

Cole Credit Property Trust II Inc
Form 10-Q
November 14, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-51963

COLE CREDIT PROPERTY TRUST II, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of

20-1676382
(I.R.S. Employer

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incorporation or organization)

Identification No.)

2555 East Camelback Road, Suite 400
Phoenix, Arizona 85016
(Address of principal executive offices)

(602) 778-8700
(Registrant's telephone number,
including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 10, 2006, there were 23,439,594 shares of common stock, par value \$0.01, of Cole Credit Property Trust II, Inc. outstanding.

COLE CREDIT PROPERTY TRUST II, INC.

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PART I

FINANCIAL INFORMATION

The accompanying unaudited condensed interim financial statements as of and for the three months and nine months ended September 30, 2006 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements and should be read in conjunction with the audited financial statements and related notes thereto, included in the Company's annual report on Form 10-K for the year ended December 31, 2005. The financial statements herein should also be read in conjunction with the notes to the financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report. The results of operations for the three months and nine months ended September 30, 2006 are not necessarily indicative of the operating results expected for the full year. The information furnished in our accompanying condensed consolidated balance sheets and condensed consolidated statements of operations, stockholders' equity, and cash flows reflects all adjustments that are, in our opinion, necessary for a fair presentation of the aforementioned financial statements.

COLE CREDIT PROPERTY TRUST II, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2006	December 31, 2005
Assets:		
Real estate assets, at cost:		
Land	\$82,839,737	\$23,854,308
Buildings and improvements, less accumulated depreciation of \$2,803,332 and \$151,472, at September 30, 2006 and December 31, 2005, respectively	201,752,737	57,338,359
Acquired intangible lease assets, less accumulated amortization of \$1,377,600 and \$71,881 at September 30, 2006 and December 31, 2005, respectively	38,060,639	10,425,618
Total real estate assets	322,653,113	91,618,285
Cash and cash equivalents	9,214,421	4,575,144
Restricted cash	6,208,342	1,813,804
Rents and tenant receivables	1,125,088	36,001
Prepaid expenses and other assets	1,847,092	11,928
Deferred financing costs, less accumulated amortization of \$361,029 and \$17,964 at September 30, 2006 and December 31, 2005, respectively	2,897,108	754,676
Total assets	\$343,945,164	\$98,809,838
Liabilities and Stockholders' Equity:		
Mortgage notes payable	\$167,242,838	\$66,804,041
Notes payable to affiliates		4,453,000
Accounts payable and accrued expenses	1,261,762	282,797
Escrowed investor proceeds	6,208,342	1,813,804
Due to affiliates	70,635	41,384
Acquired below market lease intangibles, less accumulated amortization of \$46,357 and \$52 at September 30, 2006 and December 31, 2005, respectively	1,954,993	14,637
Distributions payable	940,028	195,209
Total liabilities	177,678,598	73,604,872
Redeemable Common Stock	1,811,467	
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding at September 30, 2006 and December 31, 2005		
Common stock, \$.01 par value; 90,000,000 shares authorized, 18,963,568 and 2,832,387 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	189,636	28,324
Capital in excess of par value	168,837,498	25,486,442
Accumulated distributions in excess of earnings	(4,572,035)	(309,800)
Total stockholders' equity	164,455,099	25,204,966
Total liabilities and stockholders' equity	\$343,945,164	\$98,809,838

