

WELLS REAL ESTATE INVESTMENT TRUST II INC  
Form 8-K  
November 04, 2004

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington D.C., 20549

**Form 8-K**

**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date Of Report (Date Of Earliest Event Reported): 11/01/2004**

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

(Exact Name of Registrant as Specified in its Charter)

**Commission File Number: 333-107066**

**MD**  
(State or Other Jurisdiction Of  
Incorporation or Organization)

**20-0068852**  
(I.R.S. Employer  
Identification No.)

**6200 The Corners Parkway**  
**Norcross, GA 30092-3365**  
(Address of Principal Executive Offices, Including Zip Code)

**770-449-7800**  
(Registrant's Telephone Number, Including Area Code)

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 (see General Instruction A.2. below):

- 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))
- 

Items to be Included in this Report

---

**Item 2.01. Completion of Acquisition or Disposition of Assets**

Acquisition of The Corridors III Building

On November 1, 2004, Wells Real Estate Investment Trust II, Inc. (the "Registrant") purchased a seven-story office building containing approximately 222,000 rentable square feet ("The Corridors III Building"), for a purchase price of approximately \$40.5 million, plus closing costs. The acquisition was funded with net proceeds raised from the

Registrant's ongoing offering of public stock and with proceeds from the Registrant's \$430.0 million line of credit with Bank of America, N.A. The Corridors III Building is located on an approximate 7.3-acre parcel of land at 2650 Warrenville Road in Downers Grove, Illinois. The Corridors III Building was purchased from NBS Corridors III, L.L.C. (the "Seller"), which is not affiliated with the Registrant, its subsidiaries or Wells Capital, Inc. (the "Advisor").

The Corridors III Building, which was completed in 2001, is leased to MAF Bancorp, Inc. ("MAF") (approximately 59%), Toyota Motor Credit Corporation ("Toyota Motor Credit") (approximately 10%), Credit Suisse First Boston Corporation ("CSFB") (approximately 9%) and Metropolitan Life Insurance Company ("MetLife") (approximately 9%) and various other office and retail tenants (approximately 6%). Approximately 7% of The Corridors III Building is currently vacant. Provided the Seller procures a fully executed lease for the vacant space on or before July 31, 2005, the Registrant would owe the Seller additional purchase price based on a pre-determined formula pursuant to the terms of an earnout agreement entered into at closing between the Registrant and the Seller.

MAF, a company whose shares are publicly traded on NASDAQ, is a registered savings and loan holding company that is primarily engaged in the consumer banking business through its wholly owned subsidiary, Mid America Bank. With assets of \$9.4 billion and 67 retail banking offices throughout Chicago and Milwaukee and their surrounding areas, Mid America Bank is the largest independent thrift in Illinois and 8th largest bank in deposit market share in the Chicago area and 6th largest bank in deposit market share in the Milwaukee area. MAF reported a net worth, as of June 30, 2004, of approximately \$906.0 million.

Toyota Motor Credit, the United States financing arm of Toyota Financial Services Corporation, a wholly owned subsidiary of Toyota Motor Corporation, provides retail leasing, retail and wholesale financing and other financial services to Toyota and Lexus dealers, as well as Toyota industrial equipment dealers and their customers. Toyota Motor Credit reported a net worth, as of June 30, 2004, of approximately \$3.7 billion.

CSFB, a business unit of the Zurich-based Credit Suisse Group, is a leading global investment bank serving institutional, corporate, government and individual clients. CSFB's businesses include securities underwriting, sales and trading, investment banking, private equity, financial advisory services, investment research, venture capital, correspondent brokerage services and asset management. CSFB operates in 69 locations in 34 countries across five continents. CSFB reported a net worth, as of June 30, 2004, of approximately \$10.3 billion.

MetLife, through its subsidiaries and affiliates, is a leading provider of insurance and other financial services to individual and institutional customers. The MetLife companies serve individuals in approximately 13 million households in the U.S. and provide benefits to 37 million employees and family members through their plan sponsors. Outside the U.S., the MetLife companies serve approximately eight million customers through direct insurance operations in Argentina, Brazil, Chile, China, Hong Kong, India, Indonesia, Mexico, South Korea, Taiwan and Uruguay. MetLife reported a net worth, as of June 30, 2004, of approximately \$21.3 billion.

