

NATIONAL RETAIL PROPERTIES, INC.

Form 10-K

February 22, 2008

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

**FORM 10-K**

*(Mark One)*

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

**For the fiscal year ended December 31, 2007**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-11290

**NATIONAL RETAIL PROPERTIES, INC.**

*(Exact name of registrant as specified in its charter)*

Maryland

*(State or other jurisdiction of*

56-1431377

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

*incorporation or organization)*

450 South Orange Avenue, Suite 900

Orlando, Florida 32801

*(Address of principal executive offices, including zip code)*

Registrant's telephone number, including area code: (407) 265-7348

Securities registered pursuant to Section 12(b) of the Act:

*Title of each class:*

*Name of exchange on which registered:*

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Common Stock, \$0.01 par value

New York Stock Exchange

7.375% Non-Voting Series C Preferred Stock, \$0.01 par value

New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None

*(Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2007 was \$66,159,208.

The number of shares of common stock outstanding as of February 14, 2008 was 72,534,884.

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***DOCUMENTS INCORPORATED BY REFERENCE:***

Registrant incorporates by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K portions of National Retail Properties, Inc.'s definitive Proxy Statement for the 2008 Annual Meeting of Stockholders to be filed with the Securities Exchange Commission pursuant to Regulation 14A. The definitive Proxy Statement will be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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### **PART I**

*Unless the context otherwise requires, references in this Annual Report on Form 10-K to the terms registrant or NNN or the Company refer to National Retail Properties, Inc. and its [consolidated] subsidiaries, including taxable real estate investment trust ( REIT ) subsidiaries and their majority owned and controlled subsidiaries (collectively the TRS ).*

*Statements contained in this annual report on Form 10-K, including the documents that are incorporated by reference, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Also, when NNN uses any of the words anticipate, assume, believe, estimate, expect, intend, or similar expressions, NNN is making forward-looking statements. Although management believes that the expectations reflected in such forward-looking statements are based upon present expectations and reasonable assumptions, NNN's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that could cause actual results or events to differ materially from those NNN anticipates or projects are described in Item 1A. Risk Factors of this Annual Report on Form 10-K.*

*Given these uncertainties, readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this Annual Report on Form 10-K or any document incorporated herein by reference. NNN undertakes no obligation to publicly release any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this Annual Report on Form 10-K.*

### **Item 1. Business**

#### **The Company**

NNN, a Maryland corporation, is a fully integrated REIT formed in 1984. NNN's operations are divided into two primary business segments: (i) investment assets, including real estate assets and mortgages and notes receivable (including structured finance) (collectively, Investment Assets ), and (ii) inventory real estate assets ( Inventory Assets ). The Investment Assets are operated through National Retail Properties, Inc. and its wholly owned subsidiaries. The Inventory Assets are held in the TRS.

#### *Real Estate Assets*

NNN acquires, owns, invests in, manages and develops properties that are leased primarily to retail tenants under long-term net leases ( Investment Properties or Investment Portfolio ). As of December 31, 2007, NNN owned 908 Investment Properties, with an aggregate leasable area of 10,610,000 square feet, located in 44 states. Approximately 98 percent of NNN's Investment Portfolio was leased at December 31, 2007. The TRS, directly and indirectly, through investment interests, acquires and/or develops real estate primarily for the purpose of resale ( Inventory Properties or Inventory Portfolio ). As of December 31, 2007, the TRS owned 56 Inventory Properties.

#### *Mortgages and Notes Receivable*

Mortgages are loans secured by real estate, real estate securities or other assets. As of December 31, 2007, these receivables totaled \$49,336,000.

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Structured finance agreements are typically loans secured by a borrower's pledge of ownership interests in the entity that owns or leases the real estate and/or other acceptable collateral such as fixtures, equipment or cash. These agreements are sometimes subordinated to senior loans secured by first mortgages encumbering the underlying real estate. Subordinated positions are generally subject to a higher risk of nonpayment of principal and interest than the more senior loans. As of December 31, 2007, the structured finance agreements had an outstanding principal balance of \$14,359,000.

### *Investment in Unconsolidated Affiliate*

*Crow Holdings.* In September 2007, NNN entered into a joint venture, NNN Retail Properties Fund I LLC (the "NNN Crow JV I"), with an affiliate of Crow Holdings Realty Partners IV, L.P. NNN Crow JV I plans to acquire from unrelated third parties up to \$220,000,000 of real estate assets leased to convenience store operators.

### *Competition*

NNN generally competes with numerous other REITs, commercial developers, real estate limited partnerships and other investors, including but not limited to, insurance companies, pension funds and financial institutions, that own, manage, finance or develop retail and net leased properties.

### *Employees*

As of January 31, 2008, NNN employed 72 full-time associates including executive and administrative personnel.

NNN's executive offices are located at 450 S. Orange Avenue, Suite 900, Orlando, Florida 32801, and its telephone number is (407) 265-7348. NNN has an Internet website at [www.nnnreit.com](http://www.nnnreit.com) where NNN's filings with the Securities and Exchange Commission can be downloaded free of charge. The common shares of National Retail Properties, Inc. are traded on the New York Stock Exchange ("NYSE"), under the ticker symbol NNN.

## **Business Strategies and Policies**

The following is a discussion of NNN's operating strategy and certain of its investment, financing and other policies. These strategies and policies have been set by management and/or the Board of Directors and, in general, may be amended or revised from time to time by management and/or the Board of Directors without a vote of NNN's stockholders.

### *Operating Strategies*

NNN's strategy is to invest primarily in retail real estate that is typically located along high-traffic commercial corridors near areas of commercial and residential density. Management believes that these types of properties, when leased to national or regional retailers generally pursuant to triple-net leases, provide attractive opportunities for a stable current return and the potential for increased current returns and capital appreciation. Triple-net leases typically require the tenant to pay property operating expenses such as real estate taxes, assessments and other government charges, insurance, utilities, and repairs and maintenance. Initial lease terms are generally 15 to 20 years.

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In some cases, NNN's investment in real estate is in the form of mortgages, structured finance investments or other loans which may be secured by real estate, a borrower's pledge of ownership interests in the entity that owns the real estate or other assets. These investments may be subordinated to senior loans secured by other loans encumbering the underlying real estate or assets. Subordinated positions are generally subject to a higher risk of nonpayment of principal and interest than the more senior loans.

NNN holds investment real estate assets until it determines that the sale of such a property is advantageous in view of NNN's investment objectives. In deciding whether to sell a real estate investment asset, NNN may consider factors such as potential capital appreciation, net cash flow, tenant credit quality, market lease rates, potential use of sale proceeds and federal income tax considerations.

NNN acquires and/or develops inventory real estate assets primarily for the purpose of resale.

NNN's management team considers certain key indicators to evaluate the financial condition and operating performance of NNN. The key indicators for NNN may include items such as: the composition of NNN's Investment Portfolio (such as tenant, geographic and industry classification diversification), the occupancy rate of NNN's Investment Portfolio, certain financial performance ratios, profitability measures and industry trends compared to that of NNN.

The operating strategies employed by NNN have allowed it to increase dividends paid per common share for 18 consecutive years.

### *Investment in Real Estate or Interests in Real Estate*

NNN's management believes that attractive acquisition opportunities for retail properties will continue to be available and that NNN is well suited to take advantage of these opportunities because of its access to capital markets, ability to underwrite and acquire properties, and because of management's experience in seeking out, identifying and evaluating potential acquisitions.

In evaluating a particular acquisition, management may consider a variety of factors, including:

the location, visibility and accessibility of the property,

the geographic area and demographic characteristics of the community, as well as the local real estate market, including potential for growth and existing or potential competing properties or retailers,

the size of the property,

the purchase price,

the non-financial terms of the proposed acquisition,

the availability of funds or other consideration for the proposed acquisition and the cost thereof,

the compatibility of the property with NNN's existing portfolio,

the potential for, and current extent of, any environmental problems,

the quality of construction and design and the current physical condition of the property,

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the financial and other characteristics of the existing tenant,

the tenant's business plan, operating history and management team,

the tenant's industry,

the terms of any existing leases, and

the rent to be paid by the tenant.

NNN intends to engage in future investment activities in a manner that is consistent with the maintenance of its status as a REIT for federal income tax purposes and that will not make NNN an investment company under the Investment Company Act of 1940, as amended. Equity investments in acquired properties may be subject to existing mortgage financings and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these investments.

### *Investments in Real Estate Mortgages, Commercial Mortgage Residual Interests, and Securities of or Interests in Persons Engaged in Real Estate Activities*

While NNN's primary business objectives and current portfolio ownership primarily emphasize retail properties, NNN may invest in (i) a wide variety of property and tenant types, (ii) leases, mortgages, commercial mortgage residual interests and other types of real estate interests, (iii) loans secured by collateral related to business operations of an owned or leased property, or (iv) securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. For example, NNN from time to time has made investments in mortgage loans or held mortgages on properties that NNN has sold and has made structured finance investments and other loans related to properties acquired or sold.

### *Financing Strategy*

NNN's financing objective is to manage its capital structure effectively in order to provide sufficient capital to execute its operating strategies while servicing its debt requirements and providing value to its stockholders. NNN generally utilizes debt and equity security offerings, bank borrowings, the sale of properties, and to a lesser extent, internally generated funds to meet its capital needs.

NNN typically funds its short-term liquidity requirements including investments in additional retail properties with cash from its \$400,000,000 unsecured revolving credit facility ( "Credit Facility" ). As of December 31, 2007, \$129,800,000 was outstanding and approximately \$270,200,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$2,685,000.

For the year ended December 31, 2007, NNN's ratio of total indebtedness to total gross assets (before accumulated depreciation) was approximately 43 percent and the secured indebtedness to total gross assets was approximately one percent. The total debt to total market capitalization was approximately 39 percent. Certain financial agreements to which NNN is a party contain covenants that limit NNN's ability to incur debt under certain circumstances.

NNN anticipates it will be able to obtain additional financing for short-term and long-term liquidity requirements as further described in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity*. However, there can be no assurance that additional financing or capital will be available, or that the terms will be acceptable or advantageous to NNN.

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The organizational documents of NNN do not limit the absolute amount or percentage of indebtedness that NNN may incur. Additionally, NNN may change its financing strategy at any time. NNN has not engaged in trading, underwriting or agency distribution or sale of securities of other issues and does not intend to do so.

*Strategies and Policy Changes*

Any of NNN's strategies or policies described above may be changed at any time by NNN without notice to or a vote of NNN's stockholders.

**Investment Properties**

As of December 31, 2007, NNN owned 908 Investment Properties with an aggregate gross leasable area of 10,610,000 square feet, located in 44 states. Approximately 98 percent of the gross leasable area was leased at December 31, 2007. Reference is made to the Schedule of Real Estate and Accumulated Depreciation and Amortization filed with this report for a listing of NNN's Investment Properties and their respective carrying costs.

The following table summarizes NNN's Investment Properties as of December 31, 2007 (in thousands):

|          | Size <sup>(1)</sup> |     |         | Cost <sup>(2)</sup> |       |          |
|----------|---------------------|-----|---------|---------------------|-------|----------|
|          | High                | Low | Average | High                | Low   | Average  |
| Land     | 2,223               | 7   | 115     | \$ 10,197           | \$ 25 | \$ 1,078 |
| Building | 135                 | 1   | 12      | 13,874              | 44    | 1,440    |

<sup>(1)</sup> Approximate square feet.

<sup>(2)</sup> Costs vary depending upon size and local demographic factors.

In connection with the development of 27 Investment Properties, NNN has agreed to fund construction commitments (including land costs) of \$71,883,000, of which \$44,561,000 has been funded as of December 31, 2007.

During 2006, NNN disposed of the properties leased to the United States of America which had accounted for more than 10 percent of NNN's total rental income in 2005. As of December 31, 2007, NNN does not have any one tenant that accounts for ten percent or more of its rental income.

*Leases.* Although there are variations in the specific terms of the leases, the following is a summary of the general structure of NNN's leases. Generally, the leases of the Investment Properties provide for initial terms of 15 to 20 years. As of December 31, 2007, the weighted average remaining lease term was approximately 13 years. The Investment Properties are generally leased under net leases pursuant to which the tenant typically will bear responsibility for substantially all property costs and expenses associated with ongoing maintenance and operation, including utilities, property taxes and insurance. In addition, the majority of NNN's leases provide that the tenant is responsible for roof and structural repairs. The leases of the Investment Properties provide for annual base rental payments (payable in monthly installments) ranging from \$11,000 to \$1,800,000 (average of \$217,000). Tenant leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index, and/or increases in the tenant's sales volume.

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Generally, the Investment Property leases provide the tenant with one or more multi-year renewal options subject to generally the same terms and conditions as the initial lease. Some of the leases also provide that in the event NNN wishes to sell the Investment Property subject to that lease, NNN first must offer the lessee the right to purchase the Investment Property on the same terms and conditions as any offer which NNN intends to accept for the sale of the Investment Property.

Certain Investment Properties have leases that provide the tenant with a purchase option to acquire the Investment Property from NNN. The purchase price calculations are generally stated in the lease agreement or are based on current market value.

The following table summarizes the lease expirations of NNN's Investment Portfolio as of December 31, 2007:

|      | % of<br>Annual<br>Base<br>Rent <sup>(1)</sup> | # of<br>Properties | Gross<br>Leasable<br>Area <sup>(2)</sup> |            | % of<br>Annual<br>Base<br>Rent <sup>(1)</sup> | # of<br>Properties | Gross<br>Leasable<br>Area <sup>(2)</sup> |
|------|-----------------------------------------------|--------------------|------------------------------------------|------------|-----------------------------------------------|--------------------|------------------------------------------|
| 2008 | 0.7%                                          | 14                 | 258,000                                  | 2014       | 5.0%                                          | 31                 | 509,000                                  |
| 2009 | 1.8%                                          | 24                 | 458,000                                  | 2015       | 2.9%                                          | 20                 | 469,000                                  |
| 2010 | 3.1%                                          | 38                 | 401,000                                  | 2016       | 2.3%                                          | 16                 | 262,000                                  |
| 2011 | 2.3%                                          | 21                 | 336,000                                  | 2017       | 4.9%                                          | 27                 | 674,000                                  |
| 2012 | 4.0%                                          | 35                 | 563,000                                  | 2018       | 4.3%                                          | 33                 | 505,000                                  |
| 2013 | 4.3%                                          | 32                 | 687,000                                  | Thereafter | 64.4%                                         | 601                | 5,233,000                                |

<sup>(1)</sup> Based on annualized base rent for all leases in place as of December 31, 2007.

<sup>(2)</sup> Approximate square feet.

The following table summarizes the diversification of trade of NNN's Investment Portfolio based on the top 10 lines of trade:

| Top 10 Lines of Trade |                             | % of Annual Base Rent <sup>(1)</sup> |        |        |
|-----------------------|-----------------------------|--------------------------------------|--------|--------|
|                       |                             | 2007                                 | 2006   | 2005   |
| 1.                    | Convenience Stores          | 23.9%                                | 16.3%  | 12.1%  |
| 2.                    | Restaurants Full Service    | 10.3%                                | 12.1%  | 6.6%   |
| 3.                    | Drug Stores                 | 5.0%                                 | 8.3%   | 10.0%  |
| 4.                    | Automotive Parts            | 4.9%                                 | 1.6%   | 0.1%   |
| 5.                    | Books                       | 4.4%                                 | 5.7%   | 5.8%   |
| 6.                    | Consumer Electronics        | 4.3%                                 | 5.6%   | 5.9%   |
| 7.                    | Theaters                    | 4.2%                                 | -      | -      |
| 8.                    | Car Washes                  | 4.0%                                 | -      | -      |
| 9.                    | Sporting Goods              | 3.9%                                 | 7.3%   | 7.4%   |
| 10.                   | Restaurants Limited Service | 3.7%                                 | 4.7%   | 3.0%   |
|                       | Other                       | 31.4%                                | 38.4%  | 49.1%  |
|                       |                             | 100.0%                               | 100.0% | 100.0% |

<sup>(1)</sup> Based on annualized base rent for all leases in place as of December 31, of the respective year.

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The following table summarizes the diversification by state of NNN's Investment Portfolio as of December 31, 2007:

|     | State          | # of<br>Properties | % of<br>Annual<br>Base Rent <sup>(1)</sup> |
|-----|----------------|--------------------|--------------------------------------------|
| 1.  | Texas          | 201                | 20.2%                                      |
| 2.  | Florida        | 84                 | 11.3%                                      |
| 3.  | North Carolina | 62                 | 6.8%                                       |
| 4.  | Illinois       | 38                 | 6.6%                                       |
| 5.  | Georgia        | 48                 | 5.3%                                       |
| 6.  | Pennsylvania   | 80                 | 4.7%                                       |
| 7.  | Indiana        | 36                 | 3.7%                                       |
| 8.  | Colorado       | 15                 | 3.4%                                       |
| 9.  | Ohio           | 28                 | 3.4%                                       |
| 10. | Missouri       | 19                 | 3.0%                                       |
|     | Other          | 297                | 31.6%                                      |
|     |                | 908                | 100.0%                                     |

(1) Based on annualized base rent for all leases in place as of December 31, 2007.

*Mortgages and Notes Receivable*

As of December 31, 2007 and 2006, NNN held mortgages and notes receivables with an aggregate principal balance of \$51,556,000 and \$17,227,000, respectively. The mortgages and notes receivables bear interest rates ranging from 7.00% to 12.00% with maturity dates ranging from May 2008 through October 2028.

Structured finance agreements are typically loans secured by a borrower's pledge of its ownership interest in the entity that owns or leases the real estate and/or other acceptable collateral such as fixtures, equipment or cash. These agreements are sometimes subordinated to senior loans secured by first mortgages encumbering the underlying real estate. Subordinated positions are generally subject to a higher risk of nonpayment of principal and interest than the more senior loans.

In 2007 and 2006, NNN made structured finance investments of \$12,376,000 and \$16,477,000, respectively. As of December 31, 2007, the structured finance investments bear a weighted average interest rate of 11.26% per annum, of which 9.78% is payable monthly and the remaining 1.48% accrues and is due at maturity. The principal balance of each structured finance investment is due in full at maturity, which ranges between January 2009 and March 2010. The structured finance investments are secured by the borrowers' pledge of their respective membership interests in the entities which own the respective real estate. As of December 31, 2007 and 2006, the outstanding principal balance of the structured finance investments was \$14,359,000 and \$13,917,000, respectively.

*Commercial Mortgage Residual Interests*

Orange Avenue Mortgage Investments, Inc. ( OAMI ), a majority owned and consolidated subsidiary of NNN, holds the residual interests ( Residuals ) from seven commercial real estate loan securitizations. Each of the Residuals is reported at fair value based upon an independent valuation; unrealized gains or losses are reported as other comprehensive income in stockholders' equity, and

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other than temporary losses as a result of a change in timing or amount of estimated cash flows are recorded as an other than temporary valuation impairment. The Residuals had an estimated fair value of \$24,340,000 at December 31, 2007.

*Inventory Assets*

The TRS develops Inventory Properties ( Development Properties or Development Portfolio ) as well as acquires existing Inventory Properties ( Exchange Properties or Exchange Portfolio ). NNN's Inventory Portfolio is held with the intent to sell the properties to purchasers who are looking for replacement like-kind exchange property or to other purchasers with different investment objectives. As of December 31, 2007, the TRS owned 23 Development Properties (eight completed, nine under construction and six land parcels) and 33 Exchange Properties. Reference is made to the Schedule of Real Estate and Accumulated Depreciation and Amortization filed with this report for a listing of the Inventory Properties and their respective carrying costs.

The following table summarizes the eight completed Development Properties and 33 Exchange Properties as of December 31, 2007 (in thousands):

|                                          | High  | Size <sup>(1)</sup><br>Low | Average | High     | Cost <sup>(2)</sup><br>Low | Average  |
|------------------------------------------|-------|----------------------------|---------|----------|----------------------------|----------|
| <b>Completed Development Properties:</b> |       |                            |         |          |                            |          |
| Land                                     | 1,255 | 47                         | 378     | \$ 8,959 | \$ 244                     | \$ 172   |
| Building                                 | 125   | 8                          | 34      | 37,007   | 1,635                      | 9,212    |
| <b>Exchange Properties:</b>              |       |                            |         |          |                            |          |
| Land                                     | 294   | 11                         | 64      | \$ 3,665 | \$ 121                     | \$ 1,403 |
| Building                                 | 47    | 2                          | 15      | 4,785    | 184                        | 2,033    |

<sup>(1)</sup> Approximate square feet.

<sup>(2)</sup> Costs vary depending upon size and local demographic factors.

*Under Construction.* In connection with the development of nine Inventory Properties by the TRS, NNN has agreed to fund total construction commitments (including land costs) of \$24,097,000, of which \$17,125,000 has been funded as of December 31, 2007.

**Governmental Regulations Affecting Properties**

*Property Environmental Considerations.* NNN may acquire a property that contains some level of contamination or potential contamination exists, subject to a determination of the level of risk and potential cost of remediation. Investments in real property create a potential for substantial environmental liability on the part of the owner of such property from the presence or discharge of hazardous substances on the property, regardless of fault. As a part of its acquisition due diligence process, NNN generally obtains an environmental site assessment for each property. In such cases where NNN intends to acquire real estate where contamination or potential contamination exists, NNN generally requires the seller or tenant to (i) remediate the problem, (ii) indemnify NNN for environmental liabilities, or (iii) agree to other arrangements deemed appropriate by NNN to address environmental conditions at the property.

NNN has 70 Investment Properties currently under some level of environmental remediation. In general, the seller, the tenant or an adjacent land owner is responsible for the cost of the environmental remediation for each of these Investment Properties.

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*Americans with Disabilities Act of 1990.* The Investment and Inventory Properties, as commercial facilities, are required to comply with Title III of the Americans with Disabilities Act of 1990 (the "ADA"). Investigation of a property may reveal non-compliance with the ADA. The tenants will typically have primary responsibility for complying with the ADA, but NNN may incur costs if the tenant does not comply. As of February 15, 2008, NNN has not been notified by any governmental authority of, nor is NNN's management aware of, any non-compliance with the ADA that NNN's management believes would have a material adverse effect on its business, financial condition or results of operations.

*Other Regulations.* State and local fire, life-safety and similar requirements regulate the use of NNN's Investment and Inventory Properties. The leases generally require that each tenant will have primary responsibility for complying with regulations, but failure to comply could result in fines by governmental authorities, awards of damages to private litigants, or restrictions on the ability to conduct business on such properties.

### **Item 1A. Risk Factors.**

Carefully consider the following risks and all of the other information set forth in this Annual Report on Form 10-K, including the consolidated financial statements and the notes thereto. If any of the events or developments described below were actually to occur, NNN's business, financial condition or results of operations could be adversely affected.

*Loss of revenues from tenants would reduce NNN's cash flow.*

NNN's five largest tenants accounted for an aggregate of approximately 25 percent of NNN's annual base rent as of December 31, 2007. The default, financial distress or bankruptcy of one or more of NNN's tenants could cause substantial vacancies among NNN's Investment Portfolio. Vacancies reduce NNN's revenues until NNN is able to re-lease the affected properties and could decrease the ultimate sale value of each such vacant property. Upon the expiration of the leases that are currently in place, NNN may not be able to re-lease a vacant property at a comparable lease rate or without incurring additional expenditures in connection with such re-leasing.

*A significant portion of the source of NNN's annual base rent is heavily concentrated in a specific industry classification and in specific geographic locations.*

As of December 31, 2007, an aggregate of approximately 38 percent of NNN's annual base rent is generated from two retail lines of trade, convenience stores and restaurants, each representing more than 10 percent. In addition, as of December 31, 2007, an aggregate of approximately 32 percent of NNN's annual base rent is generated from properties in Texas and Florida, each representing more than 10 percent. Any financial hardship and/or changes in these industries or states could have an adverse effect on NNN's financial results.

*There are a number of risks inherent in owning real estate and indirect interests in real estate.*

NNN's economic performance and the value of its real estate assets are subject to the risk that if NNN's properties do not generate revenues sufficient to meet its operating expenses, including debt service, NNN's cash flow and ability to pay distributions to its shareholders will be adversely affected. As a real estate company, NNN is susceptible to the following real estate industry risks, which are beyond its control:

changes in national, regional and local economic conditions and outlook,

decreases in consumer spending and retail sales,

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economic downturns in the areas where NNN's properties are located,

adverse changes in local real estate market conditions, such as an oversupply, reduction in demand or intense competition for tenants,

changes in tenant preferences that reduce the attractiveness of NNN's properties to tenants,

zoning, regulatory restrictions, or change in taxes, and

changes in interest rates or availability of financing.

All of these factors could result in decreases in market rental rates and increases in vacancy rates, which could adversely affect NNN's results of operations.

*NNN's real estate investments are illiquid.*

Because real estate investments are relatively illiquid, NNN's ability to adjust the portfolio promptly in response to economic or other conditions is limited. Certain significant expenditures generally do not change in response to economic or other conditions, including: (i) debt service (if any), (ii) real estate taxes, and (iii) operating and maintenance costs. This combination of variable revenue and relatively fixed expenditures may result, under certain market conditions, in reduced income from investment. Such reduction in investment income could have an adverse effect on NNN's financial condition.

*NNN may be subject to known or unknown environmental liabilities.*

NNN may acquire a property that contains some level of contamination or potential contamination exists, subject to a determination of the level of risk and potential cost of remediation. Investments in real property create a potential for substantial environmental liability on the part of the owner of such property from the presence or discharge of hazardous substances on the property, regardless of fault. It is NNN's policy, as a part of its acquisition due diligence process, generally to obtain an environmental site assessment for each property. In such cases that NNN intends to acquire real estate where contamination or potential contamination exists, NNN generally requires the seller or tenant to (i) remediate the problem, (ii) indemnify NNN for environmental liabilities, or (iii) agree to other arrangements deemed appropriate by NNN to address environmental conditions at the property.

NNN has 70 Investment Properties currently under some level of environmental remediation. In general, the seller, the tenant or an adjacent land owner is responsible for the cost of the environmental remediation for each of these Investment Properties. In the event of a bankruptcy or other inability on the part of these parties to cover these costs, NNN may have to cover the costs of remediation, fines or other environmental liabilities at these and other properties. NNN may also own properties where required remediation has not begun or adverse environmental conditions have not yet been detected. This may require remediation or otherwise subject NNN to liability. NNN cannot assure that (i) it will not be required to undertake or pay for removal or remediation of any contamination of the properties currently or previously owned by NNN, (ii) NNN will not be subject to fines by governmental authorities or litigation, or (iii) the costs of such removal, remediation fines or litigation would not be material.

*NNN may not be able to successfully execute its acquisition or development strategies.*

NNN cannot assure that it will be able to implement its investment strategies successfully. Additionally, NNN cannot assure that its property portfolio will expand at all, or if it will expand at any specified rate or to any specified size. In addition, investment in additional real estate assets is subject to a number of risks. Because NNN expects to invest in markets other than the ones in which its current properties are located or properties which may be leased to tenants other than those to which

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NNN has historically leased properties, NNN will also be subject to the risks associated with investment in new markets or with new tenants that may be relatively unfamiliar to NNN's management team.

NNN's development activities are subject to without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks from factors beyond NNN's control, such as weather or labor conditions or material shortages), the risk of finding tenants for the properties and the ability to obtain both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken or provide a tenant the opportunity to terminate a lease. Any of these situations may delay or eliminate proceeds or cash flows NNN expects from these projects, which could have an adverse effect on NNN's financial condition.

*NNN may not be able to dispose of properties consistent with its operating strategy.*

NNN may be unable to sell properties targeted for disposition (including its Inventory Properties) due to adverse market conditions. This may adversely affect, among other things, NNN's ability to sell under favorable terms, execute its operating strategy, achieve target earnings or returns, retire debt or pay dividends.

*A change in the assumptions used to determine the value of commercial mortgage residual interests could adversely affect NNN's financial position.*

As of December 31, 2007, the Residuals had a carrying value of \$24,340,000. The value of these Residuals is based on discount rate, loan loss, prepayment speed and interest rate assumptions made by NNN to determine their value. If actual experience differs materially from these assumptions, the actual future cash flow could be less than expected and the value of the Residuals, as well as NNN's earnings, could decline.

*NNN may suffer a loss in the event of a default or bankruptcy of a borrower.*

If a borrower defaults on a mortgage, structured finance loan or other loan made by NNN, and does not have sufficient assets to satisfy the loan, NNN may suffer a loss of principal and interest. In the event of the bankruptcy of a borrower, NNN may not be able to recover against all of the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the balance due on the loan. In addition, certain of NNN's loans may be subordinate to other debt of a borrower. These investments are typically loans secured by a borrower's pledge of its ownership interests in the entity that owns the real estate or other assets. These agreements are typically subordinated to senior loans secured by other loans encumbering the underlying real estate or assets. Subordinated positions are generally subject to a higher risk of nonpayment of principal and interest than the more senior loans. As of December 31, 2007, mortgages and notes receivables had an outstanding principal balance of \$51,556,000 and the structured finance investments had an outstanding principal balance of \$14,359,000. If a borrower defaults on the debt senior to NNN's loan, or in the event of the bankruptcy of a borrower, NNN's loan will be satisfied only after the borrower's senior creditors claims are satisfied. Where debt senior to NNN's loans exists, the presence of intercreditor arrangements may limit NNN's ability to amend loan documents, assign the loans, accept prepayments, exercise remedies and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy proceedings and litigation can significantly increase the time needed for NNN to acquire underlying collateral in the event of a default, during which time the collateral may decline in value. In addition, there are significant costs and delays associated with the foreclosure process.

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*Certain provisions of the leases or loan agreements may be unenforceable.*

NNN's rights and obligations with respect to its leases, structured finance loans, mortgage loans or other loans are governed by written agreements. A court could determine that one or more provisions of an agreement are unenforceable, such as a particular remedy, a loan prepayment provision or a provision governing NNN's security interest in the underlying collateral of a borrower. NNN could be adversely impacted if this were to happen with respect to an asset or group of assets.

*Property ownership through joint ventures and partnerships could limit NNN's control of those investments.*

Joint ventures or partnerships involve risks not otherwise present for direct investments by NNN. It is possible that NNN's co-venturers or partners may have different interests or goals than NNN at any time and they may take actions contrary to NNN's requests, policies or objectives, including NNN's policy with respect to maintaining its qualification as a REIT. Other risks of joint venture investments include impasses on decisions, because no single co-venturer or partner has full control over the joint venture or partnership. Additionally, the partner may become insolvent or bankrupt.

*Competition with numerous other REITs, commercial developers, real estate limited partnerships and other investors may impede NNN's ability to grow.*

NNN may not be in a position or have the opportunity in the future to complete suitable property acquisitions or developments on advantageous terms due to competition for such properties with others engaged in real estate investment activities. NNN's inability to successfully acquire or develop new properties may affect NNN's ability to achieve anticipated return on investment, which could have an adverse effect on its results of operations.

*Uninsured losses may adversely affect NNN's ability to pay outstanding indebtedness.*

NNN's properties are generally covered by comprehensive liability, fire, flood, and extended coverage. NNN believes that the insurance carried on its properties is adequate in accordance with industry standards. There are, however, types of losses (such as from hurricanes, wars or earthquakes) which may be uninsurable, or the cost of insuring against these losses may not be economically justifiable. If an uninsured loss occurs or a loss exceeds policy limits, NNN could lose both its invested capital and anticipated revenues from the property, whereby reducing NNN's cash flow.

*Acts of violence, terrorist attacks or war may affect the markets in which NNN operates and NNN's results of operations.*

Terrorist attacks may negatively affect NNN's operations. There can be no assurance that there will not be further terrorist attacks against the United States or United States businesses. These attacks may directly impact NNN's physical facilities or the businesses of its tenants.

The United States is engaged in armed conflict, which could have an impact on NNN's tenants. The consequences of armed conflict are unpredictable, and NNN may not be able to foresee events that could have an adverse effect on its business.

More generally, any of these events or threats of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial

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markets and economies. They also could result in, or cause a deepening of, economic recession in the United States or abroad. Any of these occurrences could have a significant adverse impact on NNN's financial condition or results of operations.

*Vacant properties or bankrupt tenants could adversely affect NNN.*

As of December 31, 2007, NNN owned 12 vacant, unleased Investment Properties, which accounted for approximately two percent of the total gross leasable area of NNN's Investment Portfolio, in addition to three vacant land parcels. NNN is actively marketing these properties for sale or lease but may not be able to sell or lease these properties on favorable terms or at all. The lost revenues and increased property expenses resulting from the rejection by any bankrupt tenant of any of their respective leases with NNN could have a material adverse effect on the liquidity and results of operations of NNN if NNN is unable to re-lease the Investment Properties at comparable rental rates and in a timely manner. Less than one percent of the total gross leasable area of NNN's Investment Portfolio is leased to three tenants that have filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. As a result, these tenants have the right to reject or affirm their lease with NNN.

*The amount of debt NNN has and the restrictions imposed by that debt could adversely affect NNN's business and financial condition.*

As of December 31, 2007, NNN had total mortgage debt and secured notes payable outstanding of approximately \$39,480,000, total unsecured notes payable of \$890,790,000 and \$129,800,000 outstanding on the Credit Facility. NNN's organizational documents do not limit the level or amount of debt that it may incur. If NNN incurs additional indebtedness and permits a higher degree of leverage, debt service requirements would increase and could adversely affect NNN's financial condition and results of operations, as well as NNN's ability to pay principal and interest on the outstanding indebtedness or dividends to its stockholders. In addition, increased leverage could increase the risk that NNN may default on its debt obligations. The Credit Facility contains financial covenants that could limit the amount of distributions to NNN's common and preferred stockholders.

The amount of debt outstanding at any time could have important consequences to NNN's stockholders. For example, it could:

require NNN to dedicate a substantial portion of its cash flow from operations to payments on its debt, thereby reducing funds available for operations, real estate investments and other appropriate business opportunities that may arise in the future,

increase NNN's vulnerability to general adverse economic and industry conditions,

limit NNN's ability to obtain any additional financing it may need in the future for working capital, debt refinancing, capital expenditures, real estate investments, development or other general corporate purposes,

make it difficult to satisfy NNN's debt service requirements,

limit NNN's ability to pay dividends on its outstanding common and preferred stock,

limit NNN's flexibility in planning for, or reacting to, changes in its business and the factors that affect the profitability of its business, and

limit NNN's flexibility in conducting its business, which may place NNN at a disadvantage compared to competitors with less debt or debt with less restrictive terms.

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NNN's ability to make scheduled payments of principal or interest on its debt, or to refinance such debt will depend primarily on its future performance, which to a certain extent is subject to the creditworthiness of its tenants, competition, as well as economic, financial, and other factors beyond its control. There can be no assurance that NNN's business will continue to generate sufficient cash flow from operations in the future to service its debt or meet its other cash needs. If NNN is unable to generate sufficient cash flow from its business, it may be required to refinance all or a portion of its existing debt, sell assets or obtain additional financing to meet its debt obligations and other cash needs.

NNN cannot assure you that any such refinancing, sale of assets or additional financing would be possible on terms and conditions, including but not limited to the interest rate, which NNN would find acceptable.

*NNN is obligated to comply with financial and other covenants in its debt that could restrict its operating activities, and the failure to comply with such covenants could result in defaults that accelerate the payment under its debt.*

NNN's unsecured debt contains various restrictive covenants which include, among others, provisions restricting NNN's ability to:

incur or guarantee additional debt,

make certain distributions, investments and other restricted payments, including dividend payments on its outstanding common and preferred stock,

limit the ability of restricted subsidiaries to make payments to NNN,

enter into transactions with certain affiliates,

create certain liens, and

consolidate, merge or sell NNN's assets.

NNN's secured debt generally contains customary covenants, including, among others, provisions:

relating to the maintenance of the property securing the debt,

restricting its ability to sell, assign or further encumber the properties securing the debt,

restricting its ability to incur additional debt,

restricting its ability to amend or modify existing leases, and

relating to certain prepayment restrictions.

NNN's ability to meet some of the covenants in its debt, including covenants related to the condition of the property or payment of real estate taxes, may be dependent on the performance by NNN's tenants under their leases.

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In addition, certain covenants in NNN's debt, including its Credit Facility, require NNN, among other things, to:

maintain certain maximum leverage ratios,

maintain certain minimum interest and debt service coverage ratios,

limit dividends declared and paid to NNN's common and preferred stockholders, and

limit investments in certain types of assets.

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*The market value of NNN's equity and debt securities could be substantially affected by various factors.*

As with other publicly traded securities, the market price of NNN's equity and debt securities depends on various factors, which may change from time-to-time and may be unrelated to NNN's operating performance or prospects. These factors include among many:

general economic and financial market conditions,

level and trend of interest rates,

NNN's financial condition and performance,

market perception of NNN compared to other REITs, and

market perception of REITs compared to other investment sectors.

*NNN's failure to qualify as a real estate investment trust for federal income tax purposes could result in significant tax liability.*

NNN intends to operate in a manner that will allow NNN to continue to qualify as a real estate investment trust ( REIT ). NNN believes it has been organized as, and its past and present operations qualify NNN as a REIT. However, the Internal Revenue Service, ( IRS ) could successfully assert that NNN is not qualified as such. In addition, NNN may not remain qualified as a REIT in the future. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations and involves the determination of various factual matters and circumstances not entirely within NNN's control. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for NNN to qualify as a REIT.

If NNN fails to qualify as a REIT, it would not be allowed a deduction for dividends paid to stockholders in computing taxable income and would become subject to federal income tax at regular corporate rates. In this event, NNN could be subject to potentially significant tax liabilities and penalties. Unless entitled to relief under certain statutory provisions, NNN would also be disqualified from treatment as a REIT for the four taxable years following the year during which the qualification was lost. Even if NNN maintains its REIT status, NNN may be subject to certain federal, state and local taxes on its income and property.

*Even if NNN remains qualified as a REIT, NNN may face other tax liabilities that reduce operating results and cash flow.*

Even if NNN remains qualified for taxation as a REIT, NNN may be subject to certain federal, state and local taxes on its income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. Any of these taxes would decrease earnings and cash available for distribution to stockholders. In addition, in order to meet the REIT qualification requirements, NNN holds some of its assets through the TRS.

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*Adverse legislative or regulatory tax changes could reduce the NNN's earnings, cash flow and market price of our common stock.*

At any time, the federal and state income tax laws governing REITs or the administrative interpretations of those laws may change. Any such changes may have retroactive effect, and could adversely affect NNN or its stockholders. For example, legislation enacted in 2003 and extended in 2006 generally reduced the federal income tax rate on most dividends paid by corporations to individual investors to a maximum of 15 percent (through 2010). REIT dividends, with limited exceptions, will not benefit from the rate reduction, because a REIT's income generally is not subject to corporate level tax. As such, this legislation could cause shares in non-REIT corporations to be a more attractive investment to individual investors than shares in REITs, and could have an adverse effect on the value of our common stock.

*Changes in accounting pronouncements could adversely impact NNN reported financial performance.*

Accounting policies and methods are fundamental to how NNN records and reports its financial condition and results of operations. From time to time the Financial Accounting Standards Board (FASB) and the Commission, who create and interpret appropriate accounting standards, may change the financial accounting and reporting standards that govern the preparation of its financial statements. These changes could have a material impact on NNN's reported financial condition and results of operations. In some cases, NNN could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

*Compliance with REIT requirements, including distribution requirements, may limit NNN's flexibility and negatively affect NNN's operating decisions.*

To maintain its status as a REIT for U.S. federal income tax purposes, NNN must meet certain requirements, on an on-going basis, including requirements regarding its sources of income, the nature and diversification of its assets, the amounts NNN distributes to its stockholders and the ownership of its shares. NNN may also be required to make distributions to its stockholders when it does not have funds readily available for distribution or at times when NNN's funds are otherwise needed to fund capital expenditures or to fund debt service requirements. NNN generally will not be subject to federal income taxes on amounts distributed to stockholders, providing it distributes 100 percent of its REIT taxable income and meets certain other requirements for qualifying as a REIT. For each of the years in the three-year period ended December 31, 2007, NNN believes it has qualified as a REIT. Notwithstanding NNN's qualification for taxation as a REIT, NNN is subject to certain state taxes on its income and real estate.

### **Item 1B. Unresolved Staff Comments.**

None.

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**Item 2. Properties**

Please refer to Item 1. Business.

**Item 3. Legal Proceedings**

In the ordinary course of its business, NNN is a party to various legal actions that management believes is routine in nature and incidental to the operation of the business of NNN. Management believes that the outcome of these proceedings will not have a material adverse effect upon its operations, financial condition or liquidity.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

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**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The common stock of NNN currently is traded on the NYSE under the symbol NNN. Set forth below is a line graph comparing the cumulative total stockholder return on NNN's common stock, based on the market price of the common stock and assuming reinvestment of dividends, with the FTSE National Association of Real Estate Investment Trusts Equity Index ( NAREIT ) and the S&P 500 Index ( S&P 500 ) for the five year period commencing December 31, 2002 and ending December 31, 2007. The graph assumes an investment of \$100 on December 31, 2002.

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For each calendar quarter indicated, the following table reflects respective high, low and closing sales prices for the common stock as quoted by the NYSE and the dividends paid per share in each such period.

|                          | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Year      |
|--------------------------|------------------|-------------------|------------------|-------------------|-----------|
| 2007                     |                  |                   |                  |                   |           |
| High                     | \$ 25.950        | \$ 25.450         | \$ 24.580        | \$ 26.150         | \$ 26.150 |
| Low                      | 22.390           | 21.760            | 20.200           | 22.480            | 20.200    |
| Close                    | 24.190           | 21.860            | 24.380           | 23.380            | 23.380    |
| Dividends paid per share | 0.335            | 0.355             | 0.355            | 0.355             | 1.400     |
| 2006                     |                  |                   |                  |                   |           |
| High                     | \$ 23.540        | \$ 23.370         | \$ 22.460        | \$ 24.100         | \$ 24.100 |
| Low                      | 20.220           | 18.810            | 19.820           | 21.250            | 18.810    |
| Close                    | 23.300           | 19.950            | 21.600           | 22.950            | 22.950    |
| Dividends paid per share | 0.325            | 0.325             | 0.335            | 0.335             | 1.320     |

The following presents the characterizations for tax purposes of such common stock dividends for the years ended December 31:

|                                | 2007        |           | 2006        |           |
|--------------------------------|-------------|-----------|-------------|-----------|
| Ordinary dividends             | \$ 1.397402 | 99.8144%  | \$ 1.150780 | 87.1803%  |
| Qualified dividends            | 0.000414    | 0.0296%   | -           | -         |
| Capital gain                   | 0.002184    | 0.1560%   | 0.150261    | 11.3834%  |
| Unrecaptured Section 1250 Gain | -           | -         | 0.018959    | 1.4363%   |
|                                | \$ 1.400000 | 100.0000% | \$ 1.320000 | 100.0000% |

NNN intends to pay regular quarterly dividends to its stockholders, although all future distributions will be declared and paid at the discretion of the board of directors and will depend upon cash generated by operating activities, NNN's financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, and such other factors as the board of directors deems relevant.

In February 2008, NNN paid dividends to its stockholders of \$21,598,000 or \$0.355 per share of common stock.

On January 31, 2008, there were 1,556 stockholders of record of common stock.

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## Historical Financial Highlights

(dollars in thousands, except per share data)

|                                                   | 2007       | 2006       | 2005       | 2004       | 2003       |
|---------------------------------------------------|------------|------------|------------|------------|------------|
| Gross revenues <sup>(1)</sup>                     | \$ 208,630 | \$ 180,878 | 151,831    | 133,875    | 112,073    |
| Earnings from continuing operations               | 85,150     | 64,695     | 35,610     | 30,317     | 22,519     |
| Net earnings                                      | 157,110    | 182,505    | 89,400     | 64,934     | 53,473     |
| Total assets                                      | 2,539,605  | 1,917,497  | 1,736,588  | 1,300,517  | 1,211,639  |
| Total debt                                        | 1,060,070  | 776,737    | 861,045    | 524,241    | 467,419    |
| Total equity                                      | 1,407,285  | 1,096,505  | 828,087    | 756,998    | 730,754    |
| Cash dividends declared to:                       |            |            |            |            |            |
| Common stockholders                               | 92,989     | 76,035     | 69,018     | 66,272     | 55,473     |
| Series A Preferred Stock stockholders             | -          | 4,376      | 4,008      | 4,008      | 4,008      |
| Series B Convertible Preferred Stock stockholders | -          | 419        | 1,675      | 1,675      | 502        |
| Series C Preferred Stock stockholders             | 6,785      | 923        | -          | -          | -          |
| Weighted average common shares:                   |            |            |            |            |            |
| Basic                                             | 66,152,437 | 57,428,063 | 52,984,821 | 51,312,434 | 43,108,213 |
| Diluted                                           | 66,407,530 | 58,079,875 | 54,640,143 | 51,742,518 | 43,896,800 |
| Per share information:                            |            |            |            |            |            |
| Earnings from continuing operations:              |            |            |            |            |            |
| Basic                                             | 1.18       | 1.03       | 0.56       | 0.48       | 0.42       |
| Diluted                                           | 1.18       | 1.02       | 0.58       | 0.48       | 0.42       |
| Net earnings:                                     |            |            |            |            |            |
| Basic                                             | 2.27       | 3.08       | 1.58       | 1.15       | 1.14       |
| Diluted                                           | 2.26       | 3.05       | 1.56       | 1.15       | 1.13       |
| Dividends declared to:                            |            |            |            |            |            |
| Common stockholders                               | 1.40       | 1.32       | 1.30       | 1.29       | 1.28       |
| Series A Preferred Stock stockholders             | -          | 2.45625    | 2.25       | 2.25       | 2.25       |
| Series B Convertible Preferred Stock stockholders | -          | 41.875     | 167.50     | 167.50     | 50.25      |
| Series C Preferred Stock depositary stockholders  | 1.84375    | 0.250955   | -          | -          | -          |
| Other data:                                       |            |            |            |            |            |
| Cash flows provided by (used in):                 |            |            |            |            |            |
| Operating activities                              | 129,634    | 1,676      | 19,226     | 85,800     | 54,215     |
| Investing activities                              | (536,717)  | (90,099)   | (230,738)  | (69,963)   | (256,870)  |
| Financing activities                              | 432,907    | 81,864     | 217,844    | (19,225)   | 205,965    |
| Funds from operations diluted <sup>(2)</sup>      | 124,113    | 97,121     | 81,803     | 73,065     | 61,749     |

(1) Gross revenues include revenues from NNN's continuing and discontinued operations. FASB issued Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and broadens the presentation of discontinued operations in the income statement to include a component of an entity. Accordingly, the results of operations related to these certain properties that have been classified as held for sale or have been disposed of subsequent to December 31, 2001, the effective date of SFAS No. 144, have been reclassified as earnings from discontinued operations.

(2) The National Association of Real Estate Investment Trusts (NAREIT) developed FFO as a relative non-GAAP financial measure of performance of a REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined

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under GAAP. FFO is defined by NAREIT and is used by NNN as follows: net earnings (computed in accordance with GAAP) plus depreciation and amortization of assets unique to the real estate industry, excluding gains (or including losses) on the disposition of real estate held for investment, and NNN's share of these items from NNN's unconsolidated partnerships and joint ventures.

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FFO is generally considered by industry analysts to be the most appropriate measure of operating performance of real estate companies. FFO does not necessarily represent cash provided by operating activities in accordance with GAAP and should not be considered an alternative to net income as an indication of NNN's operating performance or to cash flow as a measure of liquidity or ability to make distributions. Management considers FFO an appropriate measure of operating performance of an equity REIT because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time, and because industry analysts have accepted it as an operating performance measure. NNN's computation of FFO may differ from the methodology for calculating FFO used by other equity REITs, and therefore, may not be comparable to such other REITs.

NNN has earnings from discontinued operations in each of its segments, investment assets and inventory assets, real estate held for investment and real estate held for sale. All property dispositions from NNN's investment segment are classified as discontinued operations. In addition, certain properties in NNN's inventory segment that have generated revenues before disposition are classified as discontinued operations. These inventory properties have not historically been classified as discontinued operations, therefore, prior period comparable consolidated financial statements have been restated to include these properties in its earnings from discontinued operations. These adjustments resulted in a decrease in NNN's reported total revenues and total and per share earnings from continuing operations and an increase in NNN's earnings from discontinued operations. However, NNN's total and per share net earnings available to common stockholders is not affected.

The following table reconciles FFO to their most directly comparable GAAP measure, net earnings for the years ended December 31:

|                                                               | 2007              | 2006             | 2005             | 2004             | 2003             |
|---------------------------------------------------------------|-------------------|------------------|------------------|------------------|------------------|
| <b>Reconciliation of funds from operations:</b>               |                   |                  |                  |                  |                  |
| Net earnings                                                  | \$ 157,110        | \$ 182,505       | \$ 89,400        | \$ 64,934        | \$ 53,473        |
| <b>Real estate depreciation and amortization:</b>             |                   |                  |                  |                  |                  |
| Continuing operations                                         | 30,067            | 20,358           | 14,331           | 10,871           | 9,219            |
| Discontinued operations                                       | 315               | 2,061            | 6,076            | 4,844            | 2,653            |
| Partnership/joint venture real estate depreciation            | 31                | 463              | 606              | 622              | 699              |
| Partnership gain on sale of asset                             | -                 | (262)            | -                | -                | -                |
| Gain on disposition of equity investment                      | -                 | (11,373)         | -                | -                | -                |
| Gain on disposition of investment assets                      | (56,625)          | (91,332)         | (9,816)          | (2,523)          | (287)            |
| Extraordinary gain                                            | -                 | -                | (14,786)         | -                | -                |
| <b>FFO</b>                                                    | <b>130,898</b>    | <b>102,420</b>   | <b>85,811</b>    | <b>78,748</b>    | <b>65,757</b>    |
| Series A Preferred Stock dividends <sup>(1)</sup>             | -                 | (4,376)          | (4,008)          | (4,008)          | (4,008)          |
| Series B Convertible Preferred Stock dividends <sup>(1)</sup> | -                 | (419)            | (1,675)          | (1,675)          | (502)            |
| Series C Preferred Stock dividends                            | (6,785)           | (923)            | -                | -                | -                |
| <b>FFO available to common stockholders basic</b>             | <b>124,113</b>    | <b>96,702</b>    | <b>80,128</b>    | <b>73,065</b>    | <b>61,247</b>    |
| Series B Convertible Preferred Stock dividends, if dilutive   | -                 | 419              | 1,675            | -                | 502              |
| <b>FFO available to common stockholders diluted</b>           | <b>\$ 124,113</b> | <b>\$ 97,121</b> | <b>\$ 81,803</b> | <b>\$ 73,065</b> | <b>\$ 61,749</b> |

<sup>(1)</sup> The Series A and Series B Convertible Preferred stock issuances are no longer outstanding.

For a discussion of material events affecting the comparability of the information reflected in the selected financial data, refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation**

The following discussion and analysis should be read in conjunction with Item 6. Selected Financial Data, and the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K, and the forward-looking disclaimer language in italics before Item 1. Business.

#### **Overview**

NNN's operations are divided into two primary business segments: (i) investment assets, including real estate assets and mortgages, and notes receivable (including structured finance investments) on the consolidated balance sheets (collectively, Investment Assets), and (ii) inventory real estate assets (Inventory Assets). The Investment Assets are operated through National Retail Properties, Inc. and its wholly owned subsidiaries. NNN acquires, owns, invests in, manages and develops properties that are leased primarily to retail tenants under long-term net leases (Investment Properties or Investment Portfolio). The Inventory Assets are operated through the TRS. The TRS, directly and indirectly, through investment interests, owns real estate primarily for the purpose of selling the real estate (Inventory Properties or Inventory Portfolio). Additionally, the TRS acquires and develops Inventory Properties (Development Properties or Development Portfolio) and also acquires existing Inventory Properties (Exchange Properties or Exchange Portfolio).

As of December 31, 2007, NNN owned 908 Investment Properties, with an aggregate leasable area of 10,610,000 square feet, located in 44 states. Approximately 98 percent of NNN's Investment Portfolio was leased at December 31, 2007. In addition to the Investment Properties, as of December 31, 2007, NNN had \$65,964,000 and \$24,340,000 in mortgages and notes receivable (including accrued interest receivable) and commercial mortgage residual interests, respectively. As of December 31, 2007, the TRS owned 23 Development Properties (eight completed inventory, nine under construction and six land parcels) and 33 Exchange Properties.

NNN's management team focuses on certain key indicators to evaluate the financial condition and operating performance of NNN. The key indicators for NNN include items such as: the composition of NNN's Investment Portfolio and structured finance investments (such as tenant, geographic and industry classification diversification), the occupancy rate of NNN's Investment Portfolio, certain financial performance ratios and profitability measures, industry trends and performance compared to that of NNN, and returns NNN receives on its invested capital.

The growth of the Investment Portfolio from 524 properties to 908 properties over the three years ending December 31, 2007 has increased property diversification. NNN has increased its investments in the convenience store sector. This sector represents a large part of the freestanding retail property marketplace which NNN believes represents an area of attractive investment opportunity. Similarly, NNN has some geographic concentration in the south and southeast which NNN believes are areas of above average population growth.

NNN formed a joint venture with an institutional investor in 2007. This joint venture plans to acquire up to \$220 million of real estate assets leased to convenience store operators. NNN owns a 15 percent equity ownership interest in the joint venture which mitigates NNN's convenience store sector concentration compared to acquiring these assets in the Investment Portfolio. Additionally, the joint venture provides an additional source of capital to fund property acquisitions.

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As of December 31, 2007, 2006 and 2005, occupancy of the Investment Portfolio has averaged 98 percent. The Investment Portfolio's average remaining lease term of 13 years has remained fairly constant over the past three years which, coupled with its net lease structure, provide enhanced probability of maintaining occupancy and operating earnings in periods of soft economic conditions.

### **Critical Accounting Policies and Estimates**

The preparation of NNN's consolidated financial statements in conformance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments on assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as other disclosures in the financial statements. On an ongoing basis, management evaluates its estimates and judgments; however, actual results may differ from these estimates and assumptions which in turn could have a material impact on NNN's financial statements. A summary of NNN's accounting policies and procedures are included in Note 1 of NNN's consolidated financial statements. Management believes the following critical accounting policies among others affect its more significant judgments and estimates used in the preparation of NNN's consolidated financial statements.

*Real Estate Investment Portfolio.* NNN records the acquisition of real estate at cost, including acquisition and closing costs. The cost of properties developed by NNN includes direct and indirect costs of construction, property taxes, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy.

*Purchase Accounting for Acquisition of Real Estate Subject to a Lease* For acquisitions of real estate subject to a lease subsequent to June 30, 2001, the effective date of Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations (SFAS 141), the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, value of in-place leases, and value of tenant relationships, based in each case on their relative fair values.

Real estate is generally leased to tenants on a net lease basis, whereby the tenant is responsible for all operating expenses relating to the property, including property taxes, insurance, maintenance and repairs. The leases are accounted for using either the operating or the direct financing method. Such methods are described below:

*Operating method* Leases accounted for using the operating method are recorded at the cost of the real estate. Revenue is recognized as rentals are earned and expenses (including depreciation) are charged to operations as incurred. Buildings are depreciated on the straight-line method over their estimated useful lives. Leasehold interests are amortized on the straight-line method over the terms of their respective leases. When scheduled rentals vary during the lease term, income is recognized on a straight-line basis so as to produce a constant periodic rent over the term of the lease. Accrued rental income is the aggregate difference between the scheduled rents which vary during the lease term and the income recognized on a straight-line basis.

*Direct financing method* Leases accounted for using the direct financing method are recorded at their net investment (which at the inception of the lease generally represents the cost of the property). Unearned income is deferred and amortized into income over the lease terms so as to produce a constant periodic rate of return on NNN's net investment in the leases.

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Management periodically assesses its real estate for possible impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable through operations. Management determines whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the residual value of the real estate, with the carrying cost of the individual asset. If an impairment is indicated, a loss will be recorded for the amount by which the carrying value of the asset exceeds its fair value.

*Real Estate Inventory Portfolio.* The TRS acquires and/or develops and owns properties for the purpose of re-sale. The properties that are classified as held for sale at any given time may consist of properties that have been acquired in the marketplace with the intent to sell and properties that have been, or are currently being, constructed by the TRS. The TRS records the acquisition of the real estate at cost, including the acquisition and closing costs. The cost of the real estate developed by the TRS includes direct and indirect costs of construction, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy. Real estate held for sale is not depreciated.

*Commercial Mortgage Residual Interest at Fair Value.* Commercial mortgage residual interests, classified as available for sale, are reported at their market values with unrealized gains and losses reported as other comprehensive income in stockholders' equity. The commercial mortgage residual interests were acquired in connection with the acquisition of 78.9 percent equity interest of OAMI. NNN recognizes the excess of all cash flows attributable to the commercial mortgage residual interests estimated at the acquisition/transaction date over the initial investment (the accretable yield) as interest income over the life of the beneficial interest using the effective yield method. Losses are considered other than temporary valuation impairments if and when there has been a change in the timing or amount of estimated cash flows, exclusive of changes in interest rates, that leads to a loss in value. Certain of the commercial mortgage residual interests have been pledged as security for notes payable.

*Revenue Recognition.* Rental revenues for non-development real estate assets are recognized when earned in accordance with SFAS 13, *Accounting for Leases*, based on the terms of the lease at the time of acquisition of the leased asset. Rental revenues for properties under construction commence upon completion of construction of the leased asset and delivery of the leased asset to the tenant.

*Use of Estimates.* Additional critical accounting policies of NNN include management's estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Additional critical accounting policies include management's estimates of the useful lives used in calculating depreciation expense relating to real estate assets, the recoverability of the carrying value of long-lived assets, including the commercial mortgage residual interests, the collectibility of receivables from tenants, including accrued rental income, and capitalized overhead relating to development projects. Actual results could differ from those estimates.

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### Results of Operations

#### Property Analysis Investment Portfolio

General. The following table summarizes NNN's Investment Portfolio as of December 31:

|                                               | 2007       | 2006      | 2005      |
|-----------------------------------------------|------------|-----------|-----------|
| Investment Properties Owned:                  |            |           |           |
| Number                                        | 908        | 710       | 524       |
| Total gross leasable area (square feet)       | 10,610,000 | 9,341,000 | 9,227,000 |
| Investment Properties Leased:                 |            |           |           |
| Number                                        | 892        | 697       | 512       |
| Total gross leasable area (square feet)       | 10,355,000 | 9,173,000 | 9,066,000 |
| Percent of total gross leasable area leased   | 98%        | 98%       | 98%       |
| Weighted average remaining lease term (years) | 13         | 12        | 11        |

The following table summarizes the lease expirations of NNN's Investment Portfolio as of December 31, 2007:

|      | %<br>of Annual<br>Base<br>Rent <sup>(1)</sup> | # of<br>Properties | Gross<br>Leasable<br>Area <sup>(2)</sup> |            | %<br>of Annual<br>Base<br>Rent <sup>(1)</sup> | # of<br>Properties | Gross<br>Leasable<br>Area <sup>(2)</sup> |
|------|-----------------------------------------------|--------------------|------------------------------------------|------------|-----------------------------------------------|--------------------|------------------------------------------|
| 2008 | 0.7%                                          | 14                 | 258,000                                  | 2014       | 5.0%                                          | 31                 | 509,000                                  |
| 2009 | 1.8%                                          | 24                 | 458,000                                  | 2015       | 2.9%                                          | 20                 | 469,000                                  |
| 2010 | 3.1%                                          | 38                 | 401,000                                  | 2016       | 2.3%                                          | 16                 | 262,000                                  |
| 2011 | 2.3%                                          | 21                 | 336,000                                  | 2017       | 4.9%                                          | 27                 | 674,000                                  |
| 2012 | 4.0%                                          | 35                 | 563,000                                  | 2018       | 4.3%                                          | 33                 | 505,000                                  |
| 2013 | 4.3%                                          | 32                 | 687,000                                  | Thereafter | 64.4%                                         | 601                | 5,233,000                                |

<sup>(1)</sup> Based on the annualized base rent for all leases in place as of December 31, 2007.

<sup>(2)</sup> Approximate square feet.

The following table summarizes the diversification of NNN's Investment Portfolio based on the top 10 lines of trade:

| Top 10 Lines of Trade           | % of Annual Base Rent <sup>(1)</sup> |        |        |
|---------------------------------|--------------------------------------|--------|--------|
|                                 | 2007                                 | 2006   | 2005   |
| 1. Convenience Stores           | 23.9%                                | 16.3%  | 12.1%  |
| 2. Restaurants Full Service     | 10.3%                                | 12.1%  | 6.6%   |
| 3. Drug Stores                  | 5.0%                                 | 8.3%   | 10.0%  |
| 4. Automotive Parts             | 4.9%                                 | 1.6%   | 0.1%   |
| 5. Books                        | 4.4%                                 | 5.7%   | 5.8%   |
| 6. Consumer Electronics         | 4.3%                                 | 5.6%   | 5.9%   |
| 7. Theaters                     | 4.2%                                 | -      | -      |
| 8. Car Washes                   | 4.0%                                 | -      | -      |
| 9. Sporting Goods               | 3.9%                                 | 7.3%   | 7.4%   |
| 10. Restaurants Limited Service | 3.7%                                 | 4.7%   | 3.0%   |
| Other                           | 31.4%                                | 38.4%  | 49.1%  |
|                                 | 100.0%                               | 100.0% | 100.0% |

- <sup>(1)</sup> Based on annualized base rent for all leases in place as December 31, of the respective year.

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The following table shows the top 10 states in which NNN's Investment Properties are located in as of December 31, 2007:

|     | State          | # of Properties | % of Annual Base Rent <sup>(1)</sup> |
|-----|----------------|-----------------|--------------------------------------|
| 1.  | Texas          | 201             | 20.2%                                |
| 2.  | Florida        | 84              | 11.3%                                |
| 3.  | North Carolina | 62              | 6.8%                                 |
| 4.  | Illinois       | 38              | 6.6%                                 |
| 5.  | Georgia        | 48              | 5.3%                                 |
| 6.  | Pennsylvania   | 80              | 4.7%                                 |
| 7.  | Indiana        | 36              | 3.7%                                 |
| 8.  | Colorado       | 15              | 3.4%                                 |
| 9.  | Ohio           | 28              | 3.4%                                 |
| 10. | Missouri       | 19              | 3.0%                                 |
|     | Other          | 297             | 31.6%                                |
|     |                | 908             | 100.0%                               |

<sup>(1)</sup> Based on annualized base rent for all leases in place as of December 31, 2007.

*Property Acquisitions.* The following table summarizes the Investment Properties acquired for each of the years ended December 31 (dollars in thousands):

|                                       | 2007       | 2006       | 2005       |
|---------------------------------------|------------|------------|------------|
| Acquisitions:                         |            |            |            |
| Number of Investment Properties       | 235        | 213        | 170        |
| Gross leasable area (square feet)     | 2,205,000  | 1,130,000  | 1,150,000  |
| Total dollars invested <sup>(1)</sup> | \$ 696,682 | \$ 371,898 | \$ 332,461 |

<sup>(1)</sup> Includes dollars invested on projects under construction for each respective year.

