

Cole Credit Property Trust II Inc  
Form 8-K/A  
March 23, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K/A**

**AMENDMENT NO. 1**

**CURRENT REPORT**

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

**Date of Report (Date of earliest event reported): March 2, 2006**

**Cole Credit Property Trust II, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

**333-121094 (1933 Act)**

(Commission File Number)

**20-1676382**

(I.R.S. Employer

Identification No.)

**2555 East Camelback Road, Suite 400, Phoenix, Arizona 85016**

(Address of principal executive offices)

(Zip Code)

**(602) 778-8700**

(Registrant's telephone number, including area code)

**None**

(Former name or former address, if changed since last report)

## Edgar Filing: Cole Credit Property Trust II Inc - Form 8-K/A

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:

- 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))
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Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Cole Credit Property Trust II, Inc. (which may be referred to as the Registrant, the Company, we, our, and us ) hereby amends the following Current Report on Form 8-K to provide the required financial information:

- (i) Current Report on Form 8-K filed on March 7, 2006 to provide the required financial information relating to our acquisition of a multi-tenant retail building located in Spring, Texas (the MT Spring Property ), as described in such Current Report

After reasonable inquiry, we are not aware of any material factors relating to the property discussed above that would cause the reported financial information relating to it not to be necessarily indicative of future operating results.

### **Item 9.01. Financial Statements and Exhibits.**

- (a) Financial Statements of Businesses Acquired.

Independent Auditors Report.

Statement of Revenues and Certain Operating Expenses for the Year Ended December 31, 2005.

Notes to the Statement of Revenues and Certain Operating Expenses.

- (b) Pro Forma Financial Information.

Pro Forma Consolidated Balance Sheet as of December 31, 2005 (Unaudited).

Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2005 (Unaudited).

Notes to Pro Forma Consolidated Financial Statements (Unaudited).

- (c) Shell Company Transactions.

None.

(d) Exhibits.

None.

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**Independent Auditors Report**

To the Board of Directors and Stockholders of

Cole Credit Property Trust II, Inc.

Phoenix, AZ

We have audited the accompanying statement of revenues and certain operating expenses (the Historical Summary ) of the MT Spring Property (the Property ) for the year ended December 31, 2005. This Historical Summary is the responsibility of Cole Credit Property Trust II, Inc. management. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the Form 8-K/A of Cole Credit Property Trust II, Inc) as described in Note 1 to the Historical Summary and is not intended to be a complete presentation of the Property s revenues and expenses.

In our opinion, such Historical Summary presents fairly, in all material respects, the revenue and certain operating expenses described in Note 1 to the Historical Summary of the MT Spring Property for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Phoenix, Arizona

March 23, 2006



**MT Spring Property**  
**Statement of Revenues and Certain Operating Expenses**  
**For the Year Ended December 31, 2005**

**Revenues:**

Rental revenue	\$715,925
Tenant reimbursement income	177,304
Total revenues	893,229

**Certain Operating Expenses:**

Repairs and maintenance expense	22,430
Utilities Expense	17,603
General and administrative expenses	18,979
Real estate taxes	121,972
Total certain operating expenses	180,984

**Revenues in excess of certain operating expenses** \$712,245

See accompanying notes to statement of revenues and certain operating expenses.

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**MT Spring Property**

**Notes to the Statement of Revenues and Certain Operating Expenses**

**For the Year Ended December 31, 2005**

**1. Basis of Presentation**

On March 2, 2006, Cole Credit Property Trust II, Inc. (the Company) acquired a single story multi-tenant retail center containing approximately 80,000 square feet of rentable space located on an approximately 5.6 acre site in Spring, Texas (the MT Spring Property). The MT Spring Property is 100% leased to five tenants, including Academy Corp (Academy), CB Jackson Co, d/b/a Specs Liquor (Specs), Hi-Lo Auto Supply, LP (Hi-Lo), Sherwin-Williams Company (Sherwin-Williams), and Jack in the Box Eastern Division, LP (Jack in the Box), pursuant to separate net leases.

The statement of revenues and certain operating expenses (the Historical Summary) has been prepared for the purpose of complying with the provisions of Article 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission (the SEC), which requires certain information with respect to real estate operations to be included with certain filings with the SEC. This Historical Summary includes the historical revenues and certain operating expenses of MT Spring Property, exclusive of items which may not be comparable to the proposed future operations of the MT Spring Property. Material amounts that would not be directly attributable to future operating results of the MT Spring Property are excluded, and the historical summary is not intended to be a complete presentation of the MT Spring Property's revenues and expenses. Items excluded consist of depreciation and interest expense.

