurred in prior periods on January 1, 2009. During the six months ended June 30, 2009, Wells REIT II incurred additional acquisition fees of approximately \$6.6 million related to current-period activity.

(4) Administrative reimbursements are presented net of reimbursements from tenants of approximately \$0.6 million and \$0.6 million for the three months ended June 30, 2009 and 2008, respectively, and approximately \$1.3 million and \$1.1 million for the six months ended June 30, 2009 and 2008, respectively.

(5) Construction fees are capitalized to real estate assets as incurred.

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, 2009 and 2008, respectively.

Due to Affiliates

The detail of amounts due to affiliates is provided below as of June 30, 2009 and December 31, 2008 (in thousands):

	June 30, 2009	December 31, 2008
Administrative reimbursements due to Wells Capital and/or Wells Management	\$ 1,207	\$ 2,206
Commissions and dealer-manager fees due to WIS	1,027	1,134
Other offering cost reimbursements due to Wells Capital	816	2,215
Asset and property management fees due to Wells Capital and/or Wells Management	396	2,729
Acquisition fees due to Wells Capital	155	1,386

\$ 3,601 \$ 9,670

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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 distribution income earned from equity interests in another REIT. As of June 30, 2009, 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 other investments necessary to meet its current and future obligations as they become due.

In addition, WREF guarantees unsecured debt held by another WREF-sponsored product that is in the start-up phase of its operations equal to approximately \$34.7 million as of July 31, 2009.

8. Subsequent Events

Overview

Wells REIT II evaluates subsequent events in conjunction with the preparation of consolidated financial statements and notes thereto. With respect to the consolidated financial statements and related footnotes included in this report on Form 10-Q, Wells REIT II has evaluated subsequent events occurring during the period from July 1, 2009 through August 13, 2009, the date of filing with the SEC. Other than items noted in the text of previous notes, Wells REIT II had the following subsequent events to report:

Sale of Shares of Common Stock

Subsequent to June 30, 2009, we sold additional shares of common stock as more fully explained in this supplement no. 2 under the heading Status of Our Public Offerings.

Amendment of Share Redemption Program

On August 13, 2009, the board of directors of Wells REIT II approved an amendment to the share redemption program. The amendment suspends all redemptions until at least September 2010, other than redemptions sought within two years of a stockholder's death or qualifying disability. The amendment also revised the definition of offering stage, which definition is relevant for determining when the redemption price for Ordinary Redemptions, as defined, goes from 91% of the original issue price of the shares to 95% of the estimated per share value of the common stock of Wells REIT II. As amended, the change in pricing occurs after the expiration of the first 18-month period in which Wells REIT II does not sell shares of its common stock in an offering. Offering for purposes of defining Wells REIT II's offering stage (i) may be a public offering or a private offering if the private offering is to third parties and is deemed sufficiently robust by the board of directors of Wells REIT II as to be the basis for establishing a fair market value for the shares of its common stock and (ii) does not include offerings on behalf of selling stockholders or offerings related to any dividend reinvestment plan, employee benefit plan, or the redemption of interests in Wells OP II.

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SUPPLEMENTAL INFORMATION The prospectus of Wells Real Estate Investment Trust II, Inc. consists of this sticker, the prospectus dated April 30, 2009, supplement no. 1 dated May 20, 2009, and supplement no. 2 dated August 20, 2009.

Supplement no. 1 includes:

the status of our public offerings;

information regarding our indebtedness;

entering into an amended and restated Wachovia Line of Credit;

entering into a new Bank of America Facility;

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, 2009, filed on May 13, 2009; and

our unaudited financial statements as of and for the three months ended March 31, 2009 as filed in our Quarterly Report on Form 10-Q, filed on May 13, 2009.

Supplement no. 2 includes:

the status of our public offerings;

information regarding our indebtedness;

an additional risk related to an investment in us;

amendments to our share redemption program;

updated information regarding the estimated per share value of our shares in connection with our dividend reinvestment plan;

information regarding the renewal and amendment of our advisory agreement;

a change to our registrar and transfer agent;

additional liquidity information regarding prior programs sponsored by our sponsor;

the acquisition of a nine-story office tower containing approximately 145,000 aggregate rentable square feet located in Moscow, Russia;

the completion of the first phase of a five-story office building containing approximately 424,000 rentable square feet located in Cranberry, Pennsylvania;

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, 2009, filed on August 13, 2009; and

our unaudited financial statements as of and for the three and six months ended June 30, 2009 as filed in our Quarterly Report on Form 10-Q, filed on August 13, 2009.