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

COLE CREDIT PROPERTY TRUST II, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Revenues:				
Rental and other income	\$ 5,064,125	\$ 2,761	\$ 11,056,698	\$ 2,761
Tenant reimbursement income	328,616		623,322	
Total revenue	5,392,741	2,761	11,680,020	2,761
Expenses:				
General and administrative	265,079	26,936	805,935	26,936
Property operating expenses	334,553		628,977	
Property and asset management fees	261,812		563,180	
Depreciation	1,206,287	2,467	2,651,860	2,467
Amortization	576,695	1,037	1,239,242	1,037
Total operating expenses	2,644,426	30,440	5,889,194	30,440
Real estate operating income (loss)	2,748,315	(27,679)	5,790,826	(27,679)
Other income (expense):				
Interest income	93,409		181,173	
Interest expense	(2,292,782)	) (1,864)	(5,787,492)	) (1,864)
Total other expense	(2,199,373)	) (1,864)	(5,606,319)	) (1,864)
Net income (loss)	\$ 548,942	\$ (29,543)	\$ 184,507	\$ (29,543)
Net income (loss) per common share:				
Basic and diluted	\$ 0.04	\$ (0.46)	\$ 0.02	\$ (0.85)
Weighted average number of common shares outstanding:				
Basic and diluted	15,006,417	64,467	9,424,396	34,822

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

COLE CREDIT PROPERTY TRUST II, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

	Common Stock Number of Shares	Par Value	Capital in Excess of Par Value	Accumulated Distributions in Excess of Earnings	Total Stockholders Equity
Balance, December 31, 2005	2,832,387	\$28,324	\$25,486,442	\$(309,800)	) \$25,204,966
Issuance of common stock	16,131,181	161,312	160,979,476		) 161,140,788
Distributions				(4,446,742)	) (4,446,742)
Commissions on stock sales and related dealer manager fees			(13,474,006)	)	(13,474,006)
Other offering costs			(2,382,995)	)	(2,382,995)
Stock compensation expense			40,048		40,048
Redeemable common stock			(1,811,467)	)	(1,811,467)
Net income				184,507	184,507
Balance, September 30, 2006	18,963,568	\$189,636	\$168,837,498	\$(4,572,035)	) \$164,455,099

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

COLE CREDIT PROPERTY TRUST II, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Cash Flows from Operating Activities:		
Net income (loss)	\$ 184,507	\$ (29,543)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	2,651,860	2,467
Amortization	1,602,479	1,264
Stock compensation expense	40,048	
Changes in assets and liabilities:		
Rents and tenant receivables	(1,089,087)
Prepaid expenses and other assets	(340,164	) (7,584)
Accounts payable and accrued expenses	978,965	14,678
Due to affiliates	29,251	13,268
Net cash provided (used) by operating activities	4,057,859	(5,450)
Cash Flows from Investing Activities:		
Investment in real estate and related assets	(175,918,360	) (3,352,405)
Acquired intangible lease assets	(23,813,260)
Acquired below market lease intangibles	1,986,661	
Escrow deposit on property to be acquired		(50,000)
Restricted cash	(4,394,538	) (1,363,506)
Net cash used in investing activities	(202,139,497	) (4,765,911)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	159,329,321	5,988,426
Proceeds from mortgage and affiliate notes payable	113,149,860	2,607,000
Repayment of mortgage and affiliate notes payable	(52,424,850)
Refund of loan deposits	1,210,620	
Payment of loan deposits	(2,705,620)	
Escrowed investor proceeds liability	4,394,538	1,363,506
Offering costs on issuance of common stock	(15,857,001	) (568,670)
Distributions to investors	(1,890,456)
Deferred financing costs paid	(2,485,497	) (46,429)
Net cash provided by financing activities	202,720,915	9,343,833
Net increase in cash and cash equivalents	4,639,277	4,572,472
Cash and cash equivalents, beginning of period	4,575,144	200,000
Cash and cash equivalents, end of period	\$9,214,421	\$4,772,472
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Dividends declared and unpaid	\$940,028	\$
Mortgage notes assumed in real estate acquisitions	\$35,260,787	\$
Common stock issued through distribution reinvestment plan	\$1,811,467	\$
Escrow deposits due to affiliate	\$	\$50,000
Other offering costs due to affiliate	\$	\$17,170
Supplemental Cash Flow Disclosures:		
Interest paid	\$5,192,625	\$1,864

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The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

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COLE CREDIT PROPERTY TRUST II, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2006

