

NATIONAL RETAIL PROPERTIES, INC.

Form 10-K

February 24, 2011

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

## FORM 10-K

*(Mark One)*

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

For the fiscal year ended December 31, 2010

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*

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

*incorporation or organization)*

450 South Orange Avenue, Suite 900

Orlando, Florida 32801

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

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

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

*Title of each class:*

*Name of exchange on which registered:*

Common Stock, \$0.01 par value

New York Stock Exchange

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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 ☒ No ☐

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

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

Indicate by check mark 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. ☒

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 ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2010 was \$1,766,742,768.

The number of shares of common stock outstanding as of February 15, 2011 was 83,759,282.

### ***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 2011 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, and commercial mortgage residual interests (collectively, Investment Assets ), and (ii) inventory real estate assets ( Inventory Assets ).

*Real Estate Assets*

NNN acquires, owns, invests in 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, 2010, NNN owned 1,195 Investment Properties (including 11 properties with retail operations that NNN operates), with an aggregate leasable area of 12,972,000 square feet, located in 46 states. Approximately 97 percent of total properties in NNN's Investment Portfolio were leased or operated as of December 31, 2010.

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 ). As of December 31, 2010, NNN owned 17 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.

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### *Employees*

As of January 31, 2011, NNN employed 58 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](http://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<sup>th</sup> 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 well located for its tenants' lines of trade within each local market. 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 21 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 property level operating history,

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 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, 2010, \$161,000,000 was outstanding and \$239,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$647,000.

For the year ended December 31, 2010, NNN's ratio of total liabilities to total gross assets (before accumulated depreciation) was approximately 40 percent and the secured indebtedness to total gross assets was approximately two percent. The total debt to total market capitalization was approximately 34 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 Portfolio**

As of December 31, 2010, NNN owned 1,195 Investment Properties with an aggregate gross leasable area of 12,972,000 square feet, located in 46 states. Approximately 97 percent of total properties in the Investment Portfolio were leased or operated by NNN as of December 31, 2010.

The following table summarizes NNN's Investment Properties as of December 31, 2010 (in thousands):

	Size <sup>(1)</sup>			Acquisition Cost <sup>(2)</sup>		
	High	Low	Average	High	Low	Average
Land	2,223	5	101	\$ 8,882	\$ 5	\$ 974
Building	135	1	11	19,917	44	1,435

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

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

In connection with the development of 28 Investment Properties, NNN has agreed to fund construction commitments (including construction, land costs and tenant improvements) of \$68,746,000. As of December 31, 2010, NNN had funded \$50,196,000 of these commitments, with \$18,550,000 remaining to be funded.



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As of December 31, 2010, NNN did not have any tenant that accounted for ten percent or more of its rental income.

*Leases*

Although there are variations in the specific terms of the leases, the following is a summary of the general structure of NNN's leases. Generally, the leases of the Investment Properties provide for initial terms of 15 to 20 years. As of December 31, 2010, 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 \$6,000 to \$1,876,000 (average of \$199,000). Tenant leases generally provide for limited increases in rent as a result of fixed increases, increases in the Consumer Price Index (CPI), and/or, to a lesser extent, 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 provided under 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.

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, 2010:

	% of Annual Base Rent <sup>(1)</sup>	# of Properties	Gross Leasable Area <sup>(2)</sup>		% of Annual Base Rent <sup>(1)</sup>	# of Properties	Gross Leasable Area <sup>(2)</sup>
2011	1.5%	18	260,000	2017	3.9%	28	682,000
2012	3.1%	35	520,000	2018	2.6%	24	345,000
2013	4.4%	40	839,000	2019	4.0%	41	618,000
2014	4.4%	42	577,000	2020	4.0%	83	694,000
2015	4.5%	72	1,011,000	Thereafter	65.4%	745	6,167,000
2016	2.2%	19	407,000				

<sup>(1)</sup> Based on annualized base rent for all leases in place as of December 31, 2010.

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

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

Top 10 Lines of Trade		% of Annual Base Rent <sup>(1)</sup>		
		2010	2009	2008
1.	Convenience Stores	23.7%	26.7%	25.7%
2.	Restaurants Full Service	10.1%	9.2%	8.7%
3.	Automotive Parts	7.8%	6.8%	5.1%
4.	Theaters	5.7%	6.3%	6.1%
5.	Automotive Service	5.3%	5.7%	8.9%
6.	Sporting Goods	4.5%	3.2%	3.3%
7.	Restaurants Limited Service	4.1%	3.5%	3.3%
8.	Drug Stores	4.0%	4.1%	4.0%
9.	Books	3.8%	4.1%	4.0%
10.	Grocery	2.7%	2.9%	2.6%
	Other	28.3%	27.5%	28.3%
		100.0%	100.0%	100.0%

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

The following table shows the top 10 states in which NNN's Investment Properties are located as of December 31, 2010:

State		# of Properties	% of Annual Base Rent <sup>(1)</sup>
1.	Texas	220	18.7%
2.	Florida	93	10.0%
3.	Illinois	47	6.7%
4.	North Carolina	73	6.2%
5.	Georgia	60	5.0%
6.	Indiana	39	4.4%
7.	Ohio	38	4.1%
8.	Pennsylvania	84	3.9%
9.	Tennessee	33	2.9%
10.	Missouri	28	2.9%
	Other	480	35.2%
		1,195	100.0%

<sup>(1)</sup> Based on annualized base rent for all leases in place as of December 31, 2010.

*Mortgages and Notes Receivable*

Mortgages are secured by real estate, real estate securities or other assets and include structured finance investments which 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):

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	2010	2009
Mortgages and notes receivable	\$ 29,750	\$ 41,707
Accrued interest receivables, net of reserves	644	269
Unamortized discount	(63)	-
	\$ 30,331	\$ 41,976

**Table of Contents***Commercial Mortgage Residual Interests*

Orange Avenue Mortgage Investments, Inc. ( OAMI ), a wholly 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 \$15,915,000 and \$20,153,000 at December 31, 2010 and 2009, respectively.

For more information regarding NNN's Investment Portfolio, see Note 23 of NNN's Consolidated Financial Statements.

**Inventory Portfolio**

NNN's Inventory Portfolio, which is owned by the TRS, 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, 2010, the Inventory Portfolio consisted of 10 completed development projects and seven land parcels.

The following table summarizes the completed Inventory Portfolio as of December 31, 2010 (in thousands):

	Size <sup>(1)</sup>			Acquisition Cost <sup>(2)</sup>		
	High	Low	Average	High	Low	Average
Land	527	17	106	\$ 2,248	\$ 108	\$ 953
Building	42	4	12	7,159	341	1,849

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

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

For more information regarding NNN's Inventory Portfolio, see Note 23 of NNN's Consolidated Financial Statements.

**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 15, 2011, NNN has 59 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 and similar state and local laws and regulations (collectively, the ADA). Investigation of a property may reveal non-compliance with the ADA. The tenants will typically have primary responsibility for complying with the ADA, but NNN may incur costs if the tenant does not comply. As of February 15, 2011, NNN has not

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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. NNN's leases generally require each tenant to undertake 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 volatile and any 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 operating 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 may be limited or unavailable, 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, reduce NNN's ability to make cash distributions to its shareholders and increase NNN's future interest expense;

reduced values of NNN's properties which 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.

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*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. Nearly all of NNN's debt, including the Credit Facility, is subject to balloon principal payments due at maturity. These maturities range between 2011 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 29 percent of NNN's annual base rent as of December 31, 2010. 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 and/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, 2010, approximately,

53 percent of NNN's Investment Portfolio annual base rent is generated from five retail lines of trade, including convenience stores (24 percent) and full-service restaurants (10 percent),

29 percent of NNN's Investment Portfolio annual base rent is generated from five tenants, including The Pantry, Inc. (eight percent) and Susser Holdings Corp. (eight percent),

47 percent of NNN's Investment Portfolio annual base rent is generated from five states, including Texas (19 percent) and Florida (10 percent).

Any financial hardship and/or economic 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,

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adverse changes in local real estate market conditions, such as an oversupply of space, reduction in demand for space, intense competition for tenants, or a geographic shift in the market away from NNN's properties,

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

changes in zoning, regulatory restrictions, or tax laws, and

changes in interest rates or availability of financing.

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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.

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

NNN cannot predict what other 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, including, but not limited to environmental laws and regulations. Compliance with new laws or regulations, or stricter interpretation of existing laws, may require NNN, its retail tenants, or consumers to incur significant expenditures or impose significant liability and could cause a material adverse effect on NNN's results of operation.

*NNN may be subject to known or unknown environmental liabilities and hazardous materials on properties owned by NNN.*

There may be known or unknown environmental liabilities associated with properties owned or acquired in the future by NNN. Certain particular uses of some properties may also have a heightened risk of environmental liability because of the hazardous materials used in performing services on those properties, such as convenience stores with underground petroleum storage tanks or auto parts and auto service businesses using lube, paint and machine solvents. Some of NNN's properties may contain asbestos or asbestos-containing materials, or may contain or may develop mold or other bio-contaminants. Asbestos-containing materials must be handled, managed and removed in accordance with applicable governmental laws, rules and regulations. Mold and other bio-contaminants can produce airborne toxins, may cause a variety of health issues in individuals and must be remediated in accordance with applicable governmental laws, rules and regulations.

As part of its due diligence process, NNN generally obtains an environmental site assessment for each property it acquires. In 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 contamination in accordance with applicable laws, rules and regulations, (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. Although sellers or tenants may be contractually responsible for remediating hazardous materials on a property and may be responsible for indemnifying NNN for any liability resulting from the use of a property and for any failure to comply with any applicable environmental laws, rules or regulations, NNN has no assurance that sellers or tenants shall be able to meet their remediation and indemnity obligations to NNN. A tenant or seller may not have the financial ability to meet its remediation and indemnity obligations to NNN when needed. Furthermore, NNN may have strict liability to governmental agencies or third parties as a result of the existence of hazardous materials on properties, whether or not NNN knew about or caused such hazardous materials to exist.

As of February 15, 2011 NNN has 59 Investment Properties currently under some level of environmental remediation. In general, the seller, the tenant or an adjacent land owner is responsible for the cost of the environmental remediation for each of these Investment Properties.



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If NNN is responsible for hazardous materials located on its properties, NNN's liability may include investigation and remediation costs, property damage to third parties, personal injury to third parties, and governmental fines and penalties. Furthermore, the presence of hazardous materials on a property may adversely impact the property value or NNN's ability to sell the property. Significant environmental liability could impact NNN's results of operations, ability to make distributions to shareholders, and its ability to meet its debt obligations.

In order to mitigate exposure to environmental liability, NNN has an environmental insurance policy on certain of its convenience store and travel plaza properties which expires in August 2013. However, the policy is subject to exclusions and limitations and does not cover all of the properties owned by NNN, and for those properties covered under the policy, insurance may not fully compensate NNN for any environmental liability. NNN has no assurance that the insurer on its environmental insurance policy will be able to meet its obligations under the policy. NNN may not desire to renew the environmental insurance policy in place upon expiration or a replacement policy may not be available at a reasonable cost, if at all.

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

NNN may not 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, 2010, the Residuals had a carrying value of \$15,915,000. 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.

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*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, 2010, mortgages and notes receivables had an outstanding principal balance of \$29,750,000. 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.

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*Operating losses from retail operations on certain 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 certain 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 certain Investment Properties.

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

NNN's properties are generally covered by comprehensive liability, fire, 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, 2010, NNN owned 37 vacant, un-leased Investment Properties, which accounted for approximately three percent of total Investment Properties held in NNN's Investment Portfolio. 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 January 31, 2011, approximately one percent of the total gross leasable area of NNN's Investment Portfolio was leased to four 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.

