

Cole Credit Property Trust II Inc
Form DEF 14A
April 10, 2007
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a 6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

COLE CREDIT PROPERTY TRUST II, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:

- 2) Aggregate number of securities to which transaction applies:

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

COLE CREDIT PROPERTY TRUST II, INC.

2555 East Camelback Road, Suite 400

Phoenix, Arizona 85016

April 10, 2007

Dear Stockholder:

You are cordially invited to attend our 2007 Annual Meeting of Stockholders to be held on Tuesday, May 22, 2007, at 9:00 a.m. local time at our principal executive offices located at 2555 East Camelback Road, Suite 400, Phoenix, Arizona 85016.

The matters expected to be acted upon at the meeting are described in the following Notice of the 2007 Annual Meeting of Stockholders and Proxy Statement.

Directors and officers will be available at the meeting to speak with you. There will be an opportunity during the meeting for your questions regarding the affairs of the Company and for a discussion of the business to be considered at the meeting.

It is important that you use this opportunity to take part in the affairs of your Company by voting on the business to come before this meeting. **WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE, OR SUBMIT YOUR PROXY BY USING THE TELEPHONE OR THE INTERNET, SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. FOR SPECIAL INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, PLEASE REFER TO THE INSTRUCTIONS ON THE PROXY CARD.** Voting by proxy does not deprive you of your right to attend the meeting and to vote your shares in person.

We look forward to seeing you at the meeting.

Sincerely,

/s/ CHRISTOPHER H. COLE

Christopher H. Cole

Chairman, President and

Chief Executive Officer

1

COLE CREDIT PROPERTY TRUST II, INC.

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 22, 2007

To Cole Credit Property Trust II, Inc. Stockholders:

NOTICE IS HEREBY GIVEN that the 2007 annual meeting of stockholders of Cole Credit Property Trust II, Inc., a Maryland corporation (CCPT II, the Company, we, or us), will be held on Tuesday, May 22, 2007, at 9:00 a.m. local time at our principal executive offices located at 2555 East Camelback Road, Suite 400, Phoenix, Arizona 85016. The purpose of the meeting is to:

1. Elect three directors to hold office for one-year terms expiring at the 2008 annual meeting of stockholders and until their successors are duly elected and qualified; and
2. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The proposals and other related matters are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on March 23, 2007 are entitled to receive this notice and to vote at the meeting. This proxy statement, proxy card and our 2006 annual report to stockholders are being mailed to you on or about April 10, 2007.

All stockholders are cordially invited to attend the annual meeting in person. Whether or not you expect to attend, WE URGE YOU TO READ THE PROXY STATEMENT AND EITHER COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED OR TO SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. FOR SPECIFIC INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, PLEASE REFER TO THE INSTRUCTIONS ON THE PROXY CARD. YOUR PROMPT RESPONSE WILL HELP AVOID POTENTIAL DELAYS AND MAY SAVE CCPT II SIGNIFICANT ADDITIONAL EXPENSE ASSOCIATED WITH SOLICITING STOCKHOLDER VOTES.

By Order of the Board of Directors

/s/ JOHN M. PONS

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

John M. Pons

Secretary

Phoenix, Arizona

April 10, 2007

PLEASE VOTE YOUR VOTE IS IMPORTANT

2

QUESTIONS AND ANSWERS

We are providing you with this proxy statement, which contains information about the items to be voted upon at our annual meeting of stockholders. To make this information easier to understand, we have presented some of the information below in a question and answer format.

Q: Why did you send me this proxy statement?

A: We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote your shares of CCPT II common stock at the 2007 annual meeting of stockholders. This proxy statement includes information that we are required to provide to you under the rules of the Securities and Exchange Commission (SEC) and is designed to assist you in voting.

Q: What is a proxy?

A: A proxy is a person who votes the shares of stock of another person who does not attend a meeting. The term proxy also refers to the proxy card. When you return the enclosed proxy card, or give your proxy by telephone or over the Internet, you are giving us your permission to vote your shares of common stock at the annual meeting. The people who will vote your shares of common stock at the annual meeting are Blair D. Koblenz and John M. Pons. They will vote your shares of common stock as you instruct, unless you sign and return the proxy card, or vote by telephone or over the Internet, and give no instructions. In this case, the proxies will vote FOR all of the director nominees. With respect to any other proposals to be voted upon, they will vote in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in their discretion. The proxies will not vote your shares of common stock if you do not return the enclosed proxy card or submit your proxy by telephone or over the Internet. This is why it is important for you to return the proxy card or submit your proxy by telephone or over the Internet, to us as soon as possible whether or not you plan on attending the meeting in person.

