

Cole Credit Property Trust II Inc  
Form 424B3  
November 21, 2006

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Registration No. 333-121094

**COLE CREDIT PROPERTY TRUST II, INC.**  
**SUPPLEMENT NO. 12 DATED NOVEMBER 21, 2006**  
**TO THE PROSPECTUS DATED JUNE 27, 2005**

*This document supplements, and should be read in conjunction with, the prospectus of Cole Credit Property Trust II, Inc. dated June 27, 2005, Supplement No. 1 dated October 20, 2005, Supplement No. 2 dated December 2, 2005, Supplement No. 3 dated December 23, 2005, Supplement No. 4 dated February 1, 2006, Supplement No. 5 dated March 10, 2006, Supplement No. 6 dated March 23, 2006, Supplement No. 7 dated May 5, 2006, Supplement No. 8 dated June 23, 2006, Supplement No. 9 dated August 4, 2006, Supplement No. 10 dated September 25, 2006 and Supplement No. 11 dated October 30, 2006. Unless otherwise defined in this supplement, capitalized terms used in this supplement shall have the same meanings as set forth in the prospectus.*

The purpose of this supplement is to describe the following:

- (1) the status of the offering of shares in Cole Credit Property Trust II, Inc.;
- (2) the registration of additional shares to be offered in our primary offering and pursuant to our distribution reinvestment plan;
- (3) updates to our acquisition and investment policies; and
- (4) the increase in the number of shares authorized under our charter.

***Status of the Offering***

We commenced our initial public offering of shares of our common stock on June 27, 2005. We have accepted investors' subscriptions received through November 20, 2006, and have issued an aggregate of approximately 25.0 million shares of our common stock to stockholders, with gross proceeds of approximately \$249.0 million distributed to us. For additional information, see the Plan of Distribution Subscription Process section of the prospectus beginning on page 133.

***Registration of Additional Shares for Offering in our Primary Offering and Distribution Reinvestment Plan***

*The following information replaces the second paragraph on the cover of our prospectus:*

We are offering up to a maximum of 49,390,000 shares of our common stock in our primary offering for \$10.00 per share, with discounts available for certain categories of purchasers. We also are offering up to 5,952,000 shares pursuant to our distribution reinvestment plan at a purchase price during this offering of \$9.50 per share. We will offer these shares until June 27, 2007, which is two years after the effective date of this offering, unless the offering is extended.

*The following information replaces the table on the cover of our prospectus:*

	<b>Price</b>	<b>Selling</b>	<b>Dealer</b>	<b>Net Proceeds</b>
	<b>to Public</b>	<b>Commissions</b>	<b>Manager Fee</b>	<b>(Before Expenses)</b>
Primary Offering				
Per Share	\$ 10.00	\$ 0.70	\$ 0.15	\$ 9.15
Total Minimum	\$ 2,500,000	\$ 175,000	\$ 37,500	\$ 2,287,500
Total Maximum	\$493,900,000	\$34,573,000	\$7,408,500	\$451,918,500
Distribution Reinvestment Plan				
Per Share	\$ 9.50	\$	\$	\$ 9.50
Total Maximum	\$ 56,544,000	\$	\$	\$ 56,544,000

*The following information replaces the section of our prospectus captioned Prospectus Summary Estimated Use of Proceeds of This Offering on page 8 of the prospectus:*

Depending primarily on the number of shares we sell in this offering and assuming all shares sold under our distribution reinvestment plan are sold at \$9.50 per share, we estimate for each share sold in this offering that approximately \$8.87 will be available for the purchase of real estate. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer manager fee, and to pay a fee to our advisor for its services in connection with the selection and acquisition of properties. We will not pay selling commissions or a dealer manager fee on shares sold under our distribution reinvestment plan. The table below sets forth our estimated use of proceeds from this offering:

	<b>Minimum Offering</b>		<b>Maximum Offering</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Gross Offering Proceeds	\$ 2,500,000	100.0%	\$ 550,444,000	100.0%
Less Public Offering Expenses:				
Selling Commissions and Dealer Manager Fee	212,500	8.5%	41,981,500	7.6%
Organization and Offering Expenses	37,500	1.5%	8,256,660	1.5%
Amount Available for Investment	\$ 2,250,000	90.0%	\$ 500,205,840	90.9%
Acquisition and Development:				
Acquisition and Advisory Fees	43,902	1.8%	9,760,114	1.8%
Acquisition Expenses	10,976	0.4%	2,440,029	0.4%
Initial Working Capital Reserve		0%		0%
Amount Invested in Properties	\$ 2,195,122	87.8%	\$ 488,005,697	88.7%

*The following information replaces the first paragraph of the section of our prospectus captioned Prospectus Summary The Offering on page 11 of the prospectus:*

We are offering an aggregate of 49,390,000 shares of common stock in our primary offering on a best-efforts basis at \$10.00 per share. Discounts are available for certain categories of purchasers as described in the Plan of Distribution section of this prospectus. We are also offering 5,952,000 shares of common stock under our distribution reinvestment plan at \$9.50 per share, subject to certain limitations, as described in the Distribution Reinvestment Plan section of this prospectus. We will offer shares of common stock in our primary offering until the earlier of June 27, 2007, which is two years from the effective date of this offering, unless the offering is extended, or the date we sell 49,390,000 shares. We may sell shares under the distribution reinvestment plan beyond the termination of our primary offering until we have sold 5,952,000 shares through the reinvestment of distributions, but only if there is an effective registration statement with respect to the shares. Under the Securities Act of 1933, as amended (Securities Act), and in some states, we may not be able to continue the offering for these periods without filing a new registration statement, or in the case of shares sold under the distribution reinvestment plan, renew or extend the registration statement in such state. We may terminate this offering at any time prior to the stated termination date.