*Property Dispositions.* The following table summarizes the Investment Properties sold by NNN for each of the years ended December 31 (dollars in thousands):

|                                   | 2007       | 2006       | 2005      |
|-----------------------------------|------------|------------|-----------|
| Number of properties              | 37         | 30         | 12        |
| Gross leasable area (square feet) | 997,000    | 1,015,000  | 476,000   |
| Net sales proceeds                | \$ 146,041 | \$ 319,361 | \$ 40,377 |
| Net gain                          | \$ 56,625  | \$ 91,332  | \$ 9,816  |

## Property Analysis Inventory Portfolio

*General.* The following summarizes the number of properties held for sale in the Inventory Portfolio as of December 31:

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|                                | 2007 | 2006 | 2005 |
|--------------------------------|------|------|------|
| Development Portfolio:         |      |      |      |
| Completed Inventory Properties | 8    | 11   | 1    |
| Properties under construction  | 9    | 5    | 12   |
| Land parcels                   | 6    | 13   | 4    |
|                                | 23   | 29   | 17   |
| Exchange Portfolio:            |      |      |      |
| Inventory Properties           | 33   | 68   | 46   |
| Total Inventory Properties     | 56   | 97   | 63   |

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*Property Acquisitions.* The following table summarizes the property acquisitions and dollars invested in the Inventory Portfolio for each of the years ended December 31 (dollars in thousands):

|                                 | 2007              | 2006              | 2005              |
|---------------------------------|-------------------|-------------------|-------------------|
| <b>Development Portfolio:</b>   |                   |                   |                   |
| Number of properties acquired   | 3                 | 16                | 15                |
| Dollars invested <sup>(1)</sup> | \$ 64,694         | \$ 82,524         | \$ 67,846         |
| <b>Exchange Portfolio:</b>      |                   |                   |                   |
| Number of properties acquired   | 23                | 77                | 58                |
| Dollars invested                | \$ 105,152        | \$ 118,553        | \$ 66,527         |
| <b>Total dollars invested</b>   | <b>\$ 169,846</b> | <b>\$ 201,077</b> | <b>\$ 134,373</b> |

<sup>(1)</sup> Includes dollars invested on projects under construction for each respective year.

*Property Dispositions.* The following table summarizes the number of Inventory Properties sold and the corresponding gain recognized from the disposition of real estate held for sale included in earnings from continuing and discontinued operations for each of the years ended December 31 (dollars in thousands):

|                            | 2007            |           | 2006            |          | 2005            |           |
|----------------------------|-----------------|-----------|-----------------|----------|-----------------|-----------|
|                            | # of Properties | Gain      | # of Properties | Gain     | # of Properties | Gain      |
| Development <sup>(1)</sup> | 13              | \$ 5,125  | 9               | \$ 5,774 | 12              | \$ 12,987 |
| Exchange                   | 58              | 5,888     | 55              | 3,892    | 16              | 2,641     |
|                            | 71              | \$ 11,013 | 64              | \$ 9,666 | 28              | \$ 15,628 |

<sup>(1)</sup> Net of any intercompany eliminations or minority interest.

**Business Combinations**

*Orange Avenue Mortgage Investments, Inc.* In December 2004, OAMI sold its loan origination, securitization and servicing operations and the majority of its assets and liabilities to a third party, leaving OAMI with an interest in seven commercial real estate loan securitization residual interests. The loans in each of the securitizations are secured by first mortgages on commercial real estate and generally borrower personal guarantees. On May 2, 2005, NNN exercised its option to acquire 78.9 percent of the common shares of OAMI for \$9,379,000. As a result of the option exercise, NNN has consolidated OAMI in its consolidated financial statements.

In accordance with SFAS No. 141, *Business Combinations* (SFAS 141), NNN recorded the assets and liabilities of OAMI at fair value and recognized an extraordinary gain of \$14,786,000, equal to the excess fair value over the option price, as all assets acquired were financial assets and current assets.

Between June 2001 and July 2003, a wholly owned subsidiary of NNN, Net Lease Funding, Inc. (NLF), entered into five limited liability company agreements with OAMI to create five limited liability companies (collectively, the LLCs). Kevin B. Habicht, an officer and director of NNN, is an officer, director and indirect stockholder of OAMI. Craig Macnab, an officer and director of NNN, and Julian E. Whitehurst, an officer of NNN, are each an officer and director of OAMI. Each of the LLCs holds an interest in mortgage loans and is 100 percent equity financed. Prior to the acquisition of the 78.9 percent equity interest in OAMI, NLF held a non-voting and non-controlling interest in each of the LLCs ranging between 36.7 and 44.0 percent and accounted for its investment under the equity method of accounting.



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As a result of NNN's acquisition of 78.9 percent equity interest in OAMI, NNN's interest in the LLCs is no longer accounted for as an equity investment and is now included as part of OAMI in NNN's consolidated financial statements. In addition, certain officers and directors of NNN own preferred shares of OAMI.

Prior to the acquisition of 78.9 percent equity interest in OAMI, NNN received \$2,749,000 in distribution from the LLCs during the year ended December 31, 2005. For the year ended December 31, 2005, NNN recognized \$1,467,000 of earnings from the LLCs.

In connection with the independent valuations of the Residuals' fair value, NNN reduced the carrying value of the Residuals to reflect such fair value at December 31, 2007. The reduction in the Residuals' value that related to the Residuals acquired at the time of the option exercise was recorded as a purchase price allocation adjustment. NNN recorded an other than temporary valuation impairment of \$638,000 and \$8,779,000 for the years ended December 31, 2007 and 2006, respectively. In addition, NNN recorded \$326,000 of unrealized losses and \$1,992,000 of unrealized gains as other comprehensive income for the years ended December 31, 2007 and 2006, respectively.

NNN merged certain of its wholly owned subsidiaries into National Retail Properties, Inc. and elected to convert OAMI to a REIT. As a result, effective January 1, 2005, OAMI was taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and related regulations. Upon making the REIT election, \$3,453,000 of OAMI's tax liability was eliminated and recorded as an adjustment to the net assets acquired at the time of the option exercise. The remaining tax liability will be reduced over the next ten years in proportion to the reduction of the basis of the respective commercial mortgage residual interests.

*National Properties Corporation.* On June 16, 2005, NNN acquired 100 percent of National Properties Corporation (NAPE), a publicly traded company, which owned 43 freestanding properties located in 12 states. Results of NAPE operations have been included in the consolidated financial statements since the date of acquisition. NAPE stockholders received 1,636,532 newly issued shares of NNN's common stock. In accordance with SFAS 141, the acquisition price of \$32,199,000 was allocated to the assets acquired and liabilities assumed at their fair values.

## Revenue from Continuing Operations Analysis

*General.* During the year ended December 31, 2007, NNN's rental income increased primarily due to the acquisition of Investment Properties (See Results of Operations Property Analysis Investment Portfolio Property Acquisitions). NNN anticipates any significant increase in rental income will continue to come primarily from additional property acquisitions.

The following summarizes NNN's revenues from continuing operations (dollars in thousands):

|                                                           | Percent of Total |            |            |        |        |        | 2007<br>Versus<br>2006<br>Percent<br>Increase<br>(Decrease) | 2006<br>Versus<br>2005<br>Percent<br>Increase<br>(Decrease) |
|-----------------------------------------------------------|------------------|------------|------------|--------|--------|--------|-------------------------------------------------------------|-------------------------------------------------------------|
|                                                           | 2007             | 2006       | 2005       | 2007   | 2006   | 2005   |                                                             |                                                             |
| Rental Income <sup>(1)</sup>                              | \$ 170,733       | \$ 125,004 | \$ 91,876  | 91.6%  | 88.6%  | 84.1%  | 36.6%                                                       | 36.1%                                                       |
| Real estate expense reimbursement from tenants            | 5,720            | 4,619      | 3,902      | 3.1%   | 3.3%   | 3.6%   | 23.8%                                                       | 18.4%                                                       |
| Interest and other income from real estate transactions   | 5,076            | 4,265      | 6,111      | 2.7%   | 3.0%   | 5.6%   | 19.0%                                                       | (30.2)%                                                     |
| Interest income on commercial mortgage residual interests | 4,882            | 7,268      | 7,349      | 2.6%   | 5.1%   | 6.7%   | (32.8)%                                                     | (1.1)%                                                      |
| Total revenues from continuing operations                 | \$ 186,411       | \$ 141,156 | \$ 109,238 | 100.0% | 100.0% | 100.0% | 32.1%                                                       | 29.2%                                                       |

<sup>(1)</sup>Includes rental income from operating leases, earned income from direct financing leases and percentage rent from continuing operations ( Rental Income ).



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*Revenue from Operations by Source of Income.* NNN has identified two primary operating segments, and thus, sources of revenue: (i) earnings from NNN's Investment Assets and (ii) earnings from NNN's Inventory Assets. NNN revenues from continuing operations come primarily from Investment Assets. The following table summarizes the revenues from continuing operations for each of the years ended December 31, (dollars in thousands):

|                   |            |            |            | Percent of Total |        |        | 2007<br>Versus<br>2006<br>Percent<br>Increase<br>(Decrease) | 2006<br>Versus<br>2005<br>Percent<br>Increase<br>(Decrease) |
|-------------------|------------|------------|------------|------------------|--------|--------|-------------------------------------------------------------|-------------------------------------------------------------|
|                   | 2007       | 2006       | 2005       | 2007             | 2006   | 2005   |                                                             |                                                             |
| Investment Assets | \$ 170,234 | \$ 124,702 | \$ 104,681 | 91.3%            | 88.3%  | 95.8%  | 36.5%                                                       | 19.1%                                                       |
| Inventory Assets  | 16,177     | 16,454     | 4,557      | 8.7%             | 11.7%  | 4.2%   | (1.7)%                                                      | 261.1%                                                      |
| Total revenues    | \$ 186,411 | \$ 141,156 | \$ 109,238 | 100.0%           | 100.0% | 100.0% | 32.1%                                                       | 29.2%                                                       |

**Comparison of Year Ended December 31, 2007 to Year Ended December 31, 2006.**

*Rental Income.* Rental income increased for the year ended December 31, 2007 as compared to the same period in 2006 primarily from NNN's acquisition of 235 Investment Properties with an aggregate gross leasable area of 2,205,000 square feet during the year ended December 31, 2007. The Investment Portfolio occupancy rate remained relatively stable at approximately 98 percent for each of the years ended December 31, 2007 and 2006.

*Real Estate Expense Reimbursements from Tenants.* Real estate expense reimbursements from tenants remained relatively constant as a percentage of revenues from continuing operations, but increased for the year ended December 31, 2007 as compared to the year ended December 31, 2006 was attributable to a full year of reimbursement from certain properties acquired in 2006 and the reimbursements from the newly acquired Investment Properties acquired in 2007.

*Interest and Other Income from Real Estate Transactions.* Interest and other income from real estate transactions increased for the year ended December 31, 2007 as compared to the same period in 2006. This increase is primarily attributable to an increase in interest income on its mortgages and notes receivables. The aggregate principal balance of NNN's mortgages and notes receivables at December 31, 2007 and 2006 was \$51,556,000 and \$17,227,000, respectively. The increase in interest income was partially offset by a lower weighted average outstanding principal balance on NNN's structured finance investments during 2007. NNN recorded interest income of \$4,240,000 and \$3,966,000 for the years ended December 31, 2007 and 2006, respectively.

*Interest Income on Commercial Mortgage Residual Interests.* The decrease in interest income on commercial mortgage residual interests for the year ended December 31, 2007 as compared to 2006 is primarily the result of the amortization and pre-payments of the underlying notes.

*Gain from Disposition of Real Estate, Inventory Portfolio.* Inventory Properties typically are operating properties and are classified as discontinued operations. However, the gains on the sale of Inventory Properties which are sold prior to rent commencement are reported in continuing operations. The decrease in the gain from the disposition of real estate is primarily due to the timing of sales of these Inventory Properties.

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The following table summarizes the Inventory Property dispositions included in continuing operations for the years ended December 31 (dollars in thousands):

|                                      | 2007               |        | 2006               |          |
|--------------------------------------|--------------------|--------|--------------------|----------|
|                                      | # of<br>Properties | Gain   | # of<br>Properties | Gain     |
| Gain                                 | 2                  | \$ 332 | 6                  | \$ 8,000 |
| Minority<br>interest                 | -                  | -      | -                  | (3,609)  |
| Gain, net of<br>minority<br>interest | 2                  | \$ 332 | 6                  | \$ 4,391 |

**Comparison of Year Ended December 31, 2006 to Year Ended December 31, 2005.**

**Rental Income.** NNN's Rental Income increased primarily due to the addition of an aggregate gross leasable area of 1,130,000 square feet to NNN's Investment Portfolio resulting from the acquisition of an additional 213 Investment Properties during the year ended December 31, 2006. The Investment Portfolio occupancy rate remained relatively stable at approximately 98 percent for each of the years ended December 31, 2006 and 2005.

**Real Estate Expense Reimbursements from Tenants.** Real estate expense reimbursements from tenants remained fairly constant as a percent of total revenues from continuing operations. The increase for the year ended December 31, 2006 as compared to the year ended December 31, 2005 was attributable to a full year of reimbursements from certain tenants acquired in 2005 and the reimbursements from the newly acquired Investment Properties in 2006.

**Interest and Other Income from Real Estate Transactions.** Interest and other income from real estate transactions decreased for the year ended December 31, 2006, primarily due to a decrease in interest earned on the structured finance investments compared to the year ended December 31, 2005. The weighted average outstanding principal balance of the structured finance investments during the year ended December 31, 2006 and 2005 was \$16,834,000 and \$27,584,000, respectively. In addition, NNN received \$886,000 of disposition and development fee income during the year ended December 31, 2006. There was no fee income recognized in 2006.

**Interest Income on Commercial Mortgage Residual Interests.** NNN recognizes interest income on commercial mortgage residual interests as a result of its acquisition of 78.9 percent equity interest in OAMI in May 2005. As a result of the timing of the acquisition, NNN recognized such income for the entire year ended December 31, 2006, versus a partial period in 2005 (see Business Combinations). However, the increase in interest income from the commercial mortgage residual interests for the year ended December 31, 2006, is partially offset by a decrease in interest income as a result of the amortization and prepayments of the underlying loans.

**Gain from Disposition of Real Estate, Inventory Portfolio.** Inventory Properties typically are operating properties and are classified as discontinued operations. However, the gains on the sale of Inventory Properties which are sold prior to rent commencement are reported in continuing operations. The increase in the gain from the disposition of real estate is primarily due to the varying gross margin on sales of these Inventory Properties and the timing of such sales.

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The following table summarizes the Inventory Property dispositions included in continuing operations for the years ended December 31 (dollars in thousands):

|                                | 2006            |          | 2005            |          |
|--------------------------------|-----------------|----------|-----------------|----------|
|                                | # of Properties | Gain     | # of Properties | Gain     |
| Gain                           | 6               | \$ 8,000 | 6               | \$ 2,010 |
| Minority interest              | -               | (3,609)  | -               | -        |
| Gain, net of minority interest | 6               | \$ 4,391 | 6               | \$ 2,010 |

**Analysis of Expenses from Continuing Operations**

*General.* During 2007, operating expenses from continuing operations increased primarily as a result of the acquisition of additional properties and was offset by a decrease in impairments. Operating expenses from continuing operations decreased as a percentage from NNN's total revenues from continuing operations due to increased efficiencies. The following summarizes NNN's expenses from continuing operations (dollars in thousands):

|                                                             | 2007       | 2006       | 2005       |
|-------------------------------------------------------------|------------|------------|------------|
| General and administrative                                  | \$ 23,542  | \$ 24,009  | \$ 22,401  |
| Real estate                                                 | 8,272      | 6,701      | 5,613      |
| Depreciation and amortization                               | 32,593     | 22,445     | 16,252     |
| Impairment real estate                                      | 791        | -          | 1,673      |
| Impairment commercial mortgage residual interests valuation | 638        | 8,779      | 2,382      |
| Restructuring costs                                         | -          | 1,580      | -          |
| Total operating expenses                                    | \$ 65,836  | \$ 63,514  | \$ 48,321  |
| Interest and other income                                   | \$ (4,753) | \$ (3,816) | \$ (2,039) |
| Interest expense                                            | 49,286     | 45,872     | 33,309     |
| Total other expenses (revenues)                             | \$ 44,533  | \$ 42,056  | \$ 31,270  |

|                                                             | Percentage of Total Operating Expenses |       |       | Percentage of Revenues from Continuing Operations |       |       | 2007 Versus 2006 Percent Increase (Decrease) | 2006 Versus 2005 Percent Increase (Decrease) |
|-------------------------------------------------------------|----------------------------------------|-------|-------|---------------------------------------------------|-------|-------|----------------------------------------------|----------------------------------------------|
|                                                             | 2007                                   | 2006  | 2005  | 2007                                              | 2006  | 2005  |                                              |                                              |
| General and administrative                                  | 35.8%                                  | 37.8% | 46.4% | 12.6%                                             | 17.0% | 20.5% | (1.9)%                                       | 7.2%                                         |
| Real estate                                                 | 12.5%                                  | 10.6% | 11.6% | 4.5%                                              | 4.8%  | 5.1%  | 23.4%                                        | 19.4%                                        |
| Depreciation and amortization                               | 49.5%                                  | 35.3% | 33.6% | 17.5%                                             | 15.9% | 14.9% | 45.2%                                        | 38.1%                                        |
| Impairment real estate                                      | 1.2%                                   | -     | 3.5%  | 0.4%                                              | -     | 1.5%  | 100.0%                                       | (100.0)%                                     |
| Impairment commercial mortgage residual interests valuation | 1.0%                                   | 13.8% | 4.9%  | 0.3%                                              | 6.2%  | 2.2%  | (92.7)%                                      | 268.6%                                       |

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|                                 |         |        |        |        |        |        |          |        |
|---------------------------------|---------|--------|--------|--------|--------|--------|----------|--------|
| Restructuring costs             | -       | 2.5%   | -      | -      | 1.1%   | -      | (100.0)% | 100.0% |
| Total operating expenses        | 100.0%  | 100.0% | 100.0% | 35.3%  | 45.0%  | 44.2%  | 3.7%     | 31.4%  |
| Interest and other income       | (10.7)% | (9.1)% | (6.5)% | (2.5)% | (2.7)% | (1.9)% | 24.6%    | 87.2%  |
| Interest expense                | 110.7%  | 109.1% | 106.5% | 26.4%  | 32.5%  | 30.5%  | 7.4%     | 37.7%  |
| Total other expenses (revenues) | 100.0%  | 100.0% | 100.0% | 23.9%  | 29.8%  | 28.6%  | 5.9%     | 34.5%  |

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### ***Comparison of Year End December 31, 2007 to Year Ended December 31, 2006.***

***General and Administrative.*** General and administrative expenses decreased slightly for the year ended December 31, 2007 as compared to the same period in 2006; however, such expenses remained fairly consistent as a percentage of total operating expense from continuing operations. The decrease in general and administrative expenses for 2007 was primarily attributable to a decrease in expenses related to personnel compensation, and a decrease in lost pursuit costs.

***Real Estate.*** Real estate expenses increased for the year ended December 31, 2007, as compared to the year ended December 31, 2006; however, such expenses remained fairly consistent as a percentage of total revenues from continuing operations. The increase in real estate expenses for 2007 as compared to the same period for 2006 is primarily attributable to (i) an increase in tenant reimbursable real estate expenses, and (ii) an increase in certain real estate expenses that were not reimbursable by tenants.

***Depreciation and Amortization.*** Depreciation and amortization expenses increased for the year ended December 31, 2007, as compared to the year ended December 31, 2006. The increase for the year ended December 31, 2007, as compared to the same period in 2006 is attributable to (i) the acquisition of 235 Investment Properties with an aggregate gross leasable area of 2,205,000 square feet in 2007, and (ii) a full year of depreciation and amortization on the 213 Investment Properties with an aggregate gross leasable area of 1,130,000 square feet which were acquired during 2006. The increase in depreciation and amortization was partially offset by the disposition of 37 Investment Properties with an aggregate gross leasable area of 997,000 square feet during the year ended December 31, 2007.

***Impairment Real Estate.*** NNN reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Events or circumstances that may occur include changes in real estate market conditions, the ability of NNN to re-lease properties that are currently vacant or become vacant, and the ability to sell properties at an attractive return. Generally, NNN calculates a possible impairment by comparing the future cash flows to the current net book value. Impairments are measured as the amount by which the current book value of the asset exceeds the fair value of the asset. During the year ended December 31, 2007, NNN recorded impairments totaling \$791,000. No impairments were recorded during the year ended December 31, 2006.

***Impairment Commercial Mortgage Residual Interests Valuation.*** In connection with the independent valuations of the Residuals fair value, NNN reduced the carrying value of the Residuals to reflect such fair value at December 31, 2007 and 2006. In 2007, due to changes in market conditions relating to residual assets, the independent valuation increased the discount rate from 17% to 25%. Other than temporary valuation adjustments are recorded as a reduction of earnings from operations. For the years ended December 2007 and 2006, NNN recorded an other than temporary impairment of \$638,000 and \$8,779,000, respectively.

***Restructuring Costs.*** During the year ended December 31, 2006, NNN recorded restructuring costs of \$1,580,000, which included severance costs and accelerated vesting of restricted stock in connection with a workforce reduction in April 2006. No such costs were incurred during 2007.

***Interest Expense.*** The increase in interest expense for the year ended December 31, 2007, as compared to the year ended December 31, 2006, is primarily attributable to an increase of \$126,164,000 in weighted average long-term debt outstanding. The increase in the weighted average long-term debt was due to the increase in dollars invested in Investment and Inventory Properties. The increase in interest expense was partially offset by an increase of \$1,440,000 in the interest capitalized to construction

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projects in 2007, as well as by a decrease in the overall weighted average interest rate for 2007 as compared to 2006. The following represents the primary changes in debt:

- (i) issuance of \$250,000,000 of notes payable in September 2007 with an effective interest rate of 6.92% due in October 2017,
- (ii) repayment of mortgage in September 2007 with balance of \$7,305,000 at December 31, 2006 and an interest rate of 7.37%,
- (iii) the decrease in the weighted average debt outstanding on the revolving credit facility (decreased by \$28,506,000),
- (iv) issuance of \$172,500,000 of notes payable in September 2006 with an effective interest rate of 3.95% due in September 2026,
- (v) payoff of the \$20,800,000 variable rate term note in October 2007, which was assumed in connection with the acquisition of NAPE in June 2005,
- (vi) repayment of a mortgage in February 2006 with a balance of \$18,538,000 at December 31, 2005 with an interest rate of 7.435%, and
- (vii) payoff of the \$10,500,000 OAMI secured note payable with a stated interest rate of 10.00%.

### ***Comparison of Year Ended December 31, 2006 to Year Ended December 31, 2005.***

**General and Administrative.** General and administrative expenses increased for the year ended December 31, 2006, however, such expenses decreased as a percentage of total operating expenses from continuing operations for the year ended December 31, 2006. The increase in general and administrative expenses for 2006 was primarily attributable to (i) an increase in expenses related to personnel compensation, (ii) an increase in professional services provided to NNN, and (iii) an increase in lost pursuit costs. The increase in 2006 was partially offset by the decrease in expenses related to personnel as a result of a workforce reduction in April 2006 and an increase in costs capitalized to projects under development.

**Real Estate.** Real estate expenses increased for the year ended December 31, 2006, as compared to the year ended December 31, 2005; however, such expenses remained fairly consistent as a percentage of total operating expenses and total revenues from continuing operations. The increase in real estate expenses for 2006 when compared to the same period for 2005 is primarily attributable to (i) an increase in tenant reimbursable real estate expenses, (ii) an increase in expenses related to vacant properties, and (iii) an increase in certain real estate expenses that were not reimbursable by tenants.

**Depreciation and Amortization.** Depreciation and amortization expenses increased for the year ended December 31, 2006, as compared to the year ended December 31, 2005; however, such expenses remained fairly consistent as a percentage of total operating expenses and total revenues from continuing operations. The increase for the year ended December 31, 2006, when compared to the same period in 2005 is attributable to (i) the acquisition of 213 Investment Properties with an aggregate gross leasable area of 1,130,000 square feet in 2006 and (ii) a full year of depreciation and amortization on the 170 Investment Properties with an aggregate gross leasable area of 1,150,000 square feet acquired in 2005. The increase in depreciation and amortization was partially offset by the disposition of 30 Investment Properties with an aggregate gross leasable area of 1,015,000 square feet during the year ended December 31, 2006.

**Impairment Real Estate.** NNN reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Events or

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circumstances that may occur include changes in real estate market conditions, the ability of NNN to re-lease properties that are currently vacant or become vacant, and the ability to sell properties at an attractive return. Generally, NNN calculates a possible impairment by comparing the future cash flows to the current net book value. Impairments are measured as the amount by which the current book value of the asset exceeds the fair value of the asset.

*Impairment Commercial Mortgage Residual Interests Valuation.* In connection with the independent valuations of the Residuals fair value, NNN recorded an other than temporary valuation impairment of \$8,779,000 and \$2,382,000 for the years ended December 31, 2006 and 2005, respectively.

The reduction in the Residuals value that related to the Residuals acquired at the time of the option exercise was recorded as a purchase price allocation adjustment. The reduction in the Residuals value acquired at the time of the option exercise that related to the period subsequent to the option exercise, as well as the reduction in value related to the portion of the Residuals previously owned by NLF, were recorded as an aggregate other than temporary valuation impairment in 2005 (see Business Combinations ).

NNN reduced the carrying value of the Residuals during the year ended December 31, 2006, based upon the fair value as determined by an independent valuation. The decrease in the value of the Residuals was primarily the result of the increase in prepayment speeds of the underlying loans. The valuation adjustments that are considered other than temporary are recorded as a reduction of earnings from operations.

*Restructuring Costs.* During the year ended December 31, 2006, NNN recorded restructuring costs of \$1,580,000, which included severance costs and accelerated vesting of restricted stock in connection with a workforce reduction in April 2006.

*Interest Expense.* The increase in interest expense for the year ended December 31, 2006, over the year ended December 31, 2005, was primarily due to a \$241,104,000 increase in the weighted average long-term debt outstanding for the year ended December 31, 2006. The increase in the weighted average long-term debt outstanding is attributable to the increase in Investment and Inventory Properties and the acquisition of the 78.9 percent equity interest in OAMI. This increase was offset slightly by a 25 basis point decrease in the overall weighted average interest rate for 2006 compared to 2005. The following represents the primary changes in debt:

- (i) issuance of \$150,000,000 of notes payable in November 2005 with an effective interest rate of 6.185% due in December 2015,
- (ii) the increase in the weighted average debt outstanding on the revolving credit facility (increased by \$61,819,000),
- (iii) issuance of \$172,500,000 of notes payable in September 2006 with an effective interest rate of 3.95% due in September 2026,
- (iv) the \$20,800,000 variable rate term note assumed in connection with the acquisition of NAPE in June 2005,
- (v) the \$32,000,000 secured notes payable acquired in May 2005 in connection with the 78.9 percent equity interest in OAMI, and
- (vi) repayment of a mortgage in February 2006 with a balance of \$18,538,000 at December 31, 2005 with an interest rate of 7.435%.

**Table of Contents****Investment in Unconsolidated Affiliates**

In September 2007, NNN entered into a joint venture, NNN Retail Properties Fund I LLC (the "NNN Crow JV I") with an affiliate of Crow Holdings Realty Partners IV, L.P. and holds a 15 percent equity interest in the joint venture which it accounts for under the equity method of accounting. Net income and losses of the joint venture are allocated to the members in accordance with their respective percentage interests. During the year ended December 31, 2007, in accordance with the terms of the joint venture agreement, NNN loaned \$2,749,000 to the joint venture at an interest rate of 7.75%. The loan balance was paid in full in November 2007.

In October 2006, NNN sold its equity investment in CNL Plaza, Ltd. and CNL Plaza Venture, Ltd. (collectively, "Plaza") for \$10,239,000 and recognized a gain of \$11,373,000. Plaza owned a 346,000 square foot office building, one floor of which serves as NNN's headquarters office, and an interest in an adjacent parking garage. In connection with the sale, NNN was released as a guarantor of Plaza's \$14,000,000 unsecured promissory note.

During the years ended December 31, 2007, 2006 and 2005, NNN recognized equity in earnings of unconsolidated affiliates of \$49,000, \$122,000, and \$1,209,000, respectively. The decrease in equity in earnings of unconsolidated affiliates prior to the years ended December 31, 2007 and 2006, was primarily attributable to the decrease in the income earned on investments in commercial mortgage residual interests as a result of the acquisition of 78.9 percent equity interest in OAMI in May 2005. Subsequent to the acquisition, NNN's interest in the LLCs was no longer being accounted for as an equity investment and is now included as a part of OAMI in NNN's consolidated financial statements.

**Earnings from Discontinued Operations**

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," NNN classified as discontinued operations the revenues and expenses related to its Investment Properties that were sold and its leasehold interests that expired subsequent to December 31, 2001, as well as, the revenues and expenses related to any Investment Property that was held for sale at December 31, 2007. NNN also classified as discontinued operations the revenues and expenses of its Inventory Properties which generated rental revenues. NNN records discontinued operations by NNN's identified segments: (i) Investment Assets, and (ii) Inventory Assets. The following table summarizes the earnings from discontinued operations for the years ended December 31 (dollars in thousands):

|                                               | 2007                    |           |           | 2006                    |           |            | 2005                    |           |           |
|-----------------------------------------------|-------------------------|-----------|-----------|-------------------------|-----------|------------|-------------------------|-----------|-----------|
|                                               | # of Sold<br>Properties | Gain      | Earnings  | # of Sold<br>Properties | Gain      | Earnings   | # of Sold<br>Properties | Gain      | Earnings  |
| Investment Assets                             | 37                      | \$ 56,625 | \$ 63,338 | 30                      | \$ 91,332 | \$ 109,664 | 12                      | \$ 9,816  | \$ 29,453 |
| Inventory Assets, net of<br>minority interest | 69                      | 10,681    | 8,622     | 58                      | 5,275     | 8,146      | 22                      | 13,618    | 9,551     |
|                                               | 106                     | \$ 67,306 | \$ 71,960 | 88                      | \$ 96,607 | \$ 117,810 | 34                      | \$ 23,434 | \$ 39,004 |

NNN occasionally sells Investment Properties and may reinvest the proceeds of the sales to purchase new properties. NNN evaluates its ability to pay dividends to stockholders by considering the combined effect of income from continuing and discontinued operations.

**Table of Contents****Extraordinary Gain**

During the year ended December 31, 2005, NNN recognized an extraordinary gain of \$14,786,000, which resulted from the difference between NNN's portion of the fair value of net assets acquired in the acquisition of 78.9 percent equity interest in OAMI and the purchase price (see Business Combinations ).

**Impact of Inflation**

NNN's leases typically contain provisions to mitigate the adverse impact of inflation on NNN's results of operations. Tenant leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index, and/or increases in the tenant's sales volume. During times when inflation is greater than increases in rent, rent increases may not keep up with the rate of inflation.

The Investment Properties are leased to tenants under long-term, net leases which typically require the tenant to pay certain operating expenses of a property, thus, NNN's exposure to inflation is reduced. Inflation may have an adverse impact on NNN's tenants.

**Liquidity**

*General.* NNN's demand for funds has been and will continue to be primarily for (i) payment of operating expenses and dividends; (ii) property acquisitions and development, mortgages and notes receivable, structured finance investments and capital expenditures; (iii) payment of principal and interest on its outstanding indebtedness, and (iv) other investments.

NNN expects to meet these requirements (other than amounts required for additional property investments, mortgages and notes receivables and structured finance investments) through cash provided from operations and NNN's revolving credit facility. NNN utilizes its credit facility to meet its short term working capital requirements. As of December 31, 2007, \$129,800,000 was outstanding and approximately \$270,200,000 was available for future borrowings under the credit facility, excluding undrawn letters of credit totaling \$2,685,000. NNN anticipates that any additional investments in properties, mortgages and notes receivables and structured finance investments during the next 12 months will be funded with cash provided from operations, long-term debt and the issuance of common or preferred equity, which may be initially funded with proceeds from NNN's revolving credit facility. However, there can be no assurance that additional financing or capital will be available, or that the terms will be acceptable or advantageous to NNN.

Below is a summary of NNN's cash flows for each of the years ended December 31 (in thousands):

|                                  | 2007       | 2006     | 2005      |
|----------------------------------|------------|----------|-----------|
| Cash and cash equivalents:       |            |          |           |
| Provided by operating activities | \$ 129,634 | \$ 1,676 | \$ 19,226 |
| Used in investing activities     | (536,717)  | (90,099) | (230,783) |
| Provided by financing activities | 432,907    | 81,864   | 217,844   |
| Increase (decrease)              | 25,824     | (6,559)  | 6,287     |
| January 1                        | 1,675      | 8,234    | 1,947     |
| December 31                      | \$ 27,499  | \$ 1,675 | \$ 8,234  |

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Cash provided by operating activities represents cash received primarily from rental income from tenants, proceeds from the disposition of Inventory Properties and interest income less general and administrative expenses, interest expense and acquisition of Inventory Properties. NNN's cash flow from operating activities, net of cash used in and provided by the acquisition and disposition of its Inventory Properties, has been sufficient to pay the distributions for each period presented. NNN uses proceeds from its Credit Facility to fund the acquisition of its Inventory Properties. The change in cash provided by operations for the years ended December 31, 2007, 2006 and 2005, is primarily the result of changes in revenues and expenses as discussed in Results of Operations. Cash generated from operations is expected to fluctuate in the future.

Changes in cash for investing activities are primarily attributable to the acquisitions and dispositions of Investment Properties.

NNN's financing activities for the year ended December 31, 2007 included the following significant transactions:

\$247,498,000 in net proceeds from issuance of notes due in October 2017,

\$135,750,000 in net proceeds from the issuance of 5,750,000 shares of common stock,

\$99,150,000 in net proceeds from the issuance of 4,000,000 shares of common stock,

\$92,989,000 in dividends paid to common stockholders,

\$6,785,000 in dividends paid to holders of the depositary shares of NNN's Series C Preferred stock,

\$44,540,000 paid to redeem all outstanding shares of Series A Preferred stock,

\$101,800,000 in net proceeds from NNN's credit facility,

\$62,980,000 in net proceeds from the issuance of 2,645,257 common shares in connection with the Dividend Reinvestment and Stock Purchase Plan ( DRIP ),

\$10,500,000 repayment of secured note payable,

\$20,800,000 repayment of term note, and

\$26,007,000 repurchase of the properties under the financing lease obligation.

### *Financing Strategy*

NNN's financing objective is to manage its capital structure effectively in order to provide sufficient capital to execute its operating strategy while servicing its debt requirements and providing value to NNN's stockholders. NNN generally utilizes debt and equity security offerings, bank borrowings, the sale of properties, and to a lesser extent, internally generated funds to meet its capital needs.

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NNN typically funds its short-term liquidity requirements including investments in additional Investment Properties with cash from its \$400,000,000 unsecured revolving credit facility ( Credit Facility ). As of December 31, 2007, \$129,800,000 was outstanding and approximately \$270,200,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$2,685,000.

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For the year ended December 31, 2007, NNN's ratio of total indebtedness to total gross assets (before accumulated depreciation) was approximately 43 percent and the secured indebtedness to total gross assets was approximately one percent. The total debt to total market capitalization was approximately 39 percent. Certain financial agreements to which NNN is a party contain covenants that limit NNN's ability to incur debt under certain circumstances. The organizational documents of NNN do not limit the absolute amount or percentage of indebtedness that NNN may incur. Additionally, NNN may change its financing strategy.

*Contractual Obligations and Commercial Commitments.* The information in the following table summarizes NNN's contractual obligations and commercial commitments outstanding as of December 31, 2007. The table presents principal cash flows by year-end of the expected maturity for debt obligations and commercial commitments outstanding as of December 31, 2007.

|                                                   | Expected Maturity Date |            |            |           |            |           |            |
|---------------------------------------------------|------------------------|------------|------------|-----------|------------|-----------|------------|
|                                                   | (dollars in thousands) |            |            |           |            |           |            |
|                                                   | Total                  | 2008       | 2009       | 2010      | 2011       | 2012      | Thereafter |
| Long-term debt <sup>(1)</sup>                     | \$ 931,980             | \$ 113,190 | \$ 1,001   | \$ 21,022 | \$ 173,598 | \$ 69,291 | \$ 553,878 |
| Credit Facility                                   | 129,800                | -          | 129,800    | -         | -          | -         | -          |
| Operating lease                                   | 6,261                  | 839        | 865        | 891       | 917        | 945       | 1,804      |
| Total contractual cash obligations <sup>(2)</sup> | \$ 1,068,041           | \$ 114,029 | \$ 131,666 | \$ 21,913 | \$ 174,515 | \$ 70,236 | \$ 555,682 |

<sup>(1)</sup> Includes amounts outstanding under the mortgages payable, secured notes payable, convertible notes payable and notes payable and excludes unamortized note discounts.

<sup>(2)</sup> Excludes \$11,243 of accrued interest payable.

In addition to the contractual obligations outlined above, NNN has agreed to fund construction commitments in connection with the development of additional properties as outlined below (dollars in thousands):

|                      | # of Properties | Total Construction Commitment <sup>(1)</sup> | Amount Funded at December 31, 2007 |
|----------------------|-----------------|----------------------------------------------|------------------------------------|
| Investment Portfolio | 27              | \$ 71,883                                    | \$ 44,561                          |
| Inventory Portfolio  | 9               | 24,097                                       | 17,125                             |
|                      | 36              | \$ 95,980                                    | \$ 61,686                          |

<sup>(1)</sup> Including land costs.

As of December 31, 2007 NNN had outstanding letters of credit totaling \$2,685,000 under its Credit Facility.

As of December 31, 2007, NNN does not have any other contractual cash obligations, such as purchase obligations, financing lease obligations or other long-term liabilities other than those reflected in the table. In addition to items reflected in the table, NNN has preferred stock with cumulative preferential cash distributions, as described below under Dividends.

Management anticipates satisfying these obligations with a combination of NNN's current capital resources on hand, its revolving credit facility and debt or equity financings.

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Many of the Investment Properties are recently constructed and are generally net leased. Therefore, management anticipates that capital demands to meet obligations with respect to these Investment Properties will be modest for the foreseeable future and can be met with funds from operations and working capital. Certain of NNN's Investment Properties are subject to leases under which NNN retains responsibility for certain costs and expenses associated with the Investment Property. Management anticipates the costs associated with NNN's vacant Investment Properties or those Investment Properties that become vacant will also be met with funds from operations and working capital. NNN may be required to borrow under NNN's Credit Facility or use other sources of capital in the event of unforeseen significant capital expenditures.

The lost revenues and increased property expenses resulting from the rejection by any bankrupt tenant of any of their respective leases with NNN could have a material adverse effect on the liquidity and results of operations if NNN is unable to release the Investment Properties at comparable rental rates and in a timely manner. As of January 31, 2008, NNN owns 13 vacant, unleased Investment Properties which account for approximately three percent of the total gross leasable area of NNN's Investment Portfolio in addition to three vacant land parcels. Additionally, less than one percent of the total gross leasable area of NNN's Investment Portfolio is leased to three tenants that have filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. As a result, these tenants have the right to reject or affirm their leases with NNN.

*Dividends.* NNN has made an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and related regulations. NNN generally will not be subject to federal income tax on income that it distributes to its stockholders, provided that it distributes 100 percent of its REIT taxable income and meets certain other requirements for qualifying as a REIT. If NNN fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially affect NNN's income and its ability to pay dividends. NNN believes it has been organized as, and its past and present operations qualify NNN as, a REIT. Additionally, NNN intends to continue to operate so as to remain qualified as a REIT for federal income tax purposes.

One of NNN's primary objectives, consistent with its policy of retaining sufficient cash for reserves and working capital purposes and maintaining its status as a REIT, is to distribute a substantial portion of its funds available from operations to its stockholders in the form of dividends. During the years ended December 31, 2007, 2006 and 2005, NNN declared and paid dividends to its common stockholders of \$92,989,000, \$76,035,000, and \$69,018,000, respectively, or \$1.40, \$1.32 and \$1.30 per share respectively, of common stock.

The following presents the characterizations for tax purposes of such common stock dividends for the years ended December 31:

|                                | 2007        |           | 2006        |           | 2005        |           |
|--------------------------------|-------------|-----------|-------------|-----------|-------------|-----------|
| Ordinary dividends             | \$ 1.397402 | 99.8144%  | \$ 1.150780 | 87.1803%  | \$ 1.068470 | 82.1900%  |
| Qualified dividends            | 0.000414    | 0.0296%   | -           | -         | 0.224510    | 17.2700%  |
| Capital gain                   | 0.002184    | 0.1560%   | 0.150261    | 11.3834%  | -           | -         |
| Unrecaptured Section 1250 Gain | -           | -         | 0.018959    | 1.4363%   | 0.002210    | 0.1700%   |
| Nontaxable distributions       | -           | -         | -           | -         | 0.004810    | 0.3700%   |
|                                | \$ 1.400000 | 100.0000% | \$ 1.320000 | 100.0000% | \$ 1.300000 | 100.0000% |

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In February 2008, NNN paid dividends to its common stockholders of \$21,598,000, or \$0.355 per share of common stock.

Holders of each of NNN's preferred stock issuances are entitled to receive, when and as authorized by the board of directors, cumulative preferential cash distributions based on the stated rate and liquidation preference per annum. The following table outlines each issuance of NNN's preferred stock (dollars in thousands, except per share data):

| Non-Voting<br><br>Preferred<br><br>Stock<br><br>Issuance | Shares<br>Outstanding<br>At<br>December 31,<br>2007 | Liquidation<br>Preference<br>(per share) | Fixed Annual<br>Cash<br>Distribution<br>(per share) | Dividends Declared and Paid |              |                                         |              |          |              |
|----------------------------------------------------------|-----------------------------------------------------|------------------------------------------|-----------------------------------------------------|-----------------------------|--------------|-----------------------------------------|--------------|----------|--------------|
|                                                          |                                                     |                                          |                                                     | 2007                        |              | For the Year Ended December 31,<br>2006 |              | 2005     |              |
|                                                          |                                                     |                                          |                                                     | Total                       | Per<br>Share | Total                                   | Per<br>Share | Total    | Per<br>Share |
| 9% Series A <sup>(1)</sup>                               | -                                                   | \$ 25.00                                 | \$ 25.00000                                         | \$ -                        | \$ -         | \$ 4,376                                | \$ 2.456250  | \$ 4,008 | \$ 2.25      |
| 6.7% Series B Convertible <sup>(2)</sup>                 | -                                                   | 2,500.00                                 | 167.50000                                           | -                           | -            | 419                                     | 41.875000    | 1,675    | 167.50       |
| 7.375% Series C <sup>(3)</sup>                           | 3,680,000                                           | 25.00                                    | 1.84375                                             | 6,785,000                   | 1.84375      | 923                                     | 0.250955     | -        | -            |

<sup>(1)</sup> Effective January 2, 2007, NNN redeemed all 1,781,589 shares of Series A Preferred Stock at their redemption price of \$25.00 per share plus all accumulated and unpaid dividends through the redemption date of \$0.20625 per share, for an aggregate redemption price of \$25.20625. Dividends declared and paid in 2006 include \$367 of dividends payable at December 31, 2006, which were paid in 2007.

<sup>(2)</sup> In April 2006, the holder of NNN's Series B Convertible Preferred Stock elected to convert those 10,000 shares into 1,293,996 shares of common stock.

<sup>(3)</sup> In October 2006, NNN issued 3,680,000 depositary shares, each representing 1/100th of a share of 7.375% Series C Preferred Stock. See Capital Resources Debt and Equity Securities.

**Restricted Cash.** Restricted cash consisted of amounts held in restricted accounts in connection with the sale of certain assets of OAMI to a third party (the Buyer). In December 2007, in accordance to agreements with the Buyer, all restrictions were released, therefore, as of December 31, 2007 NNN has no cash held in restricted accounts. The amount held in these accounts at December 31, 2006 was \$36,728,000. NNN used a portion of the amounts released to repay the \$10,500,000 OAMI secured note payable.

## Capital Resources

Generally, cash needs for property acquisitions, mortgages and notes receivable, structured finance investments, capital expenditures, development and other investments have been funded by equity and debt offerings, bank borrowings, the sale of properties and, to a lesser extent, from internally generated funds. Cash needs for other items have been met from operations. Potential future sources of capital include proceeds from the public or private offering of NNN's debt or equity securities, secured or unsecured borrowings from banks or other lenders, proceeds from the sale of properties, as well as undistributed funds from operations.

## Debt

The following is a summary of NNN's total outstanding debt as of December 31 (dollars in thousands):

|                             | 2007         | Percentage<br>of Total | 2006       | Percentage<br>of Total |
|-----------------------------|--------------|------------------------|------------|------------------------|
| Line of credit payable      | \$ 129,800   | 12.2%                  | \$ 28,000  | 3.6%                   |
| Mortgages payable           | 27,480       | 2.6%                   | 35,892     | 4.6%                   |
| Notes payable - secured     | 12,000       | 1.1%                   | 24,500     | 3.2%                   |
| Notes payable - convertible | 172,500      | 16.3%                  | 172,500    | 22.2%                  |
| Notes payable               | 718,290      | 67.8%                  | 489,804    | 63.1%                  |
| Financing lease obligation  | -            | -                      | 26,041     | 3.3%                   |
| Total outstanding debt      | \$ 1,060,070 | 100.0%                 | \$ 776,737 | 100.0%                 |



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*Line of Credit Payable.* In October 2007, NNN exercised the \$100,000,000 accordion feature of its existing revolving Credit Facility increasing the borrowing capacity to \$400,000,000 from \$300,000,000. The terms of the Credit Facility provide for (i) a tiered interest rate structure of a maximum of 112.5 basis points above LIBOR (based upon the debt rating of NNN, the current interest rate is 80 basis points above LIBOR), (ii) requires NNN to pay a commitment fee based on a tiered rate structure to a maximum of 25 basis points per annum (based upon the debt rating of NNN, the current commitment fee is 20 basis points), (iii) provides for a competitive bid option for up to 50 percent of the facility amount and (iv) expires on May 8, 2009. The principal balance is due in full upon expiration of the Credit Facility in May 2009, which NNN may request to be extended for an additional 12 months. As of December 31, 2007, \$129,800,000 was outstanding and approximately \$270,200,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$2,685,000.

In accordance with the terms of the Credit Facility, NNN is required to meet certain restrictive financial covenants, which, among other things, require NNN to maintain certain (i) maximum leverage ratios, (ii) debt service coverage, (iii) cash flow coverage, and (iv) investment limitations. At December 31, 2007, NNN was in compliance with those covenants. In the event that NNN violates any of these restrictive financial covenants, its access to the debt or equity markets may become impaired.

*Mortgages Payable.* In September 2007, upon maturity, NNN repaid the outstanding principal balance on the long-term fixed rate loan which had an original principal balance of \$12,000,000, and was secured by a first mortgage on nine Investment Properties. Upon repayment of the loan, the encumbered Investment Properties were released from the mortgage. As of December 31, 2006, the outstanding principal balance was \$7,305,000 with an interest rate of 7.37%.

In February 2006, upon maturity, NNN repaid the outstanding principal balance of its long-term, fixed rate loan with an original principal balance of \$39,450,000, which was secured by a first mortgage on certain of NNN's Investment Properties. Upon repayment of the loan, the Investment Properties were released from the mortgage. As of December 31, 2005, the outstanding principal balance was \$18,538,000 with an interest rate of 7.44%.

In May 2006, NNN disposed of three Investment Properties that were subject to a first mortgage with an original and outstanding principal balance of \$95,000,000 with an interest rate of 5.40%. Upon disposition of these Investment Properties, the buyer assumed the mortgage.

*Notes Payable - Secured.* In December 2007, NNN repaid the outstanding principal balance of \$10,500,000 on one of its secured notes which had an interest rate of 10.00%. NNN repaid the outstanding balance of the note with the restricted cash that was released in December 2007.

*Notes Payable - Convertible.* In September 2006, NNN filed a prospectus supplement to the prospectus contained in its February 2006 shelf registration statement and issued \$150,000,000 of 3.95% convertible senior notes due September 2026 (with a 2011 put option). Subsequently, NNN issued an additional \$22,500,000 in connection with the underwriters' over-allotment option (collectively, the Convertible Notes). The Convertible Notes were sold at par with interest payable semi-annually commencing on March 15, 2007 (effective interest rate of 3.95%).

The notes are convertible, at the option of the holder, at any time on or after September 15, 2025. Prior to September 15, 2025, holders may convert their Convertible Notes under certain circumstances. The initial conversion rate per \$1,000 principal amount of Convertible Notes was 40.9015 shares of NNN's

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common stock, which was equivalent to an initial conversion price of \$24.4490 per share of common stock. The initial conversion rate is subject to adjustment in certain circumstances. As a result of the increase in NNN's dividend, the conversion rate was adjusted to 41.0028, which is equivalent to a conversion price of \$24.3886 per share. Upon conversion of each \$1,000 principal amount of Convertible Notes, NNN will settle any amounts up to the principal amount of the notes in cash and the remaining conversion value, if any, will be settled, at NNN's option, in cash, common stock or a combination thereof.

The Convertible Notes are redeemable at the option of NNN, in whole or in part, on or after September 20, 2011 for cash equal to 100% of the principal amount of the Convertible Notes being redeemed plus unpaid interest accrued to, but not including, the redemption date. In addition, on September 20, 2011, September 15, 2016 and September 15, 2021 note holders may require NNN to repurchase the notes for cash equal to the principal amount of the Convertible Notes to be repurchased plus accrued interest thereon.

In connection with the Convertible Notes offering, NNN incurred debt issuance costs totaling \$3,850,000 consisting primarily of underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. Debt issuance costs have been deferred and are being amortized over the period to the earliest put option of the holders, September 20, 2011, using the effective interest method.

NNN used the proceeds of the Convertible Notes to pay down outstanding indebtedness under the Credit Facility.

*Notes Payable.* Each of NNN's outstanding series of publicly held non-convertible notes are summarized in the table below (dollars in thousands).

| Notes                     | Issue Date     | Principal  | Discount <sup>(3)</sup> | Net Price | Stated Rate | Effective Rate <sup>(4)</sup> | Commencement of Semi-Annual Interest Payments | Maturity Date  |
|---------------------------|----------------|------------|-------------------------|-----------|-------------|-------------------------------|-----------------------------------------------|----------------|
| 2008 <sup>(1)(7)</sup>    | March 1998     | \$ 100,000 | \$ 271                  | \$ 99,729 | 7.125%      | 7.163%                        | September 1998                                | March 2008     |
| 2010 <sup>(1)</sup>       | September 2000 | 20,000     | 126                     | 19,874    | 8.500%      | 8.595%                        | March 2001                                    | September 2010 |
| 2012 <sup>(1)</sup>       | June 2002      | 50,000     | 287                     | 49,713    | 7.750%      | 7.833%                        | December 2002                                 | June 2012      |
| 2014 <sup>(1)(2)(5)</sup> | June 2004      | 150,000    | 440                     | 149,560   | 6.250%      | 5.910%                        | June 2004                                     | June 2014      |
| 2015 <sup>(1)</sup>       | November 2005  | 150,000    | 390                     | 149,610   | 6.150%      | 6.185%                        | June 2006                                     | December 2015  |
| 2017 <sup>(1)(6)</sup>    | September 2007 | 250,000    | 877                     | 249,123   | 6.875%      | 6.924%                        | April 2008                                    | October 2017   |

(1) The proceeds from the note issuance were used to pay down outstanding indebtedness of NNN's Credit Facility.

(2) The proceeds from the note issuance were used to repay the obligation of the 2004 Notes.

(3) The note discounts are amortized to interest expense over the respective term of each debt obligation using the effective interest method.

(4) Includes the effects of the discount and interest rate hedge (as applicable).

(5) NNN entered into a forward starting interest rate swap agreement which fixed a swap rate of 4.61% on a notional amount of \$94,000. Upon issuance of the 2014 Notes, NNN terminated the forward starting interest rate swap agreement resulting in a gain of \$4,148. The gain has been deferred and is being amortized as an adjustment to interest expense over the term of the 2014 Notes using the effective interest method.

(6) NNN entered into an interest rate hedge with a notional amount of \$100,000. Upon issuance of the 2017 Notes, NNN terminated the interest rate hedge agreement resulting in a loss of \$3,228. The loss has been deferred and is being amortized as an adjustment to interest expense over the term of the 2017 Notes using the effective interest method.

(7) NNN anticipates using proceeds from the Credit Facility to fund the maturity of the 2008 Note.

Each series of notes represent senior, unsecured obligations of NNN and are subordinated to all secured indebtedness of NNN. The notes are redeemable at the option of NNN, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the notes being redeemed plus accrued interest thereon through the redemption date and (ii) the make-whole amount, as defined in the respective supplemental indenture relating to the notes.

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In connection with the note offerings, NNN incurred debt issuance costs totaling \$6,667,000 consisting primarily of underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. Debt issuance costs for all note issuances have been deferred and are being amortized over the term of the respective notes using the effective interest method.

In accordance with the terms of the indenture, pursuant to which NNN's notes have been issued, NNN is required to meet certain restrictive financial covenants, which, among other things, require NNN to maintain (i) certain leverage ratios and (ii) certain interest coverage. At December 31, 2007, NNN was in compliance with those covenants. In the event that NNN violates any of the certain restrictive financial covenants, its access to the debt or equity markets may become impaired.

In addition, in connection with the acquisition of NAPE, NNN assumed a \$20,800,000 term note payable (Term Note). In October 2007, NNN repaid the outstanding principal balance on its \$20,800,000 term note. The term note had a weighted interest rate of 6.62% as of December 2006.

*Financing Lease Obligation.* In July 2004, NNN sold five investment properties for approximately \$26,041,000 and subsequently leased back the properties under a 10-year financing lease obligation. NNN may repurchase one or more of the properties subject to put and call options included in the financing lease. In accordance with the provisions of SFAS No. 66, Accounting for Sales of Real Estate, NNN has recognized the sale as a financing transaction. The 10-year financing lease bears an interest rate of 5.00% annually with monthly interest payments of \$109,000 and expires in June 2014 unless either the put or call option was exercised. In November 2007, NNN repurchased the properties under the agreements of the put option for approximately \$26,007,000.

### **Debt and Equity Securities.**

NNN has used, and expects to use in the future, issuances of debt and equity securities primarily to pay down its outstanding indebtedness and to finance investment acquisitions. NNN has maintained investment grade debt ratings from Standard and Poor's, Moody's Investor Service and Fitch Ratings on its senior, unsecured debt since 1998. In February 2006, NNN filed a shelf registration statement with the Securities and Exchange Commission which permits the issuance by NNN of an indeterminate amount of debt and equity securities.

A description of NNN's outstanding series of publicly held notes is found under Debt Notes Payable Convertible and Debt Notes Payable above.

*7.375% Series C Cumulative Redeemable Preferred Stock.* In October 2006, NNN issued 3,200,000 depositary shares, each representing 1/100<sup>th</sup> of a share of 7.375% Series C Cumulative Redeemable Preferred Stock (Series C Redeemable Preferred Stock), and received gross proceeds of \$80,000,000. Subsequently, NNN issued an additional 480,000 depositary shares in connection with the underwriters' over-allotment option and received gross proceeds of \$12,000,000. In connection with this offering, NNN incurred stock issuance costs of approximately \$3,098,000, consisting primarily of underwriting commissions and fees, legal and accounting fees and printing expenses.

Holders of the depositary shares are entitled to receive, when and as authorized by the Board of Directors, cumulative preferential cash dividends at the rate of 7.375% of the \$25.00 liquidation preference per depositary share per annum (equivalent to a fixed annual amount of \$1.84375 per depositary share). The Series C Redeemable Preferred Stock underlying the depositary shares ranks senior to NNN's common stock with respect to dividend rights and rights upon liquidation, dissolution

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or winding up of NNN. NNN may redeem the Series C Redeemable Preferred Stock underlying the depositary shares on or after October 12, 2011, for cash, at a redemption price of \$2,500.00 per share (or \$25.00 per depositary share), plus all accumulated, accrued and unpaid dividends.

In January 2007, NNN used \$44,540,000 of the net proceeds from the offering to redeem the Series A Preferred Stock; and the remainder of the net proceeds were to repay borrowings under the Credit Facility.

*Common Stock Issuances.* In March 2007, NNN issued 5,000,000 shares of common stock at a price of \$24.70 per share and received net proceeds of \$118,020,000. Subsequently, in April 2007, NNN issued an additional 750,000 shares of common stock in connection with the underwriters' over-allotment option and received net proceeds of \$17,730,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately \$6,217,000 consisting primarily of underwriters' fees and commissions, legal and accounting fees and printing expenses.

In October 2007, NNN issued 4,000,000 shares of common stock at a price of \$25.94 per share and received net proceeds of \$99,150,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately \$4,874,000 consisting primarily of underwriter's fees and commissions, legal and accounting fees. In October 2007, NNN used a portion of the net proceeds to repay the outstanding principal balance on its term note.

In June 2005, in connection with the acquisition of National Properties Corporation (see *Results of Operations - Business Combination*), NNN issued 1,636,532 newly issued shares of NNN's common stock in exchange for 100 percent of the common stock of NAPE.

*Dividend Reinvestment and Stock Purchase Plan.* In February 2006, NNN filed a shelf registration statement with the Securities and Exchange Commission for its Dividend Reinvestment and Stock Purchase Plan ( *DRIP* ), which permits the issuance by NNN of up to 12,191,394 shares of common stock. The DRIP provides an economical and convenient way for current stockholders and other interested new investors to invest in NNN's common stock. The following outlines the common stock issuances pursuant to NNN's DRIP for each of the years ended December 31 (dollars in thousands):

|                        | 2007      | 2006      |
|------------------------|-----------|-----------|
| Shares of common stock | 2,645,257 | 3,046,408 |
| Net proceeds           | \$ 62,980 | \$ 65,722 |

The proceeds from the issuances were used to pay down outstanding indebtedness under NNN's Credit Facility.

*Investment in Unconsolidated Affiliates.* In September 2007, NNN entered into a joint venture, NNN Retail Properties Fund I LLC (the *NNN Crow JV I*), with an affiliate of Crow Holdings Realty Partners IV, L.P. NNN Crow JV I plans to acquire up to \$220,000,000 of real estate assets leased to convenience store operators from unrelated third parties. NNN owns a 15 percent equity interest in the joint venture which it accounts for under the equity method of accounting. Net income and losses of the joint venture are allocated to the members in accordance with their respective percentage interest. During the year ended December 31, 2007, in accordance with the terms of the joint venture agreement, NNN loaned \$2,749,000 to the joint venture at an interest rate of 7.75%. The loan balance was paid in full in November 2007.

*Mortgages and Notes Receivable.* Mortgages are loans secured by real estate, real estate securities or other assets. As of December 31, 2007, these receivables totaled \$49,336,000.

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Structured finance agreements are typically loans secured by a borrower's pledge of ownership interests in the entity that owns or leases the real estate and/or other acceptable collateral such as fixtures, equipment or cash. These agreements are sometimes subordinated to senior loans secured by first mortgages encumbering the underlying real estate. Subordinated positions are generally subject to a higher risk of nonpayment of principal and interest than the more senior loans. As of December 31, 2007, the structured finance agreements had an outstanding principal balance of \$14,359,000.

As of December 31, 2007, the structured finance investments bear a weighted average interest rate of 11.26% per annum, of which 9.78% is payable monthly and the remaining 1.48% accrues and is due at maturity. The principal balance of each structured finance investment is due in full at maturity, which ranges between January 2009 and March 2010. The structured finance investments are secured by the borrowers' pledge of their respective membership interests in the certain subsidiaries which own the respective real estate.

Mortgages and notes receivable consisted of the following at December 31 (dollars in thousands):

|                                 | 2007      | 2006      |
|---------------------------------|-----------|-----------|
| Mortgages and notes receivable  | \$ 51,556 | \$ 17,227 |
| Structured Finance              | 14,359    | 13,917    |
| Accrued interest receivables    | 545       | 641       |
|                                 | 66,460    | 31,785    |
| Less loan origination fees, net | (100)     | (206)     |
| Less allowance                  | (396)     | (634)     |
|                                 | \$ 65,964 | \$ 30,945 |

**Commercial Mortgage Residual Interests.** In connection with the independent valuations of the commercial mortgage residual interests (the Residuals) fair value, NNN adjusted carrying value of the Residuals to reflect such fair value at December 31, 2007. The adjustments in the Residuals were recorded as an aggregate other than temporary valuation impairment of \$638,000 and \$8,779,000, for the years ended December 31, 2007 and 2006, respectively. NNN recorded \$326,000 of unrealized losses and \$1,992,000 of unrealized gains as other comprehensive income for the years ended December 31, 2007 and 2006, respectively.

**Table of Contents****Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

NNN is exposed to interest changes primarily as a result of its variable rate Credit Facility and its long-term, fixed rate debt used to finance NNN's development and acquisition activities, and for general corporate purposes. NNN's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, NNN borrows at both fixed and variable rates on its long-term debt. As of December 31, 2007, NNN has one interest rate hedge with a value of \$109,000 which is included in other liabilities. As of December 31, 2006, NNN had no outstanding derivatives.