If you vote by telephone or over the Internet, please do not return your proxy card.

Q: When is the annual meeting and where will it be held?

A: The annual meeting will be held on Tuesday, May 22, 2007, at 9:00 a.m. local time at our principal executive offices located at 2555 East Camelback Road, Suite 400, Phoenix, Arizona 85016.

Q: How many shares of common stock can vote?

A: As of the close of business on the record date of March 23, 2007, there were 41,950,200 shares of our common stock issued and outstanding. Every stockholder of record as of the close of business on March 23, 2007 is entitled to one vote for each share of common stock held at that date and time.

Q: What is a quorum ?

A: A quorum consists of the presence in person or by proxy of stockholders holding a majority of the outstanding shares. There must be a quorum present in order for the annual meeting to be a duly held meeting at which business can be conducted. If you submit a properly executed proxy card, even if you abstain from voting or do not give instructions for voting, then you will at least be considered part of the quorum.

Q: What may I vote on?

A: You may vote on the election of nominees to serve on the board of directors and on any other proposal to be voted on.

Q: How does the board of directors recommend I vote on the proposal?

A: The board of directors recommends a vote FOR each of the nominees for election as director who are named as such in this proxy statement.

3

Q: Who is entitled to vote?

A: Anyone who owned our common stock at the close of business on March 23, 2007, the record date, is entitled to vote at the annual meeting.

Q: How do I vote?

A: You may vote your shares of common stock either in person or by proxy. In order to vote in person, you must attend the annual meeting. Whether you plan to attend the meeting and vote in person or not, we urge you to have your vote recorded. Stockholders may submit their proxy via mail, using the enclosed proxy card. In addition, stockholders of record who live in the United States may authorize proxies by following the Telephone instruction on the enclosed proxy card. Stockholders of record with Internet access may submit a proxy by following the Internet instructions on the enclosed proxy card. The telephone and Internet voting procedures are designed to authenticate the stockholder's identity and to allow stockholders to authorize a proxy and confirm that their instructions have been properly recorded. If the telephone or Internet option is available to you, we strongly encourage you to use it because it is faster and less costly. If you attend the annual meeting, you may also submit your vote in person, and any previous votes or proxies that you submitted will be superseded by the vote that you cast at the annual meeting. If you return your signed proxy card, or vote by telephone or over the Internet, but do not indicate how you wish to vote, your shares of common stock will be counted as present for purposes of determining a quorum and voted FOR the nominees for director, and with respect to any other proposals to be voted upon, in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in the discretion of Messrs. Koblenz and Pons.

Q: Will my vote make a difference?

A: Yes. Your vote is needed to ensure that the proposals can be acted upon. Unlike most other public companies, no large brokerage houses or affiliated groups of stockholders own substantial blocks of our shares. As a result, a large number of our stockholders must be present in person or by proxy at the annual meeting to constitute a quorum. **AS A RESULT, YOUR VOTE IS VERY IMPORTANT EVEN IF YOU OWN ONLY A SMALL NUMBER OF SHARES! Your immediate response will help avoid potential delays and may save us significant additional expense associated with soliciting stockholder votes.** We encourage you to participate in the governance of CCPT II and welcome your attendance at the annual meeting.

Q: What if I return my proxy card and then change my mind?

A: You have the right to revoke your proxy at any time before the vote by:

- (1) notifying John M. Pons, our Secretary, in writing at our principal executive offices located at 2555 East Camelback Road, Suite 400, Phoenix, Arizona 85016;
- (2) attending the meeting and voting in person; or
- (3) returning another proxy after your first proxy, which is received before the annual meeting date. Only the most recent vote will be counted and all others will be discarded regardless of the method of voting.

Q: How will voting on any other business be conducted?

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

A: Although we do not know of any business to be considered at the annual meeting other than the election of directors, if any other business is properly presented at the annual meeting, your proxy gives authority to Blair D. Koblenz, our Executive Vice President and Chief Financial Officer, and John M. Pons, our Secretary, and each of them, to vote on such matters in accordance with the recommendation of the board of directors or, in the absence of such a recommendation, in their discretion.

Q: Who pays the cost of this proxy solicitation?

A: CCPT II will pay all the costs of soliciting these proxies. CCPT II will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to our stockholders.

4

Q: Is this proxy statement the only way that proxies are being solicited?

