

Cole Credit Property Trust II Inc
Form POS AM
August 08, 2007

Table of Contents

As filed with the Securities and Exchange Commission on August 8, 2007

Registration No. 333-138444

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
POST-EFFECTIVE AMENDMENT NO. 1 TO
FORM S-11
FOR REGISTRATION UNDER
THE SECURITIES ACT OF 1933
OF CERTAIN REAL ESTATE COMPANIES**

COLE CREDIT PROPERTY TRUST II, INC.
(Exact Name of Registrant as Specified in Its Governing Instruments)

**2555 East Camelback Road, Suite 400
Phoenix, Arizona 85016
(602) 778-8700**

(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Blair D. Koblenz
Executive Vice President and Chief Financial Officer
Cole Credit Property Trust II, Inc.
2555 East Camelback Road, Suite 400
Phoenix, Arizona 85016
(602) 778-8700**

(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable following effectiveness of this Registration Statement

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

Table of Contents

This Post-Effective Amendment No. 1 consists of the following:

1. The Registrant's final form of Prospectus dated May 11, 2007;
 2. Supplement No. 1 dated May 15, 2007, Supplement No. 2 dated July 23, 2007 and Supplement No. 3 dated August 8, 2007, to the Registrant's Prospectus dated May 11, 2007, included herewith, each of which will be delivered as an unattached document along with the Prospectus dated May 11, 2007.
 3. Part II, included herewith.
 4. Signatures, included herewith.
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Table of Contents

Cole Credit Property Trust II, Inc.
Maximum Offering of 150,000,000 Shares of Common Stock

Cole Credit Property Trust II, Inc. is a Maryland corporation which qualifies as a real estate investment trust. We invest primarily in freestanding, single-tenant retail properties net leased to investment grade and other creditworthy tenants.

We are offering up to 125,000,000 shares of our common stock in our primary offering for \$10.00 per share, with discounts available for certain categories of purchasers. We also are offering up to 25,000,000 shares pursuant to our distribution reinvestment plan at a purchase price equal to the higher of \$9.50 per share or 95% of the estimated value of a share of our common stock. We will offer these shares until May 11, 2009, which is two years after the effective date of this offering, unless the offering is extended. We reserve the right to reallocate the shares of our common stock we are offering between the primary offering and the distribution reinvestment plan.

See Risk Factors beginning on page 20 for a description of some of the risks you should consider before buying shares of our common stock. These risks include the following:

You will be unable to evaluate the economic merit of our future investments before we make them and there may be a substantial delay in receiving a return, if any, on your investment.

There are substantial conflicts among us and our advisor, dealer manager and property manager, such as the fact that our chairman and chief executive officer owns 100% of our advisor, our dealer-manager and our property manager, and our advisor and other affiliated entities may compete with us and acquire properties suitable to our investment objectives.

No public market currently exists, and one may never exist, for shares of our common stock. If you are able to sell your shares, you would likely have to sell them at a substantial discount.

We may make distributions from the proceeds of this offering or from borrowings in anticipation of future cash flow. Any such distributions will constitute a return of capital and may reduce the amount of capital we ultimately invest in properties and negatively impact the value of your investment.

If we fail to maintain the requirements to be taxed as a REIT, it would reduce the amount of income available for distribution and limit our ability to make distributions to our stockholders.

You may not own more than 9.8% in value of the outstanding shares of our stock or more than 9.8% of the number or value of any class or series of our outstanding shares of stock.

We may incur substantial debt, which could hinder our ability to pay distributions to our stockholders or could decrease the value of your investment in the event that income on, or the value of, the property securing the debt falls.

We are dependent on our advisor to select investments and conduct our operations. Adverse changes in the financial condition of our advisor or our relationship with our advisor could adversely affect us.

We will pay substantial fees and expenses to our advisor, its affiliates and participating broker-dealers, which payments increase the risk that you will not earn a profit on your investment.

