

Cole Credit Property Trust II Inc
Form 10-Q
November 14, 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 September 30, 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 000-51963

COLE CREDIT PROPERTY TRUST II, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of

20-1676382
(I.R.S. Employer

Edgar Filing: Cole Credit Property Trust II Inc - Form 10-Q

incorporation or organization)

Identification No.)

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

(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 November 10, 2006, there were 23,439,594 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 September 30, 2006 and December 31, 2005 (Unaudited) 4

Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2006 and 2005 (Unaudited) 5

Condensed Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2006
(Unaudited) 6

Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 and 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 17

Item 3. Quantitative and Qualitative Disclosures About Market Risk 23

Item 4. Controls and Procedures 24

PART II OTHER INFORMATION

Item 1. Legal Proceedings 25

Item 1A. Risk Factors 25

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 25

Item 3. Defaults Upon Senior Securities 25

Item 4. Submission of Matters to a Vote of Security Holders 25

Item 5. Other Information 25

Item 6. Exhibits 25

Signatures 26

PART I

FINANCIAL INFORMATION

The accompanying unaudited condensed interim financial statements as of and for the three months and nine months ended September 30, 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 and nine months ended September 30, 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)

	September 30, 2006	December 31, 2005
Assets:		
Real estate assets, at cost:		
Land	\$82,839,737	\$23,854,308
Buildings and improvements, less accumulated depreciation of \$2,803,332 and \$151,472, at September 30, 2006 and December 31, 2005, respectively	201,752,737	57,338,359
Acquired intangible lease assets, less accumulated amortization of \$1,377,600 and \$71,881 at September 30, 2006 and December 31, 2005, respectively	38,060,639	10,425,618
Total real estate assets	322,653,113	91,618,285
Cash and cash equivalents	9,214,421	4,575,144
Restricted cash	6,208,342	1,813,804
Rents and tenant receivables	1,125,088	36,001
Prepaid expenses and other assets	1,847,092	11,928
Deferred financing costs, less accumulated amortization of \$361,029 and \$17,964 at September 30, 2006 and December 31, 2005, respectively	2,897,108	754,676
Total assets	\$343,945,164	\$98,809,838
Liabilities and Stockholders' Equity:		
Mortgage notes payable	\$167,242,838	\$66,804,041
Notes payable to affiliates		4,453,000
Accounts payable and accrued expenses	1,261,762	282,797
Escrowed investor proceeds	6,208,342	1,813,804
Due to affiliates	70,635	41,384
Acquired below market lease intangibles, less accumulated amortization of \$46,357 and \$52 at September 30, 2006 and December 31, 2005, respectively	1,954,993	14,637
Distributions payable	940,028	195,209
Total liabilities	177,678,598	73,604,872
Redeemable Common Stock	1,811,467	
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding at September 30, 2006 and December 31, 2005		
Common stock, \$.01 par value; 90,000,000 shares authorized, 18,963,568 and 2,832,387 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	189,636	28,324
Capital i		