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Cole Credit Property Trust II Inc
Form 424B3
October 30, 2006
COLE CREDIT PROPERTY TRUST II, INC.

SUPPLEMENT NO. 11 DATED OCTOBER 30, 2006

TO THE PROSPECTUS DATED JUNE 27, 2005

This document supplements, and should be read in conjunction with, the prospectus of Cole Credit Property Trust II, Inc. dated June 27, 2005, Supplement No. 1 dated October 20, 2005, Supplement No. 2 dated December 2, 2005, Supplement No. 3 dated December 23, 2005, Supplement No. 4 dated February 1, 2006, Supplement No. 5 dated March 10, 2006, Supplement No. 6 dated March 23, 2006, Supplement No. 7 dated May 5, 2006, Supplement No. 8 dated June 23, 2006, Supplement No. 9 dated August 4, 2006 and Supplement No. 10 dated September 25, 2006. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.

The purpose of this supplement is to describe or include the following:

- (1) the status of the offering of shares in Cole Credit Property Trust II, Inc.;
- (2) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 87,000 rentable square feet in Wichita, Kansas;
- (3) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 130,000 rentable square feet in Lubbock, Texas;
- (4) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 130,000 rentable square feet in Midland, Texas;
- (5) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 7,000 rentable square feet in Grand Bay, Alabama;
- (6) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 7,000 rentable square feet in Hurley, Mississippi;
- (7) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 7,000 rentable square feet in Rainsville, Alabama;
- (8) the acquisition of a single-tenant, net leased commercial property, containing approximately 41,000 rentable square feet in O Fallon, Illinois;
- (9) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 15,000 rentable square feet in Glassport, Pennsylvania;
- (10) the acquisition of a multi-tenant, net leased commercial retail property, containing approximately 10,000 rentable square feet in Topeka, Kansas;
- (11) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 15,000 rentable square feet in Hanover Borough, Pennsylvania;
- (12) the acquisition of a single-tenant, net leased commercial retail property, containing approximately 127,000 rentable square feet in Peoria, Illinois;
- (13) the potential acquisition of a single-tenant, net leased commercial retail property, containing approximately 20,000 rentable square feet in Oxford, Mississippi;

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- (14) the potential acquisition of a single-tenant, net leased commercial retail property, containing approximately 20,000 rentable square feet in Enterprise, Alabama;
- (15) the potential acquisition of a single-tenant, net leased commercial retail property, containing approximately 25,000 rentable square feet in La Grange, Texas;
- (16) the potential acquisition of a single-tenant, net leased commercial retail property, containing approximately 24,000 rentable square feet in Peru, Illinois; and
- (17) updated financial information regarding Cole Credit Property Trust II, Inc. and the acquired properties.

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Status of the Offering

We commenced our initial public offering of shares of our common stock on June 27, 2005. We have accepted investors' subscriptions received through October 24, 2006, and have issued an aggregate of approximately 21.2 million shares of our common stock to stockholders, with gross proceeds of approximately \$212.1 million distributed to us. For additional information, see the Plan of Distribution Subscription Process section of the prospectus beginning on page 133.

Real Property Investments

The section captioned Investment Objectives and Policies Real Property Investments beginning on page 82 of the prospectus is supplemented with the following information:

Kohl's Wichita, Kansas

On September 27, 2006, Cole KO Wichita KS, LP, a Delaware limited partnership (KO Wichita), in which Cole Operating Partnership II, LP (Cole OP II), our operating partnership, is the sole limited partner and a wholly-owned subsidiary of Cole OP II is the sole general partner, acquired a 100% fee simple interest in an approximately 87,000 square foot single-tenant retail building (the KO Wichita Property) from ELJ, L.L.C., which is not affiliated with us, our subsidiaries or affiliates. The KO Wichita Property was constructed in 1996 on an approximately 9.0 acre site in Wichita, Kansas. The area surrounding the KO Wichita Property is shared by commercial, retail and residential developments.

The purchase price of the KO Wichita Property was approximately \$7.9 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$5.2 million loan (the KO Wichita Loan) from Bear Stearns Commercial Mortgage (Bear Stearns), which is secured by the KO Wichita Property, the LO Midland Property, the LO Lubbock Property, each as defined in this supplement, and the OT Oxford Property, as defined in Supplement No. 10 filed on September 25, 2006. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$157,000 and our advisor a finance coordination fee of \$52,000.

The KO Wichita Property is 100% leased to Kohl's Illinois, Inc. (Kohl's Illinois), a wholly-owned subsidiary of Kohl's Corporation (Kohl's), which guarantees the lease. The KO Wichita Property is subject to a net lease, which commenced on March 8, 1996, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$601,759 is fixed through the first twenty years of the initial lease term, which expires January 28, 2017. Kohl's Illinois has six options to renew the lease, each for an additional five-year term beginning on January 29, 2017, with rental escalations of 5.0% at the beginning of each five-year renewal term.

Kohl's operates over 730 retail department stores in 41 states. Kohl's has a Standard and Poor's credit rating of BBB+ and its stock is publicly traded on the New York Stock Exchange under the symbol KSS.

Cole Realty Advisors, Inc. (Cole Realty) has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the KO Wichita Property and will receive a property management fee of 2.0% of the monthly gross revenue from the KO Wichita Property. We currently have no plans for any renovations, improvements or development of the KO Wichita Property. We believe the KO Wichita Property is adequately insured.

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The KO Wichita Loan has a fixed interest rate of 6.11% per annum with monthly interest-only payments. The outstanding principal and any accrued and unpaid interest is due on September 1, 2016 (the KO Wichita Maturity Date). The KO Wichita Loan is generally non-recourse to KO Wichita and Cole OP II, but both are liable for customary non-recourse carveouts.

The KO Wichita Loan may not be prepaid, in whole or in part, except under the following circumstances: (i) full prepayment may be made on any of the three (3) monthly payment dates occurring immediately prior to the KO Wichita Maturity Date and (ii) partial prepayments resulting from Bear Stearns' election to apply insurance or condemnation proceeds may be made to reduce the outstanding principal balance of the KO Wichita Loan. Notwithstanding the prepayment limitations, KO Wichita may sell the KO Wichita Property to a buyer that assumes the KO Wichita Loan. The transfer shall be subject to Bear Stearns' approval of the proposed buyer and the payment of Bear Stearns' costs and expenses associated with the sale of the KO Wichita Property.

