

WELLS REAL ESTATE INVESTMENT TRUST II INC
Form DEF 14A
April 27, 2006

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

WELLS REAL ESTATE INVESTMENT TRUST II, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

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No fee required.

\$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

WELLS REAL ESTATE INVESTMENT TRUST II, INC.

6200 The Corners Parkway, Suite 250

Norcross, Georgia 30092-3365

Proxy Statement and

Notice of Annual Meeting of Stockholders

To Be Held July 19, 2006

Dear Stockholder:

On Wednesday, July 19, 2006, we will hold our 2006 annual meeting of stockholders at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097. The meeting will begin at 1:30 p.m. Eastern daylight time.

We are holding this meeting to:

1. Elect 10 directors to hold office for one-year terms expiring in 2007; and

2. Attend to other business properly presented at the meeting.

Your board of directors has selected April 21, 2006 as the record date for determining stockholders entitled to vote at the meeting.

This proxy statement, proxy card and our 2005 annual report to stockholders are being mailed to you on or about April 28, 2006.

Whether you plan to attend the meeting and vote in person or not, we urge you to have your vote recorded as early as possible. Stockholders have the following three options for submitting their votes by proxy: (1) via the Internet; (2) by telephone; or (3) by mail, using the enclosed proxy card. Because we are a widely held REIT with more than 80,000 stockholders, your vote is very important! Your immediate response will help avoid potential delays and may save us significant additional expenses associated with soliciting stockholder votes.

By Order of the Board of Directors

Leo F. Wells, III
Chairman

Atlanta, Georgia

April 24, 2006

QUESTIONS AND ANSWERS

We are providing you with this proxy statement, which contains information about the items to be voted upon at our annual stockholders meeting. To make this information easier to understand, we have presented some of the information in a question-and-answer format below.

Q: Why did you send me this proxy statement?

A: We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote your shares at the 2006 annual stockholders meeting. This proxy statement includes information that we are required to provide to you under the rules of the Securities and Exchange Commission (SEC) and is designed to assist you in voting.

Q: What is a proxy?

A: A proxy is a person who votes the shares of stock of another person who could not attend a meeting. The term proxy also refers to the proxy card. When you return the enclosed proxy card, you are giving your permission to vote your shares of common stock at the annual meeting. The people who will vote your shares of common stock at the annual meeting are Leo F. Wells, III, Douglas P. Williams or Randall D. Fretz, each of whom are our officers. They will vote your shares of common stock as you instruct, unless you return the proxy card and give no instructions. In this case, they will vote FOR all of the director nominees. With respect to any other proposals to be voted upon, they will vote in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in their discretion. They will not vote your shares of common stock if you do not return the enclosed proxy card. This is why it is important for you to return the proxy card to us (or vote by proxy via Internet or by telephone) as soon as possible whether or not you plan on attending the meeting in person.

Q: When is the annual meeting and where will it be held?

A: The annual meeting will be held on Wednesday, July 19, 2006, at 1:30 p.m. at The Atlanta Athletic Club, 1930 Bobby Jones Drive, Duluth, Georgia 30097.

Q: How many shares of common stock can vote?

A: As of April 21, 2006, there were 221,838,309 shares of our common stock issued and outstanding. Every stockholder is entitled to one vote for each share of common stock held.

Q: What is a quorum ?

A: A quorum consists of the presence in person or by proxy of stockholders holding a majority of the outstanding shares. There must be a quorum present in order for the annual meeting to be a duly held meeting at which business can be conducted. If you submit a properly executed proxy card, even if you abstain from voting, then you will at least be considered part of the quorum.

Q: What may I vote on?

A: You may vote on the election of nominees to serve on the board of directors and on any other proposal to be voted on.

Q: How does the board of directors recommend I vote on the proposal?

A: The board of directors recommends a vote FOR each of the nominees for election as director who are named as such in this proxy statement.

Q: Who is entitled to vote?

A: Anyone who owned our common stock at the close of business on April 21, 2006, the record date, is entitled to vote at the annual meeting.

Q: How do I vote?

A: You may vote your shares of common stock either in person or by proxy. Whether you plan to attend the meeting and vote in person or not, we urge you to have your vote recorded. **Stockholders have the following three options for submitting their votes by proxy: (1) via the Internet; (2) by telephone; or (3) by mail, using the enclosed proxy card.** If you have Internet access, we encourage you to vote by proxy on the Internet. It is convenient, and it saves us significant postage and processing costs. In addition, when you vote by proxy via the Internet or by phone prior to the meeting date, your proxy vote is recorded immediately and there is no risk that postal delays will cause your proxy vote to arrive late and, therefore, not be counted. For further instructions on voting, see your enclosed proxy card in this proxy statement. If you attend the annual meeting, you may also submit your vote in person, and any previous proxy votes that you submitted, whether by Internet, phone or mail, will be superseded by the vote that you cast at the annual meeting. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares of common stock will be voted (i) FOR the nominees for director and (ii) with respect to any other proposals to be voted upon, in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in the discretion of Messrs. Wells, Williams or Fretz.