*The following information replaces the section of our prospectus captioned Prospectus Summary Compensation to Cole Advisors II and its Affiliates beginning on page 11 of the prospectus:*

Cole Advisors II and its affiliates will receive compensation and reimbursement for services relating to this offering and the investment and management of our assets. The most significant items of compensation are included in the table below. The selling commissions and dealer manager fee may vary for different categories of purchasers. See the Plan of Distribution section of this prospectus. The table below assumes the shares are sold through distribution channels associated with the highest possible selling commissions and dealer manager fees and accounts for the fact that shares are sold through our distribution reinvestment plan at \$9.50 per share with no selling commissions and no dealer manager fee.



Type of Compensation	Determination of Amount	Estimated Amount for Minimum Offering (250,000 shares)/Maximum Offering (55,342,000 shares)
<i>Offering Stage</i>		
Selling Commissions	We will pay to Cole Capital Corporation 7.0% of gross proceeds of our primary offering; we will not pay any selling commissions on sales of shares under our distribution reinvestment plan; Cole Capital Corporation will reallocate all selling commissions to participating broker-dealers.	\$175,000/\$34,573,000
Dealer Manager Fee	We will pay to Cole Capital Corporation 1.5% of gross proceeds of our primary offering; we will not pay a dealer manager fee with respect to sales under our distribution reinvestment plan.	\$37,500/\$7,408,500
Other Organization and Offering Expenses	We will reimburse Cole Advisors II up to 1.5% of gross offering proceeds for organization and offering expenses.	\$37,500/\$8,256,660
<i>Operational Stage</i>		
Acquisition and Advisory Fees	We will pay Cole Advisors II 2.0% of the contract purchase price of each property acquired.	\$43,902/\$9,760,114
Acquisition Expenses	We will reimburse Cole Advisors II for acquisition expenses incurred in acquiring property. We expect these fees to be approximately 0.5% of the purchase price of each property. In no event will the total of all acquisition and advisory fees and acquisition expenses payable with respect to a particular investment exceed 4% of the contract purchase price.	Actual amounts are dependent upon the actual expenses incurred in acquiring a property or asset, and therefore cannot be determined at this time.
Asset Management Fees	We will pay Cole Advisors II a monthly fee equal to 0.02083%, which is one-twelfth of 0.25%, of the aggregate	Not determinable at this time. Because the fee is based on a fixed percentage of aggregate asset value

assets value plus costs and expenses incurred by the advisor in providing asset management services.

there is no maximum dollar amount of this fee.

Property Management and Leasing Fees

For the management and leasing of our properties, we will pay Fund Realty Advisors, an affiliate of our advisor, a property management fee equal to 2.0% of gross revenues plus market-based leasing commissions applicable to the geographic location of the property. We also will reimburse Fund Realty Advisors costs of managing the properties. Fund Realty Advisors or its affiliates may also receive a fee for the initial leasing of newly constructed properties, which would generally equal one month's rent. The aggregate of all property management and leasing fees paid to our affiliates plus all payments to third parties for such fees will not exceed the amount that other nonaffiliated management and leasing companies generally charge for similar services in the same geographic location as determined by a survey of brokers and agents in such area.

Not determinable at this time. Because the fee is based on a fixed percentage of gross revenue and/or market rates, there is no maximum dollar amount of this fee

Type of Compensation	Determination of Amount	Estimated Amount for Minimum Offering (250,000 shares)/Maximum Offering (55,342,000 shares)
Operating Expenses	<p>We will reimburse our advisor's costs of providing administrative services, subject to the limitation that we will not reimburse our advisor for any amount by which our operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of (i) 2% of average invested assets, or (ii) 25% of net income other than any additions to reserves for depreciation, bad debt or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Additionally, we will not reimburse our advisor for personnel costs in connection with services for which the advisor receives acquisition fees or real estate commissions.</p>	Not determinable at this time.
Financing Coordination Fee	<p>If our advisor provides services in connection the origination or refinancing of any debt that we obtain, and use to acquire properties or to make other permitted investments, or that is assumed, directly or indirectly, in connection with the acquisition of properties, we will pay the advisor a financing coordination fee equal to 1% of the amount available and/or outstanding under such financing, subject to certain limitations.</p>	<p>Not determinable at this time. Because the fee is based on a fixed percentage of any debt financing, there is no maximum dollar amount of this fee.</p>
<b><i>Liquidation/ Listing Stage</i></b>		
Real Estate Commissions	<p>Up to one-half of the brokerage commission paid on the sale of property, not to exceed 2.0% of the contract price for property sold, in each case, payable to our advisor if our advisor or its affiliates, as determined by a majority of the independent directors, provided a substantial amount of services in connection with the sale.</p>	<p>Not determinable at this time. Because the commission is based on a fixed percentage of the contract price for a sold property, there is no maximum dollar amount of these commissions.</p>

Subordinated Participation in Net Sale Proceeds (payable only if we are not listed on an exchange)	10.0% of remaining net sale proceeds after return of capital plus payment to investors of an 8.0% cumulative, non-compounded return on the capital contributed by investors. We cannot assure you that we will provide this 8.0% return, which we have disclosed solely as a measure for our advisor's incentive compensation.	Not determinable at this time. There is no maximum amount of these payments.
Subordinated Incentive Listing Fee (payable only if we are listed on an exchange, which we have no intent to do at this time)	10.0% of the amount by which our adjusted market value plus distributions exceeds the aggregate capital contributed by investors plus an amount equal to an 8.0% cumulative, non-compounded annual return to investors. We cannot assure you that we will provide this 8.0% return, which we have disclosed solely as a measure for our advisor's incentive compensation.	Not determinable at this time. There is no maximum amount of this fee.



