NATIONAL RETAIL PROPERTIES, INC.
Form 10-K
February 25, 2010
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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, 2009

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	56-1431377
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

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:*
Common Stock, $0.01 par value	New York Stock Exchange
7.375% 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 x 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 x

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 x No ¨

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

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

Large accelerated filer x 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 x

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2009 was $1,371,916,984.

The number of shares of common stock outstanding as of February 16, 2010 was 82,916,942.

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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 2010 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (the 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 all of its consolidated subsidiaries. NNN has elected to treat certain subsidiaries as taxable real estate investment trust subsidiaries. These subsidiaries and their majority owned and controlled subsidiaries are collectively referred to as 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 (the Exchange Act). 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 real estate investment trust (REIT) formed in 1984. 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), and commercial mortgage residual interests (collectively, Investment Assets), and (ii) inventory real estate assets (Inventory Assets). The Inventory Assets are operated 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 and primarily held for investment (Investment Properties or Investment Portfolio). The Inventory Assets typically represent direct and indirect investment interests in real estate assets acquired or developed primarily for the purpose of selling the real estate (Inventory Properties or Inventory Portfolio). Inventory Assets typically consist of two types of properties, property for development (Development Properties or Development Portfolio) and improved properties (Exchange Properties or Exchange Portfolio). As of December 31, 2009, NNN owned 1,015 Investment Properties, with an aggregate leasable area of 11,373,000 square feet, located in 44 states. Approximately 96 percent of total properties in NNN s Investment Portfolio were leased or operated at December 31, 2009. As of December 31, 2009, NNN owned 19 Inventory Properties.

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, 2010, NNN employed 57 full-time associates including executive and administrative personnel.

Other Information

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 where NNN s filings with the Securities and Exchange Commission (the Commission) can be downloaded free of charge.

The common shares of National Retail Properties, Inc. are traded on the New York Stock Exchange (the NYSE), under the ticker symbol NNN. The depositary shares, each representing $1/100^{th}$ of a share of 7.375% Series C Cumulative Redeemable Preferred Stock, par value $0.01 per share (Series C Preferred Stock), of NNN are traded on the NYSE under the ticker symbol NNNPRC.

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, generally pursuant to triple-net leases, provide attractive opportunities for a stable current return and the potential for increased 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, repairs and maintenance and capital expenditures. Initial lease terms are generally 15 to 20 years.

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 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 (including but not limited to tenant, geographic and line of trade diversification), the occupancy rate of NNN s Investment Portfolio, certain financial performance ratios, profitability measures, industry trends and performance of competitors compared to that of NNN.

The operating strategies employed by NNN have allowed it to increase the annual dividend (paid quarterly) per common share for 20 consecutive years.

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Investment in Real Estate or Interests in Real Estate

NNN s management believes that single tenant, freestanding net lease retail properties will continue to be attractive investment opportunities and that NNN is well suited to take advantage of these opportunities because of its experience in accessing 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, market rents, 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,
- 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 Investment Properties emphasize retail properties, NNN may invest in (i) a wide variety of property types and tenant types, (ii) leases, mortgages, commercial mortgage residual interests and other types of real estate interests, (iii) loans secured by personal property, (iv) loans secured by membership interests, or (v) 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.

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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, 2009, no balance was outstanding and $400,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling $653,000.

For the year ended December 31, 2009, NNN s ratio of total liabilities to total gross assets (before accumulated depreciation) was approximately 37 percent and the secured indebtedness to total gross assets was approximately one percent. The total debt to total market capitalization was approximately 36 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 Operations 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.

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 issuers 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, 2009, NNN owned 1,015 Investment Properties with an aggregate gross leasable area of 11,373,000 square feet, located in 44 states. Approximately 96 percent of the Investment Properties were leased at December 31, 2009.

The following table summarizes NNN s Investment Properties as of December 31, 2009 (in thousands):

	Size(1)			Acquisition Cost(2)		
	High	Low	Average	High	Low	Average
Land	2,223	7	109	$ 8,882	$ 25	$ 1,086
Building	135	1	11	17,049	44	1,520

(1) Approximate square feet.

(2) Costs vary depending upon size and local demographic factors.

In connection with the development of two Investment Properties, NNN has agreed to fund construction commitments (including construction, land costs and tenant improvements) of $14,651,000. As of December 31, 2009, NNN had funded $12,261,000 of this commitment, with $2,390,000 remaining to be funded.

As of December 31, 2009, NNN did not have any tenant that accounted for ten percent or more of its rental income.

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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, 2009, the weighted average remaining lease term was approximately 12 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 $8,000 to $1,876,000 (average of $213,000). Tenant leases generally provide for limited increases in rent as a result of fixed increases, increases in the Consumer Price Index (CPI), and/or increases in the tenant s sales volume.

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 the current market value at the time of exercise.

The following table summarizes the lease expirations, assuming none of the tenants exercise renewal options, of NNN s Investment Portfolio for each of the next 10 years and then thereafter in the aggregate as of December 31, 2009:

	% of Annual Base Rent[(1)]	# of Properties	Gross Leasable Area[(2)]		% of Annual Base Rent[(1)]	# of Properties	Gross Leasable Area[(2)]
2010	2.3%	36	408,000	2016	1.7%	13	240,000
2011	2.1%	21	389,000	2017	4.3%	27	676,000
2012	3.3%	34	484,000	2018	2.9%	24	345,000
2013	4.7%	39	849,000	2019	4.3%	42	632,000
2014	5.0%	44	622,000	Thereafter	66.3%	676	5,324,000
2015	3.1%	22	539,000				

(1) Based on annualized base rent for all leases in place as of December 31, 2009.

(2) Approximate square feet.

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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[1] 2009	2008	2007
1.	Convenience Stores	26.7%	25.7%	23.9%
2.	Restaurants Full Service	9.2%	8.7%	10.3%
3.	Automotive Parts	6.8%	5.1%	4.9%
4.	Theaters	6.3%	6.1%	4.2%
5.	Automotive Service	5.7%	8.9%	5.2%
6.	Books	4.1%	4.0%	4.4%
7.	Drug Stores	4.1%	4.0%	5.0%
8.	Restaurants Limited Service	3.5%	3.3%	3.7%
9.	Sporting Goods	3.2%	3.3%	3.9%
10.	Grocery	2.9%	2.6%	2.9%
	Other	27.5%	28.3%	31.6%
		100.0%	100.0%	100.0%

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

The following table shows the top 10 states in which NNN s Investment Properties are located as of December 31, 2009:

	State	# of Properties	% of Annual Base Rent[1]
1.	Texas	210	20.1%
2.	Florida	85	10.0%
3.	Illinois	39	7.0%
4.	North Carolina	62	6.3%
5.	Georgia	57	5.5%
6.	Indiana	37	4.4%
7.	Pennsylvania	87	4.3%
8.	Ohio	31	3.8%
9.	Tennessee	30	3.1%
10.	Arizona	30	2.8%
	Other	347	32.7%
		1,015	100.0%

(1) Based on annualized base rent for all leases in place as of December 31, 2009.

Mortgages and Notes Receivable

Mortgages are secured by real estate, real estate securities or other assets. Structured finance investments are secured by the borrowers pledge of their respective membership interests in the entities which own the respective real estate.

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

	2009	2008
Mortgages and notes receivable	$ 41,707	$ 55,495
Structured finance investments	-	4,514
Accrued interest receivables	269	387
Unamortized premium	-	84
	41,976	60,480
Less loan origination fees, net	-	(8)
	$ 41,976	$ 60,472

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 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 $20,153,000 and $22,000,000 at December 31, 2009 and 2008, respectively.

Inventory Assets

The Inventory Portfolio, which is owned by the TRS, is comprised of two components: the Development Portfolio and the 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, 2009, the Inventory Portfolio consisted of 18 Development Properties (12 completed and six land parcels) and one Exchange Property.

The following table summarizes the 12 completed Development Properties and one Exchange Property as of December 31, 2009 (in thousands):

	Size[(1)]			Acquisition Cost[(2)]		
	High	Low	Average	High	Low	Average
Land	527	15	114	$ 8,959	$ 108	$ 1,526
Building	224	2	27	28,717	352	3,668

(1) Approximate square feet.

(2) Costs vary depending upon size and local demographic factors.

Governmental Regulations Affecting Properties

Property Environmental Considerations. Subject to a determination of the level of risk and potential cost of remediation, NNN may acquire a property where some level of contamination may exist. 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 or the improper disposal of hazardous substances emanating from 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 some level of contamination may exist, NNN generally requires the seller or tenant to (i) remediate the problem, (ii) indemnify NNN for environmental liabilities, and/or (iii) agree to other arrangements deemed appropriate by NNN, including, under certain circumstances, the purchase of environmental insurance to address environmental conditions at the property.

As of February 19, 2010, NNN has 68 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.

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 19, 2010, 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 position 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.

Current financial and economic conditions may have an adverse impact on NNN, its tenants, and commercial real estate in general.

Current financial and economic conditions continue to be challenging and the continuation or worsening of such conditions, including any disruption in the capital markets, could adversely affect NNN s business and results of operations and the financial condition of NNN s tenants, developers, borrowers, lenders or the institutions that hold NNN s cash balances and short-term investments, which may expose NNN to increased risks of default by these parties.

There can be no assurance that actions of the United States Government, Federal Reserve or other government and regulatory bodies intended to stabilize the economy or financial markets will achieve their intended effect. Additionally, some of these actions may adversely affect financial institutions, capital providers, retailers, consumers or NNN s financial condition, results of operations or the trading price of NNN s shares.

Potential consequences of the current financial and economic conditions include:

- the financial condition of NNN s tenants, which operate in the retail industry may be adversely affected, which may result in tenant defaults under the leases due to bankruptcy, lack of liquidity, operational failures or for other reasons;

- the ability to borrow on terms and conditions that NNN finds acceptable, or at all, may be limited, which could reduce NNN s ability to pursue acquisition and development opportunities and refinance existing debt, reduce NNN s returns from acquisition and development activities and increase NNN s future interest expense;

- reduced values of NNN s properties may limit NNN s ability to dispose of assets at attractive prices and may reduce the availability of buyer financing;

- the value and liquidity of NNN s short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold NNN s cash deposits or the institutions or assets in which NNN has made short-term investments, the dislocation of the markets for NNN s short-term investments, increased volatility in market rates for such investments or other factors; and

- one or more lenders under the Credit Facility could fail and NNN may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

NNN may be unable to obtain debt or equity capital on favorable terms, if at all.

NNN may be unable to obtain capital on favorable terms, if at all, to further its business objectives or meet its existing obligations. Debt and equity capital availability in the real estate market is severely strained. Nearly all of NNN s debt, including the Credit Facility, is subject to balloon principal payments due at maturity. These maturities range between 2010 and 2017. The ability of NNN to make these scheduled

principal payments may be adversely impacted by NNN s inability to extend or refinance the Credit Facility, the inability to dispose of assets at an attractive price or the inability to obtain additional debt or equity capital. Capital that may be available may be materially more expensive or available under terms that are materially more restrictive than NNN s existing capital which would have an adverse impact on NNN s business, financial condition or results of operations.

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

NNN s five largest tenants accounted for an aggregate of approximately 32 percent of NNN s annual base rent as of December 31, 2009. The default, financial distress, bankruptcy or liquidation of one or more of NNN s tenants could cause substantial vacancies among NNN s Investment Portfolio. Vacancies reduce NNN s revenues, increase property expenses and could decrease the ultimate sale value of each such vacant property. Upon the expiration of the leases that are currently in place, the tenant may choose not to renew the lease or, NNN may not be able to re-lease the vacant property at a comparable lease rate or without incurring additional expenditures in connection with such renewal or re-leasing.

A significant portion of the source of NNN s Investment Portfolio annual base rent is heavily concentrated in specific industry classifications, tenants and in specific geographic locations.

As of December 31, 2009, approximately,

- 55 percent of NNN s Investment Portfolio annual base rent is generated from five retail lines of trade, including convenience stores (27 percent) and full-service restaurants (9 percent),
- 32 percent of NNN s Investment Portfolio annual base rent is generated from five tenants, including Pantry (9 percent) and Susser (9 percent),
- 49 percent of NNN s Investment Portfolio annual base rent is generated from five states, including Texas (20 percent) and Florida (10 percent).

Any financial hardship and/or changes in these lines of trade, tenants or states could have an adverse effect on NNN s results of operations.

Owning real estate and indirect interests in real estate carries inherent risks.

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,
- 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 earnings and could have an adverse effect on NNN s financial condition.

NNN may be subject to known or unknown environmental liabilities.

Subject to a determination of the level of risk and potential cost of remediation, NNN may acquire a property where some level of contamination may exist. 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 or the improper disposal of hazardous substances emanating from 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 some level of contamination may exist, NNN generally requires the seller or tenant to (i) remediate the problem, (ii) indemnify NNN for environmental liabilities, and/or (iii) agree to other arrangements deemed appropriate by NNN, including, under certain circumstances, the purchase of environmental insurance to address environmental conditions at the property.

As of February 19, 2010, NNN has 68 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 and may have liability to third parties. 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 including liability to third parties. 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, (iii) NNN will not be subject to litigation by and liability to third parties, or (iv) the costs of such removal, remediation fines, third party liability, 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 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 or repay 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, 2009, the Residuals had a carrying value of $20,153,000. The value of these Residuals is based on assumptions made by NNN to determine their value. These assumptions include 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 or any 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, 2009, mortgages and notes receivables had an outstanding principal balance of $41,707,000. 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, if any, 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.

Certain provisions of NNN s 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 such 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 or lessee. 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 or partnership investments include impasses on decisions because in some instances no single co-venturer or partner has full control over the joint venture or partnership, respectively, or the co-venturer or partner may become insolvent, bankrupt or otherwise unable to contribute to the joint venture or partnership, respectively. Further, disputes may develop with a co-venturer or partner over decisions affecting the property, joint venture or partnership that may result in litigation, arbitration or some other form of dispute resolution.

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 or realize its investment strategy, which could have an adverse effect on its results of operations.

Operating losses from retail operations on 12 Investment Properties may adversely impact NNN s results of operations.

In June 2009, NNN acquired the operations of the auto service business which was operated on 12 Investment Properties. A third party manages and staffs these operations on behalf of NNN. The results of business operations from these properties are subject to the typical execution risks inherent with many retail operations including: merchandising, pricing, customer service, competition, consumer preferences and behavior, safety, compliance with various federal, state and local laws, ordinances and regulations, environmental contamination, unfavorable weather conditions, or other trends in the markets they serve. These factors could negatively impact NNN s results of operations from these 12 Investment Properties.

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 insurance 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, thereby 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 or other acts of violence may negatively affect NNN s operations. There can be no assurance that there will not be terrorist attacks against businesses within the United States. These attacks may directly impact NNN s physical facilities or the businesses or the financial condition of its tenants, developers, borrowers, lenders or financial institutions with which NNN has a relationship. The United States is engaged in armed conflict, which could have an impact on these parties. 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 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 an adverse impact on NNN s financial condition or results of operations.

Vacant properties or bankrupt tenants could adversely affect NNN s business or financial condition.

As of December 31, 2009, NNN owned 37 vacant, un-leased Investment Properties, including two vacant land parcels, which accounted for approximately four percent of total Investment Properties. 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. As of December 31, 2009, approximately one percent of the total gross leasable area of NNN s Investment Portfolio was leased to two tenants that have filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code and have the right to reject or affirm their lease with NNN. NNN anticipates the number of vacancies and bankrupt tenants will increase.

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, 2009, NNN had total mortgage debt outstanding of approximately $25,290,000, total unsecured notes payable of $962,056,000 and no balance 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 cash 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 in cash 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.

NNN s ability to make scheduled payments of principal or interest on its debt, or to retire or refinance such debt will depend primarily on its future performance, which to a certain extent is subject to the creditworthiness of its tenants, competition, and 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 stockholders that any such refinancing, sale of assets or additional financing would be possible or, if possible, on terms and conditions, including but not limited to the interest rate, which NNN would find acceptable or would not result in a material decline in earnings.

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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 such 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,

consolidate, merge or sell NNN s assets, and

pre-pay debt.

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 its debt covenants, 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.

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

limit certain 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.

NNN s failure to comply with certain of its debt covenants could result in defaults that accelerate the payment under such debt and limit the dividends paid to NNN s common and preferred stockholders which would likely have a material adverse impact on NNN s financial condition and results of operations. In addition, these defaults could impair its access to the debt and equity markets.

Costs of complying with changes in governmental laws and regulations may adversely affect NNN s results of operations.

NNN cannot predict what other environmental laws or regulations will be enacted in the future, how future laws or regulations will be administered or interpreted, or how future laws or regulations will affect NNN s properties. Compliance with new laws or regulations, or stricter interpretation of existing laws,

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may require NNN, its retail tenants, or consumers to incur significant expenditures or impose significant environmental liability and could cause a material adverse effect on NNN s results of operation.

The market value of NNN s equity and debt securities is subject to various factors that may cause significant fluctuations or volatility.

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/or may be unrelated to NNN s financial condition, operating performance or prospects that may cause significant fluctuations or volatility in such prices. These factors, among others, include:

general economic and financial market conditions including the current global economic downturn,

level and trend of interest rates,

NNN s ability to access the capital markets to raise additional capital,

the issuance of additional equity or debt securities,

changes in NNN s funds from operations or earnings estimates,

changes in NNN s debt ratings or analyst ratings,

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 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 provisions of the Internal Revenue Code of 1986, as amended (the Code) 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 or avoid significant tax liability.

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 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

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for distribution to stockholders. In addition, in order to meet the REIT qualification requirements, NNN holds some of its assets through the TRS.

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

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, 2009, 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.

Changes in accounting pronouncements could adversely impact NNN s 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 or their interpretation and application of these standards that govern the preparation of NNN s 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.

NNN s failure to maintain effective internal control over financial reporting could have a material adverse effect on its business, operating results and share price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of the Company s internal control over financial reporting. If NNN fails to maintain the adequacy of its internal control over financial reporting, as such standards may be modified, supplemented or amended from time to time, NNN may not be able to ensure that it can conclude on an ongoing basis that it has effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Moreover, effective internal control over financial reporting, particularly those related to revenue recognition, are necessary for NNN to produce reliable financial reports and to maintain its qualification as a REIT and are important in helping to prevent financial fraud. If NNN cannot provide reliable financial reports or prevent fraud, its business and operating results could be harmed, REIT qualification could be jeopardized, investors could lose confidence in the Company s reported financial information, and the trading price of NNN s shares could drop significantly.

NNN s ability to pay dividends in the future is subject to many factors.

NNN s ability to pay dividends may be impaired if any of the risks described in this section were to occur. In addition, payment of NNN s dividends depends upon NNN s earnings, financial condition, maintenance of NNN s REIT status and other factors as NNN s Board of Directors may deem relevant from time to time.

Item 1B. Unresolved Staff Comments

None.

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, 2004 and ending December 31, 2009. The graph assumes an investment of $100 on December 31, 2004.

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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.

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
High	$ 17.52	$ 19.48	$ 22.80	$ 21.59	$ 22.80
Low	12.26	14.95	15.85	18.87	12.26
Close	15.84	17.35	21.47	21.22	21.22
Dividends paid per share	0.375	0.375	0.375	0.375	1.500
2008					
High	$ 23.66	$ 24.00	$ 24.57	$ 23.66	$ 24.57
Low	19.63	20.75	19.60	10.53	10.53
Close	22.05	20.90	23.95	17.19	17.19
Dividends paid per share	0.355	0.375	0.375	0.375	1.480

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

	2009		2008	
Ordinary dividends	$ 1.495182	99.6788%	$ 1.480000	100.0000%
Capital gain	0.003051	0.2034%	-	-
Unrecaptured Section 1250 Gain	0.001767	0.1178%	-	-
	$ 1.500000	100.000%	$ 1.480000	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 2010, NNN paid dividends to its stockholders of $31,026,000 or $0.375 per share of common stock.

On January 29, 2010, there were 1,857 stockholders of record of common stock.

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Item 6. Selected Financial Data

Historical Financial Highlights

(dollars in thousands, except per share data)

	2009	2008	2007	2006	2005
Gross revenues[1]	$ 243,932	$ 247,352	$ 208,629	$ 180,877	$ 151,831
Earnings from continuing operations	57,690	98,582	77,232	59,232	46,395
Earnings including noncontrolling interests	56,399	119,971	155,742	184,422	95,559
Net earnings attributable to NNN	54,810	117,153	154,599	181,800	89,400
Total assets	2,590,962	2,649,471	2,539,673	1,917,516	1,736,588
Total debt	987,346	1,027,391	1,049,154	890,127	861,045
Total stockholders equity	1,564,240	1,566,860	1,417,647	1,109,479	828,087
Cash dividends declared to:					
Common stockholders	120,256	110,107	92,989	76,035	69,018
Series A preferred stockholders	-	-	-	4,376	4,008
Series B convertible preferred stockholders	-	-	-	419	1,675
Series C preferred stockholders	6,785	6,785	6,785	923	-
Weighted average common shares:					
Basic	79,846,258	74,249,137	66,152,437	57,428,063	52,984,821
Diluted	79,953,499	74,344,231	66,263,980	57,965,508	54,418,806
Per share information:					
Earnings from continuing operations:					
Basic	$ 0.62	$ 1.23	$ 1.06	$ 0.89	$ 0.76
Diluted	0.61	1.23	1.06	0.89	0.77
Net earnings:					
Basic	0.60	1.48	2.23	3.05	1.57
Diluted	0.60	1.48	2.22	3.03	1.56
Cash dividends declared to:					
Common stockholders	1.50	1.48	1.40	1.32	1.30
Series A preferred stockholders	-	-	-	2.45625	2.25
Series B convertible preferred stockholders	-	-	-	41.875	167.50
Series C preferred depositary stockholders	1.84375	1.84375	1.84375	0.250955	-
Other data:					
Cash flows provided by (used in):					
Operating activities	$ 149,502	$ 237,459	$ 130,147	$ 1,676	$ 19,226
Investing activities	(28,063)	(256,304)	(536,717)	(90,099)	(230,783)
Financing activities	(108,840)	(6,028)	432,394	81,864	217,844
Funds from operations diluted[2]	90,087	142,355	121,602	96,416	81,803

(1) Gross revenues include revenues from NNN s continuing and discontinued operations. In accordance with FASB guidance on Accounting for the Impairment or Disposal of Long-Lived Assets, NNN has classified the revenues related to (i) all Investment Properties that were sold and leasehold interest which expired, (ii) all Inventory Properties which generated revenues prior to disposition, and (iii) all Investment and Inventory Properties which generated revenue and were held for sale at December 31, 2009, as discontinued operations.

(2) The National Association of Real Estate Investment Trusts (NAREIT) developed Funds from Operations (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 under generally accepted accounting principles (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 Investment Assets and NNN s share of these items from NNN s unconsolidated partnerships and joint ventures.

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 generally accepted accounting principles 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. 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 an increase in NNN s reported total revenues and total and per share earnings from continuing operations and a decrease 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:

	2009	2008	2007	2006	2005
Reconciliation of funds from operations:					
Net earnings attributable to NNN s stockholders	$ 54,810	$ 117,153	$ 154,599	$ 181,800	$ 89,400
Real estate depreciation and amortization:					
Continuing operations	43,067	40,850	28,864	19,171	13,355
Discontinued operations	1,209	940	1,518	3,248	7,052
Partnership/joint venture real estate depreciation	178	177	31	463	606
Partnership gain on sale of asset	-	-	-	(262)	-
Gain on disposition of equity investment	-	-	-	(11,373)	-
Gain on disposition of investment assets	(2,392)	(9,980)	(56,625)	(91,332)	(9,816)
Extraordinary gain	-	-	-	-	(14,786)
FFO	96,872	149,140	128,387	101,715	85,811
Series A preferred stock dividends[1]	-	-	-	(4,376)	(4,008)
Series B convertible preferred stock dividends[1]	-	-	-	(419)	(1,675)
Series C preferred stock dividends	(6,785)	(6,785)	(6,785)	(923)	-
FFO available to common stockholders basic	90,087	142,355	121,602	95,997	80,128
Series B convertible preferred stock dividends, if dilutive	-	-	-	419	1,675
FFO available to common stockholders diluted	$ 90,087	$ 142,355	$ 121,602	$ 96,416	$ 81,803

(1) The Series A and Series B 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 Operations.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

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.

The term NNN or the Company refers to National Retail Properties, Inc. and all of its consolidated subsidiaries. NNN has elected to treat certain subsidiaries as taxable real estate investment trust subsidiaries. These subsidiaries and their majority owned and controlled subsidiaries are collectively referred to as the TRS.

Overview

NNN, a Maryland corporation, is a fully integrated real estate investment trust (REIT) formed in 1984. 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), and commercial mortgage residual interests (collectively, Investment Assets), and (ii) inventory real estate assets (Inventory Assets). NNN acquires, owns, invests in, manages and develops properties that are leased primarily to retail tenants under long-term net leases and primarily held for investment (Investment Properties or Investment Portfolio). The Inventory Assets typically represent direct and indirect investment interests in real estate assets acquired or developed primarily for the purpose of selling the real estate (Inventory Properties or Inventory Portfolio). Inventory Assets typically consist of two types of properties, property for development (Development Properties or Development Portfolio) and improved properties (Exchange Properties or Exchange Portfolio).

As of December 31, 2009, NNN owned 1,015 Investment Properties (including 12 properties with retail operations that NNN operates), with an aggregate gross leasable area of approximately 11,373,000 square feet, located in 44 states. Approximately 96 percent of total properties in NNN s Investment Portfolio was leased or operated at December 31, 2009. In addition, as of December 31, 2009, NNN had $41,976,000 in mortgages and notes receivable (including accrued interest receivable and structured finance investments) and $20,153,000 of commercial mortgage residual interests. As of December 31, 2009, NNN owned 19 Inventory Properties, of which 18 were Development Properties (12 completed Inventory and six land parcels) and one was an Exchange Property.

NNN transferred 11 properties from the Inventory Portfolio to the Investment Portfolio in December 2009.

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 line of trade diversification), the occupancy rate of NNN s Investment Portfolio, certain financial performance ratios and profitability measures, and industry trends and performance compared to that of NNN.

NNN continues to maintain its diversification by tenant, geography and line of trade. NNN s highest lines of trade concentrations are the convenience store and restaurant (including full and limited service) sectors. These sectors represent a large part of the freestanding retail property marketplace which NNN believes represents an area of attractive investment opportunity. NNN also has some geographic concentration in the south and southeast which NNN believes are historically areas of above-average population growth. Given these concentrations, any financial hardship within these sectors or geographic locations, respectively, could have a material adverse effect on the financial condition and operating performance of NNN.

During the years ended December 31, 2009, 2008 and 2007, Investment Properties have remained at least 96 percent leased. The Investment Portfolio s average remaining lease term of 12 years has remained fairly constant over the past three years which, coupled with its net lease structure, provides enhanced probability of maintaining occupancy and operating earnings.

The poor current economic environment has made it more difficult and more expensive to obtain debt and equity capital, which will likely reduce the pace of investments in new acquisitions or developments as well as the volume of dispositions. Additionally, the poor economic and retail environment will result in more retailers filing for bankruptcy and will make it more difficult to lease properties, which may have an adverse impact on NNN s occupancy.

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. In accordance with the FASB guidance on business combinations, the fair value of the real estate acquired with in-place leases 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, generally 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 rental revenue varies 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.

Real Estate Inventory Portfolio. The TRS acquires and/or develops and owns properties primarily for the purpose of selling the real estate. 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 also 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 and is recorded at the lower of cost or fair value.

Impairment Real Estate. Based upon the events or changes in certain circumstances, management periodically assesses its Investment Properties for possible impairment indicating 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.

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 Orange Avenue Mortgage Investments, Inc. (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.

Revenue Recognition. Rental revenues for non-development real estate assets are recognized when earned in accordance with the FASB guidance on 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.

Adoption of New Accounting Standards with change in Accounting Principles. Effective January 1, 2009, NNN adopted the new FASB guidance on accounting for convertible debt instruments that may be settled in cash upon conversion. The new guidance requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to be separately accounted for in a manner that reflects the issuer s non-convertible debt borrowing rate. The debt component is to be recorded based upon the estimated fair value of non-convertible debt with similar terms. The resulting debt discount is amortized over the period during which the debt is outstanding as additional non-cash interest expense. The new guidance has been applied retrospectively.

Effective January 1, 2009, NNN adopted the new FASB guidance on determining whether instruments granted in share-based payment transactions are participating securities which also required retrospective application. The adoption of the new guidance on convertible debt and share-based payments resulted in non-cash adjustments to the amounts and per share amounts.

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 recoverability of the income tax benefit, 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:

	2009	2008	2007
Investment Properties Owned:			
Number	1,015	1,005	908
Total gross leasable area (square feet)	11,373,000	11,251,000	10,610,000
Investment Properties:			
Leased	966	972	892
Operated	12	-	-
Percent of Investment Properties leased and operated	96%	97%	98%
Weighted average remaining lease term (years)	12	13	13
Total gross leasable area (square feet) leased and operated	10,508,000	10,728,000	10,355,000

NNN transferred 11 properties from the Inventory Portfolio to the Investment Portfolio in December 2009.

The following table summarizes the lease expirations, assuming none of the tenants exercise renewal options, of NNN s Investment Portfolio for each of the next 10 years and then thereafter in the aggregate as of December 31, 2009:

	% of Annual Base Rent[(1)]	# of Properties	Gross Leasable Area[(2)]		% of Annual Base Rent[(1)]	# of Properties	Gross Leasable Area[(2)]
2010	2.3%	36	408,000	2016	1.7%	13	240,000
2011	2.1%	21	389,000	2017	4.3%	27	676,000
2012	3.3%	34	484,000	2018	2.9%	24	345,000
2013	4.7%	39	849,000	2019	4.3%	42	632,000
2014	5.0%	44	622,000	Thereafter	66.3%	676	5,324,000
2015	3.1%	22	539,000				

(1) Based on the annualized base rent for all leases in place as of December 31, 2009.

(2) Approximate square feet.