The current aggregate annual base rent for MAF, Toyota Motor Credit, CSFB, MetLife and the three additional tenants in The Corridors III Building is approximately \$3.3 million. The current weighted-average remaining lease term for all tenants in The Corridors III Building is approximately nine years. MAF has the right, at its option, to extend the initial term of its lease for three additional five-year periods. Toyota Motor Credit has the right, at its option, to extend the initial term of its lease for two additional three-year periods. CSFB and MetLife have the right, at their option, to extend the initial terms of their leases for one additional five-year period. MAF, Toyota Motor Credit, CSFB and MetLife each have certain rights of first refusal on selected space in The Corridors III Building.

The Registrant does not intend to make significant renovations or improvements to The Corridors III Building in the near term. Management believes that The Corridors III Building is adequately insured.

**Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant**

On November 1, 2004, the Registrant drew down approximately \$23.5 million from its existing \$430.0 million credit facility with Bank of America, N.A. to fund the acquisition of The Corridors III Building. Following this draw, approximately \$329.4 million is currently outstanding under the credit facility. Borrowings under the credit facility bear interest at LIBOR plus 225 basis points or the base rate plus 50 basis points, at the Registrant's option. The base rate for any day is the higher of the Federal Funds Rate for such day plus 50 basis points or Bank of America's prime rate for such day. Under the terms of the credit facility, the Registrant is required to repay outstanding principal and accrued interest by May 10, 2005. During the initial 180-day term, the agreement allows the Registrant to borrow up to 70% of the aggregate cost of the subset of lender-approved properties with an aggregate average occupancy rate of 85% (the "Borrowing Base"). Effective November 11, 2004, the agreement allows the Registrant to borrow up to 60% of the Borrowing Base. Based on the value of the Borrowing Base properties, the Registrant has approximately \$100.6 million in remaining capacity under the \$430.0 million credit facility. The credit facility is secured by mortgages on all lender-approved properties; however, only some of the mortgages are recorded in the property records. In the event the Registrant is in default under the facility, the lender may elect to record all of the mortgages and foreclose.

**Item 9.01. Financial Statements and Exhibits**

(a) Financial Statements. Since it is impracticable to provide the required financial statements for the acquired real property described above at the time of this filing, and no financial statements (audited or unaudited) are available at this time, the Registrant hereby confirms that it intends to file the required financial statements on or before January 15, 2005, by amendment to this Form 8-K.

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

---

**Signature(s)**

Pursuant to the Requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the Undersigned hereunto duly authorized.

Wells Real Estate Investment Trust II, Inc.

Date: November 04, 2004.

By: /s/ Randall D. Fretz

---

Randall D. Fretz  
Senior Vice President

: 4pt">

The Initial Estimated Value of the Notes on the Cover Page of this Pricing Supplement Is an Estimate Only, Calculated as of the Time the Terms of the Notes Were Set — The initial estimated value of the Notes is based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See “Structuring the Notes” below. Our estimate is based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do. The value of the Notes at any time after the Trade Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

Market Disruption Events and Adjustments — The payment at maturity, each Observation Date and the Valuation Date are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see “General Terms of the Notes—Market Disruption Events” in the product prospectus supplement.

Our Business Activities May Create Conflicts of Interest — We and our affiliates expect to engage in trading activities related to the Reference Stocks that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders’ interests in the Notes and the interests we and our affiliates will have in their

P-8 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
Linked to the Lesser Performing of Four  
Equity Securities, Due January 15, 2021  
Royal Bank of Canada

proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the share price of the Reference Stocks, could be adverse to the interests of the holders of the Notes. We and one or more of our affiliates may, at present or in the future, engage in business with the issuers of the Reference Stocks, including making loans to or providing advisory services. These services could include investment banking and merger and acquisition advisory services. These activities may present a conflict between our or one or more of our affiliates' obligations and your interests as a holder of the Notes. Moreover, we and our affiliates may have published, and in the future expect to publish, research reports with respect to the Reference Stocks. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities by us or one or more of our affiliates may affect the share price of the Reference Stocks, and, therefore, the market value of the Notes.