Q: What if I return my proxy card and then change my mind?

A: You have the right to revoke your proxy at any time before the meeting by:

- (1) notifying Douglas P. Williams, our Secretary;

- (2) attending the meeting and voting in person;
- (3) returning another proxy card dated after your first proxy card if we receive it before the annual meeting date; or
- (4) recasting your proxy vote on the proxy voting Web site or by telephone. Only the most recent proxy vote will be counted and all others will be discarded regardless of the method of voting.

Q: Will my vote make a difference?

A: Yes. As discussed immediately below, your vote could affect the composition of our board of directors. Moreover, your vote is needed to ensure that the proposal can be acted upon. Because we are a widely held REIT (with more than 80,000 record holders of our stock), **YOUR VOTE IS VERY IMPORTANT! Your immediate response will help avoid potential delays and may save us significant additional expenses associated with soliciting stockholder votes.**

Q: What are the voting requirements to elect the board of directors?

A: A plurality of the votes cast is required for the election of the directors. This means that the director nominee with the most votes for a particular board seat is elected for that seat. Because the number of nominees equals the number of board seats to be filled, a nominee need only receive a single for vote to be elected. Abstentions and withhold votes should have no effect on the outcome of the election, but they will count toward the establishment of a quorum.

However, in order to enhance your ability to influence the composition of the board of directors in an uncontested election such as this, we have recently adopted a policy requiring each of the nominees to agree to offer to resign should he receive fewer for votes than withhold votes. If a director must offer to resign because of withhold vote totals, a committee of all of our independent directors (the Conflicts Committee) must accept or reject the offer of resignation within 90 days following certification of the stockholder vote. If the Conflicts Committee accepts the offer, then the resignation will be effective upon acceptance. If the Conflicts Committee rejects the offer, it must publicly disclose its reasons for doing so. The offer of resignation may also be accepted at a stockholder meeting duly called for the express purpose of accepting such resignation and electing a successor to fill the vacancy created thereby. More details of this policy are set out under Proposal 1. Election of Directors. The policy is set forth in our Corporate Governance Guidelines, a copy of which is available on our website at www.wellsref.com/wellspdf/REITII-NominatingCorporateGovernanceGuidelines.pdf.

Q: How will voting on any other business be conducted?

A: Although we do not know of any business to be considered at the annual meeting other than the election of directors, if any other business is properly presented at the annual meeting, your signed proxy card gives authority to Leo F. Wells, III, our President, Douglas P. Williams, our Executive Vice President and Secretary, and Randall D. Fretz, our Senior Vice President, and each of them, to vote on such matters in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in their discretion.

Q: When are the stockholder proposals for the next annual meeting of stockholders due?

A: Stockholders interested in nominating a person as a director or presenting any other business for consideration at our annual meeting of stockholders in 2007 may do so by following the procedures prescribed in Section 2.12 of our Bylaws and in the SEC's Rule 14a-8. To be eligible for presentation to and action by the stockholders at the 2007 annual meeting, director nominations and other stockholder proposals must be received by Douglas P. Williams, our Secretary, no later than March 14, 2007. To also be eligible for inclusion in our proxy statement for the 2007 annual meeting, director nominations and other stockholder proposals must be received by Mr. Williams by December 29, 2006.

Q: Who pays the cost of this proxy solicitation?

A: We will pay all the costs of soliciting these proxies. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to our stockholders.

Q: Is this proxy statement the only way that proxies are being solicited?

A: No. In addition to mailing proxy solicitation material, our directors and employees, as well as third-party proxy service companies we retain, may also solicit proxies in person, via the Internet, by telephone or by any other electronic means of communication we deem appropriate. We currently have no arrangements with paid solicitors.

Q: If I share my residence with another stockholder, how many copies of the Annual Report and Proxy Statement should I receive?

A: In accordance with a notice previously sent to our stockholders, we are sending only a single set of the annual report and proxy statement to any household at which two or more stockholders reside if they share the same last name or we reasonably believe they are members of the same family, unless we have received instructions to the contrary from any stockholder at that address. This practice is known as householding and stems from rules adopted by the SEC. This practice reduces the volume of duplicate information received at your household and helps us reduce expenses. Each stockholder subject to householding will continue to receive a separate proxy card or voting instruction card. We will deliver promptly, upon written or oral request, a separate copy of the annual report or proxy statement, as applicable, to a stockholder at a shared address to which a single copy of the document was previously delivered. If you received a single set of these documents for this year, but you would prefer to receive your own copy, you may direct requests for separate copies to the following address: Wells Investor Services Department, P.O. Box 2828, Norcross, Georgia 30091-2828 or call us at 1-800-557-4830. If you are a stockholder who receives multiple copies of our proxy materials, you may request householding by contacting us in the same manner and requesting a householding consent form.