A: No. In addition to mailing proxy solicitation material, our directors and officers, as well as third-party proxy service companies we retain, may also solicit proxies in person, by telephone or by any other electronic means of communication we deem appropriate. No additional compensation will be paid to directors, officers or other personnel for such services. We have retained D.F. King & Co., Inc. to assist us in the distribution of proxy materials and solicitation of votes. We anticipate the costs of such services to CCPT II to be approximately \$15,000.

Q: If I plan to attend the annual meeting in person, should I notify anyone?

A: While you are not required to notify anyone in order to attend the annual meeting, if you do plan to attend the meeting, we would appreciate it if you would mark the appropriate box on the enclosed proxy card, or indicate when you vote by telephone or over the Internet, to let us know how many stockholders will be attending the meeting so that we will be able to prepare a suitable meeting room for the attendees.

Q: Whom should I call if I have any questions?

A: If you have any questions about how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, you should contact:

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor

New York, New York 10005

Call Toll free: (800) 290-6426 or

Collect at (212) 269-5550

PROPOSAL 1

ELECTION OF DIRECTORS

At the annual meeting, you and the other stockholders will vote on the election of all three members of our board of directors. Those persons elected will serve as directors until the 2008 annual meeting of stockholders and until their successors are duly elected and qualified. The board of directors has nominated the following people for re-election as directors:

Christopher H. Cole

Marcus E. Bromley

Elizabeth L. Watson

Each of the nominees for director is a current member of our board of directors. The principal occupation and certain other information about the nominees are set forth below.

If you return a properly executed proxy card, or if you vote by phone or over the Internet, unless you direct them to withhold your votes, the individuals named as proxies will vote your shares FOR the election of the nominees listed above. If any nominee becomes unable or unwilling to stand for re-election, the board may reduce its size, designate a substitute nominee, or fill the vacancy through a majority vote of the remaining directors (including a majority of the remaining independent directors if the vacancy relates to an independent director position). If a substitute is designated, proxies voting on the original nominee will be cast for the substituted nominee.

Vote Required; Recommendation

The vote of a majority of all the stockholders present in person or by proxy at a meeting of stockholders duly called at which a quorum is present, without the necessity for concurrence by the board of directors, is necessary for the election of a director. For purposes of the election of directors, abstentions and broker non-votes will have the same effect as votes cast against each director. A properly executed proxy card, or vote by telephone or over the Internet, indicating FOR all nominees listed will be considered a vote in favor of all nominees for re-election as director. A properly executed proxy card, or vote by telephone or over the Internet, indicating FOR all nominees listed EXCEPT those whose names are written in the space provided will be considered a vote in favor of all nominees except those nominees you specifically list and a vote against the nominees specifically listed. A properly executed proxy card, or vote by telephone or over the Internet, indicating WITHHOLD FOR ALL will be considered a vote against all directors.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR ALL NOMINEES LISTED FOR ELECTION AS DIRECTORS

CERTAIN INFORMATION ABOUT MANAGEMENT**Board of Directors**

In accordance with applicable law and our bylaws, the business and affairs of CCPT II are managed under the direction of our board of directors. Our board of directors has nominated each of the following individuals for election as a director to serve until our 2008 annual meeting of stockholders or until his or her successor is elected and qualified. Each nominee currently is a director of CCPT II and Mr. Bromley and Ms. Watson are independent directors.

<u>Name</u>	<u>Age</u>	<u>Positions</u>
Christopher H. Cole	54	Chairman, Chief Executive Officer and President
Marcus E. Bromley	57	Director (Independent)
Elizabeth L. Watson	47	Director (Independent)

Christopher H. Cole has served as the Chairman, Chief Executive Officer and President of our Company since our formation. He also has been the chief executive officer of Cole REIT Advisors II, LLC (Cole Advisors II) since its formation and also was its president from its formation until March 1, 2007. Mr. Cole also has served as the chief executive officer of Cole Capital Partners, LLC. (Cole Capital Partners) since 2003 and treasurer since March 1, 2007 and was the president from 2003 until March 1, 2007. Mr. Cole 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 and treasurer of Cole Capital Advisors, Inc. (Cole Capital Advisors), Equity Fund Advisors, Inc. (Equity Fund Advisors), and Cole REIT Advisors, LLC (Cole Advisors). Mr. Cole is the chief executive officer and treasurer of Cole Realty Advisors, Inc. (Cole Realty Advisors). He is the president of CHC Partners, Inc. (CHC Partners), which has served as the general partner in prior real estate programs, since 1985. Mr. Cole has been the president and chief executive officer of Cole Equities Incorporated (Cole Equities), a consulting company since 1980. He currently serves as executive vice president of Cole Capital Corporation. He has served as the chairman, chief executive officer and president of Cole Credit Property Trust, Inc. (Cole REIT I) since its formation in March 2004. Mr. Cole has served as the president of Cole Partnerships, Inc. (Cole Partnerships) from its formation to August 1995 and currently serves as the chief executive officer.

