

Cole Credit Property Trust II Inc  
Form 10-Q  
May 12, 2006

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2006

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 333-121094 (1933 Act)

**COLE CREDIT PROPERTY TRUST II, INC.**

*(Exact name of registrant as specified in its charter)*

**Maryland**  
*(State or other jurisdiction of  
incorporation or organization)*

**2555 East Camelback Road, Suite 400  
Phoenix, Arizona 85016**  
*(Address of principal executive offices)*

**20-1676382**  
*(I.R.S. Employer*

*Identification No.)*

**(602) 778-8700**  
*(Registrant's telephone number,  
including area code)*

**Not Applicable**

*(Former name, former address and former fiscal year, if changed since last report)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of May 10, 2006, there were 8,451,568 shares of common stock, par value \$0.01, of Cole Credit Property Trust II, Inc. outstanding.

**COLE CREDIT PROPERTY TRUST II, INC.**

**INDEX**

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Condensed Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005 (Unaudited) 4

Condensed Consolidated Statements of Operations for the three months ended March 31, 2006 and March 31, 2005 (Unaudited) 5

Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2006 and for the year ended December 31, 2005 (Unaudited) 6

Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2006 and March 31, 2005 (Unaudited) 7

Notes to Condensed Consolidated Financial Statements (Unaudited) 8

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** 14

**Item 3. Quantitative and Qualitative Disclosures About Market Risk** 19

**Item 4. Controls and Procedures** 20

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings** 21

**Item 1A. Risk Factors** 21

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds** 21

**Item 3. Defaults Upon Senior Securities** 21

**Item 4. Submission of Matters to a Vote of Security Holders** 21

**Item 5. Other Information** 21

**Item 6. Exhibits** 21

**Signatures** 22



**PART I**

**FINANCIAL INFORMATION**

The accompanying unaudited condensed interim financial statements as of and for the fiscal quarter ended March 31, 2006 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the audited financial statements and related notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2005. The financial statements herein should also be read in conjunction with the notes to the financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the operating results expected for the full year. The information furnished in our accompanying condensed consolidated balance sheets and condensed consolidated statements of operations, stockholders' equity, and cash flows reflects all adjustments that are, in our opinion, necessary for a fair presentation of the aforementioned financial statements.

**COLE CREDIT PROPERTY TRUST II, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
<b>Assets:</b>		
Real estate assets, at cost:		
Land	\$ 42,040,613	\$ 23,854,308
Buildings and improvements, less accumulated depreciation of \$730,609 and \$151,472 at March 31, 2006 and December 31, 2005, respectively	104,950,394	57,338,359
Acquired intangible lease assets, less accumulated amortization of \$337,035 and \$71,881 at March 31, 2006 and December 31, 2005, respectively	22,039,074	10,425,618
Total real estate assets	169,030,081	91,618,285
Cash and cash equivalents	5,094,383	4,575,144
Restricted cash	3,995,986	1,813,804
Rents and tenant receivables	341,075	36,001
Prepaid expenses and other assets	149,166	11,928
Deferred financing costs, less accumulated amortization of \$91,334 and \$17,964 at March 31, 2006 and December 31, 2005, respectively	1,380,073	754,676
Total assets	\$ 179,990,764	\$ 98,809,838
<b>Liabilities and Stockholders' Equity:</b>		
Mortgage notes payable	\$ 107,114,415	\$ 66,804,041
Notes payable to affiliates	11,418,400	4,453,000
Accounts payable and accrued expenses	686,773	282,797
Escrowed investor proceeds	3,995,986	1,813,804
Due to affiliates	36,199	41,384
Acquired below market lease intangibles, less accumulated amortization of \$5,053 and \$52 at March 31, 2006 and December 31, 2005, respectively	686,629	14,637
Distributions payable	621,070	195,209
Total liabilities	124,559,472	73,604,872
<b>Redeemable Common Stock</b>	<b>78,966</b>	
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding at March 31, 2006 and December 31, 2005		
Common stock, \$.01 par value; 90,000,000 shares authorized, 6,276,587 and 2,832,387 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	62,766	28,324
Capital in excess of par value	56,403,018	25,486,442
Accumulated distributions in excess of earnings	(1,113,458)	(309,800)
Total stockholders' equity	55,352,326	25,204,966
Total liabilities and stockholders' equity	\$ 179,990,764	\$ 98,809,838

The accompanying notes are an integral part of these condensed consolidated financial statements.



**COLE CREDIT PROPERTY TRUST II, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

	<b>Three Months</b>	<b>Three Months</b>
	<b>Ended</b>	<b>Ended</b>
	<b>March 31, 2006</b>	<b>March 31, 2005</b>
<b>Revenues:</b>		<b>(Development Stage)</b>
Rental and other income		