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In the event the KO Wichita Loan is not paid off on the KO Wichita Maturity Date, the KO Wichita Loan includes hyperamortization provisions. The KO Wichita Maturity Date, pursuant to the hyperamortization provisions, will be extended by twenty (20) years. During such period, Bear Stearns will apply 100% of the rents collected to (i) all payments due to Bear Stearns under the KO Wichita Loan, including any payments to escrows or reserve accounts, (ii) any operating expenses of the KO Wichita Property pursuant to an approved annual budget, (iii) any extraordinary expenses and (iv) any accrued interest under the KO Wichita Loan. The interest rate during the hyperamortization period shall be the greater of (x) the fixed interest rate of 6.11% plus two percent (2.0%) per annum or (y) the Treasury Constant Maturity Yield Index plus two percent (2.0%) per annum, not to exceed 11.11% per annum. Notwithstanding the forgoing, failure to make any required payments under the KO Wichita Loan in a timely manner will cause an event of default, which will result in a 4.0% default interest rate in excess of the applicable interest rate, late charges equal to 5.0% of the amount of such overdue payment, and all interest and principal becoming immediately due and payable in full.

Lowe's Lubbock, Texas

On September 27, 2006, Cole LO Lubbock TX, LP, a Delaware limited partnership (LO Lubbock), in which Cole OP II is the sole limited partner and a wholly-owned subsidiary of Cole OP II is the sole general partner, acquired a 100% fee simple interest in an approximately 130,000 square foot single-tenant retail building (the LO Lubbock Property) from Midway Court, L.P. (Midway), which is not affiliated with us, our subsidiaries or affiliates. The LO Lubbock Property was constructed in 1996 on an approximately 16.6 acre site in Lubbock, Texas. The area surrounding the LO Lubbock Property is shared by commercial, retail and residential developments.

The purchase price of the LO Lubbock Property was approximately \$11.5 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$7.5 million loan (the LO Lubbock Loan) from Bear Stearns, which is secured by the LO Lubbock Property, the KO Wichita Property, the LO Midland Property and the OT Oxford Property. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$230,000 and our advisor a finance coordination fee of approximately \$75,000.

The LO Lubbock Property is 100% leased to Lowe's Home Centers, Inc. (Lowe's Home), which is a wholly-owned subsidiary of Lowe's Companies, Inc. (Lowe's), which guarantees the lease. The LO Lubbock Property is subject to a net lease, which commenced on May 1, 1996, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$861,280 is fixed through the initial lease term, which expires April 30, 2016 and all renewal options. Lowe's has six options to renew the lease, each for an additional five-year term beginning on May 1, 2016.

Lowe's operates retail home improvement stores across the United States and Canada. Lowe's has a Standard & Poor's Credit Rating of A+ and its stock is publicly traded on the New York Stock Exchange under the ticker symbol LOW .

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the LO Lubbock Property and will receive a property management fee of 2.0% of the monthly gross revenue from the LO Lubbock Property. We currently have no plans for any renovations, improvements or development of the LO Lubbock Property. We believe the LO Lubbock Property is adequately insured.

The LO Lubbock Loan has a fixed interest rate of 6.11% per annum with monthly interest-only payments. The outstanding principal and any accrued and unpaid interest is due on September 1, 2016 (the LO Lubbock Maturity Date). The LO Lubbock Loan is generally non-recourse to LO Lubbock and Cole OP II, but both are liable for customary non-recourse carveouts.

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The LO Lubbock Loan may not be prepaid, in whole or in part, except under the following circumstances: (i) full prepayment may be made on any of the three (3) monthly payment dates occurring immediately prior to the LO Lubbock Maturity Date and (ii) partial prepayments resulting from Bear Stearns' election to apply insurance or condemnation proceeds may be made to reduce the outstanding principal balance of the LO Lubbock Loan. Notwithstanding the prepayment limitations, LO Lubbock may sell the LO Lubbock Property to a buyer that assumes the LO Lubbock Loan. The transfer shall be subject to Bear Stearns' approval of the proposed buyer and the payment of Bear Stearns' costs and expenses associated with the sale of the LO Lubbock Property.

In the event the LO Lubbock Loan is not paid off on the LO Lubbock Maturity Date, the LO Lubbock Loan includes hyperamortization provisions. The LO Lubbock Maturity Date, pursuant to the hyperamortization provisions, will be extended by twenty (20) years. During such period, Bear Stearns will apply 100% of the rents collected to (i) all payments due to Bear Stearns under the LO Lubbock Loan, including any payments to escrows or reserve accounts, (ii) any operating expenses of the LO Lubbock Property pursuant to an approved annual budget, (iii) any extraordinary expenses and (iv) any accrued interest under the LO Lubbock Loan. The interest rate during the hyperamortization period shall be the greater of (x) the fixed interest rate of 6.11% plus two percent (2.0%) per annum or (y) the Treasury Constant Maturity Yield Index plus two percent (2.0%) per annum, not to exceed 11.11% per annum. Notwithstanding the foregoing, failure to make any required payments under the LO Lubbock Loan in a timely manner will cause an event of default, which will result in a 4.0% default interest rate in excess of the applicable interest rate, late charges equal to 5.0% of the amount of such overdue payment, and all interest and principal becoming immediately due and payable in full.

Lowe's Midland, Texas

On September 27, 2006, Cole LO Midland TX, LP, a Delaware limited partnership (LO Midland), in which Cole OP II is the sole limited partner and a wholly-owned subsidiary of Cole OP II is the sole general partner, acquired a 100% fee simple interest in an approximately 130,000 square foot single-tenant retail building (the LO Midland Property) from Midway. The LO Midland Property was constructed in 1996 on an approximately 18.5 acre site in Midland, Texas. The area surrounding the LO Midland Property is shared by commercial, retail and residential developments.