**Owning the Notes Is Not the Same as Owning the Reference Stocks** — The return on your Notes is unlikely to reflect the return you would realize if you actually owned shares of the Reference Stocks. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on these securities during the term of your Notes. As an owner of the Notes, you will not have voting rights or any other rights that holders of these securities may have. Furthermore, the Reference Stocks may appreciate substantially during the term of the Notes, while your potential return will be limited to the applicable Contingent Coupon payments.

**You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Reference Stocks** — In the ordinary course of their business, our affiliates may have expressed views on expected movements in the Reference Stocks, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who transact business in markets relating to any Reference Stock may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning the Reference Stocks from multiple sources, and you should not rely solely on views expressed by our affiliates.

**There Is No Affiliation Between the Issuers of the Reference Stocks and RBCCM, and RBCCM Is Not Responsible for any Disclosure by the Issuer of the Reference Stock** — We are not affiliated with Amazon.com, Inc., Facebook, Inc., Alphabet Inc. or Netflix Inc. (each, a "Reference Stock Issuer"). However, we and our affiliates may currently, or from time to time in the future engage, in business with any Reference Stock Issuer. Nevertheless, neither we nor our affiliates assume any responsibilities for the accuracy or the completeness of any information that any other company prepares. You, as an investor in the Notes, should make your own investigation into the Reference Stocks.

P-9 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
Linked to the Lesser Performing of Four  
Equity Securities, Due January 15, 2021  
Royal Bank of Canada

#### INFORMATION REGARDING THE REFERENCE STOCK ISSUERS

The Reference Stocks are registered under the Securities Exchange Act of 1934 (the “Exchange Act”). Companies with securities registered under that Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC or through the SEC’s website at [www.sec.gov](http://www.sec.gov). In addition, information regarding the Reference Stocks may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents.

The following information regarding the issuers of the Reference Stocks is derived from publicly available information.

We have not independently verified the accuracy or completeness of reports filed by the issuers of the Reference Stocks with the SEC, information published by it on its website or in any other format, information about it obtained from any other source or the information provided below.

We obtained the information regarding the historical performance of the Reference Stocks set forth below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of the Reference Stocks should not be taken as an indication of their future performance, and no assurance can be given as to the market prices of any Reference Stock at any time during the term of the Notes. We cannot give you assurance that the performance of any Reference Stock will not result in the loss of all or part of your investment.

Amazon.com, Inc. (“AMZN”)

Amazon.com, Inc. is an online retailer that offers a wide range of products, including: books, music, videotapes, computers, electronics, home and garden, and numerous other products. The company offers personalized shopping services, web-based credit card payment, and direct shipping to customers.

The company’s common stock is listed on the Nasdaq Global Select Market under the ticker symbol “AMZN.”

Facebook, Inc. (“FB”)

Facebook, Inc. operates a social networking website. The company's website allows people to communicate with their family, friends, and co-workers. The company develops technologies that facilitate the sharing of information, photographs, website links, and videos.

The company’s Class A common stock is listed on the Nasdaq Global Select Market under the ticker symbol “FB.”

Alphabet Inc. (“GOOGL”)

Alphabet, Inc. operates as a holding company and is the parent company of Google Inc. (“Google”), The company, through its subsidiaries, provides web-based search, advertisements, maps, software applications, mobile operating systems, consumer content, enterprise solutions, commerce, and hardware products.

The company’s Class A common stock is listed on the Nasdaq Global Select Market under the ticker symbol “GOOGL.”

Netflix Inc. (“NFLX”)

Netflix Inc. is an online movie rental service. The company ships DVDs with no due dates or late fees, directly to the subscriber's address. Netflix also provides background information on DVD releases, including critic reviews, member reviews and ratings, and personalized movie recommendations.

The company’s common stock is listed on the Nasdaq Global Select Market under the ticker symbol “NFLX.”

P-10 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
Linked to the Lesser Performing of Four  
Equity Securities, Due January 15, 2021  
Royal Bank of Canada

#### HISTORICAL INFORMATION

The graphs below set forth the information relating to the historical performance of the Reference Stocks. In addition, below the graphs are tables setting forth the intra-day high, intra-day low and period-end closing prices of the Reference Stocks. The information provided in these tables is for the four calendar quarters of 2013, 2014, 2015, 2016, and 2017 and the period from January 1, 2018 through January 12, 2018.