Q: What if I consent to have one set of materials mailed now, but change my mind later?

A: You may withdraw your householding consent at any time by contacting our investor services department at the address and telephone number provided above. We will begin sending separate copies of stockholder communications to you within 30 days of receipt of your instruction.

Q: The reason I receive multiple sets of materials is because some of the shares belong to my children. What happens when they move out and no longer live in my household?

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- A: When we receive notice of an address change for one of the members of the household, we will begin sending separate copies of stockholder communications directly to the stockholder at his or her new address. You may notify us of a change of address by contacting our investor services department at the address and telephone number provided above.

Q: If I plan to attend the annual meeting in person, should I notify anyone?

A: While you are not required to notify anyone in order to attend the annual meeting, if you do plan to attend the meeting, we would appreciate it if you would mark the appropriate box on the enclosed proxy card to let us know how many stockholders will be attending the meeting so that we will be able to prepare a suitable meeting room for the attendees.

Q: Where can I find more information?

A: We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (SEC). You may read and copy any reports, statements or other information we file with the SEC on the Web site maintained by the SEC at <http://www.sec.gov>. Our SEC filings are also available to the public at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the public reference facilities.

CERTAIN INFORMATION ABOUT MANAGEMENT

The Board of Directors

Our board of directors has oversight responsibility for our operations and makes all major decisions concerning our business. Our board of directors held five meetings during 2005. For biographical information regarding our directors, see Executive Officers and Directors.

Our board has established the following committees: Audit Committee; Conflicts Committee; Nominating and Corporate Governance Committee; Asset Management Committee; Finance and Planning Committee; and Stockholder Relations, Communication and Development Committee. Information regarding each of the committees is set forth below.

The Audit Committee

General

The Audit Committee's primary function is to assist our board of directors in fulfilling its responsibilities by overseeing our independent auditors and reviewing the financial information to be provided to our stockholders and others, the system of internal control over financial reporting which our management has established and our audit and financial reporting process. The Audit Committee also is responsible for overseeing our compliance with applicable laws and regulations and for establishing procedures for the ethical conduct of our business. The Audit Committee fulfills these responsibilities primarily by carrying out the activities enumerated in the Audit Committee Charter adopted by our board of directors in 2003. The Audit Committee Charter was amended during 2005; see Appendix A for a copy of the Amended and Restated Audit Committee Charter.

The members of the Audit Committee are Walter W. Sessoms (Chairman), Donald S. Moss, Neil H. Strickland and W. Wayne Woody. Although our shares are not listed for trading on any national securities exchange, all of the members of the Audit Committee are independent as defined by the New York Stock Exchange. All members of the Audit Committee have significant financial and/or accounting experience, and the board of directors has determined that Mr. Woody satisfies the SEC's requirements for an audit committee financial expert. During 2005, the Audit Committee met ten times.

Independent Auditors

During the year ended December 31, 2005, Ernst & Young LLP served as our independent auditor and provided certain tax and other services. Ernst & Young has served as our independent auditor since our formation. Ernst & Young representatives will be present at the annual meeting of stockholders and will have the opportunity to make a statement if they desire to do so. In addition, the Ernst & Young representatives will be available to respond to appropriate questions posed by any stockholders. The Audit Committee anticipates that it will engage Ernst & Young as our independent auditors to audit our financial statements for the year ended December 31, 2006, subject to agreeing on fee estimates for the audit work. The Audit Committee may, however, select new auditors at any time in the future in its discretion if it deems such decision to be in our best interests. Any such decision would be disclosed to the stockholders in accordance with applicable securities laws.

Pre-Approval Policies

The Audit Committee Charter imposes a duty on the Audit Committee to pre-approve all auditing services performed for us by our independent auditors, as well as all permitted non-audit services (including the fees and terms thereof) in order to ensure that the provision of such services does not impair the auditors' independence. Unless a type of service to be provided by the independent auditors has received general pre-approval, it will require specific pre-approval by the Audit Committee.

All requests or applications for services to be provided by the independent auditor which do not require specific pre-approval by the Audit Committee will be submitted to management and must include a detailed description of the services to be rendered. Management will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the independent auditors.

Requests or applications to provide services that require specific pre-approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditors and the Principal Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence. The Chairman of the Audit Committee has been delegated the authority to specifically pre-approve all services not covered by the general pre-approval guidelines up to an amount not to exceed \$75,000 per occurrence. Amounts requiring pre-approval in excess of \$75,000 per occurrence require specific pre-approval by all members of the Audit Committee prior to engagement of Ernst & Young. All amounts specifically pre-approved by the Chairman of the Audit Committee in accordance with this policy are to be disclosed to the full Audit Committee at the next regularly scheduled meeting.