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*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, 2010, NNN had total mortgage debt outstanding of approximately \$24,269,000, total unsecured notes payable of \$948,416,000 and \$161,000,000 outstanding on the unsecured 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 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.*

As of December 31, 2010, NNN had approximately \$1,133, 685,000 of outstanding indebtedness, of which approximately \$24,269,000 was secured indebtedness. 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,

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,

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maintain certain minimum interest and debt service coverage ratios, 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.

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*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 weak economic environment,

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 for

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



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*Adverse legislative or regulatory tax changes could reduce 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 2012). 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 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, 2010, 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 or NNN's tenants' 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. Similarly, these changes could have a material impact on NNN's tenants' reported financial condition or results of operations and affect their preferences regarding leasing real estate.

*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.

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*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 are 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. [Removed and Reserved]**

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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, 2005 and ending December 31, 2010. The graph assumes an investment of \$100 on December 31, 2005.

**Comparison to Five-Year Cumulative Total Return**

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2010					
High	\$ 23.73	\$ 24.59	\$ 25.94	\$ 28.11	\$ 28.11
Low	19.19	20.50	20.82	24.85	19.19
Close	22.83	21.44	25.11	26.50	26.50
Dividends paid per share	0.375	0.375	0.380	0.380	1.510
2009					
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

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

	2010		2009	
Ordinary dividends	\$ 1.072446	71.0229%	\$ 1.495182	99.6788%
Qualified dividends	0.081661	5.4080%	-	-
Capital gain	0.000861	0.0570%	0.003051	0.2034%
Unrecaptured Section 1250 gain	0.000498	0.0330%	0.001767	0.1178%
Nontaxable distributions	0.354534	23.4791%	-	-
	\$ 1.510000	100.0000%	\$ 1.500000	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 Code and such other factors as the Board of Directors deems relevant.

In February 2011, NNN paid dividends to its stockholders of \$31,678,000 or \$0.38 per share of common stock.

On January 31, 2011, there were 1,848 stockholders of record of common stock.

**Table of Contents****Item 6. Selected Financial Data**

## Historical Financial Highlights

(dollars in thousands, except per share data)

	2010	2009	2008	2007	2006
Gross revenues <sup>(1)</sup>	\$ 237,062	\$ 243,932	\$ 247,352	\$ 208,629	\$ 180,877
Earnings from continuing operations	71,202	56,129	97,858	76,642	58,739
Earnings including noncontrolling interests	73,353	56,399	119,971	155,743	184,422
Net earnings attributable to NNN	72,997	54,810	117,153	154,599	181,800
Total assets	2,713,575	2,590,962	2,649,471	2,539,673	1,917,516
Total debt	1,133,685	987,346	1,027,391	1,049,154	890,127
Total stockholders' equity	1,527,483	1,564,240	1,566,860	1,417,647	1,109,479
Cash dividends declared to:					
Common stockholders	125,391	120,256	110,107	92,989	76,035
Series A preferred stockholders	-	-	-	-	4,376
Series B convertible preferred stockholders	-	-	-	-	419
Series C preferred stockholders	6,785	6,785	6,785	6,785	923
Weighted average common shares:					
Basic	82,715,645	79,846,258	74,249,137	66,152,437	57,428,063
Diluted	82,849,362	79,953,499	74,344,231	66,263,980	57,965,508
Per share information:					
Earnings from continuing operations:					
Basic	\$ 0.77	\$ 0.60	\$ 1.22	\$ 1.05	\$ 0.88
Diluted	0.77	0.60	1.22	1.05	0.88
Net earnings:					
Basic	0.80	0.60	1.48	2.23	3.05
Diluted	0.80	0.60	1.48	2.22	3.03
Cash dividends declared to:					
Common stockholders	1.51	1.50	1.48	1.40	1.32
Series A preferred stockholders	-	-	-	-	2.45625
Series B convertible preferred stockholders	-	-	-	-	41.875
Series C preferred depositary stockholders	1.84375	1.84375	1.84375	1.84375	0.250955
Other data:					
Cash flows provided by (used in):					
Operating activities	\$ 187,914	\$ 149,502	\$ 237,459	\$ 130,147	\$ 1,676
Investing activities	(220,260)	(28,063)	(256,304)	(536,717)	(90,099)
Financing activities	19,169	(108,840)	(6,028)	432,394	81,864
Funds from operations diluted <sup>(2)</sup>	108,328	89,506	132,996	110,589	86,749

- (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, 2010, 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 certain assets and NNN's share of these items from NNN's

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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 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

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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 both of its financial 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 a decrease in NNN's reported total revenues and total and per share earnings from continuing operations and an increase in NNN's earnings from discontinued operations. However, NNN's total and per share net earnings available to common stockholders is not affected.

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

	2010	2009	2008	2007	2006
<b>Reconciliation of funds from operations:</b>					
Net earnings attributable to NNN's stockholders	\$ 72,997	\$ 54,810	\$ 117,153	\$ 154,599	\$ 181,800
<b>Real estate depreciation and amortization:</b>					
Continuing operations	43,464	42,838	40,336	28,632	19,099
Discontinued operations	186	1,438	1,454	1,750	3,320
Partnership/joint venture real estate depreciation	178	178	177	31	463
Partnership gain on sale of asset	-	-	-	-	(262)
Gain on disposition of equity investment	-	-	-	-	(11,373)
Gain on disposition of investment assets	(1,134)	(2,392)	(9,980)	(56,625)	(91,332)
Gain on disposition of inventory assets	(578)	(581)	(9,359)	(11,013)	(9,667)
<b>FFO</b>	<b>115,113</b>	<b>96,291</b>	<b>139,781</b>	<b>117,374</b>	<b>92,048</b>
Series A preferred stock dividends <sup>(1)</sup>	-	-	-	-	(4,376)
Series B convertible preferred stock dividends <sup>(1)</sup>	-	-	-	-	(419)
Series C preferred stock dividends	(6,785)	(6,785)	(6,785)	(6,785)	(923)
<b>FFO available to common stockholders - basic</b>	<b>108,328</b>	<b>89,506</b>	<b>132,996</b>	<b>110,589</b>	<b>86,330</b>
Series B convertible preferred stock dividends, if dilutive	-	-	-	-	419
<b>FFO available to common stockholders - diluted</b>	<b>\$ 108,328</b>	<b>\$ 89,506</b>	<b>\$ 132,996</b>	<b>\$ 110,589</b>	<b>\$ 86,749</b>

<sup>(1)</sup> The Series A and Series B preferred stock 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.

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**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, and commercial mortgage residual interests (collectively, Investment Assets ), and (ii) inventory real estate assets ( Inventory Assets ). NNN acquires, owns, invests in 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 ).

As of December 31, 2010, NNN owned 1,195 Investment Properties (including 11 properties with retail operations that NNN operates), with an aggregate gross leasable area of approximately 12,972,000 square feet, located in 46 states. Approximately 97 percent of total properties in NNN's Investment Portfolio was leased or operated as of December 31, 2010. As of December 31, 2010, NNN owned 17 Inventory Properties.

NNN's management team focuses on certain key indicators to evaluate the financial condition and operating performance of NNN. The key indicators for NNN include items such as: the composition of NNN's Investment Portfolio (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 tenant's 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 and NNN's management believes these sectors present attractive investment opportunities. NNN's Investment Portfolio is geographically concentrated in the south and southeast United States, which are regions of historically 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.

As of year end December 31, 2010, 2009 and 2008, 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 weak economic environment during the past three years has made it more difficult and more expensive to obtain debt and equity capital, and has reduced the pace of investments in new acquisitions or developments as well as the volume of dispositions. Additionally, the weak economic and retail environment has resulted in more retailers filing for bankruptcy and has made it more difficult to lease properties, which may have an adverse impact on NNN's occupancy.



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### **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

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of the asset, including accrued rental income, may not be recoverable through operations. Events or circumstances that may occur include significant changes in real estate market condition or the ability of NNN to re-lease or sell properties that are vacant or become vacant. 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 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 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. In 2010, NNN acquired the 21.1% non-controlling interest in its majority owned and controlled subsidiary, OAMI, for \$1,603,000 pursuant to which OAMI became a wholly owned subsidiary of NNN. NNN accounted for the transaction as an equity transaction in accordance with the FASB guidance on consolidation.

*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.

*New Accounting Pronouncements.* Refer to Note 1 to the December 31, 2010, Consolidated Financial Statements.

*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.

**Results of Operations****Property Analysis   Investment Portfolio**

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

	2010	2009	2008
<b>Investment Properties Owned:</b>			
Number	1,195	1,015	1,005
Total gross leasable area (square feet)	12,972,000	11,373,000	11,251,000
<b>Investment Properties:</b>			
Leased	1,147	966	972
Operated	11	12	-
Percent of Investment Properties   leased and operated	97%	96%	97%
Weighted average remaining lease term (years)	12	12	13
Total gross leasable area (square feet)   leased and operated	12,215,000	10,508,000	10,728,000

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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, 2010:

	% of Annual Base Rent <sup>(1)</sup>	# of Properties	Gross Leasable Area <sup>(2)</sup>		% of Annual Base Rent <sup>(1)</sup>	# of Properties	Gross Leasable Area <sup>(2)</sup>
2011	1.5%	18	260,000	2017	3.9%	28	682,000
2012	3.1%	35	520,000	2018	2.6%	24	345,000
2013	4.4%	40	839,000	2019	4.0%	41	618,000
2014	4.4%	42	577,000	2020	4.0%	83	694,000
2015	4.5%	72	1,011,000	Thereafter	65.4%	745	6,167,000
2016	2.2%	19	407,000				

(1) Based on the annualized base rent for all leases in place as of December 31, 2010.

(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	2010	2009	2008
1.	Convenience Stores	23.7%	26.7%	25.7%
2.	Restaurants Full Service	10.1%	9.2%	8.7%
3.	Automotive Parts	7.8%	6.8%	5.1%
4.	Theaters	5.7%	6.3%	6.1%
5.	Automotive Service	5.3%	5.7%	8.9%
6.	Sporting Goods	4.5%	3.2%	3.3%
7.	Restaurants Limited Service	4.1%	3.5%	3.3%
8.	Drug Stores	4.0%	4.1%	4.0%
9.	Books	3.8%	4.1%	4.0%
10.	Grocery	2.7%	2.9%	2.6%
	Other	28.3%	27.5%	28.3%
		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 in as of December 31, 2010:

	State	# of Properties	% of Annual Base Rent <sup>(1)</sup>
1.	Texas	220	18.7%
2.	Florida	93	10.0%
3.	Illinois	47	6.7%
4.	North Carolina	73	6.2%
5.	Georgia	60	5.0%
6.	Indiana	39	4.4%
7.	Ohio	38	4.1%
8.	Pennsylvania	84	3.9%
9.	Tennessee	33	2.9%

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10.	Missouri	28	2.9%
	Other	480	35.2%
		1,195	100.0%

<sup>(1)</sup> Based on annualized base rent for all leases in place as of December 31, 2010.

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

	2010	2009	2008
Acquisitions:			
Number of Investment Properties	194	8	109
Gross leasable area (square feet)	1,700,000	290,000	868,000
Total dollars invested <sup>(1)</sup>	\$ 256,077	\$ 36,335	\$ 355,107

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

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

	2010	2009	2008
Number of properties	14	9	19
Gross leasable area (square feet)	100,000	234,000	290,000
Net sales proceeds	\$ 15,980	\$ 15,621	\$ 59,796
Net gain	\$ 1,134	\$ 2,392	\$ 9,980

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.

**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:

	2010	2009	2008
Completed Inventory Properties	10	13	24
Properties under construction	-	-	1
Land parcels	7	6	7
Total Inventory Properties	17	19	32

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

*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):

	2010	2009	2008
Number of properties acquired	-	2	7
Total dollars invested <sup>(1)</sup>	\$ 493	\$ 2,633	\$ 29,539

<sup>(1)</sup> Includes dollars invested in projects under construction or tenant improvements for each respective year.

