

Cole Credit Property Trust II Inc  
Form 10-Q  
August 14, 2007

**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 June 30, 2007

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)*

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**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 August 10, 2007, there were 67,488,628 shares of common stock, par value \$0.01, of Cole Credit Property Trust II, Inc. outstanding.

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

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**PART I**

**FINANCIAL INFORMATION**

The accompanying unaudited condensed consolidated interim financial statements as of and for the three months and six months ended June 30, 2007 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, 2006. 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 six months ended June 30, 2007 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)

	June 30, 2007	December 31, 2006
<b>ASSETS:</b>		
Real estate assets, at cost:		
Land	\$255,758,395	\$ 109,506,269
Buildings and improvements, less accumulated depreciation of \$11,947,392 and \$4,547,932, at June 30, 2007 and December 31, 2006, respectively	689,071,461	282,468,749
Real estate assets under direct financing leases, net of unearned income	18,073,546	
Acquired intangible lease assets, less accumulated amortization of \$5,788,065 and \$2,251,172 at June 30, 2007 and December 31, 2006, respectively	118,325,120	54,569,023
Total real estate assets	1,081,228,522	446,544,041
Cash and cash equivalents	78,018,587	37,566,490
Restricted cash	11,228,059	5,839,733
Rents and tenant receivables, less allowance for doubtful accounts of \$284,149 and \$75,000 at June 30, 2007 and December 31, 2006, respectively	4,762,857	2,432,536
Prepaid expenses, mortgage loan deposits and other assets	9,320,284	4,248,973
Deferred financing costs, less accumulated amortization of \$1,045,332 and \$565,946		
at June 30, 2007 and December 31, 2006, respectively	12,420,543	3,789,019
Total assets	\$ 1,196,978,852	\$ 500,420,792
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
Mortgage notes payable	\$640,739,229	\$218,265,916
Accounts payable and accrued expenses	4,833,754	2,016,343
Escrowed investor proceeds	11,184,056	5,710,730
Acquired below market lease intangibles, less accumulated amortization of \$488,611 and \$96,484 at June 30, 2007 and December 31, 2006, respectively	18,783,867	2,649,374
Distributions payable	3,064,593	1,612,094
Deferred rent and other liabilities	1,695,548	408,582
Total liabilities	680,301,047	230,663,039
Redeemable Common Stock	9,868,517	3,521,256
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding at June 30, 2007 and December 31, 2006		
Common stock, \$.01 par value; 390,000,000 and 240,000,000 shares authorized, 59,633,576 and 30,691,204 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	596,335	306,912
Capital in excess of par value	529,740,326	273,385,603
Accumulated distributions in excess of earnings	(23,527,373 )	(7,456,018 )
Total stockholders equity	506,809,288	266,236,497
Total liabilities and stockholders equity	\$ 1,196,978,852	\$ 500,420,792

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



## COLE CREDIT PROPERTY TRUST II, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
<b>Revenues:</b>				
Rental and other income	\$ 17,676,490	\$ 3,544,321	\$ 29,453,248	\$ 5,992,573
Tenant reimbursement income	1,140,519	171,172	1,961,112	294,706
Earned income from direct financing leases	4,375		4,375	
Total revenue	18,821,384	3,715,493	31,418,735	6,287,279
<b>Expenses:</b>				
General and administrative	505,790	330,283	819,859	540,856
Property operating expenses	1,412,824	154,259	2,442,395	294,424
Property and asset management fees	824,733	175,514	1,364,409	301,368
Depreciation	4,488,351	866,577	7,459,585	1,445,573
Amortization	2,121,238	409,048	3,421,269	662,547
Impairment of real estate assets	5,400,000		5,400,000	
Total operating expenses	14,752,936	1,935,681	20,907,517	3,244,768
<b>Real estate operating income</b>	<b>4,068,448</b>	<b>1,779,812</b>	<b>10,511,218</b>	<b>3,042,511</b>
<b>Other income (expense):</b>				
Interest income	586,413	42,209	937,685	87,764
Interest expense	(8,021,640)	) (2,003,868)	) (13,130,955)	) (3,494,710)
Total other expense	(7,435,227)	) (1,961,659)	) (12,193,270)	) (3,406,946)
<b>Net loss</b>	<b>\$ (3,366,779)</b>	<b>) \$ (181,847)</b>	<b>) \$ (1,682,052)</b>	<b>) \$ (364,435)</b>
<b>Weighted average number of common shares outstanding:</b>				
Basic and diluted	52,368,519	8,802,483	44,616,014	6,587,125
<b>Net loss per common share:</b>				
Basic and diluted	\$ (0.06)	) \$ (0.02)	) \$ (0.04)	) \$ (0.06)

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

## COLE CREDIT PROPERTY TRUST II, INC.

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(Unaudited)

	Common Stock		Capital in	Accumulated	Total
	Number of	Par Value	Excess of Par	Distributions in	Stockholders
	Shares		Value	Excess of	Equity
				Earnings	
<b>Balance, December 31, 2006</b>	30,691,204	\$ 306,912	\$ 273,385,603	\$ (7,456,018 )	\$ 266,236,497
Issuance of common stock	28,997,133	289,971	289,189,375		289,479,346
Distributions				(14,389,303 )	(14,389,303 )
Commissions on stock sales and related dealer manager fees			(23,959,745 )		(23,959,745 )
Other offering costs			(2,028,594 )		(2,028,594 )
Common stock repurchased	(54,761 )	(548 )	(521,082 )		(521,630 )
Stock compensation expense			22,030		22,030
Redeemable common stock			(6,347,261 )		(6,347,261 )
Net loss				(1,682,052 )	(1,682,052 )
<b>Balance, June 30, 2007</b>	59,633,576	\$ 596,335	\$ 529,740,326	\$ (23,527,373 )	\$ 506,809,288

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



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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

	<b>Six months ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$(1,682,052 )	\$ (364,435 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	7,459,585	1,445,573
Amortization	3,875,327	854,994
Stock compensation expense	22,030	26,183
Impairment of real estate assets		