The purchase price of the LO Midland Property was approximately \$11.1 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$7.2 million loan (the LO Midland Loan) from Bear Stearns, which is secured by the LO Midland Property, the KO Wichita Property, the LO Lubbock Property and the OT Oxford Property. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$222,000 and our advisor a finance coordination fee of approximately \$72,000.

The LO Midland Property is 100% leased to Lowe's Home, which is a wholly-owned subsidiary of Lowe's, which guarantees the lease. The LO Midland Property is subject to a net lease, which commenced on May 1, 1996, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$829,960 is fixed through the initial lease term which expires April 30, 2016 and all renewal options. Lowe's has six options to renew the lease, each for an additional five-year term beginning on May 1, 2016.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the LO Midland Property and will receive a property management fee of 2.0% of the monthly gross revenue from the LO Midland Property. We currently have no plans for any renovations, improvements or development of the LO Midland Property. We believe the LO Midland Property is adequately insured.

The LO Midland Loan has a fixed interest rate of 6.11% per annum with monthly interest-only payments. The outstanding principal and any accrued and unpaid interest is due on September 1, 2016 (the LO Midland Maturity Date). The LO Midland Loan is generally non-recourse to LO Midland and Cole OP II, but both are liable for customary non-recourse carveouts.

The LO Midland Loan may not be prepaid, in whole or in part, except under the following circumstances: (i) full prepayment may be made on any of the three (3) monthly payment dates occurring immediately prior to the LO Midland Maturity Date and (ii) partial prepayments resulting from Bear Stearns' election to apply insurance or condemnation proceeds may be made to reduce the outstanding principal balance of the LO Midland Loan. Notwithstanding the prepayment limitations, LO Midland may sell the LO Midland Property to a buyer that assumes the LO Midland Loan. The transfer shall be subject to Bear Stearns' approval of the proposed buyer and the payment of Bear Stearns' costs and expenses associated with the sale of the LO Midland Property.

In the event the LO Midland Loan is not paid off on the LO Midland Maturity Date, the LO Midland Loan includes hyperamortization provisions. The LO Midland Maturity Date, pursuant to the hyperamortization provisions, will be extended by twenty (20) years. During such period, Bear Stearns will apply 100% of the rents collected to (i) all payments due to Bear Stearns under the LO Midland Loan, including any payments to escrows or reserve accounts, (ii) any operating expenses of the LO Midland Property pursuant to an approved annual budget, (iii) any extraordinary expenses and (iv) any accrued interest under the LO Midland Loan. The interest rate during the hyperamortization period shall be the greater of (x) the fixed interest rate of 6.11% plus two percent (2.0%) per annum or (y) the Treasury Constant Maturity Yield Index plus two percent (2.0%) per annum, not to exceed 11.11% per annum. Notwithstanding the foregoing, failure to make any required payments under the LO Midland Loan in a timely manner will cause an event of default, which will result in a 4.0% default interest rate in excess of the applicable

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interest rate, late charges equal to 5.0% of the amount of such overdue payment, and all interest and principal becoming immediately due and payable in full.

Advance Auto Grand Bay, Alabama

On September 29, 2006, Cole AA Grand Bay AL, LLC, a Delaware limited liability company (AA Grand Bay), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 7,000 square foot single-tenant retail building (the AA Grand Bay Property), from Grand Bay Tenn, LLC which is not affiliated with us, our subsidiaries or affiliates. The AA Grand Bay Property was constructed in 2005 on an approximately 1.0 acre site in Grand Bay, Alabama. The area surrounding the AA Grand Bay Property is shared by commercial, retail and residential developments.

The purchase price of the AA Grand Bay Property was approximately \$1.1 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$22,000.

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The AA Grand Bay Property is 100% leased to Advance Stores Company, Inc. (Advance Auto). The AA Grand Bay Property is subject to a net lease, which commenced on August 25, 2005, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$84,786 is fixed through the first ten years of the initial lease term and increases to \$93,265 in the eleventh year through the remainder of the initial lease term, which expires August 31, 2020. Advance Auto has three options to renew the lease, each for an additional five-year term beginning on September 1, 2020, with rental escalations of 5.0% at the beginning of each five-year renewal term.

Advance Auto operates over 2,800 auto parts stores in 40 states, Puerto Rico and the Virgin Islands. Advance Auto has a Standard and Poor's credit rating of BB+ and its stock is publicly traded on the New York Stock Exchange under the symbol AAP.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the AA Grand Bay Property and will receive a property management fee of 2.0% of the monthly gross revenue from the AA Grand Bay Property. We currently have no plans for any renovations, improvements or development of the AA Grand Bay Property. We believe the AA Grand Bay Property is adequately insured.

Advance Auto Hurley, Mississippi

On September 29, 2006, Cole AA Hurley MS, LLC, a Delaware limited liability company (AA Hurley), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 7,000 square foot single-tenant retail building (the AA Hurley Property), from Hurley Tenn, LLC. The AA Hurley Property was constructed in 2005 on an approximately 0.85 acre site in Hurley, Mississippi. The area surrounding the AA Hurley Property is shared by retail and residential developments.

The purchase price of the AA Hurley Property was approximately \$1.1 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$22,000.

The AA Hurley Property is 100% leased to Advance Auto. The AA Hurley Property is subject to a net lease, which commenced on March 9, 2006, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$82,324 is fixed through the first ten years of the initial lease term and increases to \$90,556 in the eleventh year through the remainder of the initial lease term, which expires March 31, 2021. Advance Auto has three options to renew the lease, each for an additional five-year term beginning on April 1, 2021, with rental escalations of 5.0% at the beginning of each five-year renewal term.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the AA Hurley Property and will receive a property management fee of 2.0% of the monthly gross revenue from the AA Hurley Property. We currently have no plans for any renovations, improvements or development of the AA Hurley Property. We believe the AA Hurley Property is adequately insured.

Advance Auto Rainsville, Alabama

On September 29, 2006, Cole AA Rainsville AL, LLC, a Delaware limited liability company (AA Rainsville), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 7,000 square foot single-tenant retail building (the AA Rainsville Property), from Rainsville Tenn, LLC. The AA Rainsville Property was constructed in 2005 on an approximately 0.88 acre site in Rainsville, Alabama.