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**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):

	2010		2009		2008	
	# of Properties	Gain	# of Properties	Gain	# of Properties	Gain
Continuing operations	2	\$ 641	2	\$ 37	1	\$ 21
Noncontrolling interest		(320)		(14)		(10)
Total continuing operations attributable to NNN		321		23		11
Discontinued operations	2	300	2	558	24	12,644
Noncontrolling interest		(43)		-		(3,297)
Total discontinued operations attributable to NNN		257		558		9,347
	4	\$ 578	4	\$ 581	25	\$ 9,358

## Revenue from Continuing Operations Analysis

**General.** During the year ended December 31, 2010, 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 increases in rental income will continue to come from additional property acquisitions and increases in rents pursuant to lease terms.

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

	2010	2009	2008	Percent of Total			2010 Versus 2009 Percent Increase (Decrease)	2009 Versus 2008 Percent Increase (Decrease)
Rental Income <sup>(1)</sup>	\$ 215,132	\$ 213,666	\$ 209,541	93.9%	92.6%	92.3%	0.7%	2.0%
Real estate expense reimbursement from tenants	7,438	8,361	6,980	3.3%	3.6%	3.1%	(11.0)%	19.8%
Interest and other income from real estate transactions	3,026	4,535	5,807	1.3%	2.0%	2.6%	(33.3)%	(21.9)%
Interest income on commercial mortgage residual interests	3,460	4,252	4,636	1.5%	1.8%	2.0%	(18.6)%	(8.3)%
Total revenues from continuing operations	\$ 229,056	\$ 230,814	\$ 226,964	100.0%	100.0%	100.0%	(0.8)%	1.7%

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

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*Revenue from Operations by Source of Income.* NNN has identified two primary operating segments, and thus, sources of revenue: (i) earnings from NNN's Investment Assets, and (ii) earnings from NNN's Inventory Assets. NNN revenues from continuing operations come primarily from Investment Assets. The revenues generated from NNN's Inventory Assets are typically classified as discontinued operations.

### ***Comparison of Year Ended December 31, 2010 to Year Ended December 31, 2009.***

*Rental Income.* Rental Income remained relatively stable in amount and as a percent of the total revenues from continuing operations for the year ended December 31, 2010 as compared to 2009.

*Real Estate Expense Reimbursement from Tenants.* Real estate expense reimbursements from tenants decreased for the year ended December 31, 2010, as compared to 2009 but remained fairly consistent as a percentage of total revenues from continuing operations. The decrease is primarily attributable to the increase in reimbursed tax assessments in 2009 as compared to 2010.

*Interest and Other Income from Real Estate Transactions.* Interest and other income from real estate transactions decreased for the year ended December 31, 2010, as compared to 2009, primarily due to a lower weighted average principal balance and a lower weighted average interest rate on NNN's mortgages receivable and structured finance investments during the year ended December 31, 2010. For the years ended December 31, 2010 and 2009, the weighted average outstanding principal balance and interest rates on NNN's mortgages receivable and structured finance investments was \$31,925,000 at 9.04% and \$38,968,000 at 9.50%, respectively. The decrease was also due to two defaulted loans at December 31, 2010.

*Interest Income on Commercial Mortgage Residual Interests.* Interest income on commercial mortgage residual interests (Residuals) decreased for the year ended December 31, 2010, as compared to December 31, 2009, but remained fairly stable as a percent of total revenue from continuing operations. The decrease in interest income on Residuals is primarily the result of declining loan balances from prepayments and scheduled loan amortization.

### ***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.

*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 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

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result of the increase in the loan delinquencies and asset amortization, which is partially offset by a decrease in loan prepayments.

**Analysis of Expenses from Continuing Operations**

*General.* During 2010, operating expenses from continuing operations decreased primarily due to lower impairment losses and other charges recorded during the year ended December 31, 2010, as compared to the same period in 2009. The following summarizes NNN's expenses from continuing operations (dollars in thousands):

	2010			2009			2008		
General and administrative	\$	22,778		\$	21,773		\$	24,875	
Real estate		13,534			13,642			10,152	
Depreciation and amortization		48,328			46,539			43,668	
Impairment losses and other charges		7,458			36,080			1,234	
Impairment commercial mortgage residual interests valuation		3,995			498			758	
Restructuring costs		-			731			-	
Total operating expenses	\$	96,093		\$	119,263		\$	80,687	
Interest and other income	\$	(1,513)		\$	(1,371)		\$	(3,748)	
Interest expense		65,179			62,151			63,964	
Loss on interest rate hedge		-			-			804	
Total other expenses (revenues)	\$	63,666		\$	60,780		\$	61,020	

	Percentage of Total Operating Expenses			Percentage of Revenues from Continuing Operations			2010 Versus 2009 Percent Increase (Decrease)	2009 Versus 2008 Percent Increase (Decrease)
	2010	2009	2008	2010	2009	2008		
General and administrative	23.7%	18.3%	30.8%	9.9%	9.4%	11.0%	4.6%	(12.5)%
Real estate	14.1%	11.4%	12.6%	5.9%	5.9%	4.5%	(0.8)%	34.4%
Depreciation and amortization	50.2%	39.0%	54.1%	21.1%	20.2%	19.2%	3.8%	6.6%
Impairment losses and other charges	7.8%	30.3%	1.5%	3.3%	15.6%	0.5%	(79.3)%	2,823.8%
Impairment commercial mortgage residual interests valuation adjustment	4.2%	0.4%	1.0%	1.7%	0.2%	0.3%	702.2%	(34.3)%
Restructuring costs	-	0.6%	-	-	0.3%	-	(100.0)%	N/C <sup>(1)</sup>
Total operating expenses	100.0%	100.0%	100.0%	41.9%	51.6%	35.5%	(19.4)%	47.8%
Interest and other income	(2.4)%	(2.3)%	(6.1)%	(0.7)%	(0.6)%	(1.7)%	10.4%	(63.4)%
Interest expense	102.4%	102.3%	104.8%	28.5%	26.9%	28.2%	4.9%	(2.8)%
Loss on interest rate hedge	-	-	1.3%	-	-	0.4%	-	(100.0)%
Total other expenses (revenues)	100.0%	100.0%	100.0%	27.8%	26.3%	26.9%	4.7%	(0.4)%

<sup>(1)</sup> Not calculable ( N/C )

***Comparison of Year Ended December 31, 2010 to Year Ended December 31, 2009.***



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*General and Administrative Expenses.* General and administrative expenses increased for the year ended December 31, 2010, as compared to the same period in 2009 and increased both as a percentage of total operating expenses and as a percentage of revenues from continuing operations. The increase in general and administrative expenses for the year ended December 31, 2010, is primarily attributable to an increase in noncash long-term incentive compensation. This increase is partially offset by a decrease in lost pursuit costs and capitalized overhead.

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*Real Estate.* Real estate expenses increased as a percentage of total operating expenses, but remained stable as a percentage of revenues from continuing operations for the year ended December 31, 2010, as compared to the same period in 2009.

*Depreciation and Amortization.* Depreciation and amortization expenses increased as a percentage of total operating expenses but remained fairly stable as a percentage of revenues from continuing operations for the year ended December 31, 2010, as compared to the year ended December 31, 2009. The dollar increase is primarily a result of an increase in the amortization of loan costs associated with a credit agreement NNN entered into in November 2009.

*Impairment Losses and Other Charges.* 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 determines 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. The decrease in impairment losses and other charges is primarily due to real estate impairments of \$28,884,000 recorded in 2009, as compared to zero in 2010.

*Impairment Commercial Mortgage Residual Interests Valuation.* In connection with the independent valuations of the Residuals fair value, during the years ended December 31, 2010 and 2009, NNN recorded an other than temporary valuation adjustment of \$3,995,000 and \$498,000, 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 2010.

*Interest Expense.* Interest expense increased for the year ended December 31, 2010, as compared to the same period in 2009, and increased as a percentage of revenues from continuing operations but remained relatively stable as a percentage of total operating expenses.

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

- (i) the repurchase of \$11,000,000 of convertible notes payable due June 2028 with an effective interest rate of 7.192% in 2009,
- (ii) the repurchase of \$8,800,000 of convertible notes payable due September 2026 with an effective interest rate of 5.840% in 2009,
- (iii) the payoff of the \$20,000,000 8.5% notes payable in September 2010,
- (iv) the increase of \$7,037,000 in the weighted average debt outstanding on the Credit Facility for year ended December 31, 2010, as compared to the same period in 2009,
- (v) the increase in the weighted average interest rate on the Credit Facility from 1.19% during the year ended December 31, 2009, to 3.80% during the year ended December 31, 2010,
- (vi) the decrease of \$626,000 in capitalized interest expense for the year ended December 31, 2010, as compared to the same period in 2009, and
- (vii) the increase of \$850,000 in amortization of loan commitment fees related to the Credit Facility entered into November 2009.



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### ***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.

*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 Losses and Other Charges.* 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 \$28,884,000 and \$1,234,000, respectively. In addition, during the year ended December 31, 2009, NNN recognized a loss on a note receivable foreclosure of \$7,196,000.

*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 \$11,000,000 of convertible notes payable due June 2028 with an effective interest rate of 7.192% in 2009,
- (ii) repurchase of \$8,800,000 of convertible notes payable due September 2026 with an effective interest rate of 5.840% in 2009,
- (iii) issuance of \$234,035,000 of convertible notes payable due June 2028, with an effective interest rate of 7.192% in March 2008,

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- (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.

## 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, 2010. 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):

	2010			2009			2008		
	# of Sold Properties	Gain	Earnings/ (Loss)	# of Sold Properties	Gain	Earnings/ (Loss)	# of Sold Properties	Gain	Earnings/ (Loss)
Investment Assets	14	\$ 1,134	\$ 1,859	9	\$ 2,392	\$ 1,776	19	\$ 9,980	\$ 12,914
Inventory Assets	2	300	292	2	558	(1,506)	24	12,644	9,199
Noncontrolling interests	-	-	11	-	-	(166)	-	-	(2,722)
	16	\$ 1,434	\$ 2,162	11	\$ 2,950	\$ 104	43	\$ 22,624	\$ 19,391

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 Losses and Other Charges.* 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 significant changes in real estate market conditions and the ability of NNN to re-lease or sell properties that are vacant or become vacant. 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, and 2008, NNN recognized real estate impairments on discontinued operations of \$5,630,000, and \$4,426,000, respectively. During the year ended December 31, 2010, NNN did not recognize any real estate impairments on discontinued operations.

### 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, to a lesser extent, 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.

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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; (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 receivable) 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, 2010, \$161,000,000 was outstanding and \$239,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$647,000. NNN anticipates that any additional investments in properties, mortgages and notes receivables 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):

	2010	2009	2008
Cash and cash equivalents:			
Provided by operating activities	\$ 187,914	\$ 149,502	\$ 237,459
Used in investing activities	(220,260)	(28,063)	(256,304)
Provided by (used in) financing activities	19,169	(108,840)	(6,028)
Increase (decrease)	(13,177)	12,599	(24,873)
Net cash at beginning of period	15,225	2,626	27,499
Net cash at end of period	\$ 2,048	\$ 15,225	\$ 2,626

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 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, 2010, 2009 and 2008, 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, 2010, included the following significant transactions:

\$125,391,000 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,

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\$17,631,000 in net proceeds from the issuance of 793,759 shares of common stock in connection with the Dividend Reinvestment and Stock Purchase Plan ( DRIP ), and

\$161,000,000 in net proceeds from NNN's Credit Facility,

\$6,453,000 in repayments of mortgages, and

\$20,000,000 in repayment of notes payable.

*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, 2010, \$161,000,000 was outstanding and \$239,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$647,000.

For the year ended December 31, 2010, NNN's ratio of total liabilities to total gross assets (before accumulated depreciation) was approximately 40 percent and the secured indebtedness to total gross assets was approximately two percent. The total debt to total market capitalization was approximately 34 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, 2010. The table presents principal cash flows by year-end of the expected maturity for debt obligations and commercial commitments outstanding as of December 31, 2010.