**2. Significant Accounting Policies**

***Revenue Recognition***

All leases are accounted for as operating leases and minimum rental income is recognized on a straight-line basis over the remaining term of the respective leases. Contingent rental income, such as percentage rents, is deferred until the specific target which triggers the contingent rental income is achieved. Tenant reimbursements for certain operating expenses are recognized in the period the expense is incurred.

***Repairs and Maintenance***

Expenditures for repairs and maintenance are expensed as incurred.

***Use of Estimates***



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The preparation of historical summaries in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of revenues and certain operating expenses during the reporting period. Actual results could differ from those estimates.

### 3. Leases

The aggregate annual minimum future rental payments on the non-cancelable operating leases in effect as of December 31, 2005 are as follows:

<b>Year ending December 31:</b>	
2006	\$ 696,745
2007	708,459
2008	674,799
2009	536,239
2010	546,760
Thereafter	6,575,525
Total	\$ 9,738,527

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The minimum future rental income represents the base rent required to be paid under the terms of the leases exclusive of charges for contingent rents and operating cost reimbursements.

#### 4. Tenant Concentration

For the year ended December 31, 2005, the following tenants accounted for 10% or more of the annual rental income for the MT Spring Property:

Tenant Name	Aggregate Annual Rental Income	% Aggregate Annual Rental Income	%
Academy	\$386,250	54	%
Spec s	115,996	16	%
Jack in the Box	75,280	11	%
Sherwin Williams	79,231	11	%

If these tenants were to default on their leases, future revenue of the MT Spring Property would be materially and adversely impacted.

#### 5. Commitments and Contingencies

##### *Litigation*

The MT Spring Property may be subject to legal claims in the ordinary course of business as a property owner. The Company believes that the ultimate settlement of any potential claims will not have a material impact on the MT Spring Property's results of operations.

##### *Environmental Matters*

In connection with the ownership and operation of real estate, the MT Spring Property may be potentially liable for costs and damages related to environmental matters. The MT Spring Property has not been notified by any governmental authority of any non-compliance, liability or other claim, and the Company is not aware of any other environmental condition that it believes will have a material adverse effect on the MT Spring Property's results of operations.



**Cole Credit Property Trust II, Inc.****Pro Forma Consolidated Balance Sheet****As of December 31, 2005****(Unaudited)**

The following unaudited Pro Forma Consolidated Balance Sheet is presented as if the Company had acquired the MT Spring Property and the prior acquisitions on December 31, 2005. Pursuant to a Registration Statement on Form S-11 under the Securities Act of 1933, as amended, the Company is offering for sale to the public on a best efforts basis a minimum of 250,000 and a maximum of 45,000,000 shares of its common stock at a price of \$10 per share, subject to volume and other discounts, (the Offering). On September 23, 2005, the Company issued the initial shares under the Offering and commenced its principal operations. Prior to such date, the Company was considered a development stage company and did not have any operations.

This Pro Forma Consolidated Balance Sheet should be read in conjunction with the historical financial statements and notes thereto as filed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. The Pro Forma Consolidated Balance Sheet is unaudited and is not necessarily indicative of what the actual financial position would have been had the Company completed the above transaction on December 31, 2005, nor does it purport to represent its future financial position.

	<b>December 31, 2005</b>	<b>Total</b>	<b>Current</b>	
	<b>As Reported</b>	<b>Prior Acquisitions</b>	<b>Acquisition</b>	
	<b>(a)</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma December 31, 2005</b>
<b>ASSETS</b>		<b>(b)</b>	<b>(c)</b>	
Real estate assets, at cost:				
Land	\$ 23,854,308	\$ 5,752,276	\$ 1,592,730	\$ 31,199,314
Buildings and improvements, less accumulated depreciation of \$151,472 at December 31, 2005	57,338,359	21,115,832	4,830,550	83,284,741
Intangible lease assets, less accumulated amortization of \$71,881 at December 31, 2005	10,425,618	2,962,410	3,747,763	17,135,791
Total real estate assets	91,618,285	29,830,518	10,171,043	131,619,846
Cash	4,575,144	(4,575,144)		
Restricted Cash	1,813,804			1,813,804
Rents and tenant receivables	36,001			36,001
Prepaid expenses and other assets	11,928			11,928
Deferred financing costs, less accumulated amortization of \$17,964 at December 31, 2005	754,676	373,856	93,466	1,221,998
Total assets	\$ 98,809,838	\$ 25,629,230	\$ 10,264,509	\$ 134,703,577
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
Mortgage notes payable	\$ 66,804,041	\$ 22,455,000	\$ 5,940,000	\$ 95,199,041
Notes payable to affiliates	4,453,000			4,453,000
Accounts payable and accrued expenses	282,797			