Cole Credit Property Trust II Inc
Form 10-Q
November 12, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended September 30, 2009

OR

o **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	**20-1676382**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
2555 East Camelback Road, Suite 400 Phoenix, Arizona, 85016	**(602) 778-8700**
(Address of principal executive offices; zip code)	*(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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if smaller reporting company)	Smaller reporting company o

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

Yes o No þ

As of November 12, 2009, there were approximately 209,915,580 shares of common stock, par value $0.01, of Cole Credit Property Trust II, Inc. outstanding.

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PART I
FINANCIAL INFORMATION

The accompanying condensed consolidated unaudited interim financial statements as of and for the three and nine months ended September 30, 2009, have been prepared by Cole Credit Property Trust II, Inc. (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, 2008. 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 Quarterly Report on Form 10-Q. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of the operating results expected for the full year. The information furnished in our accompanying condensed consolidated unaudited balance sheets and condensed consolidated unaudited 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. Such adjustments are of a normal recurring nature.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. We caution investors not to place undue reliance on forward-looking statements, which reflect our management s view only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. The forward-looking statements should be read in light of the risk factors identified in the Item 1A Risk Factors section of the Company s Annual Report on Form 10-K.

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COLE CREDIT PROPERTY TRUST II, INC.
CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEETS
(Dollar amounts in thousands, except share and per share amounts)

	September 30, 2009	December 31, 2008
ASSETS		
Investment in real estate assets:		
Land	$ 807,556	$ 774,901
Buildings and improvements, less accumulated depreciation of $108,868 and $67,326, respectively	1,941,131	1,929,829
Real estate assets under direct financing leases, less unearned income of $17,294 and $19,888, respectively	37,938	38,612
Acquired intangible lease assets, less accumulated amortization of $59,571 and $37,578, respectively	364,197	383,992
Total real estate assets, net	3,150,822	3,127,334
Investment in mortgage notes receivable, less accumulated amortization of $1,216 and $714, respectively	83,143	84,994
Total real estate and mortgage assets, net	3,233,965	3,212,328
Cash and cash equivalents	25,031	106,485
Restricted cash	7,213	8,565
Marketable securities, net of accumulated amortization of $1,931 and $310, respectively	60,330	24,583
Investment in unconsolidated joint ventures	41,630	25,792
Rents and tenant receivables, less allowance for doubtful accounts of $2,260 and $922, respectively	30,150	22,212
Prepaid expenses and other assets	3,789	4,032
Deferred financing costs, less accumulated amortization of $10,226 and $6,512, respectively	26,809	28,031
Total assets	$ 3,428,917	$ 3,432,028
LIABILITIES AND STOCKHOLDERS EQUITY		
Notes payable and line of credit	$ 1,609,910	$ 1,550,314
Accounts payable and accrued expenses	20,984	20,723
Escrowed investor proceeds		18
Due to affiliates	369	123
Acquired below market lease intangibles, less accumulated amortization of $18,675 and $10,897, respectively	152,628	156,813
Distributions payable	10,427	11,877
Derivative liabilities	3,265	2,794
Deferred rent and other liabilities	8,283	9,344
Total liabilities	1,805,866	1,752,006

Redeemable common stock	74,423	65,046
STOCKHOLDERS EQUITY:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding		
Common stock, $0.01 par value; 240,000,000 shares authorized, 203,245,142 and 202,296,748 shares issued and outstanding, respectively	2,033	2,023
Capital in excess of par value	1,762,897	1,763,432
Accumulated distributions in excess of earnings	(210,929)	(121,929)
Accumulated other comprehensive loss	(5,373)	(28,550)
Total stockholders equity	1,548,628	1,614,976
Total liabilities and stockholders equity	$ 3,428,917	$ 3,432,028

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

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COLE CREDIT PROPERTY TRUST II, INC.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS

(Dollar amounts in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Rental and other income	$ 63,241	$ 45,403	$ 180,996	$ 121,475
Tenant reimbursement income	4,883	3,287	14,907	7,331
Earned income from direct financing leases	500	532	1,412	1,650
Interest income on mortgage notes receivable	1,719	1,770	5,162	5,324
Interest income on marketable securities	1,844	100	5,382	100
Total revenue	72,187	51,092	207,859	135,880
Expenses:				
General and administrative expenses	1,767	1,522	5,262	3,601
Property operating expenses	6,352	3,215	19,828	9,249
Property and asset management expenses	3,804	2,866	10,625	6,925
Acquisition related expenses			3,241	
Depreciation	14,217	11,063	42,103	29,056
Amortization	13,719	5,598	27,724	15,093
Impairment of real estate assets			13,500	3,550
Total operating expenses	39,859	24,264	122,283	67,474
Operating income	32,328	26,828	85,576	68,406
Other income (expense):				
Equity in income of unconsolidated joint ventures	58		585	
Interest and other income (expense)	11	295	(41)	923
Interest expense	(25,488)	(18,162)	(73,278)	(52,732)
Total other expense	(25,419)	(17,867)	(72,734)	(51,809)
Net income	$ 6,909	$ 8,961	$ 12,842	$ 16,597
Weighted average number of common shares outstanding:				

Basic		202,514,431		159,897,175		202,247,716		131,701,395
Diluted		202,516,961		159,900,068		202,250,913		131,704,461
Net income per common share:								
Basic and diluted	$	0.03	$	0.06	$	0.06	$	0.13

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

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COLE CREDIT PROPERTY TRUST II, INC.
CONDENSED CONSOLIDATED UNAUDITED STATEMENT OF STOCKHOLDERS EQUITY
(Dollar amounts in thousands, except share amounts)

	Common Stock			Accumulated Distributions in	Accumulated Other	Total
	Number of Shares	Par Value	Capital in Excess of Par Value	Excess of Earnings	Comprehensive Loss	Stockholders Equity
Balance, December 31, 2008	202,296,748	$ 2,023	$ 1,763,432	$ (121,929)	$ (28,550)	$ 1,614,976
Issuance of common stock	5,789,511	58	55,005			55,063
Distributions				(101,842)		(101,842)
Offering costs			(580)			(580)
Redemptions of common stock	(4,841,117)	(48)	(45,592)			(45,640)
Stock compensation expense			9			9
Redeemable common stock			(9,377)			(9,377)
Comprehensive income:						
Net income				12,842		12,842
Net unrealized gain on marketable securities					23,631	23,631
Net unrealized loss on interest rate swaps					(454)	(454)
Total comprehensive income						36,019
Balance, September 30, 2009	203,245,142	$ 2,033	$ 1,762,897	$ (210,929)	$ (5,373)	$ 1,548,628

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

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COLE CREDIT PROPERTY TRUST II, INC.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash flows from operating activities:		
Net income	$ 12,842	$ 16,597
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	42,103	29,056
Amortization of intangible lease assets and below market lease intangibles, net	17,292	10,932
Amortization of deferred financing costs	4,306	4,122
Amortization of premiums on mortgage notes receivable	502	473
Amortization of discount on marketable securities	(1,621)	(24)
Amortization of fair value adjustments of mortgage notes assumed	976	
Allowance for doubtful accounts	2,030	193
Stock compensation expense	9	6
Impairment of real estate assets	13,500	3,550
Equity in income of unconsolidated joint ventures	(585)	
Distributions from unconsolidated joint ventures	2,071	
Property easement loss	150	
Changes in assets and liabilities:		
Decrease in investment in real estate under direct financing leases	674	473
Rents and tenant receivables	(9,968)	(8,554)
Prepaid expenses and other assets	320	(1,963)
Accounts payable and accrued expenses	1,743	12,252
Due to affiliates and deferred rent and other liabilities	(815)	3,409
Net cash provided by operating activities	85,529	70,522
Cash flows from investing activities:		
Investment in real estate and related assets	(15,064)	(1,034,362)
Investment in marketable securities	(10,495)	(26,824)
Investment in unconsolidated joint ventures	(17,324)	
Acquisition costs related to investment in mortgage notes receivable		(102)
Proceeds from mortgage notes receivable	1,349	1,143
Proceeds from sale of easement	11	
Change in restricted cash	1,352	6,435
Net cash used in investing activities	(40,171)	(1,053,710)
Cash flows from financing activities:		
Proceeds from issuance of common stock	46	777,509
Offering costs on issuance of common stock	(580)	(74,480)
Redemptions of common stock	(45,640)	(6,232)
Distributions to investors	(48,275)	(28,877)