	Total	Expected Maturity Date (dollars in thousands)					
		2011	2012	2013	2014	2015	Thereafter
Long-term debt <sup>(1)</sup>	\$ 986,004	\$ 139,798 <sup>(3)</sup>	\$ 69,290	\$ 223,898 <sup>(3)</sup>	\$ 150,881	\$ 150,917	\$ 251,220
Credit Facility	161,000	-	161,000	-	-	-	-
Operating lease	3,666	917	945	973	831	-	-
Total contractual cash obligations <sup>(2)</sup>	\$ 1,150,670	\$ 140,715	\$ 231,235	\$ 224,871	\$ 151,712	\$ 150,917	\$ 251,220

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

<sup>(2)</sup> Excludes \$7,342 of accrued interest payable.

<sup>(3)</sup> Maturity dates are based on put option dates under NNN's convertible notes.

In addition to the contractual obligations outlined above, in connection with the development of 28 Investment Properties, NNN has agreed to fund construction commitments (including construction, land costs and tenant improvements) of \$68,746,000. As of December 31, 2010, NNN had funded \$50,196,000 of this commitment, with \$18,550,000 remaining to be funded. As of December 31, 2010, NNN did not have any funding commitments relating to the development of Inventory Properties.

As of December 31, 2010, NNN had outstanding letters of credit totaling \$647,000 under its Credit Facility.





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As of December 31, 2010, 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.

Generally the Investment Properties are leased under long-term net leases. 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, 2010, NNN owned 37 vacant, un-leased Investment Properties which accounted for approximately three percent of total Investment Properties held in NNN's Investment Portfolio. Additionally, as of January 31, 2011, approximately one percent of the total gross leasable area of NNN's Investment Portfolio was leased to four tenants that filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. As a result, these tenants have the right to reject or affirm their leases with NNN.

In February 2011, one of NNN's tenants, Borders Group, Inc. ( Borders ), which leased five Investment Properties from NNN, filed a petition of reorganization under Chapter 11 of the U.S. Bankruptcy Code. In February 2011, Borders moved to reject three leases with NNN and retains the right to reject the remaining two leases with NNN.

In February 2011, one of NNN's tenants, Robb & Stucky, LTD, which leases 1 Investment Property from NNN, filed a petition of reorganization under Chapter 11 of the U.S. Bankruptcy Code and retains the right to reject its lease with NNN.

On April 20, 2009, one of NNN's tenants, Titlemax Holdings, LLC and its affiliated companies ( Titlemax ), which leased 30 Investment Properties from NNN, filed a petition of reorganization under Chapter 11 of the U.S. Bankruptcy Code. In January 2010, Titlemax assumed all of its leases with NNN. In April 2010, Titlemax's plan of reorganization was approved by the U.S. Bankruptcy Court and Titlemax exited bankruptcy. Titlemax's Chapter 11 filing did not have an effect on NNN's operations or financial position.

In June 2010, one of NNN's tenants, Majestic Liquor Stores, Inc. ( Majestic ), which leased 13 Investment Properties from NNN, filed a petition of reorganization under Chapter 11 of the U.S. Bankruptcy Code. In addition, in June 2010, the principals of Majestic, (the Majestic Principals ), which are the borrowers on a loan from NNN secured by one Majestic property, filed a petition of reorganization under Chapter 11 of the U.S. Bankruptcy Code. In June 2010, Majestic elected to reject the leases of four properties owned by NNN and the one property securing the loan to the Majestic Principals. In November 2010 NNN foreclosed on the property securing the loan to the Majestic Principals. In addition, during the year ended December 31, 2010, NNN recorded a \$5,625,000 charge in connection with the loan to the Majestic Principals. In December 2010, Majestic assumed all 9 of the remaining leases with NNN. Also in December 2010

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Majestic and Majestic Principals plan of reorganization was approved by the U.S. Bankruptcy court and Majestic and the Majestic Principals exited bankruptcy.

*Dividends.* NNN has made an election to be taxed as a REIT under Sections 856 through 860 of the Code, 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, 2010, 2009 and 2008, NNN declared and paid dividends to its common stockholders of \$125,391,000, \$120,256,000 and \$110,107,000, respectively, or \$1.51, \$1.50 and \$1.48 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:

	2010		2009		2008	
Ordinary dividends	\$ 1.072446	71.0229%	\$ 1.495182	99.6788%	\$ 1.480000	100.0000%
Qualified dividends	0.081661	5.4080%	-	-	-	-
Capital gain	0.000861	0.0570%	0.003051	0.2034%	-	-
Unrecaptured Section 1250 Gain	0.000498	0.0330%	0.001767	0.1178%	-	-
Nontaxable distributions	0.354534	23.4791%	-	-	-	-
	\$ 1.510000	100.0000%	\$ 1.500000	100.0000%	\$ 1.480000	100.0000%

In February 2011, NNN paid dividends to its common stockholders of \$31,678,000, or \$0.38 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.

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, 2010, 2009 and 2008. The Series C Preferred Stock has no maturity date and will remain outstanding unless redeemed.

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

	2010		2009		2008	
Ordinary dividends	\$ 1.703170	92.3753%	\$ 1.837828	99.6788%	\$ 1.843750	100.0000%
Qualified dividends	0.140580	7.6247%	-	-	-	-
Capital gain	-	-	0.003750	0.2034%	-	-
Unrecaptured Section 1250 Gain	-	-	0.002172	0.1178%	-	-
	\$ 1.843750	100.0000%	\$ 1.843750	100.0000%	\$ 1.843750	100.0000%

**Table of Contents****Capital Resources**

Generally, cash needs for property acquisitions, mortgages and notes receivable investments, debt payments, dividends, 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):

	2010	Percentage of Total	2009	Percentage of Total
Line of credit payable	\$ 161,000	14.2%	\$ -	-
Mortgages payable	24,269	2.2%	25,290	2.6%
Notes payable - convertible	349,534	30.8%	343,380	34.8%
Notes payable	598,882	52.8%	618,676	62.6%
<b>Total outstanding debt</b>	<b>\$ 1,133,685</b>	<b>100.0%</b>	<b>\$ 987,346</b>	<b>100.0%</b>

*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 \$17,861,000 and a weighted average interest rate of 3.8% during the year ended December 31, 2010. 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 credit 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, 2010, \$161,000,000 was outstanding, and \$239,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$647,000.

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, 2010, 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 operations.

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

Entered	Balance	Interest Rate	Maturity <sup>(3)</sup>	Carrying Value of Encumbered Asset(s) <sup>(1)</sup>	Outstanding Principal Balance at December 31,	
					2010	2009
December 2001 <sup>(2)</sup>	623	9.00%	April 2014	\$ 734	\$ 215	\$ 267
December 2001 <sup>(2)</sup>	698	9.00%	April 2019	1,186	364	392
December 2001 <sup>(2)</sup>	485	9.00%	April 2019	1,152	187	201
June 2002	21,000	6.90%	July 2012	24,051	18,841	19,170
February 2004 <sup>(2)</sup>	6,952	6.90%	January 2017	11,522	4,038	4,554
March 2005 <sup>(2)</sup>	1,015	8.14%	September 2016	1,322	624	706
				\$ 39,967	\$ 24,269	\$ 25,290

(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, 2010.

(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.

**Notes Payable - Convertible.** Each of NNN's outstanding series of convertible notes are summarized in the table below (dollars in thousands, except conversion price):

Terms	2026 Notes <sup>(1)(2)(4)</sup>	2028 Notes <sup>(2)(5)(6)</sup>
Issue Date	September 2006	March 2008
Net Proceeds	\$ 168,650	\$ 228,576
Stated Interest Rate <sup>(8)</sup>	3.950%	5.125%
Debt Issuance Costs	\$ 3,850 <sup>(3)</sup>	\$ 5,459 <sup>(7)</sup>
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, 2010	\$ 138,700	\$ 223,035

(1) NNN repurchased \$8,800 and \$25,000 in 2009 and 2008, respectively, for a purchase price of \$6,994 and \$19,188, respectively, resulting in a gain of \$1,565 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 \$463 of note costs which were written off in connection with the repurchase of \$33,800 of the 2026 Notes.

(4) The conversion rate per \$1 principal amount was 41.9803 shares of NNN's common stock, which is equivalent to a conversion price of \$23.8207 per share of common stock.

(5)

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The conversion rate per \$1 principal amount was 39.3620 shares of NNN's common stock, which is equivalent to a conversion price of \$25.4052 per share of common stock.

(6) NNN repurchased \$11,000 in 2009 for a purchase price of \$8,588 resulting in a gain of \$1,867.

(7) Includes \$219 of note costs which were written off in connection with the repurchase of \$11,000 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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The carrying amounts of the Company's debt and equity balances are summarized in the table below as of December 31, (dollars in thousands):

	2010	2009
Carrying value of equity component	\$ (33,873)	\$ (33,873)
Principal amount of convertible debt	361,735	361,735
Remaining unamortized debt discount	(12,201)	(18,355)
Net carrying value of convertible debt	\$ 315,661	\$ 309,507

As of December 31, 2010, the remaining amortization periods for the debt discount were approximately nine months and 18 months for the 2026 Notes and the 2028 Notes, respectively.

The adjusted effective interest rates for the liability components of the 2026 Notes and the 2028 Notes were 5.840% and 7.192%, respectively. The Company recorded noncash interest-related charges of \$6,154,000, \$5,809,000 and \$5,481,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The Company recorded contractual interest expense of \$16,909,000, \$17,046,000 and \$16,548,000 for the years ended December 31, 2010, 2009 and 2008, respectively, relating to the 2026 Notes and 2028 Notes.

The if-converted values that exceed the principal amount as of December 31, 2010, are \$15,601,000 and \$9,611,000 for the 2026 Notes and the 2028 Notes, respectively. As of December 31, 2009, the if-converted amount did not exceed the value of the principal amount.

*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 <sup>(3)</sup>	Net Price	Stated Rate	Effective Rate <sup>(4)</sup>	Maturity Date
2012 <sup>(1)</sup>	June 2002	\$ 50,000	287	\$ 49,713	7.750%	7.833%	June 2012
2014 <sup>(1)(2)(5)</sup>	June 2004	150,000	440	149,560	6.250%	5.910%	June 2014
2015 <sup>(1)</sup>	November 2005	150,000	390	149,610	6.150%	6.185%	December 2015
2017 <sup>(1)(6)</sup>	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 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 \$5,226,000 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, 2010, NNN was in compliance with those covenants.



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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 September 2010, NNN repaid the 8.500% \$20,000,000 notes that were due in September 2010.

**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 3,680,000 depositary shares, each representing 1/100<sup>th</sup> of a share of 7.375% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock"), and received gross proceeds of \$92,000,000. 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.

**Common Stock Issuances.** 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:

	2010	2009	2008
Shares of common stock	793,759	3,766,452	2,146,640
Net proceeds	\$ 17,623,000	\$ 67,354,000	\$ 47,372,000

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



**Table of Contents****Mortgages and Notes Receivable.**

Mortgages are secured by real estate, real estate securities or other assets. Mortgages and notes receivable consisted of the following at December 31 (dollars in thousands):

	2010	2009
Mortgages and notes receivable	\$ 29,750	\$ 41,707
Accrued interest receivable, net of reserves	644	269
Unamortized discount	(63)	-
	\$ 30,331	\$ 41,976

**Commercial Mortgage Residual Interests.**

In connection with the independent valuations of the Residuals fair value, NNN adjusted the carrying value of the Residuals to reflect such fair value as of December 31, 2010. 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:

	2010	2009
Discount rate	25%	25%
Average life equivalent CPR speeds range	4.35% to 20.37% CPR	14.5% to 20.7% CPR
Foreclosures:		
Frequency curve default model	0.1% - 15.0% range	6% average rate
Loss severity of loans in foreclosure	20%	20%
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):

	2010	2009	2008
Unrealized gains	\$ 1,273	\$ -	\$ 2,009
Unrealized losses	-	1,640	-
Other than temporary valuation impairment	3,995	498	758

**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. In connection with the review of goodwill for impairment, NNN recognized a noncash impairment charge of \$1,900,000.