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

	Lines of Trade	2009	2008	2007
1.	Convenience Stores	26.7%	25.7%	23.9%
2.	Restaurants Full Service	9.2%	8.7%	10.3%
3.	Automotive Parts	6.8%	5.1%	4.9%
4.	Theaters	6.3%	6.1%	4.2%
5.	Automotive Service	5.7%	8.9%	5.2%
6.	Books	4.1%	4.0%	4.4%

7.	Drug Stores	4.1%	4.0%	5.0%
8.	Restaurants Limited Service	3.5%	3.3%	3.7%
9.	Sporting Goods	3.2%	3.3%	3.9%
10.	Grocery	2.9%	2.6%	2.9%
	Other	27.5%	28.3%	31.6%
		100.0%	100.0%	100.0%

(1) 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 shows the top 10 states in which NNN s Investment Properties are located in as of December 31, 2009:

	State	# of Properties	% of Annual Base Rent[1]
1.	Texas	210	20.1%
2.	Florida	85	10.0%
3.	Illinois	39	7.0%
4.	North Carolina	62	6.3%
5.	Georgia	57	5.5%
6.	Indiana	37	4.4%
7.	Pennsylvania	87	4.3%
8.	Ohio	31	3.8%
9.	Tennessee	30	3.1%
10.	Arizona	30	2.8%
	Other	347	32.7%
		1,015	100.0%

[1] Based on annualized base rent for all leases in place as of December 31, 2009.

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

	2009	2008	2007
Acquisitions:			
Number of Investment Properties	8	109	235
Gross leasable area (square feet)	290,000	868,000	2,205,000
Total dollars invested[1]	$ 36,335	$ 355,107	$ 696,682

[1] 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):

	2009	2008	2007
Number of properties	9	19	37
Gross leasable area (square feet)	234,000	290,000	997,000
Net sales proceeds	$ 15,621	$ 59,796	$ 146,041
Net gain	$ 2,392	$ 9,980	$ 56,625

NNN typically uses the proceeds from property sales either to pay down the outstanding indebtedness of NNN s revolving credit facility (the Credit Facility) or reinvest in real estate.

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Property Analysis   Inventory Portfolio

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

	2009	2008	2007
Development Portfolio:			
Completed Inventory Properties	12	11	8
Properties under construction	-	1	9
Land parcels	6	7	6
	18	19	23
Exchange Portfolio:			
Inventory Properties	1	13	33
Total Inventory Properties	19	32	56

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):

	2009	2008	2007
Development Portfolio:			
Number of properties acquired	2	3	3
Dollars invested[(1)]	$ 2,633	$ 9,545	$ 64,694
Exchange Portfolio:			
Number of properties acquired	-	4	23
Dollars invested	$ -	$ 19,994	$ 105,152
Total dollars invested	$ 2,633	$ 29,539	$ 169,846

(1) Includes dollars invested in projects under construction or tenant improvements 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):

	2009		2008		2007	
	# of Properties	Gain	# of Properties	Gain	# of Properties	Gain
Development[(1)]	3	$ 569	6	$ 4,751	13	$ 5,125
Exchange	1	12	19	4,607	58	5,888
	4	$ 581	25	$ 9,358	71	$ 11,013

(1) Net of noncontrolling interests.

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Revenue from Continuing Operations Analysis

General. During the year ended December 31, 2009, 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			2009 Versus 2008 Percent Increase (Decrease)	2008 Versus 2007 Percent Increase (Decrease)
	2009	2008	2007	2009	2008	2007		
Rental Income[1]	$ 214,625	$ 210,684	$ 163,669	92.6%	92.4%	91.2%	1.9%	28.7%
Real estate expense reimbursement from tenants	8,387	7,012	5,591	3.6%	3.1%	3.1%	19.6%	25.4%
Interest and other income from real estate transactions	4,535	5,804	5,268	2.0%	2.5%	3.0%	(21.9)%	10.2%
Interest income on commercial mortgage residual interests	4,252	4,636	4,882	1.8%	2.0%	2.7%	(8.3)%	(5.0)%
Total revenues from continuing operations	$ 231,799	$ 228,136	$ 179,410	100.0%	100.0%	100.0%	1.6%	27.2%

[1] Includes rental income from operating leases, earned income from direct financing leases and percentage rent from continuing operations (Rental Income).

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			2009 Versus 2008 Percent Increase (Decrease)	2008 Versus 2007 Percent Increase (Decrease)
	2009	2008	2007	2009	2008	2007		
Investment Assets	$ 231,623	$ 228,009	$ 179,079	99.9%	99.9%	99.8%	1.6%	27.3%
Inventory Assets	176	127	331	0.1%	0.1%	0.2%	38.6%	(61.6)%
Total revenues	$ 231,799	$ 228,136	$ 179,410	100.0%	100.0%	100.0%	1.6%	27.2%

Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008.

Rental Income. Rental Income increased for the year ended December 31, 2009, as compared to 2008, due to a full year of Rental Income from the 109 Investment Properties with an aggregate gross leasable area of 868,000 square feet which were acquired during 2008. Additionally, eight Investment Properties were acquired in 2009 with an aggregate gross leasable area of 290,000 square feet. In addition, NNN recorded $5,072,000 as compared to $2,671,000 in lease termination fees and rent settlement fees during the years ended December 31, 2009 and 2008, respectively.

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Real Estate Expense Reimbursement from Tenants. Real estate expense reimbursements from tenants increased for the year ended December 31, 2009, as compared to 2008. The increase is attributable to the reimbursements from certain properties acquired in 2008 as well as reimbursements resulting from the re-leasing of existing vacancies.

Interest and Other Income from Real Estate Transactions. Interest and other income from real estate transactions decreased for the year ended December 31, 2009, as compared to 2008, primarily due to a lower weighted average principal balance on NNN s mortgages receivable and structured finance investments during the year ended December 31, 2009. For the years ended December 31, 2009 and 2008, the weighted average outstanding principal balance on NNN s mortgages receivable and structured finance investments was $38,968,000 and $57,475,000, respectively.

Interest Income on Commercial Mortgage Residual Interests. Interest income on commercial mortgage residual interests (Residuals) decreased for the year ended December 31, 2009, as compared to December 31, 2008 but remained stable as a percent of total revenue from continuing operations. The decrease in interest income on Residuals is primarily the result of the increase in the loan delinquencies and asset amortization, which is partially offset by a decrease in loan prepayments.

Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007.

Rental Income. Rental Income increased for the year ended December 31, 2008, as compared to the same period in 2007, primarily from the addition of 109 Investment Properties with an aggregate gross leasable area of 868,000 square feet. In addition, the increase in Rental Income is also attributable to a full year of Rental Income from the 235 Investment Properties with an aggregate gross leasable area of 2,205,000 square feet which were acquired during the year ended December 31, 2007.

Real Estate Expense Reimbursement from Tenants. Real estate expense reimbursements from tenants remained consistent as a percentage of total revenues from continuing operations. The increase for the year ended December 31, 2008, as compared to 2007, was attributable to a full year of reimbursements from certain tenants acquired in 2007 and the reimbursements from newly acquired properties in 2008.

Interest and Other Income from Real Estate Transactions. Interest and other income from real estate transactions increased slightly for the year ended December 31, 2008, as compared to 2007. The increase was primarily due to an increase in the weighted average outstanding principal balance on NNN s mortgages receivable balance. For the year ended December 31, 2008 and 2007, the weighted average outstanding principal balance on NNN s mortgages receivable was $57,475,000 and $47,705,000, respectively. The increase was partially offset by a decrease in interest income earned on the structured finance investments. For the years ended December 31, 2008 and 2007, the weighted average outstanding principal balance on NNN s structured finance investments was $8,614,000 and $16,795,000, respectively.

Interest Income on Commercial Mortgage Residual Interests. Interest income on the Residuals for the year ended December 31, 2008, as compared to December 31, 2007, decreased slightly as a result of lower outstanding loan balances. The decrease was partially offset by an increase in interest income due to the increase in the discount rate from 17% to 25% during the third quarter of 2007.

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 slight decrease in the gain from the disposition of real estate is solely dependent on respective sales price and cost basis of the Inventory Properties sold.

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Analysis of Expenses from Continuing Operations

General. During 2009, operating expenses from continuing operations increased primarily due to the impairments recorded on real estate. The following summarizes NNN s expenses from continuing operations (dollars in thousands):

	2009	2008	2007
General and administrative	$ 21,776	$ 24,878	$ 23,565
Real estate	13,684	10,007	7,805
Depreciation and amortization	46,769	44,181	31,340
Impairment real estate	28,114	1,234	416
Impairment commercial mortgage residual interests valuation	498	758	638
Restructuring costs	731	-	-
Total operating expenses	$ 111,572	$ 81,058	$ 63,764
Interest and other income	$ (1,375)	$ (3,748)	$ (4,751)
Interest expense	62,151	63,964	51,846
Loss on interest rate hedge	-	804	-
Total other expenses (revenues)	$ 60,776	$ 61,020	$ 47,095

	Percentage of Total Operating Expenses			Percentage of Revenues from Continuing Operations			2009 Versus 2008 Percent Increase (Decrease)	2008 Versus 2007 Percent Increase (Decrease)
	2009	2008	2007	2009	2008	2007		
General and administrative	19.5%	30.7%	37.0%	9.4%	10.9%	13.1%	(12.5)%	5.6%
Real estate	12.3%	12.4%	12.2%	5.9%	4.4%	4.4%	36.7%	28.2%
Depreciation and amortization	41.9%	54.5%	49.1%	20.2%	19.4%	17.5%	5.9%	41.0%
Impairment real estate	25.2%	1.5%	0.7%	12.1%	0.5%	0.2%	2,178.3%	196.6%
Impairment commercial mortgage residual interests valuation adjustment	0.4%	0.9%	1.0%	0.2%	0.3%	0.4%	(34.3)%	18.8%
Restructuring costs	0.7%	-	-	0.3%	-	-	N/C(1)	-
Total operating expenses	100.0%	100.0%	100.0%	48.1%	35.5%	35.6%	37.6%	27.1%
Interest and other income	(2.3)%	(6.1)%	(10.1)%	(0.6)%	(1.7)%	(2.7)%	(63.3)%	(21.1)%
Interest expense	102.3%	104.8%	110.1%	26.8%	28.0%	28.9%	(2.8)%	23.4%
Loss on interest rate hedge	-	1.3%	-	-	0.4%	-	(100.0)%	N/C(1)
Total other expenses (revenues)	100.0%	100.0%	100.0%	26.2%	26.7%	26.2%	(0.4)%	29.6%

(1) Not calculable (N/C)

Comparison of Year End December 31, 2009 to Year Ended December 31, 2008.

General and Administrative Expenses. General and administrative expenses decreased for the year ended December 31, 2009, as compared to the same period in 2008 and decreased both as a percentage of total operating expenses and as a percentage of revenues from continuing operations. The decrease in general and administrative expenses for the year ended December 31, 2009, is primarily attributable to a decrease in compensation of personnel and a decrease in lost pursuit costs.

Real Estate. Real estate expenses remained fairly stable as a percentage of total operating expenses, but increased as a percentage of revenues from continuing operations for the year ended December 31, 2009, as compared to the same period in 2008. The increase in real estate expenses for the year ended December 31, 2009, is primarily attributable to an increase in tenant reimbursable real estate expenses from 2008 acquisitions as well as an increase in expenses related to un-leased properties.

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Depreciation and Amortization. Depreciation and amortization expenses decreased as a percentage of total operating expenses and increased as a percentage of revenues from continuing operations for the year ended December 31, 2009, as compared to the year ended December 31, 2008. The dollar increase is primarily a result of depreciation recognized on the 109 Investment Properties with an aggregate gross leasable area of 868,000 square feet acquired in 2008. This increase is partially offset by the additional amortization in connection with the termination of certain leases during 2008.

Impairment Real Estate. Based upon the events or changes in certain circumstances, management periodically assesses its Investment Properties for possible impairment indicating that the carrying value of the asset, including accrued rental income, may not be recoverable through operations. 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 estimated 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. As a result of the Company s review of long-lived assets for impairments, for the years ended December 31, 2009, and 2008, NNN recorded real estate impairments totaling $28,114,000 and $1,234,000, respectively.

Impairment Commercial Mortgage Residual Interests Valuation. In connection with the independent valuations of the Residuals fair value, during the years ended December 31, 2009 and 2008, NNN recorded an other than temporary valuation adjustment of $498,000 and $758,000 respectively, as a reduction of earnings from operations.

Restructuring Costs. During the year ended December 31, 2009, NNN recorded restructuring costs of $731,000 in connection with a workforce reduction. No such costs were incurred during 2008.

Interest Expense. Interest expense decreased for the year ended December 31, 2009, as compared to the same period in 2008, and decreased as a percentage of total operating expenses and as a percentage of revenues from continuing operations. The decrease in interest expense is primarily attributable to a decrease of $99,907,000 in weighted average long-term debt outstanding.

The following represents the primary changes in debt that have impacted interest expense:

(i) repurchase of $2,500,000 and $8,500,000 of convertible notes payable due June 2028 with an effective interest rate of 7.192% in May 2009 and February 2009, respectively,

(ii) repurchase of $3,800,000, $5,000,000 and $25,000,000 of convertible notes payable due September 2026 with an effective interest rate of 5.840% in March 2009, January 2009 and November 2008, respectively,

(iii) issuance of $234,035,000 of convertible notes payable due June 2028, with an effective interest rate of 7.192% in March 2008,

(iv) payoff of the $100,000,000 7.125% notes payable in March 2008,

(v) payoff of the $12,000,000 10.00% secured note payable in February 2008,

(vi) the decrease of $78,860,000 in the weighted average debt outstanding on the Credit Facility for year ended December 31, 2009 as compared to 2008, and

(vii)

the decrease in weighted average interest rate on the Credit Facility from 3.83% during the year ended December 31, 2008, to 1.19% during the year ended December 31, 2009.

Comparison of Year End December 31, 2008 to Year Ended December 31, 2007.

General and Administrative Expenses. General and administrative expenses increased for the year ended December 31, 2008, as compared to the same period in 2007, but decreased both as a percentage of total operating expenses and as a percentage of revenues from continuing operations. The increase in the

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amount of general and administrative expenses for the year ended December 31, 2008, is primarily related to an increase in lost pursuit costs.

Real Estate. Real estate expenses remained stable as a percentage of revenues from continuing operations, but increased slightly as a percentage of total operating expenses for the year ended December 31, 2008, as compared to the same period in 2007. The increase in real estate expenses for the year ended December 31, 2008, is primarily attributable to an increase in tenant reimbursable real estate expenses related to newly acquired Investment Properties as well as an increase in expenses related to vacant properties.

Depreciation and Amortization. Depreciation and amortization expenses increased both as a percentage of total operating expenses and as a percentage of revenues from continuing operations for the year ended December 31, 2008, as compared to the year ended December 31, 2007. The increase is primarily a result of the depreciation recognized on (i) the 109 Investment Properties with an aggregate gross leasable area of 868,000 square feet, acquired in 2008, and (ii) a full year of depreciation and amortization on the 235 Investment Properties with an aggregate gross leasable area of 2,205,000 square feet which were acquired during the year ended December 31, 2007.

Impairment Real Estate. NNN reviews long-lived assets for impairment whenever certain 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 estimated 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 years ended December 31, 2008 and 2007, $1,234,000 and $416,000 of real estate impairments were recorded, respectively.

Impairment Commercial Mortgage Residual Interests Valuation. In connection with the independent valuations of the Residuals fair value, during the years ended December 31, 2008 and 2007, NNN recorded an other than temporary valuation adjustment of $758,000 and $638,000, respectively, as a reduction of earnings from operations.

Interest Expense. Interest expense increased for the year ended December 31, 2008, as compared to the same period in 2007, but decreased as a percentage of total operating expense and as a percentage of revenues from continuing operations. The increase in interest expenses is primarily attributable to an increase of $233,201,000 in weighted average long-term debt outstanding. The increase in interest expense was partially offset by an overall decrease in weighted average interest rate for 2008 as compared to 2007.

The following represents the primary changes in debt that have impacted interest expense:

(i) repurchase of $25,000,000 of convertible notes payable due September 2026 with an effective interest rate of 5.840% in November 2008,

(ii) issuance of $234,035,000 of convertible notes payable due June 2028, with an effective interest rate of 7.192% in March 2008,

(iii) payoff of the $100,000,000 7.125% notes payable in March 2008,

(iv) payoff of the $12,000,000 10.00% secured note payable in February 2008,

(v) payoff of $26,041,000 10-year financing lease obligation with interest rate of 5.00% in November 2007,

(vi) payoff of the $10,500,000 10.00% secured note in December 2007,

(vii) payoff of the $20,800,000 variable rate term note in October 2007,

(viii) repayment of mortgage in September 2007, with balance of $7,305,000 at December 31, 2006, and an interest rate of 7.37%,
(ix) issuance of $250,000,000 of notes payable due October 2017, with an effective interest rate of 6.92% in September 2007,

(x) decrease of $5,403,000 in the weighted average debt outstanding on the revolving Credit Facility for the year ended December 31, 2008, as compared to the same period in 2007, and

(xi) decrease in weighted average interest rate on the revolving Credit Facility from 6.24% for the period ended December 31, 2007, to 3.83% for the period ended December 31, 2008.

Discontinued Operations

Earnings (Loss)

NNN classified as discontinued operations the revenues and expenses related to its Investment Properties that were sold, its leasehold interests that expired or were terminated and any Investment Properties that were held for sale at December 31, 2009. NNN also classified as discontinued operations the revenues and expenses of its Inventory Properties that 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):

	2009			2008			2007		
	# of Sold Properties	Gain	Earnings/ (Loss)	# of Sold Properties	Gain	Earnings/ (Loss)	# of Sold Properties	Gain	Earnings/ (Loss)
Investment Assets	9	2,392	260	19	$ 9,980	$ 12,112	37	$ 56,625	$ 68,976
Inventory Assets	2	558	(1,551)	24	9,347	9,277	69	10,681	9,534
Noncontrolling interests	-	-	(47)	-	-	(2,927)	-	-	(1,299)
	11	2,950	(1,338)	43	$ 19,327	$ 18,462	106	$ 67,306	$ 77,211

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

Impairment Real Estate. NNN periodically assesses its real estate for possible impairment whenever certain events or changes in circumstances indicate that the carrying amount of the asset, including accrued rental income, may not be recoverable through operations. Events or circumstances that may occur include changes in real estate market conditions, the ability of NNN to re-lease properties that are vacant, and the ability to sell properties at an attractive price. Generally, NNN calculates a possible impairment by comparing the estimated 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 years ended December 31, 2009, 2008, and 2007, NNN recognized real estate impairments on discontinued operations of $6,400,000, $4,426,000, and $1,554,000, respectively.

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 cash dividends; (ii) property acquisitions and development; (iii) origination of mortgages and notes receivable (including structured finance investments); (iv) capital expenditures; (v) payment of principal and interest on its outstanding indebtedness; and (vi) other investments.

NNN expects to meet these requirements (other than amounts required for additional property investments, mortgages and notes receivables, including structured finance investments) through cash provided from operations and NNN s Credit Facility. NNN utilizes the Credit Facility to meet its short-term working capital requirements. As of December 31, 2009, no balance was outstanding and $400,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling $653,000. NNN anticipates that any additional investments in properties, mortgages and notes receivables and structured finance investments during the next 12 months will be funded by the Credit Facility, cash provided from operations, the issuance of long-term debt or the issuance of common or preferred equity or other instruments convertible into or exchangeable for common or preferred equity. 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.

Cash and Cash Equivalents. The table below summarizes NNN s cash flows for each of the years ended December 31 (in thousands):

	2009	2008	2007
Cash and cash equivalents:			
Provided by operating activities	$ 149,502	$ 237,459	$ 130,147
Used in investing activities	(28,063)	(256,304)	(536,717)
Provided by (used in) financing activities	(108,840)	(6,028)	432,394
Increase (decrease)	12,599	(24,873)	25,824
Net cash at beginning of period	2,626	27,499	1,675
Net cash at end of period	$ 15,225	$ 2,626	$ 27,499

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 cash used for general and administrative expenses, interest expense and acquisition and disposition of its 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, 2009, 2008 and 2007, 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, 2009, included the following significant transactions:

$8,588,000 in net payments on the repurchase of $11,000,000 of convertible notes payable due June 2028 with an effective interest rate of 7.192%,

$6,994,000 in net payments on the repurchase of $8,800,000 of convertible notes payable due September 2026 with an effective interest rate of 5.84%,

$120,256,000 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,

$67,354,000 in net proceeds from the issuance of 3,766,452 shares of common stock in connection with the Dividend Reinvestment and Stock Purchase Plan (DRIP), and

$26,500,000 in net payments on NNN s Credit Facility.

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.

NNN typically funds its short-term liquidity requirements including investments in additional Investment Properties with cash from its Credit Facility. As of December 31, 2009, no balance was outstanding and $400,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling $653,000.

For the year ended December 31, 2009, NNN s ratio of total liabilities to total gross assets (before accumulated depreciation) was approximately 37 percent and the secured indebtedness to total gross assets was approximately one percent. The total debt to total market capitalization was approximately 36 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, 2009. There was no outstanding balance on the Credit Facility at December 31, 2009. The table presents principal cash flows by year-end of the expected maturity for debt obligations and commercial commitments outstanding as of December 31, 2009.

	Expected Maturity Date (dollars in thousands)						
	Total	2010	2011	2012	2013	2014	Thereafter
Long-term debt[(1)]	$ 1,007,025	$ 21,022	$ 139,798	$ 69,290	$ 223,898	$ 150,881	$ 402,136
Operating lease	4,557	891	917	945	973	831	-
Total contractual cash obligations[(2)]	$ 1,011,582	$ 21,913	$ 140,715	$ 70,235	$ 224,871	$ 151,712	$ 402,136

(1) Includes amounts outstanding under the mortgages payable, convertible notes payable and notes payable and excludes unamortized note discounts.

(2) Excludes $7,471 of accrued interest payable.

In addition to the contractual obligations outlined above, in connection with the development of two Investment Properties, NNN has agreed to fund construction commitments (including construction, land costs and tenant improvements) of $14,651,000. As of December 31, 2009, NNN had funded $12,261,000 of this commitment, with $2,390,000 remaining to be funded. As of December 31, 2009, NNN did not have any funding commitments relating to the development of Inventory Properties.

As of December 31, 2009, NNN had outstanding letters of credit totaling $653,000 under its Credit Facility.

As of December 31, 2009, NNN did not have any other material 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 issued preferred stock with cumulative preferential cash distributions, as described below under Dividends.

Management anticipates satisfying these obligations with a combination of NNN s cash provided from operations, current capital resources on hand, its Credit Facility, debt or equity financings and asset dispositions.

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 its 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 vacant properties or uncollectibility of lease revenues 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 December 31, 2009, NNN owned 37 vacant, un-leased Investment Properties (including two vacant land parcels) which accounted for approximately four percent of total Investment Properties held in NNN s Investment Portfolio. Additionally, as of January 31, 2010, one Investment Property is leased to a tenant that filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. As a result, this tenant has the right to reject or affirm its leases with NNN.

In May 2008, one of NNN s tenants, Uni-Mart, Inc. (Uni-Mart), which leased 77 properties, filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. During the year ended December 31, 2008, Uni-Mart elected to reject the leases of 16 properties owned by NNN. NNN had re-leased 15 of the 16 properties as of December 31, 2009. On April 1, 2009, Uni-Mart rejected the leases of 36 additional properties. All of the 36 properties were subject to subleases with convenience store operators and all of the subleases with the operators were assigned from Uni-Mart to NNN effective April 1, 2009. On April 30, 2009, Uni-Mart assumed all of the remaining leases for 24 properties between Uni-Mart and NNN. In January 2010, these leases were assigned from Uni-Mart to other operators, and NNN no longer has any leases with Uni-Mart as of January 8, 2010. For the years ended December 31, 2009 and 2008, NNN recorded $3,371,000 and $2,421,000, respectively, of income in connection with the Uni-Mart bankruptcy rent settlement.

On April 20, 2009, one of NNN s tenants, Titlemax Holdings, LLC and its affiliated companies (collectively, Titlemax), which leased 30 Investment Properties from NNN, filed a petition of reorganization under Chapter 11 of the U.S. Bankruptcy Code. On February 3, 2010, Titlemax assumed all of its 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 and intends to continue to operate so as to remain qualified as a REIT for federal income tax purposes. 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 adversely affect NNN s income and ability to pay dividends.

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, 2009, 2008 and 2007, NNN declared and paid dividends to its common stockholders of $120,256,000, $110,107,000, and $92,989,000, respectively, or $1.50, $1.48 and $1.40 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:

	2009		2008		2007	
Ordinary dividends	$ 1.495182	99.6788%	$ 1.480000	100.000%	$ 1.397402	99.8144%
Qualified dividends	-	-	-	-	0.000414	0.0296%
Capital gain	0.003051	0.2034%	-	-	0.002184	0.1560%
Unrecaptured Section 1250 Gain	0.001767	0.1178%	-	-	-	-
	$ 1.500000	100.000%	$ 1.480000	100.000%	$ 1.400000	100.0000%

In February 2010, NNN paid dividends to its common stockholders of $31,026,000, or $0.375 per share of common stock.

Holders of NNN s preferred stock issuance 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 the issuance of NNN s preferred stock:

Non Voting Preferred Stock Issuance	Shares Outstanding At December 31, 2009	Liquidation Preference Per Share	Fixed Annual Cash Distribution (per share)
7.375% Series C[1]	3,680,000	25.00	1.84375

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

NNN declared and paid dividends to its Series C Preferred stockholders of $6,785,000 or $1.84375 per depository share during each of the years ended December 31, 2009, 2008 and 2007. The Series C Preferred Stock has no maturity date and will remain outstanding unless redeemed.

Capital Resources

Generally, cash needs for property acquisitions, mortgages and notes receivable investments, debt payments, dividends, 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, by internally generated funds. Cash needs for other items have been met from operations. If available, 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):

	2009	Percentage of Total	2008	Percentage of Total
Line of credit payable	$ -	-	$ 26,500	2.6%
Mortgages payable	25,290	2.6%	26,290	2.6%
Notes payable convertible	343,380	34.8%	356,122	34.6%
Notes payable	618,676	62.6%	618,479	60.2%
Total outstanding debt	$ 987,346	100.0%	$ 1,027,391	100.0%

Indebtedness. NNN expects to use indebtedness primarily for property acquisitions and development of single-tenant retail properties, either directly or through investment interests, and mortgages and notes receivable.

Line of Credit Payable. NNN s $400,000,000 revolving Credit Facility had a weighted average outstanding balance of $10,824,000 and a weighted average interest rate of 1.19% during the year ended December 31, 2009. In November 2009, NNN entered into a credit agreement for a new $400,000,000 credit facility, replacing the former revolving credit facility (as the context requires, the previous and new revolving credit facility, the Credit Facility). The Credit Facility matures November 2012, with an option to extend maturity to November 2013. The Credit Facility bears interest at LIBOR plus 280 basis points with a 1.0% LIBOR floor; however, such interest rate may change pursuant to a tiered interest rate structure based on NNN s debt rating. The Credit Facility also includes an accordion feature for NNN to increase, at its option, the facility size up to $500,000,000. As of December 31, 2009, no balance was outstanding, and $400,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling $653,000.

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) leverage ratios, (ii) debt service coverage, (iii) cash flow coverage, and (iv) investment limitations. At December 31, 2009, NNN was in compliance with those covenants. In the event that NNN violates any of these restrictive financial covenants, it could cause the indebtedness under the Credit Facility to be accelerated and may impair NNN s access to the debt and equity markets and limit NNN s ability to pay dividends to its common and preferred stockholders, each of which would likely have a material adverse impact on NNN s financial condition and results of operation.

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

Entered	Balance	Interest Rate	Maturity(3)	Carrying Value of Encumbered Asset(s)(1)	Outstanding Principal Balance at December 31, 2009	2008
December 1999(4)	$ 350	8.50%	December 2009	$ -	$ -	$ 49
December 2001(2)	623	9.00%	April 2014	820	267	315
December 2001(2)	698	9.00%	April 2019	1,247	392	418
December 2001(2)	485	9.00%	April 2019	1,215	201	214
June 2002	21,000	6.90%	July 2012	24,505	19,170	19,477
February 2004(2)	6,952	6.90%	January 2017	11,764	4,554	5,036
March 2005(2)	1,015	8.14%	September 2016	1,341	706	781
				$ 40,892	$ 25,290	$ 26,290

(1) 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, 2009.

(2) 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.

(3) Monthly payments include interest and principal, if any; the balance is due at maturity.

(4) In December 2009, upon maturity NNN repaid the outstanding principal balance and the property was released from the mortgage lien. This was a self-amortizing mortgage.

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Notes Payable Convertible. Each of NNN s outstanding series of convertible notes are summarized in the table below (dollars in thousands):

Terms		2026 Notes[(1)(2)(4)]		2028 Notes[(2)(5)(6)]
Issue Date		September 2006		March 2008
Net Proceeds	$	168,650	$	228,576
Stated Interest Rate[(8)]		3.950%		5.125%
Debt Issuance Costs	$	3,850[(3)]	$	5,459[(7)]
Earliest Conversion Date		September 2025		June 2027
Earliest Put Option Date		September 2011		June 2013
Maturity Date		September 2026		June 2028
Original Principal	$	172,500	$	234,035
Repurchases		(33,800)		(11,000)
Outstanding principal balance at December 31, 2009	$	138,700	$	223,035

(1) NNN repurchased $3,800, $5,000 and $25,000 in March 2009, January 2009 and November 2008, respectively, for a purchase price of $3,100, $3,894 and $19,188, respectively, resulting in a gain of $607, $958 and $4,961, respectively.

(2) Debt issuance costs include underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. These costs have been deferred and are being amortized over the period to the earliest put option date of the holders using the effective interest method.

(3) Includes $48, $66 and $349 of note costs which were written off in connection with the repurchase of $3,800, $5,000 and $25,000 of the 2026 Notes, respectively.

(4) The conversion rate per $1 principal amount was 41.6750 shares of NNN s common stock, which is equivalent to a conversion price of $23.9952 per share of common stock.

(5) The conversion rate per $1 principal amount was 39.3459 shares of NNN s common stock, which is equivalent to a conversion price of $25.4156 per share of common stock.

(6) NNN repurchased $2,500 and $8,500 in May 2009 and February 2009, respectively, for a purchase price of $2,049 and $6,539, respectively, resulting in a gain of $342 and $1,525, respectively.