The information in the table below summarizes NNN's market risks associated with its debt obligations outstanding as of December 31, 2007 and 2006. The table presents principal cash flows and related interest rates by year for debt obligations outstanding as of December 31, 2007. The variable interest rates shown represent the weighted average rates for the Credit Facility and Term Note at the end of the periods. The table incorporates only those debt obligations that exist as of December 31, 2007 it does not consider those debt obligations or positions which could arise after this date. Moreover, because firm commitments are not presented in the table below, the information presented therein has limited predictive value. As a result, NNN's ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, NNN's hedging strategies at that time and interest rates. If interest rates on NNN's variable rate debt increased by one percent, NNN's interest expense would have increased approximately three percent for the year ended December 31, 2007.

|                   | Variable Rate Debt<br>Credit Facility and Term<br>Note <sup>(1)</sup> |                                                        | Debt Obligations (dollars in thousands) |                                         |                                  |                               |                    |                                         |
|-------------------|-----------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------|-------------------------------|--------------------|-----------------------------------------|
|                   |                                                                       |                                                        | Fixed Rate Debt                         |                                         |                                  |                               |                    |                                         |
|                   | Debt<br>Obligation                                                    | Weighted<br>Average<br>Interest<br>Rate <sup>(2)</sup> | Mortgages                               |                                         | Unsecured Debt <sup>(3)(4)</sup> |                               | Secured Debt       |                                         |
|                   |                                                                       |                                                        | Debt<br>Obligation                      | Weighted<br>Average<br>Interest<br>Rate | Debt<br>Obligation               | Effective<br>Interest<br>Rate | Debt<br>Obligation | Weighted<br>Average<br>Interest<br>Rate |
| 2008              | -                                                                     | -                                                      | 1,190                                   | 7.04%                                   | 99,992                           | 7.16%                         | 12,000             | 10.00%                                  |
| 2009              | 129,800                                                               | 6.24%                                                  | 1,000                                   | 7.02%                                   | -                                | -                             | -                  | -                                       |
| 2010              | -                                                                     | -                                                      | 1,022                                   | 7.01%                                   | 19,955                           | 8.60%                         | -                  | -                                       |
| 2011              | -                                                                     | -                                                      | 1,098                                   | 7.00%                                   | 172,500                          | 3.95%                         | -                  | -                                       |
| 2012              | -                                                                     | -                                                      | 19,291                                  | 6.73%                                   | 49,846                           | 7.83%                         | -                  | -                                       |
| Thereafter        | -                                                                     | -                                                      | 3,879                                   | 7.60%                                   | 548,497                          | 6.45%                         | -                  | -                                       |
| <b>Total</b>      | <b>\$ 129,800</b>                                                     | <b>6.24%</b>                                           | <b>\$ 27,480</b>                        | <b>7.04%</b>                            | <b>\$ 890,790</b>                | <b>6.17%</b>                  | <b>\$ 12,000</b>   | <b>10.00%</b>                           |
| Fair Value:       |                                                                       |                                                        |                                         |                                         |                                  |                               |                    |                                         |
| December 31, 2007 | \$ 129,800                                                            | 6.24%                                                  | \$ 27,480                               | 7.04%                                   | \$ 921,507                       | 6.17%                         | \$ 12,000          | 10.00%                                  |
| December 31, 2006 | \$ 48,800                                                             | 5.98%                                                  | \$ 35,892                               | 7.12%                                   | \$ 690,198                       | 5.84%                         | \$ 24,500          | 10.00%                                  |

(1) In October 2007, NNN repaid the outstanding principal balance on the Term Note.

(2) The Credit Facility interest rate varies based upon a tiered rate structure ranging from 55 to 112.5 basis points above LIBOR based upon the debt rating of NNN.

(3) Includes NNN's notes payable, net of unamortized note discounts and convertible notes payable.

(4) In July 2004, NNN sold Investment Properties for \$26,041 and subsequently leased back the properties under a 10 year financing lease obligation which was subsequently repurchased in November 2007.

NNN is also exposed to market risks related to NNN's Residuals. Factors that may impact the market value of the Residuals include delinquencies, loan losses, prepayment speeds and interest rates. The Residuals, which are reported at market value, had a carrying value of \$24,340,000 and \$31,512,000 as of December 31, 2007 and December 31, 2006, respectively. Unrealized gains and losses are reported as other comprehensive income in stockholders' equity. Losses are considered other than temporary and reported as a valuation impairment in earnings from operations if and when there has been a change in the timing or amount of estimated cash flows that leads to a loss in value.



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### **Item 8. Financial Statements and Supplementary Data**

#### **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

National Retail Properties, Inc.

We have audited National Retail Properties, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). National Retail Properties, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operative effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, National Retail Properties, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of National Retail Properties, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended of National Retail Properties, Inc. and our report dated February 22, 2008, expressed an unqualified opinion thereon.

Certified Public Accountants

February 22, 2008

Miami, Florida

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

National Retail Properties, Inc.

We have audited the accompanying consolidated balance sheets of National Retail Properties, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Retail Properties, Inc. and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), National Retail Properties, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2008, expressed an unqualified opinion thereon.

February 22, 2008

Miami, Florida

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

National Retail Properties, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheet of National Retail Properties, Inc. and subsidiaries as of December 31, 2005, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2005. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedules III and IV for the years ended December 31, 2005 and 2004. These consolidated financial statements and financial statement schedules are the responsibility of NNN's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules for 2005 and 2004 information based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Retail Properties, Inc. and subsidiaries as of December 31, 2005, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the 2005 and 2004 information included in the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Orlando, Florida

February 17, 2006, except as to notes 2, 3, 20, 26 and 27 which are as of February 16, 2007

Certified Public Accountants

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

| ASSETS                                                                                                                                                             | December 31,<br>2007 | December 31,<br>2006 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Real estate, Investment Portfolio:                                                                                                                                 |                      |                      |
| Accounted for using the operating method, net of accumulated depreciation and amortization                                                                         | \$ 2,055,846         | \$ 1,440,996         |
| Accounted for using the direct financing method                                                                                                                    | 37,497               | 71,334               |
| Real estate, Inventory Portfolio, held for sale                                                                                                                    | 248,611              | 228,159              |
| Investment in unconsolidated affiliates                                                                                                                            | 4,139                | -                    |
| Mortgages, notes and accrued interest receivable, net of allowance                                                                                                 | 65,964               | 30,945               |
| Commercial mortgage residual interests                                                                                                                             | 24,340               | 31,512               |
| Cash and cash equivalents                                                                                                                                          | 27,499               | 1,675                |
| Restricted cash                                                                                                                                                    | -                    | 36,587               |
| Receivables, net of allowance of \$1,582 and \$722, respectively                                                                                                   | 3,818                | 7,915                |
| Accrued rental income, net of allowance                                                                                                                            | 24,652               | 26,510               |
| Debt costs, net of accumulated amortization of \$13,424 and \$11,339, respectively                                                                                 | 8,548                | 8,180                |
| Other assets                                                                                                                                                       | 38,691               | 33,684               |
| Total assets                                                                                                                                                       | \$ 2,539,605         | \$ 1,917,497         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                        |                      |                      |
| Line of credit payable                                                                                                                                             | \$ 129,800           | \$ 28,000            |
| Mortgages payable                                                                                                                                                  | 27,480               | 35,892               |
| Notes payable - secured                                                                                                                                            | 12,000               | 24,500               |
| Notes payable - convertible                                                                                                                                        | 172,500              | 172,500              |
| Notes payable, net of unamortized discount of \$1,710 and \$996, respectively                                                                                      | 718,290              | 489,804              |
| Financing lease obligation                                                                                                                                         | -                    | 26,041               |
| Accrued interest payable                                                                                                                                           | 11,243               | 5,989                |
| Other liabilities                                                                                                                                                  | 57,002               | 30,828               |
| Income tax liability                                                                                                                                               | 1,671                | 6,340                |
| Total liabilities                                                                                                                                                  | 1,129,986            | 819,894              |
| Commitments and contingencies (Note 28)                                                                                                                            |                      |                      |
| Minority interest                                                                                                                                                  | 2,334                | 1,098                |
| Stockholders' equity:                                                                                                                                              |                      |                      |
| Preferred stock, \$0.01 par value. Authorized 15,000,000 shares                                                                                                    |                      |                      |
| Series A, 1,781,589 shares issued and outstanding, stated liquidation value of \$25 per share                                                                      | -                    | 44,540               |
| Series C, 3,680,000 depositary shares issued and outstanding, at stated liquidation value of \$25 per share                                                        | 92,000               | 92,000               |
| Common stock, \$0.01 par value. Authorized 190,000,000 shares; 72,527,729 and 59,823,031 shares issued and outstanding at December 31, 2007 and 2006, respectively | 725                  | 598                  |
| Excess stock, \$0.01 par value. Authorized 205,000,000 shares; none issued or outstanding                                                                          | -                    | -                    |
| Capital in excess of par value                                                                                                                                     | 1,175,364            | 873,885              |
| Retained earnings (accumulated dividends in excess of net earnings)                                                                                                | 137,599              | 80,263               |
| Accumulated other comprehensive income                                                                                                                             | 1,597                | 5,219                |

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|                            |              |              |
|----------------------------|--------------|--------------|
| Total stockholders' equity | 1,407,285    | 1,096,505    |
|                            | \$ 2,539,605 | \$ 1,917,497 |

See accompanying notes to consolidated financial statements.

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### NATIONAL RETAIL PROPERTIES, INC.

### and SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF EARNINGS

Years Ended December 31, 2007, 2006 and 2005

(dollars in thousands, except per share data)

|                                                                                                                                                                                       | Year Ended December 31, |               |               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------|---------------|
|                                                                                                                                                                                       | 2007                    | 2006          | 2005          |
| <b>Revenues:</b>                                                                                                                                                                      |                         |               |               |
| Rental income from operating leases                                                                                                                                                   | \$ 165,511              | \$ 120,632    | \$ 87,559     |
| Earned income from direct financing leases                                                                                                                                            | 3,650                   | 3,640         | 3,874         |
| Percentage rent                                                                                                                                                                       | 1,572                   | 732           | 443           |
| Real estate expense reimbursement from tenants                                                                                                                                        | 5,720                   | 4,619         | 3,902         |
| Interest and other income from real estate transactions                                                                                                                               | 5,076                   | 4,265         | 6,111         |
| Interest income on commercial mortgage residual interests                                                                                                                             | 4,882                   | 7,268         | 7,349         |
|                                                                                                                                                                                       | 186,411                 | 141,156       | 109,238       |
| <b>Disposition of real estate, Inventory Portfolio:</b>                                                                                                                               |                         |               |               |
| Gross proceeds                                                                                                                                                                        | 1,750                   | 36,705        | 13,569        |
| Costs                                                                                                                                                                                 | (1,418)                 | (28,705)      | (11,559)      |
| Gain                                                                                                                                                                                  | 332                     | 8,000         | 2,010         |
| <b>Operating expenses:</b>                                                                                                                                                            |                         |               |               |
| General and administrative                                                                                                                                                            | 23,542                  | 24,009        | 22,401        |
| Real estate                                                                                                                                                                           | 8,272                   | 6,701         | 5,613         |
| Depreciation and amortization                                                                                                                                                         | 32,593                  | 22,445        | 16,252        |
| Impairment real estate                                                                                                                                                                | 791                     | -             | 1,673         |
| Impairment commercial mortgage residual interests valuation                                                                                                                           | 638                     | 8,779         | 2,382         |
| Restructuring costs                                                                                                                                                                   | -                       | 1,580         | -             |
|                                                                                                                                                                                       | 65,836                  | 63,514        | 48,321        |
| <b>Earnings from operations</b>                                                                                                                                                       | <b>120,907</b>          | <b>85,642</b> | <b>62,927</b> |
| <b>Other expenses (revenues):</b>                                                                                                                                                     |                         |               |               |
| Interest and other income                                                                                                                                                             | (4,753)                 | (3,816)       | (2,039)       |
| Interest expense                                                                                                                                                                      | 49,286                  | 45,872        | 33,309        |
|                                                                                                                                                                                       | 44,533                  | 42,056        | 31,270        |
| <b>Earnings from continuing operations before income tax benefit, minority interest, equity in earnings of unconsolidated affiliates and gain on disposition of equity investment</b> | <b>76,374</b>           | <b>43,586</b> | <b>31,657</b> |
| Income tax benefit                                                                                                                                                                    | 8,537                   | 11,206        | 2,882         |
| Minority interest                                                                                                                                                                     | 190                     | (1,592)       | (138)         |
| Equity in earnings of unconsolidated affiliates                                                                                                                                       | 49                      | 122           | 1,209         |
| Gain on disposition of equity investment                                                                                                                                              | -                       | 11,373        | -             |

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|                                                                                   |            |            |           |
|-----------------------------------------------------------------------------------|------------|------------|-----------|
| Earnings from continuing operations                                               | 85,150     | 64,695     | 35,610    |
| Earnings from discontinued operations:                                            |            |            |           |
| Real estate, Investment Portfolio                                                 | 63,338     | 109,664    | 29,453    |
| Real estate, Inventory Portfolio, net of income tax expense and minority interest | 8,622      | 8,146      | 9,551     |
|                                                                                   | 71,960     | 117,810    | 39,004    |
| Earnings before extraordinary gain                                                | 157,110    | 182,505    | 74,614    |
| Extraordinary gain                                                                | -          | -          | 14,786    |
| Net earnings                                                                      | 157,110    | 182,505    | 89,400    |
| Other comprehensive income                                                        | (3,622)    | 5,219      | -         |
| Total comprehensive income                                                        | \$ 153,488 | \$ 187,724 | \$ 89,400 |

See accompanying notes to consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS CONTINUED

Years Ended December 31, 2007, 2006 and 2005

(dollars in thousands, except per share data)

|                                                             | Year Ended December 31, |            |            |
|-------------------------------------------------------------|-------------------------|------------|------------|
|                                                             | 2007                    | 2006       | 2005       |
| Net earnings                                                | \$ 157,110              | \$ 182,505 | \$ 89,400  |
| Series A preferred stock dividends                          | -                       | (4,376)    | (4,008)    |
| Series B Convertible preferred stock dividends              | -                       | (419)      | (1,675)    |
| Series C preferred stock dividends                          | (6,785)                 | (923)      | -          |
| Net earnings available to common stockholders basic         | 150,325                 | 176,787    | 83,717     |
| Series B Convertible preferred stock dividends, if dilutive | -                       | 419        | 1,675      |
| Net earnings available to common stockholders diluted       | \$ 150,325              | \$ 177,206 | \$ 85,392  |
| Net earnings per share of common stock:                     |                         |            |            |
| Basic:                                                      |                         |            |            |
| Continuing operations                                       | \$ 1.18                 | \$ 1.03    | \$ 0.56    |
| Discontinued operations                                     | 1.09                    | 2.05       | 0.74       |
| Extraordinary gain                                          | -                       | -          | 0.28       |
| Net earnings                                                | \$ 2.27                 | \$ 3.08    | \$ 1.58    |
| Diluted:                                                    |                         |            |            |
| Continuing operations                                       | \$ 1.18                 | \$ 1.02    | \$ 0.58    |
| Discontinued operations                                     | 1.08                    | 2.03       | 0.71       |
| Extraordinary gain                                          | -                       | -          | 0.27       |
| Net earnings                                                | \$ 2.26                 | \$ 3.05    | \$ 1.56    |
| Weighted average number of common shares outstanding:       |                         |            |            |
| Basic                                                       | 66,152,437              | 57,428,063 | 52,984,821 |
| Diluted                                                     | 66,407,530              | 58,079,875 | 54,640,143 |

See accompanying notes to consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2007, 2006 and 2005

(dollars in thousands, except per share data)

|                                                               | Series A<br>Preferred<br>Stock | Series B<br>Convertible<br>Preferred<br>Stock | Series C<br>Preferred<br>Stock | Common<br>Stock | Capital in<br>Excess of<br>Par Value | Retained<br>Earnings<br>(Accumulated<br>Dividends in<br>Excess of<br>Net<br>Earnings) | Accumulated<br>Other<br>Comprehensive<br>Income | Total      |
|---------------------------------------------------------------|--------------------------------|-----------------------------------------------|--------------------------------|-----------------|--------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------|------------|
| Balances at December 31, 2004                                 | 44,540                         | 25,000                                        | -                              | 521             | 722,125                              | (35,188)                                                                              | -                                               | 756,998    |
| Net earnings                                                  | -                              | -                                             | -                              | -               | -                                    | 89,400                                                                                | -                                               | 89,400     |
| Dividends declared and paid:                                  |                                |                                               |                                |                 |                                      |                                                                                       |                                                 |            |
| \$2.25 per share of Series A<br>Preferred Stock               | -                              | -                                             | -                              | -               | -                                    | (4,008)                                                                               | -                                               | (4,008)    |
| \$167.50 per share of Series B<br>Convertible Preferred Stock | -                              | -                                             | -                              | -               | -                                    | (1,675)                                                                               | -                                               | (1,675)    |
| \$1.30 per share of common stock                              | -                              | -                                             | -                              | 1               | 2,684                                | (69,018)                                                                              | -                                               | (66,333)   |
| Issuance of common stock:                                     |                                |                                               |                                |                 |                                      |                                                                                       |                                                 |            |
| 1,636,532 shares in connection<br>with business combination   | -                              | -                                             | -                              | 16              | 31,143                               | -                                                                                     | -                                               | 31,159     |
| 180,580 shares                                                | -                              | -                                             | -                              | 2               | 2,649                                | -                                                                                     | -                                               | 2,651      |
| 912,334 shares under discounted<br>stock purchase program     | -                              | -                                             | -                              | 9               | 18,063                               | -                                                                                     | -                                               | 18,072     |
| Issuance of 216,168 shares of<br>restricted common stock      | -                              | -                                             | -                              | 2               | (2)                                  | -                                                                                     | -                                               | -          |
| Stock issuance costs                                          | -                              | -                                             | -                              | -               | (8)                                  | -                                                                                     | -                                               | (8)        |
| Amortization of deferred<br>compensation                      | -                              | -                                             | -                              | -               | 1,831                                | -                                                                                     | -                                               | 1,831      |
| Balances at December 31, 2005                                 | \$ 44,540                      | \$ 25,000                                     | \$ -                           | \$ 551          | \$ 778,485                           | \$ (20,489)                                                                           | \$ -                                            | \$ 828,087 |

See accompanying notes to consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY CONTINUED

Years Ended December 31, 2007, 2006 and 2005

(dollars in thousands, except per share data)

|                                                                                                         | Series A<br>Preferred<br>Stock | Series B<br>Convertible<br>Preferred<br>Stock | Series C<br>Preferred<br>Stock | Common<br>Stock | Capital in<br>Excess of<br>Par Value | Retained<br>Earnings<br>(Accumulated<br>Dividends in<br>Excess of Net<br>Earnings) | Accumulated<br>Other<br>Comprehensive<br>Income | Total        |
|---------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------|--------------------------------|-----------------|--------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------|--------------|
| Balances at December 31, 2005                                                                           | \$ 44,540                      | \$ 25,000                                     | \$ -                           | \$ 551          | \$ 778,485                           | \$ (20,489)                                                                        | \$ -                                            | \$ 828,087   |
| Net earnings                                                                                            | -                              | -                                             | -                              | -               | -                                    | 182,505                                                                            | -                                               | 182,505      |
| Dividends declared and paid:                                                                            |                                |                                               |                                |                 |                                      |                                                                                    |                                                 |              |
| \$2.25 per share of Series A Preferred Stock                                                            | -                              | -                                             | -                              | -               | -                                    | (4,376)                                                                            | -                                               | (4,376)      |
| \$41.875 per share of Series B Convertible Preferred Stock <sup>(1)</sup>                               | -                              | -                                             | -                              | -               | -                                    | (419)                                                                              | -                                               | (419)        |
| \$0.250955 per depositary share of Series C Preferred Stock                                             | -                              | -                                             | -                              | -               | -                                    | (923)                                                                              | -                                               | (923)        |
| \$1.32 per share of common stock                                                                        | -                              | -                                             | -                              | 3               | 7,073                                | (76,035)                                                                           | -                                               | (68,959)     |
| Conversion of 10,000 shares of Series B Convertible Preferred Stock to 1,293,996 shares of common stock | -                              | (25,000)                                      | -                              | 13              | 24,987                               | -                                                                                  | -                                               | -            |
| Issuance of 3,680,000 depositary shares of Series C Preferred Stock                                     | -                              | -                                             | 92,000                         | -               | -                                    | -                                                                                  | -                                               | 92,000       |
| Issuance of common stock:                                                                               |                                |                                               |                                |                 |                                      |                                                                                    |                                                 |              |
| 272,184 shares                                                                                          | -                              | -                                             | -                              | 3               | 4,654                                | -                                                                                  | -                                               | 4,657        |
| 2,715,235 shares discounted stock purchase program                                                      | -                              | -                                             | -                              | 27              | 58,632                               | -                                                                                  | -                                               | 58,659       |
| Issuance of 79,500 shares of restricted common stock                                                    | -                              | -                                             | -                              | 1               | (1)                                  | -                                                                                  | -                                               | -            |
| Stock issuance costs                                                                                    | -                              | -                                             | -                              | -               | (3,111)                              | -                                                                                  | -                                               | (3,111)      |
| Amortization of deferred compensation                                                                   | -                              | -                                             | -                              | -               | 3,166                                | -                                                                                  | -                                               | 3,166        |
| Treasury lock gain on interest rate hedge <sup>(2)</sup>                                                | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | 3,653                                           | 3,653        |
| Amortization of interest rate hedge                                                                     | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | (345)                                           | (345)        |
| Unrealized gain Commercial mortgage residual interests                                                  | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | 1,992                                           | 1,992        |
| Stock value adjustment                                                                                  | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | (81)                                            | (81)         |
| Balances at December 31, 2006                                                                           | \$ 44,540                      | \$ -                                          | \$ 92,000                      | \$ 598          | \$ 873,885                           | \$ 80,263                                                                          | \$ 5,219                                        | \$ 1,096,505 |

<sup>(1)</sup>Includes \$367 dividends paid in January 2007.<sup>(2)</sup>Fair value of interest rate hedge net of prior year amortization reclassified from NNN's unsecured notes payable from the unamortized interest rate hedge gain resulting from the termination of the \$94,000 swap in June 2004.

See accompanying notes to consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY CONTINUED

Years Ended December 31, 2007, 2006 and 2005

(dollars in thousands, except per share data)

|                                                               | Series A<br>Preferred<br>Stock | Series B<br>Convertible<br>Preferred<br>Stock | Series C<br>Preferred<br>Stock | Common<br>Stock | Capital in<br>Excess of<br>Par Value | Retained<br>Earnings<br>(Accumulated<br>Dividends in<br>Excess of Net<br>Earnings) | Accumulated<br>Other<br>Comprehensive<br>Income | Total        |
|---------------------------------------------------------------|--------------------------------|-----------------------------------------------|--------------------------------|-----------------|--------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------|--------------|
| Balances at December 31, 2006                                 | \$ 44,540                      | \$ -                                          | \$ 92,000                      | \$ 598          | \$ 873,885                           | \$ 80,263                                                                          | \$ 5,219                                        | \$ 1,096,505 |
| Net earnings                                                  | -                              | -                                             | -                              | -               | -                                    | 157,110                                                                            | -                                               | 157,110      |
| Dividends declared and paid:                                  |                                |                                               |                                |                 |                                      |                                                                                    |                                                 |              |
| \$1.84375 per depositary share of<br>Series C Preferred Stock | -                              | -                                             | -                              | -               | -                                    | (6,785)                                                                            | -                                               | (6,785)      |
| \$1.40 per share of common stock                              | -                              | -                                             | -                              | 6               | 13,947                               | (92,989)                                                                           | -                                               | (79,036)     |
| Redemption of 1,781,589 shares<br>of Series A Preferred Stock | (44,540)                       | -                                             | -                              | -               | -                                    | -                                                                                  | -                                               | (44,540)     |
| Issuance of common stock:                                     |                                |                                               |                                |                 |                                      |                                                                                    |                                                 |              |
| 9,861,323 shares                                              | -                              | -                                             | -                              | 98              | 247,643                              | -                                                                                  | -                                               | 247,741      |
| 2,054,805 shares discounted<br>stock purchase program         | -                              | -                                             | -                              | 21              | 49,006                               | -                                                                                  | -                                               | 49,027       |
| Issuance of 198,119 shares of<br>restricted common stock      | -                              | -                                             | -                              | 2               | (2)                                  | -                                                                                  | -                                               | -            |
| Stock issuance costs                                          | -                              | -                                             | -                              | -               | (11,206)                             | -                                                                                  | -                                               | (11,206)     |
| Amortization of deferred<br>compensation                      | -                              | -                                             | -                              | -               | 2,091                                | -                                                                                  | -                                               | 2,091        |
| Interest rate hedge termination                               | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | (3,119)                                         | (3,119)      |
| Amortization of interest rate<br>hedges                       | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | (309)                                           | (309)        |
| Unrealized loss - Commercial<br>mortgage residual interests   | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | (326)                                           | (326)        |
| Stock value adjustment                                        | -                              | -                                             | -                              | -               | -                                    | -                                                                                  | 132                                             | 132          |
| Balances at December 31, 2007                                 | \$ -                           | \$ -                                          | \$ 92,000                      | \$ 725          | \$ 1,175,364                         | \$ 137,599                                                                         | \$ 1,597                                        | \$ 1,407,285 |

See accompanying notes to consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

|                                                                                                                      | Year Ended December 31, |            |           |
|----------------------------------------------------------------------------------------------------------------------|-------------------------|------------|-----------|
|                                                                                                                      | 2007                    | 2006       | 2005      |
| Cash flows from operating activities:                                                                                |                         |            |           |
| Net earnings                                                                                                         | \$ 157,110              | \$ 182,505 | \$ 89,400 |
| Adjustments to reconcile net earnings to net cash provided by operating activities:                                  |                         |            |           |
| Stock compensation expense                                                                                           | 2,091                   | 3,170      | 1,971     |
| Depreciation and amortization                                                                                        | 32,976                  | 24,524     | 22,350    |
| Impairment real estate                                                                                               | 1,970                   | 693        | 3,729     |
| Impairment commercial mortgage residual interests valuation adjustment                                               | 638                     | 8,779      | 2,382     |
| Amortization of notes payable discount                                                                               | 164                     | 137        | 105       |
| Amortization of deferred interest rate hedges                                                                        | (309)                   | (345)      | (326)     |
| Equity in earnings of unconsolidated affiliates                                                                      | (49)                    | (122)      | (1,209)   |
| Distributions received from unconsolidated affiliates                                                                | 30                      | 864        | 3,293     |
| Minority interests                                                                                                   | 1,143                   | 2,622      | (5,854)   |
| Gain on disposition of real estate, Investment Portfolio                                                             | (56,625)                | (91,165)   | (9,816)   |
| Gain on disposition of equity investment                                                                             | -                       | (11,373)   | -         |
| Gain on disposition of real estate, Inventory Portfolio                                                              | (12,133)                | (13,781)   | (21,627)  |
| Extraordinary gain                                                                                                   | -                       | -          | (14,786)  |
| Deferred income taxes                                                                                                | (4,590)                 | (8,366)    | (1,709)   |
| Change in operating assets and liabilities, net of assets acquired and liabilities assumed in business combinations: |                         |            |           |
| Additions to real estate, Inventory Portfolio                                                                        | (165,160)               | (195,956)  | (137,286) |
| Proceeds from disposition of real estate, Inventory Portfolio                                                        | 160,173                 | 101,324    | 79,065    |
| Decrease in real estate leased to others using the direct financing method                                           | 2,130                   | 2,982      | 2,915     |
| Increase in work in process                                                                                          | (4,217)                 | (3,315)    | (4,355)   |
| Decrease (increase) in mortgages, notes and accrued interest receivable                                              | (301)                   | 795        | 6,465     |
| Decrease in receivables                                                                                              | 3,924                   | 642        | 7,730     |
| Decrease (increase) in accrued rental income                                                                         | (2,631)                 | (5,777)    | 593       |
| Decrease (increase) in other assets                                                                                  | 3,615                   | (520)      | 877       |
| Increase in accrued interest payable                                                                                 | 5,254                   | 450        | 913       |
| Increase (decrease) in other liabilities                                                                             | 4,510                   | 1,951      | (4,365)   |
| Increase (decrease) in current tax liability                                                                         | (79)                    | 958        | (1,229)   |
| Net cash provided by operating activities                                                                            | 129,634                 | 1,676      | 19,226    |
| Cash flows from investing activities:                                                                                |                         |            |           |
| Proceeds from the disposition of real estate, Investment Portfolio                                                   | 136,295                 | 222,778    | 38,982    |
| Proceeds from the disposition of equity investment                                                                   | -                       | 10,239     | -         |
| Additions to real estate, Investment Portfolio:                                                                      |                         |            |           |
| Accounted for using the operating method                                                                             | (677,101)               | (351,100)  | (267,488) |
| Accounted for using the direct financing method                                                                      | -                       | (1,449)    | (309)     |
| Investment in unconsolidated affiliates                                                                              | (4,156)                 | -          | -         |
| Increase in mortgages and notes receivable                                                                           | (44,888)                | (18,371)   | (17,738)  |
| Mortgage and notes payments received                                                                                 | 19,862                  | 39,075     | 16,846    |
| Cash received from commercial mortgage residual interests                                                            | 6,208                   | 16,885     | 11,704    |
| Business combination, net of cash acquired                                                                           | -                       | -          | 2,183     |

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|                                                 |           |          |           |
|-------------------------------------------------|-----------|----------|-----------|
| Restricted cash                                 | 36,587    | (6,396)  | (12,764)  |
| Acquisition of 1.3 percent interest in Services | -         | -        | (829)     |
| Payment of lease costs                          | (2,912)   | (2,790)  | (1,253)   |
| Other                                           | (6,612)   | 1,030    | (117)     |
| Net cash used in investing activities           | (536,717) | (90,099) | (230,783) |

See accompanying notes to consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED

(dollars in thousands)

|                                                                                                                                                                          | Year Ended December 31, |            |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|------------|
|                                                                                                                                                                          | 2007                    | 2006       | 2005       |
| Cash flows from financing activities:                                                                                                                                    |                         |            |            |
| Proceeds from line of credit payable                                                                                                                                     | \$ 662,300              | \$ 379,000 | \$ 373,500 |
| Repayment of line of credit payable                                                                                                                                      | (560,500)               | (513,300)  | (229,100)  |
| Repayment of mortgages payable                                                                                                                                           | (8,412)                 | (20,241)   | (6,644)    |
| Proceeds from notes payable convertible                                                                                                                                  | -                       | 172,500    | -          |
| Repayment of notes payable secured                                                                                                                                       | (33,300)                | -          | -          |
| Proceeds from notes payable                                                                                                                                              | 249,122                 | -          | 149,610    |
| Repayment of notes payable                                                                                                                                               | -                       | (3,750)    | (11,150)   |
| Payment of interest rate hedge                                                                                                                                           | (3,228)                 | -          | -          |
| Payment of debt costs                                                                                                                                                    | (2,453)                 | (3,864)    | (3,073)    |
| Repayment of financing lease obligation                                                                                                                                  | (26,007)                | -          | -          |
| Proceeds from issuance of common stock                                                                                                                                   | 310,721                 | 70,392     | 23,268     |
| Proceeds from issuance of preferred stock                                                                                                                                | -                       | 88,902     | -          |
| Redemption of 1,781,589 shares of Series A Preferred Stock                                                                                                               | (44,540)                | -          | -          |
| Payment of Series A Preferred Stock dividends                                                                                                                            | -                       | (4,376)    | (4,008)    |
| Payment of Series B Convertible Preferred Stock dividends                                                                                                                | -                       | (419)      | (1,675)    |
| Payment of Series C Preferred Stock dividends                                                                                                                            | (6,785)                 | (923)      | -          |
| Payment of common stock dividends                                                                                                                                        | (92,989)                | (76,039)   | (69,018)   |
| Minority interest distributions                                                                                                                                          | (62)                    | (5,817)    | (3,858)    |
| Minority interest contributions                                                                                                                                          | 155                     | 2          | -          |
| Stock issuance costs                                                                                                                                                     | (11,115)                | (203)      | (8)        |
| Net cash provided by financing activities                                                                                                                                | 432,907                 | 81,864     | 217,844    |
| Net increase (decrease) in cash and cash equivalents                                                                                                                     | 25,824                  | (6,559)    | 6,287      |
| Cash and cash equivalents at beginning of year                                                                                                                           | 1,675                   | 8,234      | 1,947      |
| Cash and cash equivalents at end of year                                                                                                                                 | \$ 27,499               | \$ 1,675   | \$ 8,234   |
| Supplemental disclosure of cash flow information:                                                                                                                        |                         |            |            |
| Interest paid, net of amount capitalized                                                                                                                                 | \$ 51,824               | \$ 50,774  | \$ 38,684  |
| Taxes paid                                                                                                                                                               | \$ 1,375                | \$ 1,137   | \$ 4,494   |
| Supplemental disclosure of non-cash investing and financing activities:                                                                                                  |                         |            |            |
| Issued 206,718, 79,500 and 223,468 shares of restricted and unrestricted common stock in 2007, 2006 and 2005, respectively, pursuant to NNN's performance incentive plan | \$ 4,214                | \$ 1,763   | \$ 4,003   |
| Converted 10,000 shares of Series B Convertible Preferred Stock to 1,293,996 shares of common stock in 2006                                                              | \$ -                    | \$ 25,000  | \$ -       |
| Issued 7,750 and 14,062 shares of common stock in 2007 and 2006, respectively to directors pursuant to NNN's performance incentive plan                                  | \$ 182                  | \$ 307     | \$ -       |
| Issued 16,346 and 33,379 shares of common stock in 2007 and 2006, respectively pursuant to NNN's Deferred Director Fee Plan                                              | \$ 331                  | \$ 655     | \$ -       |

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|                                                                                                                                |    |         |    |        |    |        |
|--------------------------------------------------------------------------------------------------------------------------------|----|---------|----|--------|----|--------|
| Surrender of 8,600 and 30,135 shares of restricted common stock in 2007 and 2005, respectively                                 | \$ | 182     | \$ | -      | \$ | 461    |
| Dividends on unvested restricted stock shares                                                                                  |    | -       | \$ | 4      | \$ | -      |
| Change in other comprehensive income                                                                                           | \$ | (3,622) | \$ | 5,219  | \$ | 1,254  |
| Change in lease classification                                                                                                 | \$ | -       | \$ | 885    | \$ | 2,158  |
| Transfer of real estate from Inventory Portfolio to Investment Portfolio                                                       | \$ | 14,845  | \$ | 12,933 | \$ | 4,752  |
| Note and mortgage notes receivable accepted in connection with real estate transactions                                        | \$ | 9,747   | \$ | 1,582  | \$ | 2,415  |
| Assignment of mortgage payable in connection with the disposition of real estate                                               | \$ | -       | \$ | 95,000 | \$ | 406    |
| Issued 1,636,532 shares of common stock in connection with the acquisition of National Properties Corporation ( NAPE ) in 2005 | \$ | -       | \$ | -      | \$ | 31,160 |
| Interest rate hedge                                                                                                            | \$ | 109     | \$ | -      | \$ | -      |

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2007, 2006 and 2005

**Note 1 Organization and Summary of Significant Accounting Policies:**

**Organization and Nature of Business** National Retail Properties, Inc. (formerly known as Commercial Net Lease Realty, Inc.), a Maryland corporation, is a fully integrated real estate investment trust ( REIT ) formed in 1984. The term NNN refers to National Retail Properties, Inc. and its majority owned and controlled subsidiaries. These subsidiaries include the wholly owned subsidiaries of National Retail Properties, Inc., as well as the taxable REIT subsidiaries and their majority owned and controlled subsidiaries (collectively, the TRS ).

NNN's operations are divided into two primary business segments: (i) investment assets, including real estate assets, mortgages and notes receivable (including structured finance investments) on the consolidated balance sheets and commercial mortgage residual interests (collectively, Investment Assets ), and (ii) inventory real estate assets ( Inventory Assets ). The Investment Assets are operated through National Retail Properties, Inc. and its wholly owned subsidiaries. NNN acquires, owns, invests in, manages and develops properties that are leased primarily to retail tenants under long-term net leases ( Investment Properties or Investment Portfolio ). As of December 31, 2007, NNN owned 908 Investment Properties, with an aggregate gross leasable area of 10,610,000 square feet, located in 44 states. In addition to the Investment Properties, as of December 31, 2007, NNN had \$65,964,000 and \$24,340,000 in mortgages and notes receivables (including structured finance investments) and commercial mortgage residual interests, respectively. The Inventory Assets are operated through the TRS. The TRS, directly and indirectly, through investment interests, acquires and develops real estate primarily for the purpose of selling the real estate ( Inventory Properties or Inventory Portfolio ). As of December 31, 2007, the TRS owned 56 Inventory Properties.

**Principles of Consolidation** In January 2003, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities ( FIN 46R ). This Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements, addresses consolidation by business enterprises of variable interest entities.

NNN's consolidated financial statements include the accounts of each of the respective majority owned and controlled affiliates. All significant intercompany account balances and transactions have been eliminated. NNN applies the equity method of accounting to investments in partnerships and joint ventures that are not subject to control by NNN due to the significance of rights held by other parties.

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The TRS develops real estate through various joint venture development affiliate agreements. NNN consolidates the joint venture development entities listed in the table below based upon either NNN being the primary beneficiary of the respective variable interest entity or NNN having a controlling interest over the respective entity. NNN eliminates significant intercompany balances and transactions and records a minority interest for its other partners' ownership percentage. The following table summarizes each of the investments as of December 31, 2007:

| Date of Agreement | Entity Name                   | TRS<br>Ownership % |
|-------------------|-------------------------------|--------------------|
| November 2002     | WG Grand Prairie TX, LLC      | 60%                |
| February 2003     | Gator Pearson, LLC            | 50%                |
| February 2004     | CNLRs Yosemite Park CO, LLC   | 50%                |
| September 2004    | CNLRs Bismarck ND, LLC        | 50%                |
| December 2005     | CNLRs P&P, L.P.               | 50%                |
| February 2006     | CNLRs BEP, L.P.               | 50%                |
| February 2006     | CNLRs Rockwall, L.P.          | 50%                |
| September 2006    | NNN Harrison Crossing, L.P.   | 50%                |
| September 2006    | CNLRs RGI Bonita Springs, LLC | 50%                |

NNN no longer holds an interest in the collective partnership interest of CNL Plaza, Ltd. and CNL Plaza Venture, Ltd. (collectively, Plaza ). In October 2006, NNN sold its equity investment for \$10,239,000 (see Note 4).

In September 2007, NNN entered into a joint venture, NNN Retail Properties Fund I LLC (the NNN Crow JVI ) with an affiliate of Crow Holdings Realty Partners IV, LP (see Note 4).

In May 2005, NNN (through a wholly owned subsidiary of the TRS) exercised its option to purchase 78.9 percent of the common shares of Orange Avenue Mortgage Investments, Inc. ( OAMI ). As a result, NNN has consolidated OAMI in its consolidated financial statements (see Note 22).

**Real Estate Investment Portfolio** NNN records the acquisition of real estate at cost, including acquisition and closing costs. The cost of properties developed by NNN includes direct and indirect costs of construction, property taxes, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy.

**Purchase Accounting for Acquisition of Real Estate Subject to a Lease** For acquisitions of real estate subject to a lease subsequent to June 30, 2001, the effective date of Statement of Financial Accounting Standards ( SFAS ) No. 141, Business Combinations ( SFAS 141 ), the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, value of in-place leases and value of tenant relationships, based in each case on their relative fair values.

The fair value of the tangible assets of an acquired leased property is determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to land, building and tenant improvements based on the determination of the relative fair values of these assets. The as-if-vacant fair value of a property is provided to management by a qualified appraiser.

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In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded as other assets or liabilities based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values are amortized as an increase to rental income over the initial term.

The aggregate value of other acquired intangible assets, consisting of in-place leases, is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as-if-vacant, determined as set forth above. The value of in-place leases exclusive of the value of above-market and below-market in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

The value of tenant relationships is reviewed on individual transactions to determine if future value was derived from the acquisition.

Real estate is generally leased to tenants on a net lease basis, whereby the tenant is responsible for all operating expenses relating to the property, including property taxes, insurance, maintenance and repairs. The leases are accounted for using either the operating or the direct financing method. Such methods are described below:

*Operating method* Leases accounted for using the operating method are recorded at the cost of the real estate. Revenue is recognized as rentals are earned and expenses (including depreciation) are charged to operations as incurred. Buildings are depreciated on the straight-line method over their estimated useful lives. Leasehold interests are amortized on the straight-line method over the terms of their respective leases. When scheduled rentals vary during the lease term, income is recognized on a straight-line basis so as to produce a constant periodic rent over the term of the lease. Accrued rental income is the aggregate difference between the scheduled rents which vary during the lease term and the income recognized on a straight-line basis.

*Direct financing method* Leases accounted for using the direct financing method are recorded at their net investment (which at the inception of the lease generally represents the cost of the property). Unearned income is deferred and amortized into income over the lease terms so as to produce a constant periodic rate of return on NNN's net investment in the leases.

Management periodically assesses its real estate for possible impairment whenever events or changes in circumstances indicate that the carrying value of the asset, including accrued rental income, may not be recoverable through operations. Management determines whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the residual value of the real estate, with the carrying cost of the individual asset. If an impairment is indicated, a loss will be recorded for the amount by which the carrying value of the asset exceeds its fair value.

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**Real Estate Inventory Portfolio** The TRS acquires, develops and owns properties that it intends to sell. The properties that are classified as held for sale at any given time may consist of properties that have been acquired in the marketplace with the intent to sell and properties that have been, or are currently being, constructed by the TRS. The TRS records the acquisition of the real estate at cost, including the acquisition and closing costs. The cost of the real estate developed by the TRS includes direct and indirect costs of construction, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy. Real estate held for sale is not depreciated. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the TRS classifies its real estate held for sale as discontinued operations for each property in which rental revenues are generated (see Note 19).

**Real Estate Dispositions** When real estate is disposed of, the related cost, accumulated depreciation or amortization and any accrued rental income for operating leases and the net investment for direct financing leases are removed from the accounts and gains and losses from the dispositions are reflected in income. Gains from the disposition of real estate are generally recognized using the full accrual method in accordance with the provisions of SFAS No. 66 Accounting for Real Estate Sales, provided that various criteria relating to the terms of the sale and any subsequent involvement by NNN with the real estate sold are met. Lease termination fees are recognized when the related leases are cancelled and NNN no longer has a continuing obligation to provide services to the former tenants.

**Valuation of Mortgages, Notes and Accrued Interest** The allowance related to the mortgages, notes and accrued interest is NNN's best estimate of the amount of probable credit losses. The allowance is determined on an individual note basis in reviewing any payment past due for over 90 days. Any outstanding amounts are written off against the allowance when all possible means of collection have been exhausted.

**Investment in Unconsolidated Affiliates** NNN accounts for each of its investments in unconsolidated affiliates under the equity method of accounting (see Note 4).

**Commercial Mortgage Residual Interests, at Fair Value** Commercial mortgage residual interests, classified as available for sale, are reported at their market values with unrealized gains and losses reported as other comprehensive income in stockholders' equity. The commercial mortgage residual interests were acquired in connection with the acquisition of 78.9 percent equity interest of OAMI. NNN recognizes the excess of all cash flows attributable to the commercial mortgage residual interests estimated at the acquisition/transaction date over the initial investment (the accretable yield) as interest income over the life of the beneficial interest using the effective yield method. Losses are considered other than temporary valuation impairments if and when there has been a change in the timing or amount of estimated cash flows, exclusive of changes in interest rates, that leads to a loss in value. Certain of the commercial mortgage residual interests have been pledged as security for notes payable.

**Cash and Cash Equivalents** NNN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash and money market accounts. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

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Cash accounts maintained on behalf of NNN in demand deposits at commercial banks and money market funds may exceed federally insured levels; however, NNN has not experienced any losses in such accounts. NNN limits investment of temporary cash investments to financial institutions with high credit standing; therefore, management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Restricted Cash** Restricted cash consisted of amounts held in restricted accounts in connection with the sale of certain assets of OAMI to a third party (the Buyer). As of December 31, 2007, NNN has no cash held in restricted accounts. The amount held in these accounts at December 31, 2006 was \$36,728,000. In December 2007, in accordance to agreements with the Buyer, the restrictions expired. NNN used a portion of the amounts released to repay the \$10,500,000 OAMI secured note payable.

**Valuation of Receivables** NNN estimates of the collectibility of its accounts receivable related to rents, expense reimbursements and other revenues. NNN analyzes accounts receivable and historical bad debt levels, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims.

**Debt Costs** Debt costs incurred in connection with NNN's \$400,000,000 line of credit and mortgages payable have been deferred and are being amortized over the term of the respective loan commitment using the straight-line method, which approximates the effective interest method. Debt costs incurred in connection with the issuance of NNN's notes payable have been deferred and are being amortized over the term of the respective debt obligation using the effective interest method.

**Revenue Recognition** Rental revenues for non-development real estate assets are recognized when earned in accordance with SFAS 13, Accounting for Leases, based on the terms of the lease at the time of acquisition of the leased asset. Rental revenues for properties under construction commence upon completion of construction of the leased asset and delivery of the leased asset to the tenant.

**Earnings Per Share** Basic net earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted net earnings per common share is computed by dividing net earnings available to common stockholders for the period by the number of common shares that would have been outstanding assuming the issuance of common shares for all potentially dilutive common shares outstanding during the periods.

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The following is a reconciliation of the denominator of the basic net earnings per common share computation to the denominator of the diluted net earnings per common share computation for each of the years ended December 31:

|                                                                                         | 2007       | 2006       | 2005       |
|-----------------------------------------------------------------------------------------|------------|------------|------------|
| Weighted average number of common shares outstanding                                    | 66,519,519 | 57,698,533 | 53,272,997 |
| Unvested restricted stock                                                               | (367,082)  | (270,470)  | (288,176)  |
| Weighted average number of common shares outstanding used in basic earnings per share   | 66,152,437 | 57,428,063 | 52,984,821 |
| Weighted average number of common shares outstanding used in basic earnings per share   | 66,152,437 | 57,428,063 | 52,984,821 |
| Effect of dilutive securities:                                                          |            |            |            |
| Restricted stock                                                                        | 143,550    | 114,367    | 221,337    |
| Common stock options                                                                    | 69,040     | 107,909    | 128,944    |
| Assumed conversion of Series B Convertible Preferred Stock to common stock              | -          | 400,607    | 1,293,996  |
| Directors' deferred fee plan                                                            | 42,503     | 28,929     | 11,045     |
| Weighted average number of common shares outstanding used in diluted earnings per share | 66,407,530 | 58,079,875 | 54,640,143 |

In April 2006, the Series B Convertible Preferred shares were converted into 1,293,996 shares of common stock and therefore are included in the computation of both basic and diluted weighted average shares outstanding. In addition, the potential dilutive shares related to convertible notes payable were not included in computing earnings per common share because their effects would be antidilutive.

**Stock-Based Compensation** On January 1, 2006, NNN adopted the provisions of SFAS No. 123 (R), Share-Based Payments (SFAS 123R), under the modified prospective method. Under the modified prospective method, compensation cost is recognized for all awards granted after the adoption of this standard and for the unvested portion of previously granted awards that are outstanding as of that date. In accordance with SFAS 123R, NNN will estimate the fair value of restricted stock and stock option grants at the date of grant and amortize those amounts into expense on a straight line basis or amount vested, if greater, over the appropriate vesting period. Adoption of SFAS 123R did not have a significant impact on NNN's earnings from continuing operations, net earnings, cash flow from operations, cash flow from financing activities and basic and diluted earnings per share for the year ended December 31, 2007.

**Income Taxes** NNN has made an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and related regulations. NNN generally will not be subject to federal income taxes on amounts distributed to stockholders, providing it distributes 100 percent of its real estate investment trust taxable income and meets certain other requirements for qualifying as a REIT. For each of the years in the three-year period ended December 31, 2007, NNN believes it has qualified as a REIT. Notwithstanding NNN's qualification for taxation as a REIT, NNN is subject to certain state taxes on its income and real estate.

NNN and its taxable REIT subsidiaries have made timely TRS elections pursuant to the provisions of the REIT Modernization Act. A TRS is able to engage in activities resulting in income that previously would have been disqualified from being eligible REIT income under

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the federal income tax regulations. As a result, certain activities of NNN which occur within its TRS entities are subject to federal and state income taxes (See Note 3). All provisions for federal income taxes in the accompanying consolidated financial statements are attributable to NNN's taxable REIT subsidiaries and to OAMI's built-in-gain tax liability.

Income taxes are accounted for under the asset and liability method as required by SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the temporary differences based on estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**New Accounting Standards** In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands the disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements. The changes to current practice resulting from the application of the SFAS 157 relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. The definition focuses on the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price) and not the price that would be paid to acquire the asset or received to assume the liability at the measurement date (an entry price). This statement also emphasizes that fair value is a market-based measurement, not an entity specific measurement and subsequently a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. The statement also clarifies that the market participant assumptions include assumptions about risk, and assumptions about the effect of a restriction on the sale or use of an asset. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. This statement should be applied prospectively as of the beginning of the year in which this statement is initially applied. A limited form of retrospective application of SFAS 157 is allowed for certain financial instruments. NNN has evaluated the provisions of SFAS 157 and determined that the adoption of SFAS 157 will not have a significant impact on NNN's financial position or results of operations.

In February 2007, FASB issued SFAS Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which expands the scope of what companies may carry at fair value. This statement also includes an amendment to SFAS Statement No. 115,

*Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115). SFAS 159 offers an irrevocable option to carry the vast majority of recognized financial assets and liabilities at fair value with changes in fair value recorded in earnings. This statement can be applied instrument by instrument but must be applied to the entire financial instrument and not portions thereof. This statement does not apply to:

(a) financial assets and financial liabilities recognized under leases as defined in SFAS Statement No. 13 *Accounting for Leases* with the exception of a guarantee of a third party lease obligation or a contingent obligation arising from a cancelled lease; (b) financial instruments that are in whole or part,

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classified by the issuer as a component of stockholder's equity (such as convertible debt security with a non-contingent beneficial conversion feature); (c) non-financial insurance contracts and warranties; and (d) financial instruments resulting from the separation of an embedded non-financial derivative instrument from a non-financial hybrid instrument and various employers' and plan obligations for pension benefits, post retirement benefits and other forms of deferred compensation arrangements including stock purchase plans and stock option plans. The amendment to SFAS 115 affects entities with available-for-sale and trading securities. This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The adoption of SFAS 159 will not have a significant impact on NNN's financial position or results of operation.

In May 2007, a FASB Staff Position ( FSP FIN 48-1 ), Definition of Settlement in FASB Interpretation 48, was issued to amend Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes, ( FIN 48 ). FSP FIN 48-1 clarifies that a tax position could be effectively settled upon examination by a taxing authority. An enterprise should make the assessment on a position-by-position basis, but an enterprise could conclude that all positions in a particular tax year are effectively settled. In determining effective settlement an enterprise shall evaluate all the following conditions (a) the taxing authority has completed its examination procedures including all appeals and administrative reviews that the taxing authority is required and expected to perform for the tax position; (b) the enterprise does not intend to appeal or litigate any aspect of the tax position included in the completed examination, and (c) it is remote that the taxing authority would examine or reexamine any aspect of the tax position. In making this assessment management shall consider the taxing authority's policy on reopening closed examinations and the specific facts and circumstances of the tax position. Management shall presume the taxing authority has full knowledge of all relevant information in making the assessment on whether the taxing authority would reopen a previously closed examination. This FSP was applied upon initial adoption of FIN 48. If an enterprise did not apply FIN 48 in a manner consistent to this FSP then adoption of the provisions of FSP FIN 48-1 should be retrospectively applied to the date of the initial adoption of FIN 48. The adoption of this FSP did not have a significant impact on the NNN's financial position or results of operations.

In June 2007, FASB issued and ratified Emerging Issues Task Force No. 06-11, ( EITF 06-11 ), Accounting for Income Tax Benefits of Dividends On Share-Based Payment Award. EITF 06-11 concludes that a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity classified non-vested equity shares, nonvested equity share units and outstanding equity share options should be recognized as an increase in additional paid-in capital. EITF 06-11 should be applied prospectively and is effective for fiscal years beginning after December 15, 2007 and interim periods within those fiscal years. Retroactive application to previously issued financial statements is prohibited. The adoption of EITF 06-11 will not have a significant impact on NNN's financial position or results of operation.

In December 2007, FASB issued Statements No. 141 (revised 2007), Business Combinations ( SFAS 141(R) ) the objective of which is to improve and simplify the accounting for business combinations. SFAS 141(R) will improve reporting by creating greater consistency in the accounting and financial reporting of business combinations. This statement requires the new acquiring entity to recognize all assets acquired and liabilities assumed in business combination

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transactions; establishes an acquisition-date fair value for said assets and liabilities; and fully disclose to investors the financial effect the acquisition will have. SFAS 141(R) applies to business combinations between mutual entities, including those combinations achieved in the absence of a transaction involving the acquirer such as through the lapse of minority veto rights and combinations achieved without the transfer of consideration, for example, by contract alone. FAS 141(R) specifically excludes joint ventures and common control transactions. SFAS 141(R) is effective for fiscal years beginning on or after December 15, 2008 and should be applied prospectively. NNN is currently evaluating the provisions for SFAS 141(R) to determine the potential impact, if any, the adoption will have on NNN's financial position or results of operations.

In December 2007, FASB issued Statements No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160), an amendment to Accounting Research Board No. 51 SFAS 160 objective is to improve the relevance, comparability and transparency of financial information that a reporting entity provides in its consolidated financial statements. The key aspects of SFAS 160 are (i) the minority interests in subsidiaries should be presented in the consolidated balance sheet within equity of the consolidated group, separate from the parent's shareholders' equity, (ii) acquisitions or dispositions of noncontrolling interests in a subsidiary that do not result in a change of control should be accounted for as equity transactions, (iii) a parent recognizes a gain or loss in net income when a subsidiary is deconsolidated, measured using the fair value of the non-controlling equity investment, (iv) the acquirer should attribute net income and each component of other comprehensive income between controlling and noncontrolling interests based on any contractual arrangements or relative ownership interests, and (v) a reconciliation of beginning to ending total equity is required for both controlling and noncontrolling interests. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and should be applied prospectively. NNN is currently evaluating the provisions for SFAS 160 to determine the potential impact, if any, the adoption will have on NNN's financial position or results of operations.

The FASB is currently reviewing comments on a proposed FASB Staff Position (the proposed FSP) which, if issued, would require separate accounting for the debt and equity components of convertible instruments. The proposed FSP would require the value assigned to the debt component to be the estimated fair value of a similar bond without the conversion feature, which would result in the debt being recorded at a discount. The debt discount would be amortized over the expected life of the debt as additional interest expense. The proposed FSP would be effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. The guidance in the proposed FSP would be applied retrospectively to all periods presented and could result in additional annual interest expense recognized by NNN if adopted, as proposed.

**Use of Estimates** Management of NNN has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Significant estimates include provision for impairment and allowances for certain assets, accruals, useful lives of assets and capitalization of costs. Actual results could differ from those estimates.

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**Reclassification** Certain items in the prior year's consolidated financial statements and notes to consolidated financial statements have been reclassified to conform to the 2007 presentation. These reclassifications had no effect on stockholders' equity or net earnings.

The statements of cash flow for the years ended December 31, 2006 and 2005 reflect a reclassification of \$16,855,000 and \$11,704,000, respectively, to reclassify the cash received from commercial mortgage residual assets from cash flows from operating activities to cash flows from investing activities. For the year ended December 31, 2006, the reclassification resulted in a change in the net cash provided by operating activities from \$18,561,000 to \$1,676,000 and a change in the net cash used in investing activities from \$106,984,000 to \$90,099,000. For the year ended December 31, 2005, the reclassification resulted in a change in the net cash provided by operating activities from \$30,930,000 to \$19,226,000 and a change in the net cash used in investing activities from \$242,487,000 to \$230,783,000. The reclassification does not effect the net change in cash for either of the years ended December 31, 2006 and 2005 and has no impact on the consolidated balance sheets, consolidated statements of earnings and the related earnings per share amounts or the consolidated statements of stockholders' equity.

**Note 2 Real Estate Investment Portfolio:**

**Leases** NNN generally leases its Investment Properties to established tenants. As of December 31, 2007, 892 of the Investment Property leases have been classified as operating leases and 26 leases have been classified as direct financing leases. For the Investment Property leases classified as direct financing leases, the building portions of the property leases are accounted for as direct financing leases while the land portions of 10 of these leases are accounted for as operating leases. Substantially all leases have initial terms of 10 to 20 years (expiring between 2008 and 2027) and provide for minimum rentals. In addition, the tenant leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index, and/or increases in the tenant's sales volume. Generally, the tenant is also required to pay all property taxes and assessments, substantially maintain the interior and exterior of the building and carry property and liability insurance coverage. Certain of NNN's Investment Properties are subject to leases under which NNN retains responsibility for certain costs and expenses of the property. As of December 31, 2007, the weighted average remaining lease term was approximately 13 years. Generally, the leases of the Investment Properties provide the tenant with one or more multi-year renewal options subject to generally the same terms and conditions as the initial lease.

**Investment Portfolio Accounted for Using the Operating Method** Real estate subject to operating leases consisted of the following as of December 31 (dollars in thousands):

|                                                | 2007         | 2006         |
|------------------------------------------------|--------------|--------------|
| Land and improvements                          | \$ 938,804   | \$ 693,187   |
| Buildings and improvements                     | 1,201,999    | 830,450      |
| Leasehold interests                            | 2,532        | 2,532        |
|                                                | 2,143,335    | 1,526,169    |
| Less accumulated depreciation and amortization | (111,087)    | (87,359)     |
|                                                | 2,032,248    | 1,438,810    |
| Work in progress                               | 25,556       | 3,769        |
|                                                | 2,057,804    | 1,442,579    |
| Less impairment                                | (1,958)      | (1,583)      |
|                                                | \$ 2,055,846 | \$ 1,440,996 |

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Some leases provide for scheduled rent increases throughout the lease term. Such amounts are recognized on a straight-line basis over the terms of the leases. For the years ended December 31, 2007, 2006 and 2005, NNN recognized collectively in continuing and discontinued operations, \$2,672,000, \$3,160,000, and \$2,053,000, respectively, of such income. At December 31, 2007 and 2006, the balance of accrued rental income, net of allowances of \$3,077,000 and \$2,536,000, respectively, was \$24,652,000 and \$26,510,000, respectively.

In connection with the development of 27 Investment Properties, NNN has agreed to fund construction commitments (including land costs) of \$71,883,000, of which \$44,561,000 has been funded as of December 31, 2007.

The following is a schedule of future minimum lease payments to be received on noncancellable operating leases at December 31, 2007 (dollars in thousands):

|            |    |           |
|------------|----|-----------|
| 2008       | \$ | 189,858   |
| 2009       |    | 188,275   |
| 2010       |    | 185,705   |
| 2011       |    | 181,700   |
| 2012       |    | 176,464   |
| Thereafter |    | 1,652,500 |
|            | \$ | 2,574,502 |

Since lease renewal periods are exercisable at the option of the tenant, the above table only presents future minimum lease payments due during the initial lease terms. In addition, this table does not include amounts for potential variable rent increases that are based on the Consumer Price Index (CPI) or future contingent rents which may be received on the leases based on a percentage of the tenant's gross sales.

**Investment Portfolio - Accounted for Using the Direct Financing Method** The following lists the components of net investment in direct financing leases at December 31 (dollars in thousands):

|                                           | 2007      | 2006       |
|-------------------------------------------|-----------|------------|
| Minimum lease payments to be received     | \$ 54,967 | \$ 104,756 |
| Estimated unguaranteed residual values    | 13,622    | 25,015     |
| Less unearned income                      | (31,092)  | (58,437)   |
| Net investment in direct financing leases | \$ 37,497 | \$ 71,334  |

The following is a schedule of future minimum lease payments to be received on direct financing leases held for investment at December 31, 2007 (dollars in thousands):

|            |    |        |
|------------|----|--------|
| 2008       | \$ | 5,024  |
| 2009       |    | 5,104  |
| 2010       |    | 5,123  |
| 2011       |    | 5,108  |
| 2012       |    | 5,139  |
| Thereafter |    | 29,469 |
|            | \$ | 54,967 |



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The above table does not include future minimum lease payments for renewal periods, potential variable CPI rent increases or contingent rental payments that may become due in future periods (See Real Estate Accounted for Using the Operating Method).

**Impairments** As a result of NNN's review of long lived assets for impairment, including identifiable intangible assets, NNN recognized the following impairments for each of the years ended December 31 (dollars in thousands):

|                                 | 2007     | 2006   | 2005     |
|---------------------------------|----------|--------|----------|
| <b>Continuing operations:</b>   |          |        |          |
| Real estate                     | \$ 503   | \$ -   | \$ 345   |
| Intangibles <sup>(1)</sup>      | 288      | -      | 1,328    |
|                                 | 791      | -      | 1,673    |
| <b>Discontinued operations:</b> |          |        |          |
| Real estate                     | 335      | 693    | 2,056    |
|                                 | \$ 1,126 | \$ 693 | \$ 3,729 |

<sup>(1)</sup> Included in Other Assets on the Consolidated Balance Sheets.

**Note 3 Real Estate Inventory Portfolio:**

As of December 31, 2007, the TRS owned 56 Inventory Properties: 41 completed inventory, nine under construction and six land parcels. As of December 31, 2006, the TRS owned 97 Inventory Properties: 79 complete inventory, five under construction and 13 land parcels. The real estate Inventory Portfolio consisted of the following (dollars in thousands):

|                               | 2007       | 2006       |
|-------------------------------|------------|------------|
| <b>Inventory:</b>             |            |            |
| Land                          | \$ 65,983  | \$ 62,554  |
| Building                      | 140,970    | 101,168    |
|                               | 206,953    | 163,722    |
| <b>Construction projects:</b> |            |            |
| Land                          | 30,477     | 42,303     |
| Work in process               | 12,025     | 22,134     |
|                               | 42,502     | 64,437     |
| Less impairment               | (844)      | -          |
|                               | \$ 248,611 | \$ 228,159 |

In connection with the development of nine Inventory Properties by the TRS, NNN has agreed to fund construction commitments of \$24,097,000, of which \$17,125,000 has been funded as of December 31, 2007.

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The following table summarizes the number of Inventory Properties sold and the corresponding gain recognized on the disposition of Inventory Properties included in continuing and discontinued operations for the years ended December 31 (dollars in thousands):

|                                      | 2007               |                  | 2006               |                 | 2005               |                  |
|--------------------------------------|--------------------|------------------|--------------------|-----------------|--------------------|------------------|
|                                      | # of<br>Properties | Gain             | # of<br>Properties | Gain            | # of<br>Properties | Gain             |
| Continuing operations                | 2                  | \$ 332           | 6                  | \$ 8,000        | 6                  | \$ 2,010         |
| Minority interest                    |                    | -                |                    | (3,609)         |                    | -                |
| <b>Total continuing operations</b>   |                    | <b>332</b>       |                    | <b>4,391</b>    |                    | <b>2,010</b>     |
| Discontinued operations              | 69                 | 10,957           | 58                 | 5,590           | 22                 | 18,696           |
| Intersegment eliminations            |                    | 844              |                    | 190             |                    | 921              |
| Minority interest                    |                    | (1,120)          |                    | (505)           |                    | (5,999)          |
| <b>Total discontinued operations</b> |                    | <b>10,681</b>    |                    | <b>5,275</b>    |                    | <b>13,618</b>    |
|                                      | <b>71</b>          | <b>\$ 11,013</b> | <b>64</b>          | <b>\$ 9,666</b> | <b>28</b>          | <b>\$ 15,628</b> |

**Note 4 Investments in Unconsolidated Affiliates:**

*Crow Holdings.* In September 2007, NNN entered into a joint venture, NNN Retail Properties Fund I LLC (the "NNN Crow JV I"), with an affiliate of Crow Holdings Realty Partners IV, L.P. NNN Crow JV I plans to acquire up to \$220,000,000 of real estate assets leased to convenience store operators from unrelated third parties. NNN owns a 15 percent equity interest in the joint venture which it accounts for under the equity method of accounting. Net income and losses of the joint venture are allocated to the members in accordance with their respective percentage interest. For the year ended December 31, 2007, NNN recognized earnings of \$49,000 for NNN Crow JV I. NNN manages the joint venture pursuant to a management agreement and earned management fees of \$21,000 for the year ended December 31, 2007.