**Table of Contents****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, 2010, 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, 2010 and 2009. The table presents principal payments and related interest rates by year for debt obligations outstanding as of December 31, 2010. The variable interest rates shown represent weighted average rate for the Credit Facility for the year ended December 31, 2010. The table incorporates only those debt obligations that existed as of December 31, 2010, and 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 less than one percent for the year ended December 31, 2010.

	Debt Obligations (dollars in thousands)					
	Variable Rate Debt			Fixed Rate Debt		
	Credit Facility		Mortgages	Unsecured Debt <sup>(1)</sup>		
	Debt Obligation	Weighted Average Interest Rate		Debt Obligation	Weighted Average Interest Rate	Effective Interest Rate
2011	\$ -	-	\$ 1,098	7.20%	\$ 136,857	5.84%
2012	161,000	3.80%	19,290	6.92%	49,945	7.83%
2013	-	-	863	7.35%	212,677	7.19%
2014	-	-	881	7.27%	149,817	5.91%
2015	-	-	917	7.22%	149,777	6.19%
Thereafter	-	-	1,220	7.47%	249,343	6.92%
<b>Total</b>	<b>\$ 161,000</b>	<b>3.80%</b>	<b>\$ 24,269</b>	<b>7.00%</b>	<b>\$ 948,416</b>	<b>6.60%</b>

## Fair Value:

December 31, 2010	\$ 161,000	\$ 24,269	\$1,044,621
December 31, 2009	\$ -	\$ 25,290	\$ 987,275

<sup>(1)</sup> Includes NNN's notes payable and convertible notes payable, each net of unamortized discounts. NNN uses Bloomberg 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 \$15,915,000 and \$20,153,000 as of December 31, 2010 and 2009, 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, 2010, 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, 2010, 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, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Miami, Florida

February 24, 2011

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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, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statements schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

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, 2010, 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 24, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Miami, Florida

February 24, 2011

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

ASSETS	December 31, 2010	December 31, 2009
Real estate, Investment Portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$ 2,519,950	\$ 2,328,576
Accounted for using the direct financing method	29,773	31,317
Real estate, Inventory Portfolio, held for sale	32,076	72,423
Investment in unconsolidated affiliate	4,515	4,703
Mortgages, notes and accrued interest receivable, net of allowance	30,331	41,976
Commercial mortgage residual interests	15,915	20,153
Cash and cash equivalents	2,048	15,225
Receivables, net of allowance of \$1,750 and \$583, respectively	3,403	1,946
Accrued rental income, net of allowance of \$3,609 and \$2,875, respectively	25,535	25,745
Debt costs, net of accumulated amortization of \$11,198 and \$6,870, respectively	9,366	13,884
Other assets	40,663	35,014
Total assets	\$ 2,713,575	\$ 2,590,962

**LIABILITIES AND EQUITY**

Liabilities:		
Line of credit payable	\$ 161,000	\$ -
Mortgages payable	24,269	25,290
Notes payable convertible, net of unamortized discount of \$12,201 and \$18,355, respectively	349,534	343,380
Notes payable, net of unamortized discount of \$1,118 and \$1,324, respectively	598,882	618,676
Accrued interest payable	7,342	7,471
Other liabilities	43,774	29,283
Total liabilities	1,184,801	1,024,100

**Commitments and contingencies (Note 26)****Equity:****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; 83,613,289 and 82,427,560 shares issued and outstanding, respectively	838	825
Excess stock, \$0.01 par value. Authorized 205,000,000 shares; none issued or outstanding	-	-
Capital in excess of par value	1,429,750	1,408,491
Retained earnings	3,234	62,413
Accumulated other comprehensive income	1,661	511
Total stockholders' equity of NNN	1,527,483	1,564,240
Noncontrolling interests	1,291	2,622

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Total equity	1,528,774	1,566,862
Total liabilities and equity	\$ 2,713,575	\$ 2,590,962

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,		
	2010	2009	2008
<b>Revenues:</b>			
Rental income from operating leases	\$ 211,172	\$ 209,256	\$ 205,334
Earned income from direct financing leases	3,001	3,070	3,103
Percentage rent	959	1,340	1,104
Real estate expense reimbursement from tenants	7,438	8,361	6,980
Interest and other income from real estate transactions	3,026	4,535	5,807
Interest income on commercial mortgage residual interests	3,460	4,252	4,636
	229,056	230,814	226,964
<b>Disposition of real estate, Inventory Portfolio:</b>			
Gross proceeds	5,600	953	4,900
Costs	(4,959)	(916)	(4,879)
Gain	641	37	21
<b>Retail operations:</b>			
Revenues	32,958	15,595	-
Operating expenses	(31,647)	(15,176)	-
Net	1,311	419	-
<b>Operating expenses:</b>			
General and administrative	22,778	21,773	24,875
Real estate	13,534	13,642	10,152
Depreciation and amortization	48,328	46,539	43,668
Impairment losses and other charges	7,458	36,080	1,234
Impairment commercial mortgage residual interests valuation adjustment	3,995	498	758
Restructuring costs	-	731	-
	96,093	119,263	80,687
<b>Earnings from operations</b>	<b>134,915</b>	<b>112,007</b>	<b>146,298</b>
<b>Other expenses (revenues):</b>			
Interest and other income	(1,513)	(1,371)	(3,748)
Interest expense	65,179	62,151	63,964
Loss on interest rate hedge	-	-	804
	63,666	60,780	61,020

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Earnings from continuing operations before income tax benefit (expense), equity in earnings of unconsolidated affiliate and gain on extinguishment of debt	71,249	51,227	85,278
Income tax benefit (expense)	(475)	1,049	7,255
Equity in earnings of unconsolidated affiliate	428	421	364
Gain on extinguishment of debt	-	3,432	4,961
<b>Earnings from continuing operations</b>	<b>71,202</b>	<b>56,129</b>	<b>97,858</b>
Earnings (loss) from discontinued operations (Note 18):			
Real estate, Investment Portfolio, net of income tax expense	1,859	1,776	12,914
Real estate, Inventory Portfolio, net of income tax expense	292	(1,506)	9,199
	<b>2,151</b>	<b>270</b>	<b>22,113</b>

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,		
	2010	2009	2008
Earnings including noncontrolling interests	\$ 73,353	\$ 56,399	\$ 119,971
Loss (earnings) attributable to noncontrolling interests:			
Continuing operations	(367)	(1,423)	(96)
Discontinued operations	11	(166)	(2,722)
	(356)	(1,589)	(2,818)
Net earnings attributable to NNN	72,997	54,810	117,153
Other comprehensive income (loss)	1,150	(1,903)	1,688
Total comprehensive income	\$ 74,147	\$ 52,907	\$ 118,841
Net earnings attributable to NNN	\$ 72,997	\$ 54,810	\$ 117,153
Series C preferred stock dividends	(6,785)	(6,785)	(6,785)
Net earnings attributable to common stockholders	\$ 66,212	\$ 48,025	\$ 110,368
Net earnings per share of common stock:			
Basic:			
Continuing operations	\$ 0.77	\$ 0.60	\$ 1.22
Discontinued operations	0.03	-	0.26
Net earnings	\$ 0.80	\$ 0.60	\$ 1.48
Diluted:			
Continuing operations	\$ 0.77	\$ 0.60	\$ 1.22
Discontinued operations	0.03	-	0.26
Net earnings	\$ 0.80	\$ 0.60	\$ 1.48
Weighted average number of common shares outstanding:			
Basic	82,715,645	79,846,258	74,249,137
Diluted	82,849,362	79,953,499	74,344,231

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, 2010, 2009 and 2008

(dollars in thousands, except per share data)

	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 depository 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

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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, 2010, 2009 and 2008

(dollars in thousands, except per share data)

	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 depository 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 loss commercial mortgage residual interests	-	-	-	-	(1,744)	(1,744)	104	(1,640)
	-	-	-	-	-	-	152	152

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Contributions from noncontrolling interests									
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
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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, 2010, 2009 and 2008

(dollars in thousands, except per share data)

	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, 2009	\$ 92,000	\$ 825	\$ 1,408,491	\$ 62,413	\$ 511	\$ 1,564,240	\$ 2,622	\$ 1,566,862
Net earnings	-	-	-	72,997	-	72,997	356	73,353
Dividends declared and paid:								
\$1.84375 per depository share of Series C preferred stock	-	-	-	(6,785)	-	(6,785)	-	(6,785)
\$1.51 per share of common stock	-	3	7,350	(125,391)	-	(118,038)	-	(118,038)
Issuance of common stock:					-			
39,872 shares	-	1	697	-	-	698	-	698
491,705 shares discounted stock purchase program	-	5	10,272	-	-	10,277	-	10,277
Issuance of 377,164 shares of restricted common stock	-	4	(4)	-	-	-	-	-
Stock issuance costs	-	-	(1)	-	-	(1)	-	(1)
Performance incentive plan	-	-	(1,634)	-	-	(1,634)	-	(1,634)
Amortization of deferred compensation	-	-	5,119	-	-	5,119	-	5,119
Amortization of interest rate hedges	-	-	-	-	(165)	(165)	-	(165)
Unrealized gain commercial mortgage residual interests	-	-	-	-	1,272	1,272	(26)	1,246
Contributions from noncontrolling interests	-	-	-	-	-	-	43	43

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Distributions to noncontrolling interests	-	-	-	-	-	-	(861)	(861)
Purchase of noncontrolling interest	-	-	(404)	-	-	(404)	(1,199)	(1,603)
Other	-	-	(136)	-	43	(93)	356	263
Balances at December 31, 2010	\$ 92,000	\$ 838	\$ 1,429,750	\$ 3,234	\$ 1,661	\$ 1,527,483	\$ 1,291	\$ 1,528,774

See accompanying notes to consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Earnings including noncontrolling interests	\$ 73,353	\$ 56,399	\$ 119,971
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Performance incentive plan expense	5,756	4,172	3,299
Stock options expense tax effect	122	190	-
Depreciation and amortization	49,084	48,485	45,347
Impairment losses and other charges	7,458	41,710	5,660
Impairment commercial mortgage residual interests valuation	3,995	498	758
Amortization of notes payable discount	6,360	6,006	5,670
Amortization of deferred interest rate hedges	(166)	(159)	(162)
Equity in earnings of unconsolidated affiliates	(428)	(421)	(364)
Distributions received from unconsolidated affiliates	578	607	439
Gain on disposition of real estate, Investment Portfolio	(1,134)	(2,392)	(9,980)
Gain on extinguishment of debt	-	(3,432)	(4,961)
Gain on disposition of real estate, Inventory Portfolio	(941)	(595)	(12,665)
Deferred income taxes	(2,544)	(16,649)	(5,593)
Income tax valuation allowance	3,121	14,900	-
Change in operating assets and liabilities, net of assets acquired and liabilities assumed in business combinations:			
Additions to real estate, Inventory Portfolio	(478)	(2,457)	(33,745)
Proceeds from disposition of real estate, Inventory Portfolio	42,817	6,276	128,785
Decrease in real estate leased to others using the direct financing method	1,544	1,378	1,195
Decrease (increase) in work in process	(755)	(786)	47
Increase in mortgages, notes and accrued interest receivable	(467)	(10)	(217)
Decrease (increase) in receivables	(219)	941	243
Decrease (increase) in commercial mortgage residual interests	1,516	(291)	-
Decrease (increase) in accrued rental income	124	(2,061)	(978)
Decrease (increase) in other assets	(53)	(172)	951
Decrease in accrued interest payable	(129)	(137)	(3,635)
Decrease in other liabilities	(431)	(2,930)	(1,463)
Increase (decrease) in current tax liability	(169)	432	(1,143)
Net cash provided by operating activities	187,914	149,502	237,459
Cash flows from investing activities:			
Proceeds from the disposition of real estate, Investment Portfolio	10,312	14,588	60,027
Additions to real estate, Investment Portfolio:			
Accounted for using the operating method	(230,928)	(44,433)	(352,618)
Investment in unconsolidated affiliate	-	-	(901)
Increase in mortgages and notes receivable	(8,564)	(959)	(29,934)
Principal payments on mortgages and notes receivable	13,818	4,009	64,589
Cash received from commercial mortgage residual interests	-	-	3,591
Payment of lease costs	(1,324)	(451)	(922)
Other	(3,574)	(817)	(136)