Marcus E. Bromley has been a member of our board of directors, chairman of our board's compensation committee and a member of our board's audit committee since May 2005. From 1993 through 2005, Mr. Bromley served as a member of the board of trustees of Gables Residential Trust, Inc., a \$2 billion multi-family residential REIT with operations in Texas, Georgia, South Florida, Washington, D.C. and Southern California 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 from 1982 until 1993. Mr. Bromley also serves on the board of directors of Private Bank of Buckhead (Atlanta), a community bank, and on the board of directors of Nancy Creek Capital (Atlanta), a private equity firm. Mr. Bromley holds a B.S. in Economics from Washington & Lee University and a M.B.A. from the University of North Carolina.

Elizabeth L. Watson has been a member of our board of directors, chairperson of our board's audit committee and a member of our board's compensation committee since May 2005. 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). Prior to joining NGP Capital, she was a retail research analyst for Legg Mason Wood Walker from June 2002 until September 2003. From November 1997 until June 2002, Ms. Watson was a partner in and served as executive vice president and chief financial officer of National Government Properties (NGP). Before joining NGP, Ms. Watson served as the senior vice president, chief financial officer and treasurer of Government Properties Investors, Inc. from June 1994 until March 1997. From 1992 until 1994, Ms. Watson served as senior vice president, chief financial officer and treasurer of Prime Retail, Inc., a publicly traded real estate investment trust that developed and owned factory outlet centers, and its predecessor company, The Prime Group.

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

Ms. Watson received her B.S. Accounting and M.B.A. from the University of Maryland. She holds a Masters of Real Estate from John Hopkins University and an International Executive M.B.A. from Georgetown University. For the past ten years, she has been a lecturer for Johns Hopkins University's Real Estate Masters Program and has taught real estate accounting and taxation, real estate finance and real estate investments. She is a licensed certified public accountant and is a member of the Maryland Association of CPAs, National Association of Real Estate Investment Trusts (NAREIT) and the National Association of Real Estate Companies.

Board Meetings and Annual Stockholder Meeting

The board of directors held five regular meetings and acted by unanimous written consent 19 times during the fiscal year ended December 31, 2006. Each director attended all of his or her board and committee meetings in 2006. Although we do not have a formal policy regarding attendance by members of our board of directors at our annual meeting of stockholders, we encourage all of our directors to attend. Last year all of our directors attended our annual meeting of stockholders.

Independence

As required by our charter, a majority of the members of our board of directors must qualify as independent as affirmatively determined by the board. The board consults with our legal counsel to ensure that the board's determinations are consistent with applicable securities and other laws and regulations regarding the definition of independent.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and CCPT II, our senior management and our independent registered public accounting firm, the board has determined that the majority of our board is comprised of independent directors. A copy of our charter, which includes the independence standards used by our board of directors can be located on our website at www.colecapital.com by clicking on Cole Credit Property Trust II, Inc. Enter Here For More Information and then Governance Docs.

Board Committees

The board maintains certain standing committees to assist in fulfilling its responsibilities. The board has established two permanent committees, each composed solely of independent directors: the audit committee and the compensation committee. Each committee of the board reports regularly to the full board and annually evaluates its performance. Each committee meets periodically during the year, usually in conjunction with regular meetings of the board. The committees established by the board, their particular areas of responsibility, and other related information, are described below.

Audit Committee

The audit committee of the board of directors is comprised of Ms. Watson (chairperson) and Mr. Bromley. The audit committee, by approval of at least a majority of the members, selects the independent registered public accounting firm to audit our annual financial statements, reviews with the independent registered public accounting firm the plans and results of the audit engagement, approves the audit and non-audit services provided by the independent registered public accounting firm, reviews the independence of the independent registered public accounting firm, considers the range of audit and non-audit fees and reviews the adequacy of our internal accounting controls. Our board of directors has adopted

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

a charter for the audit committee that sets forth its specific functions and responsibilities. The audit committee charter was attached as Appendix A to the definitive proxy statement relating to our 2006 annual meeting of stockholders. The audit committee charter can be located on our website at www.colecapital.com by clicking on Cole Credit Property Trust II, Inc. Enter Here For More Information and then Governance Docs.