All services rendered by Ernst & Young for the year ended December 31, 2005 were pre-approved in accordance with the policies and procedures described above.

Principal Auditor Fees

The Audit Committee reviewed the audit and non-audit services performed by Ernst & Young, as well as the fees charged by Ernst & Young for such services. In its review of the non-audit service fees, the Audit Committee considered whether the provision of such services is compatible with maintaining the independence of Ernst & Young. The aggregate fees billed to us for professional accounting services, including the audit of our annual financial statements by Ernst & Young for the years ended December 31, 2005 and 2004, are set forth in the table below.

	2005	2004
Audit fees	\$ 607,180	\$ 833,623
Audit-related fees	-0-	-0-
Tax fees	\$ 224,884	\$ 16,349
All other fees	-0-	-0-
Total	\$ 832,064	\$ 849,972

For purposes of the preceding table, Ernst & Young's professional fees are classified as follows:

Audit fees These are fees for professional services performed for the audit of our annual financial statements and the required review of quarterly financial statements and other procedures performed by Ernst & Young in order for them to be able to form an opinion on our consolidated financial statements. These fees also cover services that are normally provided by independent auditors in connection with statutory and regulatory filings or engagements.

Audit-related fees These are fees for assurance and related services that traditionally are performed by independent auditors that are reasonably related to the performance of the audit or review of the financial statements, such as due diligence related to acquisitions and dispositions, attestation services that are not required by statute or regulation, internal control reviews and consultation concerning financial accounting and reporting standards.

Tax fees These are fees for all professional services performed by professional staff in our independent auditor's tax division, except those services related to the audit of our financial statements. These include fees for tax compliance, tax planning and tax advice, including federal, state and local issues. Services may also include assistance with tax audits and appeals before the IRS and similar state and local agencies, as well as federal, state and local tax issues related to due diligence.

All other fees These are fees for any services not included in the above-described categories, including assistance with internal audit plans and risk assessments.

Report of the Audit Committee

The Audit Committee reviews the financial-reporting process on behalf of the board of directors. Our management has the primary responsibility for the financial statements and the reporting process, including the system of internal control over financial reporting. Membership on the Audit Committee does not call for the professional training and technical skills generally associated with career professionals in the field of accounting and auditing. In addition, the independent auditors devote more time and have access to more information than does the Audit Committee. Accordingly, the Audit Committee's role does not provide any special assurance with regard to our financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent auditors.

In this context, the Audit Committee reviewed the 2005 audited financial statements with management, including a discussion of the quality and acceptability of our financial reporting, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with Ernst & Young, which is responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgments as to the quality and the acceptability of the financial statements and such other matters as are required to be discussed with the Audit Committee under Statement on Auditing Standards No. 61 (*Communication with Audit Committees*). The Audit Committee received from and discussed with Ernst & Young the written disclosures and the letter required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*) relating to that firm's independence from us. In addition, the Audit Committee considered whether Ernst & Young's provision of non-audit services is compatible with Ernst & Young's independence.

The Audit Committee discussed with Ernst & Young the overall scope and plans for the audit. The Audit Committee meets periodically with the internal auditor and Ernst & Young, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting.

In reliance on these reviews and discussions, the Audit Committee recommended to the board of directors and the board has approved, the inclusion of the 2005 audited financial statements in our Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the Securities and Exchange Commission.

March 27, 2006

The Audit Committee of the Board of Directors:

*Walter W. Sessoms (Chairman), Donald S. Moss,
Neil H. Strickland and W. Wayne Woody*

The Conflicts Committee

The members of our Conflicts Committee are Neil H. Strickland (Chairman), Charles R. Brown, Richard W. Carpenter, Bud Carter, Donald S. Moss, Jack M. Pinkerton, Walter W. Sessoms and W. Wayne Woody, all of whom are independent directors. Our charter empowers the Conflicts Committee to act on any matter permitted under Maryland law if the matter at issue is such that the exercise of independent judgment by affiliates of our advisor could reasonably be compromised. Among the duties of the Conflicts Committee are the following:

reviewing and reporting on our policies (see below);

approving transactions with affiliates and reporting on their fairness to us (see below);

supervising and evaluating the performance and compensation of our advisor;

reviewing our expenses and determining that they are reasonable and within the limits prescribed by our charter;

approving borrowings in excess of limits set forth in our charter;

approving acquisitions and dispositions;

evaluating the performance of our officers; and

considering plans with respect to the succession of our president in the event of his sudden incapacitation, death or departure.

