WELLS REAL ESTATE INVESTMENT TRUST II INC
Form 8-K/A
October 31, 2007
Index to Financial Statements

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 16, 2007

Wells Real Estate Investment Trust II, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation)

000-51262	**20-0068852**
(Commission File Number)	**(IRS Employer Identification No.)**

6200 The Corners Parkway, Norcross, Georgia 30092-3365

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code (770) 449-7800

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Index to Financial Statements

INFORMATION TO BE INCLUDED IN THE REPORT

Wells Real Estate Investment Trust II, Inc. (the Registrant) hereby amends its Current Report on Form 8-K dated August 16, 2007 and filed on August 20, 2007 to provide the required financial statements of the Registrant relating to the acquisition by the Registrant of the 222 East 41st Street Building (the Building), as described in such Current Report.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements. The following financial statements of the 222 East 41st Street Building and the Registrant are submitted at the end of this Form 8-K/A and are filed herewith and incorporated herein by reference.

(b) Pro Forma Financial Information. See Paragraph (a) above.

Index to Financial Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report on Form 8-K/A to be signed on its behalf by the undersigned hereunto duly authorized.

WELLS REAL ESTATE INVESTMENT TRUST II, INC.
(Registrant)

By: /s/ Douglas P. Williams
Douglas P. Williams
Executive Vice President

Date: October 31, 2007

Index to Financial Statements

INDEPENDENT AUDITORS REPORT

To the Stockholders and Board of Directors

Wells Real Estate Investment Trust II, Inc.

Atlanta, Georgia

We have audited the accompanying statement of revenues over certain operating expenses of 222 East 41st Street (the Building) for the year ended December 31, 2006. This statement is the responsibility of the Building s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Building s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Building s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules of the Securities and Exchange Commission, as described in Note 2, and is not intended to be a complete presentation of the Building s revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses described in Note 2 of the Building for the year ended December 31, 2006 in conformity with U.S. generally accepted accounting principles.

/s/ Frazier & Deeter, LLC

Atlanta, Georgia

October 31, 2007

Index to Financial Statements

222 East 41st Street

Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2006 (audited)

and the six months ended June 30, 2007 (unaudited)

(in thousands)

	2007 *(Unaudited)*	2006
Revenues:		
Base rent	$ 10,730	$ 20,881
Tenant reimbursements	1,154	3,114
Other revenues	60	130
Total revenues	11,944	24,125
Expenses:		
Real estate taxes	2,087	4,255
Utilities	1,093	2,261
Ground lease	1,063	2,126
Repairs and maintenance	433	972
Administrative	348	624
Cleaning	335	628
Security	264	547
Insurance	155	273
Total expenses	5,778	11,686
Revenues over certain operating expenses	$ 6,166	$ 12,439

See accompanying notes.

Index to Financial Statements

222 East 41st Street

Notes to Statements of Revenues Over Certain Operating Expenses

For the year ended December 31, 2006 (audited)

and the six months ended June 30, 2007 (unaudited)

1. Description of Real Estate Property Acquired

On August 17, 2007, Wells Real Estate Investment Trust II, Inc. (Wells REIT II), through a wholly owned subsidiary, acquired 222 East 41st Street (the Building), a 25-story office building containing approximately 372,000 rentable square feet located on approximately 0.5 acres in New York City, New York from Zeta-Ceres, L.P. (the Seller). Total consideration for the acquisition was approximately $319.8 million, exclusive of closing costs. Wells REIT II purchased the Building subject to a ground lease that expires on February 28, 2051. The ground lease is subject to two renewal options with fixed rental terms. Wells REIT II is a Maryland corporation that engages in the acquisition and ownership of commercial real estate properties throughout the United States. Wells REIT II was incorporated on July 3, 2003 and has elected to be taxed as a real estate investment trust for federal income tax purposes.

2. Basis of Accounting

The accompanying statements of revenues over certain operating expenses are presented in conformity with accounting principles generally accepted in the United States and in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statements exclude certain historical expenses that are not comparable to the proposed future operations of the property such as certain ancillary income, amortization, depreciation, interest and corporate expenses. Therefore, the statements will not be comparable to the statements of operations of the Building after its acquisition by Wells REIT II.