(Unaudited)

Note 1 Organization

Cole Credit Property Trust II, Inc. (the Company) was formed on September 29, 2004 and is a Maryland corporation that has elected to be taxed as a real estate investment trust (REIT) beginning with the taxable year ended December 31, 2005. Substantially all of the Company's business is conducted through Cole Operating Partnership II, LP (Cole OP II), a Delaware limited partnership. The Company is the sole general partner of and owns a 99.99% partnership interest in Cole OP II. Cole REIT Advisors II, LLC (the Advisor), the affiliated advisor to the Company, is the sole limited partner and owner of 0.01% of the partnership interests of Cole OP II.

Pursuant to a Registration Statement on Form S-11 under the Securities Act of 1933, as amended (the Registration Statement), the Company is offering for sale to the public on a best efforts basis a minimum of 250,000 and a maximum of 45,000,000 shares of its common stock at a price of \$10 per share (the Offering), subject to discounts in certain circumstances, and up to 5,000,000 additional shares pursuant to a distribution reinvestment plan under which its stockholders may elect to have distributions reinvested in additional shares of the Company's common stock at the higher of \$9.50 per share or 95% of the estimated value of a share of the Company's common stock. The Registration Statement was declared effective on June 27, 2005.

On September 23, 2005, the Company issued the initial 486,000 shares of its common stock under the Offering and commenced its principal operations. Prior to such date, the Company was considered a development stage company. As of September 30, 2006, the Company had issued approximately 19 million shares of its common stock in the Offering for aggregate gross proceeds of approximately \$189.3 million before offering costs and selling commissions of approximately \$18.7 million. As disclosed in the Registration Statement, the Company expects to use substantially all of the net proceeds from the Offering to acquire and operate commercial real estate primarily consisting of freestanding, single-tenant commercial properties net-leased to investment grade or otherwise creditworthy tenants located throughout the United States.

On November 6, 2006, the Company filed a registration statement with the Securities and Exchange Commission with respect to a proposed secondary public offering of up to 150,000,000 shares of its common stock. The offering would include up to 125,000,000 shares to be offered for sale at \$10.00 per share in the primary offering and up to 25,000,000 shares to be offered for sale at the greater of \$9.50 per share or 95% of the estimated value of a share of common stock pursuant to the Company's distribution reinvestment plan (the DRIP).

On November 13, 2006, the Company filed a new registration statement with the Securities and Exchange Commission filed under Rule 462(b) to add securities to a prior related effective registration statement filed on Form S-11. This Registration Statement covers the registration of an additional 4,390,000 shares of the Company's common stock, par value \$0.01 per share, for sale in the primary offering under the current Registration Statement at \$10.00 per share. This Registration Statement also covers the registration of an additional 952,000 shares of the Registrant's common stock, par value \$0.01 per share, for sale pursuant to the Company's DRIP under the current Registration Statement at a purchase price equal to the higher of \$9.50 per share or 95% of the estimated value of a share of the Company's common stock.

The Company's stock is not currently listed on a national exchange. The Company may seek to list its stock for trading on a national securities exchange or for quotation on The Nasdaq National Market only if a majority of its independent directors believe listing would be in the best

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interest of its stockholders. The Company does not intend to list its shares at this time. The Company does not anticipate that there would be any market for its common stock until its shares are listed or quoted. In the event it does not obtain listing prior to the tenth anniversary of the completion or termination of the Offering, its charter requires that it either: (1) seek stockholder approval of an extension or amendment of this listing deadline, or (2) seek stockholder approval to adopt a plan of liquidation of the corporation.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements of the Company have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. Results for these interim periods are not necessarily indicative of full year results. The information included in this Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements as of December 31, 2005, and related notes thereto.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Restricted Cash and Escrowed Investor Proceeds

The Company is currently engaged in a public offering of its common stock. Included in restricted cash and escrowed investor proceeds is approximately \$6.2 million of offering proceeds for which shares of common stock had not been issued as of September 30, 2006.