This is a best efforts offering and we might not sell all of the shares being offered.

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense.

The use of projections in this offering is prohibited. Any representation to the contrary, and any predictions, written or oral, as to the amount or certainty of any future benefit or tax consequence that may flow from an investment in this program is not permitted. All proceeds from the this offering are funds held in trust until subscriptions are accepted and funds are released.

This investment involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment.

	Price	Selling	Dealer	Net Proceeds
	to Public	Commissions	Manager Fee	(Before Expenses)
Primary Offering				
Per Share	\$ 10.00	\$ 0.70	\$ 0.20	\$ 9.10
Total Maximum	\$ 1,250,000,000	\$ 87,500,000	\$ 25,000,000	\$ 1,137,500,000
Distribution Reinvestment Plan				
Per Share	\$ 9.50	\$	\$	\$ 9.50
Total Maximum	\$ 237,500,000	\$	\$	\$ 237,500,000

The dealer manager of this offering, Cole Capital Corporation, a member firm of the National Association of Securities Dealers, Inc., is our affiliate and will offer the shares on a best efforts basis. The minimum investment amount generally is \$2,500. See the Plan of Distribution section of this prospectus beginning on page 156 for a description of compensation that may be received by our dealer manager and other broker-dealers in this offering.

May 11, 2007

Table of Contents

SUITABILITY STANDARDS

An investment in our common stock involves significant risk and is only suitable for persons who have adequate financial means, desire a relatively long-term investment and who will not need immediate liquidity from their investment. There is no public market for our common stock and we cannot assure you that one will develop, which means that it may be difficult for you to sell your shares. This investment is not suitable for persons who require immediate liquidity or guaranteed income, or who seek a short-term investment.

In consideration of these factors, we have established suitability standards for initial stockholders and subsequent purchasers of shares from our stockholders. These suitability standards require that a purchaser of shares have, excluding the value of a purchaser's home, furnishings and automobiles, either:

a net worth of at least \$150,000; or

a gross annual income of at least \$45,000 and a net worth of at least \$45,000.

The minimum investment amount generally is \$2,500 (250 shares). You may not transfer any of your shares if such transfer would result in your owning less than the minimum investment amount, unless you transfer all of your shares. In addition, you may not transfer or subdivide your shares so as to retain less than the number of shares required for the minimum purchase. In order to satisfy the minimum purchase requirements for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of \$1,000. You should note that an investment in shares of our common stock will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code.

After you have purchased the minimum investment amount, any additional purchase must be at least \$1,000 (100 shares), or made pursuant to our distribution reinvestment plan, which may be in lesser amounts.

Several states have established suitability requirements that are more stringent than the standards that we have established and described above. Shares will be sold only to investors in these states who meet the special suitability standards set forth below:

Kentucky Investors must have either (a) a net worth of \$250,000 or (b) a gross annual income of at least \$70,000 and a net worth of at least \$70,000, with the amount invested in this offering not to exceed 10% of the Kentucky investor's liquid net worth.

Arizona, California, Michigan, North Carolina and Tennessee Investors must have either (a) a net worth of at least \$225,000 or (b) gross annual income of at least \$60,000 and a net worth of at least \$60,000.

Maine Investors must have either (a) a net worth of at least \$200,000 or (b) gross annual income of at least \$50,000 and a net worth of at least \$50,000.

Massachusetts, Ohio and Pennsylvania Investors must have either (a) a minimum net worth of at least \$250,000 or (b) an annual gross income of at least \$70,000 and a net worth of at least \$70,000. The investor's maximum investment in the issuer and its affiliates cannot exceed 10% of the Massachusetts, Ohio or Pennsylvania resident's net worth.

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Iowa and Kansas Investors must have either (a) a net worth of at least \$250,000 or (b) an annual gross income of at least \$70,000 and a net worth of at least \$70,000.