*The following information replaces the section of our prospectus captioned Prospectus Summary Distribution Reinvestment Plan on page 15 of the prospectus:*

Under our distribution reinvestment plan, you may have the distributions you receive reinvested in additional shares of our common stock. The purchase price per share under our distribution reinvestment plan will be the higher of 95% of the fair market value per share as determined by our board of directors and \$9.50 per share. No sales commissions or dealer manager fees will be paid on shares sold under the distribution reinvestment plan. If you participate in the distribution reinvestment plan, you will not receive the cash from your distributions, other than special distributions that are designated by our board of directors. As a result, you may have a tax liability with respect to your share of our taxable income, but you will not receive cash distributions to pay such liability. We may terminate the distribution reinvestment plan at our discretion at any time upon ten days prior written notice to you. Additionally, we will be required to discontinue sales of shares under the distribution reinvestment plan on the earlier of June 27, 2007, which is two years from the effective date of this offering, unless the offering is extended, or the date we sell 5,952,000 shares under the plan, unless we file a new registration statement with the Securities and Exchange Commission and applicable states.

*The following information replaces the section of our prospectus captioned Estimated Use of Proceeds beginning on page 43 of the prospectus:*

The following table sets forth information about how we intend to use the proceeds raised in this offering, assuming that we sell either the minimum offering of 250,000 shares, or the maximum offering of 550,440,000 of shares, respectively, of common stock pursuant to this offering. Many of the figures set forth below represent management's best estimate since they cannot be precisely calculated at this time. Assuming a maximum offering we expect that approximately 88.7% of the money that stockholders invest will be used to buy real estate or make other investments, while the remaining approximately 11.3% will be used for working capital, including reserves for working capital, and to pay expenses and fees including the payment of fees to Cole Advisors II, our advisor, and Cole Capital Corporation, our dealer manager.

	<b>Minimum Offering</b>		<b>Maximum Offering</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount (2)</b>	<b>Percent</b>
Gross Offering Proceeds	\$ 2,500,000	100.0%	\$ 550,444,000	100.0%
Less Public Offering Expenses:				
Selling Commissions and Dealer Manager Fee (3)	212,500	8.5%	41,981,500	7.6%
Organization and Offering Expenses (4)	37,500	1.5%	8,256,660	1.5%
Amount Available for Investment (5)	\$ 2,250,000	90.0%	\$ 500,205,840	90.9%
Acquisition and Development:				
Acquisition and Advisory Fees (6)	43,902	1.8%	9,760,114	1.8%
Acquisition Expenses (7)	10,976	0.4%	2,440,029	0.4%
Initial Working Capital Reserve (8)		0%		0%
Amount Invested in Properties (9)	\$ 2,195,122	87.8%	\$ 488,005,697	88.7%

(1) Assumes the minimum offering of 250,000 shares are sold in this offering.

- (2) Assumes the maximum offering is sold, which includes 49,390,000 shares offered to the public at \$10.00 per share and 5,952,000 shares offered pursuant to our distribution reinvestment plan at \$9.50 per share.
- (3) Includes selling commissions equal to 7.0% of aggregate gross offering proceeds, which commissions may be reduced under certain circumstances, and a dealer manager fee equal to 1.5% of aggregate gross offering proceeds, both of which are payable to the dealer manager, an affiliate of our advisor. The dealer manager, in its sole discretion, may reallocate selling commissions of up to 7.0% of gross offering proceeds to other broker-dealers participating in this offering attributable to the units sold by

them and may  
reallow its  
dealer manager  
fee up to 1.5%  
of gross offering  
proceeds in  
marketing fees  
and due  
diligence  
expenses to  
broker-dealers  
participating in  
this offering  
based on such  
factors  
including the  
participating  
broker-dealer s  
level of  
marketing  
support,

level of due diligence review and success of its sales efforts, each as compared to those of the other participating broker-dealers. Additionally, we will not pay a selling commission or a dealer manager fee on shares purchased pursuant to our distribution reinvestment plan. The amount of selling commissions may be reduced under certain circumstances for volume discounts. See the Plan of Distribution section of this prospectus for a description of such provisions.

- (4) Organization and offering expenses consist of reimbursement of actual legal, accounting, printing and other accountable offering expenses, including amounts to reimburse Cole

Advisors II, our advisor, for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares and other marketing and organization costs, other than selling commissions and the dealer manager fee. Cole Advisors II and its affiliates will be responsible for the payment of organization and offering expenses, other than selling commissions and the dealer manager fee, to the extent they exceed 1.5% of gross offering proceeds without recourse against or reimbursement by us. We currently estimate that approximately \$8,256,660 of organization and offering costs will be incurred if the maximum offering of 55,342,000 (approximately \$550,444,000) shares is sold.

- (5) Until required in connection with the acquisition and development of properties, substantially all of the net proceeds of the offering and, thereafter, any working capital reserves we may have may be invested in short-term, highly-liquid investments including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts.
- (6) Acquisition and advisory fees are defined generally as fees and commissions paid by any party to any person in connection with identifying, reviewing, evaluating, investing in and the purchase, development or construction of properties. We will pay our advisor, acquisition and advisory fees up to a maximum amount of 2.0% of the contract purchase price of

each property acquired, which for purposes of this table we have assumed is an aggregate amount equal to our estimated amount invested in properties. Acquisition and advisory fees do not include acquisition expenses. For purposes of this table, we have assumed that no financing is used to acquire properties or other real estate assets.

- (7) Acquisition expenses include legal fees and expenses, travel expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the selection, acquisition and development of real estate properties. For purposes of this table, we have assumed expenses of

0.5% of average invested assets, which for purposes of this table we have assumed is our estimated amount invested in properties; however, expenses on a particular acquisition may be higher. Notwithstanding the foregoing, pursuant to our charter, the total of all acquisition expenses and acquisition fees payable with respect to a particular property or investment shall be reasonable, and shall not exceed an amount equal to 4% of the contract price of the property, or in the case of a mortgage loan 4% of the funds advanced, unless a majority of our directors (including a majority of our independent directors) not otherwise interested in the transaction approve fees and expenses in excess of the limit and determine the



transaction to be commercially competitive, fair and reasonable to us.