We obtained the information regarding the historical performance of the Reference Stocks in the graphs and tables below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of any Reference Stock should not be taken as an indication of its future performance, and no assurance can be given as to the prices of the Reference Stocks at any time. We cannot give you assurance that the performance of the Reference Stocks will not result in the loss of all or part of your investment.

P-11 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
 Linked to the Lesser Performing of Four  
 Equity Securities, Due January 15, 2021  
 Royal Bank of Canada

#### Historical Information for Amazon.com, Inc. ("AMZN")

Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2013 through January 12, 2018.

Period-Start Date	Period-End Date	High Intra-Day Price of this Reference Stock (\$)	Low Intra-Day Price of this Reference Stock (\$)	Period-End Closing Price of this Reference Stock (\$)
1/1/2013	3/31/2013	284.68	252.07	266.49
4/1/2013	6/30/2013	283.31	245.78	277.69
7/1/2013	9/30/2013	320.50	277.18	312.64
10/1/2013	12/31/2013	405.50	296.56	398.79
1/1/2014	3/31/2014	408.06	330.89	336.52
4/1/2014	6/30/2014	348.17	284.38	324.78
7/1/2014	9/30/2014	364.84	304.60	322.44
10/1/2014	12/31/2014	341.15	284.00	310.35
1/1/2015	3/31/2015	389.37	285.26	372.10
4/1/2015	6/30/2015	452.64	368.34	434.09
7/1/2015	9/30/2015	580.57	425.68	511.89
10/1/2015	12/31/2015	696.38	506.14	675.89
1/1/2016	3/31/2016	657.09	474.02	593.64
4/1/2016	6/30/2016	731.41	585.25	715.62
7/1/2016	9/30/2016	839.95	716.59	837.31
10/1/2016	12/31/2016	847.06	710.25	749.87
1/1/2017	3/31/2017	890.22	747.76	886.54
4/1/2017	6/30/2017	1,016.50	884.59	968.00
7/1/2017	9/30/2017	1,083.15	931.75	961.35
10/1/2017	12/31/2017	1,213.38	950.50	1,169.47
1/1/2018	1/12/2018	1,305.76	1,170.51	1,305.20

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The graph below illustrates the performance of this Reference Stock from January 1, 2013 to January 12, 2018, reflecting its Initial Stock Price of \$1,305.20. The red line represents its Coupon Barrier and Trigger Price of \$652.60, which is equal to 50.00% of its Initial Stock Price.

P-12 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
 Linked to the Lesser Performing of Four  
 Equity Securities, Due January 15, 2021  
 Royal Bank of Canada

#### Historical Information for Facebook, Inc. ("FB")

Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2013 through January 12, 2018.

Period-Start Date	Period-End Date	High Intra-Day Price of this Reference Stock (\$)	Low Intra-Day Price of this Reference Stock (\$)	Period-End Closing Price of this Reference Stock (\$)
1/1/2013	3/31/2013	32.50	24.73	25.58
4/1/2013	6/30/2013	29.07	22.67	24.86
7/1/2013	9/30/2013	51.59	24.15	50.24
10/1/2013	12/31/2013	58.57	43.56	54.66
1/1/2014	3/31/2014	72.58	51.85	60.24
4/1/2014	6/30/2014	67.99	54.67	67.29
7/1/2014	9/30/2014	79.69	62.22	79.04
10/1/2014	12/31/2014	82.16	70.32	78.02
1/1/2015	3/31/2015	86.06	73.45	82.22
4/1/2015	6/30/2015	89.40	76.79	85.77
7/1/2015	9/30/2015	99.24	72.00	89.90
10/1/2015	12/31/2015	110.64	88.36	104.66
1/1/2016	3/31/2016	117.59	89.38	114.10
4/1/2016	6/30/2016	121.07	106.32	114.28
7/1/2016	9/30/2016	131.97	112.97	128.27
10/1/2016	12/31/2016	133.50	113.56	115.05
1/1/2017	3/31/2017	142.94	115.51	142.05
4/1/2017	6/30/2017	156.50	138.82	150.98
7/1/2017	9/30/2017	175.45	147.80	170.87
10/1/2017	12/31/2017	184.23	168.30	176.46
1/1/2018	1/12/2018	188.90	177.40	179.37

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The graph below illustrates the performance of this Reference Stock from January 1, 2013 to January 12, 2018, reflecting its Initial Stock Price of \$179.37. The red line represents its Coupon Barrier and Trigger Price of \$89.69, which is equal to 50.00% of its Initial Stock Price, rounded to two decimal places.