During the year ended December 31, 2007, in accordance with the terms of the joint venture agreement, NNN loaned \$2,749,000 to the joint venture at an interest rate of 7.75%. The loan balance was repaid in full in November 2007.

*CNL Plaza.* In May 2002, NNN purchased a 25 percent partnership interest in CNL Plaza Ltd. and CNL Plaza Venture Ltd. (collectively "Plaza") for \$750,000. The remaining partnership interests in Plaza were owned by affiliates of James M. Seneff, Jr. and Robert A. Bourne, each a former member of NNN's Board of Directors. Plaza owned a 346,000 square foot office building and an interest in an adjacent parking garage. NNN had severally guaranteed 41.67 percent of a \$14,000,000 unsecured promissory note on behalf of Plaza. In October 2006, NNN sold its equity investment in Plaza for \$10,239,000 and recognized a gain of \$11,373,000. In connection with the sale, NNN was released as guarantor of Plaza's \$14,000,000 unsecured promissory note.

During the years ended December 31, 2006 and 2005, NNN received \$1,042,000, and \$471,000, respectively, in distributions from Plaza. For the year ended December 31, 2006, NNN recognized earnings from Plaza of \$122,000, and a loss of \$218,000 for the year ended December 31, 2005.

Since November 1999, NNN has leased its headquarters office space from Plaza. NNN's lease expires in October 2014. In October 2006, NNN amended its lease with Plaza to reduce the square footage leased by NNN. During the years ended December 31, 2007, 2006 and 2005, NNN incurred rental expenses in connection with the lease of \$938,000, \$1,024,000 and

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\$1,035,000, respectively. In May 2000, NNN subleased a portion of its office space to affiliates of James M. Seneff, Jr. In October 2006, NNN terminated these subleases in connection with NNN's amendment. During the years ended December 31, 2006 and 2005, NNN earned \$337,000 and \$397,000, respectively, in rental and accrued rental income from these affiliates.

The following is a schedule of NNN's future minimum lease payments related to the office space leased from Plaza at December 31, 2007 (dollars in thousands):

|            |          |
|------------|----------|
| 2008       | \$ 839   |
| 2009       | 865      |
| 2010       | 891      |
| 2011       | 917      |
| 2012       | 945      |
| Thereafter | 1,804    |
|            | \$ 6,261 |

Since lease renewal periods are exercisable at the option of the tenant, the above table only presents future minimum lease payments due during the initial lease terms. NNN has the option to renew its lease with Plaza for three successive five-year periods subject to similar terms and conditions as the initial lease.

## Note 5 Mortgages, Notes and Accrued Interest Receivable:

Mortgage receivables and structured finance are loans secured by real estate, real estate securities or other assets.

As of December 31, 2007 and 2006, NNN held mortgages and notes receivable with an aggregate principal balance of \$51,556,000 and \$17,227,000, respectively. The mortgage receivables bear interest rates ranging from 7.00% to 12.00% with maturity dates ranging from May 2008 through October 2028.

As of December 31, 2007, the structured finance investments bear a weighted average interest rate of 11.26% per annum, of which 9.78% is payable monthly and the remaining 1.48% accrues and is due at maturity. The principal balance of each structured finance investment is due in full at maturity, which ranges between January 2009 and March 2010. The structured finance investments are secured by the borrowers' pledge of their respective membership interests in the certain subsidiaries which own the respective real estate.

Mortgages and notes receivable consisted of the following at December 31 (dollars in thousands):

|                                 | 2007      | 2006      |
|---------------------------------|-----------|-----------|
| Mortgages and notes receivable  | \$ 51,556 | \$ 17,227 |
| Structured Finance              | 14,359    | 13,917    |
| Accrued interest receivables    | 545       | 641       |
|                                 | 66,460    | 31,785    |
| Less loan origination fees, net | (100)     | (206)     |
| Less allowance                  | (396)     | (634)     |

|    |        |    |        |
|----|--------|----|--------|
| \$ | 65,964 | \$ | 30,945 |
|----|--------|----|--------|

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OAMI holds the commercial mortgage residual interests (Residuals) from seven securitizations. The following table summarizes the investment interests in each of the transactions:

| Securitization | Investment Interest    |                     |                       |
|----------------|------------------------|---------------------|-----------------------|
|                | Company <sup>(1)</sup> | OAMI <sup>(2)</sup> | 3 <sup>rd</sup> Party |
| BYL 99-1       | -                      | 59.0%               | 41.0%                 |
| CCMH I, LLC    | 42.7%                  | 57.3%               | -                     |
| CCMH II, LLC   | 44.0%                  | 56.0%               | -                     |
| CCMH III, LLC  | 36.7%                  | 63.3%               | -                     |
| CCMH IV, LLC   | 38.3%                  | 61.7%               | -                     |
| CCMH V, LLC    | 38.4%                  | 61.6%               | -                     |
| CCMH VI, LLC   | -                      | 100.0%              | -                     |

<sup>(1)</sup> NNN owned these investment interests prior to its acquisition of the equity interest in OAMI.

<sup>(2)</sup> NNN owns 78.9 percent of OAMI's investment interest

Each of the Residuals is recorded at fair value based upon an independent valuation. Unrealized gains and losses are reported as other comprehensive income in stockholders' equity, and other than temporary losses as a result of a change in the timing or amount of estimated cash flows are recorded as an other than temporary valuation impairment. Due to changes in market conditions relating to residual assets, the independent valuation increased the discount rate from 17% to 25% during 2007. As a result of the increase in discount rate and an increase in prepayments of underlying loans of the Residuals, NNN recognized an other than temporary valuation impairment of \$638,000 for the year ended 2007. In 2006, as a result of the increase in historical prepayments, the independent valuation changed the assumption in future pay prepayments. As a result, NNN recognized an other than temporary valuation impairment of \$8,779,000 for the year ended December 31, 2006.

NNN recorded \$326,000 of unrealized losses and \$1,992,000 of unrealized gains as other comprehensive income for the years ended December 31, 2007 and 2006, respectively.

The following table summarizes the key assumptions used in determining the value of these assets as of December 31:

|                                          | 2007                  | 2006                  |
|------------------------------------------|-----------------------|-----------------------|
| Discount rate                            | 25%                   | 17%                   |
| Average life equivalent CPR speeds range | 33.0% to 45.7% CPR    | 38.7% to 47.6% CPR    |
| Foreclosures:                            |                       |                       |
| Frequency curve default model            | 1.1% maximum rate     | 1.1% maximum rate     |
| Loss severity of loans in foreclosure    | 10%                   | 10%                   |
| Yield:                                   |                       |                       |
| LIBOR                                    | Forward 3-month curve | Forward 3-month curve |
| Prime                                    | Forward curve         | Forward curve         |

The following table shows the effects on the key assumptions affecting the fair value of the Residuals at December 31, 2007 (dollars in thousands).

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|                                                              | Residuals |
|--------------------------------------------------------------|-----------|
| Carrying amount of retained interests                        | \$ 24,340 |
| Discount rate assumption                                     |           |
| Fair value at 27% discount rate                              | \$ 23,807 |
| Fair value at 30% discount rate                              | \$ 23,041 |
| Prepayment speed assumption                                  |           |
| Fair value of 1% increases above the CPR Index               | \$ 24,317 |
| Fair value of 2% increases above the CPR Index               | \$ 25,727 |
| Expected credit losses                                       |           |
| Fair value 2% adverse change                                 | \$ 25,745 |
| Fair value 3% adverse change                                 | \$ 25,742 |
| Yield Assumptions                                            |           |
| Fair value of Prime/LIBOR spread contracting 25 basis points | \$ 26,172 |
| Fair value of Prime/LIBOR spread contracting 50 basis points | \$ 26,608 |

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on adverse variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation of a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

**Note 7 Line of Credit Payable:**

In October 2007, NNN exercised the \$100,000,000 accordion feature of its existing revolving credit facility (the "Credit Facility") increasing the borrowing capacity to \$400,000,000 from \$300,000,000. NNN's Credit Facility's current loan agreement terms as amended and restated in December 2005, (i) lowers the interest rates of the tiered rate structure from a maximum of 135 points above LIBOR to a maximum rate of 112.5 basis points above LIBOR (based upon the debt rating of NNN, the current interest rate is 80 basis points above LIBOR), (ii) requires NNN to pay a commitment fee based on a tiered rate structure to a maximum of 25 basis points per annum (based upon the debt rating of NNN, the current commitment fee is 20 basis points), (iii) provides for a competitive bid option for up to 50 percent of the facility amount, (iv) extends the expiration date to May 8, 2009 and (v) amends certain of the financial covenants of NNN. The principal balance is due in full upon expiration of the Credit Facility in May 2009, which NNN may request to be extended for an additional 12 months. As of December 31, 2007, \$129,800,000 was outstanding and approximately \$270,200,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$2,685,000. The Credit Facility had a weighted average interest rate of 6.24% and 5.91% for the years ended December 31, 2007 and 2006, respectively. In accordance with the terms of the Credit Facility, NNN is required to meet certain restrictive financial covenants, which, among other things, require NNN to maintain certain (i) maximum leverage ratios, (ii) debt service coverage, (iii) cash flow coverage and (iv) investment and dividend limitations. At December 31, 2007, NNN was in compliance with those covenants.

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For the years ended December 31, 2007, 2006 and 2005, interest cost incurred was \$5,937,000, \$7,310,000, and \$2,948,000 respectively, of which \$3,718,000, \$2,278,000 and \$2,563,000, respectively, was capitalized by NNN as a cost of buildings constructed. For the years ended December 31, 2007, 2006 and 2005, \$2,219,000, \$5,032,000 and \$385,000, respectively, were charged to operations.

**Note 8 Mortgages Payable:**

The following table outlines the mortgages payable included in NNN's consolidated financial statements (dollars in thousands):

| Entered                      | Balance  | Interest Rate | Maturity <sup>(4)</sup> | Carrying Value of Encumbered Asset(s) <sup>(1)</sup> | Outstanding Principal Balance at December 31, |           |
|------------------------------|----------|---------------|-------------------------|------------------------------------------------------|-----------------------------------------------|-----------|
|                              |          |               |                         |                                                      | 2007                                          | 2006      |
| June 1996 <sup>(2)</sup>     | \$ 1,916 | 8.250%        | December 2008           | \$ 1,739 <sup>(5)</sup>                              | \$ 263                                        | \$ 506    |
| December 1999                | 350      | 8.500%        | December 2009           | 3,270                                                | 95                                            | 136       |
| December 2001                | 623      | 9.000%        | April 2014              | 962                                                  | 358                                           | 398       |
| December 2001                | 698      | 9.000%        | April 2019              | 1,344                                                | 441                                           | 463       |
| December 2001                | 485      | 9.000%        | April 2019              | 1,317                                                | 226                                           | 236       |
| June 2002                    | 21,000   | 6.900%        | July 2012               | 25,654                                               | 19,759                                        | 20,027    |
| February 2004 <sup>(2)</sup> | 6,952    | 6.900%        | January 2017            | 12,248                                               | 5,487                                         | 5,907     |
| February 2004 <sup>(3)</sup> | 12,000   | 7.370%        | September 2007          | -                                                    | -                                             | 7,304     |
| March 2005 <sup>(2)</sup>    | 1,015    | 8.140%        | September 2016          | 1,380                                                | 851                                           | 915       |
|                              |          |               |                         | \$ 47,914                                            | \$ 27,480                                     | \$ 35,892 |

<sup>(1)</sup> Each loan is secured by a first mortgage lien on certain of NNN's properties. The carrying values of the assets are as of December 31, 2007.

<sup>(2)</sup> Date entered represents the date that NNN acquired real estate subject to a mortgage securing a loan. The corresponding original principal balance represents the outstanding principal balance at the time of acquisition.

<sup>(3)</sup> NNN assumed this long term fixed rate loan when NNN increased its ownership in Net Lease Institutional Realty, L.P. In September 2007, upon maturity, NNN repaid the outstanding principal balance on this long-term fixed rate loan.

<sup>(4)</sup> Monthly payments include interest and principal, if any; the balance is due at maturity.

<sup>(5)</sup> NNN has a \$354,000 letter of credit that also secures the loan.

The following is a schedule of the annual maturities of NNN's mortgages payable at December 31, 2007 (dollars in thousands):

|            |           |
|------------|-----------|
| 2008       | \$ 1,190  |
| 2009       | 1,000     |
| 2010       | 1,022     |
| 2011       | 1,098     |
| 2012       | 19,291    |
| Thereafter | 3,879     |
|            | \$ 27,480 |

**Note 9 Notes Payable Secured:**

NNN's consolidated financial statements include the following notes payable, resulting from the acquisition of OAMI (see Note 22) (dollars in thousands):



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|                              | Outstanding Principal Balance<br>at December 31, |           | Stated | Maturity      |
|------------------------------|--------------------------------------------------|-----------|--------|---------------|
|                              | 2007                                             | 2006      | Rate   | Date          |
| 02-1 Notes <sup>(1)</sup>    | \$ -                                             | \$ 10,500 | 10%    | December 2007 |
| 03-1 Notes <sup>(2)(3)</sup> | 12,000                                           | 14,000    | 10%    | June 2008     |
|                              | \$ 12,000                                        | \$ 24,500 |        |               |

<sup>(1)</sup> NNN repaid the outstanding principal amount in December 2007.

<sup>(2)</sup> Secured by certain equity investments in commercial mortgage residual interests of NNN with a carrying value of \$5,445.

<sup>(3)</sup> Interest is payable quarterly with annual principal payments of \$2,000 payable June 30.

The 03-1 Note can be prepaid at the option of OAMI, in whole or in part, without premium or penalty after the pre-payment date, as defined in each respective note.

**Note 10 Notes Payable:**

NNN filed a prospectus supplement to its shelf registration for each issuance of notes outlined in the table below (dollars in thousands).

| Notes                     | Issue Date     | Principal  | Discount <sup>(3)</sup> | Net Price | Stated Rate | Effective Rate <sup>(4)</sup> | Commencement of Semi-Annual Interest Payments | Maturity Date  |
|---------------------------|----------------|------------|-------------------------|-----------|-------------|-------------------------------|-----------------------------------------------|----------------|
| 2008 <sup>(1)</sup>       | March 1998     | \$ 100,000 | \$ 271                  | \$ 99,729 | 7.125%      | 7.163%                        | September 1998                                | March 2008     |
| 2010 <sup>(1)</sup>       | September 2000 | 20,000     | 126                     | 19,874    | 8.500%      | 8.595%                        | March 2001                                    | September 2010 |
| 2012 <sup>(1)</sup>       | June 2002      | 50,000     | 287                     | 49,713    | 7.750%      | 7.833%                        | December 2002                                 | June 2012      |
| 2014 <sup>(1)(2)(5)</sup> | June 2004      | 150,000    | 440                     | 149,560   | 6.250%      | 5.910%                        | June 2004                                     | June 2014      |
| 2015 <sup>(1)</sup>       | November 2005  | 150,000    | 390                     | 149,610   | 6.150%      | 6.185%                        | June 2006                                     | December 2015  |
| 2017 <sup>(6)</sup>       | September 2007 | 250,000    | 877                     | 249,123   | 6.875%      | 6.924%                        | April 2008                                    | October 2017   |

<sup>(1)</sup> The proceeds from the note issuance were used to pay down outstanding indebtedness of NNN's Credit Facility.

<sup>(2)</sup> The proceeds from the note issuance were used to repay the obligation of the 2004 Notes.

<sup>(3)</sup> The note discounts are amortized to interest expense over the respective term of each debt obligation using the effective interest method.

<sup>(4)</sup> Includes the effects of the discount, treasury lock gain and swap gain (as applicable).

<sup>(5)</sup> NNN entered into a forward starting interest rate swap agreement which fixed a swap rate of 4.61% on a notional amount of \$94,000. Upon issuance of the 2014 Notes, NNN terminated the forward starting interest rate swap agreement resulting in a gain of \$4,148. The gain has been deferred and is being amortized as an adjustment to interest expense over the term of the 2014 Notes using the effective interest method.

<sup>(6)</sup> NNN entered into an interest rate hedge with a notional amount of \$100,000. Upon issuance of the 2017 Notes, NNN terminated the interest rate hedge agreement resulting in a liability of \$3,260, of which \$3,228 was recorded to other comprehensive income. The liability has been deferred and is being amortized as an adjustment to interest expense over the term of the 2017 Notes using the effective interest method.

Each series of the notes represent senior, unsecured obligations of NNN and are subordinated to all secured indebtedness of NNN. Each of the notes are redeemable at the option of NNN, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the notes being redeemed plus accrued interest thereon through the redemption date and (ii) the make-whole amount, as defined in the respective supplemental indenture notes.

In connection with the debt offerings, NNN incurred debt issuance costs totaling \$6,667,000 consisting primarily of underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. Debt issuance costs for all note issuances have been



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deferred and are being amortized over the term of the respective notes using the effective interest method.

In accordance with the terms of the indenture, pursuant to which NNN's notes have been issued, NNN is required to meet certain restrictive financial covenants, which, among other things, require NNN to maintain (i) certain leverage ratios and (ii) certain interest coverage. At December 31, 2007, NNN was in compliance with those covenants.

**Term Note** In connection with the acquisition of NAPE (see Note 22), NNN assumed a \$20,800,000 term note payable (Term Note). The principal balance on the Term Note was due in full upon June 2009. The Term Note bore interest based on a tiered rate structure to a maximum rate of 165 basis points above LIBOR. In accordance with the terms of Term Note, NNN was required to meet certain restrictive financial covenants, which among other things, required NNN to maintain certain (i) maximum leverage ratios, (ii) debt service coverage and (iii) cash flow coverage.

In October 2007, NNN repaid the outstanding principal balance on the Term Note. For the year ended December 31, 2006, the Term Note had a weighted average interest rate of 6.62%.

## **Note 11 Notes Payable Convertible:**

In September 2006, NNN filed a prospectus supplement to the prospectus contained in its February 2006 shelf registration statement and issued \$150,000,000 of 3.95% convertible senior notes due September 2027 (with a 2011 put option). Subsequently, NNN issued an additional \$22,500,000 in connection with the underwriters' over-allotment option (collectively, the Convertible Notes). The Convertible Notes were sold at par with interest payable semi-annually commencing on March 15, 2007 (effective interest rate of 3.95%).

The notes are convertible, at the option of the holder, at any time on or after September 15, 2025. Prior to September 15, 2025, holders may convert their Convertible Notes under certain circumstances. The initial conversion rate per \$1,000 principal amount of Convertible Notes was 40.9015 shares of NNN's common stock, which was equivalent to an initial conversion price of \$24.4490 per share of common stock. The initial conversion rate is subject to adjustment in certain circumstances. As a result of the increase in NNN's dividend, the conversion rate was adjusted to 41.0028, which is equivalent to a conversion price of \$24.3886. Upon conversion of each \$1,000 principal amount of Convertible Notes, NNN will settle any amounts up to the principal amount of the notes in cash and the remaining conversion value, if any, will be settled, at NNN's option, in cash, common stock or a combination thereof.

The Convertible Notes are redeemable at the option of NNN, in whole or in part, on or after September 20, 2011 for cash equal to 100 percent of the principal amount of the Convertible Notes being redeemed plus unpaid interest accrued to, but not including, the redemption date. In addition, on September 20, 2011, September 15, 2016 and September 15, 2021 note holders may require NNN to repurchase the notes for cash equal to the principal amount of the Convertible Notes to be repurchased plus accrued interest thereon.

In connection with the Convertible Note offering, NNN incurred debt issuance costs totaling \$3,850,000 consisting primarily of underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. Debt issuance costs have been

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deferred and are being amortized over the period to the earliest put option of the holders, September 20, 2011 using the effective interest method.

**Note 12 Financing Lease Obligation:**

In July 2004, NNN sold five investment properties for approximately \$26,041,000 and subsequently leased back the properties under a 10-year financing lease obligation. NNN may repurchase one or more of the properties subject to put and call options included in the financing lease. In accordance with the provisions of SFAS No. 66, Accounting for Sales of Real Estate, NNN has recognized the sale as a financing transaction. The 10-year financing lease bears an interest rate of 5.00% annually with monthly interest payments of \$109,000 and expires in June 2014 unless either the put or call option was exercised. In November 2007, NNN repurchased the properties under the agreements of the put option for approximately \$26,007,000.

**Note 13 Preferred Stock:**

The following table outlines each issuance of NNN's preferred stock (dollars in thousands):

|                                                 | Shares<br>Outstanding<br>At<br>December 31,<br>2007 | Liquidation<br>Preference<br>(per share) | Fixed Annual<br>Cash<br>Distribution<br>(per share) |
|-------------------------------------------------|-----------------------------------------------------|------------------------------------------|-----------------------------------------------------|
| Non-Voting Preferred Stock Issuance             |                                                     |                                          |                                                     |
| 9% Series A                                     | -                                                   | \$ 25.00                                 | \$ 2.25000                                          |
| 6.7% Series B Convertible                       | -                                                   | 2,500.00                                 | 167.50000                                           |
| 7.375% Series C Redeemable<br>Depositary Shares | 3,680,000                                           | 25.00                                    | 1.84375                                             |

*9% Non-Voting Series A Preferred Stock.* In December 2001, NNN issued 1,999,974 shares of 9% Non-Voting Series A Preferred Stock (the Series A Preferred Stock). Holders of the Series A Preferred Stock are entitled to receive, when and as authorized by the board of directors, cumulative preferential cash distributions at a rate of nine percent of the \$25.00 liquidation preference per annum (equivalent to a fixed annual amount of \$2.25 per share). The Series A Preferred Stock ranked senior to NNN's common stock with respect to distribution rights and rights upon liquidation, dissolution or winding up of NNN.

In January 2007, NNN redeemed all outstanding shares of Series A Preferred Stock at a redemption price of \$25.00 per share, plus all accumulated and unpaid distributions through the redemption date of \$0.20625 per share.

*6.70% Non-Voting Series B Cumulative Convertible Perpetual Preferred Stock.* In August 2003, NNN filed a prospectus supplement to its shelf registration statement and issued 10,000 shares of 6.70% Non-Voting Series B Cumulative Convertible Perpetual Preferred Stock (the Series B Convertible Preferred Stock) and received gross proceeds of \$25,000,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately \$687,000, consisting primarily of placement fees and legal and accounting fees. Holders of the Series B Convertible Preferred Stock were entitled to receive, when and as authorized by the board of directors, cumulative preferential cash distributions based on the stated rate and liquidation preferences per annum. In April 2006, the holder of NNN's Series B Convertible Preferred Stock elected to convert those 10,000 shares into 1,293,996 shares of common stock.

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*7.375% Series C Cumulative Redeemable Preferred Stock.* In October 2006, NNN filed a prospectus supplement to the prospectus contained in its February 2006 shelf registration statement and issued 3,200,000 depositary shares, each representing 1/100<sup>th</sup> of a share of 7.375% Series C Cumulative Redeemable Preferred Stock ( Series C Preferred Stock ), and received gross proceeds of \$80,000,000. In addition, NNN issued an additional 480,000 depositary shares in connection with the underwriters' over-allotment option and received gross proceeds of \$12,000,000. In connection with this offering NNN incurred stock issuance costs of approximately \$3,098,000, consisting primarily of underwriting commissions and fees, legal and accounting fees and printing expenses.

Holders of the depositary shares are entitled to receive, when and as authorized by the board of directors, cumulative preferential cash dividends at the rate of 7.375% of the \$25.00 liquidation preference per depositary share per annum (equivalent to a fixed annual amount of \$1.84375 per depositary share). The Series C Preferred Stock underlying the depositary shares ranks senior to NNN's common stock with respect to dividend rights and rights upon liquidation, dissolution or winding up of NNN. NNN may redeem the Series C Preferred Stock underlying the depositary shares on or after October 12, 2011, for cash, at a redemption price of \$2,500.00 per share (or \$25.00 per depositary share), plus all accumulated, accrued and unpaid dividends.

### **Note 14 Common Stock:**

In June 2005, NNN issued 1,636,532 shares of common stock pursuant to the acquisition of National Properties Corporation ( NAPE ) (see Note 22).

In March 2007, NNN filed a prospectus supplement to the prospectus contained in its February 2006 shelf registration statement and issued 5,000,000 shares of common stock at a price of \$24.70 per share and received net proceeds of \$118,020,000. Subsequently, in April 2007, NNN issued an additional 750,000 shares of common stock in connection with the underwriters' over-allotment option and received net proceeds of \$17,730,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately \$6,217,000, consisting primarily of underwriters' fees and commissions, legal and accounting fees and printing expenses.

In June 2007, NNN filed a registration statement on Form S-8 with the Securities and Exchange Commission which permits the issuance by NNN of up to 5,900,000 shares of common stock pursuant to NNN's 2007 Performance Incentive Plan.

In October 2007, NNN filed a prospective supplement to the prospectus contained in its February 2006 Shelf Registration Statement and issued 4,000,000 shares of common stock at a price of \$25.94 per share and received net proceeds of \$99,150,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately \$4,874,000, consisting primarily of underwriters' fees and commissions, legal and accounting fees and printing expenses.

*Dividend Reinvestment and Stock Purchase Plan.* In February 2006, NNN filed a shelf registration statement with the Securities and Exchange Commission for its Dividend Reinvestment and Stock Purchase Plan ( DRIP ) which permits the issuance by NNN of 12,191,394 shares of common stock. The following outlines the common stock issuances pursuant to the DRIP for the years ended December 31:

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|                        | 2007      | 2006      |
|------------------------|-----------|-----------|
| Shares of common stock | 2,645,257 | 3,046,408 |
| Net proceeds           | \$ 62,980 | \$ 65,722 |

**Note 15 Employee Benefit Plan:**

Effective January 1, 1998, NNN adopted a defined contribution retirement plan (the Retirement Plan) covering substantially all of the employees of NNN. The Retirement Plan permits participants to defer up to a maximum of 60 percent of their compensation, as defined in the Retirement Plan, subject to limits established by the Internal Revenue Code. NNN matches up to 60 percent of the participants' contributions based on a tiered rate structure up to a maximum of eight percent of a participant's annual compensation. NNN's contributions to the Retirement Plan for the years ended December 31, 2007, 2006 and 2005 totaled \$428,000, \$248,000, and \$194,000, respectively.

**Note 16 Dividends:**

The following presents the characterization for tax purposes of common stock dividends paid to stockholders for the years ended December 31:

|                                | 2007        | 2006        | 2005        |
|--------------------------------|-------------|-------------|-------------|
| Ordinary dividends             | \$ 1.397402 | \$ 1.150780 | \$ 1.068470 |
| Qualified dividends            | 0.000414    | -           | 0.224510    |
| Capital gain                   | 0.002184    | 0.150261    | -           |
| Unrecaptured Section 1250 Gain | -           | 0.018959    | 0.002210    |
| Nontaxable distributions       | -           | -           | 0.004810    |
|                                | \$ 1.400000 | \$ 1.320000 | \$ 1.300000 |

The following presents the characterization for tax purposes of preferred stock dividends per share paid to stockholders for the year ended December 31:

|                                     | Total       | Ordinary Dividends | Qualified Dividend | Capital Gain | Unrecaptured Section 1250 Gain |
|-------------------------------------|-------------|--------------------|--------------------|--------------|--------------------------------|
| 2007:                               |             |                    |                    |              |                                |
| Series A <sup>(1)</sup>             | \$ 0.206250 | \$ 0.205867        | \$ 0.000061        | \$ 0.000322  | \$ -                           |
| Series C                            | 1.843750    | 1.840328           | 0.000546           | 0.002876     | -                              |
| 2006:                               |             |                    |                    |              |                                |
| Series A                            | 2.250000    | 1.961557           | -                  | 0.256127     | 0.032316                       |
| Series B Convertible <sup>(1)</sup> | 41.875000   | 36.506800          | -                  | 4.766800     | 0.601400                       |
| Series C <sup>(2)</sup>             | 0.250955    | 0.218784           | -                  | 0.028567     | 0.003604                       |
| 2005:                               |             |                    |                    |              |                                |
| Series A                            | 2.250000    | 2.250000           | -                  | -            | -                              |
| Series B Convertible                | 167.500000  | 167.500000         | -                  | -            | -                              |

<sup>(1)</sup> Shares of Series A and Series B convertible are no longer outstanding.

<sup>(2)</sup> Issued in October 2006.

**Table of Contents****Note 17 Restructuring Costs:**

During the year ended December 31, 2006, NNN recorded restructuring costs of \$1,580,000, which included severance costs and accelerated vesting of restricted stock in connection with a workforce reduction in April 2006.

**Note 18 Income Taxes:**

In June 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

NNN is subject to the provisions of FIN 48 as of January 1, 2007, and has analyzed its various federal and state filing positions. NNN believes that its income tax filing positions and deductions are well documented and supported. Additionally, NNN believes that its accruals for tax liabilities are adequate. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, NNN did not record a cumulative effect adjustment related to the adoption of FIN 48.

NNN has had no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Further, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be recorded in non-operating expenses. The periods that remain open under federal statute are 2004 through 2007. NNN also files in many states with varying open years under statute.

For income tax purposes, NNN has taxable REIT subsidiaries in which certain real estate activities are conducted. Additionally, in May 2005, NNN acquired a 78.9 percent equity interest in OAMI, and has consolidated OAMI in its financial statements. OAMI, upon making its REIT election, has remaining tax liabilities relating to the built-in-gain of its assets.

NNN treats some depreciation expense and certain other items differently for tax than for financial reporting purposes. The principal differences between NNN's effective tax rates for the years ended December 31, 2007, 2006 and 2005, and the statutory rates relate to state taxes and nondeductible expenses such as meals and entertainment expenses.

The components of the net income tax asset (liability) consist of the following at December 31 (dollars in thousands):

|                                           | 2007       | 2006       |
|-------------------------------------------|------------|------------|
| Temporary differences:                    |            |            |
| Built-in-gain                             | \$ (6,768) | \$ (9,480) |
| Depreciation                              | (632)      | (600)      |
| Other                                     | 79         | 8          |
| Excess interest expense carryforward      | 5,676      | 2,010      |
| Net operating loss carryforward           | 134        | 1,961      |
| Net deferred income tax asset (liability) | \$ (1,511) | \$ (6,101) |
| Current income tax asset (payable)        | (160)      | (239)      |
| Income tax asset (liability)              | \$ (1,671) | \$ (6,340) |

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In assessing the ability to realize a deferred tax asset, management considers whether it is more likely than not that some portion or the entire deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The net operating loss carryforwards were generated by NNN's taxable REIT subsidiaries. The net operating loss carryforwards expire in 2027. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that NNN will realize all of the benefits of these deductible differences that existed as of December 31, 2007.

The income tax (expense) benefit consists of the following components for the years ended December 31 (dollars in thousands):

|                                             | 2007       | 2006       | 2005      |
|---------------------------------------------|------------|------------|-----------|
| Net earnings before income taxes            | \$ 153,849 | \$ 176,283 | \$ 92,362 |
| Provision for income tax benefit (expense): |            |            |           |
| Current:                                    |            |            |           |
| Federal                                     | (1,120)    | (1,805)    | (2,402)   |
| State and local                             | (209)      | (339)      | (451)     |
| Deferred:                                   |            |            |           |
| Federal                                     | 3,570      | 6,493      | (44)      |
| State and local                             | 1,020      | 1,873      | (65)      |
| Total provision for income taxes            | 3,261      | 6,222      | (2,962)   |
| Total net earnings                          | \$ 157,110 | \$ 182,505 | \$ 89,400 |

**Table of Contents****Note 19 Earnings from Discontinued Operations:**

Real Estate Investment Portfolio In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, NNN has classified the revenues and expenses related to (i) all Investment Properties that were sold and expired leasehold interests, and (ii) any Investment Property that was held for sale as of December 31, 2007, as discontinued operations. The following is a summary of the earnings from discontinued operations from the Investment Portfolio for each of the years ended December 31 (dollars in thousands):

|                                                                                                          | 2007             | 2006              | 2005             |
|----------------------------------------------------------------------------------------------------------|------------------|-------------------|------------------|
| <b>Revenues:</b>                                                                                         |                  |                   |                  |
| Rental income from operating leases                                                                      | \$ 4,400         | \$ 18,855         | \$ 28,059        |
| Earned income from direct financing leases                                                               | 2,267            | 5,552             | 6,645            |
| Percentage rent                                                                                          | -                | 34                | 37               |
| Real estate expense reimbursement from tenants                                                           | 318              | 1,077             | 2,448            |
| Interest and other income from real estate transactions                                                  | 624              | 505               | 390              |
|                                                                                                          | 7,609            | 26,023            | 37,579           |
| <b>Operating expenses:</b>                                                                               |                  |                   |                  |
| General and administrative                                                                               | (45)             | 97                | (66)             |
| Real estate                                                                                              | 294              | 2,848             | 6,736            |
| Depreciation and amortization                                                                            | 315              | 2,071             | 6,076            |
| Impairments real estate                                                                                  | 335              | 693               | 2,056            |
|                                                                                                          | 899              | 5,709             | 14,802           |
| <b>Other expenses (revenues):</b>                                                                        |                  |                   |                  |
| Interest and other income                                                                                | (3)              | (1)               | (14)             |
| Interest expense                                                                                         | 0                | 1,816             | 3,154            |
|                                                                                                          | (3)              | 1,815             | 3,140            |
| <b>Earnings before gain on disposition of real estate and loss on extinguishment of mortgage payable</b> | <b>6,713</b>     | <b>18,499</b>     | <b>19,637</b>    |
| Gain on disposition of real estate                                                                       | 56,625           | 91,332            | 9,816            |
| Loss on extinguishment of mortgage payable                                                               | -                | (167)             | -                |
| <b>Earnings from discontinued operations</b>                                                             | <b>\$ 63,338</b> | <b>\$ 109,664</b> | <b>\$ 29,453</b> |

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**Real Estate Inventory Portfolio** NNN has classified the revenues and expenses related to (i) its Inventory Properties, which generated rental revenues prior to disposition, and (ii) the Inventory Properties which had generated rental revenues and were held for sale as of December 31, 2007, as discontinued operations. The following is a summary of the earnings from discontinued operations from the Inventory Portfolio for each of the years ended December 31 (dollars in thousands):

|                                                          | 2007            | 2006            | 2005            |
|----------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Revenues:</b>                                         |                 |                 |                 |
| Rental income from operating leases                      | \$ 8,616        | \$ 9,235        | \$ 1,986        |
| Percentage rent                                          | -               | -               | 6               |
| Real estate expense reimbursement from tenants           | 1,008           | 311             | 69              |
| Interest and other from real estate transactions         | 224             | 336             | 899             |
|                                                          | 9,848           | 9,882           | 2,960           |
| <b>Disposition of real estate:</b>                       |                 |                 |                 |
| Gross proceeds                                           | 164,338         | 80,856          | 70,967          |
| Costs                                                    | (152,537)       | (75,076)        | (51,350)        |
| Gain                                                     | 11,801          | 5,780           | 19,617          |
| <b>Operating expenses:</b>                               |                 |                 |                 |
| General and administrative                               | 78              | 57              | 8               |
| Real estate                                              | 1,504           | 389             | 318             |
| Depreciation and amortization                            | 68              | 8               | 21              |
| Impairments real estate                                  | 844             | -               | -               |
|                                                          | 2,494           | 454             | 347             |
| <b>Other expenses (revenues):</b>                        |                 |                 |                 |
| Interest and other income                                | (5)             | -               | (1)             |
| Interest expense                                         | 3,928           | 1,049           | 815             |
| Earnings before income tax expense and minority interest | 15,232          | 14,159          | 21,416          |
| Income tax expense                                       | (5,276)         | (4,984)         | (5,844)         |
| Minority interest                                        | (1,334)         | (1,029)         | (6,021)         |
| <b>Earnings from discontinued operations</b>             | <b>\$ 8,622</b> | <b>\$ 8,146</b> | <b>\$ 9,551</b> |

**Real Estate Impairment** NNN reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Events or circumstances that may occur include changes in real estate market conditions, the ability of NNN to re-lease properties that are currently vacant or become vacant, and the ability to sell properties at an attractive return. Generally, NNN makes a provision for impairment loss if estimated future undiscounted operating cash flows plus estimated disposition proceeds are less than the current book value. Impairment losses are measured as the amount by which the current book value of the asset exceeds the estimated fair value of the asset. After such review, NNN recognized a \$335,000, \$693,000 and \$2,056,000 impairment in discontinued operations in the Investment Portfolio during the years ended December 31, 2007, 2006 and 2005, respectively. Additionally, NNN recognized an \$844,000 impairment in discontinued operations in the Inventory Portfolio during the year ended December 31, 2007. NNN had no impairments in the Inventory Portfolio for the years ended December 31, 2006 and 2005.

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**Note 20 Derivatives:**

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by SFAS No. 133, NNN records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

NNN's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, NNN primarily uses treasury locks and interest rate swaps as part of its cash flow hedging strategy. Treasury locks designated as cash flow hedges lock in the yield or price of a treasury security. Treasury locks are cash settled either as a cash inflow or outflow, depending on movements in interest rates. Interest rate swaps designated as cash flow hedges involve the receipt of variable rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. To date, such derivatives have been used to hedge the variable cash flows associated with floating rate debt and forecasted interest payments of a forecasted issuance of debt.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings.

NNN discontinues hedge accounting prospectively when it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is re-designated as a hedging instrument or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued, NNN continues to carry the derivative at its fair value on the balance sheet, and recognizes any changes in its fair value in earnings or may choose to cash settle the derivative at that time.

NNN is hedging its exposure to the variability in future cash flows for forecasted transactions over a maximum period of 6 months (excluding forecasted transactions related to the payment of variable interest on existing financial instruments).

In September 2007, NNN terminated two interest rate hedges with a combined notional amount of \$100,000,000 that were hedging the risk of changes in forecasted interest payments on a forecasted issuance of long-term debt. The fair value of the interest rate hedges when terminated was a liability of \$3,260,000, of which \$3,228,000 was deferred in other comprehensive income.

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In June 2004, NNN terminated its forward-starting interest rate swaps with a notional amount of \$94,000,000 that was hedging the risk of changes in forecasted interest payments on a forecasted issuance of long-term debt. The fair value of the interest rate swaps when terminated was an asset of \$4,148,000, which was deferred in other comprehensive income.

As of December 31, 2007, \$229,000 remains in other comprehensive income related to the fair value of the interest rate hedges. During the year ended December 31, 2007 and 2006, NNN reclassified \$309,000 and \$345,000, respectively, out of other comprehensive income as a reduction to interest expense. During 2008, NNN estimates that an additional \$162,000 will be reclassified to interest expense. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on NNN's long-term debt.

As of December 31, 2007 NNN has one interest rate hedge with a positive fair value of \$109,000 included in other liabilities. NNN recorded an immaterial amount of hedge ineffectiveness on cash flow hedges as interest expense during the year ended December 31, 2007.

Additionally, NNN does not use derivatives for trading or speculative purposes or currently have any derivatives that are not designated as hedges. NNN had no derivative financial instruments outstanding at December 31, 2006.

**Note 21 Performance Incentive Plan:**

In June 2007, NNN filed a registration statement on Form S-8 with the Securities and Exchange Commission which permits the issuance of up to 5,900,000 shares of common stock pursuant to NNN's 2007 Performance Incentive Plan (the "2007 Plan"). The 2007 Plan replaces NNN's previous Performance Incentive Plan. The 2007 Plan allows NNN to award or grant to key employees, directors and persons performing consulting or advisory services for NNN or its affiliates, stock options, stock awards, stock appreciation rights, Phantom Stock Awards, Performance Awards and Leveraged Stock Purchase Awards, each as defined in the 2007 Plan. The following summarizes NNN's stock-based compensation activity for each of the years ended December 31:

|                          | Number of Shares |           |           |
|--------------------------|------------------|-----------|-----------|
|                          | 2007             | 2006      | 2005      |
| Outstanding, January 1   | 236,371          | 461,175   | 639,765   |
| Options granted          | -                | -         | -         |
| Options exercised        | (82,767)         | (224,804) | (173,280) |
| Options surrendered      | (34,800)         | -         | (5,310)   |
| Outstanding, December 31 | 118,804          | 236,371   | 461,175   |
| Exercisable, December 31 | 118,804          | 236,371   | 457,000   |

The following represents the weighted average option exercise price information for each of the years ended December 31:

|                           | 2007     | 2006     | 2005     |
|---------------------------|----------|----------|----------|
| Outstanding, January 1    | \$ 14.92 | \$ 15.66 | \$ 15.33 |
| Granted during the year   | -        | -        | -        |
| Exercised during the year | 16.12    | 16.43    | 14.48    |
| Outstanding, December 31  | 13.64    | 14.92    | 15.66    |
| Exercisable, December 31  | 13.64    | 14.92    | 15.67    |

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The following summarizes the outstanding options and the exercisable options at December 31, 2007:

|                                                      | Option Price Range |           |          |
|------------------------------------------------------|--------------------|-----------|----------|
|                                                      | \$10.1875          | \$14.5700 |          |
|                                                      | to                 | To        |          |
|                                                      | \$13.6875          | \$17.3750 | Total    |
| <b>Outstanding options:</b>                          |                    |           |          |
| Number of shares                                     | 52,600             | 66,204    | 118,804  |
| Weighted-average exercise price                      | \$ 11.32           | \$ 15.49  | \$ 13.64 |
| Weighted-average remaining contractual life in years | 2.64               | 3.96      | 3.38     |
| <b>Exercisable options:</b>                          |                    |           |          |
| Number of shares                                     | 52,600             | 66,204    | 118,804  |
| Weighted-average exercise price                      | \$ 11.32           | \$ 15.49  | \$ 13.64 |

One-third of the option grant to each individual becomes exercisable at the end of each of the first three years of service following the date of the grant and the options maximum term is 10 years. At December 31, 2007, the intrinsic value of options outstanding was \$1,038,000. All options outstanding at December 31, 2007, were exercisable. During the years ended December 31, 2007, 2006 and 2005, NNN received proceeds totaling \$1,334,000, \$3,694,000 and \$2,509,000, respectively, in connection with the exercise of options. NNN issued new common stock to satisfy share option exercises. The total intrinsic value of options exercised during the year ended December 31, 2007, 2006 and 2005, was \$664,000, \$1,300,000 and \$1,026,000, respectively.

Pursuant to the 2007 Plan, NNN has granted and issued shares of restricted stock to certain officers, directors and key associates of NNN. The following summarizes the activity for the year ended December 31, 2007 of such grants.

|                                           | Number of Shares | Weighted Average Share Price |
|-------------------------------------------|------------------|------------------------------|
| Non-vested restricted shares, January 1   | 284,689          | \$ 18.44                     |
| Restricted shares granted                 | 206,719          | 20.16                        |
| Restricted shares vested                  | (96,047)         | 17.59                        |
| Restricted shares forfeited               | (8,600)          | 21.18                        |
| Non-vested restricted shares, December 31 | 386,761          | 19.51                        |

In May 2006, NNN accelerated the vesting and immediately vested 33,661 shares of restricted stock held by certain officers and resulted in the recognition of \$557,000 of additional compensation expense for the year ended December 31, 2006. These shares would have otherwise vested through January 2009.

During the years ended December 31, 2007 and 2005, NNN cancelled 8,600 and 30,135 shares, respectively, of restricted stock. No restricted stock was cancelled in 2006.

Compensation expense for the restricted stock which is not tied to performance goals is determined based upon the fair value at the date of grant, assuming a 1.3% forfeiture rate, and is recognized as the greater of the amount amortized over a straight lined basis or the amount vested over the vesting periods. Vesting periods for officers and key associates of NNN range from four to seven years and generally vest yearly on a straight line basis. Vesting periods for directors are over a two year period and vest yearly on a straight line basis.

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During the year ended December 31, 2007, NNN granted 79,000 performance based shares with a weighted average grant price of \$12.94 to certain executive officers of NNN. The compensation expense for the grant is based upon the fair value of the grant lattice model with the following assumptions: (i) risk free interest rate of 4.8%, (ii) a dividend rate of 5.3%, (iii) a term of five years, and (iv) volatility of 17.5%. Volatility is based upon the historical volatility of NNN's stock and other factors. The term is assumed to be the vesting date for each tranche. The vesting of these shares is contingent upon achievement of certain performance goals by January 1, 2012.

During the year ended December 31, 2005, NNN granted 38,273 performance based shares with a weighted average grant price of \$11.23 to certain executive officers of NNN. Compensation expense for the grant is based upon the fair value of the grant calculated by a third party using a Monte Carlo Simulation model coupled with a binomial lattice model using the following assumptions: (i) average interest rate of 4.43%, (ii) \$0.01 increase in annual dividend, (iii) expected life of five years, and (iv) volatility of 21.26%. Volatility is based upon the historical volatility of NNN's stock and other factors. The term is assumed to be the vesting date for each tranche. Vesting of these shares is contingent upon achievement of certain performance goals by January 1, 2010. As of December 31, 2007, 15,309 of these shares have vested as a result of the achievement of certain of these performance goals.

The following summarizes other grants made during the year ended December 31, 2007, pursuant to the 2000 Plan.

|                                                                  | Shares    | Weighted<br>Average<br>Share Price |
|------------------------------------------------------------------|-----------|------------------------------------|
| Other share grants under the 2007 Plan:                          |           |                                    |
| Directors' fees                                                  | 7,750     | 23.54                              |
| Deferred Directors' fees                                         | 16,346    | 23.59                              |
| Non-restricted grant                                             | 4,400     | 24.70                              |
|                                                                  | 28,496    | 23.75                              |
| Shares available under the 2007 Plan for grant,<br>end of period |           |                                    |
|                                                                  | 2,964,191 |                                    |

The total compensation cost for share-based payments for the years ended December 31, 2007, 2006 and 2005, totaled \$2,583,000, \$3,766,000 and \$2,156,000, respectively, of such compensation expense. At December 31, 2007, NNN had \$5,321,000 of unrecognized compensation cost related to non-vested share-based compensation arrangements under the 2007 Plan. This cost is expected to be recognized over a weighted average period of 3.1 years.

**Note 22 Business Combinations:**

Orange Avenue Mortgage Investments, Inc. On May 2, 2005, NNN exercised its option to acquire 78.9 percent of the common shares of OAMI for \$9,379,000. In December 2004, OAMI sold its loan origination, securitization and servicing operations and the majority of its assets and liabilities to a third party, resulting in OAMI becoming a passive owner in a pool of seven commercial real estate loan securitization residual interests. The loans in each of the securitizations are secured by first mortgages on commercial real estate and generally borrower personal guarantees. As a result of the option exercise, NNN has consolidated OAMI in its consolidated financial statements.

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In accordance with SFAS 141, NNN recorded the assets and liabilities of OAMI at fair value. NNN recognized an extraordinary gain of \$14,786,000, equal to the excess fair value over the option price, as all assets acquired were financial assets and current assets.

The following table summarizes the extraordinary gain recognized by NNN (dollars in thousands) during the year ended December 31, 2005:

|                                    |    |         |
|------------------------------------|----|---------|
| NNN's share of net assets acquired | \$ | 24,434  |
| Less option price                  |    | (9,379) |
| Basis of option                    |    | (269)   |
| Extraordinary gain                 | \$ | 14,786  |

NNN's net earnings for the year ended December 31, 2005, includes 78.9 percent of OAMI's net earnings since the date of the acquisition in the amount of \$1,411,000.

Between June 2001 and July 2003, a wholly owned subsidiary of NNN, Net Lease Funding, Inc. (NLF), entered into five limited liability company agreements with OAMI to create five limited liability companies (collectively, the LLCs). Kevin B. Habicht, an officer and director of NNN, is an officer, director and indirect stockholder of OAMI. Craig Macnab, an officer and director of NNN and Julian E. Whitehurst, an officer of NNN, are each an officer and director of OAMI. Each of the LLCs holds an interest in mortgage loans and is 100 percent equity financed. Prior to the acquisition of the 78.9 percent equity interest in OAMI, NNN held a non-voting and non-controlling interest in each of the LLCs ranging between 36.7 and 44.0 percent and accounted for its investment under the equity method of accounting (see Note 6).

As a result of NNN's acquisition of 78.9 percent equity interest in OAMI, NNN's interest in the LLCs is no longer accounted for as an equity investment and is now included as part of OAMI in NNN's consolidated financial statements. In addition, certain officers and directors of NNN own preferred shares of OAMI.

Prior to the acquisition of 78.9 percent equity interest in OAMI, NNN received \$2,749,000 and \$10,562,000 in distributions from the LLCs during the years ended December 31, 2005 and 2004, respectively. For the years ended December 31, 2005 and 2004, NNN recognized \$1,467,000 and \$5,042,000 of earnings, respectively, from the LLCs.

In 2003, in connection with a loan to OAMI, NNN pledged a portion of its interest in two of the LLCs as partial collateral for the notes payable-secured (see Note 9).

In connection with the independent valuations of the Residuals' fair value, NNN reduced the carrying value of the Residuals to reflect such fair value at December 31, 2007, 2006 and 2005. The reduction in the Residuals' value that related to the Residuals acquired at the time of the option exercise was recorded as a purchase price allocation adjustment.

NNN merged certain of its wholly owned subsidiaries into National Retail Properties, Inc. and elected to convert OAMI to a REIT. As a result, effective January 1, 2005, OAMI was taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and related regulations. Upon making the REIT conversion, \$3,453,000 of OAMI's tax liability was eliminated and recorded as an adjustment to the net assets acquired at the time of the option exercise. The remaining tax liability will be reduced over the next ten years in proportion to the reduction of the basis of the respective commercial mortgage residual interests.

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**National Properties Corporation** On June 16, 2005, NNN acquired 100 percent of National Properties Corporation ( NAPE ), a publicly traded company, which owned 43 freestanding properties located in 12 states. Results of NAPE operations have been included in the consolidated financial statements since the date of acquisition. NAPE stockholders received 1,636,532 newly issued shares of NNN's common stock.

NNN's net earnings for the year ended December 31, 2005, includes NAPE's net earnings since the date of acquisition in the amount of \$1,867,000.

### **Note 23 Fair Value of Financial Instruments:**

NNN believes the carrying value of its Credit Facility approximates fair value based upon its nature, terms and variable interest rate. NNN believes that the carrying value of its cash and cash equivalents, restricted cash, mortgages, notes and accrued interest receivable, receivables, mortgages payable, note payable secured, accrued interest payable, financing lease obligation and other liabilities at December 31, 2007 and 2006, approximate fair value based upon current market prices of similar issues. At December 31, 2007 and 2006, the fair value of NNN's notes and convertible notes, collectively, was \$921,507,000 and \$690,198,000, respectively, based upon the quoted market price.

### **Note 24 Related Party Transactions:**

For additional related party disclosures see Note 4 and Note 22.

In June 2005, James M. Seneff, Jr. and Robert A. Bourne each retired from the Board of Directors ( Retired Directors ).

NNN has revolving lines of credit with the TRS that allow for an aggregate borrowing capacity of \$280,000,000, as of December 31, 2007. The lines of credit each bear interest at 75 percent of the Prime rate plus 4.10% per annum and expire on May 8, 2009 and are secured by a pledge of the real estate and/or the other assets owned by the respective borrower. The outstanding aggregate principal balance of the lines of credit at December 31, 2007 and 2006 was \$220,515,000 and \$208,395,000, and bore interest at a rate of 9.54% and 10.29%, respectively. In connection with the lines of credit from the TRS, NNN earned \$15,851,000, \$16,287,000 and \$3,511,000 in interest and fees during the years ended December 31, 2007, 2006 and 2005, respectively, each of which was eliminated in consolidation.

In 2005, NNN provided disposition and development services to an affiliate of the Retired Directors. In connection therewith, NNN received an aggregate of \$886,000 in fees during the years ended December 31, 2005. There were no fees recognized during the years ended December 31, 2007 and 2006.

In 2002, NNN extended the maturity dates to dates between June and December 2007 of four mortgages securing an original aggregate principal indebtedness totaling \$8,514,000 from affiliates of the Retired Directors. In June 2005, NNN received the outstanding principal balance for three of the mortgage loans. In July 2005, NNN received the entire outstanding principal balance for the remaining mortgage loan. In connection therewith, NNN recorded \$96,000, as interest and other income from real estate transactions during the year ended December 31, 2005.

**Table of Contents****Note 25 Quarterly Financial Data (unaudited):**

The following table outlines NNN's quarterly financial data (dollars in thousands, except per share data):

|                                         | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|-----------------------------------------|------------------|-------------------|------------------|-------------------|
| 2007                                    |                  |                   |                  |                   |
| Revenues as originally reported         | \$ 42,713        | \$ 46,421         | \$ 47,783        | \$ 52,565         |
| Reclassified to discontinued operations | (2,269)          | (679)             | (123)            | -                 |
| Adjusted revenue                        | \$ 40,444        | \$ 45,742         | \$ 47,660        | \$ 52,565         |
| Net earnings                            | \$ 26,704        | 48,655            | 47,386           | 34,365            |
| Net earnings per share <sup>(1)</sup> : |                  |                   |                  |                   |
| Basic                                   | \$ 0.41          | \$ 0.71           | \$ 0.68          | \$ 0.46           |
| Diluted                                 | 0.41             | 0.70              | 0.68             | 0.46              |
| 2006                                    |                  |                   |                  |                   |
| Revenues as originally reported         | \$ 37,026        | \$ 37,570         | \$ 37,966        | \$ 41,578         |
| Reclassified to discontinued operations | (3,760)          | (3,725)           | (3,009)          | (2,490)           |
| Adjusted revenue                        | \$ 33,266        | \$ 33,845         | \$ 34,957        | \$ 39,088         |
| Net earnings                            | \$ 23,448        | \$ 80,201         | \$ 21,455        | \$ 57,401         |
| Net earnings per share <sup>(1)</sup> : |                  |                   |                  |                   |
| Basic                                   | \$ 0.40          | \$ 1.38           | \$ 0.35          | \$ 0.93           |
| Diluted                                 | 0.39             | 1.37              | 0.35             | 0.93              |

<sup>(1)</sup> Calculated independently for each period and consequently, the sum of the quarters may differ from the annual amount.

**Table of Contents****Note 26 Segment Information:**

NNN has identified two primary financial segments: (i) Investment Assets and (ii) Inventory Assets. The following tables represent the segment data and reconciliation to NNN's consolidated totals for the years ended December 31, 2007, 2006 and 2005 (dollars in thousands):

|                                                                | Investment<br>Assets | Inventory<br>Assets | Eliminations<br>(Intercompany) | Consolidated<br>Totals |
|----------------------------------------------------------------|----------------------|---------------------|--------------------------------|------------------------|
| 2007                                                           |                      |                     |                                |                        |
| External revenues                                              | \$ 177,596           | \$ 327              | \$ -                           | \$ 177,923             |
| Intersegment revenues                                          | 15,851               | -                   | (15,851)                       | -                      |
| Interest revenue                                               | 8,319                | 40                  | -                              | 8,359                  |
| Interest revenue on commercial mortgage residuals<br>interests | 4,882                | -                   | -                              | 4,882                  |
| Gain on the disposition of real estate, Inventory<br>Portfolio | -                    | 332                 | -                              | 332                    |
| Interest expense                                               | 55,633               | 8,502               | (14,849)                       | 49,286                 |
| Depreciation and amortization                                  | 32,484               | 109                 | -                              | 32,593                 |
| Operating expenses                                             | 24,109               | 7,705               | -                              | 31,814                 |
| Impairments real estate                                        | 1,302                | 128                 | (1)                            | 1,429                  |
| Equity in earnings of                                          |                      |                     |                                |                        |
| unconsolidated affiliates                                      | (1,334)              | -                   | 1,383                          | 49                     |
| Income tax benefit                                             | 2,675                | 5,862               | -                              | 8,537                  |
| Minority interest                                              | (689)                | 879                 | -                              | 190                    |
| Earnings (loss) from continuing operations                     | 93,772               | (9,004)             | 382                            | 85,150                 |
| Earnings from discontinued operations                          | 63,338               | 7,778               | 844                            | 71,960                 |
| Net earnings (loss)                                            | \$ 157,110           | \$ (1,226)          | \$ 1,226                       | \$ 157,110             |
| Assets                                                         | \$ 2,519,360         | \$ 263,369          | \$ (243,124)                   | \$ 2,539,605           |
| Additions to long-lived assets:                                |                      |                     |                                |                        |
| Real estate                                                    | \$ 677,101           | \$ 165,160          | \$ -                           | \$ 842,261             |

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|                                                             | Investment<br>Assets | Inventory<br>Assets | Eliminations<br>(Intercompany) | Consolidated<br>Totals |
|-------------------------------------------------------------|----------------------|---------------------|--------------------------------|------------------------|
| 2006                                                        |                      |                     |                                |                        |
| External revenues                                           | \$ 130,230           | \$ 441              | \$ -                           | \$ 130,671             |
| Intersegment revenues                                       | 16,379               | -                   | (16,379)                       | -                      |
| Interest revenue                                            | 6,972                | 61                  | -                              | 7,033                  |
| Interest revenue on commercial mortgage residuals interests | 7,268                | -                   | -                              | 7,268                  |
| Gain on the disposition of real estate, Inventory Portfolio | -                    | 8,000               | -                              | 8,000                  |
| Interest expense                                            | 48,801               | 12,352              | (15,281)                       | 45,872                 |
| Depreciation and amortization                               | 22,386               | 59                  | -                              | 22,445                 |
| Operating expenses                                          | 22,103               | 10,189              | (2)                            | 32,290                 |
| Impairments real estate                                     | 8,779                | -                   | -                              | 8,779                  |
| Equity in earnings of unconsolidated affiliates             | (2,677)              | -                   | 2,799                          | 122                    |
| Gain on disposition of equity investment                    | 11,335               | 38                  | -                              | 11,373                 |
| Income tax benefit                                          | 5,050                | 6,156               | -                              | 11,206                 |
| Minority interest                                           | 353                  | (1,945)             | -                              | (1,592)                |
| Earnings (loss) from continuing operations                  | 72,841               | (9,849)             | 1,703                          | 64,695                 |
| Earnings from discontinued operations                       | 109,664              | 7,955               | 191                            | 117,810                |
| Net earnings (loss)                                         | \$ 182,505           | \$ (1,894)          | \$ 1,894                       | \$ 182,505             |
| Assets                                                      | \$ 1,910,003         | \$ 242,466          | \$ (234,971)                   | \$ 1,917,498           |
| Additions to long-lived assets:                             |                      |                     |                                |                        |
| Real estate                                                 | \$ 352,549           | \$ 195,956          | \$ -                           | \$ 548,505             |
| 2005                                                        |                      |                     |                                |                        |
| External revenues                                           | \$ 96,550            | \$ 1,240            | \$ -                           | \$ 97,790              |
| Intersegment revenues                                       | 3,511                | -                   | (3,511)                        | -                      |
| Interest revenue                                            | 5,702                | 436                 | -                              | 6,138                  |
| Interest revenue on commercial mortgage residuals interests | 7,349                | -                   | -                              | 7,349                  |
| Gain on the disposition of real estate, Inventory Portfolio | -                    | 2,010               | -                              | 2,010                  |
| Interest expense                                            | 32,554               | 3,335               | (2,580)                        | 33,309                 |
| Depreciation and amortization                               | 16,031               | 221                 | -                              | 16,252                 |
| Operating expenses                                          | 18,629               | 9,395               | (9)                            | 28,015                 |
| Equity in earnings of unconsolidated affiliates             | 2,859                | (40)                | (1,610)                        | 1,209                  |
| Impairments real estate                                     | 4,055                | -                   | -                              | 4,055                  |
| Income tax benefit                                          | 835                  | 2,047               | -                              | 2,882                  |
| Minority interest                                           | (378)                | 240                 | -                              | (138)                  |
| Earnings (loss) from continuing operations                  | 45,161               | (7,018)             | (2,532)                        | 35,611                 |
| Earnings from discontinued operations                       | 29,453               | 8,629               | 921                            | 39,003                 |
| Extraordinary gain                                          | 14,786               | -                   | -                              | 14,786                 |
| Net earnings                                                | \$ 89,400            | \$ 1,611            | \$ (1,611)                     | \$ 89,400              |
| Assets                                                      | \$ 1,729,778         | \$ 137,291          | \$ (130,481)                   | \$ 1,736,588           |
| Additions to long-lived assets:                             |                      |                     |                                |                        |
| Real estate                                                 | \$ 267,797           | \$ 137,286          | \$ -                           | \$ 405,083             |

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**Note 27 Major Tenants:**

In the year ended December 31, 2005, NNN recorded rental and earned income from one of its tenants, the United States of America, of \$18,827,000. The rental and earned income from the United States of America represented more than 10 percent of NNN's rental and earned income for the year ended December 2005. As of December 31, 2007 and 2006, NNN did not have any one tenant that accounts for ten percent or more of its rental and earned income.

**Note 28 Commitments and Contingencies:**

As of December 31, 2007, NNN had letters of credit totaling \$2,685,000 outstanding under its Credit Facility.

In the ordinary course of its business, NNN is a party to various other legal actions which management believes is routine in nature and incidental to the operation of the business of NNN. Management believes that the outcome of the proceedings will not have a material adverse effect upon its operations, financial condition or liquidity.

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### **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### **Process for Assessment and Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting.**

NNN carried out an assessment as of December 31, 2007 of the effectiveness of the design and operation of its disclosure controls and procedures and its internal control over financial reporting. This assessment was done under the supervision and with the participation of management, including NNN's Chief Executive Officer and Chief Financial Officer. Rules adopted by the Commission require NNN to present the conclusions of the Chief Executive Officer and Chief Financial Officer about the effectiveness of NNN's disclosure controls and procedures and the conclusions of NNN's management about the effectiveness of NNN's internal control over financial reporting as of the end of the period covered by this annual report.

*CEO and CFO Certifications.* Included as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K are forms of Certification of NNN's Chief Executive Officer and Chief Financial Officer. The forms of Certification are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This section of the Annual Report on Form 10-K that you are currently reading is the information concerning the assessment referred to in the Section 302 certifications and this information should be read in conjunction with the Section 302 certifications for a more complete understanding of the topics presented.

*Disclosure Controls and Procedures and Internal Control over Financial Reporting.* Disclosure controls and procedures are designed with the objective of providing reasonable assurance that information required to be disclosed in NNN's reports filed or submitted under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures are also designed with the objective of providing reasonable assurance that such information is accumulated and communicated to NNN's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal control over financial reporting is a process designed by, or under the supervision of, NNN's Chief Executive Officer and Chief Financial Officer, and affected by NNN's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ( GAAP ) and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of NNN's assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that NNN's receipts and expenditures are being made in accordance with authorizations of management or the Board of Directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NNN's assets that could have a material adverse effect on NNN's financial statements.

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*Scope of the Assessments.* The assessment by NNN's Chief Executive Officer and Chief Financial Officer of NNN's disclosure controls and procedures and the assessment by NNN's management, including NNN's Chief Executive Officer and Chief Financial Officer, of NNN's internal control over financial reporting included a review of procedures and discussions with NNN's management and others at NNN. In the course of the assessments, NNN sought to identify data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken.