- (8) Working capital reserves typically are utilized for extraordinary expenses that are not covered by revenue generation of the property, such as tenant improvements, leasing commissions and major capital expenditures. Alternatively, a lender may require its own formula for escrow of working capital reserves. We do not expect to maintain working capital reserves.

- (9) Includes amounts anticipated to be invested in properties net of fees and expenses.

*The following information replaces the section of our prospectus captioned "Management Compensation" beginning on page 59 of the prospectus:*

We have no paid employees. Cole Advisors II, our advisor, and its affiliates will manage our day-to-day affairs. The following table summarizes all of the compensation and fees we will pay to Cole Advisors II and its affiliates, including amounts to reimburse their costs in providing services. The selling commissions may vary for different categories of purchasers. See "Plan of Distribution." This table assumes the shares are sold through distribution channels associated with the highest possible selling commissions and dealer manager fee.

Type of Compensation (1)	Determination of Amount	Estimated Amount for Minimum Offering (250,000 shares)/Maximum Offering (55,342,000 shares) (2)
<i>Offering Stage</i>		
Selling Commissions Cole Capital Corporation(3)	We will pay to Cole Capital Corporation 7.0% of the gross offering proceeds before reallowance of commissions earned by participating broker-dealers, except that no selling commission is payable on shares sold under our distribution reinvestment plan. Cole Capital Corporation, our dealer manager, will reallow 100.0% of commissions earned to participating broker-dealers.	\$175,000/\$34,573,0000
Dealer Manager Fee Cole Capital Corporation(3)	We will pay to Cole Capital Corporation 1.5% of the gross offering proceeds before reallowance to participating broker-dealers, except that no dealer manager fee is payable on shares sold under our distribution reinvestment plan. Cole Capital Corporation will reallow a portion of its dealer manager fee to participating broker-dealers. See Plan of Distribution.	\$37,500/\$7,408,500
Reimbursement of Other Organization and Offering Expenses Cole Advisors II(4)	We will reimburse Cole Advisors II up to 1.5% of our gross offering proceeds. Cole Advisors II will incur or pay our organization and offering expenses (excluding selling commissions and the dealer manager fee). We will then reimburse Cole Advisors II for these amounts up to 1.5% of aggregate gross offering proceeds.	\$37,500/\$8,256,660
<i>Acquisition and Operational Stage</i>		

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Acquisition and Advisory Fees Cole Advisors II(5)(6)	We will pay to Cole Advisors II a 2.0% of the contract purchase price of each property or asset.	\$43,902/\$9,760,114
Acquisition Expenses Cole Advisors II	We will reimburse our advisor for acquisition expenses incurred in the process of acquiring property. We expect these expenses to be approximately 0.5% of the purchase price of each property. In no event will the total of all fees and acquisition expenses payable with respect to a particular property or investment exceed 4% of the contract purchase price.	Actual amounts are dependent upon the expenses incurred in acquiring a property or asset, and therefore, cannot be determined at this time.
Asset Management Fee Cole Advisors II(7)(8)	We will pay to Cole Advisors II a monthly fee equal to 0.02083%, which is one-twelfth of 0.25%, of the aggregate asset value.	Actual amounts are dependent upon the aggregate asset value of our properties and, therefore, cannot be determined at the present time. Because the fee is based on a fixed percentage of aggregate asset value there is no limit on the aggregate amount of these fees.
Property Management Fees Fund Realty Advisors(8)	We will pay to Fund Realty Advisors up to 2.0% of the gross revenues from the properties plus reimbursement of Fund Realty Advisors costs of managing the properties.	Actual amounts are dependent upon the gross revenues from properties and, therefore, cannot be determined at the present time. Because the fee is based on a fixed percentage of the gross revenue and/or market rates, there is no

Type of Compensation	Determination of Amount	<p style="text-align: center;"><b>Estimated Amount for Minimum Offering (250,000 shares)/Maximum Offering (55,342,000 shares)</b></p> <p>limit on the aggregate amount of these fees.</p>
Leasing Commissions Fund Realty Advisors(8)	<p>We will pay to Fund Realty Advisors prevailing market rates. Fund Realty Advisors may also receive a fee for the initial listing of newly constructed properties, which generally would equal one month's rent.</p>	<p>Actual amounts are dependent upon prevailing market rates in the geographic regions in which we acquire property and, therefore, cannot be determined at the present time. There is no limit on the aggregate amount of these commissions.</p>
Financing Coordination Fee Cole Advisors II(6)	<p>For services in connection with the origination or refinancing of any debt financing obtained that we use to acquire properties or to make other permitted investments, or that is assumed, directly or indirectly, in connection with the acquisition of properties, we will pay our advisor a financing coordination fee equal to 1.0% of the amount available and/or outstanding under such financing; <i>provided, however</i>, that our advisor will not be entitled to a financing coordination fee in connection with the refinancing of any loan secured by any particular property that was previously subject to a refinancing in which our advisor received such a fee. Financing coordination fees payable from loan proceeds from permanent financing will be paid to our advisor as we acquire such permanent financing. However, no acquisition fees will be paid on the investments of loan proceeds from any line of credit until such time as we have invested all net</p>	<p>Actual amounts are dependent on the amount of any debt financing or refinancing and, therefore, cannot be determined at the present time. Because the fee is based on a fixed percentage of any debt financing, there is no limit on the aggregate amount of these fees.</p>

offering proceeds.

Operating Expenses Cole Advisors II(9)

We will reimburse the expenses incurred by Cole Advisors II in connection with its provision of administrative services, including related personnel costs, subject to the limitation that we will not reimburse our advisor for any amount by which the operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of (i) 2% of average invested assets, or (ii) 25% of net income other than any additions to reserves for depreciation, bad debt or other similar non-cash reserves and excluding any gain from the sale of assets for that period.