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The area surrounding the AA Rainsville Property is shared by retail and residential developments.

The purchase price of the AA Rainsville Property was approximately \$1.3 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$27,000.

The AA Rainsville Property is 100% leased to Advance Auto. The AA Rainsville Property is subject to a net lease, which commenced on December 18, 2005, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$100,928 is fixed through the first ten years of the initial lease term and increases to \$111,021 in the eleventh year through the remainder of the initial lease term, which expires December 31, 2020. Advance Auto has three options to renew the lease, each for an additional five-year term beginning on January 1, 2021, with rental escalations of 5.0% at the beginning of each five-year renewal term.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the AA Rainsville Property and will receive a property management fee of 2.0% of the monthly gross revenue from the AA Rainsville Property. We currently have no plans for any renovations, improvements or development of the AA Rainsville Property. We believe the AA Rainsville Property is adequately insured.

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Golds Gym O Fallon, Illinois

On September 29, 2006, Cole GG O Fallon IL, LLC, a Delaware limited liability company (GG O Fallon), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 41,000 square foot single-tenant commercial building (the GG O Fallon Property) from Scannell Properties #34, LLC, which is not affiliated with us, our subsidiaries or affiliates. The GG O Fallon Property was constructed in 2005 on an approximately 4.5 acre site in O Fallon, Illinois. The area surrounding the GG O Fallon Property is shared by commercial and residential developments.

The purchase price of the GG O Fallon Property was \$7.3 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$5.8 million loan (the GG O Fallon Loan)from Wachovia Bank, N.A. (Wachovia), which is secured by the GG O Fallon Property, the WG Picayune Property and the CV Clinton Property, each as defined in Supplement No. 10 filed on September 25, 2006. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of \$146,000 and our advisor a finance coordination fee of approximately \$37,000.

The GG O Fallon Property is 100% leased to Gold s St Louis, LLC, which is a wholly-owned subsidiary of Gold s Gym International, Inc. (Gold s Gym), which guarantees the lease. The GG O Fallon Property is subject to a net lease, which commenced on October 1, 2005, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$588,000 is fixed through the first ten years of the initial lease term and increases to \$617,000 for the remainder of the initial lease term, which expires September 30, 2019. The tenant has two options to renew the lease, each for an additional five-year term beginning on October 1, 2019, with rental escalations of 5.0% at the beginning of each five-year renewal term.

Gold s Gym is an international chain of fitness centers. Gold s Gym operates over 650 fitness centers in 27 countries and 45 states in the US. In addition to operating fitness centers, Gold s Gym, licenses its name to fitness equipment, dietary supplements, and clothing sold in major retail outlets throughout the United States. In determining the creditworthiness of Gold s Gym, we considered a variety of factors, including historical financial information and financial performance and local market position.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the GG O Fallon Property and will receive a property management fee of 2.0% of the monthly gross revenue from the GG O Fallon Property. We currently have no plans for any renovations, improvements or development of the GG O Fallon Property. We believe the GG O Fallon Property is adequately insured.

The GG O Fallon Loan consists of an approximately \$3.7 million fixed interest rate tranche (the GG O Fallon Fixed Rate Tranche) and an approximately \$2.1 million variable interest rate tranche (the GG O Fallon Variable Rate Tranche). The GG O Fallon Fixed Rate Tranche has a fixed interest rate of 5.83% per annum with monthly interest-only payments. The outstanding principal and any accrued and unpaid interest is due on October 11, 2016 (the GG O Fallon Maturity Date). The GG O Fallon Variable Rate Tranche has a variable interest rate based on the one-month LIBOR rate plus 200 basis points with monthly interest-only payments, and the outstanding principal and any accrued and unpaid interest is due on December 27, 2006. The GG O Fallon Loan is generally non-recourse to GG O Fallon and Cole OP II, but both are liable for customary non-recourse carveouts.

The GG O Fallon Loan may not be prepaid, in whole or in part, except under the following circumstances: (i) full prepayment may be made on any of the three (3) monthly payment dates occurring immediately prior to the GG O Fallon Maturity Date and (ii) partial prepayments resulting from Wachovia s election to apply insurance or condemnation proceeds may be made to reduce the outstanding principal balance of the GG O Fallon Loan. Notwithstanding the prepayment limitations, GG O Fallon may sell the GG O Fallon Property to a buyer that assumes the GG O Fallon Loan. The transfer shall be subject to Wachovia s approval of the proposed buyer and the payment of Wachovia s costs and expenses associated with the sale of the GG O Fallon Property.

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In the event the GG O Fallon Loan is not paid off on the GG O Fallon Maturity Date, the GG O Fallon Loan includes hyperamortization provisions. The GG O Fallon Maturity Date, pursuant to the hyperamortization provisions, will be extended by twenty (20) years. During such period, Wachovia will apply 100% of the rents collected to (i) all payments due to Wachovia under the GG O Fallon Loan, including any payments to escrows or reserve accounts, (ii) any operating expenses of the GG O Fallon Property pursuant to an approved annual budget, (iii) any extraordinary expenses and (iv) any accrued interest under the GG O Fallon Loan. Any remaining amount will be applied to the reduction of the principal balance of the GG O Fallon Loan, until paid in full. The interest rate during the hyperamortization period shall be the greater of (x) the fixed interest rate of 5.83% plus two percent (2.0%) or (y) the Treasury Constant Maturity Yield Index plus two percent (2.0%). Notwithstanding the forgoing, failure to make any required payments under the GG O Fallon Loan in a timely manner will cause an event of default, which will result in a 4.0% default interest rate in excess of the applicable interest rate, late charges equal to 5.0% of the amount of such overdue payment, and all interest and principal becoming immediately due and payable in full.

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Rite Aid Glassport, Pennsylvania

On October 4, 2006, Cole RA Glassport PA, LLC, a Delaware limited liability company (RA Glassport), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 15,000 square foot single-tenant retail building (the RA Glassport Property) from GVH (Glassport), L.P., which is not affiliated with us, our subsidiaries or affiliates. The RA Glassport Property was constructed in 2006 on an approximately 1.8 acre site in Glassport Borough, Pennsylvania. The area surrounding the RA Glassport Property is shared by commercial and residential developments.

