

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)**

	March 31, 2006	December 31, 2005
Assets:		
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
Liabilities and Stockholders' Equity:		
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
Redeemable Common Stock	78,966	
Stockholders' Equity:		
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)

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