(7) Includes $48 and $171 of note costs which were written off in connection with the repurchase of $2,500 and $8,500 of the 2028 Notes, respectively.

(8) With the adoption of the new accounting guidance on convertible debt securities, the effective interest rate for the 2026 Notes and the 2028 Notes are 5.840% and 7.192%, respectively.

Each series of convertible notes represents senior, unsecured obligations of NNN and are subordinated to all secured indebtedness of the Company. Each note is 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 and unpaid interest thereon through but not including the redemption date, and (ii) the make-whole amount, if any, as defined in the applicable supplemental indenture relating to the notes.

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

Notes	Issue Date		Principal		Discount[(3)]		Net Price	Stated Rate	Effective Rate[(4)]	Maturity Date
2010[(1)]	September 2000	$	20,000	$	126	$	19,874	8.500%	8.595%	September 2010
2012[(1)]	June 2002		50,000		287		49,713	7.750%	7.833%	June 2012
2014[(1)(2)(5)]	June 2004		150,000		440		149,560	6.250%	5.910%	June 2014

2015[1]	November 2005	150,000	390	149,610	6.150%	6.185%	December 2015
2017[1][6]	September 2007	250,000	877	249,123	6.875%	6.924%	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, treasury lock gain and swap gain (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 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.

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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 and unpaid interest thereon through the redemption date, and (ii) the make-whole amount, if any, as defined in the applicable supplemental indenture relating to the notes.

In connection with the note and convertible note offerings, NNN incurred debt issuance costs totaling $5,459,000 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 indentures, pursuant to which NNN s notes and convertible 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, 2009, NNN was in compliance with those covenants.

NNN s failure to comply with certain of its debt covenants could result in defaults that accelerate the payment under such debt and limit the dividends paid to NNN s common and preferred stockholders which would likely have a material adverse impact on NNN s financial condition and results of operations. In addition, these defaults could impair its access to the debt and equity markets.

In March 2008, NNN repaid the 7.125% $100,000,000 notes that were due in March 2008.

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 June 2008, NNN s debt rating was upgraded by Moody s Investor Service. In February 2009, NNN filed a shelf registration statement with the Securities and Exchange Commission (the Commission) which was automatically effective and 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 1/100th 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. The Series C Preferred Stock has no maturity date and will remain outstanding unless redeemed. 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.

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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 used 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 underwriters 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 October 2008, NNN issued 3,450,000 shares of common stock in a registered, underwritten public offering at a price of $23.05 per share and received net proceeds of $75,958,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately $3,565,000 consisting primarily of underwriters fees and commissions, legal and accounting fees. NNN used the net proceeds to repay borrowings under the Credit Facility and to acquire Investment Properties.

Dividend Reinvestment and Stock Purchase Plan. In June 2009, NNN filed a shelf registration statement which was automatically effective, with the Commission for its DRIP, which permits the issuance by NNN of 16,000,000 shares of common stock. NNN s 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):

	2009	2008	2007
Shares of common stock	3,766,452	2,146,640	2,645,257
Net proceeds	$ 67,354	$ 47,372	$ 62,980

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

Mortgages and Notes Receivable.

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

	2009	2008
Mortgages and notes receivable	$ 41,707	$ 55,495
Structured finance investments	-	4,514
Accrued interest receivable	269	387
Unamortized premium	-	84
	41,976	60,480
Less loan origination fees, net	-	(8)
	$ 41,976	$ 60,472

Mortgages are secured by real estate, real estate securities or other assets. Structured finance investments are secured by the borrowers pledge of their respective membership interests in the entities which own the respective real estate.

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Commercial Mortgage Residual Interests.

In connection with the independent valuations of the Residuals fair value, NNN adjusted carrying value of the Residuals to reflect such fair value at December 31, 2009. Due to changes in market conditions relating to residual assets, the independent valuation changed several valuation assumptions. The following table summarizes the changes to the key assumptions used in determining the value of the Residuals as of December 31:

	2009	2008
Discount rate	25%	25%
Average life equivalent CPR speeds range	14.5% to 20.7% CPR	31.7% to 39.4% CPR
Foreclosures:		
Frequency curve default model	6% average rate	1.1% maximum rate
Loss severity of loans in foreclosure	20%	10%
Yield:		
LIBOR	Forward 3-month curve	Forward 3-month curve
Prime	Forward curve	Forward curve

The following table summarizes the recognition of unrealized gains and/or losses recorded as other comprehensive income as well as other than temporary valuation impairment as of December 31 (dollars in thousands):

	2009	2008	2007
Unrealized gains	$ -	$ 2,009	$ -
Unrealized losses	1,640	-	326
Other than temporary valuation impairment	498	758	638

Business Combination.

In connection with the default of a note receivable and certain lease agreements between NNN and one of its tenants, in June 2009, NNN acquired the operations of the auto service business which was operated on 12 Investment Properties. The note foreclosure resulted in a loss of $7,816,000. NNN recorded the value of the assets received at fair value. No liabilities were assumed. The fair value of the assets resulted in goodwill of $3,400,000.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

NNN is exposed to interest rate risk primarily as a result of its variable rate Credit Facility and its fixed rate debt which is used to finance NNN s development and acquisition activities, as well as 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, 2009, 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, 2009 and 2008. The table presents principal payments and related interest rates by year for debt obligations outstanding as of December 31, 2009. NNN has a variable interest rate risk on its Credit Facility which had no outstanding balance as of December 31, 2009. The weighted average rate for the Credit Facility for the year ended December 31, 2009 was 1.19%. The fair value of the Credit Facility as of December 31, 2009 and 2008 was $0 and $26,500,000, respectively. The table incorporates only those debt obligations that existed as of December 31, 2009; 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 by one percent for the year ended December 31, 2009.

Fixed Rate Debt Obligations (dollars in thousands)

	Mortgages		Unsecured Debt[1]	
	Debt Obligation	Weighted Average Interest Rate	Debt Obligation	Effective Interest Rate
2010	$ 1,022	7.19%	$ 19,987	8.60%
2011	1,098	7.20%	134,421	5.84%
2012	19,290	6.92%	49,909	7.83%
2013	863	7.35%	208,960	7.19%
2014	880	7.27%	149,771	5.91%
Thereafter	2,137	7.36%	399,008	6.65%
Total	$ 25,290	7.01%	$ 962,056	6.64%
Fair Value:				
December 31, 2009	$ 25,290		$ 987,275	
December 31, 2008	$ 26,290		$ 709,944	

(1) Includes NNN s notes payable and convertible notes payable, each net of unamortized discounts. NNN uses Bloomberg software to determine the fair value.

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 based upon an independent valuation, had a carrying value of $20,153,000 and $22,000,000 as of December 31, 2009 and 2008, 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 Stockholders of National Retail Properties, Inc. and Subsidiaries

We have audited National Retail Properties, Inc. and Subsidiaries internal control over financial reporting as of December 31, 2009, 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. and Subsidiaries 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 operating 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. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, 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. and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of earnings, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2009 and our report dated February 25, 2010 expressed an unqualified opinion thereon.

Miami, Florida

February 25, 2010

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of National Retail Properties, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of National Retail Properties, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of earnings, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedules listed in the index at Item 15(a). These financial statements and schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, 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 Property Inc. s internal control over financial reporting as of December 31, 2009, 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 25, 2010 expressed an unqualified opinion thereon.

Miami, Florida

February 25, 2010

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

ASSETS	December 31, 2009	December 31, 2008
Real estate, Investment Portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	$ 2,329,827	$ 2,373,878
Accounted for using the direct financing method	31,317	31,240
Real estate, Inventory Portfolio, held for sale	72,423	85,122
Investment in unconsolidated affiliate	4,703	4,927
Mortgages, notes and accrued interest receivable, net of allowance	41,976	60,472
Commercial mortgage residual interests	20,153	22,000
Cash and cash equivalents	15,225	2,626
Receivables, net of allowance of $583 and $4,003, respectively	1,946	3,612
Accrued rental income, net of allowance of $2,875 and $4,144, respectively	25,745	23,972
Debt costs, net of accumulated amortization of $10,008 and $12,852, respectively	13,884	11,342
Other assets	33,763	30,280
Total assets	$ 2,590,962	$ 2,649,471
LIABILITIES AND STOCKHOLDERS EQUITY		
Line of credit payable	$ -	$ 26,500
Mortgages payable	25,290	26,290
Notes payable convertible, net of unamortized discount of $18,355 and $25,413, respectively	343,380	356,122
Notes payable, net of unamortized discount of $1,324 and $1,521, respectively	618,676	618,479
Accrued interest payable	7,471	7,608
Other liabilities	29,283	45,526
Total liabilities	1,024,100	1,080,525
Commitments and contingencies (Note 26)		
Stockholders equity:		
Preferred stock, $0.01 par value. Authorized 15,000,000 shares		
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; 82,427,560 and 78,340,428 shares issued and outstanding, respectively	825	784
Excess stock, $0.01 par value. Authorized 205,000,000 shares; none issued or outstanding	-	-
Capital in excess of par value	1,408,491	1,337,018
Retained earnings	62,413	134,644
Accumulated other comprehensive income	511	2,414
Total stockholders equity of National Retail Properties, Inc.	1,564,240	1,566,860
Noncontrolling interests	2,622	2,086
Total equity	1,566,862	1,568,946

Total liabilities and equity	$	2,590,962	$	2,649,471

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands, except per share data)

	Year Ended December 31,		
	2009	2008	2007
Revenues:			
Rental income from operating leases	$ 210,215	$ 206,477	$ 159,065
Earned income from direct financing leases	3,070	3,103	3,221
Percentage rent	1,340	1,104	1,383
Real estate expense reimbursement from tenants	8,387	7,012	5,591
Interest and other income from real estate transactions	4,535	5,804	5,268
Interest income on commercial mortgage residual interests	4,252	4,636	4,882
	231,799	228,136	179,410
Disposition of real estate, Inventory Portfolio:			
Gross proceeds	953	4,900	1,750
Costs	(916)	(4,879)	(1,418)
Gain	37	21	332
Retail operations:			
Revenues	15,595	-	-
Operating expenses	(15,176)	-	-
Net	419	-	-
Operating expenses:			
General and administrative	21,776	24,878	23,565
Real estate	13,684	10,007	7,805
Depreciation and amortization	46,769	44,181	31,340
Impairment real estate	28,114	1,234	416
Impairment commercial mortgage residual interests valuation adjustment	498	758	638
Restructuring costs	731	-	-
	111,572	81,058	63,764
Earnings from operations	120,683	147,099	115,978
Other expenses (revenues):			
Interest and other income	(1,375)	(3,748)	(4,751)
Interest expense	62,151	63,964	51,846
Loss on interest rate hedge	-	804	-

	60,776	61,020	47,095
Earnings from continuing operations before income tax benefit, equity in earnings of unconsolidated affiliate, loss on note receivable foreclosure and gain on extinguishment of debt	59,907	86,079	68,883
Income tax benefit	1,126	7,178	8,300
Equity in earnings of unconsolidated affiliate	421	364	49
Loss on note receivable foreclosure	(7,196)	-	-
Gain on extinguishment of debt	3,432	4,961	-
Earnings from continuing operations	57,690	98,582	77,232
Earnings (loss) from discontinued operations (Note 18):			
Real estate, Investment Portfolio	260	12,112	68,976
Real estate, Inventory Portfolio, net of income tax expense	(1,551)	9,277	9,534
	(1,291)	21,389	78,510

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS CONTINUED

(dollars in thousands, except per share data)

	Year Ended December 31,		
	2009	2008	2007
Earnings including noncontrolling interests	$ 56,399	$ 119,971	$ 155,742
Loss (earnings) attributable to noncontrolling interests:			
Continuing operations	(1,542)	109	156
Discontinued operations	(47)	(2,927)	(1,299)
	(1,589)	(2,818)	(1,143)
Net earnings attributable to National Retail Properties, Inc.	54,810	117,153	154,599
Other comprehensive income	(1,903)	1,688	(3,622)
Total comprehensive income	$ 52,907	$ 118,841	$ 150,977
Net earnings attributable to National Retail Properties, Inc.	$ 54,810	$ 117,153	$ 154,599
Series C preferred stock dividends	(6,785)	(6,785)	(6,785)
Net earnings attributable to common stockholders	$ 48,025	$ 110,368	$ 147,814
Net earnings per share of common stock:			
Basic:			
Continuing operations	$ 0.62	$ 1.23	$ 1.06
Discontinued operations	(0.02)	0.25	1.17
Net earnings	$ 0.60	$ 1.48	$ 2.23
Diluted:			
Continuing operations	$ 0.61	$ 1.23	$ 1.06
Discontinued operations	(0.01)	0.25	1.16
Net earnings	$ 0.60	$ 1.48	$ 2.22
Weighted average number of common shares outstanding:			
Basic	79,846,258	74,249,137	66,152,437
Diluted	79,953,499	74,344,231	66,263,980

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years Ended December 31, 2009, 2008 and 2007

(dollars in thousands, except per share data)

	Series A Preferred Stock	Series C Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders Equity	Noncontrolling Interests	Total Equity
Balances at December 31, 2006	$ 44,540	$ 92,000	$ 598	$ 888,085	$ 79,558	$ 4,698	$ 1,109,479	$ 1,619	$ 1,111,098
Net earnings	-	-	-	-	154,599	-	154,599	1,143	155,742
Dividends declared and paid:									
$1.84375 per depositary share of Series C preferred stock	-	-	-	-	(6,785)	-	(6,785)	-	(6,785)
$1.40 per share of common stock	-	-	6	13,947	(92,989)	-	(79,036)	-	(79,036)
Redemption of 1,781,589 shares of Series A preferred stock	(44,540)	-	-	-	-	-	(44,540)	-	(44,540)
Issuance of common stock:									
9,861,323 shares	-	-	98	247,643	-	-	247,741	-	247,741
2,054,805 shares discounted stock purchase program	-	-	21	49,006	-	-	49,027	-	49,027
Issuance of 198,119 shares of restricted common stock	-	-	2	(2)	-	-	-	-	-
Stock issuance costs	-	-	-	(11,206)	-	-	(11,206)	-	(11,206)
Amortization of deferred compensation	-	-	-	2,091	-	-	2,091	-	2,091
Interest rate hedge termination	-	-	-	-	-	(3,119)	(3,119)	-	(3,119)
Amortization of interest rate hedges	-	-	-	-	-	(309)	(309)	-	(309)

Unrealized loss commercial mortgage residual interests	-	-	-	-	-	(427)	(427)	101	(326)
Stock value adjustment	-	-	-	-	-	132	132	-	132
Contributions from noncontrolling interests	-	-	-	-	-	-	-	155	155
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(62)	(62)
Balances at December 31, 2007	$ -	$ 92,000	$ 725	$ 1,189,564	$ 134,383	$ 975	$ 1,417,647	$ 2,956	$ 1,420,603

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY CONTINUED

Years Ended December 31, 2009, 2008 and 2007

(dollars in thousands, except per share data)

	Series A Preferred Stock	Series C Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders Equity	Noncontrolling Interests	Total Equity
Balances at December 31, 2007	$ -	$ 92,000	$ 725	$ 1,189,564	$ 134,383	$ 975	$ 1,417,647	$ 2,956	$ 1,420,603
Net earnings	-	-	-	-	117,153	-	117,153	2,818	119,971
Dividends declared and paid:									
$1.84375 per depositary share of Series C preferred stock	-	-	-	-	(6,785)	-	(6,785)	-	(6,785)
$1.48 per share of common stock	-	-	4	8,472	(110,107)	-	(101,631)	-	(101,631)
Issuance of common stock:									
3,523,285 shares	-	-	35	80,633	-	-	80,668	-	80,668
1,753,201 shares discounted stock purchase program	-	-	18	38,878	-	-	38,896	-	38,896
Issuance of 217,397 shares of restricted common stock	-	-	2	(2)	-	-	-	-	-
Stock issuance costs	-	-	-	(3,582)	-	-	(3,582)	-	(3,582)
Equity component of convertible debt	-	-	-	20,467	-	-	20,467	-	20,467
Amortization of deferred compensation	-	-	-	2,588	-	-	2,588	-	2,588
Interest rate hedge termination	-	-	-	-	-	(162)	(162)	-	(162)
Amortization of interest rate hedges	-	-	-	-	-	(109)	(109)	-	(109)
Unrealized gain	-	-	-	-	-	1,760	1,760	249	2,009

commercial mortgage residual interests									
Stock value adjustment	-	-	-	-	-	(50)	(50)	-	(50)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	41	41
Distributions to noncontrolling interests	-	-	-	-	-		-	(5,483)	(5,483)
Other	-	-	-	-	-	-	-	1,505	1,505
Balances at December 31, 2008	$ -	$ 92,000	$ 784	$ 1,337,018	$ 134,644	$ 2,414	$ 1,566,860	$ 2,086	$ 1,568,946

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY CONTINUED

Years Ended December 31, 2009, 2008 and 2007

(dollars in thousands, except per share data)

	Series A Preferred Stock	Series C Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders Equity	Noncontrolling Interests	Total Equity
Balances at December 31, 2008	$ -	$ 92,000	$ 784	$ 1,337,018	$ 134,644	$ 2,414	$ 1,566,860	$ 2,086	$ 1,568,946
Net earnings	-	-	-	-	54,810	-	54,810	1,589	56,399
Dividends declared and paid:									
$1.84375 per depositary share of Series C preferred stock	-	-	-	-	(6,785)	-	(6,785)	-	(6,785)
$1.50 per share of common stock	-	-	1	1,797	(120,256)	-	(118,458)	-	(118,458)
Issuance of common stock:									
99,738 shares	-	-	1	1,435	-	-	1,436	-	1,436
3,664,182 shares discounted stock purchase program	-	-	36	65,519	-	-	65,555	-	65,555
Issuance of 262,546 shares of restricted common stock	-	-	3	(3)	-	-	-	-	-
Stock issuance costs	-	-	-	(113)	-	-	(113)	-	(113)
Equity component of extinguishment of convertible debt	-	-	-	(795)	-	-	(795)	-	(795)
Amortization of deferred compensation	-	-	-	3,443	-	-	3,443	-	3,443
Amortization of interest rate hedges	-	-	-	-	-	(159)	(159)	-	(159)
Unrealized gain commercial mortgage residual interests	-	-	-	-	-	(1,744)	(1,744)	104	(1,640)

Contributions from noncontrolling interests	-	-	-	-	-	-	-	152	152
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(552)	(552)
Other	-	-	-	190	-	-	190	(757)	(567)
Balances at December 31, 2009	$ -	$ 92,000	$ 825	$ 1,408,491	$ 62,413	$ 511	$ 1,564,240	$ 2,622	$ 1,566,862

See accompanying notes to consolidated financial statements.

NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Earnings including noncontrolling interests	$ 56,399	$ 119,971	$ 155,742
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Stock compensation expense	4,172	3,299	2,604
Stock options expense tax effect	190	-	-
Depreciation and amortization	48,485	45,347	32,927
Impairment real estate	34,514	5,660	1,970
Impairment commercial mortgage residual interests valuation	498	758	638
Amortization of notes payable discount	6,006	5,670	2,724
Amortization of deferred interest rate hedges	(159)	(162)	(309)
Equity in earnings of unconsolidated affiliates	(421)	(364)	(49)
Distributions received from unconsolidated affiliates	607	439	30
Gain on disposition of real estate, Investment Portfolio	(2,392)	(9,980)	(56,625)
Gain on extinguishment of debt	(3,432)	(4,961)	-
Loss on note receivable foreclosure	7,196	-	-
Gain on disposition of real estate, Inventory Portfolio	(595)	(12,665)	(12,133)
Deferred income taxes	(16,649)	(5,593)	(4,590)
Income tax valuation allowance	14,900	-	-
Change in operating assets and liabilities, net of assets acquired and liabilities assumed in business combinations:			
Additions to real estate, Inventory Portfolio	(2,457)	(33,745)	(165,160)
Proceeds from disposition of real estate, Inventory Portfolio	6,276	128,785	160,173
Decrease in real estate leased to others using the direct financing method	1,378	1,195	2,130
Decrease (increase) in work in process	(786)	47	(4,217)
Increase in mortgages, notes and accrued interest receivable	(10)	(217)	(301)
Decrease in receivables	941	243	3,924
Increase in commercial mortgage residual interests	(291)	-	-
Increase in accrued rental income	(2,061)	(978)	(2,631)
Decrease (increase) in other assets	(172)	951	3,615
Increase (decrease) in accrued interest payable	(137)	(3,635)	5,254
Increase (decrease) in other liabilities	(2,930)	(1,463)	4,510
Increase (decrease) in current tax liability	432	(1,143)	(79)
Net cash provided by operating activities	149,502	237,459	130,147
Cash flows from investing activities:			
Proceeds from the disposition of real estate, Investment Portfolio	14,588	60,027	136,295
Additions to real estate, Investment Portfolio:			
Accounted for using the operating method	(44,433)	(352,618)	(677,101)
Investment in unconsolidated affiliate	-	(901)	(4,156)
Increase in mortgages and notes receivable	(959)	(29,934)	(44,888)
Principal payments on mortgages and notes receivable	4,009	64,589	19,862
Cash received from commercial mortgage residual interests	-	3,591	6,208
Restricted cash	-	-	36,587
Payment of lease costs	(451)	(922)	(2,912)
Other	(817)	(136)	(6,612)

Net cash used in investing activities	(28,063)	(256,304)	(536,717)

See accompanying notes to consolidated financial statements.

NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS   CONTINUED

(dollars in thousands)

	Year Ended December 31,		
	2009	2008	2007
Cash flows from financing activities:			
Proceeds from line of credit payable	$ 132,400	$ 516,000	$ 662,300
Repayment of line of credit payable	(158,900)	(619,300)	(560,500)
Repayment of mortgages payable	(1,000)	(1,190)	(8,412)
Proceeds from notes payable convertible	-	234,035	-
Repurchase of notes payable convertible debt component	(14,785)	(18,420)	-
Repurchase of notes payable convertible equity component	(795)	(768)	-
Repayment of notes payable secured	-	(12,000)	(33,300)
Proceeds from notes payable	-	-	249,122
Repayment of notes payable	-	(100,000)	-
Payment of interest rate hedge	-	-	(3,228)
Payment of debt costs	(6,275)	(5,813)	(2,453)
Repayment of financing lease obligation	-	-	(26,007)
Proceeds from issuance of common stock	68,060	127,328	310,208
Redemption of 1,781,589 shares of Series A preferred stock	-	-	(44,540)
Payment of Series C preferred stock dividends	(6,785)	(6,785)	(6,785)
Payment of common stock dividends	(120,256)	(110,107)	(92,989)
Noncontrolling interest distributions	(552)	(5,483)	(62)
Noncontrolling interest contributions	152	41	155
Stock issuance costs	(104)	(3,566)	(11,115)
Net cash provided by (used in) financing activities	(108,840)	(6,028)	432,394
Net increase (decrease) in cash and cash equivalents	12,599	(24,873)	25,824
Cash and cash equivalents at beginning of year	2,626	27,499	1,675
Cash and cash equivalents at end of year	$ 15,225	$ 2,626	$ 27,499

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,		
	2009	2008	2007
Supplemental disclosure of cash flow information:			
Interest paid, net of amount capitalized	$ 61,475	$ 69,395	$ 51,824
Taxes paid (received)	$ (63)	$ 3,441	$ 1,375
Supplemental disclosure of non-cash investing and financing activities:			
Issued 262,546, 225,517 and 211,118 shares of restricted and unrestricted common stock in 2009, 2008 and 2007, respectively, pursuant to NNN s performance incentive plan	$ 4,290	$ 3,796	$ 4,323
Issued 6,594, 12,766 and 7,750 shares of common stock in 2009, 2008 and 2007, respectively, to directors pursuant to NNN s performance incentive plan	$ 118	$ 262	$ 182
Issued 41,604, 26,879 and 16,346 shares of common stock in 2009, 2008 and 2007, respectively, pursuant to NNN s Deferred Director Fee Plan	$ 611	$ 449	$ 331
Surrender of 2,520 and 8,600 shares of restricted common stock in 2008 and 2007, respectively	$ -	$ 58	$ 182
Change in other comprehensive income	$ (1,903)	$ 1,439	$ (3,723)
Change in lease classification (direct financing lease to operating lease)	$ -	$ 300	$ -
Transfer of real estate from Inventory Portfolio to Investment Portfolio	$ 16,058	$ 29,948	$ 14,845
Note and mortgage receivable accepted in connection with real estate transactions	$ 1,550	$ 24,245	$ 9,747
Interest rate hedge	$ -	$ -	$ 109
Real estate acquired in connection with note receivable foreclosure	$ 4,240	$ 2,497	$ -
Assets received in note receivable foreclosure	$ 5,527	$ -	$ -
Note receivable foreclosures	$ (17,013)	$ -	$ -

See accompanying notes to consolidated financial statements.

NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009, 2008 and 2007

Note 1 Organization and Summary of Significant Accounting Policies:

Organization and Nature of Business National Retail Properties, Inc., a Maryland corporation, is a fully integrated real estate investment trust (REIT) formed in 1984. The term NNN or the Company refers to National Retail Properties, Inc. and all of its consolidated subsidiaries. NNN has elected to treat certain subsidiaries as taxable REIT subsidiaries. These taxable subsidiaries and their majority owned and controlled subsidiaries are collectively referred to as 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). NNN acquires, owns, invests in, manages and develops properties that are leased primarily to retail tenants under long-term net leases and primarily held for investment (Investment Properties or Investment Portfolio). As of December 31, 2009, NNN owned 1,015 Investment Properties (including 12 properties with retail operations that NNN operates), with an aggregate gross leasable area of 11,373,000 square feet, located in 44 states. In addition, as of December 31, 2009, NNN s Investment Assets included $41,976,000 in mortgages, notes and interest receivable (including structured finance investments) and $20,153,000 in commercial mortgage residual interests. The Inventory Assets typically represent direct and indirect investment interests in real estate assets acquired or developed primarily for the purpose of selling the real estate (Inventory Properties or Inventory Portfolio). Inventory Assets typically consist of two types of properties, property for development and improved properties. As of December 31, 2009, NNN owned 19 Inventory Properties.

Principles of Consolidation NNN s consolidated financial statements include the accounts of each of the respective majority owned and controlled affiliates, including transactions whereby NNN has been determined to be the primary beneficiary in accordance with the Financial Accounting Standards Board (FASB) guidance included in *Consolidation.* 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.

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 noncontrolling interest for its other partners ownership percentage. The following table summarizes each of the investments as of December 31, 2009:

Date of Agreement	Entity Name	TRS Ownership %
November 2002	WG Grand Prairie TX, LLC	60%
February 2003	Gator Pearson, LLC	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%

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

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 In accordance with the FASB guidance on business combinations, the fair value of the real estate acquired with in-place leases 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.

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.

Real Estate Inventory Portfolio The TRS acquires and/or develops and owns properties primarily for the purpose of selling the real estate. 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 and is recorded at the lower of cost or fair value. In accordance with the FASB guidance included in *Real Estate*, the TRS classifies its real estate held for sale as discontinued operations for each property in which rental revenues are generated.

Impairment Real Estate Based upon events or changes in certain circumstances, management periodically assesses its Investment Properties for possible impairment indicating that the carrying value of the asset, including accrued rental income, may not be recoverable through operations. Events or circumstances that may occur include changes in real estate market condition, the ability of NNN to re-lease properties that are vacant, and the ability to sell properties at an attractive price. 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 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 FASB guidance included in *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 an Unconsolidated Affiliate   NNN accounts for its investment in an unconsolidated affiliate under the equity method of accounting.

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 Orange Avenue Mortgage Investments, Inc. (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.

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.

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.

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.

Goodwill   Goodwill arises from business combinations and represents the excess of the cost of an acquired entity over the net fair value amounts that were assigned to the assets acquired and the liabilities assumed. In accordance with the FASB guidance included in *Goodwill*, NNN performs impairment testing on goodwill annually. The impairment test compares the fair value of goodwill to its carrying amount.

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 the FASB guidance included in *Leases,* based on the terms of the lease at the time of acquisition of the leased asset. Rental revenues for properties under construction

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commence upon completion of construction of the leased asset and delivery of the leased asset to the tenant.

Earnings Per Share   Earnings per share have been computed pursuant to the FASB guidance included in *Earnings Per Share*. Effective January 1, 2009, the guidance requires classification of the Company s unvested restricted share units which contain rights to receive nonforfeitable dividends, as participating securities requiring the two-class method of computing earnings per share. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the weighted average shares outstanding during the period. The following table is a reconciliation of the numerator and denominator used in the computation of basic and diluted earnings per common share using the two-class method for the years ended December 31 (dollars in thousands):

	2009	2008	2007
Basic and Diluted Earnings:			
Net earnings attributable to NNN	$ 54,810	$ 117,153	$ 154,599
Less: Series C preferred stock dividends	(6,785)	(6,785)	(6,785)
Net earnings available to NNN s common stockholders	48,025	110,368	147,814
Less: Earnings attributable to unvested restricted shares	(290)	(485)	(622)
Net earnings used in basic earnings per share	47,735	109,883	147,192
Reallocated undistributed income (loss)	(1)	-	1
Net earnings used in diluted earnings per share	$ 47,734	$ 109,883	$ 147,193
Basic and Diluted Weighted Average Shares Outstanding:			
Weighted average number of shares outstanding	80,486,215	74,732,844	66,519,519
Less: Unvested restricted stock	(639,957)	(483,707)	(367,082)
Weighted average number of shares outstanding used in basic earnings per share	79,846,258	74,249,137	66,152,437
Effects of dilutive securities:			
Common stock options	9,037	35,900	69,040
Directors deferred fee plan	98,204	59,194	42,503
Weighted average number of shares outstanding used in diluted earnings per share	79,953,499	74,344,231	66,263,980

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 FASB guidance included in *Equity   Based Payments to Non-Employees*, 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 the FASB guidance, NNN estimates the fair value of restricted stock and stock option grants at the date of grant and amortizes those amounts into expense on a straight line basis or amount vested, if greater, over the appropriate vesting period.

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 (the   Code   ), 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 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, 2009, 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 taxable REIT subsidiary is able to engage in activities resulting in income that previously would have been disqualified from being eligible REIT income under 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 17). 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 the FASB guidance included in *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.