In all states listed above, net worth is to be determined excluding the value of a purchaser's home, furnishings and automobiles.

In Kansas, in addition to the suitability requirements described above, it is recommended that investors should invest no more than 10% of their liquid net worth in our shares and securities of other real estate investment trusts. Liquid net worth is defined as that portion of net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents and readily marketable securities.

Table of Contents

Each participating broker-dealer, authorized representative or any other person selling shares on our behalf is required to:

make every reasonable effort to determine that the purchase of shares is a suitable and appropriate investment for each investor based on information provided by such investor to the broker-dealer, including such investor's age, investment objectives, income, net worth, financial situation and other investments held by such investor; and

maintain records for at least six years of the information used to determine that an investment in the shares is suitable and appropriate for each investor.

In making this determination, your participating broker-dealer, authorized representative or other person selling shares on our behalf will, based on a review of the information provided by you, consider whether you:

meet the minimum income and net worth standards established in your state;

can reasonably benefit from an investment in our common stock based on your overall investment objectives and portfolio structure;

are able to bear the economic risk of the investment based on your overall financial situation; and

have an apparent understanding of:

the fundamental risks of an investment in our common stock;

the risk that you may lose your entire investment;

the lack of liquidity of our common stock;

the restrictions on transferability of our common stock;

the background and qualifications of our advisor; and

the tax consequences of an investment in our common stock.

In the case of sales to fiduciary accounts, the suitability standards must be met by the fiduciary account, by the person who directly or indirectly supplied the funds for the purchase of the shares or by the beneficiary of the account. Given the long-term nature of an investment in our shares, our investment objectives and the relative illiquidity of our shares, our suitability standards are intended to help ensure that shares of our common stock are an appropriate investment for those of you who become investors.

Table of Contents

TABLE OF CONTENTS

	Page
SUITABILITY STANDARDS	i
QUESTIONS AND ANSWERS ABOUT THIS OFFERING	1
PROSPECTUS SUMMARY	5
Cole Credit Property Trust II, Inc.	5
Our Advisor	5
Our Management	5
Our REIT Status	6
Summary Risk Factors	6
Description of Real Estate Investments	7
Estimated Use of Proceeds of This Offering	11
Investment Objectives	11
Conflicts of Interest	11
Prior Offering Summary	12
The Offering	13
Compensation to Cole Advisors II and its Affiliates	13
Distribution Policy and Distributions	16
Listing	16
Distribution Reinvestment Plan	17
Share Redemption Program	17
Cole Operating Partnership II, LP	18
ERISA Considerations	18
Description of Shares	18
RISK FACTORS	20
Risks Related to an Investment in Cole Credit Property Trust II, Inc.	20
Risks Related to Conflicts of Interest	22
Risks Related to This Offering and Our Corporate Structure	24
General Risks Related to Investments in Real Estate	29
Risks Associated with Debt Financing	36
Risks Associated with Co-Ownership Transactions	38
Federal Income Tax Risks	39
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	42
ESTIMATED USE OF PROCEEDS	43
MANAGEMENT	45
General	45
Committees of the Board of Directors	46
Audit Committee	46
Compensation Committee	47
Executive Officers and Directors	47
Compensation of Directors	48
Director Compensation Table	49
2004 Independent Directors' Stock Option Plan	49
Provisions Applicable to Our Stock Option Plan	50
Compliance with the American Jobs Creation Act	51