In addition, our Conflicts Committee administers the granting of stock options to selected employees of Wells Capital, Inc., our advisor, and Wells Management Company, Inc., our property manager, based upon recommendations from Wells Capital, and sets the terms and conditions of such options in accordance with the 2003 Stock Option Plan. During the last year, no employee stock options were issued. The Conflicts Committee held 15 meetings during 2005.

Report of the Conflicts Committee

Review of Our Policies

The Conflicts Committee has reviewed our policies and determined that they are in the best interest of our stockholders. Set forth below is a discussion of the basis for that determination.

Investment Policies. We focus our investment efforts on the acquisition of high-quality, income-generating office and industrial properties leased to creditworthy tenants. Although we may acquire other types of real estate, this focus is preferred because we believe it will best enable us to achieve our goal of preserving investor capital and generating current income. We also believe that there are sufficient acquisition opportunities that meet this investment focus. Our advisor, Wells Capital, has extensive expertise with this type of real estate.

Working Capital Reserves. We do not intend to set aside offering proceeds for working capital purposes. Setting aside funds for this purpose would decrease the amount we can invest in real estate and hence reduce our opportunities to earn current income. We believe that debt proceeds and our cash flow from operations will be sufficient to meet our needs for working capital.

Borrowing Policies. Over the long-term, 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% leverage 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 best interest of our stockholders. As of March 15, 2006, our leverage ratio was approximately 29%.

Policies Regarding Operating Expenses. We have the responsibility of limiting total operating expenses to no more than the greater of 2% of average invested assets or 25% of net income, as these terms are defined in our charter. For the four consecutive quarters ending December 31, 2005, total operating expenses represented 1.4% of average invested assets and 15.5% of net income.

Offering Policies. We are conducting a public offering of up to 300 million shares of common stock at \$10 per share (with discounts available for certain categories of investors). We are also offering shares under our dividend reinvestment plan. We believe these offerings are in the best interest of our stockholders because they increase the likelihood that we will be able to acquire a diverse portfolio of income-producing properties, thereby reducing risk in our portfolio.

Listing Policy. We believe it is in the best interest of our stockholders for our common shares to remain unlisted on a national exchange at this time. First, we are in the fundraising and property-acquisition stage of our life cycle, and remaining unlisted improves our ability to continue to raise new equity and purchase additional properties so that the real estate portfolio can achieve greater size and diversification. Second, we believe it is more cost effective to remain non-listed and utilize Wells Capital as our external advisor at the present time than it would be to internalize all the resources necessary to operate a listed company. Third, our shares are offered as a long-term investment. We believe that the ability to provide our stockholders with liquidity in the near-term is outweighed by the longer-term benefits of completing the current offering, allowing the portfolio to mature and then listing the shares at a price that is anticipated to be higher than the price at which they would likely trade today.

Transactions with Affiliates

The Conflicts Committee has reviewed the material transactions between our affiliates and us since the beginning of 2005 as well as any such currently proposed transactions. Set forth below is a description of such transactions and the committee's report on their fairness.

Our Relationship with Wells Capital. Our executive officers, Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz, are also executive officers of Wells Capital, our advisor. Mr. Wells is the sole director of our advisor and indirectly owns 100% of its equity. Since 2003, our advisor has provided our day-to-day management. Among the services provided by our advisor under the terms of an advisory agreement are the following:

real estate acquisition services;

asset management services;

real estate disposition services;

property management oversight services; and

administrative services.

Our advisor is at all times subject to the supervision of our board of directors and only has such authority as we may delegate to it as our agent. Our advisory agreement has a one-year term expiring October 20, 2006, subject to an unlimited number of successive one-year renewals upon mutual consent of the parties. From January 1, 2005 through the most recent date practicable, which was March 15, 2006, we have compensated our advisor as set forth below.

We have incurred acquisition fees payable to our advisor equal to 2.0% of gross proceeds from our public offerings of common stock for services in connection with the selection, purchase, development or construction of real property. We incur such acquisition fees upon receipt of proceeds from the sale of shares. Acquisition fees from January 1, 2005 through March 15, 2006 totaled approximately \$26.9 million.

Our advisor bears substantially all of our organization and offering costs other than our payment of selling commissions and dealer manager fees. We reimburse our advisor for up to 2.0% of our gross offering proceeds for organization and offering costs, including legal, accounting, printing and other accountable offering costs. From January 1, 2005 through March 15, 2006, our advisor has incurred approximately \$35.8 million of our organization and offering expenses and has been reimbursed by us for approximately \$34.8 million of such costs.

For asset management services, we pay our advisor a monthly fee equal to one-twelfth of 0.75% of the cost of (i) the occupied properties we own and (ii) our investments in joint ventures. These fees are limited to 1.0% of the net asset value of the properties included in the above calculation, calculated on a quarterly basis. Asset management fees incurred from January 1, 2005 through March 15, 2006 totaled approximately \$14.2 million.