NNN's internal control over financial reporting is also assessed on an ongoing basis by personnel in NNN's Accounting department and by NNN's internal auditors in connection with their internal audit activities. The overall goals of these various assessment activities are to monitor NNN's disclosure controls and procedures and NNN's internal control over financial reporting and to make modifications as necessary. NNN's intent in this regard is that the disclosure controls and procedures and the internal control over financial reporting will be maintained and updated (including with improvements and corrections) as conditions warrant. Management also sought to deal with other control matters in the assessment, and in each case if a problem was identified, management considered what revision, improvement and/or correction was necessary to be made in accordance with NNN's on-going procedures. The assessments of NNN's disclosure controls and procedures and NNN's internal control over financial reporting is done on a quarterly basis so that the conclusions concerning effectiveness of those controls can be reported in NNN's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K.

### **Assessment of Effectiveness of Disclosure Controls and Procedures.**

Based upon the assessments, NNN's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2007, NNN's disclosure controls and procedures were effective.

### **Management's Report on Internal Control over Financial Reporting.**

Management, including NNN's Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting for NNN. Management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework to assess the effectiveness of NNN's internal control over financial reporting. Based upon the assessments, NNN's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2007, NNN's internal control over financial reporting was effective. NNN's independent registered public accounting firm has audited the consolidated financial statements in this Annual Report on Form 10-K and have issued an attestation report on management's assessment of NNN's internal control over financial reporting and its opinion on the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

### **Changes in Internal Control over Financial Reporting.**

During the three months ended December 31, 2007, there were no changes in NNN's internal control over financial reporting that has materially affected, or are reasonably likely to materially affect, NNN's internal control for financial reporting.

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### **Limitations on the Effectiveness of Controls.**

Management, including NNN's Chief Executive Officer and Chief Financial Officer, do not expect that NNN's disclosure controls and procedures or NNN's internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within NNN have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### **Item 9B. Other Information.**

None.

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### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the sections thereof captioned Proposal I: Election of Directors Nominees, Proposal I: Election of Directors Executive Officers, Proposal I: Election of Directors Code of Business Conduct and Security Ownership, and the information in such sections is incorporated herein by reference.

#### **Item 11. Executive Compensation**

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the sections thereof captioned Proposal I: Election of Directors Compensation of Directors, Executive Compensation and Compensation Committee Report, and the information in such sections are incorporated herein by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the section thereof captioned Executive Compensation Equity Compensation Plan Information, and Security Ownership, and the information in such sections are incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the section thereof captioned Certain Transactions and the information in such section is incorporated herein by reference.

#### **Item 14. Principal Accountant Fees and Services**

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the section thereof captioned Audit Committee Report, and the information in such section is incorporated herein by reference.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as part of this report.

(1) Financial Statements

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Earnings for the years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedule III Real Estate and Accumulated Depreciation and Amortization and Notes as of December 31, 2007

Schedule IV Mortgage Loans on Real Estate and Notes as of December 31, 2007

All other schedules are omitted because they are not applicable or because the required information is shown in the financial statements or the notes thereto.

(3) Exhibits

The following exhibits are filed as a part of this report.

3. Articles of Incorporation and By-laws

- |     |                                                                                                                                                                                                                                                                                                                                                                         |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | First Amended and Restated Articles of Incorporation of the Registrant, as amended (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 1, 2006, and incorporated herein by reference).                                                                                                                                                       |
| 3.2 | Articles Supplementary Establishing and Fixing the Rights and Preferences of 7.375% Series C Cumulative Preferred Stock, par value \$0.01 per share, dated October 11, 2006 (filed as Exhibit 3.2 to the Registrant's Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference). |
| 3.3 | Third Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated May 1, 2006, and incorporated herein by reference).                                                                                                                                                                          |

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4. Instruments Defining the Rights of Security Holders, Including Indentures
  - 4.1 Specimen Certificate of Common Stock, par value \$0.01 per share, of the Registrant (filed as Exhibit 3.4 to the Registrant's Registration Statement No. 1-11290 on Form 8-B and incorporated herein by reference).
  - 4.2 Indenture, dated as of March 25, 1998, between the Registrant and First Union National Bank, as trustee (filed as Exhibit 4.4 to the Registrant's Form S-3 (Registration No. 333-132095) filed with the Securities and Exchange Commission on February 28, 2006, and incorporated herein by reference).
  - 4.3 Form of Supplemental Indenture No. 1 dated March 25, 1998, by and among Registrant and First Union National Bank, Trustee, relating to \$100,000,000 of 7.125% Notes due 2008 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated March 20, 1998, and incorporated herein by reference).
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  - 4.6 Form of 8.5% Notes due 2010 (filed as Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated September 20, 2000, and incorporated herein by reference).
  - 4.7 Form of Supplemental Indenture No. 4 dated as of May 30, 2002, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$50,000,000 of 7.75% Notes due 2012 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated June 4, 2002, and incorporated herein by reference).
  - 4.8 Form of 7.75% Notes due 2012 (filed as Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated June 4, 2002, and incorporated herein by reference).
  - 4.9 Form of Supplemental Indenture No. 5 dated as of June 18, 2004, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$150,000,000 of 6.25% Notes due 2014 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated June 15, 2004, and incorporated herein by reference).
  - 4.10 Form of 6.25% Notes due 2014 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated June 15, 2004, and incorporated herein by reference).

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- 4.11 Form of Supplemental Indenture No. 6 dated as of November 17, 2005, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$150,000,000 of 6.15% Notes due 2015 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated November 14, 2005, and incorporated herein by reference).
- 4.12 Seventh Supplemental Indenture, dated as of September 13, 2006, between National Retail Properties, Inc. and U.S. Bank National Association (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated September 7, 2006, and incorporated herein by reference).
- 4.13 Form of 6.15% Notes due 2015 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated November 14, 2005, and incorporated herein by reference).
- 4.14 Form of 3.95% Convertible Senior Notes due 2026 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated September 7, 2006, and incorporated herein by reference).
- 4.15 Specimen certificate representing the 7.375% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share, of the Registrant (filed as Exhibit 4.4 to the Registrant's Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference).
- 4.16 Deposit Agreement, among the Registrant, American Stock Transfer & Trust Company, as Depositary, and the holders of depositary receipts (filed as Exhibit 4.18 to the Registrant's Form 10-Q filed with the Securities and Exchange Commission on November 6, 2006, and incorporated herein by reference).
- 4.17 Form of 6.875% Notes due 2017 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated September 4, 2007 and incorporated herein by reference).
- 4.18 Form of Eighth Supplemental Indenture between National Retail Properties, Inc. and U.S. Bank National Association (filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K dated September 4, 2007, and incorporated hereby by reference).

## 10. Material Contracts

- 10.1 2000 Performance Incentive Plan (filed as Exhibit 99 to the Registrant's Registration Statement No. 333-64794 on Form S-8 and incorporated herein by reference).
- 10.2 Form of Restricted Stock Agreement between NNN and the Participant of NNN (filed as Exhibit 10.2 to the Registrant's Form 10-K dated March 14, 2005, and filed with the Securities and Exchange Commission on March 15, 2005, and incorporated herein by reference).

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|      |                                                                                                                                                                                                                                                                                                                                                                 |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.3 | Employment Agreement dated May 16, 2006, between the Registrant and Craig Macnab (filed as Exhibit 10.3 to the Registrant's Form 10-Q filed with the Securities and Exchange Commission on August 3, 2006, and incorporated herein by reference).                                                                                                               |
| 10.4 | Employment Agreement dated August 17, 2006, between the Registrant and Julian E. Whitehurst (filed as Exhibit 10.1 to the Registrant's Form 8-K dated August 17, 2006, and filed with the Securities and Exchange Commission on August 22, 2006, and incorporated herein by reference).                                                                         |
| 10.5 | Employment Agreement dated August 17, 2006, as amended, between the Registrant and Kevin B. Habicht (filed as Exhibit 10.2 to the Registrant's Form 8-K dated August 17, 2006, and filed with the Securities and Exchange Commission on August 22, 2006, and incorporated herein by reference).                                                                 |
| 10.6 | Eighth Amended and Restated Line of Credit and Security Agreement, dated December 13, 2005, by and among Registrant, certain lenders and Wachovia Bank, N.A., as the Agent, relating to a \$300,000,000 loan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated December 15, 2005, and incorporated herein by reference).              |
| 10.7 | First Amendment to Eighth Amended and Restated Line of Credit and Security Agreement, dated February 20, 2007, by and among Registrant, certain lenders and Wachovia Bank, N.A., as the Agent, relating to a \$300,000,000 loan (filed as Exhibit 10.8 with the Securities and Exchange Commission on February 21, 2007, and incorporated herein by reference). |
| 10.8 | Employment Agreement dated January 2, 2007, between the Registrant and Paul Bayer (filed herewith).                                                                                                                                                                                                                                                             |
| 10.9 | Employment Agreement dated January 2, 2007, between Christopher P. Tessitore (filed herewith).                                                                                                                                                                                                                                                                  |
| 12.  | Statement of Computation of Ratios of Earnings to Fixed Charges (filed herewith).                                                                                                                                                                                                                                                                               |
| 21.  | Subsidiaries of the Registrant (filed herewith).                                                                                                                                                                                                                                                                                                                |
| 23.  | Consent of Independent Accountants                                                                                                                                                                                                                                                                                                                              |
| 23.1 | Ernst & Young LLP dated February 22, 2008 (filed herewith).                                                                                                                                                                                                                                                                                                     |
| 23.2 | KPMG LLP dated February 22, 2008 (filed herewith).                                                                                                                                                                                                                                                                                                              |
| 24.  | Power of Attorney (included on signature page).                                                                                                                                                                                                                                                                                                                 |
| 31.  | Section 302 Certifications                                                                                                                                                                                                                                                                                                                                      |

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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|      |                                                                                                                                                                                                    |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.  | Section 906 Certifications                                                                                                                                                                         |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).                                |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).                                |
| 99.  | Additional Exhibits                                                                                                                                                                                |
| 99.1 | Certification of Chief Executive Officer pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual (filed herewith).                                                     |

**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 22<sup>nd</sup> day of February, 2008.

NATIONAL RETAIL PROPERTIES, INC.

By: /s/ Craig Macnab  
Craig Macnab  
Chairman of the Board and

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each person whose signature appears below hereby constitutes and appoints each of Craig Macnab and Kevin B. Habicht as his attorney-in-fact and agent, with full power of substitution and resubstitution for him in any and all capacities, to sign any or all amendments to this report and to file same, with exhibits thereto and other documents in connection therewith, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his substitutes may do or cause to be done by virtue hereof.

| Signature                      | Title                        | Date              |
|--------------------------------|------------------------------|-------------------|
| <u>/s/ Craig Macnab</u>        | Chairman of the Board and    | February 22, 2008 |
| Craig Macnab                   | Chief Executive Officer      |                   |
| <u>/s/ Clifford R. Hinkle</u>  | Lead Director                | February 22, 2008 |
| Clifford R. Hinkle             |                              |                   |
| Dennis Gershenson              | Director                     | February 22, 2008 |
| <u>/s/ Richard B. Jennings</u> | Director                     | February 22, 2008 |
| Richard B. Jennings            |                              |                   |
| <u>/s/ Ted B. Lanier</u>       | Director                     | February 22, 2008 |
| Ted B. Lanier                  |                              |                   |
| <u>/s/ Robert C. Legler</u>    | Director                     | February 22, 2008 |
| Robert C. Legler               |                              |                   |
| <u>/s/ Robert Martinez</u>     | Director                     | February 22, 2008 |
| Robert Martinez                |                              |                   |
| <u>/s/ Kevin B. Habicht</u>    | Director, Chief Financial    | February 22, 2008 |
| Kevin B. Habicht               | Officer (Principal Financial |                   |

and Accounting Officer),

Executive Vice President,

Assistant Secretary and

Treasurer

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**Exhibit Index**

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| 12.  | Statement of Computation of Ratios of Earnings to Fixed Charges (filed herewith).                                                                                                                  |
| 21.  | Subsidiaries of the Registrant (filed herewith).                                                                                                                                                   |
| 23.  | Consent of Independent Accountants                                                                                                                                                                 |
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**Table of Contents****NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES****SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION****December 31, 2007**

|                                                                                                          | Encum-<br>brances (k) | Initial Cost to<br>Company |                                                              | Costs<br>Capitalized<br>Subsequent to<br>Acquisition |                   | Gross Amount at Which<br>Carried at Close of Period (b) |                                                              |              | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Con-<br>struction | Date<br>Acquired | Life on<br>Which<br>Depreciation<br>and<br>Amortization<br>in Latest<br>Income<br>Statement is<br>Computed |
|----------------------------------------------------------------------------------------------------------|-----------------------|----------------------------|--------------------------------------------------------------|------------------------------------------------------|-------------------|---------------------------------------------------------|--------------------------------------------------------------|--------------|----------------------------------------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------|
|                                                                                                          |                       | Land                       | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Improve-<br>ments                                    | Carrying<br>Costs | Land                                                    | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Total        |                                                    |                              |                  |                                                                                                            |
| Real Estate<br>Held for<br>Investment<br>the Company<br>has Invested in<br>Under<br>Operating<br>Leases: |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Academy:                                                                                                 |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Beaumont, TX                                                                                             | \$                    | \$ 1,423,701               | \$ 2,449,261                                                 | \$                                                   | \$                | \$ 1,423,701                                            | \$ 2,449,261                                                 | \$ 3,872,962 | \$ 538,327                                         | 1992                         | 03/99            | 40 years                                                                                                   |
| Houston, TX                                                                                              |                       | 2,310,845                  | 1,627,872                                                    |                                                      |                   | 2,310,845                                               | 1,627,872                                                    | 3,938,717    | 357,793                                            | 1976                         | 03/99            | 40 years                                                                                                   |
| Pasadena, TX                                                                                             |                       | 899,768                    | 2,180,574                                                    |                                                      |                   | 899,768                                                 | 2,180,574                                                    | 3,080,342    | 479,272                                            | 1994                         | 03/99            | 40 years                                                                                                   |
| College Station,<br>TX                                                                                   |                       | 1,407,855                  | 2,230,756                                                    |                                                      |                   | 1,407,855                                               | 2,230,756                                                    | 3,638,611    | 141,746                                            | 2002                         | 06/05            | 40 years                                                                                                   |
| Franklin, TN                                                                                             |                       | 1,807,096                  | 2,108,278                                                    |                                                      |                   | 1,807,096                                               | 2,108,278                                                    | 3,915,374    | 178,618                                            | 1999                         | 06/05            | 30 years                                                                                                   |
| Ace Hardware<br>and Lighting:                                                                            |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Bourbonnais, IL                                                                                          |                       | 298,192                    | 1,329,492                                                    |                                                      |                   | 298,192                                                 | 1,329,492                                                    | 1,627,684    | 228,506                                            | 1997                         | 11/98            | 37 years                                                                                                   |
| A.C. Moore<br>Arts & Crafts<br>Inc.                                                                      |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Dover, NJ                                                                                                |                       | 1,138,296                  | 3,238,083                                                    |                                                      |                   | 1,138,296                                               | 3,238,083                                                    | 4,376,379    | 738,687                                            | 1995                         | 11/98            | 40 years                                                                                                   |
| Advanced Auto<br>Parts:                                                                                  |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Miami, FL                                                                                                |                       | 867,177                    |                                                              | 1,035,275                                            |                   | 867,177                                                 | 1,035,275                                                    | 1,902,452    | 65,783                                             | 2005                         | 12/04(g)         | 40 years                                                                                                   |
| AJ Petroleum:                                                                                            |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Lake Placid, FL                                                                                          |                       | 2,531,533                  | 1,157,265                                                    |                                                      |                   | 2,531,533                                               | 1,157,265                                                    | 3,688,798    | 64,942                                             | 1990                         | 12/05            | 40 years                                                                                                   |
| All Star Sports:                                                                                         |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Wichita, KS                                                                                              |                       | 3,275,372                  | 1,630,685                                                    |                                                      |                   | 3,275,372                                               | 1,630,685                                                    | 4,906,057    | 25,479                                             | 1988                         | 05/07            | 40 years                                                                                                   |
| Wichita, KS                                                                                              |                       | 1,550,654                  | 965,402                                                      |                                                      |                   | 1,550,654                                               | 965,402                                                      | 2,516,056    | 15,084                                             | 1987                         | 05/07            | 40 years                                                                                                   |
| Amazing Jakes:                                                                                           |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Aurora, CO                                                                                               |                       | 5,075,945                  | 13,873,887                                                   |                                                      |                   | 5,075,945                                               | 13,873,887                                                   | 18,949,832   | 245,683                                            | 1986                         | 04/07            | 40 years                                                                                                   |
| American<br>Payday Loans:                                                                                |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Des Moines, IA                                                                                           |                       | 108,421                    | 379,067                                                      |                                                      |                   | 108,421                                                 | 379,067                                                      | 487,488      | 24,087                                             | 1979                         | 06/05            | 40 years                                                                                                   |
| AmerUs Group<br>Warehouse:                                                                               |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Des Moines, IA                                                                                           |                       | 28,465                     | 85,396                                                       |                                                      |                   | 28,465                                                  | 85,396                                                       | 113,861      | 21,705                                             | 1949                         | 06/05            | 10 years                                                                                                   |
| Amoco:                                                                                                   |                       |                            |                                                              |                                                      |                   |                                                         |                                                              |              |                                                    |                              |                  |                                                                                                            |
| Miami, FL                                                                                                |                       | 969,156                    |                                                              |                                                      |                   | 969,156                                                 |                                                              | 969,156      |                                                    | (i)                          | 05/03            | (i)                                                                                                        |
| Sunrise, FL                                                                                              |                       | 949,185                    |                                                              |                                                      |                   | 949,185                                                 |                                                              | 949,185      |                                                    | (i)                          | 06/03            | (i)                                                                                                        |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

## Amscot:

|                |           |           |         |           |           |           |        |      |          |          |
|----------------|-----------|-----------|---------|-----------|-----------|-----------|--------|------|----------|----------|
| Tampa, FL      | 1,159,733 | 352,305   |         | 1,159,733 | 352,305   | 1,512,038 | 19,450 | 1981 | 10/05    | 40 years |
| Orlando, FL    | 764,473   |           | 865,674 | 764,473   | 865,674   | 1,630,147 | 35,168 | 2006 | 12/05    | 40 years |
| Orlando, FL    | 664,213   | 1,010,821 |         | 664,213   | 1,010,821 | 1,675,034 | 30,535 | 2006 | 12/05    | 40 years |
| Orlando, FL    | 358,354   |           | 922,218 | 358,354   | 922,218   | 1,280,572 | 33,623 | 2006 | 02/06(g) | 40 years |
| Orlando, FL    | 546,475   |           | 937,758 | 546,475   | 937,758   | 1,484,233 | 32,235 | 2006 | 02/06(g) | 40 years |
| Clearwater, FL | 455,524   | 331,614   |         | 455,524   | 331,614   | 787,138   | 10,708 | 1967 | 09/06(g) | 40 years |

## Applebee s:

|             |           |           |  |           |           |           |         |      |       |          |
|-------------|-----------|-----------|--|-----------|-----------|-----------|---------|------|-------|----------|
| Ballwin, MO | 1,496,173 | 1,403,581 |  | 1,496,173 | 1,403,581 | 2,899,754 | 211,999 | 1995 | 12/01 | 40 years |
|-------------|-----------|-----------|--|-----------|-----------|-----------|---------|------|-------|----------|

## Arby s:

|                   |         |         |  |         |         |         |        |      |       |          |
|-------------------|---------|---------|--|---------|---------|---------|--------|------|-------|----------|
| Colorado          |         |         |  |         |         |         |        |      |       |          |
| Springs, CO       | 205,957 | 533,540 |  | 205,957 | 533,540 | 739,497 | 80,587 | 1998 | 12/01 | 40 years |
| Thomson, GA       | 267,842 | 503,550 |  | 267,842 | 503,550 | 771,392 | 76,057 | 1997 | 12/01 | 40 years |
| Washington        |         |         |  |         |         |         |        |      |       |          |
| Courthouse, OH    | 156,875 | 545,841 |  | 156,875 | 545,841 | 702,716 | 82,445 | 1998 | 12/01 | 40 years |
| Whitmore Lake, MI | 170,515 | 468,916 |  | 170,515 | 468,916 | 639,431 | 70,826 | 1993 | 12/01 | 40 years |

## Ashley

### Furniture:

|                |           |           |         |           |           |           |           |      |       |          |
|----------------|-----------|-----------|---------|-----------|-----------|-----------|-----------|------|-------|----------|
| Altamonte      |           |           |         |           |           |           |           |      |       |          |
| Springs, FL    | 2,906,409 | 4,877,225 | 315,000 | 2,906,409 | 5,192,225 | 8,098,634 | 1,302,103 | 1997 | 09/97 | 40 years |
| Louisville, KY | 1,666,700 | 4,989,452 |         | 1,666,700 | 4,989,452 | 6,656,152 | 348,222   | 2005 | 03/05 | 40 years |

## Babies R Us:

|                  |           |           |         |           |           |           |         |      |       |          |
|------------------|-----------|-----------|---------|-----------|-----------|-----------|---------|------|-------|----------|
| Arlington, TX    | 830,689   | 2,611,867 |         | 830,689   | 2,611,867 | 3,442,556 | 751,456 | 1996 | 06/96 | 40 years |
| Independence, MO | 1,678,794 | 2,301,909 | 114,769 | 1,678,794 | 2,416,678 | 4,095,472 | 349,896 | 1996 | 12/01 | 40 years |

See accompanying report of independent registered public accounting firm.

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|                                 | Encum-<br>brances (k) | Initial Cost to<br>Company |                                                              | Costs Capitalized<br>Subsequent to<br>Acquisition |                   | Gross Amount at Which<br>Carried at Close of Period (b) |                                                              |           | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Con-<br>struction | Date<br>Acquired | Life on<br>Which<br>Depreciation<br>and<br>Amortization<br>in Latest<br>Income<br>Statement is<br>Computed |
|---------------------------------|-----------------------|----------------------------|--------------------------------------------------------------|---------------------------------------------------|-------------------|---------------------------------------------------------|--------------------------------------------------------------|-----------|----------------------------------------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------|
|                                 |                       | Land                       | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Improve-<br>ments                                 | Carrying<br>Costs | Land                                                    | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Total     |                                                    |                              |                  |                                                                                                            |
|                                 |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Barnes & Noble:                 |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Brandon, FL                     |                       | 1,476,407                  | 1,527,150                                                    |                                                   |                   | 1,476,407                                               | 1,527,150                                                    | 3,003,557 | 495,486                                            | 1995                         | 08/94(f)         | 40 years                                                                                                   |
| Denver, CO                      |                       | 3,244,785                  | 2,722,087                                                    |                                                   |                   | 3,244,785                                               | 2,722,087                                                    | 5,966,872 | 901,803                                            | 1994                         | 09/94            | 40 years                                                                                                   |
| Houston, TX                     |                       | 3,307,562                  | 2,396,024                                                    |                                                   |                   | 3,307,562                                               | 2,396,024                                                    | 5,703,586 | 733,790                                            | 1995                         | 10/94(f)         | 40 years                                                                                                   |
| Plantation,<br>FL               | 4,820,120(p)          | 3,616,357                  |                                                              |                                                   |                   | 3,616,457                                               | (c)                                                          | 3,616,457 | (c)                                                | 1996                         | 05/95(f)         | (c)                                                                                                        |
| Freehold, NJ                    |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| (r)                             |                       | 2,917,219                  | 2,260,663                                                    |                                                   |                   | 2,917,219                                               | 2,260,663                                                    | 5,177,882 | 673,803                                            | 1995                         | 01/96            | 40 years                                                                                                   |
| Dayton, OH                      |                       | 1,412,614                  | 3,324,525                                                    |                                                   |                   | 1,412,614                                               | 3,324,525                                                    | 4,737,139 | 857,649                                            | 1996                         | 05/97            | 40 years                                                                                                   |
| Redding, CA                     |                       | 497,179                    | 1,625,702                                                    |                                                   |                   | 497,179                                                 | 1,625,702                                                    | 2,122,881 | 428,440                                            | 1997                         | 06/97            | 40 years                                                                                                   |
| Memphis,<br>TN                  |                       | 1,573,875                  | 2,241,639                                                    |                                                   |                   | 1,573,875                                               | 2,241,639                                                    | 3,815,514 | 219,494                                            | 1997                         | 09/97            | 40 years                                                                                                   |
| Marlton, NJ                     |                       | 2,831,370                  | 4,318,554                                                    |                                                   |                   | 2,831,370                                               | 4,318,554                                                    | 7,149,924 | 985,170                                            | 1995                         | 11/98            | 40 years                                                                                                   |
| Bassett Furniture:              |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Fairview Heights, IL            |                       | 1,257,729                  | 2,622,952                                                    |                                                   |                   | 1,257,729                                               | 2,622,952                                                    | 3,880,681 | 144,809                                            | 1980                         | 10/05            | 40 years                                                                                                   |
| Beall s:                        |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Sarasota, FL                    |                       | 1,077,802                  | 1,795,174                                                    |                                                   |                   | 1,077,802                                               | 1,795,174                                                    | 2,872,976 | 184,009                                            | 1996                         | 09/97            | 40 years                                                                                                   |
| Beautiful America Dry Cleaners: |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Orlando, FL                     | 65,839(o)             | 40,200                     | 110,531                                                      |                                                   |                   | 40,200                                                  | 110,531                                                      | 150,731   | 10,708                                             | 2001                         | 02/04            | 40 years                                                                                                   |
| Bed, Bath & Beyond:             |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Richmond, VA                    | 2,762,751(p)          | 1,184,144                  | 2,842,759                                                    |                                                   |                   | 1,184,144                                               | 2,842,759                                                    | 4,026,903 | 396,802                                            | 1997                         | 06/98            | 40 years                                                                                                   |
| Glendale, AZ                    |                       | 1,082,092                  |                                                              | 2,758,452                                         |                   | 1,082,092                                               | 2,758,452                                                    | 3,840,544 | 583,297                                            | 1999                         | 12/98(g)         | 40 years                                                                                                   |
| Midland, MI                     |                       | 231,356                    |                                                              | 2,702,271                                         |                   | 231,356                                                 | 2,702,271                                                    | 2,933,627 | 76,430                                             | 2006                         | 07/03            | 40 years                                                                                                   |
| Beneficial:                     |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Eden Prairie, MN                |                       | 75,736                     | 210,628                                                      | 94,277                                            |                   | 75,736                                                  | 304,905                                                      | 380,641   | 42,574                                             | 1997                         | 12/01            | 40 years                                                                                                   |
| Bennigan s:                     |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Milford, CT                     |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| (r)                             |                       | 921,200                    | 697,298                                                      |                                                   |                   | 921,200                                                 | 697,298                                                      | 1,618,498 | 105,321                                            | 1985                         | 12/01            | 40 years                                                                                                   |
| Altamonte Springs, FL           |                       | 1,088,282                  | 924,425                                                      |                                                   |                   | 1,088,282                                               | 924,425                                                      | 2,012,707 | 139,627                                            | 1979                         | 12/01            | 40 years                                                                                                   |
| Schaumburg, IL                  |                       | 2,064,964                  | 1,311,190                                                    |                                                   |                   | 2,064,964                                               | 1,311,190                                                    | 3,376,154 | 198,044                                            | 1998                         | 12/01            | 40 years                                                                                                   |
| Wichita Falls, TX               |                       | 818,611                    | 1,107,418                                                    |                                                   |                   | 818,611                                                 | 1,107,418                                                    | 1,926,029 | 167,266                                            | 1982                         | 12/01            | 40 years                                                                                                   |
| Best Buy:                       |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Brandon, FL                     |                       | 2,985,156                  | 2,772,137                                                    |                                                   |                   | 2,985,156                                               | 2,772,137                                                    | 5,757,293 | 753,675                                            | 1996                         | 02/97            | 40 years                                                                                                   |
| Cuyahoga Falls, OH              |                       | 3,708,980                  | 2,359,377                                                    |                                                   |                   | 3,708,980                                               | 2,359,377                                                    | 6,068,357 | 621,794                                            | 1970                         | 06/97            | 40 years                                                                                                   |
| Rockville, MD                   |                       | 6,233,342                  | 3,418,783                                                    |                                                   |                   | 6,233,342                                               | 3,418,783                                                    | 9,652,125 | 893,869                                            | 1995                         | 07/97            | 40 years                                                                                                   |
| Fairfax, VA                     |                       | 3,052,477                  | 3,218,018                                                    |                                                   |                   | 3,052,477                                               | 3,218,018                                                    | 6,270,495 | 834,673                                            | 1995                         | 08/97            | 40 years                                                                                                   |
| St. Petersburg, FL              |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
|                                 | 4,408,646(p)          | 4,031,744                  | 2,610,980                                                    |                                                   |                   | 4,031,744                                               | 2,610,980                                                    | 6,642,724 | 416,513                                            | 1997                         | 09/97            | 35 years                                                                                                   |

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|                                                |              |           |           |         |           |           |            |           |      |       |          |
|------------------------------------------------|--------------|-----------|-----------|---------|-----------|-----------|------------|-----------|------|-------|----------|
| Pittsburgh, PA                                 | 2,330,847    | 2,292,932 |           |         | 2,330,847 | 2,292,932 | 4,623,779  | 546,960   | 1997 | 06/98 | 40 years |
| Denver, CO                                     | 8,881,890    | 4,372,684 |           |         | 8,881,890 | 4,372,684 | 13,254,574 | 715,116   | 1991 | 06/01 | 40 years |
| Billy Bob's:<br>Gresham, OR                    | 817,311      | 108,294   |           |         | 817,311   | 108,294   | 925,605    | 16,357    | 1993 | 12/01 | 40 years |
| BJ's<br>Wholesale Club:<br>Orlando, FL         | 5,097,052(o) | 3,270,851 | 8,626,657 | 366,650 | 3,270,851 | 8,993,307 | 12,264,158 | 844,379   | 2001 | 02/04 | 40 years |
| Blockbuster<br>Video:<br>Conyers, GA           | 320,029      | 556,282   |           |         | 320,029   | 556,282   | 876,311    | 146,604   | 1997 | 06/97 | 40 years |
| Alice, TX                                      | 318,285      | 578,268   |           |         | 318,285   | 578,268   | 896,553    | 87,342    | 1995 | 12/01 | 40 years |
| Gainesville, GA                                | 294,882      | 611,570   |           |         | 294,882   | 611,570   | 906,452    | 92,372    | 1997 | 12/01 | 40 years |
| Glasgow, KY                                    | 302,859      | 560,904   |           |         | 302,859   | 560,904   | 863,763    | 84,719    | 1997 | 12/01 | 40 years |
| Kingsville, TX                                 | 498,849      | 457,695   | 29,555    |         | 498,849   | 487,250   | 986,099    | 69,382    | 1995 | 12/01 | 40 years |
| Mobile, AL                                     | 491,453      | 498,488   |           |         | 491,453   | 498,488   | 989,941    | 75,292    | 1997 | 12/01 | 40 years |
| Mobile, AL                                     | 843,121      | 562,498   |           |         | 843,121   | 562,498   | 1,405,619  | 84,961    | 1997 | 12/01 | 40 years |
| BMW:<br>Duluth, GA                             | 4,433,613    | 4,080,186 | 4,225,787 |         | 4,504,324 | 8,305,973 | 12,810,297 | 660,297   | 1984 | 12/01 | 40 years |
| Borders<br>Books &<br>Music:<br>Wilmington, DE | 3,030,764    | 6,061,538 |           |         | 2,994,395 | 6,061,538 | 9,055,933  | 1,974,073 | 1994 | 12/94 | 40 years |
| Richmond, VA                                   | 2,177,310    | 2,599,587 |           |         | 2,177,310 | 2,599,587 | 4,776,897  | 816,343   | 1995 | 06/95 | 40 years |
| Ft. Lauderdale, FL                             | 4,643,774(p) | 3,164,984 | 3,319,234 |         | 3,164,984 | 3,319,234 | 6,484,218  | 561,588   | 1995 | 02/96 | 33 years |
| Bangor, ME                                     | 1,546,915    | 2,486,761 |           |         | 1,546,915 | 2,486,761 | 4,033,676  | 716,671   | 1996 | 06/96 | 40 years |
| Altamonte Springs, FL                          | 1,947,198    |           |           |         | 1,947,198 | (c)       | 1,947,198  | (c)       | 1997 | 09/97 | (c)      |
| Boston<br>Market:<br>Burton, MI                | 619,778      | 707,242   |           |         | 619,778   | 707,242   | 1,327,020  | 106,823   | 1997 | 12/01 | 40 years |

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|                       | Initial Cost to Company |            | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |            |                                                |            | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|-----------------------|-------------------------|------------|------------------------------------------------|--------------|------------------------------------------------------|------------|------------------------------------------------|------------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|
|                       | Encumbrances (k)        | Land       | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land       | Building, Improvements and Leasehold Interests | Total      |                                           |                      |               |                                                                                    |
| Geneva, IL            |                         | 1,125,347  | 1,036,952                                      |              |                                                      | 1,125,347  | 893,485                                        | 2,018,833  | 137,129                                   | 1996                 | 12/01         | 40 years                                                                           |
| North                 |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Olmsted, OH           |                         | 601,800    | 460,521                                        |              |                                                      | 601,800    | 389,065                                        | 990,865    | 59,849                                    | 1996                 | 12/01         | 40 years                                                                           |
| Novi, MI              |                         | 835,669    | 651,108                                        |              |                                                      | 835,669    | 297,567                                        | 1,133,236  | 50,304                                    | 1995                 | 12/01         | 40 years                                                                           |
| Orland Park, IL       |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
|                       |                         | 562,384    | 556,201                                        |              |                                                      | 562,384    | 377,244                                        | 939,628    | 59,692                                    | 1995                 | 12/01         | 40 years                                                                           |
| Warren, OH            |                         | 562,446    | 467,592                                        |              |                                                      | 562,446    | 467,592                                        | 1,030,038  | 70,625                                    | 1997                 | 12/01         | 40 years                                                                           |
| Wheaton, IL           |                         | 1,115,457  | 1,014,184                                      |              |                                                      | 1,115,457  | 872,736                                        | 1,988,193  | 133,964                                   | 1995                 | 12/01         | 40 years                                                                           |
| Buck's:               |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| St. Louis, MO         |                         | 775,246    |                                                |              |                                                      | 775,246    |                                                | 775,246    |                                           | (e)                  | 12/07(q)      | (e)                                                                                |
| Buffalo Wild Wings:   |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Michigan City, IN     |                         | 162,538    | 492,007                                        |              |                                                      | 162,538    | 492,007                                        | 654,545    | 74,313                                    | 1996                 | 12/01         | 40 years                                                                           |
| Bugaboo Creek:        |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Lithonia, GA          |                         | 922,578    | 1,276,222                                      |              |                                                      | 922,578    | 1,276,222                                      | 2,198,800  | 17,282                                    | 2002                 | 06/07         | 40 years                                                                           |
| Rochester, NY         |                         | 792,275    | 1,535,158                                      |              |                                                      | 792,275    | 1,535,158                                      | 2,327,433  | 20,789                                    | 1995                 | 06/07         | 40 years                                                                           |
| Burger King:          |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Colonial Heights, VA  |                         | 662,345    | 609,787                                        |              |                                                      | 662,345    | 609,787                                        | 1,272,132  | 92,103                                    | 1997                 | 12/01         | 40 years                                                                           |
| Carino's:             |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Beaumont, TX          |                         | 439,076    | 1,363,447                                      |              |                                                      | 439,076    | 1,363,447                                      | 1,802,523  | 205,937                                   | 2000                 | 12/01         | 40 years                                                                           |
| Lewisville, TX        |                         | 1,369,836  | 1,018,659                                      |              |                                                      | 1,369,836  | 1,018,659                                      | 2,388,495  | 153,860                                   | 1994                 | 12/01         | 40 years                                                                           |
| Lubbock, TX           |                         | 1,007,432  | 1,205,512                                      |              |                                                      | 1,007,432  | 1,205,512                                      | 2,212,944  | 182,082                                   | 1995                 | 12/01         | 40 years                                                                           |
| Carl's Jr:            |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Chandler, AZ          |                         | 729,291    | 644,148                                        |              |                                                      | 729,291    | 644,148                                        | 1,373,439  | 81,860                                    | 1984                 | 06/05         | 20 years                                                                           |
| Tucson, AZ            |                         | 681,386    | 536,023                                        | 103,000      |                                                      | 681,386    | 639,023                                        | 1,320,409  | 144,734                                   | 1988                 | 06/05         | 10 years                                                                           |
| CarMax:               |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Albuquerque, NM       |                         | 10,197,135 |                                                | 8,128,062    |                                                      | 10,197,135 | 8,128,062                                      | 18,325,197 | 635,005                                   | 2004                 | 04/04(f)      | 40 years                                                                           |
| Cash Advance:         |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Mesa, AZ              |                         | 43,043     | 112,764                                        | 250,696      |                                                      | 43,043     | 363,460                                        | 406,503    | 4,543                                     | 1997                 | 12/01         | 40 years                                                                           |
| Certified Auto Sales: |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Albuquerque, NM       |                         | 1,112,876  |                                                | 1,418,552    |                                                      | 1,112,876  | 1,418,552                                      | 2,531,428  | 87,182                                    | 2005                 | 04/04(f)      | 40 years                                                                           |
| Champps:              |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Alpharetta, GA        |                         | 3,032,965  | 1,641,820                                      |              |                                                      | 3,032,965  | 1,641,820                                      | 4,674,785  | 247,983                                   | 1999                 | 12/01         | 40 years                                                                           |
| Irving, TX            |                         | 1,760,020  | 1,724,220                                      |              |                                                      | 1,760,020  | 1,724,220                                      | 3,484,240  | 260,429                                   | 2000                 | 12/01         | 40 years                                                                           |
| Charhut:              |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Sunrise, FL           |                         | 286,834    | 423,837                                        |              |                                                      | 286,834    | 423,837                                        | 710,671    | 38,277                                    | 1979                 | 05/04         | 40 years                                                                           |
| Checkers:             |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |
| Orlando, FL           |                         | 256,568    |                                                |              |                                                      | 256,568    | (c)                                            | 256,568    | (c)                                       | 1988                 | 07/92         | (c)                                                                                |
| Chili's:              |                         |            |                                                |              |                                                      |            |                                                |            |                                           |                      |               |                                                                                    |

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|                         |           |           |        |           |           |           |         |      |          |          |
|-------------------------|-----------|-----------|--------|-----------|-----------|-----------|---------|------|----------|----------|
| Camden, SC              | 626,897   | 1,887,732 |        | 626,897   | 1,887,732 | 2,514,629 | 108,151 | 2005 | 09/05    | 40 years |
| Milledgeville, GA       | 516,118   | 1,996,627 |        | 516,118   | 1,996,627 | 2,512,745 | 114,390 | 2005 | 09/05    | 40 years |
| Sumter, SC              | 800,329   | 1,717,221 |        | 800,329   | 1,717,221 | 2,517,550 | 87,650  | 2004 | 12/05    | 40 years |
| Hinesville, GA          | 920,971   | 1,898,416 |        | 920,971   | 1,898,416 | 2,819,387 | 41,528  | 2006 | 02/07    | 40 years |
| Albany, GA              | 610,385   |           |        | 610,385   |           | 610,385   | (e)     | (e)  | 06/07(q) | (e)      |
| Statesboro, GA          | 687,947   |           |        | 687,947   |           | 687,947   | (e)     | (e)  | 06/07(q) | (e)      |
| Florence, SC            | 888,837   | 1,715,454 |        | 888,837   | 1,715,454 | 2,604,291 | 23,230  | 2007 | 06/07    | 40 years |
| Valdosta, GA            | 716,196   |           |        | 716,196   |           | 716,196   | (e)     | (e)  | 07/07(q) | (e)      |
| Chili Verde Restaurant: |           |           |        |           |           |           |         |      |          |          |
| Indianapolis, IN        | 639,584   | 1,015,173 | 91,738 | 639,584   | 1,106,911 | 1,746,495 | 154,884 | 1996 | 12/01    | 40 years |
| Circuit City:           |           |           |        |           |           |           |         |      |          |          |
| Gastonia, NC            | 2,548,040 | 3,879,911 |        | 2,548,040 | 3,879,911 | 6,427,951 | 295,035 | 2004 | 12/04    | 40 years |
| St. Peters, MO          | 1,740,807 | 5,406,298 |        | 1,740,807 | 5,406,298 | 7,147,105 | 332,262 | 2005 | 06/05(g) | 40 years |
| East Palo Alto, CA      | 2,271,634 | 3,404,843 |        | 2,271,634 | 3,404,843 | 5,676,477 | 748,356 | 1998 | 12/98(f) | 40 years |
| Foothill Ranch, CA      | 1,456,113 | 2,505,022 |        | 1,456,113 | 2,505,022 | 3,961,135 | 689,218 | 1995 | 12/96    | 40 years |
| Claim Jumper:           |           |           |        |           |           |           |         |      |          |          |
| Roseville, CA           | 1,556,732 | 2,013,650 |        | 1,556,732 | 2,013,650 | 3,570,382 | 304,145 | 2000 | 12/01    | 40 years |
| Tempe, AZ               | 2,530,892 | 2,920,575 |        | 2,530,892 | 2,920,575 | 5,451,467 | 441,128 | 2000 | 12/01    | 40 years |
| CompUSA:                |           |           |        |           |           |           |         |      |          |          |
| Baton Rouge, LA (r)     | 609,069   | 913,603   |        | 609,069   | 913,603   | 1,522,672 | 274,142 | 1995 | 12/95    | 40 years |
| Roseville, MN (r)       | 1,599,311 | 1,419,396 |        | 1,599,311 | 1,419,396 | 3,018,707 | 72,448  | 1994 | 12/05    | 40 years |

See accompanying report of independent registered public accounting firm.

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|                                 | Encumbrances (k) | Initial Cost to Company |                                                | Costs Capitalized Subsequent to Acquisition |                | Gross Amount at Which Carried at Close of Period (b) |                                                |           | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|---------------------------------|------------------|-------------------------|------------------------------------------------|---------------------------------------------|----------------|------------------------------------------------------|------------------------------------------------|-----------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|
|                                 |                  | Land                    | Building, Improvements and Leasehold Interests | Improvements                                | Carrying Costs | Land                                                 | Building, Improvements and Leasehold Interests | Total     |                                           |                      |               |                                                                                    |
| Cool Crest:<br>Independence, MO |                  | 1,837,672               | 1,533,729                                      |                                             |                | 1,837,672                                            | 1,533,729                                      | 3,371,401 | 23,965                                    | 1988                 | 05/07         | 40 years                                                                           |
| CORA<br>Rehabilitation Clinics: |                  |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Orlando, FL                     | 131,678(o)       | 80,400                  | 221,063                                        |                                             |                | 80,400                                               | 221,063                                        | 301,463   | 21,415                                    | 2001                 | 02/04         | 40 years                                                                           |
| Corpus Christi<br>Flea Market:  |                  |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Corpus Christi, TX              |                  | 223,998                 | 2,158,955                                      |                                             |                | 223,998                                              | 2,158,955                                      | 2,382,953 | 474,520                                   | 1983                 | 03/99         | 40 years                                                                           |
| CVS:                            |                  |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| San Antonio, TX                 |                  | 440,985                 |                                                |                                             |                | 440,985                                              | (c)                                            | 440,985   | (c)                                       | 1993                 | 12/93         | (c)                                                                                |
| Lafayette, LA                   |                  | 967,528                 |                                                |                                             |                | 967,528                                              | (c)                                            | 967,528   | (c)                                       | 1995                 | 01/96         | (c)                                                                                |
| Midwest City, OK                |                  | 673,369                 | 1,103,351                                      |                                             |                | 673,369                                              | 1,103,351                                      | 1,776,720 | 326,185                                   | 1996                 | 03/96         | 40 years                                                                           |
| Irving, TX (r)                  |                  | 1,000,222               |                                                |                                             |                | 1,000,222                                            | (c)                                            | 1,000,222 | (c)                                       | 1996                 | 12/96         | (c)                                                                                |
| Pantego, TX                     |                  | 1,016,062               | 1,448,911                                      |                                             |                | 1,016,062                                            | 1,448,911                                      | 2,464,973 | 381,848                                   | 1997                 | 06/97         | 40 years                                                                           |
| Ellenwood, GA                   |                  | 616,289                 | 921,173                                        |                                             |                | 616,289                                              | 921,173                                        | 1,537,462 | 90,198                                    | 1996                 | 09/97         | 40 years                                                                           |
| Flower Mound, TX                |                  | 932,233                 | 881,448                                        |                                             |                | 932,233                                              | 881,448                                        | 1,813,681 | 86,308                                    | 1996                 | 09/97         | 40 years                                                                           |
| Ft. Worth, TX                   |                  | 558,657                 |                                                |                                             |                | 558,657                                              | (c)                                            | 558,657   | (c)                                       | 1996                 | 09/97         | (c)                                                                                |
| Arlington, TX                   |                  | 2,078,542               |                                                | 1,396,508                                   |                | 2,078,542                                            | 1,396,508                                      | 3,475,050 | 327,306                                   | 1998                 | 11/97(g)      | 40 years                                                                           |
| Leavenworth, KS                 |                  | 726,438                 |                                                | 1,330,830                                   |                | 726,438                                              | 1,330,830                                      | 2,057,268 | 317,458                                   | 1998                 | 11/97(g)      | 40 years                                                                           |
| Lewisville, TX                  |                  | 789,237                 |                                                | 1,335,426                                   |                | 789,237                                              | 1,335,426                                      | 2,124,663 | 310,208                                   | 1998                 | 04/98(g)      | 40 years                                                                           |
| Forest Hill, TX                 |                  | 692,165                 |                                                | 1,174,549                                   |                | 692,165                                              | 1,174,549                                      | 1,866,714 | 275,285                                   | 1998                 | 04/98(g)      | 40 years                                                                           |
| Garland, TX                     |                  | 1,476,838               |                                                | 1,400,278                                   |                | 1,476,838                                            | 1,400,278                                      | 2,877,116 | 319,439                                   | 1998                 | 06/98(g)      | 40 years                                                                           |
| Garland, TX                     |                  | 522,461                 |                                                | 1,418,531                                   |                | 522,461                                              | 1,418,531                                      | 1,940,992 | 320,647                                   | 1998                 | 06/98(g)      | 40 years                                                                           |
| Oklahoma City, OK               |                  | 1,581,480               |                                                | 1,471,105                                   |                | 1,581,480                                            | 1,471,105                                      | 3,052,585 | 329,466                                   | 1999                 | 08/98(g)      | 40 years                                                                           |
| Dallas, TX                      |                  | 2,617,656               |                                                | 2,570,569                                   |                | 2,617,656                                            | 2,570,569                                      | 5,188,225 | 270,445                                   | 2003                 | 06/99         | 40 years                                                                           |
| Gladstone, MO                   | 94,795           | 1,851,374               |                                                | 1,739,568                                   |                | 1,851,374                                            | 1,739,568                                      | 3,590,942 | 320,733                                   | 2000                 | 12/99(g)      | 40 years                                                                           |
| Dave & Buster s:                |                  |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Hilliard, OH                    |                  | 934,210                 | 4,689,004                                      |                                             |                | 934,210                                              | 4,689,004                                      | 5,623,214 | 131,878                                   | 1998                 | 11/06         | 40 years                                                                           |
| Denny s:                        |                  |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Columbus, TX                    |                  | 428,429                 | 816,644                                        |                                             |                | 428,429                                              | 816,644                                        | 1,245,073 | 123,347                                   | 1997                 | 12/01         | 40 years                                                                           |
| Alexandria, VA                  |                  | 603,730                 | 195,658                                        |                                             |                | 603,730                                              | 195,658                                        | 799,388   | 12,636                                    | 1981                 | 09/06         | 20 years                                                                           |
| Amarillo, TX                    |                  | 589,996                 | 632,121                                        |                                             |                | 589,996                                              | 632,121                                        | 1,222,117 | 40,824                                    | 1982                 | 09/06         | 20 years                                                                           |
| Arlington Heights, IL           |                  | 469,593                 | 227,673                                        |                                             |                | 469,593                                              | 227,673                                        | 697,266   | 14,703                                    | 1977                 | 09/06         | 20 years                                                                           |
| Austintown, OH                  |                  | 466,124                 | 397,387                                        |                                             |                | 466,124                                              | 397,387                                        | 863,511   | 25,665                                    | 1980                 | 09/06         | 20 years                                                                           |
| Boardman Township, OH           |                  | 497,083                 | 257,518                                        |                                             |                | 497,083                                              | 257,518                                        | 754,601   | 16,631                                    | 1977                 | 09/06         | 20 years                                                                           |
| Campbell, CA                    |                  | 459,751                 | 238,205                                        |                                             |                | 459,751                                              | 238,205                                        | 697,956   | 15,384                                    | 1976                 | 09/06         | 20 years                                                                           |
| Carson, CA                      |                  | 1,245,768               | 157,375                                        |                                             |                | 1,245,768                                            | 157,375                                        | 1,403,143 | 10,164                                    | 1975                 | 09/06         | 20 years                                                                           |

## Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                         |         |         |         |         |           |        |      |       |          |
|-------------------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Chelais, WA             | 414,994 | 287,174 | 414,994 | 287,174 | 702,168   | 18,546 | 1977 | 09/06 | 20 years |
| Chubbock, ID            | 350,461 | 394,243 | 350,461 | 394,243 | 744,704   | 25,461 | 1983 | 09/06 | 20 years |
| Clackamas,<br>OR        | 468,281 | 407,268 | 468,281 | 407,268 | 875,549   | 26,303 | 1993 | 09/06 | 20 years |
| Collinsville,<br>IL     | 675,704 | 282,912 | 675,704 | 282,912 | 958,616   | 18,271 | 1979 | 09/06 | 20 years |
| Colorado<br>Springs, CO | 321,006 | 376,744 | 321,006 | 376,744 | 697,750   | 24,331 | 1984 | 09/06 | 20 years |
| Colorado<br>Springs, CO | 585,425 | 390,275 | 585,425 | 390,275 | 975,700   | 25,202 | 1978 | 09/06 | 20 years |
| Corpus<br>Christi, TX   | 344,821 | 775,618 | 344,821 | 775,618 | 1,120,439 | 50,092 | 1980 | 09/06 | 20 years |
| Dallas, TX              | 497,170 | 149,862 | 497,170 | 149,862 | 647,032   | 9,679  | 1979 | 09/06 | 20 years |
| Enfield, CT             | 684,235 | 228,981 | 684,235 | 228,981 | 913,216   | 14,788 | 1976 | 09/06 | 20 years |
| Fairfax, VA             | 768,438 | 682,921 | 768,438 | 682,921 | 1,451,359 | 44,105 | 1979 | 09/06 | 20 years |
| Federal Way,<br>WA      | 542,951 | 192,650 | 542,951 | 192,650 | 735,601   | 12,441 | 1977 | 09/06 | 20 years |
| Florissant,<br>MO       | 442,700 | 237,959 | 442,700 | 237,959 | 680,659   | 15,368 | 1977 | 09/06 | 20 years |
| Ft. Worth, TX           | 392,306 | 314,262 | 392,306 | 314,262 | 706,568   | 20,296 | 1974 | 09/06 | 20 years |
| Hermitage, PA           | 320,918 | 419,980 | 320,918 | 419,980 | 740,898   | 27,123 | 1980 | 09/06 | 20 years |
| Hialeah, FL             | 432,479 | 175,245 | 432,479 | 175,245 | 607,724   | 11,318 | 1978 | 09/06 | 20 years |
| Houston, TX             | 503,797 | 347,749 | 503,797 | 347,749 | 851,546   | 22,459 | 1976 | 09/06 | 20 years |
| Indianapolis,<br>IN     | 325,937 | 511,345 | 325,937 | 511,345 | 837,282   | 33,024 | 1978 | 09/06 | 20 years |
| Indianapolis,<br>IN     | 310,383 | 589,689 | 310,383 | 589,689 | 900,072   | 38,084 | 1981 | 09/06 | 20 years |
| Indianapolis,<br>IN     | 358,295 | 766,627 | 358,295 | 766,627 | 1,124,922 | 49,511 | 1978 | 09/06 | 20 years |
| Indianapolis,<br>IN     | 222,629 | 482,909 | 222,629 | 482,909 | 705,538   | 31,188 | 1979 | 09/06 | 20 years |
| Indianapolis,<br>IN     | 231,236 | 511,175 | 231,236 | 511,175 | 742,411   | 33,013 | 1974 | 09/06 | 20 years |
| Kernersville,<br>NC     | 406,544 | 557,465 | 406,544 | 557,465 | 964,009   | 36,002 | 2000 | 09/06 | 20 years |
| Lafayette, IN           | 423,516 | 773,096 | 423,516 | 773,096 | 1,196,612 | 49,929 | 1978 | 09/06 | 20 years |
| Laurel, MD              | 527,596 | 379,327 | 527,596 | 379,327 | 906,923   | 24,498 | 1976 | 09/06 | 20 years |
| Little Rock,<br>AR      | 671,665 | 76,507  | 671,665 | 76,507  | 748,172   | 4,941  | 1979 | 09/06 | 20 years |

See accompanying report of independent registered public accounting firm.

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|                          | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |                                                |           | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|--------------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|------------------------------------------------|-----------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|
|                          | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Building, Improvements and Leasehold Interests | Total     |                                           |                      |               |                                                                                    |
| Little Rock, AR          |                         | 702,789   | 179,699                                        |              |                                                      | 702,789   | 179,699                                        | 882,488   | 11,606                                    | 1979                 | 09/06         | 20 years                                                                           |
| Maplewood, MN            |                         | 630,007   | 271,268                                        |              |                                                      | 630,007   | 271,268                                        | 901,275   | 17,519                                    | 1983                 | 09/06         | 20 years                                                                           |
| Merriville, IN           |                         | 368,152   | 813,167                                        |              |                                                      | 368,152   | 813,167                                        | 1,181,319 | 52,517                                    | 1976                 | 09/06         | 20 years                                                                           |
| Middleburg Heights, OH   |                         | 496,963   | 259,581                                        |              |                                                      | 496,963   | 259,581                                        | 756,544   | 16,764                                    | 1976                 | 09/06         | 20 years                                                                           |
| N. Miami, FL             |                         | 855,381   | 151,216                                        |              |                                                      | 855,381   | 151,216                                        | 1,006,597 | 9,766                                     | 1977                 | 09/06         | 20 years                                                                           |
| Nampa, ID                |                         | 356,591   | 729,175                                        |              |                                                      | 356,591   | 729,175                                        | 1,085,766 | 47,093                                    | 1979                 | 09/06         | 20 years                                                                           |
| North Palm Beach, FL     |                         | 450,257   | 161,978                                        |              |                                                      | 450,257   | 161,978                                        | 612,235   | 10,461                                    | 1977                 | 09/06         | 20 years                                                                           |
| North Richland Hills, TX |                         | 500,352   | 129,840                                        |              |                                                      | 500,352   | 129,840                                        | 630,192   | 8,386                                     | 1970                 | 09/06         | 20 years                                                                           |
| Novi, MI                 |                         | 545,175   | 305,344                                        |              |                                                      | 545,175   | 305,344                                        | 850,519   | 19,720                                    | 1979                 | 09/06         | 20 years                                                                           |
| Omaha, NE                |                         | 496,452   | 314,303                                        |              |                                                      | 496,452   | 314,303                                        | 810,755   | 20,298                                    | 1994                 | 09/06         | 20 years                                                                           |
| Parma, OH                |                         | 370,120   | 238,145                                        |              |                                                      | 370,120   | 238,145                                        | 608,265   | 15,380                                    | 1977                 | 09/06         | 20 years                                                                           |
| Pompano Beach, FL        |                         | 436,153   | 393,590                                        |              |                                                      | 436,153   | 393,590                                        | 829,743   | 25,419                                    | 1976                 | 09/06         | 20 years                                                                           |
| Portland, OR             |                         | 764,431   | 161,462                                        |              |                                                      | 764,431   | 161,462                                        | 925,893   | 10,428                                    | 1977                 | 09/06         | 20 years                                                                           |
| Provo, UT                |                         | 519,038   | 216,015                                        |              |                                                      | 519,038   | 216,015                                        | 735,053   | 13,951                                    | 1978                 | 09/06         | 20 years                                                                           |
| Pueblo, CO               |                         | 475,420   | 301,725                                        |              |                                                      | 475,420   | 301,725                                        | 777,145   | 19,486                                    | 1980                 | 09/06         | 20 years                                                                           |
| Raleigh, NC              |                         | 1,094,361 | 482,297                                        |              |                                                      | 1,094,361 | 482,297                                        | 1,576,658 | 31,148                                    | 1984                 | 09/06         | 20 years                                                                           |
| Santa Ana, CA            |                         | 515,866   | 279,400                                        |              |                                                      | 515,866   | 279,400                                        | 795,266   | 18,045                                    | 1977                 | 09/06         | 20 years                                                                           |
| Sherman, TX              |                         | 232,670   | 126,149                                        |              |                                                      | 232,670   | 126,149                                        | 358,819   | 8,147                                     | 1969                 | 09/06         | 20 years                                                                           |
| Southfield, MI           |                         | 401,401   | 330,496                                        |              |                                                      | 401,401   | 330,496                                        | 731,897   | 21,344                                    | 1980                 | 09/06         | 20 years                                                                           |
| St. Louis, MO            |                         | 519,641   | 265,824                                        |              |                                                      | 519,641   | 265,824                                        | 785,465   | 17,168                                    | 1973                 | 09/06         | 20 years                                                                           |
| Sugarland, TX            |                         | 315,186   | 334,027                                        |              |                                                      | 315,186   | 334,027                                        | 649,213   | 21,573                                    | 1997                 | 09/06         | 20 years                                                                           |
| Tacoma, WA               |                         | 580,288   | 200,559                                        |              |                                                      | 580,288   | 200,559                                        | 780,847   | 12,953                                    | 1984                 | 09/06         | 20 years                                                                           |
| Tulsa, OK                |                         | 324,751   | 313,897                                        |              |                                                      | 324,751   | 313,897                                        | 638,648   | 20,273                                    | 1978                 | 09/06         | 20 years                                                                           |
| Tuscon, AZ               |                         | 922,401   | 290,221                                        |              |                                                      | 922,401   | 290,221                                        | 1,212,622 | 18,743                                    | 1979                 | 09/06         | 20 years                                                                           |
| W. Palm Beach, FL        |                         | 619,003   | 160,924                                        |              |                                                      | 619,003   | 160,924                                        | 779,927   | 10,393                                    | 1984                 | 09/06         | 20 years                                                                           |
| Weathersfield, CT        |                         | 883,538   | 176,136                                        |              |                                                      | 883,538   | 176,136                                        | 1,059,674 | 11,375                                    | 1978                 | 09/06         | 20 years                                                                           |
| Worcester, MA            |                         | 383,194   | 492,602                                        |              |                                                      | 383,194   | 492,602                                        | 875,796   | 31,814                                    | 1978                 | 09/06         | 20 years                                                                           |
| Boise, ID                |                         | 514,340   | 476,967                                        |              |                                                      | 514,340   | 476,967                                        | 991,307   | 24,842                                    | 1983                 | 12/06         | 20 years                                                                           |
| St. Louis, MO            |                         | 634,924   | 302,979                                        |              |                                                      | 634,924   | 302,979                                        | 937,903   | 14,518                                    | 1980                 | 01/07         | 20 years                                                                           |
| Virginia Gardens, FL     |                         | 793,432   | 132,605                                        |              |                                                      | 793,432   | 132,605                                        | 926,037   | 6,354                                     | 1977                 | 01/07         | 20 years                                                                           |
| Dick's Sporting Goods:   |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |               |                                                                                    |
| Taylor, MI               |                         | 1,920,032 | 3,526,868                                      |              |                                                      | 1,920,032 | 3,526,868                                      | 5,446,900 | 995,961                                   | 1996                 | 08/96         | 40 years                                                                           |
| White Marsh, MD          |                         | 2,680,532 | 3,916,889                                      |              |                                                      | 2,680,532 | 3,916,889                                      | 6,597,421 | 1,106,100                                 | 1996                 | 08/96         | 40 years                                                                           |
| Dollar Tree:             |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |               |                                                                                    |
| Garland, TX              |                         | 239,014   | 626,170                                        |              |                                                      | 239,014   | 626,170                                        | 865,183   | 101,753                                   | 1994                 | 02/94         | 40 years                                                                           |
| Copperas Cove, TX        |                         | 241,650   | 511,624                                        | 194,167      |                                                      | 241,650   | 705,791                                        | 947,441   | 145,122                                   | 1972                 | 11/98         | 40 years                                                                           |
| Donato's:                |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |               |                                                                                    |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                         |           |           |        |           |           |           |         |      |          |          |
|-------------------------|-----------|-----------|--------|-----------|-----------|-----------|---------|------|----------|----------|
| Medina, OH              | 405,113   | 463,582   |        | 405,113   | 463,582   | 868,696   | 70,020  | 1996 | 12/01    | 40 years |
| Dr. Clean Dry Cleaners: |           |           |        |           |           |           |         |      |          |          |
| Monticello, NY          | 19,625    | 71,570    |        | 19,625    | 71,570    | 91,195    | 4,995   | 1996 | 03/05    | 40 years |
| Easyhome:               |           |           |        |           |           |           |         |      |          |          |
| Cohoes, NY              | 58,969    | 317,885   |        | 58,969    | 317,885   | 376,854   | 26,815  | 1994 | 09/04    | 40 years |
| Eckerd:                 |           |           |        |           |           |           |         |      |          |          |
| Douglasville, GA        | 413,438   | 995,209   |        | 413,438   | 995,209   | 1,408,647 | 296,627 | 1996 | 01/96    | 40 years |
| Conyers, GA             | 574,666   | 998,900   |        | 574,666   | 998,900   | 1,573,566 | 263,252 | 1997 | 06/97    | 40 years |
| Augusta, GA             | 568,606   | 1,326,748 |        | 568,606   | 1,326,748 | 1,895,354 | 333,069 | 1997 | 12/97    | 40 years |
| Riverdale, GA           | 1,088,896 | 1,707,448 |        | 1,088,896 | 1,707,448 | 2,796,344 | 428,640 | 1997 | 12/97    | 40 years |
| Warner                  |           |           |        |           |           |           |         |      |          |          |
| Robins, GA              | 707,488   | 1,227,330 |        | 707,488   | 1,227,330 | 1,934,818 | 274,871 | 1999 | 03/98(g) | 40 years |
| West Mifflin, PA        |           |           |        |           |           |           |         |      |          |          |
|                         | 1,401,632 | 2,043,862 |        | 1,401,632 | 2,043,862 | 3,445,494 | 300,192 | 1999 | 02/02    | 40 years |
| Norfolk, VA             | 2,742,194 | 1,796,508 |        | 2,742,194 | 1,796,508 | 4,538,702 | 263,862 | 2001 | 02/02    | 40 years |
| Thorndale, PA           |           |           |        |           |           |           |         |      |          |          |
|                         | 2,260,618 | 2,472,039 |        | 2,260,618 | 2,472,039 | 4,732,657 | 363,081 | 2001 | 02/02    | 40 years |
| El Mariachi Grill:      |           |           |        |           |           |           |         |      |          |          |
| Montgomery, AL          | 1,418,158 | 1,140,080 |        | 1,418,158 | 1,044,075 | 2,462,233 | 166,034 | 1999 | 12/01    | 40 years |
| El Meskal:              |           |           |        |           |           |           |         |      |          |          |
| Hammond, LA             | 247,600   | 813,514   | 62,287 | 247,600   | 627,601   | 875,201   | 109,955 | 1997 | 12/01    | 40 years |
| El Paso Barbeque:       |           |           |        |           |           |           |         |      |          |          |
| Tuscon, AZ              | 996,435   | 2,741,660 |        | 996,435   | 2,741,660 | 3,738,095 | 19,991  | 2007 | 12/06(q) | 40 years |
| Farmington, NM          |           |           |        |           |           |           |         |      |          |          |
|                         | 2,756,524 |           |        | 2,756,524 |           | 2,756,524 | (e)     | (e)  | 12/07(q) | (e)      |
| Enterprise Rent-A-Car:  |           |           |        |           |           |           |         |      |          |          |
| Wilmington, NC          | 218,126   | 327,329   |        | 218,126   | 327,329   | 545,455   | 49,440  | 1981 | 12/01    | 40 years |

See accompanying report of independent registered public accounting firm.