3. Significant Accounting Policies

Rental Revenues

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The excess of rental income recognized over the amounts due pursuant to the lease terms is recorded as straight-line rent receivable. The adjustment to straight-line rent receivable increased rental revenue by approximately $0.88 million for the year ended December 31, 2006 and decreased rental revenue by approximately $0.03 million for the six months ended June 30, 2007.

Use of Estimates

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

Index to Financial Statements

222 East 41st Street

Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2006 (audited)

and the six months ended June 30, 2007 (unaudited)

4. Description of Leasing Arrangements

The Building is approximately 97% leased, with Jones Day and Council of the European Union (Council of the EU) leasing approximately 90% of the Building s rentable square footage under long-term lease agreements. Jones Day and Council of the EU contributed approximately 84% and 9%, respectively, of rental income for the year ended December 31, 2006. Under the terms of the Jones Day and Council of the EU leases, each tenant is required to reimburse to the landlord its proportionate share of the Building s operating expenses in excess of a base year. The remaining rentable square footage is leased to various office tenants under lease agreements with terms that vary in length and with various reimbursement clauses.

5. Future Minimum Rental Commitments

Future minimum rental commitments for the years ended December 31 are as follows (in thousands):

2007	$ 21,728
2008	21,993
2009	22,424
2010	22,425
2011	22,459
Thereafter	102,487
	$ 213,516

Subsequent to December 31, 2006, Jones Day and Council of the EU will contribute approximately 88% and 6%, respectively, of the future minimum rental income from the leases in place at that date.

6. Ground Lease

During the year ended December 31, 2006 and the six months ended June 30, 2007, fee title to the land on which the Building is situated was held by a third party, which leased the land to the Seller. The expense related to the ground lease is recognized on a straight-line basis. The Building recognized ground lease expense of approximately $2.1 million for the year ended December 31, 2006 and approximately $1.1 million for the six months ended June 30, 2007. The adjustment to the ground lease deferred rent receivable increased ground rent expense by approximately $1.1 million for the year ended December 31, 2006 and increased ground rent expense by approximately $0.5 million for the six months ended June 30, 2007.

Index to Financial Statements

222 East 41st Street

Notes to Statements of Revenues Over Certain Operating Expenses (continued)

For the year ended December 31, 2006 (audited)

and the six months ended June 30, 2007 (unaudited)

Future minimum rental commitments related to the ground lease for the years ended December 31 are as follows (in thousands):

2007	$ 1,125
2008	1,150
2009	1,150
2010	1,150
2011	1,150
Thereafter	117,035
	$ 122,760

7. Interim Unaudited Financial Information

The statement of revenues over certain operating expenses for the six months ended June 30, 2007 is unaudited; however, in the opinion of management, all adjustments (consisting solely of normal, recurring adjustments) necessary for the fair presentation of the financial statement for the interim period have been included. The results of the interim period are not necessarily indicative of the results to be obtained for a full fiscal year.

Index to Financial Statements

WELLS REAL ESTATE INVESTMENT TRUST II, INC.

Summary of Unaudited Pro Forma Financial Statements

This pro forma information should be read in conjunction with the consolidated financial statements and notes of Wells Real Estate Investment Trust II, Inc. (Wells REIT II) included in its annual report filed on Form 10-K for the year ended December 31, 2006 and its quarterly report filed on Form 10-Q for the six months ended June 30, 2007. In addition, this pro forma information should be read in conjunction with the financial statements and notes of certain acquired properties included in various current reports previously filed on Form 8-K.

The following unaudited pro forma balance sheet as of June 30, 2007 has been prepared to give effect to the acquisitions of the Pasadena Corporate Park Buildings, the 7031 Columbia Gateway Drive Building, the Cranberry Woods Drive Land, the 222 East 41st Street Building, the Bannockburn Lake III Building, the 1200 Morris Drive Building and the South Jamaica Street Buildings (the Q3 2007 Acquisitions) as if the acquisitions occurred on June 30, 2007. Other adjustments provided in the following unaudited pro forma balance sheet are comprised of certain pro forma financing-related activities, including, but not limited to, capital raised through the issuance of additional common stock through the acquisition date of the South Jamaica Street Buildings and pay-down of acquisition-related debt subsequent to the pro forma balance sheet date.