P-13 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
 Linked to the Lesser Performing of Four  
 Equity Securities, Due January 15, 2021  
 Royal Bank of Canada

#### Historical Information for Alphabet Inc. (“GOOGL”)

Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2013 through January 12, 2018. Prior to the completion of the issuer’s formation and subsequent stock split in April 2014, information below represents Google’s Class A common stock which traded under on the Nasdaq Global Market under the symbol “GOOGL.”

Period-Start Date	Period-End Date	High Intra-Day Price of this Reference Stock (\$)	Low Intra-Day Price of this Reference Stock (\$)	Period-End Closing Price of this Reference Stock (\$)
1/1/2013	3/31/2013	422.41	348.10	397.40
4/1/2013	6/30/2013	460.70	381.04	440.61
7/1/2013	9/30/2013	464.45	423.19	438.38
10/1/2013	12/31/2013	561.04	421.90	560.90
1/1/2014	3/31/2014	615.04	542.03	557.80
4/1/2014	6/30/2014	589.60	511.04	584.67
7/1/2014	9/30/2014	608.85	567.60	588.41
10/1/2014	12/31/2014	592.40	497.22	530.66
1/1/2015	3/31/2015	583.12	491.00	554.70
4/1/2015	6/30/2015	584.60	529.01	540.04
7/1/2015	9/30/2015	713.30	539.80	638.37
10/1/2015	12/31/2015	798.69	631.24	778.01
1/1/2016	3/31/2016	810.21	682.20	762.90
4/1/2016	6/30/2016	790.95	672.71	703.53
7/1/2016	9/30/2016	818.97	699.00	804.06
10/1/2016	12/31/2016	839.00	744.03	792.45
1/1/2017	3/31/2017	874.35	796.89	847.80
4/1/2017	6/30/2017	1,008.46	834.78	929.68
7/1/2017	9/30/2017	1,006.05	915.52	973.72
10/1/2017	12/31/2017	1,086.32	962.11	1,053.40
1/1/2018	1/12/2018	1,131.30	1,053.02	1,130.65

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The graph below illustrates the performance of this Reference Stock from January 1, 2013 to January 12, 2018, reflecting its Initial Stock Price of \$1,130.65. The red line represents its Coupon Barrier and Trigger Price of \$565.33 which is equal to 50.00% of its Initial Stock Price, rounded to two decimal places.

P-14 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
 Linked to the Lesser Performing of Four  
 Equity Securities, Due January 15, 2021  
 Royal Bank of Canada

#### Historical Information for Netflix Inc. (“NFLX”)

Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2013 through January 12, 2018.

Period-Start Date	Period-End Date	High Intra-Day Price of this Reference Stock (\$)	Low Intra-Day Price of this Reference Stock (\$)	Period-End Closing Price of this Reference Stock (\$)
1/1/2013	3/31/2013	28.23	12.96	27.06
4/1/2013	6/30/2013	35.55	22.72	30.16
7/1/2013	9/30/2013	45.71	30.30	44.17
10/1/2013	12/31/2013	55.59	40.42	52.60
1/1/2014	3/31/2014	65.43	45.58	50.29
4/1/2014	6/30/2014	64.40	42.79	62.94
7/1/2014	9/30/2014	69.89	58.94	64.45
10/1/2014	12/31/2014	66.83	45.10	48.80
1/1/2015	3/31/2015	69.50	45.27	59.53
4/1/2015	6/30/2015	100.88	58.47	93.85
7/1/2015	9/30/2015	129.28	85.50	103.26
10/1/2015	12/31/2015	133.26	96.26	114.38
1/1/2016	3/31/2016	122.17	80.07	102.23
4/1/2016	6/30/2016	111.84	84.81	91.48
7/1/2016	9/30/2016	101.27	84.50	98.55
10/1/2016	12/31/2016	129.29	97.63	123.80
1/1/2017	3/31/2017	148.27	124.37	147.81
4/1/2017	6/30/2017	166.80	138.67	149.41
7/1/2017	9/30/2017	190.25	144.25	181.35
10/1/2017	12/31/2017	204.38	176.58	191.96
1/1/2018	1/12/2018	222.55	195.42	221.23

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

The graph below illustrates the performance of this Reference Stock from January 1, 2013 to January 12, 2018, reflecting its Initial Stock Price of \$221.23. The red line represents its Coupon Barrier and Trigger Price of \$110.62, which is equal to 50.00% of its Initial Stock Price, rounded to two decimal places.