Redeemable Common Stock

The Company's share redemption program provides that all redemptions during any calendar year, including those upon death or qualifying disability, are limited to those that can be funded with proceeds from the Company's DRIP. In accordance with Accounting Series Release No. 268, *Presentation in Financial Statements of Redeemable Preferred Stock*, the Company accounts for proceeds received from its DRIP as redeemable common stock, outside of permanent equity. As of September 30, 2006 and December 31, 2005, the Company had issued approximately 191,000 and 0 shares of common stock under the DRIP, respectively, for proceeds of approximately \$1.8 million and \$0 under its DRIP, respectively, which have been recorded as redeemable common stock in the respective condensed consolidated balance sheets. As of September 30, 2006 and December 31, 2005, no shares had been redeemed under the Company's share redemption program.

Reportable Segments

The Financial Accounting Standards Board (FASB) issued SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, which establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. The Company has determined that it has one reportable segment, with activities related to investing in real estate. The Company's investments in real estate generate rental revenue and other income through the leasing of single-tenant properties, which comprised approximately 94% and 95% of our total consolidated revenues for the three and nine months ended September 30, 2006, respectively. Although the Company's investments in real estate are geographically diversified throughout the United States and management evaluates operating performance on an individual property level, each of its single-tenant properties have similar economic characteristics, tenants, and products and services. Therefore, our single-tenant properties have been aggregated into one reportable segment.

Note 3 Real Estate Acquisitions

During the nine months ended September 30, 2006, the Company acquired the following properties:

Property	Acquisition Date	Location	Square Feet	Purchase Price
Academy Sports specialty retailer	January 6, 2006	Macon, GA	74,532	\$ 5,600,000
David's Bridal specialty retailer	January 11, 2006	Lenexa, KS	12,083	3,270,000
Rite Aid drugstore	January 26, 2006	Enterprise, AL	14,564	3,714,000

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Rite Aid drugstore	January 26, 2006	Wauseon, OH	14,564	3,893,679
Staples office supply	January 26, 2006	Crossville, TN	23,942	2,900,000
Rite Aid drugstore	January 27, 2006	Saco, ME	11,180	2,500,000
Wadsworth Boulevard marketplace	February 6, 2006	Denver, CO	198,477	18,500,000
Mountainside Fitness center	February 9, 2006	Chandler, AZ	31,063	5,863,000
Drexel Heritage furniture retailer	February 24, 2006	Hickory, NC	261,057	4,250,000
Rayford Square retail center	March 2, 2006	Spring, TX	79,968	9,900,000
CVS drugstore	March 8, 2006	Portsmouth, OH	10,170	2,166,000
Wawa convenience store	March 29, 2006	Hockessin, DE	5,160	4,830,000
Wawa convenience store	March 29, 2006	Manahawkin, NJ	4,695	4,414,000
Wawa convenience store	March 29, 2006	Narbeth, PA	4,461	4,206,000
CVS drugstore	April 20, 2006	Lakewood, OH	12,800	2,450,000
Rite Aid drugstore	April 27, 2006	Cleveland, OH	11,325	2,568,700
Rite Aid drugstore	April 27, 2006	Fremont, OH	11,325	2,524,500
Walgreens drugstore	May 8, 2006	Knoxville, TN	15,120	4,750,000
CVS drugstore	May 26, 2006	Madison, MS	13,824	4,463,088
Rite Aid drugstore	May 26, 2006	Defiance, OH	14,564	4,326,165
Conn's appliance retailer	May 26, 2006	San Antonio, TX	25,230	4,624,619
Dollar General specialty retailer	June 2, 2006	Crossville, TN	24,341	3,000,000
Dollar General specialty retailer	June 9, 2006	Ardmore, TN	24,341	2,775,000