The following unaudited pro forma statement of operations for the six months ended June 30, 2007 has been prepared to give effect to the acquisitions of the 3000 Park Lane Land, the One Century Place Building, the 120 Eagle Rock Building (the Q1 2007 Acquisitions) and the Q3 2007 Acquisitions (collectively, the 2007 Acquisitions) as if the acquisitions occurred on January 1, 2006. 3000 Park Lane Land and Cranberry Woods Drive Land had no operations during the six months ended June 30, 2007 and, accordingly, have not been included in the pro forma statement of operations for the six months ended June 30, 2007.

The following unaudited pro forma statement of operations for the year ended December 31, 2006 has been prepared to give effect to the acquisition of the SanTan Buildings, the 263 Shuman Building, the 11950 Corporate Boulevard Building, the Edgewater Corporate Center, the 4300 Centreway Place Building, the 80 Park Plaza Building, the International Financial Tower Building, the Sterling Commerce Building (the 2006 Acquisitions) and the 2007 Acquisitions as if the acquisitions occurred on January 1, 2006. 3000 Park Lane Land and Cranberry Woods Drive Land had no operations during the year ended December 31, 2006 and, accordingly, have not been included in the pro forma statement of operations for the year ended December 31, 2006.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the 2006 Acquisitions and the 2007 Acquisitions been consummated as of January 1, 2006. In addition, the pro forma balance sheet includes pro forma allocations of the purchase price based upon preliminary estimates of the fair value of the assets and liabilities acquired in connection with the acquisition of the Q3 2007 Acquisitions. These allocations may be adjusted in the future upon finalization of these preliminary estimates.

Index to Financial Statements

WELLS REAL ESTATE INVESTMENT TRUST II, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 2007

(in thousands)

(unaudited)

ASSETS

		Pro Forma Adjustments Q3 2007 Acquisitions																
	Wells Real Estate Investment Trust II, Inc. Historical (a)	**Pasadena Corporate Park**		**7031 Columbia Gateway Drive**		**Cranberry Woods Development**		**222 East 41st Street**		**Bannockburn Lake III**		**1200 Morris Drive**		**South Jamaica Street**		**Other**		**Pro Forma Total**
Real estate assets, at cost:																		
Land	$ 384,620	$ 51,900	(b)	$ 10,000	(b)	$ 15,162	(b)	$		$ 7,490	(b)	$ 3,700	(b)	$ 13,424	(b)	$ 198	(c)	$ 488,460
		1,199	(c)	232	(c)	350	(c)			145	(c)	23	(c)	17	(c)			
Buildings and improvements, less accumulated depreciation	1,964,960	48,729	(b)	44,515	(b)			178,510	(b)	8,025	(b)	17,694	(b)	87,578	(b)	2,352	(c)	2,359,170
		1,487	(c)	1,241	(c)			3,541	(c)	247	(c)	132	(c)	159	(c)			
Intangible lease assets, less accumulated amortization	442,169	9,524	(b)	8,313	(b)			142,468	(b)	2,730	(b)	2,771	(b)	22,175				630,150
Construction in progress	1,995																	1,995
Total real estate assets	2,793,744	112,839		64,301		15,512		324,519		18,637		24,320		123,353		2,550		3,479,775
Cash and cash equivalents	291,104	(112,255)	(b)	(60,478)	(b)	(15,162)	(b)	(145,939)	(b)	(16,734)	(b)	(5,817)	(b)	(8,710)	(b)	200,184	(d)	
		(2,000)	(b)					(5,000)	(b)	(500)	(b)	(1,000)	(b)	(1,385)	(b)	(110,307)	(f)	
								(1,352)	(g)							(4,524)	(e)	
								(125)	(g)									
Restricted Cash								288	(b)									288
Tenant receivables, net of allowance for doubtful accounts	64,919																	64,919
Prepaid expenses and other assets	43,880	(2,686)	(c)	(1,473)	(c)	(350)	(c)	(3,541)	(c)	(392)	(c)	(155)	(c)	(176)	(c)	4,524	(e)	32,081
		(2,000)	(b)	(3,000)	(b)													