Actual amounts are dependent upon the expenses incurred and, therefore, cannot be determined at the present time.

***Liquidation/ Listing Stage***

Real Estate Commissions Cole Advisors II or its Affiliates(10)

For substantial assistance in connection with the sale of properties, we will pay our advisor or its affiliates an amount equal to up to one-half of the brokerage commission paid on the sale of property, not to exceed 2.0% of the contract price of each property sold; provided, however, in no event may the real estate commissions paid to our advisor, its affiliates

Actual amounts are dependent upon the contract price of properties sold and, therefore, cannot be determined at the present time. Because the commission is based on a fixed percentage of the contract price for a sold property, there is no limit on the aggregate amount of these commissions.

<b>Type of Compensation</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Minimum Offering (250,000 shares)/Maximum Offering (55,342,000 shares)</b>
Subordinated Participation in Net Sale Proceeds Cole Advisors II(11)	and unaffiliated third parties exceed 6.0% of the contract sales price.	
	After investors have received a return of their net capital invested and an 8.0% annual cumulative, non- compounded return, then Cole Advisors II is entitled to receive 10.0% of remaining net sale proceeds. We cannot assure you that we will provide this 8.0% return, which we have disclosed solely as a measure for our advisor s incentive compensation.	Actual amounts are dependent upon results of operations and, therefore, cannot be determined at the present time. There is no limit on the aggregate amount of these payments.

*Offering Stage*

Subordinated Incentive Listing Fee Cole Advisors II(11)(12)	Upon listing our common stock on a national securities exchange or for quotation on The Nasdaq National Market, our advisor is entitled to a fee equal to 10.0% of the amount, if any, by which (1) the market value of our outstanding stock plus distributions paid by us prior to listing, exceeds (2) the sum of the total amount of capital raised from investors and the amount of cash flow necessary to generate an 8.0% annual cumulative, non- compounded return to investors. We have no intent to list our shares at this time. We cannot assure you that we will provide this 8.0% return, which we have disclosed solely as a measure for our advisor s incentive compensation.	Actual amounts are dependent upon total equity and debt capital we raise and results of operations and, therefore, cannot be determined at the present time. There is no limit on the aggregate amount of this fee.
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- (1) We will pay all fees, commissions and expenses in cash, other than the subordinated participation in net sales proceeds and incentive listing fees with respect to which we may pay to Cole

Advisors II in cash, common stock, a promissory note or any combination of the foregoing, as we may determine in our discretion.

(2) The estimated maximum dollar amounts are based on the sale of a maximum of 49,390,000 shares to the public at \$10.00 per share and the sale of 5,952,000 shares at \$9.50 per share pursuant to our distribution reinvestment plan.

(3) Selling commissions and, in some cases, the dealer manager fee, will not be charged with regard to shares sold to or for the account of certain categories of purchasers. See Plan of Distribution. Selling commissions and the dealer manager fee will not be charged with regard to

shares  
purchased  
pursuant to our  
distribution  
reinvestment  
plan.

- (4) These organization and offering expenses include all expenses (other than selling commissions and the dealer manager fee) to be paid by us in connection with the offering, including our legal, accounting, printing, mailing and filing fees, charges of our escrow holder, due diligence expense reimbursements to participating broker-dealers and amounts to reimburse Cole Advisors II for its portion of the salaries of the employees of its affiliates who provide services to our advisor and other costs in connection with preparing supplemental sales materials, holding educational conferences and attending retail seminars



conducted by  
broker-dealers.  
Our advisor will  
be responsible  
for the payment  
of all such  
organization and  
offering  
expenses to the  
extent such  
expenses exceed  
1.5% of the  
aggregate gross  
proceeds of this  
offering.

- (5) This estimate  
assumes the  
amount of  
proceeds  
available for  
investment is  
equal to the  
gross offering  
proceeds less  
the public  
offering  
expenses, and  
we have  
assumed that no  
financing is  
used to acquire  
properties or  
other real estate  
assets. Our  
charter limits  
our ability to  
purchase  
property if the  
total of all  
acquisition fees  
and expenses  
relating to the  
purchase  
exceeds 4.0% of  
the contract  
purchase price  
unless a  
majority of our  
directors  
(including a

majority of our independent directors) not otherwise interested in the transaction approve fees and expenses in excess of this limit and determine the transaction to be commercially competitive, fair and reasonable to us.

- (6) Included in the computation of such fees will be any real estate commission, acquisition and advisory fee, development fee, construction fee, non-recurring management fee, loan fees, financing coordination fees or points or any fee of a similar nature.
- (7) Aggregate asset value will be equal to the aggregate value of our assets (other than investments in bank accounts, money markets funds or other current assets) at cost before deducting depreciation, bad debts or other similar non-cash reserves and without reduction for any debt relating to such assets at the date of measurement, except that during such periods in which our board of directors is determining on a regular basis the current value of our net assets for purposes of

enabling  
fiduciaries of  
employee benefit  
plans  
stockholders to  
comply with  
applicable  
Department of  
Labor reporting  
requirements,  
aggregate asset  
value is the  
greater of (i) the  
amount  
determined  
pursuant to the  
foregoing or  
(ii) our assets  
aggregate  
valuation most  
recently  
established by our  
board without  
reduction for  
depreciation, bad  
debts or other  
similar non-cash  
reserves and  
without reduction  
for any debt  
secured by or  
relating to such  
assets.

- (8) The property  
management and  
leasing fees  
payable to Fund  
Realty Advisors  
are subject to the  
limitation that the  
aggregate of all  
property  
management and  
leasing fees paid  
to Fund Realty  
Advisors and its  
affiliates plus all  
payments to third  
parties for  
property

management and leasing services may not exceed the amount that other non-affiliated property management and leasing companies generally charge for similar services in the same geographic location.