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Net cash used in investing activities	(220,260)	(28,063)	(256,304)
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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,		
	2010	2009	2008
Cash flows from financing activities:			
Proceeds from line of credit payable	\$ 278,900	\$ 132,400	\$ 516,000
Repayment of line of credit payable	(117,900)	(158,900)	(619,300)
Repayment of mortgages payable	(6,453)	(1,000)	(1,190)
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)
Repayment of notes payable	(20,000)	-	(100,000)
Payment of debt costs	(75)	(6,275)	(5,813)
Proceeds from issuance of common stock	17,692	68,060	127,328
Payment of Series C preferred stock dividends	(6,785)	(6,785)	(6,785)
Payment of common stock dividends	(125,391)	(120,256)	(110,107)
Noncontrolling interest distributions	(861)	(552)	(5,483)
Noncontrolling interest contributions	43	152	41
Stock issuance costs	(1)	(104)	(3,566)
Net cash provided by (used in) financing activities	19,169	(108,840)	(6,028)
Net increase (decrease) in cash and cash equivalents	(13,177)	12,599	(24,873)
Cash and cash equivalents at beginning of year	15,225	2,626	27,499
Cash and cash equivalents at end of year	\$ 2,048	\$ 15,225	\$ 2,626
Supplemental disclosure of cash flow information:			
Interest paid, net of amount capitalized	\$ 62,386	\$ 61,475	\$ 69,395
Taxes paid (received)	\$ 472	\$ (63)	\$ 3,441
Supplemental disclosure of noncash investing and financing activities:			
Issued 392,474, 262,546 and 225,517 shares of restricted and unrestricted common stock in 2010, 2009 and 2008, respectively, pursuant to NNN's performance incentive plan	\$ 6,889	\$ 4,290	\$ 3,796
Issued 10,092, 6,594 and 12,766 shares of common stock in 2010, 2009 and 2008, respectively, to directors pursuant to NNN's performance incentive plan	\$ 236	\$ 118	\$ 262
Issued 25,066, 41,604 and 26,879 shares of common stock in 2010, 2009 and 2008, respectively, pursuant to NNN's Deferred Director Fee Plan	\$ 401	\$ 611	\$ 449
Surrender of 2,520 shares of restricted common stock in 2008	\$ -	\$ -	\$ 58
Change in other comprehensive income	\$ 1,150	\$ (1,903)	\$ 1,439

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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
Note and mortgage receivable accepted in connection with real estate transactions	\$	5,950	\$	1,550	\$	24,245
Mortgages payable assumed in connection with real estate transactions	\$	5,432	\$	-	\$	-
Real estate acquired in connection with mortgage receivable foreclosure	\$	6,250	\$	4,240	\$	2,497
Assets received in note receivable foreclosure	\$	-	\$	5,527	\$	-
Note receivable foreclosures	\$	-	\$	(17,013)	\$	-

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008

**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 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 ).

	December 31, 2010
Investment Portfolio:	
Total properties (including retail operations)	1,195
Gross leasable area (square feet)	12,972,000
States	46

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 ). As of December 31, 2010, NNN owned 17 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

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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, 2010:

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%
September 2006	NNN Harrison Crossing, L.P.	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 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 term of the lease, including the probability of renewal periods. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases unless the Company believes that it is likely that the tenant would renew the option whereby the Company would amortize the value attributable to the renewal over the renewal period. 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.

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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 significant changes in real estate market condition and the ability of NNN to re-lease or sell properties that are currently vacant or become vacant. 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.

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**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 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.

In 2010, NNN acquired the 21.1% non-controlling interest in its majority owned and controlled subsidiary, OAMI, for \$1,603,000, pursuant to which OAMI became a wholly owned subsidiary of NNN. NNN accounted for the transaction as an equity transaction in accordance with the FASB guidance on consolidation.

**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 by comparing fair value to carrying amount annually.

**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.

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**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 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):

	2010	2009	2008
<b>Basic and Diluted Earnings:</b>			
Net earnings attributable to NNN	\$ 72,997	\$ 54,810	\$ 117,153
Less: Series C preferred stock dividends	(6,785)	(6,785)	(6,785)
Net earnings available to NNN's common stockholders	66,212	48,025	110,368
Less: Earnings attributable to unvested restricted shares	(299)	(290)	(485)
Net earnings used in basic earnings per share	65,913	47,735	109,883
Reallocated undistributed income (loss)	-	(1)	-
Net earnings used in diluted earnings per share	\$ 65,913	\$ 47,734	\$ 109,883
<b>Basic and Diluted Weighted Average Shares Outstanding:</b>			
Weighted average number of shares outstanding	83,320,921	80,486,215	74,732,844
Less: Unvested restricted stock	(605,276)	(639,957)	(483,707)
Weighted average number of shares outstanding used in basic earnings per share	82,715,645	79,846,258	74,249,137
<b>Effects of dilutive securities:</b>			
Common stock options	3,814	9,037	35,900
Directors' deferred fee plan	129,903	98,204	59,194
Weighted average number of shares outstanding used in diluted earnings per share	82,849,362	79,953,499	74,344,231

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,





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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, 2010, 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.

**Fair Value Measurement** 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.

**New Accounting Pronouncements** 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.

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The adoption of the standard did not have a significant impact on NNN's financial position or results of operations.

In January 2010, the FASB issued *Fair Value Measurements and Disclosures, Improving Disclosures about Fair Value Measurements*. This update requires new disclosures for transfers in and out of Level 1 and 2, as well as disclosure about the valuation techniques and inputs used to measure fair value for Level 1 and 2. In addition, activity in Level 3 should present separately information about purchases, sales, issuances and settlements on a gross basis (rather than as one net number). A reporting entity should provide fair value measurements disclosures for each class of assets and liabilities. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the standard did not have a significant impact on NNN's financial position or results of operations.

In February 2010, the FASB issued *Subsequent Events, Amendments to Certain Recognition and Disclosure Requirements*. An entity that files Exchange Act reports with the Securities and Exchange Commission (Commission) is required to evaluate subsequent events through the date that the financial statements are issued. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and requirements of the Commission. The scope of the reissuance disclosure requirements is refined to include revised financial statements only. Revised financial statements include financial statements revised either as a result of correction of an error or retrospective application of accounting principles generally accepted in the United States of America. All of the amendments in this are effective upon issuance of the final update, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010. The adoption of the standard did not have an 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 2010 presentation.

**Note 2 Real Estate Investment Portfolio:**

**Leases** The following outlines key information for NNN's Investment Property leases at December 31, 2010:

Lease classification:	
Operating	1,159
Direct financing	16
Building portion    direct financing / land portion    operating	7
Weighted average remaining lease term	12 Years

The leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index, and/or increases in the tenant's sales volume. Generally, the tenant is also required to pay all property taxes and assessments, substantially maintain the interior and exterior of the building and carry property and liability insurance coverage. Certain of NNN's

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Investment Properties are subject to leases under which NNN retains responsibility for certain costs and expenses of the property. 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, including rent increases, consistent with the initial lease term.

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):

	2010	2009
Land and improvements	\$ 1,122,243	\$ 1,054,889
Buildings and improvements	1,592,752	1,450,348
Leasehold interests	1,290	1,290
	2,716,285	2,506,527
Less accumulated depreciation and amortization	(222,921)	(183,948)
	2,493,364	2,322,579
Work in progress	26,586	5,997
	\$ 2,519,950	\$ 2,328,576

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, 2010, 2009 and 2008, NNN recognized collectively in continuing and discontinued operations, \$(93,000), \$2,102,000 and \$1,020,000, respectively, of such income, net of reserves. At December 31, 2010 and 2009, the balance of accrued rental income, net of allowances of \$3,609,000 and \$2,875,000, respectively, was \$25,535,000 and \$25,745,000, respectively.

As of December 31, 2010, in connection with the development of Investment Properties, NNN has the following funding commitments (dollars in thousands):

	# of Properties	Total Commitment <sup>(1)</sup>	Amount Funded	Remaining Commitment
Investment Portfolio	28	\$ 68,746	\$ 50,196	\$ 18,550

<sup>(1)</sup> Includes land and construction costs.

The following is a schedule of future minimum lease payments to be received on noncancellable operating leases at December 31, 2010 (dollars in thousands):

2011	\$ 225,328
2012	222,547
2013	214,526
2014	204,970
2015	196,748
Thereafter	1,641,387
	\$ 2,705,506

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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.

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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):

	2010	2009
Minimum lease payments to be received	\$ 37,699	\$ 42,244
Estimated unguaranteed residual values	12,297	12,297
Less unearned income	(20,223)	(23,224)
Net investment in direct financing leases	\$ 29,773	\$ 31,317

The following is a schedule of future minimum lease payments to be received on direct financing leases held for investment at December 31, 2010 (dollars in thousands):

2011	\$ 4,531
2012	4,558
2013	4,508
2014	3,750
2015	3,457
Thereafter	16,895
	\$ 37,699

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 Investment Portfolio Accounted for Using the Operating Method).

**Note 3 Real Estate Inventory Portfolio:**

As of December 31, 2010, the TRS owned 17 Inventory Properties: 10 completed inventory and seven land parcels. As of December 31, 2009, the TRS owned 19 Inventory Properties: 13 completed inventory and six land parcels. The real estate Inventory Portfolio consisted of the following at December 31 (dollars in thousands):

	2010	2009
Inventory:		
Land	\$ 19,734	\$ 37,088
Building	18,487	47,684
	38,221	84,772
Less impairment	(6,145)	(12,349)
	\$ 32,076	\$ 72,423

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

	2010		2009		2008	
	# of Properties	Gain	# of Properties	Gain	# of Properties	Gain
Continuing operations	2	\$ 641	2	\$ 37	1	\$ 21
Noncontrolling interest		(320)		(14)		(10)
Total continuing operations attributable to NNN		321		23		11
Discontinued operations	2	300	2	558	24	12,644
Noncontrolling interest		(43)		-		(3,297)
Total discontinued operations attributable to NNN		257		558		9,347
	4	\$ 578	4	\$ 581	25	\$ 9,358

**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 significant changes in real estate market conditions and the ability of NNN to re-lease or sell properties that are vacant or become vacant. 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):

	2010		2009		2008	
Continuing operations	\$	-	\$	28,884	\$	1,234
Discontinued operations		-		5,630		4,426
	\$	-	\$	34,514	\$	5,660

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.

**Note 5 Business Combinations:**

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. In connection with the annual review of goodwill for impairment, NNN recognized a noncash impairment charge of \$1,900,000 included in Impairment losses and other charges in the Consolidated Statement of Earnings during the year ended December 31, 2010.





**Table of Contents****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):

	2010	2009
Mortgages and notes receivable	\$ 29,750	\$ 41,707
Accrued interest receivables, net of reserves	644	269
Unamortized discount	(63)	-
	\$ 30,331	\$ 41,976

In connection with the evaluation of the collectibility of its mortgages and notes receivable, during the year ended December 31, 2010, NNN recorded a valuation reserve of \$5,625,000.

**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:

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

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

<sup>(2)</sup> Effective July 1, 2010, NNN owns 100 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 adjusted several valuation assumptions related to prepayment speeds and default curves during 2010.