Proceeds from notes payable and line of credit	75,243	587,534
Repayment of notes payable and line of credit	(104,444)	(235,596)
Refund of loan deposits	150	4,094
Payment of loan deposits	(210)	(4,721)
Escrowed investor proceeds liability	(18)	(10,523)
Deferred financing costs paid	(3,084)	(10,418)
Net cash (used in) provided by financing activities	(126,812)	998,290
Net (decrease) increase in cash and cash equivalents	(81,454)	15,102
Cash and cash equivalents, beginning of period	106,485	43,517
Cash and cash equivalents, end of period	$ 25,031	$ 58,619

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

COLE CREDIT PROPERTY TRUST II, INC.
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 ORGANIZATION AND BUSINESS

Cole Credit Property Trust II, Inc. (the Company) is a Maryland corporation that was formed on September 29, 2004 and is organized and operates as a real estate investment trust (REIT) for federal income tax purposes. 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 an approximately 99.99% partnership interest in Cole OP II. Cole REIT Advisors II, LLC (Cole Advisors II), the affiliate advisor to the Company, is the sole limited partner and owner of an insignificant noncontrolling partnership interest of less than 0.01% of Cole OP II.

As of September 30, 2009, the Company owned 693 properties comprising approximately 18.4 million square feet of single and multi-tenant retail and commercial space located in 45 states and the U.S. Virgin Islands. As of September 30, 2009, the rentable space at these properties was approximately 95% leased. As of September 30, 2009, the Company also owned 69 mortgage notes receivable, with an aggregate carrying value of approximately $83.1 million, secured by 43 restaurant properties and 26 single-tenant retail properties, each of which is subject to a net lease. Through two joint ventures, the Company had an 85.48% indirect interest in an approximately 386,000 square foot multi-tenant retail building in Independence, Missouri and a 70% indirect interest in a ten-property storage facility portfolio as of September 30, 2009. In addition, the Company owned six commercial mortgage-backed securities (CMBS) bonds, with an aggregate fair value of approximately $60.3 million as of September 30, 2009.

On June 27, 2005, the Company commenced an initial public offering on a best efforts basis of up to 45,000,000 shares of common stock offered at a price of $10.00 per share, subject to certain volume and other discounts, pursuant to a Registration Statement on Form S-11 filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the Initial Offering). The Registration Statement also covered up to 5,000,000 shares available pursuant to a distribution reinvestment plan (the DRIP) under which our stockholders may elect to have their distributions reinvested in additional shares of the Company s common stock at the greater of $9.50 per share or 95% of the estimated value of a share of common stock. On November 13, 2006, the Company increased the aggregate amount of the public offering to 49,390,000 shares for the primary offering and 952,000 shares pursuant to the DRIP in a related Registration Statement on Form S-11. Subsequently, the Company reallocated the shares of common stock available such that a maximum of 54,140,000 shares of common stock was available under the primary offering for an aggregate offering price of approximately $541.4 million and a maximum of 1,202,000 shares was available under the DRIP for an aggregate offering price of approximately $11.4 million.

The Company commenced its principal operations on September 23, 2005, when it issued the initial 486,000 shares of its common stock in the Initial Offering. The Company terminated the Initial Offering on May 22, 2007. As of the close of business on May 22, 2007, the Company had issued a total of 54,838,315 shares in the Initial Offering, including 53,909,877 shares sold in the primary offering and 928,438 shares sold pursuant to the DRIP, resulting in gross offering proceeds to the Company of approximately $547.4 million. At the completion of the Initial Offering, a total of 503,685 shares of common stock remained unsold, including 230,123 shares that remained unsold in the primary offering and 273,562 shares of common stock that remained unsold pursuant to the DRIP. Unsold shares in the Initial Offering have been deregistered.