Additionally, all property management and leasing fees, including both those paid to Fund Realty Advisors and third parties, are subject to the limit on total operating expenses as described in footnote (5). Fund Realty Advisors may subcontract its duties for a fee that may be less than the fee provided for in our property management agreement with Fund Realty Advisors.

- (9) We may reimburse our advisor in excess of that limit in the event that a majority of our independent directors determine, based

on unusual and non-recurring factors, that a higher level of expense is justified. In such an event, we will send notice to each of our stockholders within 60 days after the end of the fiscal quarter for which such determination was made, along with an explanation of the factors our independent directors considered in making such determination.

We will not reimburse our advisor for personnel costs in connection with services for which the advisor receives acquisition fees or real estate commissions.

We lease our office space from an affiliate of our advisor and share the space with other Cole-related entities. The amount we will pay under the lease will be determined on a monthly basis based upon on the allocation of the overall lease cost

to the approximate percentage of time, size of the area that we utilize and other resources allocated to us.

(10) Although we are most likely to pay real estate commissions to Cole Advisors II or an affiliate in the event of our liquidation, these fees may also be earned during our operational stage.

(11) Upon termination of the advisory agreement, Cole Advisors II may be entitled to a similar performance fee if Cole Advisors II would have been entitled to a subordinated participation in net sale proceeds had the portfolio been liquidated (based on an independent appraised value of the portfolio) on the date of termination. Under our charter, we could not increase these success-based fees without the approval of a majority of our independent directors, and any

increase in the subordinated participation in net sale proceeds would have to be reasonable. Our charter provides that such incentive fee is presumptively reasonable if it does not exceed 10.0% of the balance of such net proceeds remaining after investors have received a return of their net capital contributions and an 8.0% per year cumulative, non-compounded return.

Cole Advisors II cannot earn both the subordinated participation in net sale proceeds and the subordinated incentive listing fee either of which may be, at our discretion, paid in the form of cash, shares of our common stock, a promissory note, or any combination of the foregoing. If shares are used for payment, we do not anticipate that they will be registered under the Securities Act and therefore,



will be subject to restrictions on transferability. Any portion of the subordinated participation in net sale proceeds that Cole Advisors II receives prior to our listing will offset the amount otherwise due pursuant to the subordinated incentive listing fee.

- (12) If at any time the shares become listed on a national securities exchange or included for quotation on The Nasdaq National Market, we will negotiate in good faith with Cole Advisors II a fee structure appropriate for an entity with a perpetual life. Our independent directors must approve the new fee structure negotiated with Cole Advisors II. The market value of our outstanding stock will be calculated based on the average market value of the shares issued and outstanding at listing over the 30 trading days beginning

180 days after the shares are first listed or included for quotation. We have the option to pay the subordinated incentive listing fee in the form of stock, cash, a promissory note or any combination thereof. In the event the subordinated incentive listing fee is earned by Cole Advisors II as a result of the listing of the shares, any previous payments of the subordinated participation in net sale proceeds will offset the amounts due pursuant to the subordinated incentive listing fee, and we will not be required to pay Cole Advisors II any further subordinated participation in net sale proceeds.

At least a majority of our independent directors must determine, from time to time but at least annually, that our total fees and expenses are reasonable in light of our investment performance, net assets, net income and the fees and expenses of other comparable unaffiliated REITs. Each such determination will be reflected in the minutes of our board of directors. Our independent directors shall

also supervise the performance of our advisor and the compensation that we pay to it to determine that the provisions of our advisory agreement are being carried out.

Each such determination will be recorded in the minutes of our board of directors and based on the factors set forth below and other factors that the independent directors deem relevant:

the size of the advisory fee in relation to the size, composition and profitability of our portfolio;

the success of Cole Advisors II in generating opportunities that meet our investment objectives;

the rates charged to other REITs, especially similarly structured REITs, and to investors other than REITs by advisors performing similar services;

additional revenues realized by Cole Advisors II through its relationship with us;

the quality and extent of service and advice furnished by Cole Advisors II;

the performance of our investment portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and

the quality of our portfolio in relationship to the investments generated by Cole Advisors II for the account of other clients.

Since Cole Advisors II and its affiliates are entitled to differing levels of compensation for undertaking different transactions on our behalf, such as the property management fees for operating our properties and the subordinated participation in net sale proceeds, our advisor has the ability to affect the nature of the compensation it receives by undertaking different transactions. However, Cole Advisors II is obligated to exercise good faith and integrity in all its dealings with respect to our affairs pursuant to the advisory agreement. See Management The Advisory Agreement.

*The following information replaces the section of our prospectus captioned Share Redemption Program beginning on page 119 of the prospectus:*

Our board of directors has adopted a share redemption program that enables our stockholders to sell their shares to us in limited circumstances. Our share redemption program permits you to sell your shares back to us after you have held them for at least one year, subject to the significant conditions and limitations described below.

Our common stock is currently not listed on a national securities exchange, or included for quotation on a national securities market, and we will not seek to list our stock until such time as our independent directors believe that the listing of our stock would be in the best interest of our stockholders. In order to provide stockholders with the benefit of interim liquidity, stockholders who have held their shares for at least one year may present all or a portion consisting of at least 25% of the holder's shares to us for redemption at any time in accordance with the procedures outlined below. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption. We will not pay to our board of directors, advisor or its affiliates any fees to complete any transactions under our share redemption program.