Table of Contents

	Page
Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents	51
The Advisor	53
The Advisory Agreement	54
Affiliated Companies	56
Investment Decisions	57
MANAGEMENT COMPENSATION	58
STOCK OWNERSHIP	65
CONFLICTS OF INTEREST	66
Interests in Other Real Estate Programs	66
Other Activities of Cole Advisors II and its Affiliates	67
Competition in Acquiring, Leasing and Operating of Properties	67
Affiliated Dealer Manager	67
Affiliated Property Manager	67
Lack of Separate Representation	68
Joint Ventures with Affiliates of Cole Advisors II	68
Receipt of Fees and Other Compensation by Cole Advisors II and Its Affiliates	68
Certain Conflict Resolution Procedures	68
INVESTMENT OBJECTIVES AND POLICIES	71
General	71
Acquisition and Investment Policies	71
Making Loans and Investments in Mortgages	78
Acquisition of Properties from Affiliates	80
Section 1031 Program	81
Disposition Policies	82
Investment Limitations	82
Change in Investment Objectives and Limitations	83
Real Property Investments	84
SELECTED FINANCIAL DATA	102
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	103
Overview	103
Application of Critical Accounting Policies	104
Results of Operations	106
Portfolio Information	108
Funds From Operations	109
Liquidity and Capital Resources	109
Cash Flow Analysis	111
Election as a REIT	112
Inflation	113
Related-Party Transactions and Agreements	113
Conflicts of Interest	113
Subsequent Events	113
Impact of Recent Accounting Pronouncements	113
Off Balance Sheet Arrangements	113

Table of Contents

	Page
PRIOR PERFORMANCE SUMMARY	114
Prior Investment Programs	114
Summary Information	114
FEDERAL INCOME TAX CONSIDERATIONS	117
General	117
Opinion of Counsel	117
Taxation of the Company	117
Requirements for Qualification as a REIT	118
Failure to Qualify as a REIT	123
Sale-Leaseback Transactions	123
Taxation of U.S. Stockholders	123
Treatment of Tax-Exempt Stockholders	125
Special Tax Considerations for Non-U.S. Stockholders	126
Statement of Stock Ownership	127
State and Local Taxation	128
Tax Aspects of Our Operating Partnership	128
INVESTMENT BY TAX-EXEMPT ENTITIES AND ERISA CONSIDERATIONS	132
General	132
Minimum and Other Distribution Requirements Plan Liquidity	132
Annual or More Frequent Valuation Requirement	133
Fiduciary Obligations Prohibited Transactions	134
Plan Assets Definition	134
Plan Assets Registered Investment Company Exception	134
Publicly Offered Securities Exemption	134
Plan Assets Operating Company Exception	135
Plan Assets Not Significant Investment Exception	136
Consequences of Holding Plan Assets	136
Prohibited Transactions	136
Prohibited Transactions Consequences	137
DESCRIPTION OF SHARES	138
Common Stock	138
Preferred Stock	138
Meetings and Special Voting Requirements	139
Restrictions on Ownership and Transfer	140
Distribution Policy and Distributions	142
Stockholder Liability	143
Business Combinations	144
Control Share Acquisitions	144
Subtitle 8	145
Advance Notice of Director Nominations and New Business	146
Share Redemption Program	146
Restrictions on Roll-up Transactions	148

Table of Contents

	Page
SUMMARY OF AMENDED AND RESTATED DISTRIBUTION REINVESTMENT PLAN	149
Investment of Distributions	149
Election to Participate or Terminate Participation	150
Reports to Participants	150
Excluded Distributions	150
Federal Income Tax Considerations	151
Amendment and Termination	151
OUR OPERATING PARTNERSHIP AGREEMENT	152
General	152
Capital Contributions	152
Operations	152
Exchange Rights	154
Amendments to the Partnership Agreement	154
Termination of the Partnership	154
Transferability of Interests	155
PLAN OF DISTRIBUTION	156
The Offering	156
Cole Capital Corporation	156
Compensation We Will Pay for the Sale of Our Shares	156
Shares Purchased by Affiliates	158
Volume Discounts	158
Subscription Process	159
Investments by IRAs and Qualified Plans	160
HOW TO SUBSCRIBE	160
SUPPLEMENTAL SALES MATERIAL	161
LEGAL MATTERS	161
EXPERTS	161
WHERE YOU CAN FIND MORE INFORMATION	161
FINANCIAL INFORMATION	F-1
APPENDIX A: PRIOR PERFORMANCE TABLES	A-1
APPENDIX B: SUBSCRIPTION AGREEMENT	B-1
APPENDIX C: ADDITIONAL INVESTMENT SUBSCRIPTION AGREEMENT	C-1
APPENDIX D: AMENDED AND RESTATED DISTRIBUTION REINVESTMENT PLAN	D-1