P-15 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
Linked to the Lesser Performing of Four  
Equity Securities, Due January 15, 2021  
Royal Bank of Canada

#### SUPPLEMENTAL DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 8, 2016 under “Supplemental Discussion of U.S. Federal Income Tax Consequences.”

Under Section 871(m) of the Code, a “dividend equivalent” payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Stocks or the Notes, and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Stocks or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

#### SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Delivery of the Notes will be made against payment for the Notes on January 18, 2018, which is the third (3rd) business day following the Trade Date (this settlement cycle being referred to as “T+3”). See “Plan of Distribution” in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section “Plan of Distribution—Conflicts of Interest” in the prospectus dated January 8, 2016.

In the initial offering of the Notes, they were offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

We will deliver the Notes on a date that is greater than two business days following the trade date. Under Rule 15c6-1 of the

Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The value of the Notes shown on your account statement may be based on RBCCM’s estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately three months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM’s estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account

statement during that period may initially be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this pricing supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this pricing supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this pricing supplement is being used in a market-making transaction.

No Prospectus (as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive")) will be prepared in connection with the Notes. Accordingly, the Notes may not be offered to the public in any member state of the European Economic Area (the "EEA"), and any purchaser of the Notes who subsequently sells any of the Notes in any EEA member state must do so only in accordance with the requirements of the Prospectus Directive, as implemented in that member state.

P-16 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
Linked to the Lesser Performing of Four  
Equity Securities, Due January 15, 2021  
Royal Bank of Canada

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, and a “retail investor” means a person who is one (or more) of: (a) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (b) a customer, within the meaning of Insurance Distribution Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared, and therefore, offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Stocks. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that reduced the initial estimated value of the Notes at the time their terms were set. Unlike the estimated value included in this pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Stocks, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduced the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors resulted in the initial estimated value for the Notes on the Trade Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Is Less than the Price to the Public” above.

P-17 RBC Capital Markets, LLC

---

Auto-Callable Contingent Coupon Barrier Notes  
Linked to the Lesser Performing of Four  
Equity Securities, Due January 15, 2021  
Royal Bank of Canada

#### VALIDITY OF THE NOTES

In the opinion of Norton Rose Fulbright Canada LLP, the issue and sale of the Notes has been duly authorized by all necessary corporate action of the Bank in conformity with the Indenture, and when the Notes have been duly executed, authenticated and issued in accordance with the Indenture and delivered against payment therefor, the Notes will be validly issued and, to the extent validity of the Notes is a matter governed by the laws of the Province of Ontario or Québec, or the laws of Canada applicable therein, and will be valid obligations of the Bank, subject to equitable remedies which may only be granted at the discretion of a court of competent authority, subject to applicable bankruptcy, to rights to indemnity and contribution under the Notes or the Indenture which may be limited by applicable law; to insolvency and other laws of general application affecting creditors' rights, to limitations under applicable limitations statutes, and to limitations as to the currency in which judgments in Canada may be rendered, as prescribed by the Currency Act (Canada). This opinion is given as of the date hereof and is limited to the laws of the Provinces of Ontario and Québec and the federal laws of Canada applicable thereto. In addition, this opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated January 8, 2016, which has been filed as Exhibit 5.1 to Royal Bank's Form 6-K filed with the SEC dated January 8, 2016.

In the opinion of Morrison & Foerster LLP, when the Notes have been duly completed in accordance with the Indenture and issued and sold as contemplated by the prospectus supplement and the prospectus, the Notes will be valid, binding and enforceable obligations of Royal Bank, entitled to the benefits of the Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith). This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and to such counsel's reliance on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated January 8, 2016, which has been filed as Exhibit 5.2 to the Bank's Form 6-K dated January 8, 2016.

P-18 RBC Capital Markets, LLC

---