The purchase price of the RA Glassport Property was approximately \$3.8 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$2.3 million loan from Bear Stearns, which is secured by the RA Glassport Property (the RA Glassport Loan). In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$76,000 and our advisor a finance coordination fee of approximately \$23,000.

The RA Glassport Property is 100% leased to Rite Aid of Pennsylvania, Inc. (RA Pennsylvania), which is a wholly-owned subsidiary of Rite Aid Corporation (Rite Aid), which guarantees the lease. The RA Glassport Property is subject to a net lease, which commenced on June 19, 2006, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$295,504 is fixed through the initial lease term, which expires July 31, 2026. RA Pennsylvania has six options to renew the lease, each for an additional five-year term beginning on August 1, 2026, with rental escalations of 5.0% at the beginning of each five-year renewal term.

Rite Aid has operates over 3,300 stores in 28 states and Washington, DC. Rite Aid has a Standard and Poor s credit rating of B+ and its stock is publicly traded on the New York Stock Exchange under the ticker symbol RAD.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the RA Glassport Property and will receive a property management fee of 2.0% of the monthly gross revenue from the RA Glassport Property. We currently have no plans for any renovations, improvements or development of the RA Glassport Property. We believe the RA Glassport Property is adequately insured.

The RA Glassport Loan has a fixed interest rate of 6.10% per annum with monthly interest-only payments. The outstanding principal and any accrued and unpaid interest is due on November 1, 2016 (the RA Glassport Maturity Date). The RA Glassport Loan is generally non-recourse to RA Glassport and Cole OP II, but both are liable for customary non-recourse carveouts.

The RA Glassport Loan may not be prepaid, in whole or in part, except under the following circumstances: (i) full prepayment may be made on any of the three (3) monthly payment dates occurring immediately prior to the RA Glassport Maturity Date and (ii) partial prepayments resulting from Bear Stearns election to apply insurance or condemnation proceeds may be made to reduce the outstanding principal balance of the RA Glassport Loan. Notwithstanding the prepayment limitations, RA Glassport may sell the RA Glassport Property to a buyer that assumes the RA Glassport Loan. The transfer shall be subject to Bear Stearns approval of the proposed buyer and the payment of Bear Stearns costs and expenses associated with the sale of the RA Glassport Property.

Failure to make any required payments under the RA Glassport Loan in a timely manner will cause an event of default, which will result in a 4.0% default interest rate in excess of the applicable interest rate, late charges equal to 5.0% of the amount of such overdue payment, and all interest and principal becoming immediately due and payable in full.

David s Bridal and RadioShack Topeka, Kansas

On October 13, 2006, Cole MT Topeka KS, LLC, a Delaware limited liability company (MT Topeka), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 10,000 square foot multi-tenant retail building (the MT Topeka Property) from Topeka Holdings, LLC, which is not affiliated with us, our subsidiaries or affiliates. The MT Topeka Property was constructed in 2006 on an approximately 0.98 acre site in Topeka, Kansas. The area surrounding the MT Topeka Property is shared by commercial and residential developments.

The purchase price of the MT Topeka Property was approximately \$3.0 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering. In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$60,000.

The MT Topeka Property is 100% leased to two tenants, David s Bridal, Inc. (David s Bridal), a wholly-owned subsidiary of Federated Department Stores, Inc. and RadioShack Corporation (RadioShack).

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The lease to David's Bridal (the David's Bridal Lease) is a net lease that commenced on August 4, 2006, pursuant to which David's Bridal is required to pay substantially all operating expenses, capital expenditures, and a proportionate amount of common area maintenance charges in addition to base rent. The current aggregate annual base rent is \$166,625, with increases of 10% every five years, beginning on September 1, 2011 of the initial lease term, which expires October 31, 2016. David's Bridal has two options to renew the David's Bridal Lease, each for an additional five-year term. There are no rental escalations during the renewal periods.

David's Bridal is a bridal retailer, operating over 250 stores across the United States. In determining the creditworthiness of David's Bridal we considered a variety of factors, including historical financial information and financial performance, regional market position, and the forecasted financial performance of David's Bridal.

The lease to RadioShack (the RadioShack Lease) is a net lease that commenced on September 13, 2006, pursuant to which RadioShack is required to pay substantially all operating expenses, capital expenditures, and a proportionate amount of common area maintenance charges in addition to base rent. The current aggregate annual base rent is \$60,000, which is fixed through the initial lease term, which expires January 31, 2012. RadioShack has three options to renew the RadioShack Lease, each for an additional five-year term, with rental escalations of 10% at the beginning of each five-year renewal term.

RadioShack operates over 7,000 retail outlets across the United States and Puerto Rico. RadioShack has a Standard & Poor's Credit Rating of BB and the company's stock is publicly traded on the New York Stock Exchange under the ticker symbol RSH.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the MT Topeka Property and will receive a property management fee of 2.0% of the monthly gross revenue from the MT Topeka Property. We currently have no plans for any renovations, improvements or development of the MT Topeka Property. We believe the MT Topeka Property is adequately insured.

Rite Aid Hanover, Pennsylvania

On October 17, 2006, Cole RA Hanover PA, LLC, a Delaware limited liability company (RA Hanover), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 15,000 square foot single-tenant retail building (the RA Hanover Property) from GVH (Hanover), L.P., which is not affiliated with us, our subsidiaries or affiliates. The RA Hanover Property was constructed in 2006 on an approximately 3.9 acre site in Hanover Borough, Pennsylvania. The area surrounding the RA Hanover Property is shared by commercial and residential developments.

The purchase price of the RA Hanover Property was approximately \$6.3 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$4.1 million loan from Bear Stearns, which is secured by the RA Hanover Property (the RA Hanover Loan). In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of approximately \$127,000 and our advisor a finance coordination fee of approximately \$41,000.