<u>Fair Value Measurement</u> NNN s estimates of fair value of financial and non-financial assets and liabilities based on the framework established in the fair value accounting guidance. The framework specifies a hierarchy of valuation inputs which was established to increase consistency, clarity and comparability in fair value measurements and related disclosures. The guidance describes a fair value hierarchy based upon three levels of inputs that may be used to measure fair value, two of which are considered observable and one that is considered unobservable. The following describes the three levels:

Level 1 Valuation is based upon quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation is based upon inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include option pricing models, discounted cash flow models and similar techniques.

<u>New Accounting Pronouncements</u> In January 2009, FASB issued new guidance on impairments included in *Beneficial Interests in Securitized Financial Assets.* The new guidance was effective for interim and annual periods ending after December 15, 2008. Retroactive application was not permitted. The adoption of the new guidance did not have a significant impact on NNN s financial position or results of operations.

Effective January 1, 2009, NNN adopted the new FASB guidance for the accounting of noncontrolling interests. The new guidance requires noncontrolling interests, previously called minority interest, to be presented as a component of equity. In addition, the guidance requires disclosure on the face of the consolidated statement of earnings of the amounts of consolidated net income attributable to the parent and to the noncontrolling interests. The guidance was applied prospectively with the exception of presentation and disclosure requirements, which were applied retrospectively for all periods presented. The adoption of the new guidance did not have a material impact on NNN s financial position or results of operations.

In April 2009, FASB issued additional application guidance and enhancements to disclosures regarding fair value measurements. The new guidance enhances consistency in financial reporting by increasing the frequency of fair value disclosures. The guidance also provides guidelines for making fair value measurements more consistent. The guidance was effective for interim and annual periods ending after June 15, 2009. The adoption of the guidance did not have a significant impact on NNN s financial position or results of operations.

In April 2009, FASB issued revised guidance on the recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilities arising from contingencies in a business combination. The adoption of the guidance did not have a significant impact on NNN s financial position or result of operations.

In May 2009, FASB issued new guidance for accounting for subsequent events. The guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The guidance provides, among other things, that companies should recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including estimates inherent in the process of preparing financial statements. The new guidance was effective for interim or annual reporting periods ending after June 15, 2009. The adoption of the guidance did not have a significant impact on NNN s financial position or result of operations.

In June 2009, FASB issued *Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the Codification). The Codification reorganized existing U.S. accounting and reporting standards issued by the FASB and other related private sector standard setters into a single source of authoritative accounting principles arranged by topic. The Codification supersedes all existing U.S. accounting standards; all other accounting literature not included in the Codification (other than the Securities and Exchange Commission (the Commission) guidance for publicly-traded companies) is considered non-authoritative. The Codification was effective for interim and annual reporting periods ending after September 15, 2009. The adoption of the Codification changed the Company s references to accounting standards under generally accepted accounting principles (GAAP) but did not impact the Company s financial position or results of operations.

In June 2009, FASB issued guidance on the accounting for the transfers of financial assets. The new guidance eliminates the concept of a qualifying special-purpose entity and changes the requirements for derecognizing financial assets. The new guidance is effective on a prospective basis for annual periods beginning after November 15, 2009, and interim and annual periods thereafter. The adoption of the standard will not have a significant impact on NNN s financial position or results of operations.

In June 2009, FASB issued revised guidance on the accounting for variable interest entities. The revised guidance reflects the elimination of the concept of a qualifying special-purpose entity. The guidance also replaces the quantitative-based risks and rewards calculation of the previous guidance for determining which company, if any, has a controlling financial interest in a variable interest entity with an approach that is primarily qualitative. The new guidance requires ongoing assessments of whether an enterprise is the primary beneficiary of the variable interest entity as well as additional disclosures. The guidance is effective for financial statements issued for fiscal years beginning after November 15, 2009. The adoption of the standard will not have a significant impact on NNN s financial position or results of operations.

In August 2009, FASB issued new guidance for the accounting for the fair value measurement of liabilities. The new guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the approved techniques. The new guidance clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance is effective for the first reporting period (including interim periods) beginning after issuance. The Company is currently evaluating the provisions to determine the potential impact, if any, the adoption will have on NNN s financial position or results of operations.

Adoption of New Accounting Standards with change in Accounting Principles Effective January 1, 2009, NNN adopted the new FASB guidance on accounting for convertible debt instruments that may be settled in cash upon conversion. The new guidance requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) was separately accounted for in a manner that reflects the issuer s non-convertible debt borrowing rate. The debt component was recorded based upon the estimated fair value of non-convertible debt with similar terms. The resulting debt discount is amortized over the period during which the debt is outstanding as additional non-cash interest expense. This guidance required retrospective application, the effects of adopting such, has been reflected in all periods presented.

Effective January 1, 2009, NNN adopted the new FASB guidance on determining whether instruments granted in share-based payment transactions are participating securities, which also required retrospective application. The adoption of the guidance did not have a significant impact on NNN s financial position or results of operations.

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.

Reclassification Certain items in the prior year s consolidated financial statements and notes to consolidated financial statements have been reclassified to conform to the 2009 presentation. NNN transferred 11 properties from the Inventory Portfolio to the Investment Portfolio in December 2009. These reclassifications had no effect on stockholders equity or net earnings.

Note 2 Real Estate Investment Portfolio:

Leases As of December 31, 2009, 984 of the Investment Property leases had been classified as operating leases, and 23 leases had 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 seven of these leases are accounted for as operating leases. Substantially all leases have initial terms of 10 to 20 years (expiring between 2010 and 2029) and provide for minimum rentals. In addition, the leases generally provide for limited increases in rent as a result of fixed increases, increases in the Consumer Price Index (CPI), 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, 2009, the weighted average remaining lease term was approximately 12 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):

	2009	2008
Land and improvements	$ 1,054,888	$ 1,063,419
Buildings and improvements	1,451,608	1,413,438
Leasehold interests	1,290	2,532
	2,507,786	2,479,389
Less accumulated depreciation and amortization	(183,956)	(146,296)
	2,323,830	2,333,093
Work in progress	5,997	40,785
	$ 2,329,827	$ 2,373,878

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, 2009, 2008 and 2007, NNN recognized collectively in continuing and discontinued operations, $2,102,000, $1,020,000, and $2,672,000, respectively, of such income. At December 31, 2009 and 2008, the balance of accrued rental income, net of allowances of $2,875,000 and $4,144,000, respectively, was $25,745,000 and $23,972,000, respectively.

In connection with the development of two Investment Properties, NNN has agreed to fund construction commitments (including construction, land costs and tenant improvements) of $14,651,000. As of December 31, 2009, NNN had funded $12,261,000 of this commitment, with $2,390,000 remaining to be funded.

The following is a schedule of future minimum lease payments to be received on noncancellable operating leases at December 31, 2009 (dollars in thousands):

2010	$ 202,038
2011	198,594
2012	193,894
2013	185,630
2014	176,374
Thereafter	1,574,516
	$ 2,531,046

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 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):

	2009	2008
Minimum lease payments to be received	$ 42,244	$ 43,275
Estimated unguaranteed residual values	12,297	11,755
Less unearned income	(23,224)	(23,790)
Net investment in direct financing leases	$ 31,317	$ 31,240

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The following is a schedule of future minimum lease payments to be received on direct financing leases held for investment at December 31, 2009 (dollars in thousands):

2010	$ 4,545
2011	4,531
2012	4,558
2013	4,508
2014	3,750
Thereafter	20,352
	$ 42,244

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).

Note 3 Real Estate Inventory Portfolio:

As of December 31, 2009, the TRS owned 19 Inventory Properties: 13 completed inventory and six land parcels. As of December 31, 2008, the TRS owned 32 Inventory Properties: 24 completed inventory, one under construction and seven land parcels. The real estate Inventory Portfolio consisted of the following (dollars in thousands):

	2009	2008
Inventory:		
Land	$ 19,732	$ 20,238
Building	47,684	47,925
	67,416	68,163
Construction projects:		
Land	17,719	19,031
Work in process	(363)	1,469
	17,356	20,500
Less impairment	(12,349)	(3,541)
	$ 72,423	$ 85,122

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):

	2009		2008		2007	
	# of Properties	Gain	# of Properties	Gain	# of Properties	Gain
Continuing operations	2	$ 37	1	$ 21	2	$ 332
Noncontrolling interest		(14)		(10)		-

Total continuing operations attributable to NNN			23			11			332
Discontinued operations	2		527	24		12,315	69		10,957
Intersegment eliminations			31			329			844
Noncontrolling interest			-			(3,297)			(1,120)
Total discontinued operations attributable to NNN			558			9,347			10,681
	4	$	581	25	$	9,358	71	$	11,013

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Note 4 Impairments Real Estate:

Management periodically assesses its real estate for possible impairment whenever certain events or changes in circumstances indicate that the carrying amount of the asset, including accrued rental income, may not be recoverable through operations. Events or circumstances that may occur include changes in real estate market conditions, the ability of NNN to re-lease properties that are vacant, and the ability to sell properties at an attractive price. Impairments are measured as the amount by which the current book value of the asset exceeds the estimated fair value of the asset. As a result of the Company s review of long lived assets, including identifiable intangible assets, NNN recognized the following real estate impairments for the years ended December 31 (dollars in thousands):

	2009	2008	2007
Continuing operations	$ 28,114	$ 1,234	$ 416
Discontinued operations	6,400	4,426	1,554
	$ 34,514	$ 5,660	$ 1,970

The valuation of impaired assets is determined using widely accepted valuation techniques including discounted cash flow analysis, income capitalization, analysis of recent comparable sales transactions, actual sales negotiations and bona fide purchase offers received from third parties. NNN may consider a single valuation technique or multiple valuation techniques, as appropriate, when measuring the fair value of its real estate.

The following table presents information about NNN s impaired assets that were measured at fair value. The table indicates the fair value hierarchy of the valuation techniques utilized by NNN to determine the fair vale on a nonrecurring basis of such assets (dollars in thousands):

	Level 1	Level 2	Level 3	Total	Total Losses
Investment Portfolio	$ -	$ 8,203	$ 18,610	$ 26,813	$ 25,706
Inventory Portfolio	-	45,369	-	45,369	8,808
	$ -	$ 53,572	$ 18,610	$ 72,182	$ 34,514

The Investment Portfolio is substantially comprised of assets held for use. NNN recorded an impairment charge related to 18 Investment Properties totaling $25,706,000, during the year ended December 31, 2009. The Inventory Portfolio is reported at lower of cost or fair value. During the year ended December 31, 2009, NNN recorded an impairment charge related to seven Inventory Properties totaling $8,808,000.

Note 5 Business Combinations:

In connection with the default of a note receivable and certain lease agreements between NNN and one of NNN s tenants, in June of 2009, NNN acquired the operations of the auto service business which was operated on 12 Investment Properties. The note foreclosure resulted in a loss of $7,816,000. NNN recorded the value of the assets received at fair value. No liabilities were assumed. The fair value of the assets resulted in goodwill of $3,400,000.

Note 6 Mortgages, Notes and Accrued Interest Receivable:

Mortgages are secured by real estate, real estate securities or other assets. Structured finance investments are secured by the borrowers pledge of their respective membership interests in the entities which own the respective real estate. Mortgages and notes receivable consisted of the following at December 31 (dollars in thousands):

	2009	2008
Mortgages and notes receivable	$ 41,707	$ 55,495
Structured finance investments	-	4,514
Accrued interest receivables	269	387
Unamortized premium	-	84
	41,976	60,480
Less loan origination fees, net	-	(8)
	$ 41,976	$ 60,472

Note 7 Commercial Mortgage Residual Interests:

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

	Investment Interest		
Securitization	Company(1)	OAMI(2)	3rd 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%	-

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

(2) 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 changed several valuation assumptions during the year: prepayment speeds, default curves and loss severity.

The following table summarizes the recognition of unrealized gains and/or losses recorded as other comprehensive income as well as other than temporary valuation impairment as of December 31 (dollars in thousands):

	2009	2008	2007
Unrealized gains	$ -	$ 2,009	$ -

Unrealized losses	1,640	-	326
Other than temporary valuation impairment	498	758	638

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The following table summarizes the changes to the key assumptions used in determining the value of the Residuals as of December 31:

	2009	2008
Discount rate	25%	25%
Average life equivalent CPR speeds range	14.5% to 20.7% CPR	31.7% to 39.4% CPR
Foreclosures:		
Frequency curve default model	6% average rate	1.1% maximum rate
Loss severity of loans in foreclosure	20%	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, 2009 (dollars in thousands):

	Residuals
Carrying amount of retained interests	$ 20,153
Discount rate assumption:	
Fair value at 27% discount rate	$ 19,474
Fair value at 30% discount rate	$ 18,523
Prepayment speed assumption:	
Fair value of 1% increases above the CPR Index	$ 20,079
Fair value of 2% increases above the CPR Index	$ 20,065
Expected credit losses:	
Fair value 2% adverse change	$ 19,748
Fair value 3% adverse change	$ 19,576
Yield Assumptions:	
Fair value of Prime/LIBOR spread contracting 25 basis points	$ 19,828
Fair value of Prime/LIBOR spread contracting 50 basis points	$ 20,993

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on 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 8 Line of Credit Payable:

NNN s $400,000,000 revolving credit facility had a weighted average outstanding balance of $10,824,000 and a weighted average interest rate of 1.19% during the year ended December 31, 2009. On November 3, 2009, NNN entered into a credit agreement for a new $400,000,000 revolving credit facility, replacing the existing revolving credit facility (as the context requires, the previous and new revolving credit facility, the Credit Facility). The Credit Facility matures November 2012, with an option to extend maturity to November 2013. The Credit Facility bears interest at LIBOR plus 280 basis points with a 1.0% LIBOR floor; however, such interest rate may change pursuant to a tiered interest rate structure based on NNN s debt rating. The Credit Facility also includes an accordion feature for NNN to increase, at its option, the facility size up to $500,000,000. As of December 31, 2009, no balance was outstanding, and $400,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling $653,000.

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 and dividend limitations. At December 31, 2009, NNN was in compliance with those covenants.

Note 9 Mortgages Payable:

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

Entered	Balance	Interest Rate	Maturity[3]	Carrying Value of Encumbered Asset(s)[1]	Outstanding Principal Balance at December 31, 2009	2008
December 1999[4]	$ 350	8.50%	December 2009	$ -	$ -	$ 49
December 2001[2]	623	9.00%	April 2014	820	267	315
December 2001[2]	698	9.00%	April 2019	1,247	392	418
December 2001[2]	485	9.00%	April 2019	1,215	201	214
June 2002	21,000	6.90%	July 2012	24,505	19,170	19,477
February 2004[2]	6,952	6.90%	January 2017	11,764	4,554	5,036
March 2005[2]	1,015	8.14%	September 2016	1,341	706	781
				$ 40,892	$ 25,290	$ 26,290

(1) 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, 2009.

(2) 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.

(3) Monthly payments include interest and principal, if any; the balance is due at maturity.

(4) In December 2009, upon maturity NNN repaid the outstanding principal balance and the property was released from the mortgage lien. This was a self-amortizing mortgage.

The following is a schedule of the annual maturities of NNN s mortgages payable at December 31, 2009 (dollars in thousands):

2010	$ 1,022
2011	1,098
2012	19,290
2013	863
2014	880
Thereafter	2,137
	$ 25,290

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Note 10 Notes Payable Convertible:

Each of NNN s outstanding series of convertible notes are summarized in the table below (dollars in thousands):

Terms	2026 Notes[1][2][4]	2028 Notes[2][5][6]
Issue Date	September 2006	March 2008
Net Proceeds	$ 168,650	$ 228,576
Stated Interest Rate[8]	3.950%	5.125%
Debt Issuance Costs	$ 3,850[3]	$ 5,457
Earliest Conversion Date	September 2025	June 2027
Earliest Put Option Date	September 2011	June 2013
Maturity Date	September 2026	June 2028
Original Principal	$ 172,500	$ 234,035
Repurchases	(33,800)	(11,000)
Outstanding principal balance at December 31, 2009	$ 138,700	$ 223,035

(1) NNN repurchased $3,800, $5,000 and $25,000 in March 2009, January 2009 and November 2008, respectively, for a purchase price of $3,100, $3,894 and $19,188, respectively, resulting in a gain of $607, $958 and $4,961, respectively.

(2) Debt issuance costs include underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. These costs have been deferred and are being amortized over the period to the earliest put option date of the holders using the effective interest method.

(3) Includes $48, $66 and $349 of note costs which were written off in connection with the repurchase of $3,800, $5,000 and $25,000 of the 2026 Notes, respectively.

(4) The conversion rate per $1 principal amount was 41.6750 shares of NNN s common stock, which is equivalent to a conversion price of $23.9952 per share of common stock.

(5) The conversion rate per $1 principal amount was 39.3459 shares of NNN s common stock, which is equivalent to a conversion price of $25.4156 per share of common stock.

(6) NNN repurchased $2,500 and $8,500 in May 2009 and February 2009, respectively, for a purchase price of $2,049 and $6,539, respectively, resulting in a gain of $342 and $1,525, respectively.

(7) Includes $48 and $171 of note costs which were written off in connection with the repurchase of $2,500 and $8,500 of the 2028 Notes, respectively.

(8) With the adoption of the new accounting guidance on convertible debt securities, the effective interest rate for the 2026 Notes and the 2028 Notes are 5.840% and 7.192%, respectively.

Each series of convertible notes represents senior, unsecured obligations of NNN and are subordinated to all secured indebtedness of the Company. Each note is 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 and unpaid interest thereon through but not including the redemption date and (ii) the make whole amount, if any, as defined in the applicable supplemental indenture relating to the notes.

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Note 11 Notes Payable:

Each of NNN s outstanding series of non-convertible notes are summarized in the table below (dollars in thousands).

Notes	Issue Date	Principal	Discount(3)	Net Price	Stated Rate	Effective Rate(4)	Maturity Date
2010(1)	September 2000	$ 20,000	$ 126	$ 19,874	8.500%	8.595%	September 2010
2012(1)	June 2002	50,000	287	49,713	7.750%	7.833%	June 2012
2014(1)(2)(5)	June 2004	150,000	440	149,560	6.250%	5.910%	June 2014
2015(1)	November 2005	150,000	390	149,610	6.150%	6.185%	December 2015
2017(1)(6)	September 2007	250,000	877	249,123	6.875%	6.924%	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, treasury lock gain and swap gain (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 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 and unpaid interest thereon through the redemption date and (ii) the make-whole amount, if any, as defined in the applicable supplemental indenture relating to the notes.

In connection with the debt offerings, NNN incurred debt issuance costs totaling $5,459,000 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, 2009, NNN was in compliance with those covenants.

Note 12 Preferred Stock:

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

Non-Voting Preferred Stock Issuance	Shares Outstanding At December 31, 2009	Liquidation Preference (per share)	Fixed Annual Cash Distribution (per share)

9% Series A	-	$ 25.00	$ 2.25000
7.375% Series C Redeemable 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 were 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.

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 1/100th 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. The Series C Preferred Stock has no maturity date and will remain outstanding unless redeemed. 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 13 Common Stock:

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 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 prospectus 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.

In October 2008, NNN filed a prospectus supplement to the prospectus contained in its February 2006 shelf registration statement and issued 3,450,000 shares (including 450,000 shares in connection with the underwriters over allotment) of common stock at a price of $23.05 per share and received net proceeds of $75,958,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately $3,565,000, consisting primarily of underwriters fees and commissions, and legal and accounting fees and printing expenses.

In February 2009, NNN filed a shelf registration statement with the Commission which permits the issuance by NNN of an indeterminate amount of debt and equity securities

Dividend Reinvestment and Stock Purchase Plan. In June 2009, NNN filed a shelf registration statement with the Commission for its Dividend Reinvestment and Stock Purchase Plan (DRIP) which permits the issuance by NNN of 16,000,000 shares of common stock. The following outlines the common stock issuances pursuant to the DRIP for the years ended December 31 (dollars in thousands):

	2009	2008	2007
Shares of common stock	3,766,452	2,146,640	2,645,257
Net proceeds	$ 67,354	$ 47,372	$ 62,980

Note 14 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 Code. NNN matches 60 percent of the participants contributions 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, 2009, 2008 and 2007 totaled $302,000, $385,000, and $428,000, respectively.

Note 15 Dividends:

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

	2009	2008	2007
Ordinary dividends	$ 1.495182	$ 1.480000	$ 1.397402
Qualified dividends	-	-	0.000414
Capital gain	0.003051	-	0.002184
Unrecaptured Section 1250 Gain	0.001767	-	-
	$ 1.500000	$ 1.480000	$ 1.400000

During the years ended December 31, 2009, 2008 and 2007, NNN declared and paid dividends to its common shareholders of $120,256,000, $110,107,000 and $92,989,000, respectively, or $1.50, $1.48 and $1.40, respectively per share, respectively, of common stock.

On January 15, 2010, NNN declared a dividend of $0.375 per share, which is payable February 15, 2010 to its common stockholders of record as of January 29, 2010.

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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 Dividends	Capital Gain	Unrecaptured Section 1250 Gains
2009:					
Series C	$ 1.843750	$ 1.837828	$ -	$ 0.00375	$ 0.002172
2008:					
Series C	1.843750	1.843750	-	-	-
2007:					
Series A[(1)]	0.206250	0.205867	0.000061	0.000322	-
Series C	1.843750	1.840328	0.000546	0.002876	-

(1) Shares of Series A are no longer outstanding.

NNN declared and paid dividends to its Series C Preferred stockholders of $6,785,000 or $1.84375 per depository share during each of the years ended December 31, 2009, 2008 and 2007. The Series C Preferred Stock has no maturity date and will remain outstanding unless redeemed.

Note 16 Restructuring Costs:

During the year ended December 31, 2009, NNN recorded restructuring costs of $731,000, related to the reduction of its workforce in January 2009.

Note 17 Income Taxes:

In June 2006, the FASB issued guidance, which clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with FASB guidance included in *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 the FASB guidance 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 the FASB guidance. In addition, NNN did not record a cumulative effect adjustment related to the adoption of the FASB guidance.

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 2006 through 2009. NNN also files in many states with varying open years under statute.

NNN incurred a new deferred income tax item as a result of NNN taking over the operations of the 12 auto service businesses. See Note 5 Business Combinations. The new deferred tax item is goodwill. The amount of the tax deductible goodwill is approximately $11,216,000. It is amortized for tax purposes using a straight-line method, over 15 years, beginning with the month incurred.

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, 2009, 2008 and 2007, 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 consist of the following at December 31 (dollars in thousands):

	2009	2008
Temporary differences:		
Built-in gain	$ (4,731)	$ (5,195)
Depreciation	(385)	(723)
Other	1,992	(332)
Reserves	10,892	1,894
Goodwill	2,801	-
Excess interest expense carryforward	5,678	5,721
Net operating loss carryforward	4,484	2,717
Net deferred income tax asset	$ 20,731	$ 4,082
Current income tax asset	551	982
Subtotal: Income tax asset	21,282	5,064
Valuation allowance	(14,900)	-
Income tax asset	$ 6,382	$ 5,064

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 begin to expire in 2027. Based upon the level of historical taxable income, projections for future taxable income, and tax strategies available to NNN over the periods in which the deferred tax assets are deductible, management believes, with the exception of certain impairments and losses, it is more likely than not that NNN will realize all of the benefits of these deductible differences that existed as of December 31, 2009. NNN believes it is more likely than not that the benefit from certain impairment charges and losses will not be realized. In recognition of this risk, NNN has provided a valuation allowance of $14,900,000 on the deferred tax assets relating to the impairments and losses. The income tax benefit consists of the following components for the years ended December 31 (as adjusted) (dollars in thousands):

	2009	2008	2007
Net earnings before income taxes	$ 53,930	$ 113,859	$ 151,338
Provision for income tax benefit (expense):			
Current:			
Federal	(419)	(1,936)	(1,120)
State and local	(79)	(364)	(209)
Deferred:			
Federal	1,110	4,539	3,570
State and local	268	1,055	1,020

Total benefit for income taxes	880	3,294	3,261
Net earnings attributable to NNN s stockholders	$ 54,810	$ 117,153	$ 154,599

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Note 18 Earnings from Discontinued Operations:

Real Estate Investment Portfolio NNN classified the revenues and expenses related to (i) all Investment Properties that were sold and leasehold interests which expired, and (ii) all Investment Properties that were held for sale as of December 31, 2009, 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):

	2009	2008	2007
Revenues:			
Rental income from operating leases	$ 3,826	$ 4,513	$ 11,492
Earned income from direct financing leases	-	100	2,695
Percentage rent	-	25	189
Real estate expense reimbursement from tenants	182	176	479
Interest and other income from real estate transactions	121	434	437
	4,129	5,248	15,292
Operating expenses:			
General and administrative	4	(74)	(42)
Real estate	742	520	755
Depreciation and amortization	1,209	940	1,518
Impairments real estate	4,306	1,730	710
	6,261	3,116	2,941
Earnings (loss) before gain on disposition of real estate	(2,132)	2,132	12,351
Gain on disposition of real estate	2,392	9,980	56,625
Earnings from discontinued operations attributable to NNN	$ 260	$ 12,112	$ 68,976

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Real Estate Inventory Portfolio NNN has classified as discontinued operations the revenues and expenses related to (i) Inventory Properties which generated rental revenues prior to disposition, and (ii) Inventory Properties which generated rental revenues and were held for sale as of December 31, 2009. 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):

	2009	2008	2007
Revenues:			
Rental income from operating leases	$ 4,975	$ 8,646	$ 7,971
Percentage rent	-	139	-
Real estate expense reimbursement from tenants	1,513	867	976
Interest and other from real estate transactions	141	561	224
	6,629	10,213	9,171
Disposition of real estate:			
Gross proceeds	5,402	151,713	164,338
Costs	(4,844)	(139,069)	(152,537)
Gain	558	12,644	11,801
Operating expenses:			
General and administrative	116	22	53
Real estate	2,169	1,468	1,511
Depreciation and amortization	323	226	68
Impairments real estate	2,094	2,696	844
	4,702	4,412	2,476
Other expenses (revenues):			
Interest and other income	-	(8)	(5)
Interest expense	3,790	5,291	3,928
	3,790	5,283	3,923
Earnings (loss) before income tax expense	(1,305)	13,162	14,573
Income tax expense	246	3,885	5,039
Earnings (loss) from discontinued operations including noncontrolling interests	(1,551)	9,277	9,534
Earnings attributable to noncontrolling interests	(47)	(2,927)	(1,299)
Earnings (loss) from discontinued operations attributable to NNN	$ (1,598)	$ 6,350	$ 8,235

Note 19 Derivatives:

In accordance with the guidance on derivatives and hedging, 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. 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 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.

In February 2008, NNN terminated its interest rate hedge with a notional amount of $100,000,000 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 hedge when terminated was a liability of $804,000, which NNN recorded as a loss on interest rate hedge.

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.

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, 2009, $549,000 remains in other comprehensive income related to the fair value of the interest rate hedges. During the year ended December 31, 2009, 2008 and 2007, NNN reclassed $159,000, $162,000 and $309,000, respectively, out of other comprehensive income as a reduction to interest expense. During 2010, NNN estimates that an additional $165,000 will be reclassified in 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.

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, 2009.

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Note 20 Performance Incentive Plan:

In June 2007, NNN filed a registration statement on Form S-8 with the 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		
	2009	2008	2007
Outstanding, January 1	77,004	118,804	236,371
Options granted	-	-	-
Options exercised	(51,500)	(28,000)	(82,767)
Options surrendered	(13,350)	(13,800)	(34,800)
Outstanding, December 31	12,154	77,004	118,804
Exercisable, December 31	12,154	77,004	118,804

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

	2009	2008	2007
Outstanding, January 1	$ 14.00	$ 13.64	$ 14.92
Granted during the year	-	-	-
Exercised during the year	13.72	11.17	16.12
Outstanding, December 31	13.72	14.00	13.64
Exercisable, December 31	13.72	14.00	13.64

The following summarizes the outstanding options and the exercisable options at December 31, 2009:

	Total
Outstanding options:	
Number of shares	12,154
Weighted-average exercise price	$ 13.72
Weighted-average remaining contractual life in years	2.4
Exercisable options:	
Number of shares	12,154
Weighted-average exercise price	$ 13.72

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, 2009, the intrinsic value of options outstanding was $117,000. All options outstanding at December 31, 2009, were exercisable. During the years ended December 31, 2009, 2008 and 2007, NNN received proceeds totaling $707,000, $313,000 and $1,334,000, 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 years ended December 31, 2009, 2008 and 2007, was $240,000, $327,000 and $664,000, respectively.

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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, 2009, of such grants.

	Number of Shares	Weighted Average Share Price
Non-vested restricted shares, January 1	508,840	$ 18.24
Restricted shares granted	262,546	16.34
Restricted shares vested	(103,376)	21.77
Restricted shares forfeited	-	
Non-vested restricted shares, December 31	668,010	$ 16.95

During the years ended December 31, 2008 and 2007, NNN cancelled 2,520 and 8,600 forfeited shares, respectively, of restricted stock. No shares were cancelled in 2009.

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.

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 calculated by a third party using a lattice model with the following assumptions: (i) risk free interest rate of 4.80%, (ii) a dividend rate of 5.30%, (iii) a term of five years, and (iv) volatility of 17.50%. 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, 2008, NNN granted 81,330 performance based shares with a weighted average grant price of $8.00 to certain executive officers of NNN. The compensation expense for the grant is based upon fair market value of the grant calculated by a third party using a lattice model with the following assumptions: (i) risk free rate of 3.48%, (ii) a dividend rate of 6.50%, (iii) a term of five years, and (iv) a volatility of 19.89%. Volatility is based upon the historical volatility of NNN s stock and other factors. The vesting of these shares is contingent upon the achievement of certain performance goals by January 1, 2013.

The following summarizes other grants made during the year ended December 31, 2009, pursuant to the 2007 Plan.

	Shares	Weighted Average Share Price
Other share grants under the 2007 Plan:		
Directors fees	6,594	$ 17.89
Deferred Directors fees	41,604	17.95
	48,198	$ 17.94
Shares available under the 2007 Plan for grant, end of period	5,272,513	

The total compensation cost for share-based payments for the years ended December 31, 2009, 2008 and 2007, totaled $4,172,000, $3,341,000 and $2,583,000, respectively, of such

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compensation expense. At December 31, 2009, NNN had $7,149,000 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 3.3 years.