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Property	Acquisition Date	Location	Square Feet	Purchase Price
Dollar General specialty retailer	June 12, 2006	Livingston, TN	24,341	2,856,000
Wehrenberg movie theatre	June 14, 2006	Arnold, MO	50,000	8,200,000
Sportmans Warehouse specialty retailer	June 27, 2006	Wichita, KS	50,003	8,231,000
CVS drugstore	June 28, 2006	Portsmouth, OH	10,650	2,101,708
Advance Auto specialty retailer	June 29, 2006	Greenfield, IN	7,000	1,375,500
Advance Auto specialty retailer	June 29, 2006	Trenton, OH	7,000	1,060,000
Rite Aid drugstore	June 29, 2006	Lansing, MI	11,680	1,735,000
Advance Auto specialty retailer	July 6, 2006	Columbia Heights, MN	7,000	1,730,578
Advance Auto specialty retailer	July 6, 2006	Fergus Falls, MN	7,000	1,203,171
CVS drugstore	July 7, 2006	Okeechobee, FL	13,050	6,459,262
Office Depot office supply	July 7, 2006	Dayton, OH	19,880	3,416,526
Advance Auto specialty retailer	July 12, 2006	Holland, MI	7,000	2,071,843
Advance Auto specialty retailer	July 12, 2006	Holland Township, MI	7,000	2,137,244
Advance Auto specialty retailer	July 12, 2006	Zeeland, MI	7,000	1,840,715
CVS drugstore	July 12, 2006	Orlando, FL	13,013	4,956,763
Office Depot office supply	July 12, 2006	Greenville, MS	25,083	3,491,470
Office Depot office supply	July 19, 2006	Warrensburg, MO	20,000	2,880,552
CVS drugstore	August 10, 2006	Gulfport, MS	11,359	4,414,117
Advance Auto specialty retailer	August 15, 2006	Grand Forks, ND	7,000	1,399,657
CVS drugstore	August 24, 2006	Clinton, NY	10,055	3,050,000
Oxford movie theatre	August 31, 2006	Oxford, MS	35,000	9,692,503
Advance Auto specialty retailer	September 8, 2006	Duluth, MN	7,000	1,432,565
Walgreens drugstore	September 15, 2006	Picayune, MS	14,820	4,255,000
Kohl's department store	September 27, 2006	Wichita, KS	86,584	7,866,000
Lowe's home improvement	September 27, 2006	Lubbock, TX	137,480	11,508,000
Lowe's home improvement	September 27, 2006	Midland, TX	134,050	11,099,000
Advance Auto specialty retailer	September 29, 2006	Grand Bay, AL	7,000	1,115,605
Advance Auto specialty retailer	September 29, 2006	Hurley, MS	7,000	1,083,195
Advance Auto specialty retailer	September 29, 2006	Rainsville, AL	7,000	1,328,000
Gold's Gym	September 29, 2006	O'Fallon, IL	38,000	7,300,000
Total			1,687,834	\$ 228,779,725

In accordance with SFAS, No. 141, *Business Combinations*, the Company allocated the purchase price of these properties, including aggregate acquisition costs of approximately \$4,226,000 to the fair value of the assets acquired and liabilities assumed. The Company allocated approximately \$58,985,000 to land, approximately \$147,067,000 to building and improvements, approximately \$28,941,000 to acquired in-place leases, approximately (\$1,987,000) to acquired below-market leases and approximately \$35,260,000 related to debt assumed related to properties acquired during the nine months ended September 30, 2006.