The RA Hanover Property is 100% leased to RA Pennsylvania, which is a wholly-owned subsidiary of Rite Aid, which guarantees the lease. The RA Hanover Property is subject to a net lease, which commenced on October 11, 2006, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$493,787 is fixed through the initial lease term, which expires October 31, 2026. RA Pennsylvania has four options to renew the lease, each for an additional

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five-year term beginning on November 1, 2026, with rental escalations of 3.0% at the beginning of each five-year renewal term.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the RA Hanover Property and will receive a property management fee of 2.0% of the monthly gross revenue from the RA Hanover Property. We currently have no plans for any renovations, improvements or development of the RA Hanover Property. We believe the RA Hanover Property is adequately insured.

The RA Hanover Loan has a fixed interest rate of 6.11% per annum with monthly interest-only payments. The outstanding principal and any accrued and unpaid interest is due on November 1, 2016 (the RA Hanover Maturity Date). The RA Hanover Loan is generally non-recourse to RA Hanover and Cole OP II, but both are liable for customary non-recourse carveouts.

The RA Hanover Loan may not be prepaid, in whole or in part, except under the following circumstances: (i) full prepayment may be made on any of the three (3) monthly payment dates occurring immediately prior to the RA Hanover Maturity Date and (ii) partial prepayments resulting from Bear Stearns' election to apply insurance or condemnation proceeds may be made to reduce the outstanding principal balance of the RA Hanover Loan. Notwithstanding the prepayment limitations, RA Hanover may sell the RA Hanover Property to a buyer that assumes the RA Hanover Loan. The transfer shall be subject to Bear Stearns' approval of the proposed buyer and the payment of Bear Stearns' costs and expenses associated with the sale of the RA Hanover Property.

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Failure to make any required payments under the RA Hanover Loan in a timely manner will cause an event of default, which will result in a 4.0% default interest rate in excess of the applicable interest rate, late charges equal to 5.0% of the amount of such overdue payment, and all interest and principal becoming immediately due and payable in full.

American TV & Appliance Peoria, Illinois

On October 23, 2006, Cole AM Peoria IL, LLC, a Delaware limited liability company (AM Peoria), a wholly-owned subsidiary of Cole OP II, acquired a 100% fee simple interest in an approximately 127,000 square foot single-tenant retail building (the AM Peoria Property) from ATP I, LLC, which is not affiliated with us, our subsidiaries or affiliates. The AM Peoria Property was constructed in 2003 on an approximately 12.5 acre site in Peoria, Illinois. The area surrounding the AM Peoria Property is shared by commercial, retail and residential developments.

The purchase price of the AM Peoria Property was \$11.3 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$7.4 million loan from General Electric Capital Business Asset Funding Corporation, which was assumed by Cole OP II and secured by the AM Peoria Property (the AM Peoria Loan). In connection with the acquisition, we paid an affiliate of our advisor an acquisition fee of \$230,000 and our advisor a finance coordination fee of approximately \$74,000.

The AM Peoria Property is 100% leased to American TV & Appliance of Madison, Inc. (American TV). The AM Peoria Property is subject to a net lease, which commenced on September 24, 2003, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The current aggregate annual base rent of \$840,750 has rental escalations of 10% on October 1, 2008 and October 1, 2013. The initial lease term expires September 23, 2018. American TV has eight options to renew the lease, each for an additional five-year term beginning on September 24, 2018, with rental escalations of 7.5% at the beginning of each five-year renewal term.

American TV was founded in 1954 and currently operates 15 retail electronic stores in five states across the midwest United States. In determining the creditworthiness of American TV, we considered a variety of factors, including historical financial information and financial performance and local market position.

Cole Realty has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the AM Peoria Property and will receive a property management fee of 2.0% of the monthly gross revenue from the AM Peoria Property. We currently have no plans for any renovations, improvements or development of the AM Peoria Property. We believe the AM Peoria Property is adequately insured.

The AM Peoria Loan has a fixed interest rate of 6.0% per annum (the AM Peoria Interest Rate) with monthly principal and interest payments and the outstanding principal and any accrued interest due on October 1, 2018. The AM Peoria Loan may be prepaid in whole, but not in part, subject to a prepayment premium. The AM Peoria Loan is generally non-recourse to AM Peoria and Cole OP II, but both are liable for customary non-recourse carveouts. In the event the AM Peoria Loan is not paid off on the maturity date, the AM Peoria Loan would become subject to default provisions, including, that all obligations would become immediately due and payable and the AM Peoria Loan would be subject to a default interest rate equal to the AM Peoria Interest Rate plus 500 basis points or 15% per annum, whichever is higher, provided that such interest rate shall not exceed the maximum interest rate permitted by law.

Potential Property Investments

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Our advisor has identified the following properties as potential suitable investments for us. The acquisition of each such property is subject to a number of conditions. A significant condition to acquiring any one of these potential acquisitions is our ability to raise sufficient proceeds in this offering to pay a portion of the purchase price. An additional condition to acquiring these properties will be our securing debt financing to pay the balance of the purchase price. Such financing may not be available on acceptable terms or at all.

Our evaluation of a property as a potential acquisition, including the appropriate purchase price, will include our consideration of a property condition report; unit-level store performance; property location, visibility and access; age of the property, physical condition and curb appeal; neighboring property uses; local market conditions, including vacancy rates; area demographics, including trade area population and average household income; neighborhood growth patterns and economic conditions; and the presence of demand generators.

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We will decide whether to acquire these properties generally based upon:

satisfaction of the conditions to the acquisitions contained in the respective contracts;

no material adverse change occurring relating to the properties, the tenants or in the local economic conditions;

our receipt of sufficient net proceeds from the offering of our common stock to the public and financing proceeds to make these acquisitions; and

our receipt of satisfactory due diligence information including appraisals, environmental reports and tenant and lease information.

Other properties may be identified in the future that we may acquire before or instead of these properties. Due to the considerable conditions to the consummation of the acquisition of these properties, we cannot make any assurances that the closing of these acquisitions is probable.

Office Depot Oxford, Mississippi

Series C, LLC (Series C) an affiliate of our advisor, has entered into an agreement to purchase an approximately 20,000 square foot single-tenant retail building on an approximately 2.7 acre site located in Oxford, Mississippi (the OD Oxford Property), for a purchase price of approximately \$3.5 million, exclusive of closing costs (the OD Oxford Agreement). Subject to the satisfactory completion of certain conditions to closing, we expect that Series C will assign all of its rights and obligations under the OD Oxford Agreement to a wholly-owned subsidiary of Cole OP II prior to the closing of the transaction.