Additionally, we reimburse our advisor for all costs and expenses it incurs in fulfilling its asset-management and administrative duties, which may include wages, salaries, taxes, insurance, benefits, information technology, legal and travel and other out-of-pocket expenses of employees engaged in ongoing management, administration, operations and marketing functions on our behalf. We do not, however, reimburse our advisor for personnel costs in connection with services for which our advisor receives acquisition fees or real estate commissions. Administrative reimbursements from January 1, 2005 through March 15, 2006 totaled approximately \$4.9 million.

The Conflicts Committee considers our relationship with the advisor during 2005 to be fair. The Conflicts Committee evaluated the performance of the advisor and the compensation paid to the advisor in connection with its decision to renew the advisory agreement until October 20, 2006. The Conflicts Committee believes that the amounts payable to the advisor under the advisory agreement are similar to those paid by other publicly offered, unlisted, externally advised REITs and that this compensation is necessary in order for the advisor to provide the desired level of services to us and our stockholders.

Our Relationship with WIS. Mr. Wells indirectly owns 100% of our dealer manager, Wells Investment Securities, Inc. (WIS). In addition, Messrs. Fretz and Williams are directors of WIS. Our dealer manager is entitled to receive selling commissions of 7% of aggregate gross offering proceeds. Commencing with the dividends paid in December 2005 we ceased paying selling commissions in connection with the sale of our shares under the dividend reinvestment plan (DRP). Previously, we had paid selling commissions of 5% of aggregate gross offering DRP proceeds. WIS reallocs 100% of these selling commissions to broker-dealers participating in our public offering. In the event of the sale of shares through an investment advisory representative in which the representative is compensated on a fee-for-service basis by the investor (or through a bank acting as a trustee or fiduciary), the dealer manager waives its right to a commission, with a corresponding reduction in the purchase price of shares sold in our offering. From January 1, 2005 through March 15, 2006, we incurred selling commissions of \$93.2 million to WIS, of which approximately 100% was reallocated to participating broker-dealers.

WIS also earns a dealer manager fee of 2.5% of aggregate gross offering proceeds. WIS may re-allow to participating broker-dealers up to 1.5% of aggregate gross offering proceeds. There is no dealer manager fee for shares sold under the dividend reinvestment program. In the event of the sale of shares through an independent investment advisor (or bank acting as trustee or fiduciary), the dealer manager reduces its dealer manager fee to 1.5% of gross offering proceeds with a corresponding reduction in the purchase price of the shares. WIS earned dealer manager fees from us of approximately \$33.7 million from January 1, 2005 through March 15, 2006, of which approximately \$14.3 million was reallowed to participating broker-dealers.

The Conflicts Committee believes that this arrangement with WIS is fair. Approximately 48% of WIS's compensation under the dealer manager agreement has been reallowed to participating broker-dealers from January 1, 2005 through March 15, 2006. The compensation payable to WIS reflects our belief that such selling commissions and dealer manager fees will maximize the likelihood that we will be able to achieve our goal of acquiring a large, diversified portfolio of high-quality, income-producing properties.

Our Relationship with Wells Management. On November 24, 2005, our property management, leasing and construction management agreement with Wells Management Company, Inc. ("Wells Management") automatically renewed for another one-year term. Mr. Wells indirectly owns 100% of Wells Management. In consideration for supervising the management, leasing and construction of certain of our properties, we pay the following fees to Wells Management:

For each property for which Wells Management provides property management services, we pay Wells Management a market-based property management fee based on gross monthly income of the property.

For each property for which Wells Management provides leasing agent services, Wells Management is entitled to: (i) a one-time fee in an amount not to exceed one-month's rent for the initial rent-up of a newly constructed building; (ii) a market-based commission based on the net rent payable during the term of a new lease; (iii) a market-based commission based on the net rent payable during the term of any renewal or extension of any tenant lease; and (iv) a market-based commission based on the net rent payable with respect to expansion space for the remaining portion of the initial lease term.

For each property for which Wells Management provides construction management services, Wells Management is entitled to receive from us that portion of lease concessions for tenant-directed improvements that are specified in the lease or lease renewal, subject to a limit of 5% of such lease concessions and a management fee to be determined for other construction management activities.

The Conflicts Committee believes that this arrangement with Wells Management is fair and reasonable and on terms and conditions no less favorable to us than those available from unaffiliated third parties. Wells Management earned a total of \$244,721 from us from January 1, 2005 through March 15, 2006.

Section 1031 Exchange Program. Wells Management has developed a program to facilitate real estate acquisitions for persons ("1031 Participants") who seek to reinvest proceeds from a real estate sale and qualify that reinvestment for like-kind exchange treatment under Section 1031 of the Internal Revenue Code ("Section 1031 Exchange Program"). The Section 1031 Exchange Program involves a private placement of co-tenancy interests in real estate. We provide certain financial guarantees to subsidiaries of Wells Management in the event co-tenancy interests in such offerings are not sold.