Note 4 Notes Payable

As of September 30, 2006, the Company had total mortgage notes payable of approximately \$167.2 million. During the nine months ended September 30, 2006, the Company incurred, or assumed, the following mortgage notes payable in connection with the real estate acquisitions described in Note 3 above:

Property	Location	Fixed Rate Loan			Variable Rate Loan Amount		Total Loan at Acquisition
		Amount	Fixed Interest Rate	Maturity Date	(1)	Maturity Date	
Academy Sports specialty retailer	Macon, GA	\$3,478,000	5.69%	January 11, 2016	\$802,000	(2) April 6, 2006	\$4,280,000
David's Bridal specialty retailer	Lenexa, KS	1,799,000	5.86%	January 11, 2011	817,000	(2) April 11, 2006	2,616,000
Rite Aid drugstore	Enterprise, AL	2,043,000	5.80%	February 11, 2016	928,000	(2) April 26, 2006	2,971,000
Rite Aid drugstore	Wauseon, OH	2,142,000	5.80%	February 11, 2016	973,000	(2) April 26, 2006	3,115,000
Staples office supply	Crossville, TN	1,885,000	5.71%	February 11, 2011	435,000	(2) April 26, 2006	2,320,000
Rite Aid drugstore	Saco, ME	1,375,000	5.82%	February 11, 2011	625,000	(2) April 27, 2006	2,000,000

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Wadsworth Boulevard marketplace	Denver, CO	12,025,000	5.57%	March 1, 2011	2,275,000	(2)	December 31, 2006	14,300,000
Mountainside Fitness center	Chandler, AZ		N/A	N/A	4,690,400	(2)	December 31, 2006	4,690,400
Drexel Heritage furniture retailer	Hickory, NC	2,763,000	5.80%	March 11, 2011	637,000	(2)	May 24, 2006	3,400,000

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Rayford Square retail center Spring, TX 5,940,000 5.64% April 1, 2016 N/A 5,940,000

Property

	Location	Fixed Rate Loan Amount	Fixed Interest Rate	Maturity Date	Variable Rate Loan Amount (1)	Maturity Date	Total Loan at Acquisition
CVS drugstore	Portsmouth, OH	1,424,000	5.67%	March 11, 2011	329,000 (2)	June 8, 2006	1,753,000
Wawa convenience stores	Various		N/A	N/A	7,234,787 (3)	February 26, 2010	7,234,787
CVS drugstore	Lakewood, OH	1,348,000	5.77%	May 11, 2011	612,000 (2)	July 20, 2006	1,960,000
Rite Aid drugstore	Cleveland, OH	1,413,000	6.05%	May 11, 2011	642,000 (2)	July 27, 2006	2,055,000
Rite Aid drugstore	Fremont, OH	1,388,000	6.05%	May 11, 2011	632,000 (2)	July 27, 2006	2,020,000
Walgreens drugstore	Knoxville, TN	3,088,000	5.80%	May 11, 2011	712,000 (2)	August 8, 2006	3,800,000
CVS drugstore	Madison, MS	2,809,000	5.60%	February 11, 2016		N/A	2,809,000
Rite Aid drugstore	Defiance, OH	2,321,000	5.76%	January 11, 2016		N/A	2,321,000
Conns appliance retailer	San Antonio, TX	2,461,000	5.86%	May 11, 2011	1,119,000 (2)	July 25, 2006	3,580,000
Dollar General specialty retailer	Crossville, TN	1,950,000	5.75%	June 11, 2016	450,000 (2)	September 2, 2006	2,400,000
Dollar General specialty retailer	Ardmore, TN	1,804,000	5.79%	June 11, 2016	416,000	October 10, 2006	2,220,000
Dollar General specialty retailer	Livingston, TN	1,856,000	5.79%	July 11, 2016	429,000	October 12, 2006	2,285,000
Sportmans Warehouse specialty retailer	Wichita, KS		N/A	N/A		(4) (2) December 27, 2006	
					6,173,250		6,173,250
Rite Aid drugstore	Lansing, MI	1,041,000	5.90%	July 1, 2016		N/A	1,041,000
Advance Auto specialty retailer	Columbia Heights, MN	1,038,000	5.83%	July 11, 2016	346,000	October 6, 2006	1,384,000
Advance Auto specialty retailer	Fergus Falls, MN	722,000	5.83%	July 11, 2016	241,000	October 6, 2006	963,000
CVS drugstore	Okeechobee, FL	4,076,000	5.60%	February 11, 2016			