The OD Oxford Property was constructed in 2006 and is 100% leased to Office Depot, Inc. (Office Depot). The OD Oxford Property is subject to a net lease, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The annual base rent of \$264,000 is fixed through the first ten years of the initial lease term and increases to \$290,400 in the eleventh year through the remainder of the initial lease term, which expires October 31, 2021. Office Depot has three options to renew the lease, each for an additional five-year term beginning on November 1, 2021, with rental escalations of 10.0% at the beginning of each five-year renewal term.

We expect to purchase the OD Oxford Property with proceeds from our ongoing public offering and an approximately \$2.3 million loan to be secured by the OD Oxford Property (the OD Oxford Property Loan). We expect the loan to be a ten-year fixed rate, interest only loan.

Office Depot Enterprise, Alabama

Cole Acquisitions I, LLC (Cole Acquisitions) has entered into an agreement to purchase an approximately 20,000 square foot single-tenant retail building on an approximately 4.2 acre site located in Enterprise, Alabama (the OD Enterprise Property), for a purchase price of approximately \$2.9 million, exclusive of closing costs (the OD Enterprise Agreement). Subject to the satisfactory completion of certain conditions to closing, we expect that Cole Acquisitions will assign all of its rights and obligations under the OD Enterprise Agreement to a wholly-owned subsidiary of Cole OP II prior to the closing of the transaction.

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The OD Enterprise Property was constructed in 2006 and is 100% leased to Office Depot. The OD Enterprise Property is subject to a net lease, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The annual base rent of \$215,000 is fixed through the first ten years of the initial lease term and increases to \$225,000 in the eleventh year through the remainder of the initial lease term, which expires October 31, 2021. Office Depot has three options to renew the lease, each for an additional five-year term beginning on November 1, 2021, with rental escalations of 10.0% at the beginning of each five-year renewal term.

We expect to purchase the OD Enterprise Property with proceeds from our ongoing public offering and an approximately \$1.9 million loan to be secured by the OD Enterprise Property (the OD Enterprise Property Loan). We expect the loan to be a ten-year fixed rate, interest only loan.

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Tractor Supply La Grange, Texas

Cole Acquisitions has entered into an agreement to purchase an approximately 25,000 square foot single-tenant retail building on an approximately 4.5 acre site located in La Grange, Texas (the TS La Grange Property), for a purchase price of approximately \$2.6 million, exclusive of closing costs (the TS La Grange Agreement). Subject to the satisfactory completion of certain conditions to closing, we expect that Cole Acquisitions will assign all of its rights and obligations under the TS La Grange Agreement to a wholly-owned subsidiary of Cole OP II prior to the closing of the transaction.

The TS La Grange Property was constructed in 2006 and is 100% leased to Tractor Supply Co. of Texas, LP, a wholly-owned subsidiary of Tractor Supply Company (Tractor Supply), which guarantees the lease. The TS La Grange Property is subject to a net lease, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The annual base rent of \$189,000 has rental escalations of 10% beginning on June 1, 2011 and June 1, 2016. The initial lease term expires May 31, 2021. Tractor Supply has four options to renew the lease, each for an additional five-year term beginning on June 1, 2021, with rental escalations of 10.0% at the beginning of each five-year renewal term.

We expect to purchase the TS La Grange Property with proceeds from our ongoing public offering and an approximately \$1.3 million loan to be secured by the TS La Grange Property (the TS La Grange Property Loan). We expect the loan to be a ten-year fixed rate, interest only loan.

Staples Peru, Illinois

Cole Acquisitions has entered into an agreement to purchase an approximately 24,000 square foot single-tenant retail building on an approximately 2.3 acre site located in Peru, Illinois (the ST Peru Property), for a purchase price of approximately \$3.2 million, exclusive of closing costs (the ST Peru Agreement). Subject to the satisfactory completion of certain conditions to closing, we expect that Cole Acquisitions will assign all of its rights and obligations under the ST Peru Agreement to a wholly-owned subsidiary of Cole OP II prior to the closing of the transaction.

The ST Peru Property was constructed in 1998 and is 100% leased to Staples, Inc. (Staples) The ST Peru Property is subject to a net lease, pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent. The annual base rent of \$257,194 has rental escalations of 1% every five-years of the initial lease term, which expires June 30, 2013, and all renewal options. Staples has three options to renew the lease, each for an additional five-year term beginning on July 1, 2013.

We expect to purchase the ST Peru Property with proceeds from our ongoing public offering and an approximately \$2.1 million loan to be secured by the ST Peru Property (the ST Peru Property Loan). We expect the loan to be a ten-year fixed rate, interest only loan.

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SUMMARY FINANCIAL INFORMATION OF BUSINESSES ACQUIRED

Summary Financial Data

Kohl's Corporation

Kohl's Wichita, Kansas

Overview

On September 27, 2006, we acquired an approximately 87,000 square foot single-tenant retail building on an approximately 9.0 acre site located in Wichita, Kansas (the KO Wichita Property), which was constructed in 1996. The KO Wichita Property is 100% leased to Kohl's Illinois, Inc. a wholly-owned subsidiary of Kohl's Corporation (Kohl's) which guarantees the lease. The KO Wichita Property is subject to a net lease pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent.

The purchase price of the KO Wichita Property was approximately \$7.9 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$5.2 million loan secured by the KO Wichita Property, the OT Oxford Property, the LO Midland Property and the LO Lubbock Property.

Kohl's currently operates approximately 730 retail department stores in 41 states. Kohl's has a Standard & Poor's Credit Rating of BBB+ and its stock is publicly traded on the New York Stock Exchange under the ticker symbol KSS.