On May 23, 2007, the Company commenced its follow-on public offering of up to 150,000,000 shares of its common stock (the Follow-on Offering). The Company terminated the Follow-on Offering on January 2, 2009. As of the close of business on January 2, 2009, the Company had issued a total of 147,454,259 shares in the Follow-on Offering, including 141,520,572 shares sold in the primary offering and 5,933,687 shares sold pursuant to the DRIP, resulting in gross offering proceeds of approximately $1.5 billion. At the completion of the Follow-on Offering, a total of 1,595,741 shares of common stock remained unsold, including 1,529,428 shares that remained unsold in the primary offering and 66,313 shares of common stock that remained unsold pursuant to the DRIP. Unsold shares in the Follow-on Offering were deregistered.

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COLE CREDIT PROPERTY TRUST II, INC.
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)
September 30, 2009

On September 18, 2008, the Company registered 30,000,000 additional shares to be offered pursuant to its DRIP in a registration statement on Form S-3 (the DRIP Offering) (collectively with the Initial Offering and Follow-on Offering, the Offerings). As of September 30, 2009, the Company had issued 7,069,540 shares in the DRIP Offering, resulting in gross proceeds of approximately $67.2 million. Combined with the gross proceeds from the Initial Offering and Follow-on Offering, the Company had aggregate gross proceeds from the Offerings of approximately $2.1 billion (including shares sold pursuant to the DRIP) as of September 30, 2009, before offering costs, selling commissions, and dealer management fees of approximately $188.3 million and before share redemptions of approximately $57.9 million.

The Company s stock is not currently listed on a national securities exchange. The Company may seek to list its common stock for trading on a national securities exchange only if a majority of its independent directors believes listing would be in the best 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 on a national securities exchange. In the event it does not obtain listing prior to May 22, 2017, 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

Principles of Consolidation and Basis of Presentation

The condensed consolidated unaudited 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 8 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 (GAAP) for complete financial statements. In the opinion of management, the statements for the 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 Quarterly Report on Form 10-Q should be read in conjunction with the Company s audited consolidated financial statements as of and for the year ended December 31, 2008, and related notes thereto set forth in the Company s Annual Report on Form 10-K.

The accompanying condensed consolidated unaudited financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

The Company evaluates the need to consolidate joint ventures based on standards set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation* (ASC 810). In determining whether the Company has a controlling interest in a joint venture and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions and contractual and substantive participating rights of the partners/members as well as whether the entity is a variable interest entity (VIE) for which it is the primary beneficiary.

Additional detail of certain amounts related to the Company s amortization of deferred financing costs have been included in the Company s statement of cash flows for the nine months ended September 30, 2008 in order to conform to current year presentation.

Restricted Cash and Escrowed Investor Proceeds

During the nine months ended September 30, 2009, the Company terminated the Follow-on Offering. The Company had no escrowed investor proceeds as of September 30, 2009. As of December 31, 2008, included in restricted cash was escrowed investor proceeds of approximately $380,000 for which shares of common stock had not been issued as of December 31, 2008. Additionally, restricted cash included approximately $1.2 million and approximately $2.2 million, as of September 30, 2009 and December 31, 2008, respectively, for the contractual obligations related to an earnout agreement discussed in Note 5 below. Restricted cash also included approximately $4.4 million and approximately $5.0 million as of September 30, 2009 and December 31, 2008, respectively, of lender reserves to be held in accordance with the respective lender s loan agreement. Restricted cash also included approximately

$1.6 million and approximately $1.0 million as of September 30, 2009 and December 31, 2008, respectively, which was restricted primarily to fund capital expenditures for certain real estate investment properties of the Company.

COLE CREDIT PROPERTY TRUST II, INC.
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)
September 30, 2009

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 ASC 480, *Distinguishing Liabilities from Equity* (ASC 480), the Company accounts for proceeds received from its DRIP as redeemable common stock, outside of permanent equity. As of September 30, 2009 and December 31, 2008, the Company had issued approximately 13.9 million shares and approximately 8.1 million shares of common stock under the DRIP, respectively, for cumulative proceeds of approximately $132.3 million and approximately $77.3 million under its DRIP, respectively, which are recorded as redeemable common stock, net of redemptions, in the respective condensed consolidated unaudited balance sheets. As of September 30, 2009, the Company had redeemed a total of approximately 6.1 million shares of common stock for an aggregate price of approximately $57.9 million. As of December 31, 2008, the Company had redeemed a total of approximately 1.3 million shares of common stock for an aggregate price of approximately $12.3 million.

