

Cole Credit Property Trust II Inc
Form 8-K
October 11, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

October 5, 2005

Cole Credit Property Trust II, Inc.

(Exact name of registrant as specified in its charter)

Maryland

333-121094

20-1676382

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

2555 East Camelback Road, Suite 400,
Phoenix, Arizona

85016

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(602) 778-8700

None

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.

On October 5, 2005, in connection with the acquisition of a 15,076 square foot single-tenant retail building (the "WG Brainerd Property"), Cole WG Brainerd MN, LLC, a Delaware limited liability company (the "Acquisition Sub"), a wholly-owned subsidiary of Cole Operating Partnership II, LP ("COP II"), the operating partnership of Cole Credit Property Trust II, Inc. (the "Company"), entered into an approximately \$3.5 million loan from Wachovia Bank National Association (the "Lender") by executing a promissory note (the "WG Brainerd Loan"). The WG Brainerd Loan, which is secured by the WG Brainerd Property, consists of an approximately \$2.8 million fixed interest rate tranche (the "Fixed Rate Tranche") and an approximately \$649,000 variable interest rate tranche (the "Variable Rate Tranche"). The Fixed Rate Tranche has a fixed interest rate of 5.44% per annum with monthly interest-only payments and the outstanding principal and interest due on October 11, 2015 (the "Maturity Date"). The 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 interest due on January 4, 2006. The WG Brainerd Loan is nonrecourse to the Acquisition Sub and COP II, but both are liable for customary non-recourse carveouts.

The WG Brainerd 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 Maturity Date, and (ii) partial prepayments resulting from Lender's election to apply insurance or condemnation proceeds to reduce the outstanding principal balance of the WG Brainerd Loan. Notwithstanding the prepayment limitations, the Acquisition Sub may sell the WG Brainerd Property to a buyer that assumes the WG Brainerd Loan. The transfer shall be subject to the Lender's approval of the proposed buyer and the payment of the Lender's costs and expenses associated with the sale of the WG Brainerd Property.

In the event the WG Brainerd Loan is not paid off on the Maturity Date, the WG Brainerd Loan includes hyperamortization provisions. The Maturity Date, under the hyperamortization period, will be extended by twenty (20) years. During such period, Lender will apply 100% of the rents collected to (i) all payments due to Lender under the WG Brainerd Loan, including any payments to escrows or reserve accounts, (ii) any operating expenses of the WG Brainerd Property pursuant to an approved annual budget, (iii) any extraordinary expenses and, (iv) any accrued interest under the WG Brainerd Loan. Any remaining amount will be applied to the reduction of the principal balance of the WG Brainerd Loan, until paid in full. The interest rate during the hyperamortization period shall be the greater of (x) the fixed interest rate of 5.44% plus two percent (2.0%) or (y) the Treasury Constant Maturity Yield Index plus two percent (2.0%).

Item 2.01 Completion of Acquisition or Disposition of Assets.

Walgreens – Brainerd, MN

On October 6, 2005, the Acquisition Sub acquired the WG Brainerd Property from Brainerd Drugstore, LLC, which is not affiliated with the Company, its subsidiaries or affiliates. The WG Brainerd Property was constructed in 2000 on an approximately 2.07 acre site in Brainerd, Minnesota. The area surrounding the property within a three-mile radius is shared by multi-family housing and commercial development.

The purchase price of the WG Brainerd Property was approximately \$4.3 million, exclusive of closing costs. The acquisition was funded by net proceeds from the Company's ongoing public offering and an approximately \$3.5 million loan secured by the WG Brainerd Property (see Item 1.01 for a description of the loan). In connection with the acquisition, the Company paid an affiliate of its advisor an acquisition fee of \$86,570 and its advisor a finance coordination fee of \$28,140.

The WG Brainerd Property is 100% leased to Walgreen Co. ("Walgreens") 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 \$303,000, or \$20.10 per square foot, is fixed through the initial lease term, which expires July 30, 2020, and all renewal options. The tenant has eight options to renew the lease, each for an additional five year term, beginning on August 1, 2020.

Walgreens has over 4,900 stores in 45 states and Puerto Rico. Walgreens has a Standard & Poor's credit rating of "A+" and the company's stock is publicly traded on the New York Stock Exchange under the ticker symbol "WAG".

An affiliate of the Company has the sole and exclusive right to manage, operate, lease and supervise the overall maintenance of the WG Brainerd Property and will receive a property management fee of 2.0% of the monthly gross revenue from the property. The Company currently has no plans for any renovations, improvements or development of the WG Brainerd Property. The Company believes the WG Brainerd Property is adequately insured.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 of this current report on Form 8-K is hereby incorporated by reference into this Item 2.03.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

Since it is impracticable to provide the required financial statements for the acquired real property described above at the time of this filing, and no financial statements (audited or unaudited) are available at this time, the Company hereby confirms that the required financial statements will be filed on or before December 19, 2005, by amendment to this Form 8-K, which date is within the period allowed to file such an amendment.

(b) Pro Forma Financial Information.

See paragraph (a) above.

(c) Exhibits.

99.1 Press Release dated October 11, 2005.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Cole Credit Property Trust II, Inc.

October 11, 2005

By: */s/ Blair D. Koblenz*

Name: Blair D. Koblenz

Title: Chief Financial Officer and Executive Vice President

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Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|---------------------------------------|
| 99.1 | Press Release dated October 11, 2005. |