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|                                   | Initial Cost to Company |         | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |         |                                                | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |          |
|-----------------------------------|-------------------------|---------|------------------------------------------------|--------------|------------------------------------------------------|---------|------------------------------------------------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|----------|
|                                   | Encumbrances (k)        | Land    | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land    | Building, Improvements and Leasehold Interests |                                           |                      |               |                                                                                    | Total    |
| Fallas Paredes: Arlington, TX     |                         | 317,838 | 1,680,428                                      | 242,483      |                                                      | 317,838 | 1,922,911                                      | 2,240,749                                 | 465,560              | 1996          | 06/96                                                                              | 38 years |
| Family Dollar: Cohoes, NY         |                         | 95,644  | 515,502                                        |              |                                                      | 95,644  | 515,502                                        | 611,146                                   | 41,712               | 1994          | 09/04                                                                              | 40 years |
| Hudson Falls, NY                  |                         | 51,055  | 379,789                                        |              |                                                      | 51,055  | 379,789                                        | 430,844                                   | 31,253               | 1993          | 09/04                                                                              | 40 years |
| Monticello, NY                    |                         | 96,445  | 351,721                                        |              |                                                      | 96,445  | 351,721                                        | 448,166                                   | 24,547               | 1996          | 03/05                                                                              | 40 years |
| Fantastic Sams: Eden Prairie, MN  |                         | 64,916  | 180,538                                        | 80,809       |                                                      | 64,916  | 261,347                                        | 326,263                                   | 36,492               | 1997          | 12/01                                                                              | 40 years |
| Fazoli's Restaurant: Bay City, MI |                         | 647,055 | 633,899                                        |              |                                                      | 647,055 | 633,899                                        | 1,280,953                                 | 95,745               | 1997          | 12/01                                                                              | 40 years |
| Ferguson; Destin, FL              |                         | 553,552 | 1,011,898                                      |              |                                                      | 553,552 | 1,011,898                                      | 1,565,450                                 | 20,027               | 2006          | 03/07                                                                              | 40 years |
| Food Fast: Bossier City, LA       |                         | 882,882 | 657,929                                        |              |                                                      | 882,882 | 657,929                                        | 1,540,811                                 | 23,759               | 1975          | 06/07                                                                              | 15 years |
| Brownsboro, TX                    |                         | 327,611 | 385,088                                        |              |                                                      | 327,611 | 385,088                                        | 712,699                                   | 6,952                | 1990          | 06/07                                                                              | 30 years |
| Flint, TX                         |                         | 272,007 | 410,803                                        |              |                                                      | 272,007 | 410,803                                        | 682,810                                   | 8,900                | 1985          | 06/07                                                                              | 25 years |
| Forney, TX                        |                         | 545,133 | 707,160                                        |              |                                                      | 545,133 | 707,160                                        | 1,252,293                                 | 12,768               | 1989          | 06/07                                                                              | 30 years |
| Forney, TX                        |                         | 473,290 | 653,516                                        |              |                                                      | 473,290 | 653,516                                        | 1,126,806                                 | 11,800               | 1990          | 06/07                                                                              | 30 years |
| Gun Barrel City, TX               |                         | 241,890 | 467,271                                        |              |                                                      | 241,890 | 467,271                                        | 709,161                                   | 10,124               | 1988          | 06/07                                                                              | 25 years |
| Gun Barrel City, TX               |                         | 269,871 | 386,429                                        |              |                                                      | 269,871 | 386,429                                        | 656,300                                   | 8,372                | 1986          | 06/07                                                                              | 25 years |
| Jacksonville, TX                  |                         | 660,275 | 632,166                                        |              |                                                      | 660,275 | 632,166                                        | 1,292,441                                 | 22,828               | 1976          | 06/07                                                                              | 15 years |
| Kemp, TX                          |                         | 580,596 | 505,102                                        |              |                                                      | 580,596 | 505,102                                        | 1,085,698                                 | 10,944               | 1986          | 06/07                                                                              | 25 years |
| Longview, TX                      |                         | 252,373 | 303,925                                        |              |                                                      | 252,373 | 303,925                                        | 556,298                                   | 6,585                | 1983          | 06/07                                                                              | 25 years |
| Longview, TX                      |                         | 271,236 | 430,518                                        |              |                                                      | 271,236 | 430,518                                        | 701,754                                   | 7,773                | 1990          | 06/07                                                                              | 30 years |
| Longview, TX                      |                         | 425,860 | 381,585                                        |              |                                                      | 425,860 | 381,585                                        | 807,445                                   | 8,268                | 1984          | 06/07                                                                              | 25 years |
| Longview, TX                      |                         | 359,539 | 535,304                                        |              |                                                      | 359,539 | 535,304                                        | 894,843                                   | 11,598               | 1983          | 06/07                                                                              | 25 years |
| Longview, TX                      |                         | 403,420 | 571,962                                        |              |                                                      | 403,420 | 571,962                                        | 975,382                                   | 12,393               | 1985          | 06/07                                                                              | 25 years |
| Longview, TX                      |                         | 178,176 | 235,972                                        |              |                                                      | 178,176 | 235,972                                        | 414,148                                   | 6,391                | 1977          | 06/07                                                                              | 20 years |
| Mabank, TX                        |                         | 229,097 | 493,568                                        |              |                                                      | 229,097 | 493,568                                        | 722,665                                   | 10,694               | 1986          | 06/07                                                                              | 25 years |
| Mt. Vernon, TX                    |                         | 292,251 | 666,046                                        |              |                                                      | 292,251 | 666,046                                        | 958,297                                   | 14,430               | 1990          | 06/07                                                                              | 25 years |
| Shreveport, LA                    |                         | 360,801 | 249,918                                        |              |                                                      | 360,801 | 249,918                                        | 610,719                                   | 9,025                | 1969          | 06/07                                                                              | 15 years |
| Tyler, TX                         |                         | 323,146 | 283,153                                        |              |                                                      | 323,146 | 283,153                                        | 606,299                                   | 7,669                | 1978          | 06/07                                                                              | 20 years |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                       |           |           |           |           |           |           |         |      |          |          |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|---------|------|----------|----------|
| Tyler, TX             | 487,716   | 831,325   |           | 487,716   | 831,325   | 1,319,041 | 22,515  | 1980 | 06/07    | 20 years |
| Tyler, TX             | 742,070   | 545,967   |           | 742,070   | 545,967   | 1,288,037 | 11,829  | 1985 | 06/07    | 25 years |
| Tyler, TX             | 256,415   | 542,486   |           | 256,415   | 542,486   | 798,901   | 14,692  | 1980 | 06/07    | 20 years |
| Tyler, TX             | 188,162   | 328,622   |           | 188,162   | 328,622   | 516,784   | 7,120   | 1984 | 06/07    | 25 years |
| Tyler, TX             | 542,144   | 403,494   |           | 542,144   | 403,494   | 945,638   | 8,742   | 1984 | 06/07    | 25 years |
| Tyler, TX             | 257,981   | 418,816   |           | 257,981   | 418,816   | 676,797   | 11,343  | 1978 | 06/07    | 20 years |
| Tyler, TX             | 316,208   | 544,790   |           | 316,208   | 544,790   | 860,998   | 9,836   | 1989 | 06/07    | 30 years |
| Tyler, TX             | 301,853   | 455,181   |           | 301,853   | 455,181   | 757,034   | 12,328  | 1981 | 06/07    | 20 years |
| Food 4 Less:          |           |           |           |           |           |           |         |      |          |          |
| Chula Vista, CA       | 3,568,862 |           |           | 3,568,862 | (c)       | 3,568,862 | (c)     | 1995 | 11/98    | (c)      |
| Fresh Market:         |           |           |           |           |           |           |         |      |          |          |
| Gainesville, FL       | 317,386   | 1,248,404 | 655,827   | 317,386   | 1,904,231 | 2,221,617 | 144,321 | 1982 | 03/99    | 40 years |
| Furr s Family Dining: |           |           |           |           |           |           |         |      |          |          |
| Las Cruces, NM        | 947,476   |           | 2,181,954 | 947,476   | 2,181,954 | 3,129,430 | 70,459  | 2006 | 01/06(q) | 40 years |
| Tuscon, AZ            | 1,170,722 |           |           | 1,170,722 |           | 1,170,722 |         | (e)  | 07/06(q) | (e)      |
| Moore, OK             | 938,701   |           | 2,429,401 | 938,701   | 2,429,401 | 3,368,102 | 12,653  | 2007 | 03/07(q) | 40 years |
| Gander Mountain:      |           |           |           |           |           |           |         |      |          |          |
| Amarillo, TX          | 1,513,714 | 5,781,294 |           | 1,513,714 | 5,781,294 | 7,295,008 | 451,664 | 2004 | 11/04    | 40 years |
| Gate Petroleum:       |           |           |           |           |           |           |         |      |          |          |
| Concord, NC           | 852,225   | 1,200,862 |           | 852,225   | 1,200,862 | 2,053,087 | 76,305  | 2001 | 06/05    | 40 years |
| Rocky Mountain, NC    | 258,764   | 1,164,438 |           | 258,764   | 1,164,438 | 1,423,202 | 73,990  | 2000 | 06/05    | 40 years |
| Gen-X Clothing:       |           |           |           |           |           |           |         |      |          |          |
| Federal Way, WA       | 2,037,392 | 1,661,577 | 257,414   | 2,037,392 | 1,918,991 | 3,956,383 | 423,437 | 1998 | 06/98    | 40 years |
| Golden Corral:        |           |           |           |           |           |           |         |      |          |          |
| Abbeville, LA         | 98,577    | 362,416   |           | 98,577    | 362,416   | 460,993   | 240,748 | 1985 | 04/85    | 35 years |
| Lake Placid, FL       | 115,113   | 305,074   | 43,797    | 115,113   | 348,871   | 463,984   | 211,416 | 1985 | 05/85    | 35 years |
| Tampa, FL             | 1,329,793 | 1,390,502 |           | 1,329,793 | 1,390,502 | 2,720,296 | 210,024 | 1998 | 12/01    | 40 years |
| Dallas, TX            | 1,138,129 | 1,024,747 |           | 1,138,129 | 1,024,747 | 2,162,875 | 154,779 | 1994 | 12/01    | 40 years |
| Temple Terrace, FL    | 1,187,614 | 1,339,000 |           | 1,187,614 | 1,339,000 | 2,526,614 | 202,245 | 1997 | 12/01    | 40 years |

See accompanying report of independent registered public accounting firm.

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|                        | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |                                                | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |          |
|------------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|------------------------------------------------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|----------|
|                        | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Building, Improvements and Leasehold Interests |                                           |                      |               |                                                                                    | Total    |
| Goodyear Truck & Tire: |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Wichita, KS            |                         | 213,640   | 686,700                                        |              |                                                      | 213,640   | 686,700                                        | 900,340                                   | 87,268               | 1989          | 06/05                                                                              | 20 years |
| Anthony, TX            |                         | (l)       | 1,241,517                                      |              |                                                      | (l)       | 1,241,517                                      | 1,241,517                                 | 14,226               | 2007          | 02/07                                                                              | 40 years |
| GymKix:                |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Copperas Cove, TX      |                         | 203,908   | 431,715                                        | 171,477      |                                                      | 203,908   | 603,192                                        | 807,100                                   | 123,601              | 1972          | 11/98                                                                              | 40 years |
| H&R Block:             |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Swansea, IL            |                         | 45,842    | 132,440                                        | 69,029       |                                                      | 45,842    | 201,469                                        | 247,311                                   | 29,307               | 1997          | 12/01                                                                              | 40 years |
| Hastings:              |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Nacogdoches, TX        |                         | 397,074   | 1,257,402                                      |              |                                                      | 397,074   | 1,257,402                                      | 1,654,477                                 | 286,845              | 1997          | 11/98                                                                              | 40 years |
| Haverty s:             |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Clearwater, FL         |                         | 1,184,938 | 2,526,207                                      | 44,005       |                                                      | 1,189,188 | 2,570,212                                      | 3,759,400                                 | 930,917              | 1992          | 05/93                                                                              | 40 years |
| Orlando, FL            |                         | 820,397   | 2,184,721                                      | 176,425      |                                                      | 820,397   | 2,361,146                                      | 3,181,543                                 | 811,364              | 1992          | 05/93                                                                              | 40 years |
| Pensacola, FL          | 263,188                 | 633,125   | 1,595,405                                      |              |                                                      | 603,111   | 1,595,405                                      | 2,198,516                                 | 459,122              | 1994          | 06/96                                                                              | 40 years |
| Bowie, MD              |                         | 1,965,508 | 4,221,074                                      |              |                                                      | 1,965,508 | 4,221,074                                      | 6,186,582                                 | 927,357              | 1997          | 12/97                                                                              | 38 years |
| Healthy Pet:           |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Suwannee, GA           |                         | 175,183   | 1,038,492                                      |              |                                                      | 175,183   | 1,038,492                                      | 1,213,675                                 | 27,044               | 1997          | 12/06                                                                              | 40 years |
| Colonial Heights, VA   |                         | 159,879   | 746,261                                        |              |                                                      | 159,879   | 746,261                                        | 906,140                                   | 17,879               | 1996          | 01/07                                                                              | 40 years |
| Heilig-Meyers:         |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Baltimore, MD          |                         | 469,781   | 813,073                                        |              |                                                      | 469,781   | 813,073                                        | 1,282,854                                 | 185,482              | 1968          | 11/98                                                                              | 40 years |
| Glen Burnie, MD        |                         | 631,712   | 931,931                                        |              |                                                      | 631,712   | 931,931                                        | 1,563,643                                 | 212,550              | 1968          | 11/98                                                                              | 40 years |
| Hollywood Video:       |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Cincinnati, OH         |                         | 282,200   | 520,623                                        | 279,308      |                                                      | 543,438   | 538,693                                        | 1,082,132                                 | 78,787               | 1998          | 12/01                                                                              | 40 years |
| Clifton, CO            |                         | 245,462   | 732,477                                        |              |                                                      | 245,462   | 732,477                                        | 977,939                                   | 110,634              | 1998          | 12/01                                                                              | 40 years |
| Lafayette, LA          |                         | 603,190   | 1,149,251                                      |              |                                                      | 603,190   | 1,149,251                                      | 1,752,441                                 | 58,660               | 1999          | 12/05                                                                              | 40 years |
| Ridgeland, MS          |                         | 778,874   | 933,314                                        |              |                                                      | 778,874   | 933,314                                        | 1,712,188                                 | 47,638               | 1997          | 12/05                                                                              | 40 years |
| Home Décor:            |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Memphis, TN            |                         | 549,309   | 539,643                                        | 364,460      |                                                      | 549,309   | 904,103                                        | 1,453,412                                 | 176,448              | 1998          | 11/98                                                                              | 40 years |
| Home Depot:            |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Sunrise, FL            |                         | 5,148,657 |                                                |              |                                                      | 5,148,657 |                                                | 5,148,657                                 |                      | (i)           | 05/03                                                                              | (i)      |
| HomeGoods:             |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Fairfax, VA            |                         | 977,839   | 1,414,261                                      | 937,301      |                                                      | 977,839   | 2,351,562                                      | 3,329,401                                 | 249,166              | 1995          | 12/95                                                                              | 40 years |
| Hooters:               |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Tampa, FL              |                         | 783,923   | 504,768                                        |              |                                                      | 783,923   | 504,768                                        | 1,288,692                                 | 76,241               | 1993          | 12/01                                                                              | 40 years |
| Hope Rehab:            |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Houston, TX            |                         | 112,150   | 509,179                                        |              |                                                      | 112,150   | 509,179                                        | 621,329                                   | 26,202               | 1995          | 12/05                                                                              | 40 years |
| Horizon Travel Plaza:  |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Midland City, AL       |                         | 728,990   | 2,538,232                                      |              |                                                      | 728,990   | 2,538,232                                      | 3,267,222                                 | 66,100               | 2006          | 12/06                                                                              | 40 years |
| Dothan, AL             |                         | 773,671   | 1,886,333                                      |              |                                                      | 773,671   | 1,886,333                                      | 2,660,004                                 | 37,334               | 2007          | 03/07                                                                              | 40 years |
| Lebanon, TN            |                         | 581,612   |                                                |              |                                                      | 581,612   |                                                | 581,612                                   | (e)                  | (e)           | 03/07(q)                                                                           | (e)      |
| Humana:                |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Sunrise, FL            |                         | 800,271   | 252,717                                        |              |                                                      | 800,271   | 252,717                                        | 1,052,988                                 | 22,849               | 1984          | 05/04                                                                              | 40 years |
| Hy-Vee:                |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |

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|                                  |           |           |           |           |           |         |      |       |          |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|
| St. Joseph, MO                   | 1,579,583 | 2,849,246 | 1,579,583 | 2,849,246 | 4,428,829 | 376,938 | 1991 | 09/02 | 40 years |
| International House of Pancakes: |           |           |           |           |           |         |      |       |          |
| Sunset Hills, MO                 | 271,853   |           | 271,853   | (c)       | 271,853   | (c)     | 1993 | 10/93 | (c)      |
| Matthews, NC                     | 380,043   |           | 380,043   | (c)       | 380,043   | (c)     | 1993 | 12/93 | (c)      |
| Midwest City, OK                 | 407,268   |           | 407,268   |           | 407,268   | (i)     | (i)  | 11/00 | (i)      |
| Ankeny, IA                       | 692,956   | 515,035   | 692,956   | 515,035   | 1,207,991 | 43,635  | 2002 | 06/05 | 30 years |
| Jack-in-the-Box:                 |           |           |           |           |           |         |      |       |          |
| Plano, TX                        | 1,055,433 | 1,236,590 | 1,055,433 | 1,236,590 | 2,292,023 | 78,575  | 2001 | 06/05 | 40 years |
| Jacobson Industrial:             |           |           |           |           |           |         |      |       |          |
| Des Moines, IA                   | 60,517    | 112,390   | 60,517    | 112,390   | 172,907   | 14,283  | 1973 | 06/05 | 20 years |
| Jared Jewelers:                  |           |           |           |           |           |         |      |       |          |
| Richmond, VA                     | 955,134   | 1,336,152 | 955,134   | 1,336,152 | 2,291,286 | 201,815 | 1998 | 12/01 | 40 years |
| Brandon, FL                      | 1,196,900 | 1,182,150 | 1,196,900 | 1,182,150 | 2,379,050 | 166,409 | 2001 | 05/02 | 40 years |
| Lithonia, GA                     | 1,270,517 | 1,215,818 | 1,270,517 | 1,215,818 | 2,486,335 | 171,149 | 2001 | 05/02 | 40 years |
| Houston, TX                      | 1,675,739 | 1,439,597 | 1,675,739 | 1,439,597 | 3,115,336 | 181,449 | 1999 | 12/02 | 40 years |

See accompanying report of independent registered public accounting firm.

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|                      | Encum-<br>brances (k) | Initial Cost to<br>Company |                                                              | Costs Capitalized<br>Subsequent to<br>Acquisition |                   | Gross Amount at Which<br>Carried at Close of Period (b) |                                                              |           | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Con-<br>struction | Date<br>Acquired | Life on<br>Which<br>Depreciation<br>and<br>Amortization<br>in Latest<br>Income<br>Statement is<br>Computed |
|----------------------|-----------------------|----------------------------|--------------------------------------------------------------|---------------------------------------------------|-------------------|---------------------------------------------------------|--------------------------------------------------------------|-----------|----------------------------------------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------|
|                      |                       | Land                       | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Improve-<br>ments                                 | Carrying<br>Costs | Land                                                    | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Total     |                                                    |                              |                  |                                                                                                            |
| Jo-Ann Etc:          |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Corpus Christi, TX   |                       | 818,448                    | 896,395                                                      | 12,222                                            |                   | 818,448                                                 | 908,617                                                      | 1,727,065 | 320,316                                            | 1967                         | 11/93            | 40 years                                                                                                   |
| Kangaroo Express:    |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Bellevue, FL         |                       | 471,029                    | 1,451,277                                                    |                                                   |                   | 471,029                                                 | 1,451,277                                                    | 1,922,306 | 49,888                                             | 2006                         | 08/06            | 40 years                                                                                                   |
| Carthage, NC         |                       | 485,461                    | 353,643                                                      |                                                   |                   | 485,461                                                 | 353,643                                                      | 839,104   | 12,156                                             | 1989                         | 08/06            | 40 years                                                                                                   |
| Jacksonville, FL     |                       | 807,477                    | 1,239,085                                                    |                                                   |                   | 807,477                                                 | 1,239,085                                                    | 2,046,562 | 42,594                                             | 1975                         | 08/06            | 40 years                                                                                                   |
| Jacksonville, FL     |                       | 684,639                    | 1,361,897                                                    |                                                   |                   | 682,510                                                 | 1,361,897                                                    | 2,044,407 | 46,815                                             | 1969                         | 08/06            | 40 years                                                                                                   |
| Sanford, NC          |                       | 666,330                    | 660,594                                                      |                                                   |                   | 666,330                                                 | 660,594                                                      | 1,326,924 | 22,708                                             | 2000                         | 08/06            | 40 years                                                                                                   |
| Sanford, NC          |                       | 1,638,444                  | 1,370,558                                                    |                                                   |                   | 1,638,444                                               | 1,370,558                                                    | 3,009,002 | 47,112                                             | 2003                         | 08/06            | 40 years                                                                                                   |
| Siler City, NC       |                       | 586,174                    | 645,290                                                      |                                                   |                   | 586,174                                                 | 645,290                                                      | 1,231,464 | 22,182                                             | 1998                         | 08/06            | 40 years                                                                                                   |
| West End, NC         |                       | 426,114                    | 516,010                                                      |                                                   |                   | 426,114                                                 | 516,010                                                      | 942,124   | 17,738                                             | 1999                         | 08/06            | 40 years                                                                                                   |
| Destin, FL           |                       | 1,365,569                  | 1,192,192                                                    |                                                   |                   | 1,365,569                                               | 1,192,192                                                    | 2,557,761 | 38,498                                             | 2000                         | 09/06            | 40 years                                                                                                   |
| Niceville, FL        |                       | 1,433,652                  | 1,124,109                                                    |                                                   |                   | 1,433,652                                               | 1,124,109                                                    | 2,557,761 | 36,299                                             | 2000                         | 09/06            | 40 years                                                                                                   |
| Interlachen, FL      |                       | 518,814                    |                                                              |                                                   |                   | 518,814                                                 |                                                              | 518,814   | (e)                                                | (e)                          | 10/06            | (e)                                                                                                        |
| Kill Devil Hills, NC |                       | 679,169                    | 552,393                                                      |                                                   |                   | 679,169                                                 | 552,393                                                      | 1,231,562 | 16,691                                             | 1990                         | 10/06            | 40 years                                                                                                   |
| Kill Devil Hills, NC |                       | 490,309                    | 741,222                                                      |                                                   |                   | 490,309                                                 | 741,222                                                      | 1,231,531 | 22,397                                             | 1995                         | 10/06            | 40 years                                                                                                   |
| Clarksville, TN      |                       | 521,023                    | 709,784                                                      |                                                   |                   | 521,023                                                 | 709,784                                                      | 1,230,807 | 18,484                                             | 1999                         | 12/06            | 40 years                                                                                                   |
| Clarksville, TN      |                       | 275,897                    | 954,910                                                      |                                                   |                   | 275,897                                                 | 954,910                                                      | 1,230,807 | 24,867                                             | 1999                         | 12/06            | 40 years                                                                                                   |
| Gallatin, TN         |                       | 474,297                    | 756,510                                                      |                                                   |                   | 474,297                                                 | 756,510                                                      | 1,230,807 | 19,406                                             | 1999                         | 12/06            | 40 years                                                                                                   |
| Naples, FL           |                       | 3,194,938                  | 1,403,297                                                    |                                                   |                   | 3,194,938                                               | 1,403,297                                                    | 4,598,235 | 36,544                                             | 2001                         | 12/06            | 40 years                                                                                                   |
| Oxford, MS           |                       | 440,413                    | 1,096,748                                                    |                                                   |                   | 440,413                                                 | 1,096,748                                                    | 1,537,161 | 28,561                                             | 1998                         | 12/06            | 40 years                                                                                                   |
| Columbiana, AL       |                       | 770,793                    | 988,907                                                      |                                                   |                   | 770,793                                                 | 988,907                                                      | 1,759,700 | 23,693                                             | 1982                         | 01/07            | 40 years                                                                                                   |
| Naples, FL           |                       | 3,161,883                  | 1,596,602                                                    |                                                   |                   | 3,161,883                                               | 1,596,602                                                    | 4,758,485 | 34,926                                             | 1995                         | 02/07            | 40 years                                                                                                   |
| Kentwood, LA         |                       | 985,372                    | 891,185                                                      |                                                   |                   | 985,372                                                 | 891,185                                                      | 1,876,557 | 17,638                                             | 2001                         | 03/07            | 40 years                                                                                                   |
| Longs, SC            |                       | 745,488                    | 757,865                                                      |                                                   |                   | 745,488                                                 | 757,865                                                      | 1,503,353 | 14,999                                             | 2001                         | 03/07            | 40 years                                                                                                   |
| Naples, FL           |                       | 2,412,119                  | 1,589,011                                                    |                                                   |                   | 2,412,119                                               | 1,589,011                                                    | 4,001,130 | 24,828                                             | 2000                         | 05/07            | 40 years                                                                                                   |
| Montgomery, AL       |                       | 666,002                    | 1,185,069                                                    |                                                   |                   | 666,002                                                 | 1,185,069                                                    | 1,851,071 | 16,048                                             | 1998                         | 06/07            | 40 years                                                                                                   |
| Cary, NC             |                       | 1,314,197                  | 2,124,513                                                    |                                                   |                   | 1,314,197                                               | 2,124,513                                                    | 3,438,711 | 19,917                                             | 2007                         | 08/07            | 40 years                                                                                                   |
| Kash N Karry:        |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Brandon, FL          | 3,124,261(p)          | 322,476                    | 1,221,661                                                    |                                                   |                   | 322,476                                                 | 1,221,661                                                    | 1,544,137 | 128,529                                            | 1983                         | 03/99            | 40 years                                                                                                   |
| Sarasota, FL         |                       | 470,600                    | 1,343,746                                                    |                                                   |                   | 470,600                                                 | 1,343,746                                                    | 1,814,346 | 141,373                                            | 1983                         | 03/99            | 40 years                                                                                                   |
| Keg Steakhouse:      |                       |                            |                                                              |                                                   |                   |                                                         |                                                              |           |                                                    |                              |                  |                                                                                                            |
| Bellingham, WA (r)   |                       | 397,443                    | 455,605                                                      |                                                   |                   | 397,443                                                 | 455,605                                                      | 853,048   | 68,815                                             | 1981                         | 12/01            | 40 years                                                                                                   |
| Lynnwood, WA         |                       | 1,255,513                  | 649,236                                                      |                                                   |                   | 1,255,513                                               | 649,236                                                      | 1,904,748 | 98,062                                             | 1992                         | 12/01            | 40 years                                                                                                   |
| Tacoma, WA           |                       | 526,792                    | 794,722                                                      |                                                   |                   | 526,792                                                 | 794,722                                                      | 1,321,515 | 120,036                                            | 1981                         | 12/01            | 40 years                                                                                                   |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

## Kerasotes:

|                    |           |            |           |            |            |        |      |       |          |
|--------------------|-----------|------------|-----------|------------|------------|--------|------|-------|----------|
| Bloomington, IN    | 2,337,910 | 4,000,182  | 2,337,910 | 4,000,182  | 6,338,092  | 46,669 | 1987 | 09/07 | 25 years |
| Bolingbrook, IL    | 2,937,193 | 3,032,087  | 2,937,193 | 3,032,087  | 5,969,280  | 29,479 | 1994 | 09/07 | 30 years |
| Brighton, CO       | 1,069,710 | 5,490,668  | 1,069,710 | 5,490,668  | 6,560,379  | 40,036 | 2005 | 09/07 | 40 years |
| Castle Rock, CO    | 2,904,550 | 5,001,791  | 2,904,550 | 5,001,791  | 7,906,342  | 36,471 | 2005 | 09/07 | 40 years |
| Evansville, IN     | 1,300,359 | 4,268,824  | 1,300,359 | 4,268,824  | 5,569,183  | 35,574 | 1999 | 09/07 | 35 years |
| Galesburg, IL      | 1,204,699 | 2,441,058  | 1,204,699 | 2,441,058  | 3,645,758  | 17,799 | 2003 | 09/07 | 40 years |
| Machesney Park, IL | 3,017,551 | 8,769,548  | 3,017,551 | 8,769,548  | 11,787,099 | 63,945 | 2005 | 09/07 | 40 years |
| Michigan City, IN  | 1,995,639 | 8,421,666  | 1,995,639 | 8,421,666  | 10,417,305 | 61,407 | 2005 | 09/07 | 40 years |
| Muncie, IN         | 1,243,157 | 5,511,584  | 1,243,157 | 5,511,584  | 6,754,741  | 40,189 | 2005 | 09/07 | 40 years |
| Naperville, IL     | 6,141,054 | 11,624,187 | 6,141,054 | 11,624,187 | 17,765,241 | 84,760 | 2006 | 09/07 | 40 years |
| New Lenox, IL      | 6,777,804 | 10,979,958 | 6,777,804 | 10,979,958 | 17,757,762 | 80,062 | 2004 | 09/07 | 40 years |

## KFC:

|                |         |         |         |         |           |         |      |       |          |
|----------------|---------|---------|---------|---------|-----------|---------|------|-------|----------|
| Erie, PA       | 516,508 | 496,092 | 516,508 | 496,092 | 1,012,601 | 74,931  | 1996 | 12/01 | 40 years |
| Marysville, WA | 646,779 | 545,592 | 646,779 | 545,592 | 1,192,371 | 82,407  | 1996 | 12/01 | 40 years |
| Evansville, IN | 369,740 | 766,635 | 369,740 | 766,635 | 1,136,375 | 31,145  | 2004 | 05/06 | 40 years |
| Fenton, MO     | 307,068 | 496,410 | 307,068 | 496,410 | 803,478   | 233,667 | 1985 | 07/92 | 33 years |

## Kohl s:

|              |         |           |         |           |           |        |     |       |          |
|--------------|---------|-----------|---------|-----------|-----------|--------|-----|-------|----------|
| Florence, AL | 817,661 | 1,046,515 | 817,661 | 1,046,515 | 1,864,176 | 32,704 | (i) | 06/04 | 40 years |
|--------------|---------|-----------|---------|-----------|-----------|--------|-----|-------|----------|

## Kum & Go:

|           |         |         |         |         |         |        |      |       |          |
|-----------|---------|---------|---------|---------|---------|--------|------|-------|----------|
| Omaha, NE | 392,847 | 214,280 | 392,847 | 214,280 | 607,127 | 27,231 | 1979 | 06/05 | 20 years |
|-----------|---------|---------|---------|---------|---------|--------|------|-------|----------|

## Light

## Restaurant:

|              |           |           |           |           |           |         |      |       |          |
|--------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|
| Columbus, OH | 1,032,008 | 1,107,250 | 1,032,008 | 1,107,250 | 2,139,258 | 167,240 | 1998 | 12/01 | 40 years |
|--------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|

See accompanying report of independent registered public accounting firm.

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|                                            | Encum-<br>brances (k) | Initial Cost to<br>Company |                                                              | Costs Capitalized<br>Subsequent to<br>Acquisition |                   | Gross Amount at Which<br>Carried at Close of Period (b) |                                                              |            | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Con-<br>struction | Date<br>Acquired | Life on<br>Which<br>Depreciation<br>and<br>Amortization<br>in Latest<br>Income<br>Statement is<br>Computed |
|--------------------------------------------|-----------------------|----------------------------|--------------------------------------------------------------|---------------------------------------------------|-------------------|---------------------------------------------------------|--------------------------------------------------------------|------------|----------------------------------------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------|
|                                            |                       | Land                       | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Improve-<br>ments                                 | Carrying<br>Costs | Land                                                    | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Total      |                                                    |                              |                  |                                                                                                            |
| Lil Champ:<br>Gainesville,<br>FL           |                       | 900,141                    |                                                              | 1,800,281                                         |                   | 900,141                                                 | 1,800,281                                                    | 2,700,422  | 35,631                                             | 2007                         | 07/05(q)         | 40 years                                                                                                   |
| Jacksonville,<br>FL                        |                       | 2,225,177                  | 315,315                                                      |                                                   |                   | 2,225,177                                               | 315,315                                                      | 2,540,492  | 18,722                                             | 2006                         | 08/05            | 40 years                                                                                                   |
| Ocala, FL                                  |                       | 845,827                    |                                                              | 1,563,500                                         |                   | 845,827                                                 | 1,563,500                                                    | 2,409,327  | 21,172                                             | 2007                         | 02/06(q)         | 40 years                                                                                                   |
| Logan s<br>Roadhouse:<br>Alexandria,<br>LA |                       | 1,217,567                  | 3,048,693                                                    |                                                   |                   | 1,217,567                                               | 3,048,693                                                    | 4,266,260  | 85,744                                             | 1998                         | 11/06            | 40 years                                                                                                   |
| Beckley,<br>WV                             |                       | 1,396,024                  | 2,404,817                                                    |                                                   |                   | 1,396,024                                               | 2,404,817                                                    | 3,800,841  | 67,635                                             | 2006                         | 11/06            | 40 years                                                                                                   |
| Cookeville,<br>TN                          |                       | 1,262,430                  | 2,270,596                                                    |                                                   |                   | 1,262,430                                               | 2,270,596                                                    | 3,533,026  | 63,860                                             | 1997                         | 11/06            | 40 years                                                                                                   |
| Fort Wayne,<br>IN                          |                       | 1,274,315                  | 2,109,860                                                    |                                                   |                   | 1,274,315                                               | 2,109,860                                                    | 3,384,175  | 59,340                                             | 2003                         | 11/06            | 40 years                                                                                                   |
| Greenwood,<br>IN                           |                       | 1,341,188                  | 2,105,213                                                    |                                                   |                   | 1,341,188                                               | 2,105,213                                                    | 3,446,401  | 59,209                                             | 2000                         | 11/06            | 40 years                                                                                                   |
| Hurst, TX                                  |                       | 1,857,628                  | 1,915,877                                                    |                                                   |                   | 1,857,628                                               | 1,915,877                                                    | 3,773,505  | 53,884                                             | 1999                         | 11/06            | 40 years                                                                                                   |
| Jackson, TN                                |                       | 1,199,765                  | 2,246,330                                                    |                                                   |                   | 1,199,765                                               | 2,246,330                                                    | 3,446,095  | 63,178                                             | 1994                         | 11/06            | 40 years                                                                                                   |
| Lake<br>Charles, LA                        |                       | 1,284,898                  | 2,202,447                                                    |                                                   |                   | 1,284,898                                               | 2,202,447                                                    | 3,487,345  | 61,944                                             | 1998                         | 11/06            | 40 years                                                                                                   |
| McAllen,<br>TX                             |                       | 1,607,806                  | 2,177,715                                                    |                                                   |                   | 1,607,806                                               | 2,177,715                                                    | 3,785,521  | 61,248                                             | 2005                         | 11/06            | 40 years                                                                                                   |
| Opelika, AL                                |                       | 1,028,484                  | 1,753,045                                                    |                                                   |                   | 1,028,484                                               | 1,753,045                                                    | 2,781,529  | 49,304                                             | 2005                         | 11/06            | 40 years                                                                                                   |
| Roanoke,<br>VA                             |                       | 2,302,414                  | 1,947,141                                                    |                                                   |                   | 2,302,414                                               | 1,947,141                                                    | 4,249,555  | 54,763                                             | 1998                         | 11/06            | 40 years                                                                                                   |
| San Marcos,<br>TX                          |                       | 836,979                    | 1,453,300                                                    |                                                   |                   | 836,979                                                 | 1,453,300                                                    | 2,290,279  | 40,874                                             | 2000                         | 11/06            | 40 years                                                                                                   |
| Sanford, FL                                |                       | 1,677,782                  | 1,730,390                                                    |                                                   |                   | 1,677,782                                               | 1,730,390                                                    | 3,408,172  | 48,667                                             | 1999                         | 11/06            | 40 years                                                                                                   |
| Smyrna, TN                                 |                       | 1,334,998                  | 2,047,465                                                    |                                                   |                   | 1,334,998                                               | 2,047,465                                                    | 3,382,463  | 57,585                                             | 2002                         | 11/06            | 40 years                                                                                                   |
| Warner<br>Robins, GA                       |                       | 905,301                    | 1,533,748                                                    |                                                   |                   | 905,301                                                 | 1,533,748                                                    | 2,439,049  | 43,136                                             | 2004                         | 11/06            | 40 years                                                                                                   |
| Franklin,<br>TN                            |                       | 2,519,485                  | 1,704,790                                                    |                                                   |                   | 2,519,485                                               | 1,704,790                                                    | 4,224,275  | 44,396                                             | 1995                         | 12/06            | 40 years                                                                                                   |
| Southaven,<br>MS                           |                       | 1,297,767                  | 1,338,118                                                    |                                                   |                   | 1,297,767                                               | 1,338,118                                                    | 2,635,885  | 34,847                                             | 2005                         | 12/06            | 40 years                                                                                                   |
| Lowe s:<br>Memphis,<br>TN                  |                       | 3,214,835                  | 9,169,885                                                    |                                                   |                   | 3,214,835                                               | 9,169,885                                                    | 12,384,720 | 1,271,710                                          | 2001                         | 06/02            | 40 years                                                                                                   |
| Magic China<br>Café:<br>Orlando, FL        | 65,839(o)             | 40,200                     | 110,531                                                      |                                                   |                   | 40,200                                                  | 110,531                                                      | 150,731    | 10,708                                             | 2001                         | 02/04            | 40 years                                                                                                   |
| Magic<br>Mountain:<br>Columbus,<br>OH      |                       | 2,075,527                  | 1,906,370                                                    |                                                   |                   | 2,075,527                                               | 1,906,370                                                    | 3,981,897  | 25,815                                             | 1990                         | 06/07            | 40 years                                                                                                   |
| Columbus,<br>OH                            |                       | 5,379,851                  | 2,693,295                                                    |                                                   |                   | 5,379,851                                               | 2,693,295                                                    | 8,073,146  | 36,471                                             | 1990                         | 06/07            | 40 years                                                                                                   |
| Majestic<br>Liquors:<br>Arlington,<br>TX   |                       | 1,235,214                  | 1,222,434                                                    |                                                   |                   | 1,235,214                                               | 1,222,434                                                    | 2,457,648  | 87,862                                             | 1990                         | 02/05            | 40 years                                                                                                   |
|                                            |                       | 1,330,427                  | 3,858,445                                                    |                                                   |                   | 1,330,427                                               | 3,858,445                                                    | 5,188,872  | 277,326                                            | 1996                         | 02/05            | 40 years                                                                                                   |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                         |           |           |         |           |           |           |         |      |          |          |
|-------------------------|-----------|-----------|---------|-----------|-----------|-----------|---------|------|----------|----------|
| Coffee City,<br>TX      |           |           |         |           |           |           |         |      |          |          |
| Ft. Worth,<br>TX        | 1,461,333 | 1,673,229 |         | 1,461,333 | 1,673,229 | 3,134,562 | 120,263 | 1999 | 02/05    | 40 years |
| Ft. Worth,<br>TX        | 1,651,570 | 2,017,770 |         | 1,651,570 | 2,017,770 | 3,669,340 | 145,027 | 2000 | 02/05    | 40 years |
| Ft. Worth,<br>TX        | 2,505,249 | 2,138,400 |         | 2,505,249 | 2,138,400 | 4,643,649 | 153,698 | 1988 | 02/05    | 40 years |
| Ft. Worth,<br>TX        | 977,290   | 2,368,447 |         | 977,290   | 2,368,447 | 3,345,737 | 170,232 | 1997 | 02/05    | 40 years |
| Ft. Worth,<br>TX        | 611,366   | 1,608,555 |         | 611,366   | 1,608,555 | 2,219,921 | 115,615 | 1974 | 02/05    | 40 years |
| Hudson<br>Oaks, TX      | 361,371   | 1,029,053 |         | 361,371   | 1,029,053 | 1,390,424 | 73,963  | 1993 | 02/05    | 40 years |
| Granbury,<br>TX         | 786,159   | 1,233,984 |         | 786,159   | 1,233,984 | 2,020,143 | 55,272  | 2006 | 05/05(g) | 40 years |
| Dallas, TX              | 1,554,411 | 1,228,778 |         | 1,554,411 | 1,228,778 | 2,783,189 | 78,079  | 1982 | 06/05    | 40 years |
| Dallas, TX              | 2,407,203 | 2,050,580 | 248,000 | 2,407,203 | 2,298,580 | 4,705,783 | 139,344 | 1971 | 06/05    | 40 years |
| Azle, TX                | 648,274   | 859,435   |         | 648,274   | 859,435   | 1,507,709 | 11,638  | 1970 | 06/07    | 40 years |
| Ft. Worth,<br>TX        | 574,618   | 933,091   |         | 574,618   | 933,091   | 1,507,709 | 12,636  | 1982 | 06/07    | 40 years |
| Lubbock,<br>TX          | 1,293,214 | 1,210,826 |         | 1,293,214 | 1,210,826 | 2,504,040 | 13,874  | 1983 | 07/07    | 40 years |
| Lubbock,<br>TX          | 2,606,118 | 2,897,922 |         | 2,606,118 | 2,897,922 | 5,504,040 | 33,205  | 1983 | 07/07    | 40 years |
| Merchant s<br>Tires:    |           |           |         |           |           |           |         |      |          |          |
| Hampton,<br>VA          | 179,835   | 426,895   |         | 179,835   | 426,895   | 606,730   | 29,794  | 1986 | 03/05    | 40 years |
| Newport<br>News, VA     | 233,812   | 259,046   |         | 233,812   | 259,046   | 492,858   | 18,079  | 1986 | 03/05    | 40 years |
| Norfolk, VA             | 398,132   | 507,743   |         | 398,132   | 507,743   | 905,875   | 35,436  | 1986 | 03/05    | 40 years |
| Rockville,<br>MD        | 1,030,156 | 306,147   |         | 1,030,156 | 306,147   | 1,336,303 | 21,367  | 1974 | 03/05    | 40 years |
| Washington,<br>DC       | 623,607   | 577,948   |         | 623,607   | 577,948   | 1,201,555 | 40,336  | 1983 | 03/05    | 40 years |
| Mi Pueblo<br>Foods:     |           |           |         |           |           |           |         |      |          |          |
| Watsonville,<br>CA      | 805,056   | 1,648,934 |         | 805,056   | 1,648,934 | 2,453,990 | 173,482 | 1984 | 03/99    | 40 years |
| Michaels:               |           |           |         |           |           |           |         |      |          |          |
| Fairfax, VA             | 986,131   | 1,426,254 | 706,501 | 986,131   | 2,132,755 | 3,118,886 | 476,206 | 1995 | 12/95    | 40 years |
| Grapevine,<br>TX (r)    | 1,017,934 | 2,066,715 |         | 1,017,934 | 2,066,715 | 3,084,649 | 492,997 | 1998 | 06/98    | 40 years |
| Plymouth<br>Meeting, PA | 2,911,111 | 2,594,720 |         | 2,911,111 | 2,594,720 | 5,505,831 | 494,507 | 1999 | 10/98(g) | 40 years |

See accompanying report of independent registered public accounting firm.

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|                    | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |                                                | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |          |
|--------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|------------------------------------------------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|----------|
|                    | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Building, Improvements and Leasehold Interests |                                           |                      |               |                                                                                    | Total    |
| Mister Car Wash:   |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Anoka, MN          |                         | 212,378   | 214,461                                        |              |                                                      | 212,378   | 214,461                                        | 426,839                                   | 10,127               | 1968          | 04/07                                                                              | 15 years |
| Brooklyn Park, MN  |                         | 438,259   | 778,217                                        |              |                                                      | 438,259   | 778,217                                        | 1,216,476                                 | 22,050               | 1985          | 04/07                                                                              | 25 years |
| Cedar Rapids, IA   |                         | 390,848   | 816,402                                        |              |                                                      | 390,848   | 816,402                                        | 1,207,250                                 | 23,131               | 1989          | 04/07                                                                              | 25 years |
| Clive, IA          |                         | 1,141,010 | 934,829                                        |              |                                                      | 1,141,010 | 934,829                                        | 2,075,839                                 | 33,109               | 1983          | 04/07                                                                              | 20 years |
| Cottage Grove, MN  |                         | 274,404   | 484,572                                        |              |                                                      | 274,404   | 484,572                                        | 758,976                                   | 13,730               | 1992          | 04/07                                                                              | 25 years |
| Des Moines, IA     |                         | 212,694   | 475,795                                        |              |                                                      | 212,694   | 475,795                                        | 688,489                                   | 16,851               | 1964          | 04/07                                                                              | 20 years |
| Des Moines, IA     |                         | 248,517   | 595,659                                        |              |                                                      | 248,517   | 595,659                                        | 844,176                                   | 14,064               | 1990          | 04/07                                                                              | 30 years |
| Eden Prairie, MN   |                         | 865,400   | 751,139                                        |              |                                                      | 865,400   | 751,139                                        | 1,616,539                                 | 26,603               | 1984          | 04/07                                                                              | 20 years |
| Edina, MN          |                         | 894,483   | 686,718                                        |              |                                                      | 894,483   | 686,718                                        | 1,581,201                                 | 24,321               | 1985          | 04/07                                                                              | 20 years |
| Houston, TX        |                         | 287,729   | 465,697                                        |              |                                                      | 287,729   | 465,697                                        | 753,426                                   | 21,991               | 1970          | 04/07                                                                              | 15 years |
| Houston, TX        |                         | 2,260,395 | 1,806,419                                      |              |                                                      | 2,260,395 | 1,806,419                                      | 4,066,814                                 | 51,182               | 1975          | 04/07                                                                              | 25 years |
| Houston, TX        |                         | 3,193,137 | 1,305,127                                      |              |                                                      | 3,193,137 | 1,305,127                                      | 4,498,264                                 | 26,413               | 1995          | 04/07                                                                              | 35 years |
| Houston, TX        |                         | 1,846,219 | 1,592,457                                      |              |                                                      | 1,846,219 | 1,592,457                                      | 3,438,676                                 | 45,120               | 1983          | 04/07                                                                              | 25 years |
| Houston, TX        |                         | 1,960,385 | 1,144,516                                      |              |                                                      | 1,960,385 | 1,144,516                                      | 3,104,901                                 | 32,427               | 1983          | 04/07                                                                              | 25 years |
| Houston, TX        |                         | 1,347,305 | 1,701,671                                      |              |                                                      | 1,347,305 | 1,701,671                                      | 3,048,976                                 | 40,178               | 1984          | 04/07                                                                              | 30 years |
| Houston, TX        |                         | 795,775   | 678,201                                        |              |                                                      | 795,775   | 678,201                                        | 1,473,976                                 | 19,216               | 1986          | 04/07                                                                              | 25 years |
| Houston, TX        |                         | 623,760   | 1,108,129                                      |              |                                                      | 623,760   | 1,108,129                                      | 1,731,889                                 | 26,164               | 1988          | 04/07                                                                              | 30 years |
| Houston, TX        |                         | 5,125,771 | 1,267,125                                      |              |                                                      | 5,125,771 | 1,267,125                                      | 6,392,896                                 | 25,644               | 1995          | 04/07                                                                              | 35 years |
| Humble, TX         |                         | 1,204,234 | 1,516,641                                      |              |                                                      | 1,204,234 | 1,516,641                                      | 2,720,875                                 | 30,694               | 1993          | 04/07                                                                              | 35 years |
| Plymouth, MN       |                         | 827,427   | 181,549                                        |              |                                                      | 827,427   | 181,549                                        | 1,008,976                                 | 12,860               | 1955          | 04/07                                                                              | 10 years |
| Roseville, MN      |                         | 861,100   | 563,575                                        |              |                                                      | 861,100   | 563,575                                        | 1,424,675                                 | 19,959               | 1963          | 04/07                                                                              | 20 years |
| Spokane, WA        |                         | 214,246   | 580,318                                        |              |                                                      | 214,246   | 580,318                                        | 794,564                                   | 13,702               | 1990          | 04/07                                                                              | 30 years |
| Spokane, WA        |                         | 1,252,856 | 1,146,358                                      |              |                                                      | 1,252,856 | 1,146,358                                      | 2,399,214                                 | 23,200               | 1997          | 04/07                                                                              | 35 years |
| St. Cloud, MN      |                         | 242,717   | 391,259                                        |              |                                                      | 242,717   | 391,259                                        | 633,976                                   | 13,857               | 1986          | 04/07                                                                              | 20 years |
| Stillwater, MN     |                         | 288,745   | 214,419                                        |              |                                                      | 288,745   | 214,419                                        | 503,164                                   | 10,125               | 1971          | 04/07                                                                              | 15 years |
| Sugarland, TX      |                         | 3,789,092 | 1,972,484                                      |              |                                                      | 3,789,092 | 1,972,484                                      | 5,761,576                                 | 39,919               | 1995          | 04/07                                                                              | 35 years |
| West St Paul, MN   |                         | 835,651   | 235,825                                        |              |                                                      | 835,651   | 235,825                                        | 1,071,476                                 | 8,352                | 1972          | 04/07                                                                              | 20 years |
| Rochester, MN      |                         | 318,975   | 451,053                                        |              |                                                      | 318,975   | 451,053                                        | 770,028                                   | 2,349                | 1994          | 10/07                                                                              | 40 years |
| Rochester, MN      |                         | 1,054,930 | 2,327,307                                      |              |                                                      | 1,054,930 | 2,327,307                                      | 3,382,237                                 | 12,121               | 2003          | 10/07                                                                              | 40 years |
| Birmingham, AL     |                         | 2,377,589 | 2,144,987                                      |              |                                                      | 2,377,589 | 2,144,987                                      | 4,522,576                                 | 8,937                | 1985          | 11/07                                                                              | 30 years |
| Clearwater, FL     |                         | 825,012   | 765,491                                        |              |                                                      | 825,012   | 765,491                                        | 1,590,503                                 | 3,827                | 1969          | 11/07                                                                              | 25 years |
| Mesquite, TX       |                         | 1,595,876 | 2,201,161                                      |              |                                                      | 1,595,876 | 2,201,161                                      | 3,797,037                                 | 11,005               | 1987          | 11/07                                                                              | 25 years |
| Seminole, FL       |                         | 2,165,896 | 1,495,994                                      |              |                                                      | 2,165,896 | 1,495,994                                      | 3,661,890                                 | 6,233                | 1985          | 11/07                                                                              | 30 years |
| Tampa, FL          |                         | 2,992,859 | 1,669,069                                      |              |                                                      | 2,992,859 | 1,669,069                                      | 4,661,928                                 | 8,345                | 1969          | 11/07                                                                              | 25 years |
| Vestavia Hills, AL |                         | 1,008,794 | 955,811                                        |              |                                                      | 1,008,794 | 955,811                                        | 1,964,605                                 | 4,779                | 1967          | 11/07                                                                              | 25 years |
| El Paso, TX        |                         | 988,006   | 1,046,430                                      |              |                                                      | 988,006   | 1,046,430                                      | 2,034,436                                 | 1,246                | 1998          | 12/07                                                                              | 40 years |
| El Paso, TX        |                         | 1,399,045 | 1,467,945                                      |              |                                                      | 1,399,045 | 1,467,945                                      | 2,866,990                                 | 1,748                | 1991          | 12/07                                                                              | 40 years |
| El Paso, TX        |                         | 664,183   | 823,521                                        |              |                                                      | 664,183   | 823,521                                        | 1,487,704                                 | 980                  | 1991          | 12/07                                                                              | 40 years |
| El Paso, TX        |                         | 1,423,681 | 1,305,604                                      |              |                                                      | 1,423,681 | 1,305,604                                      | 2,729,285                                 | 1,813                | 1986          | 12/07                                                                              | 30 years |
| El Paso, TX        |                         | 1,807,249 | 2,287,451                                      |              |                                                      | 1,807,249 | 2,287,451                                      | 4,094,700                                 | 3,177                | 1983          | 12/07                                                                              | 40 years |
| Mountain Jack s:   |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
|                    |                         | 850,625   | 1,059,430                                      |              |                                                      | 850,625   | 1,059,430                                      | 1,910,055                                 | 160,018              | 1986          | 12/01                                                                              | 40 years |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                                             |           |           |         |           |           |           |         |      |       |          |
|---------------------------------------------|-----------|-----------|---------|-----------|-----------|-----------|---------|------|-------|----------|
| Centerville,<br>OH                          |           |           |         |           |           |           |         |      |       |          |
| Mr. E s Music<br>Supercenter:               |           |           |         |           |           |           |         |      |       |          |
| Arlington, TX                               | 435,002   | 2,299,881 | 334,059 | 435,002   | 2,633,940 | 3,068,942 | 637,178 | 1996 | 06/96 | 40 years |
| Muchas<br>Gracias<br>Mexican<br>Restaurant: |           |           |         |           |           |           |         |      |       |          |
| Salem, OR                                   | 555,951   | 735,651   |         | 555,951   | 735,651   | 1,291,602 | 111,114 | 1996 | 12/06 | 40 years |
| New Covenant<br>Church:                     |           |           |         |           |           |           |         |      |       |          |
| Augusta, GA                                 | 176,656   | 674,253   |         | 176,656   | 674,253   | 850,909   | 101,840 | 1998 | 12/01 | 40 years |
| Office Depot:                               |           |           |         |           |           |           |         |      |       |          |
| Arlington, TX                               | 596,024   | 1,411,432 |         | 596,024   | 1,411,432 | 2,007,456 | 490,980 | 1991 | 01/94 | 40 years |
| Richmond,<br>VA                             | 888,772   | 1,948,036 |         | 888,772   | 1,948,036 | 2,836,808 | 564,380 | 1996 | 05/96 | 40 years |
| Hartsdale, NY                               | 4,508,753 | 2,327,448 |         | 4,508,753 | 2,327,448 | 6,836,201 | 227,831 | 1996 | 09/97 | 40 years |
| OfficeMax:                                  |           |           |         |           |           |           |         |      |       |          |
| Cincinnati,<br>OH                           | 543,489   | 1,574,551 |         | 543,489   | 1,574,551 | 2,118,040 | 530,737 | 1994 | 07/94 | 40 years |
| Evanston, IL                                | 1,867,831 | 1,757,618 |         | 1,867,831 | 1,757,618 | 3,625,449 | 551,941 | 1995 | 06/95 | 40 years |
| Altamonte<br>Springs, FL                    | 1,689,793 | 3,050,160 |         | 1,689,793 | 3,050,160 | 4,739,953 | 905,775 | 1995 | 01/96 | 40 years |
| Cutler Ridge,<br>FL                         | 989,370   | 1,479,119 |         | 989,370   | 1,479,119 | 2,468,489 | 425,555 | 1995 | 06/96 | 40 years |
| Sacramento,<br>CA                           | 1,144,167 | 2,961,206 |         | 1,144,167 | 2,961,206 | 4,105,373 | 814,528 | 1996 | 12/96 | 40 years |
| Salinas, CA                                 | 1,353,217 | 1,829,325 |         | 1,353,217 | 1,829,325 | 3,182,542 | 497,348 | 1995 | 02/97 | 40 years |
| Redding, CA                                 | 667,174   | 2,181,563 |         | 667,174   | 2,181,563 | 2,848,737 | 574,933 | 1997 | 06/97 | 40 years |

See accompanying report of independent registered public accounting firm.

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|                             | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |                                                |           |                                           |                      | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |               |
|-----------------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|------------------------------------------------|-----------|-------------------------------------------|----------------------|------------------------------------------------------------------------------------|---------------|
|                             | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Building, Improvements and Leasehold Interests | Total     | Accumulated Depreciation and Amortization | Date of Construction |                                                                                    | Date Acquired |
| Kelso, WA                   |                         | 868,003   |                                                | 1,805,539    |                                                      | 868,003   | 1,805,539                                      | 2,673,542 | 449,504                                   | 1998                 | 09/97(g)                                                                           | 40 years      |
| Lynchburg, VA               |                         | 561,509   |                                                | 1,851,326    |                                                      | 561,509   | 1,851,326                                      | 2,412,835 | 430,047                                   | 1998                 | 02/98                                                                              | 40 years      |
| Leesburg, FL                |                         | 640,019   |                                                | 1,929,028    |                                                      | 640,019   | 1,929,028                                      | 2,569,047 | 436,040                                   | 1998                 | 08/98                                                                              | 40 years      |
| Griffin, GA                 |                         | 685,470   |                                                | 1,801,905    |                                                      | 685,470   | 1,801,905                                      | 2,487,375 | 392,290                                   | 1999                 | 11/98(g)                                                                           | 40 years      |
| Tigard, OR                  |                         | 1,539,873 | 2,247,321                                      |              |                                                      | 1,539,873 | 2,247,321                                      | 3,787,194 | 512,670                                   | 1995                 | 11/98                                                                              | 40 years      |
| Orlando Metro Gymnastics:   |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |                                                                                    |               |
| Orlando, FL                 |                         | 427,661   | 1,344,660                                      |              |                                                      | 427,661   | 1,344,660                                      | 1,772,321 | 99,448                                    | 2003                 | 01/05                                                                              | 40 years      |
| Palais Royale:              |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |                                                                                    |               |
| Sealy, TX                   |                         | 475,185   | 519,176                                        |              |                                                      | 475,185   | 519,176                                        | 994,361   | 115,508                                   | 1982                 | 03/99                                                                              | 40 years      |
| Palm Tree Computer Systems: |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |                                                                                    |               |
| Orlando, FL                 | 60,351(o)               | 36,850    | 101,320                                        |              |                                                      | 36,850    | 101,320                                        | 138,170   | 9,815                                     | 2001                 | 02/04                                                                              | 40 years      |
| Party City: Memphis, TN     |                         | 266,383   |                                                | 1,136,334    |                                                      | 266,383   | 1,136,334                                      | 1,402,717 | 242,655                                   | 1999                 | 06/99                                                                              | 40 years      |
| Pep Boys:                   |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |                                                                                    |               |
| Chicago, IL                 |                         | 1,077,006 | 3,756,102                                      |              |                                                      | 1,077,006 | 3,756,102                                      | 4,833,108 | 13,414                                    | 1993                 | 11/07                                                                              | 35 years      |
| Cicero, IL                  |                         | 1,341,244 | 3,760,263                                      |              |                                                      | 1,341,244 | 3,760,263                                      | 5,101,507 | 13,429                                    | 1993                 | 11/07                                                                              | 35 years      |
| Cornwell Heights, PA        |                         | 2,058,189 | 3,101,900                                      |              |                                                      | 2,058,189 | 3,101,900                                      | 5,160,089 | 15,510                                    | 1972                 | 11/07                                                                              | 25 years      |
| East Brunswick, NJ          |                         | 2,449,212 | 5,025,778                                      |              |                                                      | 2,449,212 | 5,025,778                                      | 7,474,990 | 20,940                                    | 1987                 | 11/07                                                                              | 30 years      |
| Jacksonville, FL            |                         | 809,881   | 2,330,983                                      |              |                                                      | 809,881   | 2,330,983                                      | 3,140,864 | 8,325                                     | 1989                 | 11/07                                                                              | 35 years      |
| Joliet, IL                  |                         | 1,505,821 | 3,726,894                                      |              |                                                      | 1,505,821 | 3,726,894                                      | 5,232,715 | 13,310                                    | 1993                 | 11/07                                                                              | 35 years      |
| Lansing, IL                 |                         | 868,936   | 3,439,711                                      |              |                                                      | 868,936   | 3,439,711                                      | 4,308,647 | 12,284                                    | 1993                 | 11/07                                                                              | 35 years      |
| Las Vegas, NV               |                         | 1,917,220 | 2,530,354                                      |              |                                                      | 1,917,220 | 2,530,354                                      | 4,447,574 | 9,037                                     | 1989                 | 11/07                                                                              | 35 years      |
| Marietta, GA                |                         | 1,311,037 | 3,555,989                                      |              |                                                      | 1,311,037 | 3,555,989                                      | 4,867,026 | 14,817                                    | 1987                 | 11/07                                                                              | 30 years      |
| Marlton, NJ                 |                         | 1,608,391 | 4,141,816                                      |              |                                                      | 1,608,391 | 4,141,816                                      | 5,750,207 | 17,258                                    | 1983                 | 11/07                                                                              | 30 years      |
| Philadelphia, PA            |                         | 1,300,283 | 3,830,376                                      |              |                                                      | 1,300,283 | 3,830,376                                      | 5,130,659 | 13,680                                    | 1995                 | 11/07                                                                              | 35 years      |
| Quakertown, PA              |                         | 1,128,592 | 3,251,721                                      |              |                                                      | 1,128,592 | 3,251,721                                      | 4,380,313 | 11,613                                    | 1995                 | 11/07                                                                              | 35 years      |
| Roswell, GA                 |                         | 930,986   | 2,732,320                                      |              |                                                      | 930,986   | 2,732,320                                      | 3,663,306 | 11,385                                    | 2007                 | 11/07                                                                              | 30 years      |
| Turnersville, NJ            |                         | 989,911   | 3,493,815                                      |              |                                                      | 989,911   | 3,493,815                                      | 4,483,726 | 14,558                                    | 1986                 | 11/07                                                                              | 30 years      |
| Perfect Teeth:              |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |                                                                                    |               |
| Rio Rancho, NM              |                         | 61,517    | 122,142                                        |              |                                                      | 61,517    | 122,142                                        | 183,659   | 18,465                                    | 1997                 | 12/01                                                                              | 40 years      |
| Perkins Restaurant:         |                         |           |                                                |              |                                                      |           |                                                |           |                                           |                      |                                                                                    |               |
| Des Moines, IA              |                         | 255,874   | 136,103                                        |              |                                                      | 255,874   | 136,103                                        | 391,977   | 34,593                                    | 1976                 | 06/05                                                                              | 10 years      |
| Des Moines, IA              |                         | 225,922   | 203,330                                        |              |                                                      | 225,922   | 203,330                                        | 429,252   | 51,679                                    | 1976                 | 06/05                                                                              | 10 years      |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                    |           |           |           |           |           |         |      |       |          |
|--------------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|
| Des Moines,<br>IA  | 269,938   | 218,248   | 269,938   | 218,248   | 488,186   | 55,471  | 1977 | 06/05 | 10 years |
| Newton, IA         | 353,816   | 401,630   | 353,816   | 401,630   | 755,446   | 102,081 | 1979 | 06/05 | 10 years |
| Urbandale,<br>IA   | 376,690   | 581,414   | 376,690   | 581,414   | 958,104   | 73,888  | 1979 | 06/05 | 20 years |
| Petco:             |           |           |           |           |           |         |      |       |          |
| Grand Forks,<br>ND | 306,629   | 909,671   | 306,629   | 909,671   | 1,216,301 | 228,389 | 1996 | 12/97 | 40 years |
| Petro              |           |           |           |           |           |         |      |       |          |
| Express:           |           |           |           |           |           |         |      |       |          |
| Belmont, NC        | 1,507,766 | 1,622,165 | 1,507,766 | 1,622,165 | 3,129,931 | 32,829  | 2001 | 04/07 | 35 years |
| Charlotte,<br>NC   | 1,025,233 | 1,604,698 | 1,025,233 | 1,604,698 | 2,629,931 | 37,888  | 1986 | 04/07 | 30 years |
| Charlotte,<br>NC   | 1,292,976 | 1,836,951 | 1,292,976 | 1,836,951 | 3,129,927 | 43,372  | 1987 | 04/07 | 30 years |
| Charlotte,<br>NC   | 1,457,711 | 2,047,217 | 1,457,711 | 2,047,217 | 3,504,928 | 48,337  | 1987 | 04/07 | 30 years |
| Charlotte,<br>NC   | 1,290,989 | 1,838,939 | 1,290,989 | 1,838,939 | 3,129,928 | 43,419  | 1988 | 04/07 | 30 years |
| Charlotte,<br>NC   | 1,777,717 | 1,977,210 | 1,777,717 | 1,977,210 | 3,754,927 | 46,684  | 1992 | 04/07 | 30 years |
| Charlotte,<br>NC   | 1,322,626 | 869,805   | 1,322,626 | 869,805   | 2,192,431 | 20,537  | 1982 | 04/07 | 30 years |
| Charlotte,<br>NC   | 506,975   | 697,953   | 506,975   | 697,953   | 1,204,928 | 24,719  | 1967 | 04/07 | 20 years |
| Charlotte,<br>NC   | 629,337   | 875,591   | 629,337   | 875,591   | 1,504,928 | 20,674  | 1986 | 04/07 | 30 years |
| Charlotte,<br>NC   | 429,432   | 425,496   | 429,432   | 425,496   | 854,928   | 10,046  | 1983 | 04/07 | 30 years |
| Charlotte,<br>NC   | 2,315,876 | 2,064,051 | 2,315,876 | 2,064,051 | 4,379,927 | 41,772  | 1996 | 04/07 | 35 years |
| Charlotte,<br>NC   | 1,037,423 | 1,467,505 | 1,037,423 | 1,467,505 | 2,504,928 | 29,700  | 1997 | 04/07 | 35 years |
| Charlotte,<br>NC   | 2,165,285 | 1,964,643 | 2,165,285 | 1,964,643 | 4,129,928 | 39,761  | 1997 | 04/07 | 35 years |
| Charlotte,<br>NC   | 1,339,787 | 1,790,140 | 1,339,787 | 1,790,140 | 3,129,927 | 36,229  | 1998 | 04/07 | 35 years |
| Charlotte,<br>NC   | 2,784,480 | 3,720,448 | 2,784,480 | 3,720,448 | 6,504,928 | 75,295  | 1998 | 04/07 | 35 years |
| Charlotte,<br>NC   | 1,532,107 | 1,972,821 | 1,532,107 | 1,972,821 | 3,504,928 | 39,926  | 1998 | 04/07 | 35 years |
| Charlotte,<br>NC   | 1,030,292 | 1,724,636 | 1,030,292 | 1,724,636 | 2,754,928 | 40,721  | 1983 | 04/07 | 30 years |
| Charlotte,<br>NC   | 1,810,009 | 2,569,919 | 1,810,009 | 2,569,919 | 4,379,928 | 45,509  | 2004 | 04/07 | 40 years |
| Charlotte,<br>NC   | 1,257,718 | 1,559,712 | 1,257,718 | 1,559,712 | 2,817,430 | 27,619  | 2004 | 04/07 | 40 years |
| Charlotte,<br>NC   | 1,696,967 | 2,418,814 | 1,696,967 | 2,418,814 | 4,115,781 | 42,833  | 2005 | 04/07 | 40 years |
| Concord, NC        | 2,144,009 | 1,985,919 | 2,144,009 | 1,985,919 | 4,129,928 | 40,191  | 2000 | 04/07 | 35 years |

See accompanying report of independent registered public accounting firm.