As of March 30, 2006, we had entered into three agreements (the "Take-out Agreements") that could potentially obligate us to purchase co-tenancy interests in three properties. In consideration for the exposure created under the Take-out Agreements, we earned fees of approximately \$0.8 million from January 1, 2005 through March 15, 2006. Information on the Take-out Agreements is as follows (in thousands):

Location of Property	Property Acquisition Date	Obligation End Date	Initial Maximum Exposure	Remaining Exposure at	Fee Earned
				March 30, 2006	
Lisle, IL	December 14, 2005	June 15, 2006	\$ 12,080	\$ 11,081	\$ 151
Bellevue, NE	December 16, 2005	June 16, 2006	\$ 21,610	\$ 16,235	\$ 270
Bellevue, NE	December 16, 2005	June 16, 2006	\$ 14,440	\$ 14,440	\$ 181

The Conflicts Committee believes that these Take-out Agreements are fair.

Currently Proposed Transactions. There are no currently proposed material transactions with management and their affiliates other than those covered by the terms of the agreements described above with each of our advisor, our dealer manager and our affiliated property manager.

Indebtedness of Management

Under the terms of the advisory agreement, we are required to reimburse Wells Capital for certain organization and offering costs up to the lesser of actual expenses or 2% of gross equity raised. Until the second quarter of 2005, our cumulative organization and offering costs had always exceeded 2% of our gross offering proceeds; therefore, we routinely paid 2% of our gross offering proceeds to Wells Capital. However, as of June 30, 2005, Wells Capital's cumulative payment of organization and offering costs had fallen below 2% of gross offering proceeds, to \$27.1 million. Our continued payment during the second quarter of 2005 of 2% of gross offering proceeds to Wells Capital resulted in an overpayment of approximately \$1.9 million. These overpayments constituted amounts owed to us by an affiliate of management and were collected in July 2005.

March 27, 2006

The Conflicts Committee of the Board of Directors:

Neil H. Strickland (Chairman), Charles R. Brown, Richard W. Carpenter,

Bud Carter, Donald S. Moss, Jack M. Pinkerton,

Walter W. Sessoms and Wayne W. Woody

The Nominating and Corporate Governance Committee

General

The members of our Nominating and Corporate Governance Committee are Donald S. Moss (Chairman), Richard W. Carpenter, Bud Carter, Walter W. Sessoms and Neil H. Strickland. The members of the Nominating and Corporate Governance Committee are independent as defined by the NYSE.

The primary functions of the Nominating and Corporate Governance Committee are: (i) identifying individuals qualified to serve on the board of directors and recommending that the board of directors select a slate of director nominees for election by the stockholders at the annual meeting; (ii) developing and recommending to the board of directors a set of corporate governance guidelines and periodically reevaluating such guidelines for the purpose of suggesting amendments to them; and (iii) overseeing an annual evaluation of the board of directors and each of its committees. The

Nominating and Corporate Governance Committee held three meetings during 2005. A copy of the Nominating and Corporate Governance Committee charter is available on our Web site at www.wellsref.com/wellspdf/REITII-NominatingCorporateGovernanceCharter.pdf.

Board Membership Criteria

The Nominating and Corporate Governance Committee annually reviews with the board of directors the appropriate experience, skills and characteristics required of board members in the context of the then-current membership of the board. This assessment includes, in the context of the perceived needs of the board at that time, issues of knowledge, experience, judgment and skills such as an understanding of the real estate industry or brokerage industry or accounting or financial management expertise. Other considerations include the candidate's independence from conflict with us and the ability of the candidate to attend board meetings regularly and to devote an appropriate amount of effort in preparation for those meetings. It also is expected that independent directors nominated by the board of directors shall be individuals who possess a reputation and hold positions or affiliations befitting a director of a large publicly held company and are actively engaged in their occupations or professions or are otherwise regularly involved in the business, professional or academic community. Moreover, as required by our charter, at least one of our independent directors must have at least three years of relevant real estate experience, and each director who is not an independent director must have at least three years of relevant experience demonstrating the knowledge and experience required to successfully acquire and manage the type of assets we acquire and manage.

Selection of Directors

The board of directors is responsible for selecting its own nominees and recommending them for election by the stockholders. Pursuant to our charter, however, the independent directors must nominate replacements for any vacancies among the independent director positions. The board delegates the screening process necessary to identify qualified candidates to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee annually reviews director suitability and the continuing composition of the board; it then recommends director nominees who are voted on by the full board of directors. All director nominees then stand for election by the stockholders annually.