Table of Contents

QUESTIONS AND ANSWERS ABOUT THIS OFFERING

Below we have provided some of the more frequently asked questions and answers relating to an offering of this type. Please see Prospectus Summary and the remainder of this prospectus for more detailed information about this offering.

Q: What is a REIT?

A: In general, a real estate investment trust (REIT) is a company that:

pays distributions to investors of at least 90% of its taxable income;

avoids the double taxation treatment of income that generally results from investments in a corporation because a REIT generally is not subject to federal corporate income taxes on its net income, provided certain income tax requirements are satisfied; and

combines the capital of many investors to acquire a large-scale diversified real estate portfolio under professional management.

Q: How are you different from your competitors who offer unlisted finite-life public REIT shares or real estate limited partnership units?

A: We focus our investments primarily on the acquisition of freestanding, single-tenant commercial properties net leased to investment grade and other creditworthy tenants. Unlike funds that invest solely in multi-tenant properties, we plan to acquire a diversified portfolio comprised primarily of a large number of single-tenant properties and a smaller number of multi-tenant properties that compliment our overall investment objectives. By acquiring a large number of single-tenant properties, we believe that lower than expected results of operations from one or a few investments will not necessarily preclude our ability to realize our investment objectives of current income to our investors and preservation of capital from our overall portfolio. In addition, we believe that freestanding retail properties, as compared to shopping centers, malls and other traditional retail complexes, offer a distinct investment advantage since these properties generally require less management and operating capital, have less recurring tenant turnover and often offer superior locations that are less dependent on the financial stability of adjoining tenants. In addition, since we intend to acquire properties that are geographically diverse, we expect to minimize the potential adverse impact of economic downturns in local markets. We seek to acquire properties with long term leases with investment grade or other creditworthy tenants.

Q: What is the experience of your officers and directors?

A: Christopher H. Cole, our chairman, chief executive officer and president, has been active in the acquisition, financing, management and structuring of commercial real estate transactions for over 28 years and has been engaged as a general partner in the structuring and management of real estate limited partnerships since February 1979. He also is the chief executive officer of Cole REIT Advisors II, LLC (Cole Advisors II), which is our advisor. Through Mr. Cole's affiliated entities, as of December 31, 2006, Mr. Cole has sponsored 71 private real estate programs with an aggregate of over 6,500 investors since January 1, 1997.

Blair D. Koblenz, our executive vice president and chief financial officer, has been active in the structuring and financial management of commercial real estate investments for over 20 years. He also is president of Cole

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Advisors II. Prior to joining the Cole entities in 1994, he practiced in public accounting from 1979 to 1982 with an emphasis in taxation and business planning. He then served in a financial officer capacity for other real estate investment companies and operators in Arizona from 1982 to 1994.

John M. Pons, our secretary, also is executive vice president, chief operating officer, secretary and general counsel of Cole Advisors II. Prior to joining the Cole entities in September 2003, Mr. Pons was an associate general counsel and assistant secretary with GE Capital Franchise Finance Corporation since December 2001. Prior to December 2001, Mr. Pons was engaged in a private legal practice. Mr. Pons has over eleven years experience in all aspects of real estate law, including the acquisition, sale, leasing, development and financing of real property.

Table of Contents

Marcus E. Bromley is an independent member of our board of directors, chairman of its compensation committee and a member of its audit committee. From 1993 through 2005, Mr. Bromley served as a member of the board of trustees of Gables Residential Trust, a multi-family residential REIT that was listed on the New York Stock Exchange prior to its sale in 2005. From December 1993 until June 2000, Mr. Bromley also served as the chief executive officer of Gables Residential Trust. Prior to joining Gables Residential Trust, Mr. Bromley was a division partner of Trammell Crow Residential.