Note 21 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, mortgages, notes and other receivables, mortgages payable and other liabilities at December 31, 2009 and 2008, approximate fair value based upon current market prices of similar issues. At December 31, 2009 and 2008, the carrying value and fair value of NNN s notes payable and convertible notes payable, collectively, was $987,275,000 and $709,944,000, respectively, based upon the quoted market price.

Note 22 Quarterly Financial Data (unaudited):

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

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues as originally reported	$ 57,963	$ 58,681	$ 57,035	$ 57,750
Reclassified to discontinued operations	367	(297)	301	-
Adjusted revenue	$ 58,330	$ 58,384	$ 57,336	$ 57,750
Net earnings (loss) attributable to NNN s stockholders	$ 26,804	$ 26,954	$ 22,443	$ (21,391)
Net earnings (loss) per share(1):				
Basic	$ 0.32	$ 0.32	$ 0.26	$ (0.28)
Diluted	0.32	0.32	0.26	(0.28)
2008				
Revenues as originally reported	$ 55,200	$ 57,026	$ 58,573	$ 57,244
Reclassified to discontinued operations	(878)	(81)	841	210
Adjusted revenue	$ 54,322	$ 56,945	$ 59,414	$ 57,454
Net earnings attributable to NNN s stockholders	$ 32,239	$ 29,266	$ 28,766	$ 26,882
Net earnings per share(1):				
Basic	$ 0.42	$ 0.38	$ 0.37	$ 0.32
Diluted	0.42	0.38	0.37	0.32

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

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Note 23 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, 2009, 2008 and 2007 (as adjusted) (dollars in thousands):

2009	Investment Assets	Inventory Assets	Eliminations (Intercompany)	Consolidated Totals
External revenues	$ 224,083	$ 193	$ -	$ 224,276
Intersegment revenues	3,035	1,042	(4,077)	-
Interest revenue	4,615	31	-	4,646
Interest revenue on Residuals	4,252	-	-	4,252
Gain on the disposition of real estate, Inventory Portfolio	-	5	32	37
Retail operations, net	419	-	-	419
Interest expense	66,018	188	(4,055)	62,151
Depreciation and amortization	46,759	10	-	46,769
Operating expenses	30,382	5,078	-	35,460
Impairments real estate	21,401	6,713	-	28,114
Impairment commercial mortgage residual interests valuation adjustment	498	-	-	498
Restructuring costs	731	-	-	731
Equity in earnings of unconsolidated affiliate	(12,280)	-	12,701	421
Loss on note receivable foreclosure	(7,196)	-	-	(7,196)
Gain on extinguishment of debt	3,432	-	-	3,432
Income tax benefit	495	631	-	1,126
Earnings (loss) from continuing operations	55,066	(10,087)	12,711	57,690
Earnings from discontinued operations, net of income tax expense	260	(1,551)	-	(1,291)
Earnings (loss) including noncontrolling interests	55,326	(11,638)	12,711	56,399
Earnings attributable to noncontrolling interests from continuing operations	(516)	(1,026)	-	(1,542)
Earnings attributable to noncontrolling interests from discontinued operations	-	(47)	-	(47)
Net earnings attributable to NNN	$ 54,810	$ (12,711)	$ 12,711	$ 54,810
Assets	$ 2,588,408	$ 237,715	$ (235,161)	$ 2,590,962
Additions to long-lived assets:				
Real estate	$ 44,433	$ 2,457	$ -	$ 46,890

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2008	Investment Assets	Inventory Assets	Eliminations (Intercompany)	Consolidated Totals
External revenues	$ 218,692	$ 176	$ -	$ 218,868
Intersegment revenues	12,727	606	(13,333)	-
Interest revenue	8,351	28	-	8,379
Interest revenue Residuals	4,636	-	-	4,636
Gain on the disposition of real estate, Inventory Portfolio	-	(308)	329	21
Interest expense	69,763	7,442	(13,241)	63,964
Depreciation and amortization	44,139	42	-	44,181
Operating expenses	25,347	9,538	-	34,885
Impairments real estate	1,234	-	-	1,234
Impairments commercial mortgage residual interests valuation adjustment	758	-	-	758
Equity in earnings of unconsolidated affiliates	(2,785)	-	3,149	364
Loss on derivative instrument	(804)	-	-	(804)
Gain on extinguishment of debt	4,961	-	-	4,961
Income tax benefit	1,331	5,848	-	7,179
Earnings (loss) from continuing operations	105,868	(10,672)	3,386	98,582
Earnings from discontinued operations, net of income tax expense	12,112	9,277	-	21,389
Earnings (loss) including noncontrolling interests	117,980	(1,395)	3,386	119,971
Loss (earnings) attributable to noncontrolling interests from continuing operations	(827)	936	-	109
Earnings attributable to noncontrolling interests from discontinued operations	-	(2,927)	-	(2,927)
Net earnings attributable to NNN	$ 117,153	$ (3,386)	$ 3,386	$ 117,153
Assets	$ 2,650,040	$ 128,916	$ (129,485)	$ 2,649,471
Additions to long-lived assets:				
Real estate	$ 352,618	$ 33,745	$ -	$ 386,363

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2007	Investment Assets	Inventory Assets	Eliminations (Intercompany)	Consolidated Totals
External revenues	$ 170,054	$ 327	$ -	$ 170,381
Intersegment revenues	15,851	-	(15,851)	-
Interest revenue	8,858	40	-	8,898
Interest revenue on Residuals	4,882	-	-	4,882
Gain on the disposition of real estate, Inventory Portfolio	-	(512)	844	332
Interest expense	58,193	8,502	(14,849)	51,846
Depreciation and amortization	31,232	108	-	31,340
Operating expenses	23,733	7,637	-	31,370
Impairments real estate	288	128	-	416
Impairments commercial mortgage residual interests valuation adjustment	638	-	-	638
Equity in earnings of unconsolidated affiliates	(1,700)	-	1,749	49
Income tax benefit	2,451	5,849	-	8,300
Earnings (loss) from continuing operations	86,312	(10,671)	1,591	77,232
Earnings from discontinued operations, net of income tax expense	68,976	9,534	-	78,510
Earnings including noncontrolling interests	155,288	(1,137)	1,591	155,742
Loss (earnings) attributable to noncontrolling interests from continuing operations	(689)	845	-	156
Earnings attributable to noncontrolling interests from discontinued operations	-	(1,299)	-	(1,299)
Net earnings attributable to NNN	$ 154,599	$ (1,591)	$ 1,591	$ 154,599
Assets	$ 2,519,428	$ 263,368	$ (243,124)	$ 2,539,672
Additions to long-lived assets:				
Real estate	$ 677,101	$ 165,160	$ -	$ 842,261

Note 24 Fair Value Measurements:

NNN currently values its Residuals based upon an independent valuation which provides a discounted cash flow analysis based upon prepayment speeds, expected loan losses and yield curves. These valuation inputs are generally considered unobservable; therefore, the Residuals are considered Level 3 financial assets. The table below presents a reconciliation of the Residuals during the year ended December 31, 2009 (dollars in thousands):

Balance at beginning of period	$ 22,000
Total gains (losses) realized/unrealized:	
Included in earnings	(498)
Included in other comprehensive income	(1,640)
Interest income on Residuals	4,252
Cash received from Residuals	(3,961)
Purchases, sales, issuances and settlements, net	-
Transfers in and/or out of Level 3	-
Balance at end of period	$ 20,153

Changes in gains (losses) included in earnings attributable to a change in unrealized gains (losses) relating to assets still held at the end of period	$	9

Note 25 Major Tenants:

As of December 31, 2009, NNN did not have any tenant that accounted for ten percent or more of its rental and earned income.

Note 26 Commitments and Contingencies:

As of December 31, 2009, NNN had letters of credit totaling $653,000 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.

Note 27 Subsequent Events:

NNN reviewed all subsequent events and transactions that have occurred after December 31, 2009, the date of the consolidated balance sheet, through February 25, 2010, the date of filing this Annual Report on Form 10-K. Other than included herein, there were no subsequent events or transactions.

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 Financing Reporting.

NNN carried out an assessment as of December 31, 2009, 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 Securities and Exchange Commission (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 stockholders 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.

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, 2009, 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, 2009, NNN s internal control over financial reporting was effective.

Attestation Report of the Registered Public Accounting Firm.

Ernst & Young LLP, NNN s independent registered public accounting firm, audited the financial statements included in this Annual Report on Form 10-K and has issued an attestation report on NNN s 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, 2009, 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.

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.

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 Relationships and Related 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 Proposal II: Proposal to Ratify Independent Registered Public Accounting Firm, and the information in such sections are incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

(1) FinancialStatements

(2) FinancialStatement Schedules

Schedule III Real Estate and Accumulated Depreciation and Amortization and Notes as of December 31, 2009

Schedule IV Mortgage Loans on Real Estate and Notes as of December 31, 2009

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 Bylaws

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 and filed with the Securities and Exchange Commission on 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 Registration Statement on 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 and filed with the Securities and Exchange Commission on May 1, 2006, and incorporated herein by reference; second amendment filed as Exhibit 3.1 to

the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2007, and incorporated herein by reference).

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 filed with the Securities and Exchange Commission 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 Registration Statement on 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. 3 dated September 20, 2000, by and among Registrant and First Union National Bank, Trustee, relating to $20,000,000 of 8.5% Notes due 2010 (filed as Exhibit 4.2 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).

4.4 Form of 8.5% Notes due 2010 (filed as Exhibit 4.3 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).

4.5 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 and filed with the Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).

4.6 Form of 7.75% Notes due 2012 (filed as Exhibit 4.3 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).

4.7 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 filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).

4.8 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 filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).

4.9	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 filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).
4.10	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 filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).
4.11	Seventh Supplemental Indenture, dated as of September 13, 2006, between National Retail Properties, Inc. and U.S. Bank National Association relating to 3.95% Convertible Senior Notes due 2026 (filed as Exhibit 4.1 to the Registrant s Current Report on Form 8-K dated September 7, 2006 and filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).
4.12	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 filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).
4.13	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 Registration Statement on Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference).
4.14	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 Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2006, and incorporated herein by reference).
4.15	Form of Supplemental Indenture No. 8 between National Retail Properties, Inc. and U.S. Bank National Association relating to 6.875% Notes due 2017 (filed as Exhibit 4.1 to Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).
4.16	Form of 6.875% Notes due 2017 (filed as Exhibit 4.2 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).
4.17	Form of Ninth Supplemental Indenture between National Retail Properties, Inc. and U.S. Bank National Association relating to 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.1 to Registrants Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).

	4.18	Form of 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.2 to the Registrant s Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).
10.	Material Contracts	
	10.1	2007 Performance Incentive Plan (filed as Annex A to the Registrant s 2007 Annual Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2007, 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 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2005, and incorporated herein by reference).
	10.3	Employment Agreement dated as of December 1, 2008, between the Registrant and Craig Macnab (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
	10.4	Employment Agreement dated as of December 1, 2008, between the Registrant and Julian E. Whitehurst (filed as Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
	10.5	Employment Agreement dated as of December 1, 2008, between the Registrant and Kevin B. Habicht (filed as Exhibit 10.3 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
	10.6	Employment Agreement dated as of December 1, 2008, between the Registrant and Paul E. Bayer (filed as Exhibit 10.5 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
	10.7	Employment Agreement dated as of December 1, 2008, between the Registrant and Christopher P. Tessitore (filed as Exhibit 10.4 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
	10.8	Form of Indemnification Agreement (as entered into between the Registrant and each of its directors and executive officers) (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 12, 2009, and incorporated herein by reference).
	10.9	Eighth Amended and Restated Line of Credit and Security Agreement, dated December 13, 2005, by and among the Registrant, certain lenders and Wachovia Bank, N.A., as the Agent (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on December 15, 2005, and incorporated herein by reference).

	10.10	First Amendment to Eighth Amended and Restated Line of Credit and Security Agreement, dated February 20, 2007, by and among the Registrant, certain lenders and Wachovia Bank, N.A., as the Agent (filed as Exhibit 10.8 to the Registrant s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2007, and incorporated herein by reference).
	10.11	Credit Agreement, dated as of November 3, 2009, by and among the Registrant, certain lenders and Wells Fargo Bank, National Association, as the Administrative Agent (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2009, and incorporated herein by reference).
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 25, 2010 (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).
	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).

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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 25th day of February, 2010.

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.

POWER OF ATTORNEY

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
/s/ Craig Macnab Craig Macnab	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 25, 2010
/s/ Ted B. Lanier Ted B. Lanier	Lead Director	February 25, 2010
/s/ Don DeFosset Don DeFosset	Director	February 25, 2010
/s/ Dennis E. Gershenson Dennis E. Gershenson	Director	February 25, 2010
/s/ Richard B. Jennings Richard B. Jennings	Director	February 25, 2010
/s/ Robert C. Legler Robert C. Legler	Director	February 25, 2010
/s/ Robert Martinez	Director	February 25, 2010

Robert Martinez		
/s/ Kevin B. Habicht Kevin B. Habicht	Director, Chief Financial Officer (Principal Financial and Accounting Officer), Executive Vice President, Assistant Secretary and Treasurer	February 25, 2010

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Exhibit Index

3. Articles of Incorporation and Bylaws

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 and filed with the Securities and Exchange Commission on 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 Registration Statement on 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 and filed with the Securities and Exchange Commission on May 1, 2006, and incorporated herein by reference; second amendment filed as Exhibit 3.1 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2007, and incorporated herein by reference).

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 filed with the Securities and Exchange Commission 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 Registration Statement on 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. 3 dated September 20, 2000, by and among Registrant and First Union National Bank, Trustee, relating to $20,000,000 of 8.5% Notes due 2010 (filed as Exhibit 4.2 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).

4.4 Form of 8.5% Notes due 2010 (filed as Exhibit 4.3 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).

4.5 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 and filed with the Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).

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4.6	Form of 7.75% Notes due 2012 (filed as Exhibit 4.3 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).
4.7	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 filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).
4.8	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 filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).
4.9	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 filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).
4.10	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 filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).
4.11	Seventh Supplemental Indenture, dated as of September 13, 2006, between National Retail Properties, Inc. and U.S. Bank National Association relating to 3.95% Convertible Senior Notes due 2026 (filed as Exhibit 4.1 to the Registrant s Current Report on Form 8-K dated September 7, 2006 and filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).
4.12	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 filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).
4.13	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 Registration Statement on Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference).
4.14	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 Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2006, and incorporated herein by reference).

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4.15 Form of Supplemental Indenture No. 8 between National Retail Properties, Inc. and U.S. Bank National Association relating to 6.875% Notes due 2017 (filed as Exhibit 4.1 to Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).

4.16 Form of 6.875% Notes due 2017 (filed as Exhibit 4.2 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).

4.17 Form of Ninth Supplemental Indenture between National Retail Properties, Inc. and U.S. Bank National Association relating to 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.1 to Registrants Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).

4.18 Form of 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.2 to the Registrant s Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).

10. Material Contracts

10.1 2007 Performance Incentive Plan (filed as Annex A to the Registrant s 2007 Annual Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2007, 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 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2005, and incorporated herein by reference).

10.3 Employment Agreement dated as of December 1, 2008, between the Registrant and Craig Macnab (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

10.4 Employment Agreement dated as of December 1, 2008, between the Registrant and Julian E. Whitehurst (filed as Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

10.5 Employment Agreement dated as of December 1, 2008, between the Registrant and Kevin B. Habicht (filed as Exhibit 10.3 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

10.6 Employment Agreement dated as of December 1, 2008, between the Registrant and Paul E. Bayer (filed as Exhibit 10.5 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

10.7 Employment Agreement dated as of December 1, 2008, between the Registrant and Christopher P. Tessitore (filed as Exhibit 10.4 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

10.8 Form of Indemnification Agreement (as entered into between the Registrant and each of its directors and executive officers) (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 12, 2009, and incorporated herein by reference).

10.9 Eighth Amended and Restated Line of Credit and Security Agreement, dated December 13, 2005, by and among the Registrant, certain lenders and Wachovia Bank, N.A., as the Agent (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on December 15, 2005, and incorporated herein by reference).

10.10 First Amendment to Eighth Amended and Restated Line of Credit and Security Agreement, dated February 20, 2007, by and among the Registrant, certain lenders and Wachovia Bank, N.A., as the Agent (filed as Exhibit 10.8 to the Registrant s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2007, and incorporated herein by reference).

10.11 Credit Agreement, dated as of November 3, 2009, by and among the Registrant, certain lenders and Wells Fargo Bank, National Association, as the Administrative Agent (filed as Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2009, and incorporated herein by reference).

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 25, 2010 (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).

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NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION

December 31, 2009

(Dollars in thousands)

		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						Life on Whic
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciation Amortization Latest Incom Statement is Computed
l Estate Held for estment the Company Invested in Under erating Leases:												
leven:												
d O es, FL		1,077	817			1,077	817	1,894	224	1999	10/98 (g)	40 yea
npa, FL		1,081	917			1,081	917	1,998	248	1999	12/98 (g)	40 yea
C. Moore s & fts, Inc.:												
ver, NJ		1,138	3,238			1,138	3,238	4,376	901	1995	11/98	40 yea
ademy:												
adena,		900	2,181			900	2,181	3,081	588	1994	03/99	40 yea
umont,		1,424	2,449			1,424	2,449	3,873	661	1992	03/99	40 yea
uston, TX		2,311	1,628			2,311	1,628	3,939	439	1976	03/99	40 yea
nklin, TN		1,807	2,108			1,807	2,108	3,915	319	1999	06/05	30 yea
e dware hting:												
rbonnais,		298	1,329			298	1,329	1,627	300	1997	11/98	37 yea
vance o Parts:												
ami, FL		867		1,035		867	1,035	1,902	118	2005	12/04 (g)	40 yea
erican day ns:												
Moines,		108	379			108	379	487	43	1979	06/05	40 yea
erUs oup												

rehouse:										
Moines,	28	85		28	85	113	39	1949	06/05	10 yea
oco:										
ami, FL	969			969	(i)	969	(i)	(i)	05/03	
rise, FL	949			949	(i)	949	(i)	(i)	06/03	
scot:										
npa, FL	1,160	352		1,160	352	1,512	37	1981	10/05	40 yea
ando, FL	764		866	764	866	1,630	78	2006	12/05	40 yea
ando, FL	664	1,011		664	1,011	1,675	81	2006	12/05	40 yea
ando, FL	358		922	358	922	1,280	80	2006	02/06 (g)	40 yea
ando, FL	546		938	546	938	1,484	79	2006	02/06 (g)	40 yea
arwater,	456	332		456	332	788	27	1967	09/06 (g)	40 yea
olebee s:										
dwin, MO	1,496	1,404		1,496	1,404	2,900	282	1995	12/01	40 yea
y s:										
itmore e, MI	171	469		171	469	640	94	1993	12/01	40 yea
shington urthouse,	157	546		157	546	703	110	1998	12/01	40 yea
orado ings,	206	534		206	534	740	107	1998	12/01	40 yea
omson,	268	504		268	504	772	101	1997	12/01	40 yea
zona Oil:										
ria, AZ	860	1,117		860	1,117	1,977	60	1987	05/08	30 yea
son, AZ	1,105	1,336		1,105	1,336	2,441	62	1992	05/08	35 yea
scott, AZ	1,266	1,261		1,266	1,261	2,527	59	1997	05/08	35 yea
ona, AZ	1,281	1,324		1,281	1,324	2,605	54	2000	05/08	40 yea
bert, AZ	1,317	1,304		1,317	1,304	2,621	61	1996	05/08	35 yea

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 (a) (b)						Life on Wh
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciatio Amortizatio Latest Inco Statement Compute
n, AZ		1,083	1,599			1,083	1,599	2,682	74	1992	05/08	35 y
AZ		1,332	1,367			1,332	1,367	2,699	74	1986	05/08	30 y
dale,		1,529	1,373			1,529	1,373	2,902	64	1999	05/08	35 y
i, AZ		762	2,148			762	2,148	2,910	100	1998	05/08	35 y
n, AZ		1,457	1,619			1,457	1,619	3,076	75	1995	05/08	35 y
n, AZ		1,223	1,911			1,223	1,911	3,134	89	1996	05/08	35 y
ale, AZ		1,817	2,415			1,817	2,415	4,232	98	2001	05/08	40 y
Grande,		2,340	1,894			2,340	1,894	4,234	88	1993	05/08	35 y
AZ		2,219	2,140			2,219	2,140	4,359	87	2000	05/08	40 y
y ure:												
onte gs,		2,906	4,877	315		2,906	5,192	8,098	1,564	1997	09/97	40 y
ville,		1,667	4,989			1,667	4,989	6,656	598	2005	03/05	40 y
s R Us:												
gton, TX		831	2,612			831	2,612	3,443	882	1996	06/96	40 y
endence,		1,679	2,302	115		1,679	2,417	4,096	472	1996	12/01	40 y
s & :												
on, FL		1,476	1,527			1,476	1,527	3,003	572	1995	08/94 (f)	40 y
ale, CO		3,245	2,722			3,245	2,722	5,967	1,038	1994	09/94	40 y
on, TX		3,308	2,396			3,308	2,396	5,704	854	1995	10/94 (f)	40 y
tion, FL	4,677 (p)	3,616				3,616	(c)	3,616	(c)	1996	05/95 (f)	
old, NJ		2,917	2,261			2,917	2,261	5,178	787	1995	01/96	40 y
n, OH		1,413	3,325			1,413	3,325	4,738	1,026	1996	05/97	40 y
ng, CA		497	1,626			497	1,626	2,123	510	1997	06/97	40 y
phis, TN		1,574	2,242			1,574	2,242	3,816	332	1997	09/97	40 y
on, NJ		2,831	4,319			2,709	4,319	7,028	1,201	1995	11/98	40 y
tt ure:												
ew ts, IL		1,258	2,623			1,258	2,623	3,881	276	1980	10/05	40 y
:												
ota, FL		1,078	1,795			1,078	1,795	2,873	278	1996	09/97	40 y
iful ica Dry ers:												
do, FL	52 (o)	40	111			40	111	151	16	2001	02/04	40 y

ath & nd:											
nond,	2,680 (p)	1,184	2,843		1,184	2,843	4,027	539	1997	06/98	40 y
ale, AZ		1,082		2,758	1,082	2,758	3,840	721	1999	12/98 (g)	40 y
nd, MI		231		2,702	231	2,702	2,933	212	2006	07/03	40 y
Buy:											
on, FL		2,985	2,772		2,985	2,772	5,757	892	1996	02/97	40 y
noga OH		3,709	2,359		3,709	2,359	6,068	740	1970	06/97	40 y
ville,		6,233	3,419		6,233	3,419	9,652	1,065	1995	07/97	40 y
x, VA		3,052	3,218		3,052	3,218	6,270	996	1995	08/97	40 y
tersburg,	4,277 (p)	4,032	2,611		4,032	2,611	6,643	566	1997	09/97	35 y
urg, PA		2,331	2,293		2,331	2,293	4,624	662	1997	06/98	40 y
er, CO		8,882	4,373		8,882	4,373	13,255	934	1991	06/01	40 y
Smoke &											
tstown,		55	200		55	200	255	20	2000	01/06	40 y
Bob s:											
am, OR		817	108		817	108	925	22	1993	12/01	40 y
esale											
do, FL	4,246 (o)	3,271	8,627	367	3,271	8,993	12,264	1,296	2001	02/04	40 y
Fox y y:											
s i, TX		116	137	11	116	148	264	59	1967	11/93	40 y

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on W Depreciati Amortizati Latest Inc Statemen Comput
buster												
rs, GA		320	556			320	556	876	174	1997	06/97	40 y
e, AL		843	562			843	562	1,405	113	1997	12/01	40 y
ow, KY		303	561			303	561	864	113	1997	12/01	40 y
TX		318	578			318	578	896	116	1995	12/01	40 y
sville,		295	612			295	612	907	123	1997	12/01	40 y
ville, TX		499	458	30		499	487	986	94	1995	12/01	40 y
e, AL		491	498			491	498	989	100	1997	12/01	40 y
:												
n, GA		4,434	4,080	6,559		4,504	10,639	15,143	1,169	1984	12/01	40 y
rs:												
ngton,		3,031	6,062			2,994	6,062	9,056	2,277	1994	12/94	40 y
ond,		2,177	2,600			2,177	2,600	4,777	946	1995	06/95	40 y
uderdale,	4,505 (p)	3,165	3,319			3,165	3,319	6,484	763	1995	02/96	33 y
r, ME		1,547	2,487			1,547	2,487	4,034	841	1996	06/96	40 y
onte s,		1,947				1,947	(c)	1,947	(c)	1997	09/97	
gh of tstown:												
tstown,		55	200			55	200	255	20	2000	01/06	40 y
n t:												
n, OH		562	468			562	468	1,030	94	1997	12/01	40 y
MI		836	651			836	298	1,134	65	1995	12/01	40 y
n, MI		620	707			620	707	1,327	142	1997	12/01	40 y
a, IL		1,125	1,037			1,125	893	2,018	182	1996	12/01	40 y
l Park,		562	556			562	377	939	78	1995	12/01	40 y
nsted,		602	461			602	389	991	79	1996	12/01	40 y
s:												
uis, MO		776		3,822		776	3,822	4,598	68	2009	12/07 (m)	40 y
o Wild :												
gan City,		163	492			163	492	655	99	1996	12/01	40 y
oo												

ia, GA	923	1,276		923	1,276	2,199	81	2002	06/07	40 y
ster, NY	792	1,535		792	1,535	2,327	98	1995	06/07	40 y
r King:										
al ts,	662	610		662	610	1,272	123	1997	12/01	40 y
Jr.:										
ne, WA	471	530		471	530	1,001	107	1996	12/01	40 y
n, AZ	681	536	103	681	639	1,320	277	1988	06/05	10 y
ler, AZ	729	644		729	644	1,373	146	1984	06/05	20 y
rs:										
ville,	851	1,059		851	1,059	1,910	213	1986	12/01	40 y
Advance:										
AZ	43	113	251	43	363	406	45	1997	12/01	40 y
ed Auto										
uerque,	1,113		1,419	1,113	1,419	2,532	158	2005	04/04 (f)	40 y

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Wh Depreciatio Amortizatio Latest Inco Statement Compute
pps:												
, TX		1,760	1,724			1,760	1,724	3,484	347	2000	12/01	40 y
retta,		3,033	1,642			3,033	1,642	4,675	330	1999	12/01	40 y
Hut:												
se, FL		287	424			287	424	711	59	1979	05/04	40 y
kers:												
do, FL		257				257	(c)	257	(c)	1988	07/92	
s:												
dgeville,		516	1,997			516	1,997	2,513	214	2005	09/05	40 y
en, SC		627	1,888			627	1,888	2,515	203	2005	09/05	40 y
er, SC		800	1,717			800	1,717	2,517	174	2004	12/05	40 y
ville,		921	1,898			921	1,898	2,819	136	2006	02/07	40 y
y, GA		615		1,984		615	1,984	2,599	110	2007	06/07 (m)	40 y
boro,		703		1,888		703	1,888	2,591	100	2007	06/07 (m)	40 y
nce, SC		889	1,715			889	1,715	2,604	109	2007	06/07	40 y
sta, GA		716		1,871		716	1,871	2,587	95	2007	07/07 (m)	40 y
, GA		454	1,550			454	1,550	2,004	47	2008	06/08 (m)	40 y
, GA		700		1,511		700	1,511	2,211	33	2009	10/08 (m)	40 y
ta, KS		420	623			420	623	1,043	1	1995	12/09	30 y
son City,		305	898			305	898	1,203	1	2003	12/09	35 y
am, KS		853	981			853	981	1,834	1	1998	12/09	30 y
1:												
es, NY		16	87	1		16	88	104	12	1994	09/04	40 y
Wok:												
le, PA		90	107			90	107	197	11	1988	01/06	40 y
Jumper:												
ville, CA		1,557	2,014			1,557	2,014	3,571	405	2000	12/01	40 y
e, AZ		2,531	2,921			2,531	2,921	5,452	587	2000	12/01	40 y
nental l:												
r, MI		88	633			88	633	721	38	2007	10/05	40 y
A bilitation s:												
do, FL	104 (o)	80	221			80	221	301	32	2001	02/04	40 y
us Christi Market:												
us i, TX		224	2,159			224	2,159	2,383	582	1983	03/99	40 y

ntonio,	441			441	(c)	441	(c)	1993	12/93	
ette, LA	968			968	(c)	968	(c)	1995	01/96	
est City,	673	1,103		673	1,103	1,776	381	1996	03/96	40 y
go, TX	1,016	1,449		1,016	1,449	2,465	454	1997	06/97	40 y
er d,	932	881		932	881	1,813	130	1996	09/97	40 y
nworth,	726		1,331	726	1,331	2,057	384	1998	11/97 (g)	40 y
gton, TX	2,079		1,397	2,079	1,397	3,476	397	1998	11/97 (g)	40 y
ville,	789		1,335	789	1,335	2,124	377	1998	04/98 (g)	40 y
t Hill,	692		1,175	692	1,175	1,867	334	1998	04/98 (g)	40 y
nd, TX	1,477		1,400	1,477	1,400	2,877	389	1998	06/98 (g)	40 y