Although our shares are not listed for trading on any national securities exchange, both of the members of the audit committee meet the current independence and qualifications requirements of the New York Stock Exchange, as well as our charter and applicable rules and regulations of the SEC. While both members of the audit committee have significant financial and/or accounting experience, the board of directors has determined that Ms. Watson satisfies the SEC's requirements for an audit committee financial expert and has designated Ms. Watson as our audit committee financial expert. During 2006, the audit committee met four times.

8

Compensation Committee

The compensation committee of the board of directors is comprised of Mr. Bromley (chairman) and Ms. Watson. Although our shares are not listed for trading on any national securities exchange, both of the members of the compensation committee meet the current independence and qualification requirements of the New York Stock Exchange, as well as our charter and applicable rules and regulations of the SEC. The primary purpose of the compensation committee is to oversee our compensation programs. Our executive officers currently do not receive compensation directly from us for services rendered to us. Accordingly, the compensation committee did not hold any meetings during 2006. The compensation committee has adopted a written charter approved by the board of directors. The compensation committee charter can be located on our website at www.colecapital.com by clicking on [Cole Credit Property Trust II, Inc. Enter Here For More Information](#) and then [Governance Docs](#).

Nominating Board of Directors - Functions

Our board of directors believes that it is appropriate for our board not to have a standing nominating committee as it would be comprised of the entire board. Therefore, all members of our board of directors participate in the consideration of director nominees. The primary functions of the members of our board of directors relating to the consideration of director nominees is to identify individuals qualified to serve on the board of directors and to select a slate of director nominees for election by the stockholders at the annual meeting.

Board Membership Criteria and Selection of Directors

The board of directors annually reviews the appropriate experience, skills and characteristics required of board members in the context of the then-current membership of the board. This assessment includes, in the context of the perceived needs of the board at that time, issues of knowledge, experience, judgment and skills such as an understanding of the real estate industry or brokerage industry or accounting or financial management expertise. Other considerations include the candidate's independence from conflict with the Company and the ability of the candidate to attend board meetings regularly and to devote an appropriate amount of effort in preparation for those meetings. It also is expected that independent directors nominated by the board of directors shall be individuals who possess a reputation and hold positions or affiliations befitting a director of a large publicly held company and are actively engaged in their occupations or professions or are otherwise regularly involved in the business, professional or academic community. A majority of our directors must be independent, as defined in our charter. Moreover, as required by our charter, at least one of our independent directors must have at least three years of relevant real estate experience, and each director must have at least three years of relevant experience demonstrating the knowledge and experience required to successfully acquire and manage the type of assets we acquire and manage.

The board of directors is responsible for selecting its own nominees and recommending them for election by the stockholders. Each of our nominees was recommended by our board of directors. Pursuant to our charter, however, the independent directors must nominate replacements for any vacancies among the independent director positions. All director nominees then stand for election by the stockholders annually.

In its nomination review process, our board of directors solicits candidate recommendations from its own members and management of the Company. Our board of directors may engage the services of a search firm to assist in identifying potential director nominees. Our board of directors also will consider recommendations made by stockholders for director nominees who meet the established director criteria set forth above. In order to be considered by our board of directors, recommendations made by stockholders must be submitted within the timeframe required to request a proposal to be included in the proxy materials. See [Stockholder Proposals](#) below. In evaluating the persons recommended as potential directors, our board of directors will consider each candidate without regard to the source of the recommendation and take into account those factors that our board of directors determines are relevant. Stockholders may directly nominate potential directors (without the recommendation of our board of directors) by satisfying the procedural requirements for such nomination as provided in Article II, Section 12 of

our bylaws.

Communication with Directors

We have established procedures for stockholders or other interested parties to communicate directly with our board of directors. Such parties can contact the board by mail at: Chairperson of the Cole Credit Property Trust II, Inc. Audit Committee, c/o Corporate Secretary, 2555 East Camelback Road, Suite 400, Phoenix, Arizona 85016.

9

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

The chairperson of the audit committee will receive all communications made by this means.

Code of Business Conduct and Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics that is applicable to all members of our board of directors, our executive officers and our employees. The policy may be located on our website, at www.colecapital.com by clicking on Cole Credit Property Trust II, Inc. Enter Here For More Information and then Governance Docs. If, in the future, we amend, modify or waive a provision in the Code of Business Conduct and Ethics, we may, rather than filing a Current Report on Form 8-K, satisfy the disclosure requirement by posting such information on our website as necessary.