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):

	2010	2009	2008
Unrealized gains	\$ 1,272	\$ -	\$ 2,009
Unrealized losses	-	1,640	-

Other than temporary valuation impairment	3,995	498	758
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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:

	2010	2009
Discount rate	25%	25%
Average life equivalent CPR speeds range	4.35% to 20.37% CPR	14.5% to 20.7% CPR
Foreclosures:		
Frequency curve default model	0.1% - 15.0% range	6% average rate
Loss severity of loans in foreclosure	20%	20%
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, 2010 (dollars in thousands):

	Residuals
Carrying amount of retained interests	\$ 15,915
Discount rate assumption:	
Fair value at 27% discount rate	\$ 15,261
Fair value at 30% discount rate	\$ 14,357
Prepayment speed assumption:	
Fair value of 1% increases above the CPR Index	\$ 15,910
Fair value of 2% increases above the CPR Index	\$ 15,909
Expected credit losses:	
Fair value 2% adverse change	\$ 15,658
Fair value 3% adverse change	\$ 15,503
Yield Assumptions:	
Fair value of Prime/LIBOR spread contracting 25 basis points	\$ 16,262
Fair value of Prime/LIBOR spread contracting 50 basis points	\$ 16,623

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 \$17,861,000 and a weighted average interest rate of 3.8% during the year ended December 31, 2010. In November 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, 2010, \$161,000,000 was outstanding, and \$239,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$647,000.

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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, 2010, 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	Initial Balance	Interest Rate	Maturity <sup>(3)</sup>	Carrying Value of Encumbered Asset(s) <sup>(1)</sup>	Outstanding Principal Balance at December	
					31, 2010	2009
December 2001 <sup>(2)</sup>	\$ 623	9.00%	April 2014	\$ 734	\$ 215	\$ 267
December 2001 <sup>(2)</sup>	698	9.00%	April 2019	1,186	364	392
December 2001 <sup>(2)</sup>	485	9.00%	April 2019	1,152	187	201
June 2002	21,000	6.90%	July 2012	24,051	18,841	19,170
February 2004 <sup>(2)</sup>	6,952	6.90%	January 2017	11,522	4,038	4,554
March 2005 <sup>(2)</sup>	1,015	8.14%	September 2016	1,322	624	706
				\$ 39,967	\$ 24,269	\$ 25,290

<sup>(1)</sup> Each loan is secured by a first mortgage lien on certain of NNN's properties. The carrying values of the assets are as of December 31, 2010.

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

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

The following is a schedule of the annual maturities of NNN's mortgages payable at December 31, 2010 (dollars in thousands):

2011	\$ 1,098
2012	19,290
2013	863
2014	881
2015	917
Thereafter	1,220
	\$ 24,269

**Table of Contents****Note 10 Notes Payable Convertible:**

Each of NNN's outstanding series of convertible notes are summarized in the table below (dollars in thousands, except conversion price):

Terms	2026 Notes <sup>(1)(2)(4)</sup>	2028 Notes <sup>(2)(5)(6)</sup>
Issue Date	September 2006	March 2008
Net Proceeds	\$ 168,650	\$ 228,576
Stated Interest Rate	3.950%	5.125%
Debt Issuance Costs	\$ 3,850 <sup>(3)</sup>	\$ 5,457 <sup>(7)</sup>
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, 2010	\$ 138,700	\$ 223,035

- (1) NNN repurchased \$8,800 and \$25,000 in 2009 and 2008, respectively, for a purchase price of \$6,994 and \$19,188, respectively, resulting in a gain of \$1,565 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 \$463 of note costs which were written off in connection with the repurchase of \$33,800 of the 2026 Notes.
- (4) The conversion rate per \$1 principal amount was 41.9803 shares of NNN's common stock, which is equivalent to a conversion price of \$23.8207 per share of common stock.
- (5) The conversion rate per \$1 principal amount was 39.3620 shares of NNN's common stock, which is equivalent to a conversion price of \$25.4052 per share of common stock.
- (6) NNN repurchased \$11,000 in 2009 for a purchase price of \$8,588 resulting in a gain of \$1,867.
- (7) Includes \$219 of note costs which were written off in connection with the repurchase of \$11,000 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.

The carrying amounts of the Company's debt and equity balances are summarized in the table below as of December 31 (dollars in thousands):

	2010	2009
Carrying value of equity component	\$ (33,873)	\$ (33,873)
Principal amount of convertible debt	361,735	361,735
Remaining unamortized debt discount	(12,201)	(18,355)
Net carrying value of convertible debt	\$ 315,661	\$ 309,507

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As of December 31, 2010, the remaining amortization periods for the debt discount were approximately nine months and 18 months for the 2026 Notes and the 2028 Notes, respectively.

The adjusted effective interest rates for the liability components of the 2026 Notes and the 2028 Notes were 5.840% and 7.192%, respectively. The Company recorded noncash interest charges of \$6,154,000, \$5,809,000 and \$5,481,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The Company recorded contractual interest expense of \$16,909,000,

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\$17,046,000 and \$16,548,000 for the years ended December 31, 2010, 2009 and 2008, respectively, relating to the 2026 Notes and 2028 Notes.

The if-converted values which exceed the principal amount as of December 31, 2010, are \$15,601,000 and \$9,611,000 for the 2026 Notes and the 2028 Notes, respectively. As of December 31, 2009, the if-converted amount did not exceed the value of the principal amount.

**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 <sup>(3)</sup>	Net Price	Stated Rate	Effective Rate <sup>(4)</sup>	Maturity
							Date
2012 <sup>(1)</sup>	June 2002	\$ 50,000	\$ 287	\$ 49,713	7.750%	7.833%	June 2012
2014 <sup>(1)(2)(5)</sup>	June 2004	150,000	440	149,560	6.250%	5.910%	June 2014
2015 <sup>(1)</sup>	November 2005	150,000	390	149,610	6.150%	6.185%	December 2015
2017 <sup>(1)(6)</sup>	September 2007	250,000	877	249,123	6.875%	6.924%	October 2017

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

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

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

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

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

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

Each series of the notes represent senior, unsecured obligations of NNN and are subordinated to all secured indebtedness of NNN. Each of the notes are redeemable at the option of NNN, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the notes being redeemed plus accrued 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 \$5,226,000 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 September 2010, NNN repaid the \$20,000,000 8.5% notes payable that were due in September 2010.

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, 2010, NNN was in compliance with those covenants.

**Table of Contents****Note 12 Preferred Stock:**

*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 3,680,000 depositary shares, each representing 1/100<sup>th</sup> of a share of 7.375% Series C Cumulative Redeemable Preferred Stock ( Series C Preferred Stock ), and received gross proceeds of \$92,000,000. 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 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:

	2010	2009	2008
Shares of common stock	793,759	3,766,452	2,146,640
Net proceeds	\$ 17,623,000	\$ 67,354,000	\$ 47,372,000

**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, 2010, 2009 and 2008 totaled \$297,000, \$302,000 and \$385,000, respectively.



**Table of Contents****Note 15 Dividends:**

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

	2010	2009	2008
Ordinary dividends	\$ 1.072446	\$ 1.495182	\$ 1.480000
Qualified dividends	0.081661	-	-
Capital gain	0.000861	0.003051	-
Unrecaptured Section 1250 Gain	0.000498	0.001767	-
Nontaxable distributions	0.354534	-	-
	\$ 1.510000	\$ 1.500000	\$ 1.480000

During the years ended December 31, 2010, 2009 and 2008, NNN declared and paid dividends to its common shareholders of \$125,391,000, \$120,256,000 and \$110,107,000, respectively, or \$1.51, \$1.50 and \$1.48 per share, respectively, of common stock.

On January 14, 2011, NNN declared a dividend of \$0.38 per share, which is payable February 15, 2011 to its common stockholders of record as of January 31, 2011.

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

	2010	2009	2008
Ordinary dividends	\$ 1.703170	\$ 1.837828	\$ 1.843750
Qualified dividends	0.140580	-	-
Capital gain	-	0.003750	-
Unrecaptured Section 1250 Gain	-	0.002172	-
	\$ 1.843750	\$ 1.843750	\$ 1.843750

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, 2010, 2009 and 2008. 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:**

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, 2010, 2009 and 2008, and the statutory rates relate to state taxes and nondeductible expenses.

For income tax purposes, NNN has taxable REIT subsidiaries in which certain real estate activities are conducted. In 2010, NNN acquired the 21.1% non-controlling interest in its majority owned and controlled subsidiary, OAMI, pursuant to which OAMI became a wholly owned subsidiary of NNN. OAMI has remaining tax liabilities relating to the built-in gain of its assets.

In June 2009, NNN incurred a new deferred income tax item as a result of NNN acquiring the operations of 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



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amortized for tax purposes using a straight-line method, over 15 years, beginning with the month incurred.

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

	2010	2009
Temporary differences:		
Built-in gain	\$ (4,068)	\$ (4,731)
Depreciation	(772)	(385)
Cost basis	256	1,796
Deferred income	230	464
Other	56	(268)
Reserves	13,160	10,892
Goodwill	3,239	2,801
Excess interest expense carryforward	5,678	5,678
Net operating loss carryforward	5,398	4,484
Net deferred income tax asset	23,177	20,731
Valuation allowance	(18,021)	(14,900)
Total deferred income tax asset	\$ 5,156	\$ 5,831

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, 2010. 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 \$18,021,000 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):

	2010	2009	2008
Net earnings before income taxes	\$ 74,097	\$ 53,930	\$ 113,859
Provision for income tax benefit (expense):			
Current:			
Federal	(254)	(419)	(1,936)
State and local	(48)	(79)	(364)
Deferred:			
Federal	(744)	1,110	4,539
State and local	(54)	268	1,055
Total benefit (expense) for income taxes	(1,100)	880	3,294
Net earnings attributable to NNN's stockholders	\$ 72,997	\$ 54,810	\$ 117,153

In June 2006, the FASB issued additional guidance, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements 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



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return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

NNN, in accordance with FASB guidance included in *Income Taxes*, 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 2007 through 2010. NNN also files in many states with varying open years under statute.

**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, 2010, 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):

	2010	2009	2008
<b>Revenues:</b>			
Rental income from operating leases	\$ 1,181	\$ 4,786	\$ 5,655
Earned income from direct financing leases	-	-	100
Percentage rent	-	-	25
Real estate expense reimbursement from tenants	48	208	208
Interest and other income from real estate transactions	21	118	429
Interest and other income from non-real estate transactions	-	5	2
	1,250	5,117	6,419
<b>Operating expenses:</b>			
General and administrative	16	7	(71)
Real estate	309	784	374
Depreciation and amortization	186	1,438	1,454
Impairment losses and other charges	-	3,536	1,730
	511	5,765	3,487
<b>Earnings (loss) before gain on disposition of real estate and income tax benefit (expense)</b>	<b>739</b>	<b>(648)</b>	<b>2,932</b>
Gain on disposition of real estate	1,134	2,392	9,980
Income tax benefit (expense)	(14)	32	2
<b>Earnings from discontinued operations attributable to NNN</b>	<b>\$ 1,859</b>	<b>\$ 1,776</b>	<b>\$ 12,914</b>

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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, 2010. 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):

	2010	2009	2008
<b>Revenues:</b>			
Rental income from operating leases	\$ 3,369	\$ 4,975	\$ 8,646
Percentage rent	-	-	139
Real estate expense reimbursement from tenants	1,358	1,513	867
Interest and other from real estate transactions	513	141	561
	5,240	6,629	10,213
<b>Disposition of real estate:</b>			
Gross proceeds	37,470	5,402	151,713
Costs	(37,170)	(4,844)	(139,069)
Gain	300	558	12,644
<b>Operating expenses:</b>			
General and administrative	71	116	22
Real estate	1,755	2,169	1,468
Depreciation and amortization	159	323	226
Impairment losses and other charges	-	2,094	2,696
	1,985	4,702	4,412
<b>Other expenses (revenues):</b>			
Interest and other income	(3)	-	(8)
Interest expense	2,655	3,790	5,291
	2,652	3,790	5,283
Earnings (loss) before income tax expense	903	(1,305)	13,162
Income tax expense	(611)	(201)	(3,963)
Earnings (loss) from discontinued operations including noncontrolling interests	292	(1,506)	9,199
Loss (earnings) attributable to noncontrolling interests	11	(166)	(2,722)
Earnings (loss) from discontinued operations attributable to NNN	\$ 303	\$ (1,672)	\$ 6,477

**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.

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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, forward swaps (forward hedges) and interest rate swaps as part of its cash flow hedging strategy. Treasury locks and forward starting swaps are used to hedge forecasted debt issuances. Treasury locks designated as cash flow hedges lock in the yield/price of a treasury security. Forward swaps also lock the associated swap spread. Interest rate swaps

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designated as cash flow hedges hedging the variable cash flows associated with floating rate debt 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.