Reportable Segments

ASC 280, *Segment Reporting* (ASC 280), establishes standards for reporting financial and descriptive information about an enterprise s reportable segments. The Company s operating segments consist of commercial properties, which include activities related to investing in real estate including retail, office and distribution properties and other real estate related assets. The commercial properties are geographically diversified throughout the United States, and the Company s chief operating decision maker evaluates operating performance on an overall portfolio level. These commercial properties have similar economic characteristics, therefore the Company s properties have been aggregated into one reportable segment.

Investment in and Valuation of Real Estate Assets

The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of its real estate and related intangible assets may not be recoverable. When indicators of potential impairment are present, the Company assesses the recoverability of the assets by determining whether the carrying value of the assets will be recovered through the undiscounted future operating cash flows expected from the use of the assets and their eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, the Company will adjust the real estate and related intangible assets to their fair value and recognize an impairment loss. The Company continues to monitor certain properties for which tenants have filed bankruptcy, vacated the property, or have experienced financial difficulties. The undiscounted future operating cash flows expected from the use of these properties and their related intangible assets and their eventual disposition continued to exceed the carrying value of these assets as of September 30, 2009, except for the property described below. Should the conditions of any of these properties change, the undiscounted future operating cash flows expected may change and adversely affect the recoverability of the carrying values related to these properties. During the nine months ended September 30, 2009, the Company identified one property with impairment indicators for which the undiscounted future operating cash flows expected from the use of the property and related intangible assets and their eventual disposition was less than the carrying value of the assets. As a result, the Company reassessed and reduced the carrying values of both the real estate assets and the related intangible assets to their estimated fair value and recorded an impairment loss of $13.5 million during the nine months ended September 30, 2009. The Company reassessed and reduced the carrying values of both the real estate and related intangible assets to their estimated fair value and recorded an impairment loss of approximately $3.6 million during the nine months ended September 30, 2008. No additional impairment losses were recorded for the three months ended September 30, 2009 and 2008.

Investment in Unconsolidated Joint Ventures

Investment in unconsolidated joint ventures as of September 30, 2009, consists of the Company s non-controlling 85.48% interest in a joint venture that owns a multi-tenant property in Independence, Missouri and a 70% interest in a joint venture that owns a ten-property storage facility portfolio. Consolidation of these investments is not required as the entities do not qualify as VIEs and do not meet the control requirements for consolidation, as defined in ASC 810.

As of September 30, 2009, total assets held within the unconsolidated joint ventures was approximately $154.5 million and the fair value of the non-recourse mortgage notes payable was approximately $104.0 million.

COLE CREDIT PROPERTY TRUST II, INC.
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS (Continued)
September 30, 2009

The Company accounts for these investments using the equity method of accounting per guidance established under ASC 323, *Investments Equity Method and Joint Ventures* (ASC 323). The equity method of accounting requires these investments to be initially recorded at cost and subsequently adjusted for the Company s share of equity in the joint ventures earnings and distributions. The Company reports its share of income and losses, including impairment charges, based on the Company s ownership interest in the investment. The Company evaluates the carrying amount of each investment for impairment in accordance with ASC 323. No impairment losses were recorded related to these investments in unconsolidated joint ventures for the three and nine months ended September 30, 2009.

NOTE 3 FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, as opposed to a transaction-specific measurement and most of the provisions were effective for the Company beginning January 1, 2008.

Fair value is defined by ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate the fair value. Financial assets and liabilities are measured using inputs from three levels of the fair value hierarchy, as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (markets with few transactions), inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data correlation or other means (market corroborated inputs).

Level 3 Unobservable inputs, only used to the extent that observable inputs are not available, reflect the Company s assumptions about the pricing of an asset or liability.

A summary of our assets re-measured at fair value during the nine months ended September 30, 2009 is as follows (in thousands):

		Fair Value Measurements of Reporting Date Using		
Description:	**Re-measured Balance**	**Level 1**	**Level 2**	**Level 3**
Long-lived assets held and used	$ 9,560	$	$	