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|                               | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |           | Accumulated Depreciation and Amortization |         | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|-------------------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|-----------|-------------------------------------------|---------|----------------------|---------------|------------------------------------------------------------------------------------|
|                               | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Interests | Total                                     |         |                      |               |                                                                                    |
| Concord, NC                   |                         | 1,828,292 | 1,676,647                                      |              |                                                      | 1,828,292 | 1,676,647 | 3,504,939                                 | 33,932  | 2002                 | 04/07         | 35 years                                                                           |
| Conover, NC                   |                         | 917,090   | 1,275,337                                      |              |                                                      | 917,090   | 1,275,337 | 2,192,427                                 | 25,810  | 1999                 | 04/07         | 35 years                                                                           |
| Cornelius, NC                 |                         | 1,653,202 | 2,664,228                                      |              |                                                      | 1,653,202 | 2,664,228 | 4,317,430                                 | 53,919  | 2000                 | 04/07         | 35 years                                                                           |
| Denver, NC                    |                         | 2,317,321 | 1,750,110                                      |              |                                                      | 2,317,321 | 1,750,110 | 4,067,431                                 | 35,418  | 1999                 | 04/07         | 35 years                                                                           |
| Fort Mill, SC                 |                         | 3,825,461 | 2,554,459                                      |              |                                                      | 3,825,461 | 2,554,459 | 6,379,920                                 | 51,697  | 1998                 | 04/07         | 35 years                                                                           |
| Fort Mill, SC                 |                         | 1,883,231 | 1,559,190                                      |              |                                                      | 1,883,231 | 1,559,190 | 3,442,421                                 | 36,814  | 1988                 | 04/07         | 30 years                                                                           |
| Gastonia, NC                  |                         | 964,906   | 1,227,521                                      |              |                                                      | 964,906   | 1,227,521 | 2,192,427                                 | 24,843  | 2001                 | 04/07         | 35 years                                                                           |
| Gastonia, NC                  |                         | 335,424   | 544,504                                        |              |                                                      | 335,424   | 544,504   | 879,928                                   | 9,642   | 2000                 | 04/07         | 40 years                                                                           |
| Gastonia, NC                  |                         | 1,070,390 | 1,184,517                                      |              |                                                      | 1,070,390 | 1,184,517 | 2,254,907                                 | 23,972  | 1990                 | 04/07         | 35 years                                                                           |
| Gastonia, NC                  |                         | 744,571   | 760,356                                        |              |                                                      | 744,571   | 760,356   | 1,504,927                                 | 13,465  | 2003                 | 04/07         | 40 years                                                                           |
| Hickory, NC                   |                         | 1,975,267 | 1,529,667                                      |              |                                                      | 1,975,267 | 1,529,667 | 3,504,934                                 | 30,957  | 2002                 | 04/07         | 35 years                                                                           |
| Kings Mountain, NC            |                         | 1,210,397 | 982,031                                        |              |                                                      | 1,210,397 | 982,031   | 2,192,428                                 | 19,874  | 1988                 | 04/07         | 35 years                                                                           |
| Lake Wylie, SC                |                         | 1,972,180 | 1,282,737                                      |              |                                                      | 1,972,180 | 1,282,737 | 3,254,917                                 | 25,960  | 2003                 | 04/07         | 35 years                                                                           |
| Lake Wylie, SC                |                         | 1,380,939 | 2,061,482                                      |              |                                                      | 1,380,939 | 2,061,482 | 3,442,421                                 | 41,720  | 1998                 | 04/07         | 35 years                                                                           |
| Lincolnton, NC                |                         | 722,773   | 532,154                                        |              |                                                      | 722,773   | 532,154   | 1,254,927                                 | 12,565  | 1989                 | 04/07         | 30 years                                                                           |
| Lincolnton, NC                |                         | 2,358,754 | 1,771,201                                      |              |                                                      | 2,358,754 | 1,771,201 | 4,129,955                                 | 35,846  | 2000                 | 04/07         | 35 years                                                                           |
| Matthews, NC                  |                         | 1,196,544 | 1,745,883                                      |              |                                                      | 1,196,544 | 1,745,883 | 2,942,427                                 | 41,222  | 1987                 | 04/07         | 30 years                                                                           |
| Mineral Springs, NC           |                         | 677,575   | 577,353                                        |              |                                                      | 677,575   | 577,353   | 1,254,928                                 | 10,224  | 2002                 | 04/07         | 40 years                                                                           |
| Monroe, NC                    |                         | 420,625   | 834,302                                        |              |                                                      | 420,625   | 834,302   | 1,254,927                                 | 16,885  | 1997                 | 04/07         | 35 years                                                                           |
| Monroe, NC                    |                         | 709,082   | 795,846                                        |              |                                                      | 709,082   | 795,846   | 1,504,928                                 | 16,106  | 1999                 | 04/07         | 35 years                                                                           |
| Monroe, NC                    |                         | 857,369   | 1,022,565                                      |              |                                                      | 857,369   | 1,022,565 | 1,879,934                                 | 18,108  | 2004                 | 04/07         | 40 years                                                                           |
| Rock Hill, SC                 |                         | 2,118,790 | 1,886,128                                      |              |                                                      | 2,118,790 | 1,886,128 | 4,004,918                                 | 38,172  | 1998                 | 04/07         | 35 years                                                                           |
| Rock Hill, SC                 |                         | 3,095,160 | 1,909,758                                      |              |                                                      | 3,095,160 | 1,909,758 | 5,004,918                                 | 38,650  | 1999                 | 04/07         | 35 years                                                                           |
| Rock Hill, SC                 |                         | 777,836   | 727,082                                        |              |                                                      | 777,836   | 727,082   | 1,504,918                                 | 17,167  | 1990                 | 04/07         | 30 years                                                                           |
| Statesville, NC               |                         | 1,885,746 | 2,181,682                                      |              |                                                      | 1,885,746 | 2,181,682 | 4,067,428                                 | 44,153  | 1999                 | 04/07         | 35 years                                                                           |
| Thomasville, NC               |                         | 993,898   | 1,761,032                                      |              |                                                      | 993,898   | 1,761,032 | 2,754,930                                 | 35,640  | 2000                 | 04/07         | 35 years                                                                           |
| Waxhaw, NC                    |                         | 508,235   | 746,698                                        |              |                                                      | 508,235   | 746,698   | 1,254,933                                 | 13,223  | 2002                 | 04/07         | 40 years                                                                           |
| York, SC                      |                         | 2,306,150 | 1,448,777                                      |              |                                                      | 2,306,150 | 1,448,777 | 3,754,927                                 | 29,320  | 1999                 | 04/07         | 35 years                                                                           |
| Charlotte, NC                 |                         | 1,231,265 | 1,214,175                                      |              |                                                      | 1,231,265 | 1,214,175 | 2,445,440                                 | 18,971  | 1997                 | 05/07         | 40 years                                                                           |
| Charlotte, NC                 |                         | 1,849,143 | 2,279,590                                      |              |                                                      | 1,849,143 | 2,279,590 | 4,128,733                                 | 35,618  | 2005                 | 05/07         | 40 years                                                                           |
| Rock Hill, SC                 |                         | 3,107,907 | 2,145,815                                      |              |                                                      | 3,107,907 | 2,145,815 | 5,253,722                                 | 33,528  | 1999                 | 05/07         | 40 years                                                                           |
| PETsMART: Chicago, IL         |                         | 2,724,138 | 3,565,721                                      |              |                                                      | 2,724,138 | 3,565,721 | 6,289,859                                 | 828,279 | 1998                 | 09/98         | 40 years                                                                           |
| Picture Factory: Sarasota, FL |                         | 1,167,618 | 1,903,810                                      | 218,564      |                                                      | 1,167,618 | 2,122,374 | 3,289,992                                 | 205,716 | 1996                 | 09/97         | 40 years                                                                           |
| Pier 1 Imports:               |                         |           |                                                |              |                                                      |           |           |                                           |         |                      |               |                                                                                    |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                                       |           |           |           |           |           |           |         |      |          |          |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|---------|------|----------|----------|
| Anchorage, AK                         | 928,321   | 1,662,584 |           | 928,321   | 1,662,584 | 2,590,905 | 492,087 | 1995 | 02/96    | 40 years |
| Memphis, TN                           | 713,319   | 821,770   |           | 713,319   | 821,770   | 1,535,089 | 216,571 | 1997 | 09/96(f) | 40 years |
| Sanford, FL                           | 738,051   | 803,082   |           | 738,051   | 803,082   | 1,541,133 | 196,588 | 1998 | 06/97(f) | 40 years |
| Knoxville, TN                         | 467,169   | 734,833   |           | 467,169   | 734,833   | 1,202,002 | 164,571 | 1999 | 01/98(f) | 40 years |
| Mason, OH                             | 593,571   | 885,047   |           | 593,571   | 885,047   | 1,478,617 | 188,994 | 1999 | 06/98(f) | 40 years |
| Harlingen, TX                         | 316,640   | 756,406   |           | 316,640   | 756,406   | 1,073,046 | 155,221 | 1999 | 11/98(f) | 40 years |
| Valdosta, GA                          | 390,838   | 805,912   |           | 390,838   | 805,912   | 1,196,750 | 163,701 | 1999 | 01/99(f) | 40 years |
| Pizza Hut: Monroeville, AL            | 547,300   | 44,237    |           | 547,300   | 44,237    | 591,537   | 6,682   | 1976 | 12/01    | 40 years |
| Pizza Place, The: Cohoes, NY          | 16,396    | 88,372    |           | 16,396    | 88,372    | 104,768   | 7,151   | 1994 | 09/04    | 40 years |
| Popeye s: Snellville, GA              | 642,169   | 436,512   |           | 642,169   | 436,512   | 1,078,681 | 65,931  | 1995 | 12/01    | 40 years |
| Pueblo Viejo Restaurant: Chandler, AZ | 654,765   | 765,164   | 7,500     | 654,765   | 772,664   | 1,427,429 | 122,640 | 1997 | 12/01    | 40 years |
| Pull-A-Part: Birmingham, AL           | 1,164,780 | 2,090,094 |           | 1,164,780 | 2,090,094 | 3,254,874 | 71,847  | 1964 | 08/06    | 40 years |
| Augusta, GA                           | 1,414,381 |           | 1,450,906 | 1,414,381 | 1,450,906 | 2,865,287 | 19,648  | 2007 | 08/06(q) | 40 years |
| Conley, GA                            | 1,685,604 | 1,387,170 |           | 1,685,604 | 1,387,170 | 3,072,774 | 47,684  | 1999 | 08/06    | 40 years |
| Norcross, GA                          | 1,831,129 | 1,040,317 |           | 1,831,129 | 1,040,317 | 2,871,446 | 35,761  | 1998 | 08/06    | 40 years |
| Louisville, KY                        | 3,205,591 | 1,531,842 |           | 3,205,591 | 1,531,842 | 4,737,433 | 52,657  | 2006 | 08/06    | 40 years |
| Harvey, LA                            | 1,881,371 |           |           | 1,881,371 |           | 1,881,371 | (e)     | (e)  | 08/06(q) | (e)      |
| Charlotte, NC                         | 2,912,842 | 1,724,045 |           | 2,912,842 | 1,724,045 | 4,636,887 | 59,264  | 2006 | 08/06    | 40 years |
| Knoxville, TN                         | 961,067   |           | 2,384,443 | 961,067   | 2,384,443 | 3,345,510 | 27,322  | 2007 | 08/06(q) | 40 years |
| Nashville, TN                         | 2,164,234 | 1,414,129 |           | 2,164,234 | 1,414,129 | 3,578,363 | 48,611  | 2006 | 08/06    | 40 years |

See accompanying report of independent registered public accounting firm.

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|                                   | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |                                                | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |                      |               |
|-----------------------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|------------------------------------------------|------------------------------------------------------------------------------------|----------------------|---------------|
|                                   | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Building, Improvements and Leasehold Interests | Accumulated Depreciation and Amortization                                          | Date of Construction | Date Acquired |
| Lafayette, LA                     |                         | 1,034,830 |                                                |              |                                                      | 1,034,830 |                                                | (e)                                                                                | (e)                  | 08/06(q)      |
| Cleveland, OH                     |                         | 4,555,684 |                                                | 2,096,448    |                                                      | 4,555,684 | 2,096,448                                      | 6,652,132                                                                          | 6,551                | 2007          |
| Montgomery, AL                    |                         | 934,023   |                                                |              |                                                      | 934,023   |                                                | (e)                                                                                | (e)                  | 11/06(q)      |
| Jackson, MS                       |                         | 1,314,846 |                                                |              |                                                      | 1,314,846 |                                                | (e)                                                                                | (e)                  | 12/06(q)      |
| Baton Rouge, LA                   |                         | 890,122   |                                                |              |                                                      | 890,122   |                                                | (e)                                                                                | (e)                  | 01/07(q)      |
| Memphis, TN                       |                         | 1,779,169 |                                                |              |                                                      | 1,779,169 |                                                | (e)                                                                                | (e)                  | 05/07(q)      |
| Mobile, AL                        |                         | 549,485   |                                                |              |                                                      | 549,485   |                                                | (e)                                                                                | (e)                  | 06/07(q)      |
| Winston-Salem, NC                 |                         | 845,948   |                                                |              |                                                      | 845,948   |                                                | (e)                                                                                | (e)                  | 08/07(q)      |
| Lithonia, GA                      |                         | 2,409,908 |                                                |              |                                                      | 2,409,908 |                                                | (e)                                                                                | (e)                  | 08/07(q)      |
| Columbia, SC                      |                         | 934,755   |                                                |              |                                                      | 934,755   |                                                | (e)                                                                                | (e)                  | 09/07(q)      |
| QuikTrip:                         |                         |           |                                                |              |                                                      |           |                                                |                                                                                    |                      |               |
| Alpharetta, GA                    |                         | 1,048,309 | 606,916                                        |              |                                                      | 1,048,309 | 606,916                                        | 1,655,225                                                                          | 38,564               | 1996          |
| Clive, IA                         |                         | 623,473   | 556,970                                        |              |                                                      | 623,473   | 556,970                                        | 1,180,443                                                                          | 47,188               | 1994          |
| Des Moines, IA                    |                         | 258,759   | 792,448                                        |              |                                                      | 258,759   | 792,448                                        | 1,051,207                                                                          | 67,138               | 1990          |
| Des Moines, IA                    |                         | 379,435   | 455,322                                        |              |                                                      | 379,435   | 455,322                                        | 834,757                                                                            | 38,576               | 1996          |
| Gainesville, GA                   |                         | 592,192   | 912,962                                        |              |                                                      | 592,192   | 912,962                                        | 1,505,154                                                                          | 77,348               | 1989          |
| Herculaneum, MO                   |                         | 856,001   | 1,612,887                                      |              |                                                      | 856,001   | 1,612,887                                      | 2,468,888                                                                          | 136,647              | 1991          |
| Johnston, IA                      |                         | 394,289   | 385,119                                        |              |                                                      | 394,289   | 385,119                                        | 779,408                                                                            | 32,628               | 1991          |
| Lee's Summit, MO                  |                         | 373,770   | 1,224,099                                      |              |                                                      | 373,770   | 1,224,099                                      | 1,597,869                                                                          | 77,781               | 1999          |
| Norcross, GA                      |                         | 948,051   | 293,896                                        |              |                                                      | 948,051   | 293,896                                        | 1,241,947                                                                          | 24,900               | 1993          |
| Norcross, GA                      |                         | 844,216   | 296,867                                        |              |                                                      | 838,826   | 296,867                                        | 1,135,693                                                                          | 25,151               | 1989          |
| Norcross, GA                      |                         | 966,145   | 202,430                                        |              |                                                      | 966,145   | 202,430                                        | 1,168,575                                                                          | 17,150               | 1994          |
| Olathe, KS                        |                         | 792,656   | 1,391,981                                      |              |                                                      | 792,656   | 1,391,981                                      | 2,184,637                                                                          | 88,449               | 1999          |
| Tulsa, OK                         |                         | 1,224,843 | 649,917                                        |              |                                                      | 1,224,843 | 649,917                                        | 1,874,760                                                                          | 55,062               | 1990          |
| Urbandale, IA                     |                         | 339,566   | 764,025                                        |              |                                                      | 339,566   | 764,025                                        | 1,103,591                                                                          | 48,547               | 1993          |
| Wichita, KS                       |                         | 127,250   | 542,934                                        |              |                                                      | 127,250   | 542,934                                        | 670,184                                                                            | 45,999               | 1990          |
| Wichita, KS                       |                         | 118,012   | 453,891                                        |              |                                                      | 118,012   | 453,891                                        | 571,903                                                                            | 38,455               | 1989          |
| Woodstock, GA                     |                         | 488,383   | 1,041,883                                      |              |                                                      | 488,383   | 1,041,883                                      | 1,530,266                                                                          | 66,203               | 1997          |
| Quizno s:                         |                         |           |                                                |              |                                                      |           |                                                |                                                                                    |                      |               |
| Rio Rancho, NM                    |                         | 48,566    | 96,428                                         | 13,398       |                                                      | 48,566    | 109,826                                        | 158,392                                                                            | 16,186               | 1997          |
| Qwest Corporation Service Center: |                         |           |                                                |              |                                                      |           |                                                |                                                                                    |                      |               |
| Cedar Rapids, IA                  |                         | 184,490   | 628,943                                        |              |                                                      | 184,490   | 628,943                                        | 813,433                                                                            | 79,928               | 1976          |
| Decorah, IA                       |                         | 71,899    | 271,620                                        |              |                                                      | 71,899    | 271,620                                        | 343,519                                                                            | 69,037               | 1974          |
| Rally s:                          |                         |           |                                                |              |                                                      |           |                                                |                                                                                    |                      |               |
| Toledo, OH                        |                         | 125,882   | 319,770                                        |              |                                                      | 125,882   | 319,770                                        | 445,652                                                                            | 127,868              | 1989          |
| REB Oil:                          |                         |           |                                                |              |                                                      |           |                                                |                                                                                    |                      |               |
| Deerfield Beach, FL               |                         | 769,522   | 273,756                                        |              |                                                      | 769,522   | 273,756                                        | 1,043,278                                                                          | 13,973               | 1980          |
| Red Lion Chinese Restaurant:      |                         |           |                                                |              |                                                      |           |                                                |                                                                                    |                      |               |
| Cohoes, NY                        |                         | 27,327    | 147,286                                        |              |                                                      | 27,327    | 147,286                                        | 174,613                                                                            | 11,918               | 1994          |
| Reliable:                         |                         |           |                                                |              |                                                      |           |                                                |                                                                                    |                      |               |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                      |           |            |         |           |            |            |           |      |       |          |
|----------------------|-----------|------------|---------|-----------|------------|------------|-----------|------|-------|----------|
| St. Louis, MO        | 2,077,893 | 13,762,491 |         | 2,077,893 | 13,762,491 | 15,840,384 | 1,192,793 | 1975 | 05/04 | 40 years |
| Rent-A-Center:       |           |            |         |           |            |            |           |      |       |          |
| Rio Rancho, NM       | 145,698   | 289,284    | 40,193  | 145,698   | 329,477    | 475,175    | 48,883    | 1997 | 12/01 | 40 years |
| Rite Aid:            |           |            |         |           |            |            |           |      |       |          |
| Mobile, AL           | 1,136,618 | 1,694,187  |         | 1,136,618 | 1,694,187  | 2,830,805  | 255,893   | 2000 | 12/01 | 40 years |
| Orange Beach, AL     | 1,409,980 | 1,996,043  |         | 1,409,980 | 1,996,043  | 3,406,023  | 301,486   | 2000 | 12/01 | 40 years |
| Albany, NY           | 24,707    | 867,257    |         | 24,707    | 867,257    | 891,964    | 71,367    | 1994 | 09/04 | 40 years |
| Albany, NY (r)       | 33,794    | 823,923    |         | 33,794    | 823,923    | 857,717    | 67,802    | 1992 | 09/04 | 40 years |
| Hudson Falls, NY     | 56,737    | 780,091    | 38,787  | 56,737    | 818,878    | 875,615    | 64,802    | 1990 | 09/04 | 40 years |
| Saratoga Springs, NY | 762,303   | 590,978    |         | 762,303   | 590,978    | 1,353,281  | 48,633    | 1980 | 09/04 | 40 years |
| Ticonderoga, NY      | 88,867    | 688,622    |         | 88,867    | 688,622    | 777,489    | 56,668    | 1993 | 09/04 | 40 years |
| Monticello, NY       | 850,549   | 664,400    | 768,795 | 664,400   | 768,795    | 1,433,195  | 53,656    | 1996 | 03/05 | 40 years |
| Rite Rug:            |           |            |         |           |            |            |           |      |       |          |
| Columbus, OH         | 1,596,197 | 934,236    | 13,345  | 1,604,615 | 939,163    | 2,543,778  | 73,339    | 1970 | 11/04 | 40 years |
| Roadhouse Grill:     |           |            |         |           |            |            |           |      |       |          |
| Cheektowaga, NY      | 689,040   | 386,251    |         | 689,040   | 386,251    | 1,075,290  | 58,340    | 1994 | 12/01 | 40 years |

See accompanying report of independent registered public accounting firm.

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|                      | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |                                                | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |          |
|----------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|------------------------------------------------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|----------|
|                      | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Building, Improvements and Leasehold Interests |                                           |                      |               |                                                                                    | Total    |
| Road Ranger:         |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Belvidere, IL        |                         | 748,237   | 1,256,106                                      |              |                                                      | 748,237   | 1,256,106                                      | 2,004,344                                 | 48,412               | 1997          | 06/06                                                                              | 40 years |
| Brazil, IN           |                         | 2,199,280 | 907,034                                        |              |                                                      | 2,199,280 | 907,034                                        | 3,106,314                                 | 34,958               | 1990          | 06/06                                                                              | 40 years |
| Cherry Valley, IL    |                         | 1,409,312 | 1,897,360                                      |              |                                                      | 1,409,312 | 1,897,360                                      | 3,306,672                                 | 73,127               | 1991          | 06/06                                                                              | 40 years |
| Cottage Grove, WI    |                         | 2,174,548 | 1,733,398                                      |              |                                                      | 2,174,548 | 1,733,398                                      | 3,907,946                                 | 66,808               | 1990          | 06/06                                                                              | 40 years |
| Decatur, IL          |                         | 815,213   | 1,314,354                                      |              |                                                      | 815,213   | 1,314,354                                      | 2,129,568                                 | 50,657               | 2002          | 06/06                                                                              | 40 years |
| Dekalb, IL           |                         | 747,109   | 1,657,951                                      |              |                                                      | 747,109   | 1,657,951                                      | 2,405,060                                 | 63,900               | 2000          | 06/06                                                                              | 40 years |
| Elk Run Heights, IA  |                         | 1,537,734 | 2,470,191                                      |              |                                                      | 1,537,734 | 2,470,191                                      | 4,007,925                                 | 95,205               | 1989          | 06/06                                                                              | 40 years |
| Lake Station, IN     |                         | 3,171,775 | 1,111,643                                      |              |                                                      | 3,171,775 | 1,111,643                                      | 4,283,418                                 | 42,845               | 1987          | 06/06                                                                              | 40 years |
| Mendota, IL          |                         | 959,012   | 1,295,780                                      |              |                                                      | 959,012   | 1,295,780                                      | 2,254,792                                 | 49,941               | 1996          | 06/06                                                                              | 40 years |
| Oakdale, WI          |                         | 1,844,068 | 1,663,137                                      |              |                                                      | 1,844,068 | 1,663,137                                      | 3,507,205                                 | 64,100               | 1998          | 06/06                                                                              | 40 years |
| Rockford, IL         |                         | 1,094,045 | 1,661,684                                      |              |                                                      | 1,094,045 | 1,661,684                                      | 2,755,729                                 | 64,044               | 1996          | 06/06                                                                              | 40 years |
| Rockford, IL         |                         | 623,214   | 1,331,082                                      |              |                                                      | 623,214   | 1,331,082                                      | 1,954,296                                 | 51,302               | 2000          | 06/06                                                                              | 40 years |
| Springfield, IL      |                         | 704,648   | 1,500,279                                      |              |                                                      | 704,648   | 1,500,279                                      | 2,204,927                                 | 57,823               | 1997          | 06/06                                                                              | 40 years |
| Springfield, IL      |                         | 1,794,961 | 1,862,562                                      |              |                                                      | 1,794,961 | 1,862,562                                      | 3,657,523                                 | 71,786               | 1978          | 06/06                                                                              | 40 years |
| Champaign, IL        |                         | 3,241,075 | 2,007,662                                      |              |                                                      | 3,241,075 | 2,007,662                                      | 5,248,737                                 | 43,918               | 2006          | 02/07                                                                              | 40 years |
| Dekalb, IL           |                         | 504,730   | 1,503,084                                      |              |                                                      | 504,730   | 1,503,084                                      | 2,007,814                                 | 32,880               | 2004          | 02/07                                                                              | 40 years |
| Fenton, MO           |                         | 2,583,565 | 2,621,722                                      |              |                                                      | 2,583,565 | 2,621,722                                      | 5,205,287                                 | 57,350               | 2007          | 02/07                                                                              | 40 years |
| Hampshire, IL        |                         | 1,307,002 | 1,500,812                                      | 1,629,412    |                                                      | 1,307,002 | 3,130,224                                      | 4,437,226                                 | 34,560               | 1988          | 02/07                                                                              | 40 years |
| Princeton, IL        |                         | 1,141,447 | 3,066,368                                      |              |                                                      | 1,141,447 | 3,066,368                                      | 4,207,815                                 | 67,077               | 2003          | 02/07                                                                              | 40 years |
| South Beloit, IL     |                         | 3,823,872 | 2,308,942                                      |              |                                                      | 3,823,872 | 2,308,942                                      | 6,132,814                                 | 50,508               | 2002          | 02/07                                                                              | 40 years |
| Cedar Rapids, IA     |                         | 1,024,606 | 983,509                                        |              |                                                      | 1,024,606 | 983,509                                        | 2,008,115                                 | 19,465               | 1990          | 03/07                                                                              | 40 years |
| Marion, IA           |                         | 736,574   | 1,071,226                                      |              |                                                      | 736,574   | 1,071,226                                      | 1,807,800                                 | 21,201               | 1974          | 03/07                                                                              | 40 years |
| Okawville, IL        |                         | 929,718   | 1,147,323                                      |              |                                                      | 929,718   | 1,147,323                                      | 2,077,041                                 | 10,756               | 1997          | 08/07                                                                              | 40 years |
| Dubuque, IA          |                         | 560,523   | 1,941,477                                      |              |                                                      | 560,523   | 1,941,477                                      | 2,502,000                                 | 14,157               | 2000          | 09/07                                                                              | 40 years |
| Belvidere, IL        |                         | 520,800   |                                                |              |                                                      | 520,800   |                                                | 520,800                                   | (e)                  | (e)           | 09/07                                                                              | 40 years |
| South Beloit, IL     |                         | 1,182,152 |                                                |              |                                                      | 1,182,152 |                                                | 1,182,152                                 | (e)                  | (e)           | 09/07                                                                              | 40 years |
| Robb & Stucky:       |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Ft. Myers, FL        |                         | 2,188,440 | 6,225,401                                      |              |                                                      | 2,188,440 | 6,225,401                                      | 8,413,841                                 | 1,580,217            | 1997          | 12/97                                                                              | 40 years |
| Roger & Mary s:      |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Kenosha, WI          |                         | 1,917,606 | 3,431,364                                      |              |                                                      | 1,917,606 | 3,431,364                                      | 5,348,970                                 | 928,213              | 1992          | 02/97                                                                              | 40 years |
| Ross Dress For Less: |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Coral Gables, FL     |                         | 1,782,346 | 1,661,174                                      |              |                                                      | 1,782,346 | 1,661,174                                      | 3,443,520                                 | 427,005              | 1994          | 06/96                                                                              | 40 years |
| Lodi, CA             |                         | 613,710   | 1,414,592                                      |              |                                                      | 613,710   | 1,414,592                                      | 2,028,302                                 | 148,827              | 1984          | 03/99                                                                              | 40 years |
| Schlotzsky s Deli:   |                         |           |                                                |              |                                                      |           |                                                |                                           |                      |               |                                                                                    |          |
| Phoenix, AZ          |                         | 706,306   | 315,469                                        |              |                                                      | 706,306   | 315,469                                        | 1,021,775                                 | 47,649               | 1995          | 12/01                                                                              | 40 years |
| Scottsdale, AZ       |                         | 717,138   | 310,610                                        |              |                                                      | 717,138   | 310,610                                        | 1,027,748                                 | 46,915               | 1995          | 12/01                                                                              | 40 years |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

7-Eleven:

|                  |           |         |           |         |           |         |      |          |          |
|------------------|-----------|---------|-----------|---------|-----------|---------|------|----------|----------|
| Land O Lakes, FL | 1,076,572 | 816,944 | 1,076,572 | 816,944 | 1,893,516 | 182,961 | 1999 | 10/98(g) | 40 years |
| Tampa, FL        | 1,080,670 | 917,432 | 1,080,670 | 917,432 | 1,998,102 | 201,644 | 1999 | 12/98(g) | 40 years |

|                         |  |  |  |  |  |  |  |  |  |
|-------------------------|--|--|--|--|--|--|--|--|--|
| Shek s Chinese Express: |  |  |  |  |  |  |  |  |  |
|-------------------------|--|--|--|--|--|--|--|--|--|

|                  |        |         |        |         |         |        |      |       |          |
|------------------|--------|---------|--------|---------|---------|--------|------|-------|----------|
| Eden Prairie, MN | 64,916 | 261,347 | 64,916 | 261,347 | 326,263 | 36,492 | 1997 | 12/01 | 40 years |
|------------------|--------|---------|--------|---------|---------|--------|------|-------|----------|

|                        |  |  |  |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|--|--|--|
| Shoes on a Shoestring: |  |  |  |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|--|--|--|

|                 |           |           |           |           |           |         |      |       |          |
|-----------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|
| Albuquerque, NM | 1,441,777 | 2,335,475 | 1,441,777 | 2,335,475 | 3,777,251 | 615,495 | 1997 | 06/97 | 40 years |
|-----------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|

|              |  |  |  |  |  |  |  |  |  |
|--------------|--|--|--|--|--|--|--|--|--|
| Shop-a-Snak: |  |  |  |  |  |  |  |  |  |
|--------------|--|--|--|--|--|--|--|--|--|

|            |         |         |         |         |           |        |      |       |          |
|------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Jasper, AL | 551,417 | 747,418 | 551,417 | 747,418 | 1,298,835 | 30,364 | 1998 | 05/06 | 40 years |
|------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|              |         |         |         |         |           |        |      |       |          |
|--------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Bessemer, AL | 563,863 | 742,457 | 563,863 | 742,457 | 1,306,320 | 30,162 | 2002 | 05/06 | 40 years |
|--------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|                |         |         |         |         |           |        |      |       |          |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Birmingham, AL | 489,664 | 769,343 | 489,664 | 769,343 | 1,259,007 | 31,254 | 1992 | 05/06 | 40 years |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|                |         |         |         |         |           |        |      |       |          |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Birmingham, AL | 438,536 | 704,005 | 438,536 | 704,005 | 1,142,541 | 28,600 | 1989 | 05/06 | 40 years |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|                |         |         |         |         |           |        |      |       |          |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Birmingham, AL | 361,182 | 744,195 | 361,182 | 744,195 | 1,105,377 | 30,233 | 1989 | 05/06 | 40 years |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|             |         |         |         |         |           |        |      |       |          |
|-------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Chelsea, AL | 391,275 | 627,502 | 391,275 | 627,502 | 1,018,777 | 25,492 | 1981 | 05/06 | 40 years |
|-------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|              |         |         |         |         |           |        |      |       |          |
|--------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Homewood, AL | 467,950 | 656,964 | 467,950 | 656,964 | 1,124,914 | 26,689 | 1990 | 05/06 | 40 years |
|--------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|            |         |         |         |         |           |        |      |       |          |
|------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Hoover, AL | 712,752 | 864,527 | 712,752 | 864,527 | 1,577,279 | 35,121 | 1998 | 05/06 | 40 years |
|------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|            |         |           |         |           |           |        |      |       |          |
|------------|---------|-----------|---------|-----------|-----------|--------|------|-------|----------|
| Hoover, AL | 764,461 | 1,156,598 | 764,461 | 1,156,598 | 1,921,059 | 46,987 | 2005 | 05/06 | 40 years |
|------------|---------|-----------|---------|-----------|-----------|--------|------|-------|----------|

|            |         |         |         |         |           |        |      |       |          |
|------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Hoover, AL | 445,980 | 671,989 | 445,980 | 671,989 | 1,117,969 | 27,300 | 1989 | 05/06 | 40 years |
|------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|                |         |         |         |         |         |        |      |       |          |
|----------------|---------|---------|---------|---------|---------|--------|------|-------|----------|
| Trussville, AL | 271,728 | 541,741 | 271,728 | 541,741 | 813,469 | 22,008 | 1992 | 05/06 | 40 years |
|----------------|---------|---------|---------|---------|---------|--------|------|-------|----------|

|                |         |         |         |         |           |        |      |       |          |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|
| Tuscaloosa, AL | 385,947 | 732,669 | 385,947 | 732,669 | 1,118,616 | 29,765 | 1991 | 05/06 | 40 years |
|----------------|---------|---------|---------|---------|-----------|--------|------|-------|----------|

|                |         |         |         |         |         |        |      |       |          |
|----------------|---------|---------|---------|---------|---------|--------|------|-------|----------|
| Tuscaloosa, AL | 525,165 | 462,868 | 525,165 | 462,868 | 988,033 | 18,804 | 1991 | 05/06 | 40 years |
|----------------|---------|---------|---------|---------|---------|--------|------|-------|----------|

|                |         |         |         |         |         |        |      |       |          |
|----------------|---------|---------|---------|---------|---------|--------|------|-------|----------|
| Tuscaloosa, AL | 431,917 | 559,403 | 431,917 | 559,403 | 991,320 | 22,726 | 1991 | 05/06 | 40 years |
|----------------|---------|---------|---------|---------|---------|--------|------|-------|----------|

See accompanying report of independent registered public accounting firm.

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|                                                      | Encum-<br>brances (k) | Initial Cost to<br>Company |                                                         | Costs Capitalized<br>Subsequent to<br>Acquisition |                   | Gross Amount at Which<br>Carried at Close of Period (b) |                                                         |           | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Con-<br>struction | Date<br>Acquired | Life on<br>Which<br>Depreciation<br>and<br>Amortization<br>in Latest<br>Income<br>Statement is<br>Computed |
|------------------------------------------------------|-----------------------|----------------------------|---------------------------------------------------------|---------------------------------------------------|-------------------|---------------------------------------------------------|---------------------------------------------------------|-----------|----------------------------------------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------|
|                                                      |                       | Land                       | Building,<br>Improvements and<br>Leasehold<br>Interests | Improvements                                      | Carrying<br>Costs | Land                                                    | Building,<br>Improvements and<br>Leasehold<br>Interests | Total     |                                                    |                              |                  |                                                                                                            |
| Shop & Save:<br>Homestead,<br>PA                     |                       | 1,139,419                  |                                                         | 2,158,167(j)                                      |                   | 1,139,419                                               | 2,158,167                                               | 3,297,586 | 166,837                                            | 1994                         | 02/97            | 40 years                                                                                                   |
| Soaks<br>Express Car<br>Wash:<br>Ankeny, IA          |                       | 661,958                    |                                                         |                                                   |                   | 661,958                                                 |                                                         | 661,958   |                                                    | (e)                          | 06/05            | (e)                                                                                                        |
| Sofa<br>Express:<br>Buford, GA                       |                       | 1,925,129                  | 5,034,846                                               |                                                   |                   | 1,925,129                                               | 5,034,846                                               | 6,959,975 | 435,304                                            | 2004                         | 07/04            | 40 years                                                                                                   |
| Sonic<br>Automotive:<br>Charlotte,<br>NC             |                       | 3,618,837                  | 4,853,587                                               |                                                   |                   | 3,618,837                                               | 4,853,587                                               | 8,472,424 | 75,837                                             | 1996                         | 05/07            | 40 years                                                                                                   |
| Spa and<br>Nails Club:<br>Orlando, FL                | 65,839(o)             | 40,200                     | 110,531                                                 |                                                   |                   | 40,200                                                  | 110,531                                                 | 150,731   | 10,708                                             | 2001                         | 02/04            | 40 years                                                                                                   |
| Spencer s<br>A/C &<br>Appliances:<br>Glendale,<br>AZ |                       | 341,713                    | 982,429                                                 |                                                   |                   | 341,713                                                 | 982,429                                                 | 1,324,143 | 207,301                                            | 1999                         | 12/98(g)         | 40 years                                                                                                   |
| Sports<br>Authority:<br>Tampa, FL                    |                       | 2,127,503                  | 1,521,730                                               |                                                   |                   | 2,127,503                                               | 1,521,730                                               | 3,649,233 | 437,814                                            | 1994                         | 06/96            | 40 years                                                                                                   |
| Sarasota, FL                                         |                       | 1,427,840                  | 1,702,852                                               |                                                   |                   | 1,427,840                                               | 1,702,852                                               | 3,130,692 | 166,738                                            | 1996                         | 09/97            | 40 years                                                                                                   |
| Memphis,<br>TN (r)                                   |                       | 820,340                    |                                                         | 2,573,264                                         |                   | 820,340                                                 | 2,573,264                                               | 3,393,604 | 592,387                                            | 1998                         | 12/97(g)         | 40 years                                                                                                   |
| Little Rock,<br>AR                                   |                       | 3,113,375                  | 2,660,206                                               |                                                   |                   | 3,113,375                                               | 2,660,206                                               | 5,773,581 | 617,944                                            | 1997                         | 09/98            | 40 years                                                                                                   |
| Woodbridge,<br>NJ                                    |                       | 3,749,990                  | 5,982,660                                               |                                                   |                   | 3,749,990                                               | 5,982,660                                               | 9,732,650 | 741,600                                            | 1994                         | 01/03            | 40 years                                                                                                   |
| Bradenton,<br>FL                                     |                       | 1,526,340                  | 4,139,363                                               |                                                   |                   | 1,526,340                                               | 4,139,363                                               | 5,665,703 | 409,624                                            | 1997                         | 01/04            | 40 years                                                                                                   |
| Sportsman s<br>Warehouse:<br>Sioux Falls,<br>SD      |                       | 2,619,810                  | 1,929,895                                               |                                                   |                   | 2,619,810                                               | 1,929,895                                               | 4,549,705 | 163,505                                            | 1998                         | 06/05            | 30 years                                                                                                   |
| Steak & Ale:<br>Jacksonville,<br>FL                  |                       | 986,565                    | 855,523                                                 |                                                   |                   | 986,565                                                 | 855,523                                                 | 1,842,088 | 129,220                                            | 1996                         | 12/01            | 40 years                                                                                                   |
| Stone<br>Mountain<br>Chevrolet:<br>Lilburn, GA       |                       | 3,027,056                  | 4,685,189                                               |                                                   |                   | 3,027,056                                               | 4,685,189                                               | 7,712,245 | 395,313                                            | 2004                         | 08/04            | 40 years                                                                                                   |
| Stop & Go:<br>Grand<br>Prairie, TX                   |                       | 421,254                    | 684,568                                                 |                                                   |                   | 421,254                                                 | 684,568                                                 | 1,105,822 | 103,398                                            | 1986                         | 12/01            | 40 years                                                                                                   |
| Kennedale,<br>TX                                     |                       | 399,988                    | 692,190                                                 |                                                   |                   | 391,208                                                 | 692,190                                                 | 1,083,398 | 104,549                                            | 1985                         | 12/01            | 40 years                                                                                                   |
| Stripes:                                             |                       |                            |                                                         |                                                   |                   |                                                         |                                                         |           |                                                    |                              |                  |                                                                                                            |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                       |           |           |           |           |           |         |      |       |          |
|-----------------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|
| Brownsville,<br>TX    | 1,842,992 | 1,418,941 | 1,842,992 | 1,418,941 | 3,261,933 | 72,425  | 2000 | 12/05 | 40 years |
| Brownsville,<br>TX    | 1,181,713 | 1,105,326 | 1,181,713 | 1,105,326 | 2,287,039 | 56,418  | 2000 | 12/05 | 40 years |
| Brownsville,<br>TX    | 2,915,173 | 1,800,409 | 2,915,173 | 1,800,409 | 4,715,582 | 91,896  | 2000 | 12/05 | 40 years |
| Brownsville,<br>TX    | 2,416,656 | 1,828,304 | 2,416,656 | 1,828,304 | 4,244,960 | 93,320  | 2000 | 12/05 | 40 years |
| Brownsville,<br>TX    | 1,015,092 | 1,307,774 | 1,015,092 | 1,307,774 | 2,322,866 | 66,751  | 2003 | 12/05 | 40 years |
| Brownsville,<br>TX    | 1,038,788 | 1,144,916 | 1,038,788 | 1,144,916 | 2,183,704 | 58,438  | 2004 | 12/05 | 40 years |
| Brownsville,<br>TX    | 1,392,201 | 1,443,817 | 1,392,201 | 1,443,817 | 2,836,018 | 73,695  | 2005 | 12/05 | 40 years |
| Brownsville,<br>TX    | 1,279,447 | 1,014,702 | 1,279,447 | 1,014,702 | 2,294,149 | 51,792  | 1990 | 12/05 | 40 years |
| Brownsville,<br>TX    | 2,529,864 | 1,124,953 | 2,529,864 | 1,124,953 | 3,654,817 | 57,419  | 1990 | 12/05 | 40 years |
| Brownsville,<br>TX    | 2,033,467 | 1,287,564 | 2,033,467 | 1,287,564 | 3,321,031 | 65,719  | 1995 | 12/05 | 40 years |
| Brownsville,<br>TX    | 933,149   | 699,086   | 933,149   | 699,086   | 1,632,235 | 35,683  | 1999 | 12/05 | 40 years |
| Corpus<br>Christi, TX | 1,384,743 | 1,418,948 | 1,384,743 | 1,418,948 | 2,803,691 | 72,425  | 1982 | 12/05 | 40 years |
| Corpus<br>Christi, TX | 852,629   | 1,416,208 | 852,629   | 1,416,208 | 2,268,837 | 72,286  | 2005 | 12/05 | 40 years |
| Corpus<br>Christi, TX | 1,399,622 | 1,530,910 | 1,399,622 | 1,530,910 | 2,930,532 | 78,140  | 1984 | 12/05 | 40 years |
| Corpus<br>Christi, TX | 703,182   | 1,036,506 | 703,182   | 1,036,506 | 1,739,688 | 52,905  | 1986 | 12/05 | 40 years |
| Donna, TX             | 1,003,876 | 1,126,591 | 1,003,876 | 1,126,591 | 2,130,466 | 57,503  | 1995 | 12/05 | 40 years |
| Edinburg,<br>TX       | 1,317,408 | 1,623,891 | 1,317,408 | 1,623,891 | 2,941,299 | 82,886  | 1999 | 12/05 | 40 years |
| Edinburg,<br>TX       | 970,145   | 1,286,006 | 970,145   | 1,286,006 | 2,256,151 | 65,640  | 2003 | 12/05 | 40 years |
| Falfurias, TX         | 4,243,940 | 4,458,007 | 4,243,940 | 4,458,007 | 8,701,947 | 227,544 | 2002 | 12/05 | 40 years |
| Freer, TX             | 1,150,862 | 1,158,251 | 1,150,862 | 1,158,251 | 2,309,113 | 59,119  | 1984 | 12/05 | 40 years |
| George<br>West, TX    | 1,243,224 | 695,074   | 1,243,224 | 695,074   | 1,938,298 | 35,478  | 1996 | 12/05 | 40 years |
| Harlingen,<br>TX      | 906,427   | 952,530   | 906,427   | 952,530   | 1,858,957 | 48,619  | 1991 | 12/05 | 40 years |
| Harlingen,<br>TX      | 753,595   | 1,152,311 | 753,595   | 1,152,311 | 1,905,906 | 58,816  | 1999 | 12/05 | 40 years |
| Harlingen,<br>TX      | 755,002   | 600,721   | 755,002   | 600,721   | 1,355,723 | 30,662  | 1987 | 12/05 | 40 years |
| La Feria, TX          | 900,096   | 1,346,774 | 900,096   | 1,346,774 | 2,246,870 | 68,742  | 1988 | 12/05 | 40 years |
| Laredo, TX            | 1,552,558 | 1,774,827 | 1,552,558 | 1,774,827 | 3,327,385 | 90,590  | 2000 | 12/05 | 40 years |
| Laredo, TX            | 840,629   | 738,907   | 840,629   | 738,907   | 1,579,536 | 37,715  | 2001 | 12/05 | 40 years |
| Laredo, TX            | 736,451   | 670,332   | 736,451   | 670,332   | 1,406,784 | 34,215  | 1984 | 12/05 | 40 years |
| Laredo, TX            | 459,027   | 459,946   | 459,027   | 459,946   | 918,973   | 23,476  | 1983 | 12/05 | 40 years |
| Laredo, TX            | 1,494,871 | 1,400,482 | 1,494,871 | 1,400,482 | 2,895,353 | 71,482  | 1993 | 12/05 | 40 years |

See accompanying report of independent registered public accounting firm.

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|                        | Initial Cost to Company |                                                | Costs Capitalized Subsequent to Acquisition |                | Gross Amount at Which Carried at Close of Period (b) |                                                |           | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|------------------------|-------------------------|------------------------------------------------|---------------------------------------------|----------------|------------------------------------------------------|------------------------------------------------|-----------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|
| Encumbrances (k)       | Land                    | Building, Improvements and Leasehold Interests | Improvements                                | Carrying Costs | Land                                                 | Building, Improvements and Leasehold Interests | Total     |                                           |                      |               |                                                                                    |
| Laredo, TX             | 675,128                 | 533,047                                        |                                             |                | 675,128                                              | 533,047                                        | 1,208,175 | 27,208                                    | 1993                 | 12/05         | 40 years                                                                           |
| Lawton, OK             | 696,670                 | 964,441                                        |                                             |                | 696,670                                              | 964,441                                        | 1,661,111 | 49,227                                    | 1984                 | 12/05         | 40 years                                                                           |
| Los Indios, TX         | 1,386,972               | 1,456,932                                      |                                             |                | 1,386,972                                            | 1,456,932                                      | 2,843,903 | 74,364                                    | 2005                 | 12/05         | 40 years                                                                           |
| McAllen, TX            | 975,217                 | 1,029,752                                      |                                             |                | 975,217                                              | 1,029,752                                      | 2,004,968 | 52,560                                    | 2003                 | 12/05         | 40 years                                                                           |
| McAllen, TX            | 987,020                 | 893,376                                        |                                             |                | 987,020                                              | 893,376                                        | 1,880,396 | 45,599                                    | 1999                 | 12/05         | 40 years                                                                           |
| Mission, TX            | 880,169                 | 1,101,301                                      |                                             |                | 880,169                                              | 1,101,301                                      | 1,981,471 | 56,212                                    | 1999                 | 12/05         | 40 years                                                                           |
| Mission, TX            | 1,125,457               | 1,213,398                                      |                                             |                | 1,125,457                                            | 1,213,398                                      | 2,338,855 | 61,934                                    | 2003                 | 12/05         | 40 years                                                                           |
| Olmito, TX             | 3,687,971               | 2,880,099                                      |                                             |                | 3,687,971                                            | 2,880,099                                      | 6,568,070 | 147,005                                   | 2002                 | 12/05         | 40 years                                                                           |
| Pharr, TX              | 981,840                 | 1,177,948                                      |                                             |                | 981,840                                              | 1,177,948                                      | 2,159,788 | 60,124                                    | 1988                 | 12/05         | 40 years                                                                           |
| Pharr, TX              | 784,402                 | 804,743                                        |                                             |                | 784,402                                              | 804,743                                        | 1,589,144 | 41,075                                    | 2000                 | 12/05         | 40 years                                                                           |
| Pharr, TX              | 2,426,134               | 1,880,867                                      |                                             |                | 2,426,134                                            | 1,880,867                                      | 4,307,001 | 96,003                                    | 2003                 | 12/05         | 40 years                                                                           |
| Port Isabel, TX        | 2,062,009               | 1,298,501                                      |                                             |                | 2,062,009                                            | 1,298,501                                      | 3,360,510 | 66,278                                    | 1994                 | 12/05         | 40 years                                                                           |
| Portland, TX           | 655,735                 | 914,512                                        |                                             |                | 655,735                                              | 914,512                                        | 1,570,247 | 46,678                                    | 1983                 | 12/05         | 40 years                                                                           |
| Progreso, TX           | 1,768,974               | 1,811,221                                      |                                             |                | 1,768,974                                            | 1,811,221                                      | 3,580,195 | 92,448                                    | 1999                 | 12/05         | 40 years                                                                           |
| Riviera, TX            | 2,351,060               | 2,158,069                                      |                                             |                | 2,351,060                                            | 2,158,069                                      | 4,509,128 | 110,151                                   | 2005                 | 12/05         | 40 years                                                                           |
| San Benito, TX         | 1,103,210               | 1,586,235                                      |                                             |                | 1,103,210                                            | 1,586,235                                      | 2,689,445 | 80,964                                    | 2005                 | 12/05         | 40 years                                                                           |
| San Benito, TX         | 790,629                 | 1,857,158                                      |                                             |                | 790,629                                              | 1,857,158                                      | 2,647,787 | 94,792                                    | 1994                 | 12/05         | 40 years                                                                           |
| San Juan, TX           | 1,123,838               | 1,171,582                                      |                                             |                | 1,123,838                                            | 1,171,582                                      | 2,295,420 | 59,800                                    | 1996                 | 12/05         | 40 years                                                                           |
| San Juan, TX           | 1,424,383               | 1,545,557                                      |                                             |                | 1,424,383                                            | 1,545,557                                      | 2,969,940 | 78,888                                    | 2004                 | 12/05         | 40 years                                                                           |
| South Padre Island, TX | 1,366,721               | 1,388,764                                      |                                             |                | 1,366,721                                            | 1,388,764                                      | 2,755,485 | 70,885                                    | 1988                 | 12/05         | 40 years                                                                           |
| Wichita Falls, TX      | 905,117                 | 1,350,908                                      |                                             |                | 905,117                                              | 1,350,908                                      | 2,256,025 | 68,953                                    | 2000                 | 12/05         | 40 years                                                                           |
| Wichita Falls, TX      | 484,202                 | 827,999                                        |                                             |                | 484,202                                              | 827,999                                        | 1,312,201 | 42,262                                    | 1983                 | 12/05         | 40 years                                                                           |
| Wichita Falls, TX      | 439,646                 | 751,484                                        |                                             |                | 439,646                                              | 751,484                                        | 1,191,130 | 38,356                                    | 1984                 | 12/05         | 40 years                                                                           |
| Palm View, TX          | 835,383                 | 1,372,061                                      |                                             |                | 835,383                                              | 1,372,061                                      | 2,207,444 | 41,447                                    | 2005                 | 10/06         | 40 years                                                                           |
| Harlingen, TX          | 638,186                 | 1,806,562                                      |                                             |                | 638,186                                              | 1,806,562                                      | 2,444,748 | 47,046                                    | 2006                 | 12/06         | 40 years                                                                           |
| Rio Grande City        | 1,871,354               | 1,612,282                                      |                                             |                | 1,871,354                                            | 1,612,282                                      | 3,483,636 | 41,987                                    | 2006                 | 12/06         | 40 years                                                                           |
| San Juan, TX           | 815,902                 | 1,433,890                                      |                                             |                | 815,902                                              | 1,433,890                                      | 2,249,792 | 37,341                                    | 2006                 | 12/06         | 40 years                                                                           |
| Zapata, TX             | 1,332,662               | 1,772,564                                      |                                             |                | 1,332,662                                            | 1,772,564                                      | 3,105,226 | 46,161                                    | 2006                 | 12/06         | 40 years                                                                           |
| Orange Grove, TX       | 1,766,745               | 1,838,068                                      |                                             |                | 1,766,745                                            | 1,838,068                                      | 3,604,813 | 32,549                                    | 2007                 | 04/07         | 40 years                                                                           |
| Harlingen, TX          | 407,920                 | 825,732                                        |                                             |                | 407,920                                              | 825,732                                        | 1,233,652 | 3,440                                     | 1982                 | 11/07         | 30 years                                                                           |
| Laredo, TX             | 467,915                 | 727,548                                        |                                             |                | 467,915                                              | 727,548                                        | 1,195,463 | 3,031                                     | 1973                 | 11/07         | 30 years                                                                           |
| Laredo, TX             | 584,244                 | 958,472                                        |                                             |                | 584,244                                              | 958,472                                        | 1,542,716 | 3,994                                     | 1981                 | 11/07         | 30 years                                                                           |
| Laredo, TX             | 447,733                 | 734,498                                        |                                             |                | 447,733                                              | 734,498                                        | 1,182,231 | 3,060                                     | 1981                 | 11/07         | 30 years                                                                           |
| Laredo, TX             | 698,261                 | 1,168,532                                      |                                             |                | 698,261                                              | 1,168,532                                      | 1,866,793 | 4,869                                     | 1981                 | 11/07         | 30 years                                                                           |
| Laredo, TX             | 348,351                 | 1,168,124                                      |                                             |                | 348,351                                              | 1,168,124                                      | 1,516,475 | 4,867                                     | 1983                 | 11/07         | 30 years                                                                           |
| San Benito, TX         | 419,729                 | 1,135,228                                      |                                             |                | 419,729                                              | 1,135,228                                      | 1,554,957 | 4,730                                     | 1985                 | 11/07         | 40 years                                                                           |
| Del Rio, TX            | 1,565,013               | 758,296                                        |                                             |                | 1,565,013                                            | 758,296                                        | 2,323,309 | 2,369                                     | 1996                 | 11/07         | 40 years                                                                           |
| Kerrville, TX          | 640,368                 | 1,616,290                                      |                                             |                | 640,368                                              | 1,616,290                                      | 2,256,658 | 5,051                                     | 1996                 | 11/07         | 40 years                                                                           |
| Monahans, TX           | 2,627,558               | 2,973,453                                      |                                             |                | 2,627,558                                            | 2,973,453                                      | 5,601,011 | 9,293                                     | 1996                 | 11/07         | 40 years                                                                           |
| Odessa, TX             | 2,632,935               | 3,198,762                                      |                                             |                | 2,632,935                                            | 3,198,762                                      | 5,831,697 | 9,996                                     | 2006                 | 11/07         | 40 years                                                                           |
| San Angelo, TX         | 194,277                 | 471,407                                        |                                             |                | 194,277                                              | 471,407                                        | 665,684   | 1,473                                     | 1998                 | 11/07         | 40 years                                                                           |
| Pharr, TX              | 573,354                 | 1,228,572                                      |                                             |                | 573,354                                              | 1,228,572                                      | 1,801,926 | 1,280                                     | 2000                 | 12/07         | 40 years                                                                           |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                    |           |           |        |           |           |           |         |      |       |          |
|--------------------|-----------|-----------|--------|-----------|-----------|-----------|---------|------|-------|----------|
| Subway:            |           |           |        |           |           |           |         |      |       |          |
| Eden Prairie, MN   | 54,097    | 150,449   | 67,341 | 54,097    | 217,790   | 271,887   | 30,410  | 1997 | 12/01 | 40 years |
| Albany, NY         | 2,734     | 66,667    |        | 2,734     | 66,667    | 69,401    | 5,486   | 1992 | 09/04 | 40 years |
| Cohoes, NY         | 21,862    | 117,829   |        | 21,862    | 117,829   | 139,691   | 9,534   | 1994 | 09/04 | 40 years |
| SuperValu:         |           |           |        |           |           |           |         |      |       |          |
| Huntington, WV     | 1,254,238 | 760,602   |        | 1,254,238 | 760,602   | 2,014,840 | 206,788 | 1971 | 02/97 | 40 years |
| Maple Heights, OH  | 1,034,758 | 2,874,414 |        | 1,034,758 | 2,874,414 | 3,909,172 | 781,481 | 1985 | 02/97 | 40 years |
| Susser:            |           |           |        |           |           |           |         |      |       |          |
| Corpus Christi, TX | 630,043   | 3,131,407 |        | 630,043   | 3,131,407 | 3,761,450 | 688,257 | 1983 | 03/99 | 40 years |
| Swansea            |           |           |        |           |           |           |         |      |       |          |
| Quick Cash:        |           |           |        |           |           |           |         |      |       |          |
| Swansea, IL        | 45,815    | 132,365   |        | 45,815    | 132,365   | 178,180   | 19,995  | 1997 | 12/01 | 40 years |
| Taco Bell:         |           |           |        |           |           |           |         |      |       |          |
| Ocala, FL          | 275,023   | 754,990   |        | 275,023   | 754,990   | 1,030,013 | 114,035 | 2001 | 12/01 | 40 years |
| Ormond Beach, FL   |           |           |        |           |           |           |         |      |       |          |
|                    | 632,337   | 525,616   |        | 632,337   | 525,616   | 1,157,953 | 79,390  | 2001 | 12/01 | 40 years |
| Phoenix, AZ        | 593,718   | 282,777   |        | 593,718   | 282,777   | 876,495   | 42,711  | 1995 | 12/01 | 40 years |
| Bedford, IN        | 796,772   | 936,942   |        | 796,772   | 936,942   | 1,733,714 | 38,063  | 1989 | 05/06 | 40 years |
| Columbus, IN       | 1,256,948 | 2,054,570 |        | 1,256,948 | 2,054,570 | 3,311,518 | 83,466  | 1990 | 05/06 | 40 years |
| Columbus, IN       | 690,142   | 1,212,681 |        | 690,142   | 1,212,681 | 1,902,823 | 49,265  | 2005 | 05/06 | 40 years |
| Evansville, IN     | 221,196   | 828,023   |        | 221,196   | 828,023   | 1,049,219 | 33,638  | 2003 | 05/06 | 40 years |

See accompanying report of independent registered public accounting firm.