Compensation of Directors

Directors who are also officers or employees of CCPT II (only Mr. Cole) do not receive any special or additional remuneration for service on the board of directors or any of its committees. Each non-employee director receives compensation for service on the board of directors and any of its committees as provided below.

Cash Compensation

We pay each of our independent directors:

an annual retainer of \$25,000;

\$2,000 for each board meeting attended in person;

\$2,000 per committee meeting attended in person (committee chairpersons receive an additional \$500 per committee meeting for serving in that capacity, up to a maximum of \$3,000); and

\$250 per board meeting attended by telephone conference.

All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors.

2004 Independent Directors Stock Option Plan

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

Under our 2004 Independent Directors Stock Option Plan, we initially issued non-qualified stock options to purchase 5,000 shares of common stock to each independent director at an exercise price equal to \$9.15 per share (or greater, if such higher price is necessary so that such options shall not be considered a nonqualified deferred compensation plan under Section 409A of the Internal Revenue Code of 1986, as amended) as of the date each independent director was elected as a director. We expect to issue additional options to purchase 5,000 shares to each independent director then in office on the date of each subsequent annual meeting of stockholders, including the 2007 annual meeting, each with an exercise price equal to \$9.15 per share during such time as we are offering shares to the public at \$10.00 per share and thereafter at 100% of the then-current fair market value per share.

Fair market value is generally defined to mean (1) the closing sales price on the immediately preceding date on which sales were reported if the shares are listed on a recognized stock exchange or national market system (or the mean between the bid and ask prices if no sales are reported on such date), or (2) the average closing dealer bid and ask price of a share as reflected on the Nasdaq interdealer quotation system. However, in the absence of an established public trading market, our board of directors will determine fair market value in good faith.

We may not grant options at any time when the issuance of the shares underlying the grant, when combined with those issuable upon exercise of outstanding options or warrants granted to our advisor, directors, officers or any of their affiliates, would exceed 10% of our outstanding shares.

We have authorized and reserved a total of 1,000,000 shares for issuance under the plan. If the number of outstanding shares is changed into a different number or kind of shares or securities through a reorganization or merger in which we are the surviving entity, or through a combination, recapitalization or otherwise, we will make an appropriate adjustment in the number and kind of shares that may be issued pursuant to exercise of the options.

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

We will also make a corresponding adjustment to the exercise price of the options granted prior to any change.

Any such adjustment, however, will not change the total payment, if any, applicable to the portion of the options not exercised but will change only the exercise price for each share.

Options granted to independent directors under the plan will become exercisable on the first anniversary of the date of grant. Options granted under our stock option plan will lapse and no longer be exercisable on the first to occur of (1) the tenth anniversary of the date they are granted or (2) immediately following the date the director ceases to be a director for cause. Options granted under the plan may be exercised by payment of cash or through the delivery of shares of our common stock with a fair market value equal to the exercise price to be paid. The independent directors may not sell, pledge, assign or transfer their options other than by will or the laws of descent or distribution. No options issued under our stock option plan may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

The term of the plan is ten years. Upon the earlier of our dissolution or liquidation, upon our reorganization, merger or consolidation with one or more corporations as a result of which we are not the surviving corporation, or upon the sale of all or substantially all of our properties, the plan will terminate, and any outstanding options will be forfeited. Alternatively, the board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives:

for the assumption by the successor corporation of the options granted or the replacement of the options with options covering the stock of the successor corporation, or a parent or subsidiary of such corporation, with appropriate adjustments as to the number and kind of shares and exercise prices;

for the continuance of the plan and the options by such successor corporation under the original terms; or

for the payment in cash or other property lieu of and in complete satisfaction of such options.

Equity Compensation Plan Information

The following table gives information about our equity compensation plans as of December 31, 2006:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders	20,000 (1)	\$9.15	980,000 (2)
Equity compensation plans not approved by security holders	-	-	-
Total	20,000 (1)	\$9.15	980,000 (2)

Edgar Filing: Cole Credit Property Trust II Inc - Form DEF 14A

(1) Represents options that were granted pursuant to our 2004 Independent Directors' Stock Option Plan as of December 31, 2006. Options to purchase 10,000 shares were exercisable as of December 31, 2006.

(2) All shares authorized for issuance pursuant to awards not yet granted under the 2004 Independent Directors' Stock Option Plan.

Director Compensation Table

The following table sets forth certain information with respect to our director compensation during the fiscal year ended December 31, 2006:

Name