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						Life on Whic Depreciation Amortization Latest Incom Statement is Computed
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	
ahoma y, OK		1,581		1,471		1,581	1,471	3,052	403	1999	08/98 (g)	40 yea
llas, TX		2,618		2,571		2,618	2,571	5,189	399	2003	06/99	40 yea
dstone,)		1,851		1,740		1,851	1,740	3,591	408	2000	12/99 (g)	40 yea
ve & ter s:												
iard, OH		934	4,689			934	4,689	5,623	366	1998	11/06	40 yea
sa, OK		1,862		2,105		1,862	2,105	3,967	50	2009	04/08	40 yea
uwatosa,		5,694				5,694	(e)	5,694	(e)	(e)	12/08	
any s:												
umbus, (n)		428	817			428	817	1,245	164	1997	12/01	40 yea
Miami,		855	151			855	151	1,006	25	1977	09/06	20 yea
thersfield,		884	176			884	176	1,060	29	1978	09/06	20 yea
npa, ID		357	729			357	729	1,086	120	1979	09/06	20 yea
anapolis,		358	767			358	767	1,125	126	1978	09/06	20 yea
rriville,		368	813			368	813	1,181	134	1976	09/06	20 yea
ayette, IN		424	773			416	773	1,189	127	1978	09/06	20 yea
son, AZ		922	290			922	290	1,212	48	1979	09/06	20 yea
arillo,		590	632			590	632	1,222	104	1982	09/06	20 yea
son, CA		1,246	157			1,246	157	1,403	26	1975	09/06	20 yea
pus isti,		345	776	300		345	1,076	1,421	136	1980	09/06	20 yea
rfax, VA		768	683			768	683	1,451	112	1979	09/06	20 yea
eigh, NC		1,094	482			1,094	482	1,576	79	1984	09/06	20 yea
leah, FL		432	175			432	175	607	29	1978	09/06	20 yea
th hland s, TX		500	130			500	130	630	21	1970	09/06	20 yea
llas, TX		497	150			497	150	647	25	1979	09/06	20 yea
arland,		315	334			315	334	649	55	1997	09/06	20 yea
rissant,)		443	238			443	238	681	39	1977	09/06	20 yea
ngton ghts,		470	228			470	228	698	37	1977	09/06	20 yea
		321	377			321	377	698	62	1984	09/06	20 yea

orado ings, CO									
npbell,	460	238	460	238	698	39	1976	09/06	20 yea
chalis,	415	287	415	287	702	47	1977	09/06	20 yea
anapolis,	223	483	223	483	706	79	1979	09/06	20 yea
Worth,	392	314	392	314	706	52	1974	09/06	20 yea
thfield,	401	330	401	330	731	54	1980	09/06	20 yea
vo, UT	519	216	519	216	735	36	1978	09/06	20 yea
eral Way,	543	193	543	193	736	32	1977	09/06	20 yea
bbuck,	350	394	344	394	738	65	1983	09/06	20 yea
mitage,	321	420	321	420	741	69	1980	09/06	20 yea
anapolis,	231	511	231	511	742	84	1974	09/06	20 yea
le Rock,	672	77	672	77	749	13	1979	09/06	20 yea
rdman vnship,	497	258	497	258	755	42	1977	09/06	20 yea
dleburg ghts,	497	260	497	260	757	43	1976	09/06	20 yea
blo, CO	475	302	475	302	777	50	1980	09/06	20 yea
Palm ch, FL	619	161	619	161	780	26	1984	09/06	20 yea
oma, WA	580	201	580	201	781	33	1984	09/06	20 yea
Louis,	520	266	520	266	786	44	1973	09/06	20 yea
xandria,	604	196	604	196	800	32	1981	09/06	20 yea
aha, NE	496	314	496	314	810	52	1994	09/06	20 yea
npano ch, FL	436	394	436	394	830	65	1976	09/06	20 yea
anapolis,	326	511	326	511	837	84	1978	09/06	20 yea
vi, MI	545	305	545	305	850	50	1979	09/06	20 yea
uston, TX	504	348	504	348	852	57	1976	09/06	20 yea
stintown,	466	397	466	397	863	65	1980	09/06	20 yea
ckamas,	468	407	468	407	875	67	1993	09/06	20 yea
rcester,	383	493	383	493	876	81	1978	09/06	20 yea

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						Life on Which Depreciation & Amortization i Latest Incom Statement is Computed
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	
tle Rock, .		703	180			703	180	883	30	1979	09/06	20 year
ianapolis,		310	590			310	590	900	97	1981	09/06	20 year
plewood, N		630	271			630	271	901	45	1983	09/06	20 year
urel, MD		528	379			528	379	907	62	1976	09/06	20 year
field, CT		684	229			684	229	913	38	1976	09/06	20 year
rtland, OR		764	161			764	161	925	27	1977	09/06	20 year
llinsville,		676	283			676	283	959	47	1979	09/06	20 year
rnersville, '		407	557			407	557	964	92	2000	09/06	20 year
lorado rings, CO		585	390			585	390	975	64	1978	09/06	20 year
ise, ID		514	477			514	477	991	73	1983	12/06	20 year
ginia rdens, FL		793	133			793	133	926	20	1977	01/07	20 year
Louis, D		635	303			635	303	938	45	1980	01/07	20 year
ck s orting ods:												
ylor, MI		1,920	3,527			1,920	3,527	5,447	1,172	1996	08/96	40 year
ite rsh, MD		2,681	3,917			2,681	3,917	6,598	1,302	1996	08/96	40 year
llar neral:												
mphis,		266	1,136			266	1,136	1,402	299	1998	12/97	40 year
llar Tree:												
rland, TX		239	626			239	626	865	133	1994	02/94	40 year
pperas ve, TX		242	512	194		242	706	948	181	1972	11/98	40 year
nato s:												
dina, OH		405	464			405	464	869	93	1996	12/01	40 year
Clean y eaners:												
onticello,		20	72			20	72	92	9	1996	03/05	40 year
syhome:												
hoes, NY		59	319	222		59	541	600	51	1994	09/04	40 year
Tapatio ll:												
mmond, .		248	814	62		248	627	875	140	1997	12/01	40 year

terprise nt-A-Car:										
lmington, !	218	327	33	218	360	578	67	1981	12/01	40 year
press Oil ange:										
mingham,	470	695		470	695	1,165	31	2008	02/08 (f)	40 year
elika, AL	547	680		547	680	1,227	32	2006	02/08	40 year
rence, AL	110	381		110	381	491	24	1987	02/08	30 year
ascle oals, AL	168	624		168	624	792	39	1985	02/08	30 year
lena, AL	363	628		363	628	991	29	1998	02/08	40 year
mphis,	402	721		402	721	1,123	19	2001	12/08	40 year
rdova, TN	639	785		639	785	1,424	20	2000	12/08	40 year
keland,	186	489		186	489	675	13	2000	12/08	40 year
rn Lake, S	326	611		326	611	937	18	1998	12/08	35 year
las edes:										
ington,	318	1,680	242	318	1,923	2,241	572	1996	06/96	38 year
mily llar:										
dson ls, NY	51	380		51	380	431	50	1993	09/04	40 year
hoes, NY	96	507	5	96	512	608	67	1994	09/04	40 year
onticello,	96	352		96	352	448	42	1996	03/05	40 year
mous otwear:										
beer, MI	163	835		163	835	998	48	2007	10/05	40 year
ntastic ms:										
en Prairie, N	65	181	81	65	261	326	50	1997	12/01	40 year
zoli s:										
y City, MI	647	634		647	634	1,281	127	1997	12/01	40 year
guson:										
stin, FL	554	1,012	253	554	1,265	1,819	80	2006	03/07	40 year
sh rkets:										
banon, TN	582		2,063	582	2,063	2,645	97	2007	03/07 (m)	40 year
od 4 Less:										
ula Vista,	3,569			3,569	(c)	3,569	(c)	1995	11/98	(

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	Encumbrances	Initial Cost to Company Land	Initial Cost to Company Building, Improvements & Leasehold Interests	Costs Capitalized Subsequent to Acquisition Improvements	Costs Capitalized Subsequent to Acquisition Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b) Land	Gross Amount at Which Carried at Close of Period (a) (b) Building, Improvements & Leasehold Interests	Gross Amount at Which Carried at Close of Period (a) (b) Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Whic Depreciation Amortization Latest Incom Statement is Computed
d Fast:												
np, TX		581	505			581	505	1,086	51	1986	06/07	25 yea
ney, TX		473	654			473	654	1,127	55	1990	06/07	30 yea
ney, TX		545	707			545	707	1,252	60	1989	06/07	30 yea
er, TX		742	546			742	546	1,288	56	1985	06/07	25 yea
ksonville,		660	632			660	632	1,292	107	1976	06/07	15 yea
er, TX		488	831			488	831	1,319	106	1980	06/07	20 yea
sier City,		883	658			883	658	1,541	111	1975	06/07	15 yea
gview,		178	236			178	236	414	30	1977	06/07	20 yea
er, TX		188	329			188	329	517	33	1984	06/07	25 yea
gview,		252	304			252	304	556	31	1983	06/07	25 yea
er, TX		323	283			323	283	606	36	1978	06/07	20 yea
eveport,		361	250			361	250	611	42	1969	06/07	15 yea
Barrel , TX		270	386			270	386	656	39	1986	06/07	25 yea
er, TX		258	419			258	419	677	53	1978	06/07	20 yea
t, TX		272	411			272	411	683	42	1985	06/07	25 yea
gview,		271	431			271	431	702	36	1990	06/07	30 yea
Barrel , TX		242	467			242	467	709	48	1988	06/07	25 yea
wnsboro,		328	385			328	385	713	33	1990	06/07	30 yea
bank, TX		229	494			229	494	723	50	1986	06/07	25 yea
er, TX		302	455			302	455	757	58	1981	06/07	20 yea
er, TX		256	542			256	542	798	69	1980	06/07	20 yea
gview,		426	382			426	382	808	39	1984	06/07	25 yea
er, TX		316	545			316	545	861	46	1989	06/07	30 yea
er, TX		542	403			481	403	884	41	1984	06/07	25 yea
gview,		360	535			360	535	895	54	1983	06/07	25 yea
Vernon,		292	666			292	666	958	68	1990	06/07	25 yea
gview,		403	572			403	572	975	58	1985	06/07	25 yea
h ket:												
nesville,		317	1,248	656		317	1,904	2,221	240	1982	03/99	40 yea
l-On:												
nsonburg,		781	504			781	504	1,285	110	1978	08/05	20 yea
		486	867			486	867	1,353	190	1990	08/05	20 yea

te en, PA										
as, PA	677	1,091		677	1,091	1,768	239	1995	08/05	20 yea
gertown,	142	180		142	180	322	39	1977	08/05	20 yea
leton, PA	2,529	728		2,529	728	3,257	159	2001	08/05	20 yea
e, PA	478	592		356		356		1984	08/05	20 yea
Mary s,	274	261		274	261	535	57	1979	08/05	20 yea
erne, PA	171	415		171	415	586	91	1989	08/05	20 yea
omsburg,	541	146		541	146	687	32	1967	08/05	20 yea
porium,	380	569		380	569	949	124	1996	08/05	20 yea
ersville,	680	582		680	582	1,262	58	1974	01/06	40 yea
tzdale,	541	500		356		356		1977	01/06	15 yea
amerville,	93	272		93	272	365	27	1988	01/06	40 yea
isle, PA	170	202		170	202	372	20	1988	01/06	40 yea
ville, PA	180	359		180	359	539	36	1988	01/06	40 yea
enople,	160	437		160	437	597	43	1988	01/06	40 yea
niture ess:										
ord, GA	1,925	5,035		1,925	5,035	6,960	687	2003	07/04	40 yea
s Family ing:										
Cruces,	947		2,182	947	2,182	3,129	180	2006	01/06 (m)	40 yea
son, AZ	1,156			1,156	(e)	1,156	(e)	(e)	07/06	
ore, OK	939		2,429	939	2,429	3,368	134	2007	03/07 (m)	40 yea
der untain:										
arillo,	1,514	5,781		1,514	5,781	7,295	741	2004	11/04	40 yea
e oleum:										
ky unt, NC	259	1,164		259	1,164	1,423	132	2000	06/05	40 yea
cord, NC	852	1,201		852	1,201	2,053	136	2001	06/05	40 yea
-X hing:										
eral Way,	2,037	1,662	257	2,037	1,919	3,956	519	1994	06/98	40 yea

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 (a) (b)						
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Wh Depreciatio Amortizatio Latest Inc Statemen Comput
n Corral:												
Placid, FL		115	305	44		115	349	464	235	1985	05/85	35 y
, TX		1,138	1,025			1,138	1,025	2,163	206	1994	12/01	40 y
on, FL		1,188	1,339			1,188	1,339	2,527	269	1998	12/01	40 y
e Terrace,		1,330	1,391			1,330	1,391	2,721	280	1997	12/01	40 y
vear Truck &												
City, KS		214	687			214	687	901	156	1989	06/05	20 y
ny, TX		(l)	1,242			(l)	1,242	1,242	76	2007	02/07	40 y
Clips:												
, MI		27	194			27	194	221	11	2007	10/05	40 y
Light nience:												
c, PA		323	309			323	309	632	68	1980	08/05	20 y
Center:												
ille, MN		1,599	1,419			1,599	1,419	3,018	143	1994	08/06	40 y
Kix:												
ras Cove,		204	432	171		204	603	807	155	1972	11/98	40 y
Block:												
ea, IL		46	132	69		46	201	247	39	1997	12/01	40 y
gs:												
doches, TX		397	1,257			397	1,257	1,654	350	1997	11/98	40 y
ys ure:												
do, FL		820	2,441	6		820	2,448	3,268	936	1992	05/93	40 y
water, FL		1,184	2,526	44		1,184	2,570	3,754	1,060	1992	05/93	40 y
cola, FL		633	1,595			603	1,595	2,198	539	1994	06/96	40 y
, MD		1,966	4,221			1,966	4,221	6,187	1,147	1997	12/97	39 y
y Pet:												
hee, GA		175	1,038			175	1,038	1,213	79	1997	12/06	40 y
ial Heights,		160	746			160	746	906	55	1996	01/07	40 y
-Meyers/The Store:												
nore, MD		470	813			470	813	1,283	226	1968	11/98	40 y
Burnie, MD		632	932			632	932	1,564	259	1968	11/98	40 y
it:												
n, AZ		827	305	18		845	305	1,150	70	1974	12/01	40 y
wood Video:												
nati, OH		282	521	279		543	539	1,082	106	1998	12/01	40 y
n, CO		245	732			245	732	977	147	1998	12/01	40 y

Decor:										
his, TN	549	540	364	549	904	1,453	224	1998	12/97	40 y
Depot:										
e, FL	5,149			5,149	(i)	5,149	(i)	(i)	05/03	

See accompanying report of independent registered public accounting firm.

		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						Life on Whi
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciation Amortization Latest Incon Statement Computed
eGoods:												
ax, VA		978	1,414	937		978	2,352	3,330	482	1995	12/95	40 ye
ers:												
pa, FL		784	505			784	505	1,289	101	1993	12/01	40 ye
ana:												
ise, FL		800	253			800	253	1,053	35	1984	05/04	40 ye
Vee:												
oseph,		1,580	2,849			1,580	2,849	4,429	519	1991	09/02	40 ye
House of akes:												
west OK		407				407		407	(i)	(i)	11/00	
eny, IA		693	515			693	515	1,208	78	2002	06/05	30 ye
rance:												
ywood,		193	44	18		116		116		1960	12/05	15 ye
in the												
o, TX		1,055	1,237			1,055	1,237	2,292	140	2001	06/05	40 ye
pson strial:												
Moines,		61	112			61	112	173	26	1973	06/05	20 ye
l lers:												
mond,		955	1,336			955	1,336	2,291	269	1998	12/01	40 ye
don, FL		1,197	1,182			1,197	1,182	2,379	226	2001	05/02	40 ye
onia, GA		1,271	1,216			1,271	1,216	2,487	232	2001	05/02	40 ye
ston, TX		1,676	1,440			1,676	1,440	3,116	253	1999	12/02	40 ye
ercise ess er:												
ndo, FL	48 (o)	37	101			37	101	138	15	2001	02/04	40 ye
s Asian :												
y, TX		67	74			67	74	141	20	1982	03/99	40 ye
nn etc:												
us sti,		818	896	12		818	909	1,727	366	1967	11/93	40 ye

eters,	1,741	5,406	1,741	5,406	7,147	603	2005	06/05 (g)	40 ye
ny no s:									
eaumont,	439	1,363	439	1,363	1,802	274	2000	12/01	40 ye
ock, TX	1,007	1,206	1,007	1,206	2,213	242	1995	12/01	40 ye
sville,	1,370	1,019	1,370	1,019	2,389	205	1994	12/01	40 ye
ul Noize :									
tgomery,	1,418	1,140	1,418	1,044	2,462	218	1999	12/01	40 ye
garoo ess:									
City,	586	645	586	645	1,231	54	1998	08/06	40 ye
ord, NC	666	661	666	661	1,327	56	2000	08/06	40 ye
ord, NC	1,638	1,371	1,638	1,371	3,009	116	2003	08/06	40 ye
nage,	485	354	485	354	839	30	1989	08/06	40 ye
End,	426	516	426	516	942	44	1999	08/06	40 ye
eview,	471	1,451	471	1,451	1,922	122	2006	08/06	40 ye
sonville,	683	1,362	683	1,362	2,045	115	1969	08/06	40 ye

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						Life on Which Depreciation & Amortization in Latest Income Statement is Computed
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	
acksonville, L		807	1,239			807	1,239	2,046	105	1975	08/06	40 year
Destin, FL		1,366	1,192			1,366	1,192	2,558	98	2000	09/06	40 year
Niceville, FL		1,434	1,124			1,434	1,124	2,558	93	2000	09/06	40 year
Kill Devil Hills, NC		490	741			490	741	1,231	59	1995	10/06	40 year
Kill Devil Hills, NC		679	552			679	552	1,231	44	1990	10/06	40 year
nterlachen, L		519	1,500			519	1,500	2,019	67	2007	10/06	40 year
Clarksville, N		521	710			521	710	1,231	54	1999	12/06	40 year
Clarksville, N		276	955			276	955	1,231	73	1999	12/06	40 year
Gallatin, TN		474	757			474	757	1,231	57	1999	12/06	40 year
Midland City, AL		729	2,538			729	2,538	3,267	193	2006	12/06	40 year
Naples, FL		3,195	1,403			3,195	1,403	4,598	107	2001	12/06	40 year
Oxford, MS		440	1,097			440	1,097	1,537	83	1998	12/06	40 year
Columbiana, AL		771	989			771	989	1,760	73	1982	01/07	40 year
Naples, FL		3,162	1,597			3,162	1,597	4,759	115	1995	02/07	40 year
Longs, SC		745	758			745	758	1,503	53	2001	03/07	40 year
Kentwood, LA		985	891			985	891	1,876	62	2001	03/07	40 year
Dothan, AL		774	1,886			774	1,886	2,660	132	2007	03/07	40 year
Naples, FL		2,412	1,589			2,412	1,589	4,001	104	2000	05/07	40 year
Montgomery, AL		666	1,185			666	1,185	1,851	75	1998	06/07	40 year
Cary, NC		1,314	2,125			1,314	2,125	3,439	126	2007	08/07	40 year
Kash n Karry:												
Brandon, FL	3,031 (p)	322	1,222			322	1,222	1,544	190	1983	03/99	40 year
Keg Steakhouse:												
Tacoma, WA		527	795			527	795	1,322	160	1981	12/01	40 year
Lynnwood, VA		1,256	649			1,256	649	1,905	131	1992	12/01	40 year
Bellingham, VA		397	456			397	456	853	92	1981	12/01	40 year
Kerasotes Theatre:												
Michigan City, IN		1,996	8,422			1,996	8,422	10,418	482	2005	09/07	40 year
Machesney Park, IL		3,018	8,770			3,018	8,770	11,788	502	2005	09/07	40 year
New Lenox, L		6,778	10,980			6,778	10,980	17,758	629	2004	09/07	40 year
		6,141	11,624			6,141	11,624	17,765	666	2006	09/07	40 year

Naperville, IL									
Galesburg, IL	1,205	2,441	1,205	2,441	3,646	140	2003	09/07	40 year
Evansville, IN	1,300	4,269	1,300	4,269	5,569	280	1999	09/07	35 year
Bolingbrook, IL	2,937	3,032	2,937	3,032	5,969	232	1994	09/07	30 year
Bloomington, IN	2,338	4,000	2,338	4,000	6,338	367	1987	09/07	25 year
Brighton, CO	1,070	5,491	1,070	5,491	6,561	315	2005	09/07	40 year
Muncie, IN	1,243	5,512	1,243	5,512	6,755	316	2005	09/07	40 year
Castle Rock, CO	2,905	5,002	2,905	5,002	7,907	287	2005	09/07	40 year
Lake Delton, WI	2,063	8,366	2,063	8,366	10,429	468	1999	01/08	35 year
Chicago, IL	7,257	10,955	7,257	10,955	18,212	536	2007	01/08	40 year
Schererville, IN	6,619	14,225	6,619	14,225	20,844	929	1996	01/08	30 year
Quincy, IL	1,297	2,850	1,297	2,850	4,147	159	1982	01/08	35 year
Johnson Creek, WI	1,433	3,932	1,433	3,932	5,365	220	1997	01/08	35 year
KFC:									
Fenton, MO	307	496	307	496	803	264	1985	07/92	33 year
Erie, PA	517	496	517	496	1,013	100	1996	12/01	40 year
Marysville, WA	647	546	647	546	1,193	110	1996	12/01	40 year
Evansville, IN	370	767	370	767	1,137	69	2004	05/06	40 year
Kohl s:									
Florence, AL	818	1,047	818	1,047	1,865	85	2006	06/04	40 year

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 (a) (b)						Life on Whic Depreciation Amortization Latest Incon Statement i Computed
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	
m & Go:												
naha, NE		393	214			393	214	607	49	1979	06/05	20 ye
Fitness:												
nterville, H		2,700		8,572		2,700	8,572	11,272	116	2009	06/08 (m)	40 ye
arren, MI		2,360	6,674			2,360	6,674	9,034	132	2009	07/08 (m)	40 ye
ncinnati, H		5,145		9,011		5,145	9,011	14,156	122	2009	08/08 (m)	40 ye
s argaritas:												
lianapolis,		640	1,107			640	1,107	1,747	211	1996	12/01	40 ye
Champ:												
inesville,		900		1,800		900	1,800	2,700	126	2006	07/05 (m)	40 ye
ksonville,		2,225	3,265			2,225	3,265	5,490	130	2006	08/05	40 ye
ala, FL		846		1,564		846	1,564	2,410	99	2006	02/06 (m)	40 ye
gan s adhouse:												
n Marcos, K		837	1,453			837	1,453	2,290	114	2000	11/06	40 ye
arner bins, GA		905	1,534			905	1,534	2,439	120	2004	11/06	40 ye
elika, AL		1,028	1,753			1,028	1,753	2,781	137	2005	11/06	40 ye
rt Wayne,		1,274	2,110			1,172	2,110	3,282	165	2003	11/06	40 ye
ayrna, TN		1,335	2,047			1,335	2,047	3,382	160	2002	11/06	40 ye
nford, FL		1,678	1,730			1,678	1,730	3,408	135	1999	11/06	40 ye
ckson, TN		1,200	2,246			1,200	2,246	3,446	175	1994	11/06	40 ye
eenwood,		1,341	2,105			1,341	2,105	3,446	164	2000	11/06	40 ye
ke arles, LA		1,285	2,202			1,285	2,202	3,487	172	1998	11/06	40 ye
okeville, J		1,262	2,271			1,262	2,271	3,533	177	1997	11/06	40 ye
rst, TX		1,858	1,916			1,858	1,916	3,774	150	1999	11/06	40 ye
cAllen, K		1,608	2,178			1,608	2,178	3,786	170	2005	11/06	40 ye
ckley, V		1,396	2,405			1,396	2,405	3,801	188	2006	11/06	40 ye
anoke, A		2,302	1,947			2,302	1,947	4,249	152	1998	11/06	40 ye
exandria, A		1,218	3,049			1,218	3,049	4,267	238	1998	11/06	40 ye
uthhaven, S		1,298	1,338			1,298	1,338	2,636	102	2005	12/06	40 ye
		2,519	1,705			2,519	1,705	4,224	130	1995	12/06	40 ye

anklin, I										
we s:										
emphis, I		3,215	9,170	3,215	9,170	12,385	1,731	2001	06/02	40 ye
& T nk:										
rlisle, PA		87	103	87	103	190	10	1988	01/06	40 ye
agic China fé:										
lando, FL	52 (o)	40	111	40	111	151	16	2001	02/04	40 ye
ajestic quors:										
dson ks, TX		361	1,029	361	1,029	1,390	125	1993	02/05	40 ye
Worth, X		611	1,609	611	1,609	2,220	196	1974	02/05	40 ye
Worth, X		988	2,368	988	2,368	3,356	289	1997	02/05	40 ye
Worth, X		1,652	2,018	1,652	2,018	3,670	246	2000	02/05	40 ye
Worth, X		2,505	2,138	2,505	2,138	4,643	261	1988	02/05	40 ye
ffee City, X		1,330	3,858	1,330	3,858	5,188	470	1996	02/05	40 ye
anbury, X		786	1,234	786	1,234	2,020	117	2006	05/05 (g)	40 ye
llas, TX		1,554	1,229	1,554	1,229	2,783	140	1982	06/05	40 ye
llas, TX		2,407	2,299	2,407	2,299	4,706	255	1971	06/05	40 ye
le, TX		648	859	648	859	1,507	55	1970	06/07	40 ye
Worth, X		575	933	575	933	1,508	59	1982	06/07	40 ye
bbock, X		1,293	1,211	1,293	1,211	2,504	74	1983	07/07	40 ye
bbock, X		2,606	2,898	2,606	2,898	5,504	178	1983	07/07	40 ye
attress m:										
ton uge, LA		609	914	609	914	1,523	320	1995	12/95	40 ye
C Sports:										
peer, MI		408	2,086	408	2,086	2,494	120	2007	10/05	40 ye
erchant s res:										
ashington, C		624	578	624	578	1,202	69	1983	03/05	40 ye
ckville, D		1,030	306	1,030	306	1,336	37	1974	03/05	40 ye
wport ws, VA		234	259	234	259	493	31	1986	03/05	40 ye
mpton, A		180	427	180	427	607	51	1986	03/05	40 ye
rfolk, VA		398	508	398	508	906	61	1986	03/05	40 ye
Pueblo ods:										
o Alto, A		2,272	3,405	2,272	3,405	5,677	919	1998	12/98 (f)	40 ye

chaels:										
rfax, VA	986	2,133		986	2,133	3,119	463	1995	12/95	40 ye
apevine, K (n)	1,018	2,067		1,018	2,067	3,085	596	1998	06/98	40 ye
ymouth eeting, PA	2,911	2,595		2,911	2,595	5,506	629	1999	10/98 (g)	40 ye
chael s mily staurant:										
erman, K	233	126	24	233	150	383	21	1969	09/06	20 ye

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	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building, Improvements & Leasehold Interests	Costs Capitalized Subsequent to Acquisition: Improvements	Costs Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b): Land	Gross Amount at Which Carried at Close of Period (a) (b): Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Which Depreciation & Amortization in Latest Income Statement is Computed
Mister Car Wash:												
Plymouth, MN		827	182			827	182	1,009	49	1955	04/07	10 years
West St Paul, MN		836	236			836	236	1,072	32	1972	04/07	20 years
Cedar Rapids, IA		391	816			391	816	1,207	88	1989	04/07	25 years
Brooklyn Park, MN		438	778			438	778	1,216	84	1985	04/07	25 years
Roseville, MN		861	564			861	564	1,425	76	1963	04/07	20 years
Houston, TX		796	678			796	678	1,474	73	1986	04/07	25 years
Edina, MN		894	687			894	687	1,581	93	1985	04/07	20 years
Eden Prairie, MN		865	751			865	751	1,616	102	1984	04/07	20 years
Houston, TX		624	1,108			624	1,108	1,732	100	1988	04/07	30 years
Clive, IA		1,141	935			1,141	935	2,076	127	1983	04/07	20 years
Spokane, WA		1,253	1,146			1,253	1,146	2,399	89	1997	04/07	35 years
Humble, TX		1,204	1,517			1,204	1,517	2,721	117	1993	04/07	35 years
Houston, TX		1,347	1,702			1,347	1,702	3,049	154	1984	04/07	30 years
Houston, TX		1,960	1,145			1,960	1,145	3,105	124	1983	04/07	25 years
Houston, TX		1,846	1,592			1,846	1,592	3,438	173	1983	04/07	25 years
Houston, TX		2,260	1,806			2,260	1,806	4,066	196	1975	04/07	25 years
Anoka, MN		212	214			212	214	426	39	1968	04/07	15 years
Houston, TX		3,193	1,305			3,193	1,305	4,498	101	1995	04/07	35 years
Stillwater, MN		289	214			289	214	503	39	1971	04/07	15 years
Sugarland, TX		3,789	1,972			3,789	1,972	5,761	153	1995	04/07	35 years
St. Cloud, MN		243	391			243	391	634	53	1986	04/07	20 years
Houston, TX		5,126	1,267			5,126	1,267	6,393	98	1995	04/07	35 years
Des Moines, IA		213	476			213	476	689	64	1964	04/07	20 years
Houston, TX		288	466			288	466	754	84	1970	04/07	15 years
Cottage Grove, MN		274	485			274	485	759	52	1992	04/07	25 years
Spokane, WA		214	580			214	580	794	52	1990	04/07	30 years
Des Moines, IA		249	596			249	596	845	54	1990	04/07	30 years
Rochester, MN		1,055	2,327			1,055	2,327	3,382	128	2003	10/07	40 years
Rochester, MN		319	451			319	451	770	25	1994	10/07	40 years
Clearwater, FL		825	765			825	765	1,590	65	1969	11/07	25 years
		1,009	956			1,009	956	1,965	81	1967	11/07	25 years

Vestavia Hills, AL										
Seminole, FL	2,166	1,496		2,166	1,496	3,662	106	1985	11/07	30 years
Mesquite, TX	1,596	2,201		1,596	2,201	3,797	187	1987	11/07	25 years
Birmingham, AL	2,378	2,145		2,378	2,145	4,523	152	1985	11/07	30 years
Tampa, FL	2,993	1,669		2,993	1,669	4,662	142	1969	11/07	25 years
El Paso, TX	664	824		664	824	1,488	42	1991	12/07	40 years
El Paso, TX	988	1,046		988	1,046	2,034	54	1998	12/07	40 years
El Paso, TX	1,424	1,306		1,424	1,306	2,730	89	1986	12/07	30 years
El Paso, TX	1,399	1,468		1,399	1,468	2,867	75	1991	12/07	40 years
El Paso, TX	1,807	2,287		1,807	2,287	4,094	118	1983	12/07	40 years
Mr. E s Music Supercenter:										
Arlington, TX	435	2,300	334	435	2,634	3,069	775	1996	06/96	38 years
Muchas Gracias Mexican Restaurant:										
Salem, OR	556	736		556	736	1,292	148	1996	12/01	40 years
New Covenant Church:										
Augusta, GA	177	674		177	674	851	136	1998	12/01	40 years
Nitlantika:										
Hollywood, FL	386	88	37	238		238		1960	12/05	15 years
Office Depot:										
Arlington, TX	596	1,411		596	1,411	2,007	562	1994	01/94	40 years