During the term of this offering, the redemption price per share will depend on the length of time you have held such shares as follows: after one year from the purchase date 92.5% of the amount you paid for each share; after two years from the purchase date 95.0% of the amount you paid for each share, after three years from the purchase date 97.5% of the amount you paid for each share; and after four years from the purchase date 100.0% of the amount you paid for each share (in each case, as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to our common stock). At any time we are engaged in an offering of shares, the per share price for shares purchased under our redemption plan will always be equal to or lower than the applicable per share offering price. Thereafter the per share redemption price will be based on the then-current net asset value of the shares (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to our common stock). Our board of directors will announce any redemption price adjustment and the time period of its effectiveness

as a part of its regular communications with our stockholders. At any time the redemption price is determined by any method other than the net asset value of the shares, if we have sold property and have made one or more special distributions to our stockholders of all or a portion of the net proceeds from such sales, the per share redemption price will be reduced by the net sale proceeds per share distributed to investors prior to the redemption date as a result of the sale of such property in the special distribution. Our board of directors will, in its sole discretion, determine which distributions, if any, constitute a special distribution. While our board of directors does not have specific criteria for determining a special distribution, we expect that a special distribution will only occur upon the sale of a property and the subsequent distribution of the net sale proceeds. Upon receipt of a request for redemption, we will conduct a Uniform Commercial Code search to ensure that no liens are held against the shares. We will charge an administrative fee of \$250 to the stockholder for the search and other costs, which will be deducted from the proceeds of the redemption or, if a lien exists, will be

charged to the stockholder. Subject to our waiver of the one-year holding period requirement, shares required to be redeemed in connection with the death of a stockholder may be repurchased without the one-year activity period requirement, at a purchase price equal to the price actually paid for the shares.

During any calendar year, we will not redeem in excess of 3.0% of the weighted average number of shares outstanding during the prior calendar year. The cash available for redemption will be limited to the proceeds from the sale of shares pursuant to our distribution reinvestment plan.

We will redeem our shares on the last business day of the month following the end of each quarter. Requests for redemption would have to be received on or prior to the end of the quarter in order for us to repurchase the shares as of the end of the next month. You may withdraw your request to have your shares redeemed at any time prior to the last day of the applicable quarter.

If we could not purchase all shares presented for redemption in any quarter, based upon insufficient cash available and the limit on the number of shares we may redeem during any calendar year, we would attempt to honor redemption requests on a pro rata basis. We would treat the unsatisfied portion of the redemption request as a request for redemption the following quarter. At such time, you may then (1) withdraw your request for redemption at any time prior to the last day of the new quarter or (2) ask that we honor your request at such time, if, any, when sufficient funds become available. Such pending requests will generally be honored on a pro rata basis. We will determine whether we have sufficient funds available as soon as practicable after the end of each quarter, but in any event prior to the applicable payment date.

Our board of directors may choose to amend, suspend or terminate our share redemption program upon 30 days notice at any time. Additionally we will be required to discontinue sales of shares under the distribution reinvestment plan on the earlier of June 27, 2007, which is two years from the effective date of this offering, unless the offering is extended, or the date we sell 5,952,000 shares under the plan, unless we file a new registration statement with the Securities and Exchange Commission and applicable states. Because the redemption of shares will be funded with the net proceeds we receive from the sale of shares under the distribution reinvestment plan, the discontinuance or termination of the distribution reinvestment plan will adversely affect our ability to redeem shares under the share redemption program. We would notify you of such developments (i) in the annual or quarterly reports mentioned above or (ii) by means of a separate mailing to you, accompanied by disclosure in a current or periodic report under the Exchange Act. During this offering, we would also include this information in a prospectus supplement or post-effective amendment to the registration statement, as then required under federal securities laws.

Our share redemption program is only intended to provide interim liquidity for stockholders until a liquidity event occurs, such as the listing of the shares on a national securities exchange, inclusion of the shares for on a national market system, or our merger with a listed company. The share redemption program will be terminated if the shares become listed on a national securities exchange or included for quotation on a national market system. We cannot guarantee that a liquidity event will occur.

The shares we redeem under our share redemption program will be cancelled and return to the status of unauthorized but unissued shares. We do not intend to resell such shares to the public unless they are first registered with the Securities and Exchange Commission under the Securities Act and under appropriate state securities laws or otherwise sold in compliance with such laws.

*The following information replaces the first paragraph of the section of our prospectus captioned Summary of Distribution Reinvestment Plan on page 123 of the prospectus:*

We have adopted a distribution reinvestment plan pursuant to which our stockholders and, subject to certain conditions set forth in our distribution reinvestment plan, any stockholder or partner of any other publicly offered limited partnership, real estate investment trust or other real estate program sponsored by our advisor or its affiliates, may participate in our distribution reinvestment plan and elect to purchase shares of our common stock with our distributions or distributions from such other programs. We are offering 5,952,000 shares for sale pursuant to our distribution reinvestment plan. We intend to offer shares at the higher of 95% of the estimated value of a share of our common stock, as estimated by our board of directors, or \$9.50 per share. The per share price for our distribution reinvestment plan was determined based in part upon federal income tax considerations. The United States Internal Revenue Service has ruled that in connection with a reinvestment plan, a REIT may give a discount of up to 5% on

reinvested shares, as a result of the savings to the REIT resulting from directly issuing the reinvestment plan shares, but that a discount in excess of 5% will be treated as a preferential, non-deductible dividend. We have the discretion to extend the offering period for the shares being offered pursuant to this prospectus under our distribution reinvestment plan beyond the termination of this offering until we have sold 5,952,000 shares through the reinvestment of distributions. We may also offer shares pursuant to a new registration statement.

*The following information replaces the section of our prospectus captioned Plan of Distribution The Offering on page 130 of the prospectus:*

We are offering a maximum of 55,342,000 shares of our common stock to the public through Cole Capital Corporation, our dealer manager, a registered broker-dealer affiliated with our advisor. Of this amount, we are offering 49,390,000 shares in our primary offering at a price of \$10.00 per share, except as provided below. The shares are being offered on a best efforts basis, which means generally that the dealer manager will be required to use only its best efforts to sell the shares and it has no firm commitment or

obligation to purchase any of the shares. We are also offering 5,952,000 shares for sale pursuant to our distribution reinvestment plan. The purchase price for shares sold under our distribution reinvestment plan will be equal to the higher of 95% of the estimated value of a share of common stock, as estimated by our board of directors and \$9.50 per share. The reduced purchase price for shares purchased pursuant to our distribution reinvestment plan reflects that there will be no fees, commissions or expenses paid with respect to these shares. The offering of shares of our common stock will terminate on or before June 27, 2007, which is two years after the effective date of this offering, unless the offering is extended. At the discretion of our board of directors, we may elect to extend the termination date of our offering of shares reserved for issuance pursuant to our distribution reinvestment plan until we have sold 5,952,000 shares through the reinvestment of distributions, in which case participants in the plan will be notified. This offering must be registered in every state in which we offer or sell shares. Generally, such registrations are for a period of one year. Thus, we may have to stop selling shares in any state in which our registration is not renewed or otherwise extended annually. We reserve the right to terminate this offering at any time prior to the stated termination date.