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|                       | Initial Cost to Company |                                                | Costs Capitalized Subsequent to Acquisition |                | Gross Amount at Which Carried at Close of Period (b) |                                                |           | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|-----------------------|-------------------------|------------------------------------------------|---------------------------------------------|----------------|------------------------------------------------------|------------------------------------------------|-----------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|
| Encumbrances (k)      | Land                    | Building, Improvements and Leasehold Interests | Improvements                                | Carrying Costs | Land                                                 | Building, Improvements and Leasehold Interests | Total     |                                           |                      |               |                                                                                    |
| Evansville, IN        | 308,068                 | 1,300,511                                      |                                             |                | 308,068                                              | 1,300,511                                      | 1,608,579 | 52,833                                    | 2000                 | 05/06         | 40 years                                                                           |
| Evansville, IN        | 524,368                 | 1,815,101                                      |                                             |                | 524,368                                              | 1,815,101                                      | 2,339,469 | 73,738                                    | 2005                 | 05/06         | 40 years                                                                           |
| Fishers, IN           | 989,998                 | 486,260                                        |                                             |                | 989,998                                              | 486,260                                        | 1,476,258 | 19,754                                    | 1998                 | 05/06         | 40 years                                                                           |
| Greensburg, IN        | 648,296                 | 1,079,007                                      |                                             |                | 648,296                                              | 1,079,007                                      | 1,727,303 | 43,834                                    | 1998                 | 05/06         | 40 years                                                                           |
| Indianapolis, IN      | 1,031,743               | 1,649,975                                      |                                             |                | 1,031,743                                            | 1,649,975                                      | 2,681,718 | 67,030                                    | 2004                 | 05/06         | 40 years                                                                           |
| Indianapolis, IN      | 547,218                 | 703,287                                        |                                             |                | 547,218                                              | 703,287                                        | 1,250,505 | 28,571                                    | 2004                 | 05/06         | 40 years                                                                           |
| Madisonville, KY      | 682,108                 | 1,192,867                                      |                                             |                | 682,108                                              | 1,192,867                                      | 1,874,975 | 48,460                                    | 1999                 | 05/06         | 40 years                                                                           |
| Owensboro, KY         | 638,693                 | 1,326,161                                      |                                             |                | 638,693                                              | 1,326,161                                      | 1,964,854 | 53,875                                    | 2005                 | 05/06         | 40 years                                                                           |
| Shelbyville, IN       | 670,216                 | 1,755,847                                      |                                             |                | 670,216                                              | 1,755,847                                      | 2,426,063 | 71,331                                    | 1998                 | 05/06         | 40 years                                                                           |
| Speedway, IN          | 407,707                 | 1,426,319                                      |                                             |                | 407,707                                              | 1,426,319                                      | 1,834,026 | 57,944                                    | 2003                 | 05/06         | 40 years                                                                           |
| Terre Haute, IN       | 1,037,327               | 1,655,660                                      |                                             |                | 1,037,327                                            | 1,655,660                                      | 2,692,987 | 67,261                                    | 2003                 | 05/06         | 40 years                                                                           |
| Terre Haute, IN       | 1,313,692               | 2,249,313                                      |                                             |                | 1,313,692                                            | 2,249,313                                      | 3,563,005 | 91,378                                    | 2003                 | 05/06         | 40 years                                                                           |
| Vincennes, IN         | 501,783                 | 879,791                                        |                                             |                | 501,783                                              | 879,791                                        | 1,381,574 | 35,742                                    | 2004                 | 05/06         | 40 years                                                                           |
| Taco Bron Restaurant: |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Tucson, AZ            | 827,002                 | 305,209                                        | 17,814                                      |                | 844,816                                              | 305,209                                        | 1,150,025 | 52,810                                    | 1974                 | 12/01         | 40 years                                                                           |
| Texas Roadhouse:      |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Grand Junction, CO    | 584,237                 | 920,143                                        |                                             |                | 584,237                                              | 920,143                                        | 1,504,380 | 138,979                                   | 1997                 | 12/01         | 40 years                                                                           |
| Thornton, CO          | 598,556                 | 1,019,164                                      |                                             |                | 598,556                                              | 1,019,164                                      | 1,617,720 | 153,936                                   | 1998                 | 12/01         | 40 years                                                                           |
| TGI Friday's:         |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Corpus Christi, TX    | 1,209,702               | 1,532,125                                      |                                             |                | 1,209,702                                            | 1,532,125                                      | 2,741,827 | 231,414                                   | 1995                 | 12/01         | 40 years                                                                           |
| Thomasville:          |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Buford, GA            | 1,266,527               | 2,405,629                                      |                                             |                | 1,266,527                                            | 2,405,629                                      | 3,672,156 | 207,987                                   | 2004                 | 07/04         | 40 years                                                                           |
| Top's:                |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Lacey, WA             | 2,777,449               | 7,082,150                                      |                                             |                | 2,777,449                                            | 7,082,150                                      | 9,859,599 | 1,925,460                                 | 1992                 | 02/97         | 40 years                                                                           |
| Tractor Supply Co.:   |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Aransas Pass, TX      | 100,967                 | 1,599,293                                      |                                             |                | 100,967                                              | 1,599,293                                      | 1,700,260 | 305,694                                   | 1983                 | 03/99         | 40 years                                                                           |
| Ultra Car Wash:       |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Mobile, AL            | 1,070,724               | 1,086,104                                      |                                             |                | 1,070,724                                            | 1,086,104                                      | 2,156,828 | 10,182                                    | 2005                 | 08/07         | 40 years                                                                           |
| Uni-Mart:             |                         |                                                |                                             |                |                                                      |                                                |           |                                           |                      |               |                                                                                    |
| Avis, PA              | 391,801                 | 326,046                                        |                                             |                | 391,801                                              | 326,046                                        | 717,847   | 38,718                                    | 1976                 | 08/05         | 20 years                                                                           |
| Bear Creek, PA (r)    | 190,558                 | 230,193                                        |                                             |                | 190,558                                              | 230,193                                        | 420,752   | 27,335                                    | 1980                 | 08/05         | 20 years                                                                           |
| Bloomsburg, PA (r)    | 206,402                 | 501,424                                        |                                             |                | 206,402                                              | 501,424                                        | 707,826   | 59,544                                    | 1981                 | 08/05         | 20 years                                                                           |
| Bloomsburg, PA (r)    | 540,561                 | 146,127                                        |                                             |                | 540,561                                              | 146,127                                        | 686,689   | 17,352                                    | 1967                 | 08/05         | 20 years                                                                           |
| Bloomsburg, PA (r)    | 515,108                 | 888,074                                        |                                             |                | 515,108                                              | 888,074                                        | 1,403,182 | 105,459                                   | 1998                 | 08/05         | 20 years                                                                           |
| Chambersburg, PA (r)  | 75,678                  | 197,035                                        |                                             |                | 75,678                                               | 197,035                                        | 272,713   | 23,397                                    | 1990                 | 08/05         | 20 years                                                                           |
| Coraopolis, PA        | 475,572                 | 347,360                                        |                                             |                | 475,572                                              | 347,360                                        | 822,932   | 41,248                                    | 1983                 | 08/05         | 20 years                                                                           |
| Dallas, PA (r)        | 890,855                 | 1,435,745                                      |                                             |                | 890,855                                              | 1,435,745                                      | 2,326,601 | 170,494                                   | 1995                 | 08/05         | 20 years                                                                           |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                  |           |           |           |           |           |         |      |       |          |
|------------------|-----------|-----------|-----------|-----------|-----------|---------|------|-------|----------|
| East Brady, PA   |           |           |           |           |           |         |      |       |          |
| (r)              | 269,433   | 583,204   | 269,433   | 583,204   | 852,637   | 69,255  | 1987 | 08/05 | 20 years |
| Emporium, PA     | 380,032   | 568,625   | 380,032   | 568,625   | 948,657   | 67,524  | 1996 | 08/05 | 20 years |
| Hazleton, PA     | 670,271   | 377,355   | 670,271   | 377,355   | 1,047,625 | 44,811  | 1974 | 08/05 | 20 years |
| Hazleton, PA     |           |           |           |           |           |         |      |       |          |
| (r)              | 2,529,165 | 727,550   | 2,529,165 | 727,550   | 3,256,716 | 86,396  | 2001 | 08/05 | 20 years |
| Johnsonburg, PA  |           |           |           |           |           |         |      |       |          |
| (r)              | 780,536   | 503,662   | 780,536   | 503,662   | 1,284,198 | 59,809  | 1978 | 08/05 | 20 years |
| Larksville, PA   |           |           |           |           |           |         |      |       |          |
| (r)              | 245,870   | 333,875   | 245,870   | 333,875   | 579,745   | 39,648  | 1990 | 08/05 | 20 years |
| Luzerne, PA      | 170,866   | 415,295   | 170,866   | 415,295   | 586,161   | 49,316  | 1989 | 08/05 | 20 years |
| Moosic, PA (r)   | 323,126   | 308,844   | 323,126   | 308,844   | 631,970   | 36,675  | 1980 | 08/05 | 20 years |
| Pleasant Gap, PA |           |           |           |           |           |         |      |       |          |
| (r)              | 331,885   | 592,844   | 331,885   | 592,844   | 924,730   | 70,400  | 1996 | 08/05 | 20 years |
| Port Vue, PA     |           |           |           |           |           |         |      |       |          |
| (r)              | 824,158   | 117,629   | 824,158   | 117,629   | 941,787   | 13,968  | 1953 | 08/05 | 20 years |
| Punxsutawney, PA |           |           |           |           |           |         |      |       |          |
| (r)              | 252,648   | 541,842   | 252,648   | 541,842   | 794,490   | 64,344  | 1983 | 08/05 | 20 years |
| Ridgway, PA      | 382,341   | 258,740   | 382,341   | 258,740   | 641,081   | 30,725  | 1975 | 08/05 | 20 years |
| Shamokin, PA     |           |           |           |           |           |         |      |       |          |
| (r)              | 323,994   | 506,335   | 323,994   | 506,335   | 830,329   | 60,127  | 1956 | 08/05 | 20 years |
| Shippensburg, PA |           |           |           |           |           |         |      |       |          |
| (r)              | 203,610   | 330,098   | 203,610   | 330,098   | 533,708   | 39,199  | 1989 | 08/05 | 20 years |
| St. Clair, PA    | 212,150   | 475,086   | 212,150   | 475,086   | 687,236   | 56,416  | 1984 | 08/05 | 20 years |
| St. Mary s, PA   | 274,323   | 260,942   | 274,323   | 260,942   | 535,265   | 30,986  | 1979 | 08/05 | 20 years |
| Taylor, PA (r)   | 180,533   | 526,884   | 180,533   | 526,884   | 707,417   | 62,567  | 1973 | 08/05 | 20 years |
| White Haven, PA  |           |           |           |           |           |         |      |       |          |
| (r)              | 485,984   | 866,602   | 485,984   | 866,602   | 1,352,587 | 102,909 | 1990 | 08/05 | 20 years |
| Wilkes-Barre, PA |           |           |           |           |           |         |      |       |          |
| (r)              | 178,104   | 471,437   | 178,104   | 471,437   | 649,541   | 55,983  | 1989 | 08/05 | 20 years |
| Wilkes-Barre, PA |           |           |           |           |           |         |      |       |          |
| (r)              | 171,040   | 422,438   | 171,040   | 422,438   | 593,478   | 50,164  | 1999 | 08/05 | 20 years |
| Wilkes-Barre, PA |           |           |           |           |           |         |      |       |          |
| (r)              | 875,774   | 1,956,613 | 875,774   | 1,956,613 | 2,832,386 | 232,348 | 1998 | 08/05 | 20 years |
| Williamsport, PA |           |           |           |           |           |         |      |       |          |
| (r)              | 908,758   | 122,164   | 908,758   | 122,164   | 1,030,922 | 14,507  | 1950 | 08/05 | 20 years |

See accompanying report of independent registered public accounting firm.

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|                       | Initial Cost to Company |           | Costs Capitalized Subsequent to Acquisition    |              | Gross Amount at Which Carried at Close of Period (b) |           |                                                |           | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|-----------------------|-------------------------|-----------|------------------------------------------------|--------------|------------------------------------------------------|-----------|------------------------------------------------|-----------|-------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|
|                       | Encumbrances (k)        | Land      | Building, Improvements and Leasehold Interests | Improvements | Carrying Costs                                       | Land      | Building, Improvements and Leasehold Interests | Total     |                                           |                      |               |                                                                                    |
| Yeagertown, PA        |                         | 142,061   | 180,073                                        |              |                                                      | 142,061   | 180,073                                        | 322,134   | 21,384                                    | 1977                 | 08/05         | 20 years                                                                           |
| Ashland, PA (r)       |                         | 355,322   | 545,140                                        |              |                                                      | 355,322   | 545,140                                        | 900,462   | 62,464                                    | 1977                 | 09/05         | 20 years                                                                           |
| Bear Creek, PA (r)    |                         | 689,374   | 274,920                                        |              |                                                      | 689,374   | 274,920                                        | 964,294   | 31,501                                    | 1980                 | 09/05         | 20 years                                                                           |
| Mountaintop, PA (r)   |                         | 422,770   | 616,488                                        |              |                                                      | 422,770   | 616,488                                        | 1,039,259 | 70,639                                    | 1987                 | 09/05         | 20 years                                                                           |
| Abbottstown, PA       |                         | 110,362   | 400,101                                        |              |                                                      | 110,362   | 400,101                                        | 510,463   | 19,588                                    | 2000                 | 01/06         | 40 years                                                                           |
| Beech Creek, PA       |                         | 476,516   | 612,664                                        |              |                                                      | 476,516   | 612,664                                        | 1,089,180 | 29,994                                    | 1988                 | 01/06         | 40 years                                                                           |
| Canisteo, NY          |                         | 141,912   | 485,183                                        |              |                                                      | 141,912   | 485,183                                        | 627,095   | 23,753                                    | 1983                 | 01/06         | 40 years                                                                           |
| Carlisle, PA          |                         | 347,858   | 411,491                                        |              |                                                      | 347,858   | 411,491                                        | 759,349   | 20,145                                    | 1988                 | 01/06         | 40 years                                                                           |
| Curwensville, PA (r)  |                         | 226,015   | 607,989                                        |              |                                                      | 226,015   | 607,989                                        | 834,004   | 29,766                                    | 1983                 | 01/06         | 40 years                                                                           |
| Dansville, PA (r)     |                         | 179,736   | 359,203                                        |              |                                                      | 179,736   | 359,203                                        | 538,939   | 17,585                                    | 1988                 | 01/06         | 40 years                                                                           |
| Effort, PA (r)        |                         | 1,297,431 | 1,201,954                                      |              |                                                      | 1,297,431 | 1,201,954                                      | 2,499,385 | 58,845                                    | 2000                 | 01/06         | 40 years                                                                           |
| Ellwood City, PA      |                         | 196,089   | 526,155                                        |              |                                                      | 196,089   | 526,155                                        | 722,244   | 25,760                                    | 1987                 | 01/06         | 40 years                                                                           |
| Export, PA (r)        |                         | 221,840   | 214,852                                        |              |                                                      | 221,840   | 214,852                                        | 436,692   | 10,519                                    | 1988                 | 01/06         | 40 years                                                                           |
| Hastings, PA          |                         | 199,089   | 455,379                                        |              |                                                      | 199,089   | 455,379                                        | 654,468   | 22,295                                    | 1989                 | 01/06         | 40 years                                                                           |
| Howard, PA            |                         | 136,416   | 374,695                                        |              |                                                      | 136,416   | 374,695                                        | 511,111   | 18,345                                    | 1987                 | 01/06         | 40 years                                                                           |
| Hughesville, PA (r)   |                         | 290,136   | 566,229                                        |              |                                                      | 290,136   | 566,229                                        | 856,365   | 27,721                                    | 1977                 | 01/06         | 40 years                                                                           |
| Jersey Shore, PA (r)  |                         | 514,708   | 381,372                                        |              |                                                      | 514,708   | 381,372                                        | 896,080   | 18,671                                    | 1960                 | 01/06         | 40 years                                                                           |
| Leeper, PA            |                         | 285,510   | 643,886                                        |              |                                                      | 285,510   | 643,886                                        | 929,396   | 31,523                                    | 1987                 | 01/06         | 40 years                                                                           |
| Lewisberry, PA        |                         | 412,356   | 533,848                                        |              |                                                      | 412,356   | 533,848                                        | 946,204   | 26,136                                    | 1988                 | 01/06         | 40 years                                                                           |
| McSherrytown, PA (r)  |                         | 134,501   | 364,946                                        |              |                                                      | 134,501   | 364,946                                        | 499,447   | 17,867                                    | 1988                 | 01/06         | 40 years                                                                           |
| Mercersburg, PA       |                         | 672,259   | 746,309                                        |              |                                                      | 672,259   | 746,309                                        | 1,418,568 | 36,538                                    | 1988                 | 01/06         | 40 years                                                                           |
| Milesburg, PA (r)     |                         | 133,831   | 372,913                                        |              |                                                      | 133,831   | 372,913                                        | 506,744   | 18,257                                    | 1987                 | 01/06         | 40 years                                                                           |
| Minersville, PA (r)   |                         | 679,595   | 581,718                                        |              |                                                      | 679,595   | 581,718                                        | 1,261,313 | 28,479                                    | 1974                 | 01/06         | 40 years                                                                           |
| Montoursville, PA (r) |                         | 158,346   | 415,372                                        |              |                                                      | 158,346   | 415,372                                        | 573,718   | 20,336                                    | 1988                 | 01/06         | 40 years                                                                           |
| Nanticoke, PA (r)     |                         | 174,583   | 482,239                                        |              |                                                      | 174,583   | 482,239                                        | 656,822   | 23,610                                    | 1988                 | 01/06         | 40 years                                                                           |
| New Florence, PA      |                         | 298,364   | 812,449                                        |              |                                                      | 298,364   | 812,449                                        | 1,110,813 | 39,776                                    | 1989                 | 01/06         | 40 years                                                                           |
| Newstead, NY          |                         | 254,635   | 835,411                                        |              |                                                      | 254,635   | 835,411                                        | 1,090,046 | 40,900                                    | 1990                 | 01/06         | 40 years                                                                           |
| Nuangola, PA (r)      |                         | 1,062,388 | 1,202,832                                      |              |                                                      | 1,062,388 | 1,202,832                                      | 2,265,220 | 58,888                                    | 2000                 | 01/06         | 40 years                                                                           |
| Phillipsburg, PA      |                         | 428,193   | 268,962                                        |              |                                                      | 428,193   | 268,962                                        | 697,155   | 13,168                                    | 1978                 | 01/06         | 40 years                                                                           |
| Pittsburgh, PA        |                         | 905,332   | 1,346,177                                      |              |                                                      | 905,332   | 1,346,177                                      | 2,251,509 | 65,907                                    | 1967                 | 01/06         | 40 years                                                                           |
| Plainfield, PA (r)    |                         | 243,945   | 382,518                                        |              |                                                      | 243,945   | 382,518                                        | 626,463   | 18,727                                    | 1988                 | 01/06         | 40 years                                                                           |
| Plains, PA (r)        |                         | 204,417   | 401,264                                        |              |                                                      | 204,417   | 401,264                                        | 605,681   | 19,645                                    | 1994                 | 01/06         | 40 years                                                                           |
| Punxsutawney, PA (r)  |                         | 293,717   | 649,800                                        |              |                                                      | 293,717   | 649,800                                        | 943,517   | 31,813                                    | 1983                 | 01/06         | 40 years                                                                           |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                          |           |           |         |           |           |           |         |      |       |          |
|--------------------------|-----------|-----------|---------|-----------|-----------|-----------|---------|------|-------|----------|
| Reynoldsville,<br>PA     | 113,312   | 327,933   |         | 113,312   | 327,933   | 441,245   | 16,055  | 1983 | 01/06 | 40 years |
| Summerville,<br>PA       | 92,798    | 271,832   |         | 92,798    | 271,832   | 364,630   | 13,308  | 1988 | 01/06 | 40 years |
| Warriors Mark,<br>PA (r) | 148,499   | 404,981   |         | 148,499   | 404,981   | 553,480   | 19,827  | 1995 | 01/06 | 40 years |
| Williamsport,<br>PA (r)  | 295,036   | 378,715   |         | 295,036   | 378,715   | 673,751   | 18,541  | 1988 | 01/06 | 40 years |
| Zelienople, PA<br>(r)    | 160,219   | 437,168   |         | 160,219   | 437,168   | 597,387   | 21,403  | 1988 | 01/06 | 40 years |
| United<br>Rentals:       |           |           |         |           |           |           |         |      |       |          |
| Carrollton, TX           | 477,893   | 534,807   |         | 477,893   | 534,807   | 1,012,700 | 40,667  | 1981 | 12/04 | 40 years |
| Cedar Park,<br>TX        | 535,091   | 829,241   |         | 535,091   | 829,241   | 1,364,332 | 63,056  | 1990 | 12/04 | 40 years |
| Clearwater, FL           | 1,173,292 | 1,810,665 |         | 1,173,292 | 1,810,665 | 2,983,957 | 137,685 | 2001 | 12/04 | 40 years |
| Fort Collins,<br>CO      | 2,057,322 | 977,971   |         | 2,057,322 | 977,971   | 3,035,293 | 74,367  | 1975 | 12/04 | 40 years |
| Irving, TX               | 708,389   | 910,786   |         | 708,389   | 910,786   | 1,619,175 | 69,257  | 1984 | 12/04 | 40 years |
| La Porte, TX             | 1,114,553 | 2,125,426 |         | 1,114,553 | 2,125,426 | 3,239,979 | 161,620 | 2000 | 12/04 | 40 years |
| Littleton, CO            | 1,743,092 | 1,943,650 |         | 1,743,092 | 1,943,650 | 3,686,742 | 147,798 | 2002 | 12/04 | 40 years |
| Oklahoma<br>City, OK     | 744,145   | 1,264,885 |         | 744,145   | 1,264,885 | 2,009,030 | 96,183  | 1997 | 12/04 | 40 years |
| Perrysberg,<br>OH        | 641,867   | 1,119,085 |         | 641,867   | 1,119,085 | 1,760,952 | 85,097  | 1979 | 12/04 | 40 years |
| Plano, TX                | 1,030,426 | 1,148,065 |         | 1,030,426 | 1,148,065 | 2,178,491 | 87,301  | 1996 | 12/04 | 40 years |
| Temple, TX               | 1,159,775 | 1,360,379 |         | 1,159,775 | 1,360,379 | 2,520,154 | 103,445 | 1998 | 12/04 | 40 years |
| Ft. Worth, TX            | 510,490   | 1,127,796 |         | 510,490   | 1,127,796 | 1,638,286 | 83,409  | 1997 | 01/05 | 40 years |
| Ft. Worth, TX            | 1,427,764 |           |         | 1,427,764 |           | 1,427,764 | (i)     | (i)  | 01/05 | (i)      |
| Melbourne, FL            | 746,558   | 607,128   |         | 746,558   | 607,128   | 1,353,686 | 39,843  | 1970 | 05/05 | 40 years |
| United Trust<br>Bank:    |           |           |         |           |           |           |         |      |       |          |
| Bridgeview, IL           | 673,238   | 744,154   |         | 673,238   | 744,154   | 1,417,392 | 112,398 | 1997 | 12/01 | 40 years |
| Vacant Land:             |           |           |         |           |           |           |         |      |       |          |
| Longwood, FL             | 585,152   |           |         | 585,152   |           | 585,152   | (e)     | (e)  | 03/06 | (e)      |
| Florence, AL             | 1,022,509 |           |         | 1,022,509 |           | 1,022,509 | (e)     | (e)  | 06/04 | (e)      |
| Florence, AL             | 243,266   |           |         | 243,266   |           | 243,266   | (e)     | (e)  | 06/04 | (e)      |
| Vacant<br>Property:      |           |           |         |           |           |           |         |      |       |          |
| Mesa, AZ                 | 152,609   | 399,801   | 112,765 | 152,609   | 512,566   | 665,175   | 77,418  | 1997 | 12/01 | 40 years |
| Dallas, GA               | 1,287,630 | 1,952,791 |         | 1,287,630 | 1,952,791 | 3,240,421 | 225,793 | 1997 | 05/03 | 40 years |

See accompanying report of independent registered public accounting firm.

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|            | Encum-<br>brances (k) | Initial Cost to<br>Company |                                                              | Costs<br>Capitalized<br>Subsequent to<br>Acquisition |                   | Gross Amount at Which<br>Carried at Close of Period (b) |                                                 |           | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Con-<br>struction | Date<br>Acquired | Life on<br>Which<br>Depreciation<br>and<br>Amortization<br>in Latest<br>Income<br>Statement<br>Computed |
|------------|-----------------------|----------------------------|--------------------------------------------------------------|------------------------------------------------------|-------------------|---------------------------------------------------------|-------------------------------------------------|-----------|----------------------------------------------------|------------------------------|------------------|---------------------------------------------------------------------------------------------------------|
|            |                       | Land                       | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Improve-<br>ments                                    | Carrying<br>Costs | Land                                                    | Improve-<br>ments and<br>Leasehold<br>Interests | Total     |                                                    |                              |                  |                                                                                                         |
| odstock,   |                       | 1,937,017                  | 1,284,901                                                    |                                                      |                   | 1,890,769                                               | 1,284,901                                       | 3,175,670 | 148,568                                            | 1997                         | 05/03            | 40 years                                                                                                |
| ham, TX    |                       | 54,999                     | 202,085                                                      |                                                      |                   | 54,999                                                  | 104,974                                         | 159,973   | 17,360                                             | 1984                         | 07/04            | 40 years                                                                                                |
| Oak, TX    |                       | 73,290                     | 520,950                                                      |                                                      |                   | 73,290                                                  | 242,896                                         | 316,186   | 78,344                                             | 1986                         | 12/01            | 40 years                                                                                                |
| pus        |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| isti, TX   |                       | 893,270                    | 978,344                                                      | 76,664                                               |                   | 893,270                                                 | 1,055,008                                       | 1,948,278 | 372,149                                            | 1967                         | 11/93            | 40 years                                                                                                |
| kane, WA   |                       | 470,840                    | 530,289                                                      |                                                      |                   | 470,840                                                 | 530,289                                         | 1,001,130 | 80,096                                             | 1996                         | 12/01            | 40 years                                                                                                |
| nsea, IL   |                       | 91,709                     | 264,956                                                      |                                                      |                   | 91,709                                                  | 264,956                                         | 356,665   | 40,055                                             | 1997                         | 12/01            | 40 years                                                                                                |
| rett, PA   |                       | 226,366                    | 1,159,833                                                    | 7,830                                                |                   | 226,366                                                 | 817,667                                         | 1,044,033 | 148,722                                            | 1998                         | 11/98            | 40 years                                                                                                |
| nsas Pass, |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
|            |                       | 89,537                     | 1,240,882                                                    |                                                      |                   | 89,537                                                  | 1,240,882                                       | 1,330,419 | 275,219                                            | 1983                         | 03/99            | 40 years                                                                                                |
| ston, TX   |                       | 421,897                    | 1,915,483                                                    |                                                      |                   | 421,897                                                 | 1,915,483                                       | 2,337,380 | 97,557                                             | 1995                         | 12/05            | 40 years                                                                                                |
| ly, TX     |                       | 873,758                    | 964,185                                                      |                                                      |                   | 873,758                                                 | 964,185                                         | 1,837,943 | 210,523                                            | 1982                         | 03/99            | 40 years                                                                                                |
| thfield,   |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
|            |                       | 405,107                    | 643,759                                                      |                                                      |                   | 405,107                                                 | 643,759                                         | 1,048,866 | 111,798                                            | 1976                         | 12/01            | 40 years                                                                                                |
| ntgomery,  |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
|            |                       | 592,730                    | 1,186,705                                                    |                                                      |                   | 592,730                                                 | 1,186,705                                       | 1,779,435 | 60,571                                             | 1998                         | 12/05            | 40 years                                                                                                |
| oes, NY    |                       | 48,482                     | 261,352                                                      |                                                      |                   | 48,482                                                  | 261,352                                         | 309,834   | 22,048                                             | 1994                         | 09/04            | 40 years                                                                                                |
| ue City:   |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| issant,    |                       | 2,490,210                  | 2,937,449                                                    |                                                      |                   | 2,490,210                                               | 2,937,449                                       | 5,427,659 | 345,762                                            | 1996                         | 04/03            | 40 years                                                                                                |
| ue City    |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| niture:    |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| ite Marsh, |                       | 3,762,030                  |                                                              | 3,006,391                                            |                   | 3,762,030                                               | 3,006,391                                       | 6,768,421 | 735,939                                            | 1998                         | 03/98(g)         | 40 years                                                                                                |
| ngreens:   |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| rise, FL   |                       | 1,957,974                  | 1,400,970                                                    |                                                      |                   | 1,957,974                                               | 1,400,970                                       | 3,358,944 | 161,987                                            | 1994                         | 05/03            | 40 years                                                                                                |
| sa, OK     |                       | 1,193,187                  | 3,055,724                                                    |                                                      |                   | 1,193,187                                               | 3,055,724                                       | 4,248,911 | 194,165                                            | 2003                         | 06/05            | 40 years                                                                                                |
| -Mart:     |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| ville, TX  |                       | 507,231                    | 2,315,424                                                    |                                                      |                   | 507,231                                                 | 2,315,424                                       | 2,822,655 | 508,910                                            | 1983                         | 03/99            | 40 years                                                                                                |
| field, AL  |                       | 419,811                    | 1,684,505                                                    |                                                      |                   | 419,811                                                 | 1,684,505                                       | 2,104,316 | 370,240                                            | 1983                         | 03/99            | 40 years                                                                                                |
| shington   |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| e Center:  |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| fax, VA    |                       | 192,830                    | 278,892                                                      | 83,773                                               |                   | 192,830                                                 | 362,665                                         | 555,495   | 35,690                                             | 1995                         | 12/95            | 40 years                                                                                                |
| ndy s Old  |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| nioned     |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| nburger:   |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| ramento,   |                       | 585,872                    |                                                              |                                                      |                   | 585,872                                                 |                                                 | 585,872   | (i)                                                | (i)                          | 02/98            |                                                                                                         |
| v          |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| sington,   |                       | 501,136                    | 333,445                                                      |                                                      |                   | 501,136                                                 | 333,445                                         | 834,581   | 50,364                                             | 1980                         | 12/01            | 40 years                                                                                                |
| ataburger: |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| uquerque,  |                       | 624,318                    | 418,975                                                      |                                                      |                   | 624,318                                                 | 418,975                                         | 1,043,293 | 63,282                                             | 1995                         | 12/01            | 40 years                                                                                                |
| nswick,    |                       | 290,860                    |                                                              | 910,051                                              |                   | 290,860                                                 | 910,051                                         | 1,200,911 | 16,115                                             | 2007                         | 12/06(q)         | 40 years                                                                                                |
| sonville,  |                       | 823,643                    | 934,191                                                      |                                                      |                   | 823,643                                                 | 934,191                                         | 1,757,834 | 22,381                                             | 2006                         | 01/07            | 40 years                                                                                                |
| ke, FL     |                       | 476,055                    | 981,779                                                      |                                                      |                   | 476,055                                                 | 981,779                                         | 1,457,834 | 23,521                                             | 2006                         | 01/07            | 40 years                                                                                                |
| ee, FL     |                       | 893,834                    | 1,013,995                                                    |                                                      |                   | 893,834                                                 | 1,013,995                                       | 1,907,829 | 24,293                                             | 2006                         | 01/07            | 40 years                                                                                                |
| arehouse   |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |
| sic:       |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |           |                                                    |                              |                  |                                                                                                         |

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|                                                                                                                                                                                                                                                |           |           |           |           |           |           |      |       |       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------|-------|-------|
| newwood,                                                                                                                                                                                                                                       | 1,031,974 | 696,950   | 1,031,974 | 696,950   | 1,728,924 | 105,269   | 1997 | 12/01 | 40 ye |
| pendence,                                                                                                                                                                                                                                      | 502,623   | 1,209,307 | 502,623   | 1,209,307 | 1,711,930 | 61,725    | 1994 | 12/05 | 40 ye |
| ngfoot:                                                                                                                                                                                                                                        |           |           |           |           |           |           |      |       |       |
| verdam,                                                                                                                                                                                                                                        | (l)       | 1,521,190 | (l)       | 1,521,190 | 1,521,190 | 23,768    | 2004 | 05/07 | 40 ye |
| ton, AR                                                                                                                                                                                                                                        | (l)       | 308,519   | (l)       | 308,519   | 308,519   | 3,535     | 2001 | 05/07 | 40 ye |
| vman, SC                                                                                                                                                                                                                                       | (l)       | 969,274   | (l)       | 969,274   | 969,274   | 17,308    | 1998 | 05/07 | 40 ye |
| nswick,                                                                                                                                                                                                                                        | (l)       | 1,450,274 | (l)       | 1,450,274 | 1,450,274 | 22,661    | 2003 | 05/07 | 40 ye |
| ton, GA                                                                                                                                                                                                                                        | (l)       | 1,540,648 | (l)       | 1,540,648 | 1,540,648 | 24,017    | 2004 | 05/07 | 40 ye |
| drige, TN                                                                                                                                                                                                                                      | (l)       | 1,030,351 | (l)       | 1,030,351 | 1,030,351 | 18,399    | 1989 | 05/07 | 35 ye |
| nklin, OH                                                                                                                                                                                                                                      | (l)       | 562,698   | (l)       | 562,698   | 562,698   | 10,048    | 1998 | 05/07 | 40 ye |
| y, IN                                                                                                                                                                                                                                          | (l)       | 1,486,297 | (l)       | 1,486,297 | 1,486,297 | 23,223    | 2004 | 05/07 | 40 ye |
| argetown,                                                                                                                                                                                                                                      | (l)       | 678,799   | (l)       | 678,799   | 678,799   | 14,141    | 1997 | 05/07 | 40 ye |
| pane, NC                                                                                                                                                                                                                                       | (l)       | 561,025   | (l)       | 561,025   | 561,025   | 10,018    | 1998 | 05/07 | 35 ye |
| ldmont, SC                                                                                                                                                                                                                                     | (l)       | 566,582   | (l)       | 566,582   | 566,582   | 10,117    | 1999 | 05/07 | 35 ye |
| t                                                                                                                                                                                                                                              |           |           |           |           |           |           |      |       |       |
| ntworth,                                                                                                                                                                                                                                       | (l)       | 551,919   | (l)       | 551,919   | 551,919   | 9,856     | 1998 | 05/07 | 35 ye |
| dsta, GA                                                                                                                                                                                                                                       | (l)       | 1,476,879 | (l)       | 1,476,879 | 1,476,879 | 23,076    | 2004 | 05/07 | 40 ye |
| iteland, IN                                                                                                                                                                                                                                    | (l)       | 1,471,230 | (l)       | 1,471,230 | 1,471,230 | 16,857    | 2004 | 07/07 | 40 ye |
| Moines,                                                                                                                                                                                                                                        | (l)       | 816,275   | (l)       | 816,275   | 816,275   | 9,353     | 1987 | 07/07 | 40 ye |
| nsville, IN                                                                                                                                                                                                                                    | (l)       | 575,761   | (l)       | 575,761   | 575,761   | 6,597     | 2002 | 07/07 | 40 ye |
| rney, MO                                                                                                                                                                                                                                       | (l)       | 1,268,709 | (l)       | 1,268,709 | 1,268,709 | 14,537    | 2003 | 07/07 | 40 ye |
| un-Dixie:                                                                                                                                                                                                                                      |           |           |           |           |           |           |      |       |       |
| umbus,                                                                                                                                                                                                                                         | 1,023,371 | 1,874,875 | 1,023,371 | 1,874,875 | 2,898,246 | 208,970   | 1984 | 07/03 | 40 ye |
| part:                                                                                                                                                                                                                                          |           |           |           |           |           |           |      |       |       |
| olewood,                                                                                                                                                                                                                                       | 307,846   | 311,313   | 307,846   | 311,313   | 619,159   | 22,376    | 1990 | 02/05 | 40 ye |
| dleburg                                                                                                                                                                                                                                        | 199,234   | 148,106   | 199,234   | 148,106   | 347,340   | 10,799    | 1961 | 02/05 | 40 ye |
| ghts, OH                                                                                                                                                                                                                                       |           |           |           |           |           |           |      |       |       |
| s                                                                                                                                                                                                                                              |           |           |           |           |           |           |      |       |       |
| taurant:                                                                                                                                                                                                                                       |           |           |           |           |           |           |      |       |       |
| ora, CO                                                                                                                                                                                                                                        | 1,168,457 | 1,104,345 | 1,168,457 | 1,104,345 | 2,272,802 | 93,706    | 2000 | 06/05 | 30 ye |
| reshold                                                                                                                                                                                                                                        |           |           |           |           |           |           |      |       |       |
| rests:                                                                                                                                                                                                                                         | 2,532,133 |           | 2,532,133 |           | 2,532,133 | 1,547,131 |      | (n)   |       |
| <div> <div>\$ 26,454,684</div> <div>\$ 941,102,953</div> <div>\$ 1,116,459,120</div> <div>\$ 85,827,593</div> <div>\$</div> <div>\$ 941,336,554</div> <div>\$ 1,200,041,008</div> <div>\$ 2,141,377,563</div> <div>\$ 111,086,973</div> </div> |           |           |           |           |           |           |      |       |       |

See accompanying report of independent registered public accounting firm.

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|                                                                                                                 | Encum-<br>brances (k) | Initial Cost to<br>Company |                                                              | Costs<br>Capitalized<br>Subsequent to<br>Acquisition |                   | Gross Amount at Which<br>Carried at Close of Period (b) |                                                 |       | Accumulated<br>Depreciation<br>and<br>Amortization | Date of<br>Con-<br>struction | Date<br>Acquired | Life on<br>Which<br>Depreciation<br>and<br>Amortization<br>in Latest<br>Income<br>Statement is<br>Computed |
|-----------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------|--------------------------------------------------------------|------------------------------------------------------|-------------------|---------------------------------------------------------|-------------------------------------------------|-------|----------------------------------------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------|
|                                                                                                                 |                       | Land                       | Building,<br>Improve-<br>ments and<br>Leasehold<br>Interests | Improve-<br>ments                                    | Carrying<br>Costs | Land                                                    | Improve-<br>ments and<br>Leasehold<br>Interests | Total |                                                    |                              |                  |                                                                                                            |
| Real Estate<br>Held for<br>Investment the<br>Company has<br>Invested in<br>Under Direct<br>Financing<br>Leases: |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Barnes and<br>Noble:                                                                                            |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Plantation, FL                                                                                                  |                       |                            | 3,498,559                                                    |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1996                         | 05/95            | (c)                                                                                                        |
| Borders Books<br>& Music:                                                                                       |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Altamonte<br>Springs, FL                                                                                        |                       |                            | 3,267,579                                                    |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1997                         | 09/97            | (c)                                                                                                        |
| Checkers:                                                                                                       |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Orlando, FL                                                                                                     |                       |                            | 286,910                                                      |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1988                         | 07/92            | (c)                                                                                                        |
| CVS:                                                                                                            |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| San Antonio,<br>TX                                                                                              |                       |                            | 783,974                                                      |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1993                         | 12/93            | (c)                                                                                                        |
| Amarillo, TX                                                                                                    |                       | 158,851                    | 855,348                                                      |                                                      |                   | (d)                                                     | (d)                                             | (d)   | (d)                                                | 1994                         | 12/94            | (d)                                                                                                        |
| Lafayette, LA                                                                                                   |                       |                            | 949,128                                                      |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1995                         | 01/96            | (c)                                                                                                        |
| Irving, TX                                                                                                      |                       |                            | 1,228,436                                                    |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1996                         | 12/96            | (c)                                                                                                        |
| Oklahoma<br>City, OK                                                                                            |                       | (l)                        | 1,365,125                                                    |                                                      |                   | (l)                                                     | (c)                                             | (c)   | (c)                                                | 1997                         | 06/97            | (c)                                                                                                        |
| Oklahoma<br>City, OK                                                                                            |                       | (l)                        | 1,419,093                                                    |                                                      |                   | (l)                                                     | (c)                                             | (c)   | (c)                                                | 1997                         | 06/97            | (c)                                                                                                        |
| Ft. Worth, TX                                                                                                   |                       |                            | 1,135,110                                                    |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1996                         | 09/97            | (c)                                                                                                        |
| Haltom City,<br>TX                                                                                              |                       | 413,918                    | 1,660,859                                                    |                                                      |                   | (d)                                                     | (d)                                             | (d)   | (d)                                                | 1996                         | 09/97            | (d)                                                                                                        |
| Denny s:                                                                                                        |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Stockton, CA                                                                                                    |                       | 939,974                    | 508,573                                                      |                                                      |                   | (d)                                                     | (d)                                             | (d)   | (d)                                                | 1982                         | 09/06            | (d)                                                                                                        |
| Eckerd:                                                                                                         |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Kennett<br>Square, PA                                                                                           |                       | (l)                        |                                                              | 1,984,435                                            |                   | (l)                                                     | (c)                                             | (c)   | (c)                                                | 2000                         | 12/00            | (c)                                                                                                        |
| Arlington, VA                                                                                                   |                       |                            | 3,201,489                                                    |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 2002                         | 02/02            | (c)                                                                                                        |
| Food 4 Less:                                                                                                    |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Chula Vista,<br>CA                                                                                              |                       |                            | 4,266,181                                                    |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1995                         | 11/98            | (c)                                                                                                        |
| Heilig-Meyers:                                                                                                  |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Marlow<br>Heights, MD                                                                                           |                       | 415,926                    | 1,397,178                                                    |                                                      |                   | (d)                                                     | (d)                                             | (d)   | (d)                                                | 1968                         | 11/98            | (d)                                                                                                        |
| York, PA                                                                                                        |                       | 279,312                    | 1,109,609                                                    |                                                      |                   | (d)                                                     | (d)                                             | (d)   | (d)                                                | 1997                         | 11/98            | (d)                                                                                                        |
| International<br>House of<br>Pancakes:                                                                          |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Sunset Hills,<br>MO                                                                                             |                       |                            | 736,345                                                      |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1993                         | 10/93            | (c)                                                                                                        |
| Matthews, NC                                                                                                    |                       |                            | 655,668                                                      |                                                      |                   |                                                         | (c)                                             | (c)   | (c)                                                | 1993                         | 12/93            | (c)                                                                                                        |
| Jared Jewelers:                                                                                                 |                       |                            |                                                              |                                                      |                   |                                                         |                                                 |       |                                                    |                              |                  |                                                                                                            |
| Glendale, AZ                                                                                                    |                       | (l)                        | 1,599,105                                                    |                                                      |                   | (l)                                                     | (c)                                             | (c)   | (c)                                                | 1998                         | 12/01            | (c)                                                                                                        |
| Lewisville, TX                                                                                                  | 225,603               | (l)                        | 1,502,903                                                    |                                                      |                   | (l)                                                     | (c)                                             | (c)   | (c)                                                | 1998                         | 12/01            | (c)                                                                                                        |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|               |           |     |           |     |     |     |     |      |       |     |
|---------------|-----------|-----|-----------|-----|-----|-----|-----|------|-------|-----|
| Oviedo, FL    | 441,309   | (l) | 1,500,145 | (l) | (c) | (c) | (c) | 1998 | 12/01 | (c) |
| Phoenix, AZ   | 358,516   | (l) | 1,241,827 | (l) | (c) | (c) | (c) | 1998 | 12/01 | (c) |
| Toledo, OH    |           | (l) | 1,457,625 | (l) | (c) | (c) | (c) | 1998 | 12/01 | (c) |
| Kash N Karry: |           |     |           |     |     |     |     |      |       |     |
| Valrico, FL   | 1,234,519 |     | 3,255,257 | (d) | (d) | (d) | (d) | 1997 | 06/02 | (d) |
| Uni-Mart:     |           |     |           |     |     |     |     |      |       |     |
| Olean, NY (r) | 41,774    |     | 267,755   | (d) | (d) | (d) | (d) | 1990 | 08/05 | (d) |

\$ 1,025,428 \$ 3,484,274 \$ 39,149,782 \$ 1,984,435 \$ \$ \$ \$

Real Estate  
Held for Sale  
the Company  
has Invested  
in:

AJ Petroleum:

|               |         |         |         |         |         |      |       |
|---------------|---------|---------|---------|---------|---------|------|-------|
| Hollywood, FL | 417,487 | 184,170 | 417,487 | 184,170 | 601,657 | 1961 | 12/05 |
| Hollywood, FL | 645,533 | 313,657 | 645,533 | 313,657 | 959,190 | 1960 | 12/05 |

Keybank:

|                 |         |  |         |  |         |     |       |     |
|-----------------|---------|--|---------|--|---------|-----|-------|-----|
| Beavercreek, OH | 422,184 |  | 422,184 |  | 422,184 | (e) | 02/07 | (e) |
|-----------------|---------|--|---------|--|---------|-----|-------|-----|

Pep Boys:

|               |           |           |           |           |           |      |       |
|---------------|-----------|-----------|-----------|-----------|-----------|------|-------|
| Anaheim, CA   | 2,671,814 | 2,586,628 | 2,671,814 | 2,586,628 | 5,258,442 | 1983 | 11/07 |
| Annandale, VA | 2,718,604 | 3,048,482 | 2,718,604 | 3,048,482 | 5,767,086 | 1970 | 11/07 |
| Artesia, CA   | 3,140,404 | 2,630,276 | 3,140,404 | 2,630,276 | 5,770,680 | 1983 | 11/07 |
| Escondido, CA | 3,664,675 | 4,785,117 | 3,664,675 | 4,785,117 | 8,449,792 | 1983 | 11/07 |
| Fullerton, CA | 3,555,665 | 1,885,292 | 3,555,665 | 1,885,292 | 5,440,957 | 1959 | 11/07 |

See accompanying report of independent registered public accounting firm.

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|                        | Initial Cost to Company                         | Costs Capitalized Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (b) |                                   |                      |               | Life on Which Depreciation and Amortization in Latest Income Statement is Computed |
|------------------------|-------------------------------------------------|---------------------------------------------|------------------------------------------------------|-----------------------------------|----------------------|---------------|------------------------------------------------------------------------------------|
|                        | Building, Improve-ments and Leasehold Interests | Improve-Carrying ments Costs                | Building, Improve-ments and Leasehold Interests      | Accumulated Depreciation and Con- | Date of Construction | Date Acquired |                                                                                    |
| Encum-brances (k)      | Land                                            |                                             | Land                                                 | Total Amortization                |                      |               |                                                                                    |
| Glendale, AZ           | 2,117,771                                       | 2,885,232                                   | 2,117,771                                            | 2,885,232                         | 5,003,003            | 1990          | 11/07                                                                              |
| Guayama, PR            | 1,729,000                                       | 2,731,785                                   | 1,729,000                                            | 2,731,785                         | 4,460,785            | 1998          | 11/07                                                                              |
| Houston, TX            | 892,935                                         | 4,502,444                                   | 892,935                                              | 4,502,444                         | 5,395,379            | 1994          | 11/07                                                                              |
| Manassas, VA           | 1,374,760                                       | 3,486,484                                   | 1,374,760                                            | 3,486,484                         | 4,861,244            | 1992          | 11/07                                                                              |
| Merced, CA             | 228,337                                         | 2,305,923                                   | 228,337                                              | 2,305,923                         | 2,534,260            | 1988          | 11/07                                                                              |
| North                  |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Hollywood, CA          | 3,586,201                                       | 2,262,137                                   | 3,586,201                                            | 2,262,137                         | 5,848,338            | 1996          | 11/07                                                                              |
| Oceanside, CA          | 3,380,442                                       | 4,466,453                                   | 3,380,442                                            | 4,466,453                         | 7,846,895            | 1988          | 11/07                                                                              |
| Orlando, FL            | 1,719,331                                       | 1,978,950                                   | 1,719,331                                            | 1,978,950                         | 3,698,281            | 1991          | 11/07                                                                              |
| Phoenix, AZ            | 972,652                                         | 1,674,741                                   | 972,652                                              | 1,674,741                         | 2,647,393            | 1988          | 11/07                                                                              |
| Rancho                 |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Cucamonga, CA          | 2,022,876                                       | 3,374,339                                   | 2,022,876                                            | 3,374,339                         | 5,397,215            | 1985          | 11/07                                                                              |
| Reading, PA            | 1,188,532                                       | 3,366,975                                   | 1,188,532                                            | 3,366,975                         | 4,555,507            | 1989          | 11/07                                                                              |
| Reseda, CA             | 1,522,988                                       | 2,025,447                                   | 1,522,988                                            | 2,025,447                         | 3,548,435            | 1986          | 11/07                                                                              |
| San Bernardino, CA     | 960,573                                         | 2,207,543                                   | 960,573                                              | 2,207,543                         | 3,168,116            | 1969          | 11/07                                                                              |
| Tempe, AZ              | 1,084,055                                       | 1,923,866                                   | 1,084,055                                            | 1,923,866                         | 3,007,921            | 1974          | 11/07                                                                              |
| West Covina, CA        | 2,783,506                                       | 3,059,286                                   | 2,783,506                                            | 3,059,286                         | 5,842,792            | 1983          | 11/07                                                                              |
| Power Center:          |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Big Flats, NY          | 2,248,422                                       | 7,159,309                                   | 2,248,422                                            | 6,314,756                         | 8,563,178            | 2006          | 08/05                                                                              |
| Bismarck, ND           | 1,839,240                                       | 10,262,109                                  | 1,839,240                                            | 20,669,048                        | 22,508,288           | 2006          | 10/04                                                                              |
| Midland, MI            | 1,085,180                                       | 1,634,602                                   | 1,085,180                                            | 1,634,602                         | 2,719,782            | 2005          | 05/05                                                                              |
| Topsham, ME            | 1,884,772                                       | 1,734,694                                   | 1,884,772                                            | 1,734,694                         | 3,619,466            | 2007          | 02/06                                                                              |
| Irving, TX             | 910,077                                         |                                             | 910,077                                              |                                   | 910,077              | (e)           | 02/06 (e)                                                                          |
| Waxahachie, TX         | 1,208,017                                       |                                             | 1,208,017                                            |                                   | 1,208,017            | (e)           | 02/06 (e)                                                                          |
| Harlingen, TX          | 745,992                                         |                                             | 745,992                                              |                                   | 745,992              | (e)           | 10/06 (e)                                                                          |
| Lapeer, MI             | 729,834                                         | 3,733,213                                   | 729,834                                              | 3,733,213                         | 4,463,047            | 2007          | 09/06                                                                              |
| Lapeer, MI             | 243,535                                         | 1,759,243                                   | 243,535                                              | 1,759,243                         | 2,002,778            | 2007          | 09/06                                                                              |
| Rockwall, TX           | 8,958,882                                       | 37,006,653                                  | 8,958,882                                            | 37,006,653                        | 45,965,535           | 2007          | 02/06                                                                              |
| Rite Aid:              |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Largo, MD              | 1,927,636                                       |                                             | 1,927,636                                            |                                   | 1,927,636            | (e)           | 03/07 (e)                                                                          |
| Road Ranger:           |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Rockford, IL           | 635,452                                         | 1,118,486                                   | 635,452                                              | 1,118,486                         | 1,753,938            | 1988          | 06/06                                                                              |
| Stock Building Supply: |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Hillman, MI            | 166,886                                         | 822,950                                     | 166,886                                              | 822,950                           | 989,836              | 1952          | 10/06                                                                              |
| Stripes:               |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Corpus Christi, TX     | 1,308,398                                       | 2,151,142                                   | 1,308,398                                            | 2,151,142                         | 3,459,540            | 1995          | 12/05                                                                              |
| Uni-Mart:              |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Bradford, PA           | 184,231                                         | 761,512                                     | 184,231                                              | 761,512                           | 945,743              | 1983          | 08/05                                                                              |
| Kane, PA               | 156,967                                         | 913,017                                     | 156,967                                              | 913,017                           | 1,069,984            | 1984          | 08/05                                                                              |
| Midway, PA             | 310,893                                         | 708,427                                     | 310,893                                              | 708,427                           | 1,019,320            | 1990          | 01/06                                                                              |
| Clairton, PA           | 215,405                                         | 700,821                                     | 215,405                                              | 700,821                           | 916,226              | 1986          | 01/06                                                                              |
| Houtzdale, PA          | 311,707                                         | 729,052                                     | 311,707                                              | 729,052                           | 1,040,759            | 1977          | 01/06                                                                              |
| Burnham, PA (r)        | 264,741                                         | 510,262                                     | 264,741                                              | 510,262                           | 775,003              | 1978          | 07/06                                                                              |
| Mechanicsburg, PA      | 120,639                                         | 357,897                                     | 120,639                                              | 357,897                           | 478,536              | 1972          | 07/06                                                                              |
| Port Royal, PA         | 238,052                                         | 635,213                                     | 238,052                                              | 635,213                           | 873,265              | 1989          | 07/06                                                                              |
| Vacant Land:           |                                                 |                                             |                                                      |                                   |                      |               |                                                                                    |
| Grand Prairie, TX      | 386,807                                         |                                             | 386,807                                              |                                   | 386,807              | (e)           | 12/02 (e)                                                                          |

# Edgar Filing: NATIONAL RETAIL PROPERTIES, INC. - Form 10-K

|                                                                                                 |            |         |            |         |            |      |       |     |
|-------------------------------------------------------------------------------------------------|------------|---------|------------|---------|------------|------|-------|-----|
| Fairfield Township, OH                                                                          | 3,201,116  |         | 3,201,116  |         | 3,201,116  | (e)  | 08/06 | (e) |
| Bonita Springs, FL                                                                              | 151,781    |         | 151,781    |         | 151,781    | (e)  | 09/06 | (e) |
| Topsham, ME                                                                                     | 311,714    |         | 1,034,215  |         | 1,034,215  | (e)  | 02/06 | (e) |
| Plano, TX                                                                                       | 10,034,740 |         | 10,034,740 |         | 10,034,740 | (e)  | 12/05 | (e) |
| Harlingen, TX                                                                                   | 245,483    |         | 245,483    |         | 245,483    | (e)  | 09/06 | (e) |
| Harlingen, TX                                                                                   | 284,907    |         | 284,907    |         | 284,907    | (e)  | 09/06 | (e) |
| Rockwall, TX                                                                                    | 9,275,959  |         | 9,275,959  |         | 9,275,959  | (e)  | 09/06 | (e) |
| Vacant Property:                                                                                |            |         |            |         |            |      |       |     |
| North Richland Hills, TX                                                                        | 583,650    | 179,509 | 583,650    | 179,509 | 763,159    | 1989 | 02/06 |     |
| Walgreens:                                                                                      |            |         |            |         |            |      |       |     |
| Beavercreek, OH                                                                                 | 1,445,473  |         | 1,445,473  |         | 1,445,473  | (e)  | 10/07 | (e) |
| Harlingen, TX                                                                                   | 1,321,108  |         | 1,321,108  |         | 1,321,108  | (e)  | 09/06 | (e) |
| \$ \$ 95,738,021 \$ 130,563,338 \$ 10,406,939 \$ \$ 96,460,522 \$ 140,125,724 \$ 236,586,246 \$ |            |         |            |         |            |      |       |     |

See accompanying report of independent registered public accounting firm.

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**Table of Contents****NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES****NOTES TO SCHEDULE III - REAL ESTATE AND****ACCUMULATED DEPRECIATION AND AMORTIZATION****December 31, 2007****(dollars in thousands)**

- (a) Transactions in real estate and accumulated depreciation during 2007, 2006, and 2005 are summarized as follows:

|                                                              | <b>2007</b>  | <b>2006</b>  | <b>2005</b>  |
|--------------------------------------------------------------|--------------|--------------|--------------|
| <b>Land, buildings, and leasehold interests:</b>             |              |              |              |
| Balance at the beginning of year                             | \$ 1,756,514 | \$ 1,508,664 | \$ 1,129,126 |
| Acquisitions, completed construction and tenant improvements | 864,116      | 558,766      | 469,384      |
| Disposition of land, buildings, and leasehold interests      | (203,403)    | (310,223)    | (87,446)     |
| Provision for loss on impairment of real estate              | (1,683)      | (693)        | (2,400)      |
| Balance at the close of year                                 | \$ 2,415,544 | \$ 1,756,514 | \$ 1,508,664 |
| <b>Accumulated depreciation and amortization:</b>            |              |              |              |
| Balance at the beginning of year                             | \$ 87,359    | \$ 79,197    | \$ 61,802    |
| Disposition of land, buildings, and leasehold interests      | (3,667)      | (12,413)     | (1,665)      |
| Depreciation and amortization expense                        | 27,395       | 20,575       | 19,060       |
| Balance at the close of year                                 | \$ 111,087   | \$ 87,359    | \$ 79,197    |

- (b) As of December 31, 2007, the leases are treated as either operating or financing leases for federal income tax purposes. As of December 31, 2007, the aggregate cost of the properties owned by the Company that under operating leases were \$2,262,306, and financing leases were \$9,048.
- (c) For financial reporting purposes, the portion of the lease relating to the building has been recorded as a direct financing lease; therefore, depreciation is not applicable.
- (d) For financial reporting purposes, the lease for the land and building has been recorded as a direct financing lease; therefore, depreciation is not applicable.
- (e) The Company owns only the land for this property.
- (f) Date acquired represents acquisition date of land. Pursuant to lease agreement, the Company purchased the buildings from the tenants upon completion of construction, generally within 12 months from the acquisition of the land.
- (g) Date acquired represents acquisition date of land. The Company developed the buildings, generally completing construction within 12 months from the acquisition date of the land.

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- (h) Date acquired represents date of building construction completion. The land has been recorded as operating lease.
- (i) The Company owns only the land for this property, which is subject to a ground lease between the Company and the tenant. The tenant funded the improvements on the property.
- (j) In 2005, there was a lease amendment to this property, resulting in a reclassification from a direct financing lease to an operating lease.
- (k) Encumbered properties for which the portion of the lease relating to the land is accounted for as an operating lease and the portion of the lease relating to the building is accounted for as a direct financing lease, the total amount of the encumbrance is listed with the land portion of the property.
- (l) The Company owns only the building for this property. The land is subject to a ground lease between the Company and an unrelated third party.
- (m) The leasehold interests are amortized over the life of the respective leases which range from 12 years to 12.5 years.
- (n) The leasehold interest sites were acquired between August 1999 and August 2001.
- (o) Property is encumbered as a part of the Company's \$6,952 long-term, fixed rate mortgage and security agreement.
- (p) Property is encumbered as a part of the Company's \$21,000 long-term, fixed rate mortgage and security agreement.
- (q) Date acquired represents acquisition date of land. Pursuant to lease agreement, the Company funds the tenant's construction draws, final funding occurs generally within 12 months from the acquisition of the land.
- (r) The tenant of this property has subleased the property. The tenant continues to be responsible for complying with all the terms of the lease agreement and is continuing to pay rent on this property to the Company.  
See accompanying report of independent registered public accounting firm.

**Table of Contents****NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES****SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE****December 31, 2007****(dollars in thousands)**

| <b>Description</b>             | <b>Interest Rate</b> | <b>Maturity Date</b> | <b>Periodic Payment Terms</b> | <b>Prior Liens</b> | <b>Face Amount of Mortgages</b> | <b>Carrying Amount of Mortgages (e)</b> | <b>Principal Amount of Loans Subject to Delinquent Principal or Interest</b> |
|--------------------------------|----------------------|----------------------|-------------------------------|--------------------|---------------------------------|-----------------------------------------|------------------------------------------------------------------------------|
| First mortgages on properties: |                      |                      |                               |                    |                                 |                                         |                                                                              |
| National City, CA              | 11.500%              | 2009                 | (b)                           |                    | \$ 2,765                        | \$ 486                                  | \$                                                                           |
| San Jose, CA                   | 11.500%              | 2009                 | (b)                           |                    | 2,565                           | 536                                     |                                                                              |
| Bellingham, WA                 | 7.200%               | 2013                 | (b)                           |                    | 2,605                           | 2,497                                   | 2,497(g)                                                                     |
| Lake Jackson, TX               | 7.500%               | 2008                 | (b)                           |                    | 1,875                           | 1,750                                   |                                                                              |
| Paramus, NJ                    | 9.000%               | 2022                 | (b)                           |                    | 6,000                           | 5,652                                   |                                                                              |
| Des Moines, IA                 | 8.000%               | 2010                 | (d)                           |                    | 400                             | 361                                     |                                                                              |
| Terre Haute, IN                | 7.000%               | 2011                 | (c)                           |                    | 1,582                           | 1,582                                   |                                                                              |
| Plano, TX                      | 9.500%               | 2008                 | (c)                           |                    | 22,737                          | 11,082                                  |                                                                              |
| Lubbock, TX                    | 8.750%               | 2009                 | (c)                           |                    | 14,000                          | 11,384                                  |                                                                              |
| Cleveland, OH                  | 10.000%              | 2028                 | (c)                           |                    | 6,644                           | 4,430                                   |                                                                              |
| Corpus Christi, TX             | 8.375%               | 2008                 | (c)                           |                    | 985                             | 985                                     |                                                                              |
| Corpus Christi, TX             | 8.375%               | 2008                 | (c)                           |                    | 1,222                           | 1,222                                   |                                                                              |
| Elsa, TX                       | 8.375%               | 2008                 | (c)                           |                    | 869                             | 869                                     |                                                                              |
| Keystone Heights, FL           | 8.000%               | 2009                 | (c)                           |                    | 1,650                           | 1,650                                   |                                                                              |
| Chattanooga, TN                | 8.000%               | 2009                 | (c)                           |                    | 1,600                           | 1,600                                   |                                                                              |
| Lynchburg, VA                  | 8.000%               | 2009                 | (c)                           |                    | 1,600                           | 1,600                                   |                                                                              |
| Martinsburg, WV                | 8.000%               | 2009                 | (c)                           |                    | 1,650                           | 1,650                                   |                                                                              |
|                                |                      |                      |                               |                    | <b>\$ 70,749</b>                | <b>\$ 49,336(a)</b>                     | <b>\$ 2,497</b>                                                              |

(a) The following shows the changes in the carrying amounts of mortgage loans during the years:

|                              | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|------------------------------|-------------|-------------|-------------|
| Balance at beginning of year | \$ 13,627   | \$ 19,418   | \$ 11,528   |
| New mortgage loans           | 39,088(f)   | 1,582(f)    | 13,150(f)   |
| Deductions during the year:  |             |             |             |
| Collections of principal     | (3,379)     | (7,373)     | (5,260)     |
| Balance at the close of year | \$ 49,336   | \$ 13,627   | \$ 19,418   |

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- (b) Principal and interest is payable at level amounts over the life of the loan.
- (c) Interest only payments are due monthly. Principal is due at maturity.
- (d) Principal and interest is payable at level amounts over the life of the loan with a principal balloon payment at maturity.
- (e) Mortgages held by NNN and its subsidiaries for federal income tax purposes for the years ended December 31, 2007, 2006 and 2005 were \$49,336, \$13,627 and \$19,418, respectively.
- (f) Mortgages totaling \$39,088, \$1,582 and \$13,150 were accepted in connection with real estate transactions for the year ended December 31, 2007, 2006 and 2005, respectively.
- (g) National Retail Properties, Inc. initiated foreclosure process in February 2008.  
See accompanying report of independent registered public accounting firm.

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