In recommending director nominees to the board of directors, the Nominating and Corporate Governance Committee solicits candidate recommendations from its own members, other directors and management of Wells Capital. The Nominating and Corporate Governance Committee may engage the services of a search firm to assist in identifying potential director nominees. The Nominating and Corporate Governance Committee will also consider recommendations made by stockholders for director nominees who meet the established director criteria set forth above. In order to be considered by the Committee, recommendations made by stockholders must be submitted within the timeframe required to request a proposal to be included in the proxy materials. See *Stockholder Proposals* below. In evaluating the persons recommended as potential directors, the Nominating and Corporate Governance Committee will consider each candidate without regard to the source of the recommendation and take into account those factors that the Nominating and Corporate Governance Committee determines are relevant. Stockholders may directly nominate potential directors (without the recommendation of the Committee) by satisfying the procedural requirements for such nomination as provided in Article II, Section 2.12 of our Bylaws. Any stockholder may request a copy of our Bylaws free of charge by calling our investor services department at 1-800-577-4830.

Corporate Governance Guidelines

On March 3, 2006, our board of directors, upon the recommendation of the Nominating and Corporate Governance Committee, amended our Corporate Governance Guidelines. The purpose of the

amendment was to enhance the power of the stockholders to influence the composition of the board of directors by requiring our directors to offer to resign should they receive fewer for votes than withheld votes in an uncontested election. A copy of our Corporate Governance Guidelines is available on our Web site at

www.wellsref.com/wellspdf/REITII-NominatingCorporateGovernanceGuidelines.pdf.

The Asset Management Committee

The members of the Asset Management Committee are Richard W. Carpenter (Chairman), Charles R. Brown, Jack M. Pinkerton and Walter W. Sessoms, all of whom are independent directors. The primary function of the Asset Management Committee is to advise the board of directors on investment criteria and acquisition policies, the general economic environment in various real estate markets, existing or prospective properties or tenants and portfolio diversification goals. The Asset Management Committee held six meetings in 2005.

The Stockholder Relations, Communication and Development Committee

The members of the Stockholder Relations, Communication and Development Committee are Bud Carter (Chairman), Donald S. Moss and Neil H. Strickland, all of whom are independent directors. The primary function of the Stockholder Relations, Communication and Development Committee is to advise the board of directors on various stockholders issues including market conditions, issues relating to net proceeds raised from stockholders and communications with stockholders. Through guidance and oversight, the Stockholder Relations, Communication and Development Committee encourages communications that provide stockholders with timely information in a cost-effective and user-friendly format. In addition, the Stockholder Relations, Communication and Development Committee advises the board on market trends and competitive analysis. During 2005, the Stockholder Relations, Communication and Development Committee held five meetings.

The Finance and Planning Committee

The members of the Finance and Planning Committee are W. Wayne Woody (Chairman), Charles R. Brown, Richard W. Carpenter, Jack M. Pinkerton and Bud Carter, all of whom are independent directors. The primary function of the Finance and Planning Committee is to review and advise the board of directors on our overall financial performance, which includes issues related to net proceeds raised, fees and expenses, operating earnings, dividends, capital structure and budgetary and reporting processes. The Finance and Planning Committee held five meetings in 2005.

Stockholder Communications with the Board of Directors

We have established several means for stockholders to communicate concerns to the board of directors. If the concern relates to our financial statements, accounting practices or internal controls, stockholders should submit the concern in writing to the Chairman of our Audit Committee in care of our Secretary at our headquarters address. If the concern relates to our governance practices, business ethics or corporate conduct, stockholders should submit the concern in writing to the Chairman of our Nominating and Corporate Governance Committee in care of our Secretary at our headquarters address. If uncertain as to which category a concern relates, a stockholder may communicate the concern to any one of the independent directors in care of our Secretary.

Stockholders may also communicate concerns with our directors at our annual meeting. All of our directors were in attendance at our 2005 annual meeting, and we expect all of the directors to be present at our 2006 annual meeting.

Executive Officers and Directors

We have provided below certain information about our executive officers and directors. All of our directors have terms expiring on the date of the 2006 annual meeting and are being nominated to be re-elected to serve until the 2007 annual meeting and until his successor is elected and qualified.

Name	Position(s)	Age	Year First Became a Director
Leo F. Wells, III	President and Director	62	2003
Douglas P. Williams	Executive Vice President, Secretary, Treasurer and Director	55	2003
Randall D. Fretz	Senior Vice President	53	N/A
Charles R. Brown	Director	67	2003
Richard W. Carpenter	Director	69	2003
Bud Carter	Director	67	2003
Jack M. Pinkerton	Director	78	2003
Donald S. Moss	Director	70	2003
Walter W. Sessoms	Director	72	2003
Neil H. Strickland	Director	70	2003
W. Wayne Woody			