*The following information replaces the table in the section of our prospectus captioned "Plan of Distribution Compensation We Will Pay for the Sale of our Shares" beginning on page 130 of the prospectus:*

	<b>Per Share</b>	<b>Total Minimum</b>	<b>Total Maximum</b>
<b>Primary Offering</b>			
Price to Public	\$ 10.00	\$ 2,500,000	\$ 493,900,000
Selling Commissions	0.70	175,000	34,573,000
Dealer Manager fees	0.15	37,500	7,408,500
Proceeds to Cole REIT II	\$ 9.15	\$ 2,287,500	\$ 451,918,500
<b>Reinvestment Plan</b>			
Price to Public	\$ 9.50		\$ 56,544,000
Distribution Selling Commissions			
Dealer Manager Fees			
Proceeds to Cole REIT II	\$ 9.50		\$ 56,544,000

#### ***Acquisition and Investment Policies***

*The following information replaces the section of the prospectus captioned "Investment Objectives and Policies Acquisition and Investment Policies" beginning on page 70 of the prospectus:*

##### ***Types of Investments***

We invest primarily in income-generating retail properties, net leased to investment grade and other creditworthy tenants. Our investments may be direct investments in such properties or in other entities that own or invest in, directly or indirectly, interests in such properties. We seek to acquire a portfolio of real estate that is diversified by geographical location and by type and size of property. Currently, our portfolio consists primarily of freestanding, single-tenant properties net leased for use as retail establishments. A portion of our portfolio also includes multi-tenant retail properties and single-tenant properties leased to office and industrial tenants. Although we expect our portfolio will continue to consist primarily of freestanding, single-tenant properties, we expect to continue to invest in other property types, including office and industrial properties, leased to one or more tenants. In addition, we expect to further diversify our portfolio by investing in multi-tenant properties that compliment our overall investment objectives and mortgage loans (See "Making Loans and Investments in Mortgages").

Many of our properties will be leased to tenants in the chain or franchise retail industry, including but not limited to convenience stores, drug stores and restaurant properties. Other properties may be leased to large, national

big box retailers, so-called power centers, which are comprised of big box retailers and smaller retail establishments, and other multi-tenant properties that compliment our overall investment objectives. Our advisor monitors industry trends and invests in properties on our behalf that serve to provide a favorable return balanced with risk. Our management primarily targets retail businesses with established track records. This industry is highly property dependent, therefore our advisor believes it offers highly competitive sale-leaseback investment opportunities.

We believe that our general focus on the acquisition of freestanding, retail properties net leased to investment grade and other creditworthy tenants presents lower investment risks and greater stability than other sectors of today's commercial real estate market. Unlike funds that invest solely in multi-tenant properties, we plan to acquire a diversified portfolio comprised primarily of single-



tenant properties and a smaller number of multi-tenant properties that compliment our overall investment objectives. By primarily acquiring single-tenant properties, we believe that lower than expected results of operations from one or a few investments will not necessarily preclude our ability to realize our investment objectives of cash flow and preservation of capital from our overall portfolio. In addition, we believe that freestanding retail properties, as compared to shopping centers, malls and other traditional retail complexes, offer a distinct investment advantage since these properties generally require less management and operating capital, have less recurring tenant turnover and generally offer superior locations that are less dependent on the financial stability of adjoining tenants. In addition, since we intend to acquire properties that are geographically diverse, we expect to minimize the potential adverse impact of economic downturns in local markets. Our management believes that a portfolio consisting primarily of freestanding, single-tenant retail properties, net leased to creditworthy tenants diversified geographically and by brand and number of tenants will enhance our liquidity opportunities for investors by making the sale of individual properties, multiple properties or our investment portfolio as a whole attractive to institutional investors and by making a possible listing of our shares attractive to the public investment community.

To the extent feasible, we will seek to achieve a well-balanced portfolio diversified by geographic location, age of the property and lease maturity. We will pursue properties whose tenants represent a variety of industries so as to avoid concentration in any one industry. We expect these industries to include all types of retail establishments, such as big box retailers, convenience stores, drug stores and restaurant properties. We expect that tenants of our properties will also be diversified between national, regional and local brands. We will generally target properties with lease terms in excess of ten years. We may acquire properties with shorter terms if the property is in an attractive location, if the property is difficult to replace, or if the property has other significant favorable attributes. We expect that these investments will provide long-term value by virtue of their size, location, quality and condition and lease characteristics. We currently expect all of our acquisitions will be in the United States, including U.S. protectorates.

Many retail companies today are entering into sale-leaseback arrangements as a strategy for applying more capital that would otherwise be applied to their real estate holdings to their core operating businesses. We believe that our investment strategy will enable us to take advantage of the increased emphasis on retailers' core business operations in today's competitive corporate environment as retailers attempt to divest from real estate assets.

There is no limitation on the number, size or type of properties that we may acquire or on the percentage of net proceeds of this offering that may be invested in a single property. The number and mix of properties will depend upon real estate market conditions and other circumstances existing at the time of acquisition of properties and the amount of proceeds raised in this offering. For a further description, see the section titled Other Possible Investments below.

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