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	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building, Improvements & Leasehold Interests	Costs Capitalized Subsequent to Acquisition: Improvements	Costs Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b): Land	Gross Amount at Which Carried at Close of Period (a) (b): Building, Improvements & Leasehold Interests	Gross Amount at Which Carried at Close of Period (a) (b): Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Which Depreciation & Amortization in Latest Income Statement is Computed
Richmond, VA		889	1,948			889	1,948	2,837	662	1996	05/96	40 years
Hartsdale, NY		4,509	2,454			4,509	2,454	6,963	346	1996	09/97	40 years
OfficeMax:												
Cincinnati, OH		543	1,575			543	1,575	2,118	609	1994	07/94	40 years
Evanston, IL		1,868	1,758			1,868	1,758	3,626	640	1995	06/95	40 years
Altamonte Springs, FL		1,690	3,050			1,690	3,050	4,740	1,058	1995	01/96	40 years
Cutler Ridge, FL		989	1,479			989	1,479	2,468	500	1995	06/96	40 years
Sacramento, CA		1,144	2,961			1,144	2,961	4,105	963	1996	12/96	40 years
Salinas, CA		1,353	1,829			1,353	1,829	3,182	589	1995	02/97	40 years
Redding, CA		667	2,182			667	2,182	2,849	684	1997	06/97	40 years
Kelso, WA		868		1,806		868	1,806	2,674	540	1998	09/97 (g)	40 years
Lynchburg, VA		562		1,851		562	1,851	2,413	523	1998	02/98	40 years
Leesburg, FL		640		1,929		640	1,929	2,569	532	1998	08/98	40 years
Tigard, OR		1,540	2,247			1,540	2,247	3,787	625	1995	11/98	40 years
Griffin, GA		685		1,802		685	1,802	2,487	482	1999	11/98 (g)	40 years
Orlando Metro Gymnastics:												
Orlando, FL		428	1,345			428	1,345	1,773	167	2003	01/05	40 years
Palais Royale:												
Sealy, TX		457	504	1,634		462	2,134	2,596	206	1982	03/99	40 years
Patriot Fuels:												
Vinita, OK		72	368			72	368	440	5	1972	07/09	20 years
Pennstar Bank:												
Dallas, PA		214	345			214	345	559	75	1995	08/05	20 years
Pep Boys:												
Jacksonville, FL		810	2,331			810	2,331	3,141	142	1989	11/07	35 years
Roswell, GA		931	2,732			931	2,732	3,663	194	2007	11/07	30 years
Guayama, PR		1,729	2,732			1,729	2,131	3,860	5	1998	11/07	33 years
Reading, PA		1,189	3,367			1,189	2,819	4,008	9	1989	11/07	28 years
Lansing, IL		869	3,440			869	3,440	4,309	209	1993	11/07	35 years
Quakertown, PA		1,129	3,252			1,129	3,252	4,381	197	1995	11/07	35 years
		1,917	2,530			1,917	2,530	4,447	154	1989	11/07	35 years

Las Vegas, NV										
Turnersville, NJ	990	3,494		990	3,494	4,484	247	1986	11/07	30 years
Chicago, IL	1,077	3,756		1,077	3,756	4,833	228	1993	11/07	35 years
Marietta, GA	1,311	3,556		1,311	3,556	4,867	252	1987	11/07	30 years
Cicero, IL	1,341	3,760		1,341	3,760	5,101	228	1993	11/07	35 years
Philadelphia, PA	1,300	3,830		1,300	3,830	5,130	233	1995	11/07	35 years
Cornwell Heights, PA	2,058	3,102		2,058	3,102	5,160	264	1972	11/07	25 years
Joliet, IL	1,506	3,727		1,506	3,727	5,233	226	1993	11/07	35 years
Marlton, NJ	1,608	4,142		1,608	4,142	5,750	293	1983	11/07	30 years
East Brunswick, NJ	2,449	5,026		2,449	5,026	7,475	356	1987	11/07	30 years
Perkins Restaurant:										
Des Moines, IA	256	136		256	136	392	62	1976	06/05	10 years
Des Moines, IA	226	203		226	203	429	92	1976	06/05	10 years
Des Moines, IA	270	218		270	218	488	99	1977	06/05	10 years
Newton, IA	354	402		354	402	756	182	1979	06/05	10 years
Urbandale, IA	377	581		377	581	958	132	1979	06/05	20 years
Pet Paradise:										
Houston, TX	417	2,306		417	2,306	2,723	103	2008	03/08	40 years

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Which Depreciation & Amortization in Latest Income Statement is Computed
Bunnell, FL		316	881			316	881	1,197	38	1997	04/08	40 years
Houston, TX		535		3,426		535	3,426	3,961	61	2009	09/08 (m)	40 years
Charlotte, NC		825		3,231		825	3,231	4,056	37	2009	11/08 (m)	40 years
Davie, FL		1,138	1,069			1,138	1,069	2,207	32	2003	12/08	35 years
Petco:												
Grand Forks, ND		307	910			307	910	1,217	274	1996	12/97	40 years
Petro Express:												
Charlotte, NC		1,025	1,605			1,025	1,605	2,630	145	1986	04/07	30 years
Charlotte, NC		507	698			507	698	1,205	95	1967	04/07	20 years
Lincolnton, NC		723	532			723	532	1,255	48	1989	04/07	30 years
Mineral Springs, NC		678	577			678	577	1,255	39	2002	04/07	40 years
Monroe, NC		421	834			421	834	1,255	65	1997	04/07	35 years
Waxhaw, NC		508	747			508	747	1,255	51	2002	04/07	40 years
Rock Hill, SC		778	727			778	727	1,505	66	1990	04/07	30 years
Charlotte, NC		629	876			629	876	1,505	79	1986	04/07	30 years
Gastonia, NC		745	760			745	760	1,505	51	2003	04/07	40 years
Monroe, NC		709	796			709	796	1,505	62	1999	04/07	35 years
Monroe, NC		857	1,023			857	1,023	1,880	69	2004	04/07	40 years
Conover, NC		917	1,275			917	1,275	2,192	99	1999	04/07	35 years
Gastonia, NC		965	1,228			965	1,228	2,193	95	2001	04/07	35 years
Kings Mountain, NC		1,210	982			1,210	982	2,192	76	1988	04/07	35 years
Charlotte, NC		1,323	870			1,323	870	2,193	79	1982	04/07	30 years
Gastonia, NC		1,070	1,185			1,070	1,185	2,255	92	1990	04/07	35 years
Charlotte, NC		1,037	1,468			1,037	1,468	2,505	114	1997	04/07	35 years
Charlotte, NC		1,030	1,725			1,030	1,725	2,755	156	1983	04/07	30 years
Thomasville, NC		994	1,761			994	1,761	2,755	136	2000	04/07	35 years
Charlotte, NC		1,258	1,560			1,258	1,560	2,818	106	2004	04/07	40 years
		1,197	1,746			1,197	1,746	2,943	158	1987	04/07	30 years

Matthews, NC									
Charlotte, NC	1,340	1,790	1,340	1,790	3,130	139	1998	04/07	35 years
Charlotte, NC	1,293	1,837	1,293	1,837	3,130	166	1987	04/07	30 years
Charlotte, NC	1,291	1,839	1,291	1,839	3,130	166	1988	04/07	30 years
Belmont, NC	1,508	1,622	1,508	1,622	3,130	126	2001	04/07	35 years
Lake Wylie, SC	1,972	1,283	1,972	1,283	3,255	99	2003	04/07	35 years
Fort Mill, SC	1,883	1,559	1,883	1,559	3,442	141	1988	04/07	30 years
Lake Wylie, SC	1,381	2,061	1,381	2,061	3,442	160	1998	04/07	35 years
Charlotte, NC	1,458	2,047	1,458	2,047	3,505	185	1987	04/07	30 years
Charlotte, NC	1,532	1,973	1,532	1,973	3,505	153	1998	04/07	35 years
Hickory, NC	1,975	1,530	1,975	1,530	3,505	118	2002	04/07	35 years
Concord, NC	1,828	1,677	1,828	1,677	3,505	130	2002	04/07	35 years
York, SC	2,306	1,449	2,306	1,449	3,755	112	1999	04/07	35 years
Charlotte, NC	1,778	1,977	1,778	1,977	3,755	178	1992	04/07	30 years
Rock Hill, SC	2,119	1,886	2,119	1,886	4,005	146	1998	04/07	35 years
Statesville, NC	1,886	2,182	1,886	2,182	4,068	169	1999	04/07	35 years
Denver, NC	2,317	1,750	2,317	1,750	4,067	135	1999	04/07	35 years
Charlotte, NC	1,697	2,419	1,697	2,419	4,116	164	2005	04/07	40 years
Charlotte, NC	2,165	1,965	2,165	1,965	4,130	152	1997	04/07	35 years
Concord, NC	2,144	1,986	2,144	1,986	4,130	154	2000	04/07	35 years
Lincolnton, NC	2,359	1,771	2,359	1,771	4,130	137	2000	04/07	35 years
Cornelius, NC	1,653	2,664	1,653	2,664	4,317	206	2000	04/07	35 years
Charlotte, NC	1,810	2,570	1,810	2,570	4,380	174	2004	04/07	40 years
Charlotte, NC	2,316	2,064	2,316	2,064	4,380	160	1996	04/07	35 years
Rock Hill, SC	3,095	1,910	3,095	1,910	5,005	148	1999	04/07	35 years
Fort Mill, SC	3,825	2,554	3,825	2,554	6,379	198	1998	04/07	35 years
Charlotte, NC	2,784	3,720	2,784	3,720	6,504	288	1998	04/07	35 years

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						Life on Whic Depreciation Amortization Latest Incon Statement i Computed
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	
arlotte, NC		429	425			429	425	854	38	1983	04/07	30 yea
astonia, NC		335	545			335	545	880	37	2000	04/07	40 yea
arlotte, NC		1,231	1,214			1,231	1,214	2,445	80	1997	05/07	40 yea
arlotte, NC		1,849	2,280			1,849	2,280	4,129	150	2005	05/07	40 yea
ck Hill, SC		3,108	2,146			3,108	2,146	5,254	141	1999	05/07	40 yea
tSmart:												
icago, IL		2,724	3,566			2,724	3,566	6,290	1,007	1998	09/98	40 yea
er I Imports:												
achorage, AK		928	1,663			928	1,663	2,591	575	1995	02/96	40 yea
emphis, TN		713	822			713	822	1,535	258	1997	09/96 (f)	40 yea
nford, FL		738	803			738	803	1,541	237	1998	06/97 (f)	40 yea
arlingen, TX		317	756			317	756	1,073	193	1999	11/98 (f)	40 yea
ldosta, GA		391	806			391	806	1,197	204	1999	01/99 (f)	40 yea
zza Hut:												
onroeville, L		547	44			547	44	591	9	1976	12/01	40 yea
peye s:												
ellville, GA		642	437			642	437	1,079	88	1995	12/01	40 yea
eblo Viejo staurant:												
andler, AZ		655	791			655	791	1,446	162	1997	12/01	40 yea
ll-A-Part:												
gusta, GA		1,414		1,451		1,414	1,451	2,865	92	2007	08/06 (m)	40 yea
orcross, GA		1,831	1,040			1,831	1,040	2,871	88	1998	08/06	40 yea
onley, GA		1,686	1,387			1,686	1,387	3,073	117	1999	08/06	40 yea
rmingham, L		1,165	2,090			1,165	2,090	3,255	176	1964	08/06	40 yea
oxville, TN		961	2,384			961	2,384	3,345	147	2007	08/06 (m)	40 yea
ashville, TN		2,164	1,414			2,164	1,414	3,578	119	2006	08/06	40 yea
arlotte, NC		2,913	1,724			2,913	1,724	4,637	145	2006	08/06	40 yea
uisville, KY		3,206	1,532			3,206	1,532	4,738	129	2006	08/06	40 yea
rvey, LA		1,887		4,326		1,887	4,326	6,213	158	2008	08/06 (m)	40 yea
fayette, LA		1,036		2,226		1,036	2,226	3,262	114	2007	08/06 (m)	40 yea
eveland, OH		4,556		2,096		4,556	2,096	6,652	111	2007	08/06 (m)	40 yea
ontgomery, L		934		2,013		934	2,013	2,947	107	2007	11/06 (m)	40 yea
ckson, MS		1,315	2,471			1,315	2,471	3,786	100	2008	12/06 (m)	40 yea
ton Rouge, A		893		3,256		893	3,256	4,149	64	2009	01/07 (m)	40 yea
emphis, TN		1,779		2,964		1,779	2,964	4,743	120	2008	05/07 (m)	40 yea
obile, AL		550		2,772		550	2,772	3,322	66	2009	06/07 (m)	40 yea
inston-Salem, C		846		2,449		846	2,449	3,295	64	2009	08/07 (m)	40 yea
thonia, GA		2,410		2,345		2,410	2,345	4,755	56	2009	08/07 (m)	40 yea
olumbia, SC		935	2,178			935	2,178	3,113	52	2009	09/07 (m)	40 yea
kron, OH		1,065		1,869		1,065	1,869	2,934	6	2009	10/08 (m)	40 yea

uikTrip:										
es Moines, IA	259	792		259	792	1,051	120	1996	06/05	30 yea
bandale, IA	340	764		340	764	1,104	87	1993	06/05	40 yea
orcross, GA	844	297		839	297	1,136	45	1994	06/05	30 yea
orcross, GA	966	202		966	202	1,168	31	1993	06/05	30 yea
ive, IA	623	557		623	557	1,180	84	1994	06/05	30 yea
orcross, GA	948	294		948	294	1,242	44	1989	06/05	30 yea
ainesville, A	592	913		592	913	1,505	138	1989	06/05	30 yea
oodstock, A	488	1,042		488	1,042	1,530	118	1997	06/05	40 yea
e s Summit, O	374	1,224		374	1,224	1,598	139	1999	06/05	40 yea
pharetta, GA	1,048	607		1,048	607	1,655	69	1996	06/05	40 yea
lsa, OK	1,225	650		1,225	650	1,875	98	1990	06/05	30 yea
athe, KS	793	1,392		793	1,392	2,185	158	1999	06/05	40 yea
erculaneum, O	856	1,613		856	1,613	2,469	244	1991	06/05	30 yea
ichita, KS	118	454		113	454	567	69	1989	06/05	30 yea
ichita, KS	127	543		127	543	670	82	1990	06/05	30 yea
nnston, IA	394	385		394	385	779	58	1991	06/05	30 yea
es Moines, IA	379	455		379	455	834	69	1990	06/05	30 yea
uizno s:										
peer, MI	29	211		29	211	240	13	2007	10/05	40 yea
west orporation rvice Center:										
ecorah, IA	72	272		72	272	344	123	1974	06/05	10 yea
dar Rapids,	184	629		184	629	813	143	1976	06/05	20 yea
llys:										
ledo, OH	126	320		126	320	446	144	1989	07/92	39 yea
EB Oil:										
eerfield ach, FL	770	274		770	274	1,044	28	1980	12/05	40 yea
ke Placid, FL	2,532	1,157	491	2,532	1,648	4,180	136	1990	12/05	40 yea
liable Life surance:										
Louis, MO	2,078	13,762		2,076	13,762	15,838	1,881	1975	05/04	40 yea

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	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Which Depreciation & Amortization in Latest Income Statement is Computed
Retail Operations: (h)												
Ventura, CA		5,590	4,431			5,590	4,431	10,021	200	2001	03/08	40 years
Ventura, CA		6,253	4,560			6,253	4,560	10,813	235	1994	03/08	35 years
Bakersfield, CA		2,099	2,011			1,759		1,759	93	1990	03/08	35 years
Bakersfield, CA		3,303	3,845			1,978		1,978	268	1975	03/08	25 years
Bakersfield, CA		2,798	5,260			2,044		2,044	263	1997	03/08	35 years
Bakersfield, CA		2,043	3,520			2,043	680	2,723	195	1988	03/08	30 years
Bakersfield, CA		1,643	1,959			530		530	137	1975	03/08	25 years
Bakersfield, CA		3,363	3,288			3,363	3,288	6,651	147	2002	03/08	40 years
Bakersfield, CA		2,564	4,465			2,564	4,465	7,029	264	1988	03/08	30 years
Bakersfield, CA		3,664	3,709			3,664	3,709	7,373	190	1994	03/08	35 years
San Fernando, CA		6,630	2,706			6,630	2,706	9,336	167	1988	03/08	30 years
Bakersfield, CA		3,346	6,016			3,346	6,016	9,362	305	1998	03/08	35 years
Rite Aid:												
Douglasville, GA		413	995			413	995	1,408	346	1996	01/96	40 years
Conyers, GA		575	999			575	999	1,574	313	1997	06/97	40 years
Augusta, GA		569	1,327			502	1,327	1,829	399	1997	12/97	40 years
Riverdale, GA		1,089	1,707			1,089	1,707	2,796	514	1997	12/97	40 years
Warner Robins, GA		707		1,227		707	1,227	1,934	336	1999	03/98 (g)	40 years
Mobile, AL		1,137	1,694			1,137	1,694	2,831	341	2000	12/01	40 years
Orange Beach, AL		1,410	1,996			1,410	1,996	3,406	401	2000	12/01	40 years
West Mifflin, PA		1,402	2,044			1,402	2,044	3,446	402	1999	02/02	40 years
Norfolk, VA		2,742	1,797			2,742	1,797	4,539	354	2001	02/02	40 years
Thorndale, PA		2,261	2,472			2,261	2,472	4,733	487	2001	02/02	40 years
Saratoga Springs, NY		762	591			762	591	1,353	78	1993	09/04	40 years
Albany, NY (h)		34	824			34	824	858	109	1992	09/04	40 years
Hudson Falls, NY		57	780	39		57	819	876	106	1990	09/04	40 years
Albany, NY		25	867			25	867	892	115	1994	09/04	40 years

onticello, NY	706	664	769		664	769	1,433	92	1996	03/05	40 year
ite Rug:											
olumbus, OH		1,596	934	13	1,605	939	2,544	120	1970	11/04	40 year
oad Ranger:											
pringfield, L		705	1,500		705	1,500	2,205	133	1997	06/06	40 year
ockford, IL		623	1,331		623	1,331	1,954	118	2000	06/06	40 year
elvidere, IL		748	1,256		748	1,256	2,004	111	1997	06/06	40 year
ecatur, IL		815	1,314		815	1,314	2,129	116	2002	06/06	40 year
endota, IL		959	1,296		959	1,296	2,255	115	1996	06/06	40 year
ekalb, IL		747	1,658		747	1,658	2,405	147	2000	06/06	40 year
ockford, IL		1,094	1,662		1,094	1,662	2,756	147	1996	06/06	40 year
razil, IN		2,199	907		2,199	907	3,106	80	1990	06/06	40 year
herry alley, IL		1,409	1,897		1,409	1,897	3,306	168	1991	06/06	40 year
akdale, WI		1,844	1,663		1,844	1,663	3,507	147	1998	06/06	40 year
pringfield, L		1,795	1,863		1,795	1,863	3,658	165	1978	06/06	40 year
ottage Grove, WI		2,175	1,733		2,175	1,733	3,908	153	1990	06/06	40 year
lk Run Heights, IA		1,538	2,470		1,538	2,470	4,008	219	1989	06/06	40 year
ake Station, N		3,172	1,112		3,172	1,112	4,284	98	1987	06/06	40 year
eKalb, IL		505	1,503		505	1,503	2,008	108	2004	02/07	40 year
rinceton, IL		1,141	3,066		1,141	3,066	4,207	220	2003	02/07	40 year
ampshire, L		1,307	1,501	1,629	1,307	3,130	4,437	193	1988	02/07 (f)	40 year
enton, MO		2,584	2,622		2,584	2,622	5,206	188	2007	02/07	40 year
hampaign, L		3,241	2,008		3,241	2,008	5,249	144	2006	02/07	40 year
outh Beloit, L		3,824	2,309		3,824	2,309	6,133	166	2002	02/07	40 year
arion, IA		737	1,071		737	1,071	1,808	75	1974	03/07	40 year

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 (a) (b)						Life on Whic[h] Depreciation [&] Amortization [in] Latest Incom[e] Statement is Computed
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	
edar apids, IA		1,025	984			1,025	984	2,009	69	1990	03/07	40 yea
kawville, L		930	1,147			930	1,147	2,077	68	1997	08/07	40 yea
ubuque, IA		561	1,941			561	1,941	2,502	111	2000	09/07	40 yea
elvidere, IL		521	1,053			521	1,053	1,574	56	2008	09/07 (f)	40 yea
outh Beloit, L		1,182	1,324			1,182	1,324	2,506	70	2008	09/07 (f)	40 yea
orence, KY		615	1,242			615	1,242	1,857	61	1990	04/08	35 yea
ovington, Y		486	1,420			486	1,420	1,906	69	1996	04/08	35 yea
lexandria, Y		624	1,306			624	1,306	1,930	64	1993	04/08	35 yea
orence, KY		741	1,272			741	1,272	2,013	62	1994	04/08	35 yea
orence, KY		884	1,557			884	1,557	2,441	76	1995	04/08	35 yea
ry Ridge, Y		892	1,946			892	1,946	2,838	111	1973	04/08	30 yea
Vilder, KY		954	1,902			954	1,902	2,856	93	1994	04/08	35 yea
ebron, KY		1,522	2,984			1,522	2,984	4,506	146	1996	04/08	35 yea
obb & ucky:												
. Myers, L		2,188	6,225			2,188	6,225	8,413	1,895	1997	12/97	40 yea
oger & Iarv s:												
enosha, WI		1,918	3,431			1,918	3,431	5,349	1,100	1992	02/97	40 yea
oni Deutch ax Services:												
ollywood, L		202	46	19		123		123		1960	12/05	15 yea
oss Dress or Less:												
oral Gables, L		1,782	1,661			1,782	1,661	3,443	513	1994	06/96	38 yea
odi, CA		614	1,415			614	1,415	2,029	220	1984	03/99	40 yea
ue 21:												
apeer, MI		126	645			126	645	771	37	2007	10/05	40 yea
ally Beauty upply:												
apeer, MI		33	167			33	167	200	10	2007	10/05	40 yea
chlotzsky s eli:												
hoenix, AZ		706	315			706	315	1,021	63	1995	12/01	40 yea
cottsdale, Z		717	311			717	311	1,028	62	1995	12/01	40 yea
eason s 52:												

chaumburg, L	2,065	1,311		2,065	1,311	3,376	264	1998	12/01	40 yea
nek s hinese xpress:										
den Prairie, N	65	261		65	261	326	50	1997	12/01	40 yea
hoes on a hoestring:										
lbuquerque, M	1,442	2,335		1,442	2,335	3,777	732	1997	06/97	40 yea
hop n Save:										
omestead, A	1,139		2,158 (j)	1,139	2,158	3,297	305	1994	02/97	31 yea
hop-a-Snak:										
helsea, AL	391	628		391	628	1,019	57	1981	05/06	40 yea
sper, AL	551	747		551	747	1,298	68	1998	05/06	40 yea
essemer, L	564	742		564	742	1,306	67	2002	05/06	40 yea
irmingham, L	361	744		361	744	1,105	67	1989	05/06	40 yea
oover, AL	446	672		446	672	1,118	61	1989	05/06	40 yea
uscaloosa, L	386	733		386	733	1,119	66	1991	05/06	40 yea

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	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciation Amortization Latest Incom Statement is Computed
newood,		468	657			468	657	1,125	60	1990	05/06	40 yea
mingham,		439	704			439	704	1,143	64	1989	05/06	40 yea
mingham,		490	769			490	769	1,259	70	1992	05/06	40 yea
over, AL		713	865			713	865	1,578	78	1998	05/06	40 yea
over, AL		764	1,157			663	1,157	1,820	105	2005	05/06	40 yea
ssville,		272	542			272	542	814	49	1992	05/06	40 yea
caloosa,		525	463			525	463	988	42	1991	05/06	40 yea
caloosa,		432	559			432	559	991	51	1991	05/06	40 yea
AKS press sh:												
keny, IA		662				662	(e)	662	(e)	(e)	06/05	
ic omotive:												
rlotte,		3,619	4,854			3,619	4,854	8,473	319	1996	05/07	40 yea
c s Liquor Fine ds:												
pus isti, TX		777	918	542		777	1,460	2,237	366	1967	11/93	40 yea
ncer s Air nditioning & Appliance:												
ndale,		342	982			342	982	1,324	256	1999	12/98 (g)	40 yea
rts hority:												
npa, FL		2,128	1,522			2,128	1,522	3,650	514	1994	06/96	40 yea
asota, FL		1,428	1,703			1,428	1,703	3,131	252	1996	09/97	40 yea
mphis, (n)		820		2,573		820	2,573	3,393	721	1998	12/97 (g)	40 yea
le Rock,		3,113	2,660			3,113	2,660	5,773	751	1997	09/98	40 yea
in, NJ		3,750	5,983			3,750	5,983	9,733	1,041	1994	01/03	40 yea
ne untain evrolet:												
burn, GA		3,027	4,685			3,027	4,685	7,712	630	2004	08/04	40 yea
p N Go:												
nedale,		400	692			391	692	1,083	139	1985	12/01	40 yea

nd rie, TX	421	685	421	685	1,106	138	1986	12/01	40 yea
pes:									
edo, TX	841	739	841	739	1,580	75	2001	12/05	40 yea
chita s, TX	440	751	440	751	1,191	76	1984	12/05	40 yea
edo, TX	675	533	675	533	1,208	54	1993	12/05	40 yea
chita s, TX	484	828	484	828	1,312	84	1983	12/05	40 yea
lingen,	755	601	755	601	1,356	61	1987	12/05	40 yea
edo, TX	736	670	736	670	1,406	68	1984	12/05	40 yea
tland, TX	656	915	656	915	1,571	92	1983	12/05	40 yea
rr, TX	784	805	784	805	1,589	81	2000	12/05	40 yea
wnsville,	933	699	933	699	1,632	71	1999	12/05	40 yea
yton, OK	697	964	697	964	1,661	97	1984	12/05	40 yea
pus isti, TX	703	1,037	703	1,037	1,740	105	1986	12/05	40 yea
lingen,	906	953	906	953	1,859	96	1991	12/05	40 yea
Allen, TX	987	893	987	893	1,880	90	1999	12/05	40 yea
lingen,	754	1,152	754	1,152	1,906	116	1999	12/05	40 yea
orge st, TX	1,243	695	1,243	695	1,938	70	1996	12/05	40 yea
sion, TX	880	1,101	880	1,101	1,981	111	1999	12/05	40 yea
Allen, TX	975	1,030	975	1,030	2,005	104	2003	12/05	40 yea
ana, TX	1,004	1,127	1,004	1,127	2,131	114	1995	12/05	40 yea
rr, TX	982	1,178	982	1,178	2,160	119	1988	12/05	40 yea
wnsville,	1,039	1,145	1,039	1,145	2,184	116	2004	12/05	40 yea

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	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	
La Feria, TX		900	1,347			900	1,347	2,247	136	1988	12/05	40 years
Wichita Falls, TX		905	1,351			905	1,351	2,256	136	2000	12/05	40 years
Edinburg, TX		970	1,286			970	1,286	2,256	130	2003	12/05	40 years
Corpus Christi, TX		853	1,416			853	1,416	2,269	143	2005	12/05	40 years
Brownsville, TX		1,182	1,105			1,182	1,105	2,287	112	2000	12/05	40 years
Brownsville, TX		1,279	1,015			1,279	1,015	2,294	103	1990	12/05	40 years
San Juan, TX		1,124	1,172			1,124	1,172	2,296	118	1996	12/05	40 years
Freer, TX		1,151	1,158			1,151	1,158	2,309	117	1984	12/05	40 years
Brownsville, TX		1,015	1,308			1,015	1,308	2,323	132	2003	12/05	40 years
Mission, TX		1,125	1,213			1,125	1,213	2,338	123	2003	12/05	40 years
San Benito, TX		791	1,857			791	1,857	2,648	188	1994	12/05	40 years
San Benito, TX		1,103	1,586			1,103	1,586	2,689	160	2005	12/05	40 years
South Padre Island, TX		1,367	1,389			1,367	1,389	2,756	140	1988	12/05	40 years
Corpus Christi, TX		1,385	1,419			1,385	1,419	2,804	143	1982	12/05	40 years
Brownsville, TX		1,392	1,444			1,392	1,444	2,836	146	2005	12/05	40 years
Los Indios, TX		1,387	1,457			1,387	1,457	2,844	147	2005	12/05	40 years
Laredo, TX		1,495	1,400			1,495	1,400	2,895	142	1993	12/05	40 years
Corpus Christi, TX		1,400	1,531			1,400	1,531	2,931	155	1984	12/05	40 years
Edinburg, TX		1,317	1,624			1,317	1,624	2,941	164	1999	12/05	40 years
San Juan, TX		1,424	1,546			1,424	1,546	2,970	156	2004	12/05	40 years
Brownsville, TX		1,843	1,419			1,843	1,419	3,262	143	2000	12/05	40 years
Brownsville, TX		2,033	1,288			2,033	1,288	3,321	130	1995	12/05	40 years
Laredo, TX		1,553	1,775			1,553	1,775	3,328	179	2000	12/05	40 years
Port Isabel, TX		2,062	1,299			2,062	1,299	3,361	131	1994	12/05	40 years
Corpus Christi, TX		1,308	2,151			1,308	2,151	3,459	217	1995	12/05	40 years
Progreso, TX		1,769	1,811			1,769	1,811	3,580	183	1999	12/05	40 years
Brownsville, TX		2,530	1,125			2,530	1,125	3,655	114	1990	12/05	40 years