In evaluating the KO Wichita Property as a potential acquisition and determining the appropriate amount of consideration to be paid for our interests therein, a variety of factors were considered, including our consideration of property condition reports; unit-level store performance; property location; visibility and access; age of the property; physical condition and curb appeal; neighboring property uses; local market conditions; including vacancy rates; area demographics, including trade area population and average household income; neighborhood growth patterns and economic conditions; and the presence of demand generators. After reasonable inquiry, we are not aware of any material factors relating to the property, other than those discussed above, that would cause the reported financial information not to be necessarily indicative of future operating results.

Because the KO Wichita Property is 100% leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that the financial condition and results of operations of the lease guarantor, Kohl's, is more relevant to investors than the financial statements of the property acquired in order to enable investors to evaluate the credit-worthiness of the lessee. Additionally, because the property is subject to a net lease, the historical property financial statements provide limited information other than rental income, which is disclosed in the section captioned "Investment Objectives and Policies - Real Property Investments" beginning on page 82 of the prospectus. As a result, pursuant to guidance provided by the Securities and Exchange Commission, we have not provided audited financial statements of the property acquired.

Kohl's currently files its financial statements in reports filed with the Securities and Exchange Commission, and the following summary financial data regarding Kohl's are taken from its previously filed public reports:

	For the Six Months Ended 7/29/2006	For the Fiscal Year Ended 1/28/2006 1/29/2005		1/31/2004
		(in millions)		
Consolidated Statements of Operations				
Revenues	\$ 6,476	\$ 13,402	\$ 11,701	\$ 10,282
Operating Income	658	1,416	1,193	951
Net Income	400	842	703	546
	As of 7/29/2006	As of the Fiscal Year Ended 1/28/2006 1/29/2005		1/31/2004
		(in millions)		
Consolidated Balance Sheets				
Total Assets	\$ 8,649	\$ 9,153	\$ 7,979	\$ 6,691
Long-term Debt	1,041	1,046	1,103	1,076
Stockholders' Equity	5,319	5,957	5,034	4,212

For more detailed financial information regarding Kohl's, please refer to its financial statements, which are publicly available with the Securities and Exchange Commission at <http://www.sec.gov>.

Summary Financial Data

Lowe's Companies, Inc.

Lowe's Lubbock, Texas

Overview

On September 27, 2006, we acquired an approximately 130,000 square foot single-tenant retail building on an approximately 16.6 acre site located in Lubbock, Texas (the LO Lubbock Property), which was constructed in 1996. The LO Lubbock Property is 100% leased to Lowe's Home Centers, Inc. (Lowe's Home), a wholly-owned subsidiary of Lowe's Companies, Inc. (Lowe's), which guarantees the lease. The LO Lubbock Property is subject to a net lease pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent.

The purchase price of the LO Lubbock Property was approximately \$11.5 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$7.5 million loan secured by the KO Wichita Property, the OT Oxford Property, the LO Midland Property and the LO Lubbock Property.

Lowe's Midland, Texas

Overview

On September 27, 2006, we acquired an approximately 130,000 square foot single-tenant retail building on an approximately 18.5 acre site located in Midland, Texas (the LO Midland Property), which was constructed in 1996. The LO Midland Property is 100% leased to Lowe's Home, a wholly-owned subsidiary of Lowe's, which guarantees the lease. The LO Midland Property is subject to a net lease pursuant to which the tenant is required to pay substantially all operating expenses and capital expenditures in addition to base rent.

The purchase price of the LO Midland Property was approximately \$11.1 million, exclusive of closing costs. The acquisition was funded by net proceeds from our ongoing public offering and an approximately \$7.2 million loan secured by the KO Wichita Property, the OT Oxford Property, the LO Midland Property and the LO Lubbock Property.

Lowe's operates retail home improvement stores across the United States and Canada. Lowe's has a Standard & Poor's Credit Rating of A+ and its stock is publicly traded on the New York Stock Exchange under the ticker symbol LOW.

In evaluating the LO Midland Property and the LO Lubbock Property as potential acquisitions and determining the appropriate amount of consideration to be paid for our interests therein, a variety of factors were considered, including our consideration of property condition reports; unit-level store performance; property location; visibility and access; age of the property; physical condition and curb appeal; neighboring

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property uses; local market conditions; including vacancy rates; area demographics, including trade area population and average household income; neighborhood growth patterns and economic conditions; and the presence of demand generators. After reasonable inquiry, we are not aware of any material factors relating to the properties, other than those discussed above, that would cause the reported financial information not to be necessarily indicative of future operating results.

Because the LO Midland Property and LO Lubbock Property are 100% leased to a single tenant on a long-term basis under a net lease that transfers substantially all of the operating costs to the tenant, we believe that the financial condition and results of operations of the lease guarantor, Lowe's, are more relevant to investors than the financial statements of the properties acquired in order to enable investors to evaluate the credit-worthiness of the lessee. Additionally, because the properties are subject to a net lease, the historical property financial statements provide limited information other than rental income, which is disclosed in the section captioned "Investment Objectives and Policies - Real Property Investments" beginning on page 82 of the prospectus. As a result, pursuant to guidance provided by the Securities and Exchange Commission, we have not provided audited financial statements of the properties acquired.

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Lowe's currently files its financial statements in reports filed with the Securities and Exchange Commission, and the following summary financial data regarding Lowe's are taken from its previously filed public reports:

	For the Six Months Ended 8/4/2006	For the Fiscal Year Ended		1/30/2004
		2/3/2006	1/28/2005	
		(in millions)		
Consolidated Statements of Operations				
Revenues	\$ 25,310	\$ 43,243	\$ 36,464	\$ 30,838
Operating Income	2,953	4,664	3,712	3,124
Net Income	1,776	2,771	2,176	1,844
	As of 8/4/2006	As of the Fiscal Year Ended		1/30/2004
		2/3/2006	1/28/2005	
		(in millions)		
Consolidated Balance Sheets				
Total Assets	\$ 26,037	\$ 24,639	\$ 21,138	\$ 18,751
Long-term Debt	3,410	3,499	3,060	3,678
Stockholders' Equity	14,920	14,296	11,535	10,216

For more detailed financial information regarding Lowe's, please refer to its financial statements, which are publicly available with the Securities and Exchange Commission at <http://www.sec.gov>.

Summary Financial Data

Advance Stores Company Incorporated

Advance Auto Grand Bay, Alabama