Elizabeth L. Watson is an independent member of our board of directors, chairperson of its audit committee and a member of its compensation committee. Since September 2003, Ms. Watson has been a partner in and has served as the chief operating officer for NGP Capital Partners III, LLC (NGP Capital). In addition to other positions in the real estate capital markets industry, from 1992 until 1994, Ms. Watson served as senior vice president, chief financial officer and treasurer of Prime Retail, Inc., a publicly traded REIT that developed and owned factory outlet centers, and its predecessor company, The Prime Group.

Q: Will you acquire properties in joint ventures?

A: Possibly. Although we have not yet done so, we may want to acquire properties through one or more joint ventures in order to diversify our portfolio of properties in terms of geographic region, property type and tenant industry group. Increased portfolio diversification reduces the risk to investors as compared to a program with less diversified investments. Our joint ventures may be with our affiliates or with third parties. Generally, we will only enter into a joint venture in which we will control the decisions of the joint venture. If we do enter into joint ventures, we may assume liabilities related to the joint venture that exceed the percentage of our investment in the joint venture.

Q: What steps do you take to make sure you invest in environmentally compliant property?

A: Generally, we obtain a Phase I environmental assessment of each property we purchase. These assessments, however, may not reveal all environmental hazards. In most cases we request, but do not always obtain, a representation from the seller that, to its knowledge, the property is not contaminated with hazardous materials.

Q: Generally, what are the terms of your leases?

A: We seek to secure leases from investment grade and other creditworthy tenants before or at the time we acquire a property. Our leases generally are net leases, which means that the tenant is responsible for the cost of repairs, maintenance, property taxes, utilities, insurance and other operating costs. In certain of these leases, we are responsible for the replacement of specific structural components of a property, such as the roof of the building or the parking lot. Our leases generally have terms of ten or more years, some of which have renewal options. We may, however, enter into leases that have a shorter term.

Q: How do you determine whether tenants have the appropriate creditworthiness for each building lease?

A: We determine creditworthiness pursuant to various methods, including reviewing financial data and other information about the tenant. In addition, we may use an industry credit rating service to determine the creditworthiness of potential tenants and any personal guarantor or corporate guarantor of each potential tenant. We compare the reports produced by these services to the relevant financial and other data collected from these parties before consummating a lease transaction. Such relevant data from potential tenants and guarantors include income statements and balance sheets for current and prior periods, net worth or cash flow of guarantors, and business plans and other data we deem relevant.

Q: What is an UPREIT ?

A: UPREIT stands for Umbrella Partnership Real Estate Investment Trust. We use an UPREIT structure because a sale of property directly to a REIT generally is a taxable transaction to the selling property owner. In an UPREIT structure, a seller of a property that desires to defer taxable gain on the sale of its property may transfer the property to the UPREIT in exchange for limited partnership units in the UPREIT and defer taxation of gain until the seller later exchanges its UPREIT units on a one-for-one basis for REIT shares. If the REIT shares are publicly traded, at the time of the exchange of units for shares, the former property owner will achieve liquidity for its investment. Using an UPREIT structure

Table of Contents

may give us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results.

Q: Will the distributions I receive be taxable as ordinary income?

A: Yes and No. Generally, distributions that you receive, including distributions that are reinvested pursuant to our distribution reinvestment plan, will be taxed as ordinary income to the extent they are from current or accumulated earnings and profits. We expect that some portion of your distributions may not be subject to tax in the year received because depreciation expense reduces taxable income but does not reduce cash available for distribution. The portion of your distribution that is not subject to tax immediately is considered a return of capital for tax purposes and will reduce the tax basis of your investment. This, in effect, defer