Brownsville, TX	2,417	1,828	2,417	1,828	4,245	185	2000	12/05	40 years
Pharr, TX	2,426	1,881	2,426	1,881	4,307	190	2003	12/05	40 years
Riviera, TX	2,351	2,158	2,351	2,158	4,509	218	2005	12/05	40 years
Brownsville, TX	2,915	1,800	2,915	1,800	4,715	182	2000	12/05	40 years
Olmito, TX	3,688	2,880	3,688	2,880	6,568	291	2002	12/05	40 years
Falfurias, TX	4,244	4,458	4,213	4,458	8,671	450	2002	12/05	40 years
Laredo, TX	459	460	459	460	919	46	1983	12/05	40 years
Palmview, TX	835	1,372	835	1,372	2,207	110	2005	10/06	40 years
San Juan, TX	816	1,434	816	1,434	2,250	109	2006	12/06	40 years
Harlingen, TX	638	1,807	638	1,807	2,445	137	2006	12/06	40 years
Zapata, TX	1,333	1,773	1,333	1,773	3,106	135	2006	12/06	40 years
Rio Grande City, TX	1,871	1,612	1,871	1,612	3,483	123	2006	12/06	40 years
Orange Grove, TX	1,767	1,838	1,767	1,838	3,605	124	2007	04/07	40 years
Laredo, TX	448	734	448	734	1,182	52	1981	11/07	30 years
Laredo, TX	468	728	468	728	1,196	52	1973	11/07	30 years
Harlingen, TX	408	826	408	826	1,234	58	1982	11/07	30 years
Laredo, TX	348	1,168	348	1,168	1,516	83	1983	11/07	30 years
Laredo, TX	584	958	584	958	1,542	68	1981	11/07	30 years
San Benito, TX	420	1,135	420	1,135	1,555	80	1985	11/07	30 years
Laredo, TX	698	1,169	698	1,169	1,867	83	1981	11/07	30 years
Kerrville, TX	640	1,616	640	1,616	2,256	86	1996	11/07	40 years
Del Rio, TX	1,565	758	1,565	758	2,323	40	1996	11/07	40 years
Monahans, TX	2,628	2,973	2,628	2,973	5,601	158	1996	11/07	40 years
Odessa, TX	2,633	3,199	2,633	3,199	5,832	170	2006	11/07	40 years
San Angelo, TX	194	471	194	471	665	25	1998	11/07	40 years
Pharr, TX	573	1,229	573	1,229	1,802	63	2000	12/07	40 years
Harlingen, TX	277	808	277	808	1,085	53	1983	01/08	30 years
Laredo, TX	325	816	325	816	1,141	53	1983	01/08	30 years
Port Isabel, TX	299	855	299	855	1,154	56	1983	01/08	30 years

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	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Which Depreciation & Amortization i Latest Incom Statement is Computed
rlingen,		329	935			329	935	1,264	61	1980	01/08	30 yea
Allen, TX		643	1,776			643	1,776	2,419	116	1980	01/08	30 yea
ownsville,		843	1,429			843	1,429	2,272	58	2007	05/08	40 yea
edo, TX		879	1,593			879	1,593	2,472	65	2007	05/08	40 yea
nburg,		834	1,787			834	1,787	2,621	73	2007	05/08	40 yea
Villa, TX		710	2,166			710	2,166	2,876	88	2007	05/08	40 yea
edo, TX		1,183	1,934			1,183	1,934	3,117	79	2007	05/08	40 yea
Allen, TX		1,270	2,383			1,270	2,383	3,653	129	1986	05/08	30 yea
uston, TX		696	1,458			696	1,458	2,154	38	2008	12/08	40 yea
bbock, TX		671	1,612			671	1,612	2,283	42	2007	12/08	40 yea
bway:												
en Prairie, N		54	150	67		54	218	272	41	1997	12/01	40 yea
hoes, NY		22	116	1		22	117	139	15	1994	09/04	40 yea
bany, NY		3	67			3	67	70	9	1992	09/04	40 yea
nshine ergy:												
nsas City, O		517	720			532	720	1,252	13	1993	07/09	25 yea
osho, MO		352				352	(c)	352	(c)	1992	07/09	(
pervalu:												
ntington, V		1,254	761			1,254	761	2,015	245	1971	02/97	40 yea
ple ghts, OH		1,035	2,874			1,035	2,874	3,909	925	1985	02/97	40 yea
sser:												
rpus risti, TX		630	3,131			630	3,131	3,761	845	1983	03/99	40 yea
ansea ick Cash:												
ansea, IL		46	132			46	132	178	27	1997	12/01	40 yea
co Bell:												
ala, FL		275	755			275	755	1,030	152	2001	12/01	40 yea
mond ach, FL		632	526			632	526	1,158	106	2001	12/01	40 yea
oenix, AZ		594	283			594	283	877	57	1995	12/01	40 yea
ansville,		221	828			221	828	1,049	75	2003	05/06	40 yea
ianapolis,		547	703			547	703	1,250	64	2004	05/06	40 yea
ncennes,		502	880			502	880	1,382	80	2004	05/06	40 yea
hers, IN		990	486			990	486	1,476	44	1998	05/06	40 yea
ansville,		308	1,301			308	1,301	1,609	118	2000	05/06	40 yea

eensburg,	648	1,079		648	1,079	1,727	98	1998	05/06	40 yea
dford, IN	797	937		797	937	1,734	85	1989	05/06	40 yea
eedway,	408	1,426		408	1,426	1,834	129	2003	05/06	40 yea
disonville,	682	1,193		682	1,193	1,875	108	1999	05/06	40 yea
umbus,	690	1,213		690	1,213	1,903	110	2005	05/06	40 yea
nesboro,	639	1,326		639	1,326	1,965	120	2005	05/06	40 yea
ansville,	524	1,815		524	1,815	2,339	164	2005	05/06	40 yea
elbyville,	670	1,756		670	1,756	2,426	159	1998	05/06	40 yea
ianapolis,	1,032	1,650		1,032	1,650	2,682	150	2004	05/06	40 yea
re Haute,	1,037	1,656		1,037	1,656	2,693	150	2003	05/06	40 yea
umbus,	1,257	2,055		1,257	2,055	3,312	186	1990	05/06	40 yea
re Haute,	1,314	2,249		1,314	2,249	3,563	204	2003	05/06	40 yea
verna eek Grill:										
mington, I	2,757	730		2,757	730	3,487	30	2003	12/07 (m)	40 yea
xas adhouse:										
and ction, CO	584	920		584	920	1,504	185	1997	12/01	40 yea
ornton,	599	1,019		599	1,019	1,618	205	1998	12/01	40 yea
I Friday s:										
rpus risti, TX	1,210	1,532		1,210	1,532	2,742	308	1995	12/01	40 yea
rd Federal vings:										
ma, OH	370	238	1,100	370	1,338	1,708	58	1977	09/06	20 yea
omasville:										
ford, GA	1,267	2,406		1,267	2,406	3,673	328	2004	07/04	40 yea
ee nkeys:										
umbus,	1,032	1,107		1,032	1,107	2,139	223	1998	12/01	40 yea
eMax:										
ken, SC	442	646		442	646	1,088	30	1989	08/08	30 yea
erdale,	877	400		877	400	1,277	22	1978	08/08	25 yea
eytown,	135	93		135	93	228	13	1948	08/08	10 yea
acauga,	94	191		94	191	285	9	1986	08/08	30 yea
rfield, AL	133	178		133	178	311	10	1974	08/08	25 yea
rlington,	47	267		47	267	314	15	1973	08/08	25 yea
ntgomery,	96	233		96	233	329	13	1970	08/08	25 yea

mphis,	111	237		111	237	348	11	1981	08/08	30 yea
ingfield,)	125	230		125	230	355	13	1979	08/08	25 yea
visburg,	70	298		70	298	368	12	1998	08/08	35 yea
con, GA	103	290		103	290	393	20	1967	08/08	20 yea

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	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on Which Depreciation & Amortization in Latest Income Statement is Computed
Cheraw, SC		88	330			88	330	418	18	1976	08/08	25 years
Pulaski, TN		109	361			109	361	470	17	1986	08/08	30 years
Berkeley, MO		237	282			237	282	519	19	1961	08/08	20 years
Dalton, GA		178	347			178	347	525	19	1972	08/08	25 years
Columbia, SC		212	319			212	319	531	15	1987	08/08	30 years
St. Louis, MO		134	398			134	398	532	16	1993	08/08	35 years
St. Louis, MO		244	288			244	288	532	16	1971	08/08	25 years
Nashville, TN		268	276			268	276	544	15	1978	08/08	25 years
Nashville, TN		256	301			256	301	557	14	1982	08/08	30 years
Marietta, GA		285	278			285	278	563	19	1967	08/08	20 years
Anniston, AL		160	453			160	453	613	16	2008	08/08	40 years
Springfield, MO		220	400			220	400	620	22	1979	08/08	25 years
Gadsden, AL		250	389			250	389	639	13	2007	08/08	40 years
Memphis, TN		226	444			226	444	670	20	1986	08/08	30 years
Taylors, SC		299	372			299	372	671	15	1999	08/08	35 years
Lawrenceville, GA		370	332			370	332	702	15	1986	08/08	30 years
Norcross, GA		599	350			599	350	949	19	1975	08/08	25 years
Snellville, GA		565	396			565	396	961	22	1977	08/08	25 years
Jonesboro, GA		675	292			675	292	967	16	1970	08/08	25 years
Top s:												
Lacey, WA		2,777	7,082			2,777	7,082	9,859	2,280	1992	02/97	40 years
Tractor Supply Co.:												
Aransas Pass, TX		101	1,399	200		100	1,599	1,699	388	1983	03/99	40 years
Tully s:												
Cheektowaga, NY		689	386			689	386	1,075	78	1994	12/01	40 years
Ultra Car Wash:												
Mobile, AL		1,071	1,086			1,071	1,086	2,157	64	2005	08/07	40 years
Lilburn, GA		1,396	1,119			1,396	1,119	2,515	45	2004	05/08	40 years
Uni-Mart:												
Williamsport, PA		909	122			909	122	1,031	27	1950	08/05	20 years
Hazleton, PA		670	377			670	377	1,047	83	1974	08/05	20 years
Chambersburg, PA		76	197			76	197	273	43	1990	08/05	20 years
Wilkes-Barre, PA		876	1,957			876	1,957	2,833	428	1998	08/05	20 years
Bear Creek, PA		191	230			191	230	421	50	1980	08/05	20 years
Shippensburg, PA		204	330			204	330	534	72	1989	08/05	20 years
Larksville, PA		246	334			246	334	580	73	1990	08/05	20 years

Wilkes-Barre, PA	171	422		171	422	593	92	1999	08/05	20 years
Ridgway, PA	382	259		382	259	641	57	1975	08/05	20 years
Wilkes-Barre, PA	178	471		178	471	649	103	1989	08/05	20 years
St Clair, PA	212	475		212	475	687	104	1984	08/05	20 years
Taylor, PA	181	527		181	527	708	115	1973	08/05	20 years
Bloomsburg, PA	206	501		206	501	707	110	1981	08/05	20 years
Avis, PA	392	326		392	326	718	71	1976	08/05	20 years
Punxsutawney, PA	253	542		253	542	795	119	1983	08/05	20 years
Coraopolis, PA (n)	476	347		476	347	823	76	1983	08/05	20 years
Shamokin, PA	324	506		324	506	830	111	1956	08/05	20 years
East Brady, PA	269	583		269	583	852	128	1987	08/05	20 years
Pleasant Gap, PA	332	593		332	593	925	130	1996	08/05	20 years
Port Vue, PA	824	118		824	118	942	26	1953	08/05	20 years
Bradford, PA	184	762		184	762	946	167	1983	08/05	20 years
Mountaintop, PA	423	616		423	616	1,039	132	1987	09/05	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 (a) (b)						Life on Whicl Depreciation & Amortization i Latest Incom Statement is
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Computed
nland, PA		355	545			355	545	900	117	1977	09/05	20 yea
ar Creek, PA		689	275			689	275	964	59	1980	09/05	20 yea
dway, PA		311	708			311	708	1,019	93	1990	01/06	30 yea
ech Creek,		477	613			477	613	1,090	61	1988	01/06	40 yea
wstead, NY		255	835			255	835	1,090	83	1990	01/06	40 yea
w Florence,		298	812			298	812	1,110	80	1989	01/06	40 yea
rcersburg,		672	746			672	746	1,418	74	1988	01/06	40 yea
sburgh, PA		905	1,346			905	1,346	2,251	133	1967	01/06	40 yea
angola, PA		1,062	1,203			1,062	1,203	2,265	119	2000	01/06	40 yea
ort, PA		1,297	1,202			1,297	1,202	2,499	119	2000	01/06	40 yea
port, PA		222	215			222	215	437	21	1988	01/06	40 yea
ynoldsville,		113	328			113	328	441	32	1983	01/06	40 yea
Sherrystown,		135	365			135	365	500	36	1988	01/06	40 yea
esburg, PA		134	373			134	373	507	37	1987	01/06	40 yea
ward, PA		136	375			136	375	511	37	1987	01/06	40 yea
ins, PA		204	401			204	401	605	40	1994	01/06	40 yea
infield, PA		244	383			244	383	627	38	1988	01/06	40 yea
nisteo, NY		142	485			142	485	627	48	1983	01/06	40 yea
stings, PA		199	455			199	455	654	45	1989	01/06	40 yea
nticoke, PA		175	482			175	482	657	48	1988	01/06	40 yea
lliamsport,		295	379			295	379	674	37	1988	01/06	40 yea
lipsburg, PA		428	269			428	269	697	27	1978	01/06	40 yea
wood City,		196	526			196	526	722	52	1987	01/06	40 yea
rwensville,		226	608			226	608	834	60	1983	01/06	40 yea
ghesville, PA		290	566			290	566	856	56	1977	01/06	40 yea
sey Shore,		515	381			515	381	896	38	1960	01/06	40 yea
irton, PA		215	701			215	701	916	111	1986	01/06	25 yea
eper, PA		286	644			286	644	930	64	1987	01/06	40 yea
nxsutawney,		294	650			294	650	944	64	1983	01/06	40 yea
wisberry, PA		412	534			412	534	946	53	1988	01/06	40 yea
rnham, PA		265	510			340	435	775	75	1978	07/06	20 yea
t Royal, PA		238	635			238	635	873	110	1989	07/06	20 yea
ited Rentals:												
rollton, TX		478	535			478	535	1,013	67	1981	12/04	40 yea
dar Park, TX		535	829			535	829	1,364	105	1990	12/04	40 yea
ng, TX		708	911			708	911	1,619	115	1984	12/04	40 yea
rysburg, OH		642	1,119			642	1,119	1,761	141	1979	12/04	40 yea
lahoma City,		744	1,265			744	1,265	2,009	159	1997	12/04	40 yea

no, TX	1,030	1,148	1,030	1,148	2,178	145	1996	12/04	40 yea
mple, TX	1,160	1,360	1,160	1,360	2,520	171	1998	12/04	40 yea
arwater, FL	1,173	1,811	1,173	1,811	2,984	228	2001	12/04	40 yea
t Collins,	2,057	978	2,057	978	3,035	123	1975	12/04	40 yea
Porte, TX	1,115	2,125	1,115	2,125	3,240	268	2000	12/04	40 yea
leton, CO	1,743	1,944	1,743	1,944	3,687	245	2002	12/04	40 yea
Worth, TX	1,428		1,428		1,428	(i)	(i)	01/05	
Worth, TX	510	1,128	510	1,128	1,638	140	1997	01/05	40 yea
lbourne, FL	747	607	747	607	1,354	70	1970	05/05	40 yea
ited Trust nk:									
dgeview, IL	673	744	673	744	1,417	150	1997	12/01	40 yea
cant Land:									
rence, AL	1,034		748	(e)	748	(e)	(e)	06/04	(
ngwood, FL	585		585	(e)	585	(e)	(e)	03/06	(

See accompanying report of independent registered public accounting firm.

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	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building, Improvements & Leasehold Interests	Costs Capitalized Subsequent to Acquisition: Improvements	Costs Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b): Land	Gross Amount at Which Carried at Close of Period (a) (b): Building, Improvements & Leasehold Interests	Gross Amount at Which Carried at Close of Period (a) (b): Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life on W Depreciati Amortizat Latest Inc Statemen Comput
y:												
l CA		1,456	2,505			1,456	2,505	3,961	814	1995	12/96	40
a, FL		1,168	1,904	219		1,168	2,122	3,290	319	1996	09/97	40
ille,		467	735			467	735	1,202	201	1999	01/98 (f)	40
, OH		594	885			594	885	1,479	233	1999	06/98 (f)	40
, PA		226	1,160	8		226	657	883	190	1998	11/98	37
s Pass,		90	1,241			89	1,241	1,330	335	1983	03/99	40
TX		820	905			820	905	1,725	244	1982	03/99	40
a, FL		471	1,344			471	1,344	1,815	209	1983	03/99	40
ld, AL		420	1,685			420	1,685	2,105	454	1983	03/99	40
eld,		405	644			405	644	1,049	149	1976	12/01	40
ea, IL		92	265			92	265	357	53	1997	12/01	40
rairie,		76	211	94		76	305	381	58	1997	12/01	40
AZ		153	400	113		153	513	666	81	1997	12/01	40
a Falls,		819	1,107			696		696	220	1982	12/01	40
nville,		987	856			794		794	170	1996	12/01	40
ant,		2,490	2,937			2,490	2,937	5,427	493	1996	04/03	40
tock,		1,937	1,285			1,891	1,016	2,907	210	1997	05/03	40
o, FL	52 (o)	40	111			40	111	151	16	2001	02/04	40
, NY		27	145	1		27	146	173	19	1994	09/04	40
, NY		48	275	3		48	278	326	37	1994	09/04	40
eroga,		89	689			89	689	778	91	1993	09/04	40
ia, NC		2,548	3,880			2,548	3,880	6,428	489	2004	12/04	40
NY		40	259			40	259	299	57	1990	08/05	20
, MI		100	721			100	721	821	43	2007	10/05	40
tte, LA		603	1,149			603	1,149	1,752	116	1999	12/05	40
vood,		417	184			417	103	520	1	1961	12/05	10
rs PA		148	405			148	405	553	40	1995	01/06	40
and,		779	933			779	933	1,712	94	1997	08/06	40
omery,		593	1,187			593	1,187	1,780	120	1998	08/06	40
n, TX		422	1,915			422	1,915	2,337	193	1995	08/06	40
n, TX		112	509			112	509	621	52	1995	08/06	40
OK		325	314			325	314	639	52	1978	09/06	20
n, MI		167	823			167	363	530	64	1952	10/06	40
, AZ		996	2,742			996	2,742	3,738	157	2007	12/06 (m)	40

, CO	5,076	13,874	38	5,076	13,912	18,988	940	1986	04/07	40
ndence,	1,838	1,534		1,838	1,534	3,372	101	1988	05/07	40
a, KS	1,551	965		1,551	965	2,516	63	1987	05/07	40
a, KS	3,275	1,631		3,275	1,631	4,906	107	1988	05/07	40
bus,	2,076	1,906		2,076	1,906	3,982	121	1990	06/07	40
bus,	5,380	2,693		5,380	2,693	8,073	171	1990	06/07	40
gham,	1,237	1,260		1,237	408	1,645	61	1994	06/08	30
TX	5,705	17,049		5,705	17,049	22,754	710	1982	07/08	35
City re:										
Marsh,	3,762		3,006	3,762	3,006	6,768	886	1998	10/97 (g)	40
ens:										
e, FL	1,958	1,401		1,958	1,401	3,359	232	1994	05/03	40
OK	1,193	3,056		1,193	3,056	4,249	347	2003	06/05	40
gton enter:										
, VA	193	279	84	193	363	556	76	1995	12/95	40
s:										
nento,	586			586	(i)	586	(i)	(i)	02/98	

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	Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Building, Improvements & Leasehold Interests	Costs Capitalized Subsequent to Acquisition: Improvements	Costs Capitalized Subsequent to Acquisition: Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b): Land	Gross Amount at Which Carried at Close of Period (a) (b): Building, Improvements & Leasehold Interests	Gross Amount at Which Carried at Close of Period (a) (b): Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Lif Dep Am La St C
		501	333			501	333	834	67	1980	12/01	
:												
,		624	419			624	419	1,043	84	1995	12/01	
		291		910		291	910	1,201	62	2007	12/06 (m)	
		476	982			476	982	1,458	73	2006	01/07	
		824	934			824	934	1,758	69	2006	01/07	
		894	1,014			894	1,014	1,908	75	2006	01/07	
		1,032	697			1,032	697	1,729	140	1997	12/01	
e,		503	1,209			503	1,209	1,712	122	1994	12/05	
l		(l)	1,030			(l)	1,030	1,030	77	1989	05/07	
		(l)	1,450			(l)	1,450	1,450	95	2003	05/07	
A		(l)	1,477			(l)	1,477	1,477	97	2004	05/07	
		(l)	1,486			(l)	1,486	1,486	98	2004	05/07	
		(l)	1,521			(l)	1,521	1,521	100	2004	05/07	
		(l)	1,541			(l)	1,541	1,541	101	2004	05/07	
		(l)	309			(l)	309	309	19	2001	05/07	
		(l)	552			(l)	552	552	41	1998	05/07	
		(l)	561			(l)	561	561	42	1998	05/07	
		(l)	563			(l)	563	563	42	1998	05/07	
C		(l)	567			(l)	567	567	42	1999	05/07	
		(l)	679			(l)	679	679	59	1997	05/07	
		(l)	969			(l)	969	969	73	1998	05/07	
		(l)	1,065			(l)	1,065	1,065	57	2007	06/07	
N		(l)	1,471			(l)	1,471	1,471	90	2004	07/07	
N		(l)	576			(l)	576	576	35	2002	07/07	
		(l)	816			(l)	816	816	50	1987	07/07	
K		(l)	1,183			(l)	1,183	1,183	63	2007	07/07	
D		(l)	1,269			(l)	1,269	1,269	78	2003	07/07	
		(l)	1,247			(l)	1,247	1,247	58	2008	08/07	

		(l)	1,158		(l)	1,158	1,158	45	2008	02/08
		(l)	1,281		(l)	1,281	1,281	47	2008	03/08
		(l)	1,066		(l)	1,066	1,066	32	2008	07/08
		(l)	1,331		(l)	1,331	1,331	35	2008	08/08
		(l)	1,238		(l)	1,238	1,238	25	2009	11/08
		1,023	1,875		1,023	1,875	2,898	303	1984	07/03
e,		158	415	13	158	428	586	41	1988	01/06
		199	148		199	148	347	18	1961	02/05
		308	311		308	311	619	38	1990	02/05
		1,168	1,105		1,168	1,105	2,273	153	2000	06/05
		1,290			1,290	(e)	1,290	943	(e)	08/01
	24,430	1,061,112	1,340,082	134,270	1,056,186	1,450,349	2,506,535	183,956		

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 (a) (b)						Life on W
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciati Amortizat Latest Inc Statemen Compu
state Held for Investment mpany has Invested in Direct Financing Leases:												
& Noble:												
ion, FL			3,498				(c)	(c)	(c)	1996	05/95 (f)	
s:												
nte s,			3,267				(c)	(c)	(c)	1997	09/97	
rs:												
o, FL			287				(c)	(c)	(c)	1988	07/92	
o,			784				(c)	(c)	(c)	1993	12/93	
lo, TX		159	855			(d)	(d)	(d)	(d)	1994	12/94	
tte, LA			949				(c)	(c)	(c)	1995	01/96	
ma City,		(l)	1,365			(l)	(c)	(c)	(c)	1997	06/97	
ma City,		(l)	1,419			(l)	(c)	(c)	(c)	1997	06/97	
s:												
on, CA		940	509			(d)	(d)	(d)	(d)	1982	09/06	
Less:												
Vista, CA			4,266				(c)	(c)	(c)	1995	11/98	
Meyers/The Store:												
PA		279	1,110			(d)	(d)	(d)	(d)	1997	11/98	
Heights,		416	1,397			(d)	(d)	(d)	(d)	1968	11/98	

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		Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)						
	Encumbrances	Land	Building, Improvements & Leasehold Interests	Improvements	Carrying Costs	Land	Building, Improvements & Leasehold Interests	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Life o Depre Amor Lates Stat Cor
Z	267 (k)	(l)	1,242			(l)	(c)	(c)	(c)	1998	12/01	
I		(l)	1,458			(l)	(c)	(c)	(c)	1998	12/01	
.	392 (k)	(l)	1,500			(l)	(c)	(c)	(c)	1998	12/01	
	201 (k)	(l)	1,503			(l)	(c)	(c)	(c)	1998	12/01	
		(l)	1,599			(l)	(c)	(c)	(c)	1998	12/01	
L		1,235	3,255			(d)	(d)	(d)	(d)	1997	06/02	
		(l)		1,984		(l)	(c)	(c)	(c)	2000	12/00	
		(l)	3,201			(l)	(c)	(c)	(c)	2000	02/02	
		124	142			(d)	(d)	(d)	(d)	1979	07/09	
		113	301			(d)	(d)	(d)	(d)	1988	07/09	
O			775				(c)	(c)	(c)	1992	07/09	
L	860	3,266	34,682	1,984								
Held for Sale ny has Invested												
		584	180	185		596	352	948		1989	02/06	
II		1,085	1,635			1,085	1,635	2,720		2006	05/05 (g)	
		2,248	7,159			2,248	5,291	7,539		2006	08/05 (g)	
		1,885	1,735			1,885	62	1,947		2007	02/06 (g)	
		951	1,090			951	1,090	2,041		1987	02/06	
		1,249	1,097			1,249	1,097	2,346		1995	02/06	

e,									
	8,959	28,717		8,959	26,717	35,676		2007	02/06 (g)
	247	807		247	807	1,054		2008	09/06 (g)
	749	1,238		749	1,238	1,987		2008	09/06 (g)
,	261	701		261	606	867		1997	07/08
	286	369		286	369	655		2008	09/06
:									
	1,216	2,786		1,216	2,786	4,002		2009	09/08
	387			108	(e)	108	(e)	(e)	12/02
	1,034			293	(e)	293	(e)	(e)	02/06
	9,153			4,950	(e)	4,950	(e)	(e)	02/06
	3,201			1,719	(e)	1,719	(e)	(e)	08/06
	112			25	(e)	25	(e)	(e)	09/06
	2,135			1,339	(e)	1,339	(e)	(e)	01/08
A	2,570			2,570	(e)	2,570	(e)	(e)	02/08
L	38,312	47,514	185	30,736	42,050	72,786			

See accompanying report of independent registered public accounting firm.

NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION

December 31, 2009

(dollars in thousands)

(a) Transactions in real estate and accumulated depreciation during 2009, 2008, and 2007 are summarized as follows:

	2009	2008	2007
Land, buildings, and leasehold interests:			
Balance at the beginning of year	$ 2,605,296	$ 2,415,544	$ 1,756,514
Acquisitions, completed construction and tenant improvements	37,175	410,787	864,116
Disposition of land, buildings, and leasehold interests	(21,751)	(215,542)	(203,403)
Provision for loss on impairment of real estate	(34,514)	(5,493)	(1,683)
Balance at the close of year	$ 2,586,206	$ 2,605,296	$ 2,415,544
Accumulated depreciation and amortization:			
Balance at the beginning of year	$ 146,296	$ 111,087	$ 87,359
Disposition of land, buildings, and leasehold interests	(3,143)	(2,591)	(3,667)
Depreciation and amortization expense	40,803	37,800	27,395
Balance at the close of year	$ 183,956	$ 146,296	$ 111,087

As of December 31, 2009, the detailed real estate schedule excludes equipment and work in progress of $1,259 and $5,634, respectively, which is included in the above reconciliation.

(b) As of December 31, 2009, the leases are treated as either operating or financing leases for federal income tax purposes. As of December 31, 2009, the aggregate cost of the properties owned by NNN that are under operating leases were $2,450,070 and financing leases were $5,894.

(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) NNN owns only the land for this property.

(f) Date acquired represents acquisition date of land. Pursuant to lease agreement, NNN 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. NNN developed the buildings, generally completing construction within 12 months from the acquisition date of the land.

(h) In connection with the default of a note receivable and certain lease agreements between NNN and one of NNN s tenants, in June of 2009, NNN acquired the operations of the auto service business which was operated on 12 Investment Properties.

(i) NNN owns only the land for this property, which is subject to a ground lease between NNN 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) NNN owns only the building for this property, which is encumbered by a fixed rate mortgage and security agreement.

(l) NNN owns only the building for this property. The land is subject to a ground lease between NNN and an unrelated third party.

(m) Date acquired represents acquisition date of land. Pursuant to lease agreement, NNN funds the tenant s construction draws, final funding occurs generally within 12 months from the acquisition of the land.

(n) 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 NNN.

(o) Property is encumbered as a part of NNN s $6,952 long-term, fixed rate mortgage and security agreement.

(p) Property is encumbered as a part of NNN s $21,000 long-term, fixed rate mortgage and security agreement.

See accompanying report of independent registered public accounting firm.

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NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES

SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE

December 31, 2009

(dollars in thousands)

Description	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages (e)	Principal Amount of Loans Subject to Delinquent Principal or Interest
First mortgages on properties:							
Paramus, NJ	9.000%	2022	(b)		6,000	$ 5,218	
Des Moines, IA	8.000%	2010	(d)		400	320	
Terre Haute, IN	7.000%	2011	(c)		1,582	1,452	
Houston, TX	9.932%	2010	(c)		3,998	3,998	
Lubbock, TX	10.000%	2010	(c)		14,000	9,025	
Cleveland, OH	10.000%	2028	(c)		6,644	6,644	
Keystone Heights, FL	9.000%	2010	(c)		1,650	1,650	
Chattanooga, TN	9.000%	2010	(c)		1,600	1,600	
Lynchburg, VA	9.000%	2010	(c)		1,600	1,600	
Martinsburg, WV	9.000%	2010	(c)		1,650	1,650	
Milford, CT	7.000%	2013	(c)		1,550	1,550	
					$ 40,674	$ 34,707 (a)	$

(a) The following shows the changes in the carrying amounts of mortgage loans during the years:

	2009	2008	2007
Balance at beginning of year	**$ 35,993**	**$ 49,336**	**$ 13,627**
New mortgage loans	2,259 (f)	17,028 (f)	39,088 (f)
Deductions during the year:			
Collections of principal	(3,545)	(27,874)	(3,379)
Foreclosures		(2,497)	
Balance at the close of year	**$ 34,707**	**$ 35,993**	**$ 49,336**

(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, 2009, 2008 and 2007 were $34,707, $35,993, and $49,336, respectively.

(f) Mortgages totaling $2,259, $17,028, and $39,088, were accepted in connection with real estate transactions for the year ended December 31, 2009, 2008, and 2007, respectively.

See accompanying report of independent registered public accounting firm.