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, 2010, \$715,000 remains in other comprehensive income related to the effective portion of NNN's previous interest rate hedges. During the year ended December 31, 2010, 2009 and 2008, NNN reclassified \$165,000, \$159,000 and \$162,000, respectively, out of other comprehensive income as a reduction to interest expense. Over the next 12 months, NNN estimates that an additional \$172,000 will be reclassified as a reduction 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, 2010.



**Table of Contents****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 replaced 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		
	2010	2009	2008
Outstanding, January 1	12,154	77,004	118,804
Options granted	-	-	-
Options exercised	(4,654)	(51,500)	(28,000)
Options surrendered	-	(13,350)	(13,800)
Outstanding, December 31	7,500	12,154	77,004
Exercisable, December 31	7,500	12,154	77,004

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

	2010	2009	2008
Outstanding, January 1	\$ 13.72	\$ 14.00	\$ 13.64
Granted during the year	-	-	-
Exercised during the year	13.08	13.72	11.17
Outstanding, December 31	14.11	13.72	14.00
Exercisable, December 31	14.11	13.72	14.00

The following summarizes the outstanding options and the exercisable options at December 31, 2010:

	Total
Outstanding options:	
Number of shares	7,500
Weighted-average exercise price	\$ 14.11
Weighted-average remaining contractual life in years	1.8
Exercisable options:	
Number of shares	7,500
Weighted-average exercise price	\$ 14.11

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, 2010, the intrinsic value of options outstanding was \$93,000. All options outstanding at December 31, 2010, were exercisable. During the years ended December 31, 2010, 2009 and 2008, NNN received proceeds totaling \$61,000, \$707,000 and \$313,000, 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, 2010, 2009 and 2008, was \$43,000, \$240,000 and \$327,000, 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, 2010, of such grants.

	Number of Shares	Weighted Average Share Price
Non-vested restricted shares, January 1	668,010	\$ 16.95
Restricted shares granted	392,474	21.38
Restricted shares vested	(142,637)	19.80
Restricted shares forfeited	(15,310)	11.23
Non-vested restricted shares, December 31	902,537	\$ 18.52

During the year ended December 31, 2010 and 2008, a total of 15,310 and 2,520, respectively, of restricted shares were forfeited. No shares were forfeited in 2009.

Compensation expense for the restricted stock which is not contingent upon NNN's 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, 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.

During the year ended December 31, 2010, NNN granted 91,000 performance based shares subject to its earnings based growth after a three year period relative to its peers. The shares were granted to certain executive officers and had weighted average grant price of \$23.12 per share. Once the performance criteria are met and the actual number of shares earned is determined, the shares vest immediately. NNN considers the likelihood of meeting the performance criteria based upon management's estimates and analysis of future earnings based growth relative to its peers from which it determines the amounts to be recognized. Compensation expense is recognized over the requisite service period.

The following summarizes other grants made during the year ended December 31, 2010, pursuant to the 2007 Plan.

	Shares	Weighted Average Share Price
Other share grants under the 2007 Plan:		
Directors' fees	10,092	\$ 23.38
Deferred Directors' fees	25,066	23.54
	35,158	\$ 23.50
Shares available under the 2007 Plan for grant, end of period	4,860,190	

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The total compensation cost for share-based payments for the years ended December 31, 2010, 2009 and 2008, totaled \$5,310,000, \$4,172,000 and \$3,341,000, respectively, of such compensation expense. At December 31, 2010, NNN had \$9,366,000 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 2.5 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, 2010 and 2009, approximate fair value based upon current market prices of similar issues. At December 31, 2010 and 2009, the carrying value and fair value of NNN's notes payable and convertible notes payable, collectively, was \$1,044,621,000 and \$987,275,000, 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):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010				
Revenues as originally reported	\$ 56,626	\$ 56,496	\$ 56,656	\$ 59,440
Reclassified to discontinued operations	(101)	(54)	(7)	-
Adjusted revenue	\$ 56,525	\$ 56,442	\$ 56,649	\$ 59,440
Net earnings attributable to NNN's stockholders	\$ 16,365	\$ 21,207	\$ 21,210	\$ 14,215
Net earnings per share <sup>(1)</sup> :				
Basic	\$ 0.18	\$ 0.23	\$ 0.23	\$ 0.15
Diluted	0.18	0.23	0.23	0.15
2009				
Revenues as originally reported	\$ 57,963	\$ 58,681	\$ 57,035	\$ 57,750
Reclassified to discontinued operations	114	(546)	59	(242)
Adjusted revenue	\$ 58,077	\$ 58,135	\$ 57,094	\$ 57,508
Net earnings (loss) attributable to NNN's stockholders	\$ 26,804	\$ 18,090	\$ 22,443	\$ (12,527)
Net earnings (loss) per share <sup>(1)</sup> :				
Basic	\$ 0.32	\$ 0.21	\$ 0.26	\$ (0.18)
Diluted	0.32	0.20	0.26	(0.17)

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

**Table of Contents****Note 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, 2010, 2009 and 2008 (as adjusted) (dollars in thousands):

2010	Investment Assets	Inventory Assets	Eliminations (Intercompany)	Consolidated Totals
External revenues	\$ 223,870	\$ (40)	\$ -	\$ 223,830
Intersegment revenues	671	534	(1,205)	-
Interest revenue	3,231	48	-	3,279
Interest revenue on Residuals	3,460	-	-	3,460
Gain on the disposition of real estate, Inventory Portfolio	-	426	215	641
Retail operations, net	1,311	-	-	1,311
Interest expense	67,834	(1,450)	(1,205)	65,179
Depreciation and amortization	48,320	8	-	48,328
Operating expenses	31,983	4,329	-	36,312
Impairment losses and other charges	7,458	260	(260)	7,458
Impairment commercial mortgage residual interests valuation adjustment	3,995	-	-	3,995
Equity in earnings of unconsolidated affiliate	(372)	-	800	428
Income tax benefit (expense)	(1,434)	959	-	(475)
Earnings (loss) from continuing operations	71,147	(1,220)	1,275	71,202
Earnings from discontinued operations, net of income tax expense	1,859	292	-	2,151
Earnings (loss) including noncontrolling interests	73,006	(928)	1,275	73,353
Earnings attributable to noncontrolling interests from continuing operations	(9)	(358)	-	(367)
Earnings attributable to noncontrolling interests from discontinued operations	-	11	-	11
Net earnings (loss) attributable to NNN	\$ 72,997	\$ (1,275)	\$ 1,275	\$ 72,997
Assets	\$ 2,846,036	\$ 38,997	\$ (171,458)	\$ 2,713,575
Additions to long-lived assets:				
Real estate	\$ 230,928	\$ 478	\$ -	\$ 231,406

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2009	Investment Assets	Inventory Assets	Eliminations (Intercompany)	Consolidated Totals
External revenues	\$ 223,262	\$ 194	\$ -	\$ 223,456
Intersegment revenues	3,035	1,042	(4,077)	-
Interest revenue	4,447	30	-	4,477
Interest revenue 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	46,529	10	-	46,539
Operating expenses	30,335	5,080	-	35,415
Impairment losses and other charges	29,367	6,713	-	36,080
Impairments commercial mortgage residual interests valuation adjustment	498	-	-	498
Restructuring costs	731	-	-	731
Equity in earnings of unconsolidated affiliates	(12,280)	-	12,701	421
Gain on extinguishment of debt	3,432	-	-	3,432
Income tax benefit	462	587	-	1,049
Earnings (loss) from continuing operations	53,551	(10,133)	12,711	56,129
Earnings (loss) from discontinued operations, net of income tax expense	1,776	(1,506)	-	270
Earnings (loss) including noncontrolling interests	55,327	(11,639)	12,711	56,399
Loss (earnings) attributable to noncontrolling interests from continuing operations	(517)	(906)	-	(1,423)
Earnings attributable to noncontrolling interests from discontinued operations	-	(166)	-	(166)
Net earnings (loss) 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	\$ 217,682	\$ 204	\$ -	\$ 217,886
Intersegment revenues	12,727	606	(13,333)	-
Interest revenue	8,190	-	-	8,190
Interest revenue on 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	43,626	42	-	43,668
Operating expenses	25,489	9,538	-	35,027
Impairment losses and other charges	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	1,329	5,926	-	7,255
Earnings (loss) from continuing operations	105,066	(10,594)	3,386	97,858
Earnings from discontinued operations, net of income tax expense	12,914	9,199	-	22,113
Earnings including noncontrolling interests	117,980	(1,395)	3,386	119,971
Loss (earnings) attributable to noncontrolling interests from continuing operations	(827)	731	-	(96)
Earnings attributable to noncontrolling interests from discontinued operations	-	(2,722)	-	(2,722)
Net earnings (loss) 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

**Table of Contents****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, 2010 (dollars in thousands):

Balance at beginning of period	\$ 20,153
Total gains (losses) realized/unrealized:	
Included in earnings	(3,995)
Included in other comprehensive income	1,272
Interest income on Residuals	3,460
Cash received from Residuals	(4,975)
Purchases, sales, issuances and settlements, net	-
Transfers in and/or out of Level 3	-
Balance at end of period	\$ 15,915
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	\$ (133)

**Note 25 Major Tenants:**

As of December 31, 2010, 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, 2010, NNN had letters of credit totaling \$647,000 outstanding under its Credit Facility.

In the ordinary course of its business, NNN is a party to various other legal actions which management believes are 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, 2010, the date of the consolidated balance sheet. There were no subsequent events or transactions.

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

None.

**Item 9A. Controls and Procedures**

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

NNN carried out an assessment as of December 31, 2010, 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.



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

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

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

Based upon the assessments, NNN's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2010, 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, 2010, 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, 2010, 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

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controls can provide absolute assurance that all control issues and instances of fraud, if any, within NNN have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Item 9B. Other Information**

None.

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### **PART III**

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

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

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

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

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

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

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

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

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### **PART IV**

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

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

(1) Financial Statements

<u>Reports of Independent Registered Public Accounting Firm</u>	44
<u>Consolidated Balance Sheets as of December 31, 2010 and 2009</u>	46
<u>Consolidated Statements of Earnings for the years ended December 31, 2010, 2009 and 2008</u>	47
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010, 2009 and 2008</u>	49
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008</u>	52
<u>Notes to Consolidated Financial Statements</u>	54

(2) Financial Statement Schedules

Schedule III Real Estate and Accumulated Depreciation and Amortization and Notes as of December 31, 2010

Schedule IV Mortgage Loans on Real Estate and Notes as of December 31, 2010

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).

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- 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).

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- 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).

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- 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).

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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	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 10.9 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 5, 2010, and incorporated herein by reference).
10.10	Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Craig Macnab (filed herewith).
10.11	Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Julian E. Whitehurst (filed herewith).
10.12	Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Kevin B. Habicht (filed herewith).
10.13	Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Paul E. Bayer (filed herewith).
10.14	Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Christopher P. Tessitore (filed herewith).
12.	Statement of Computation of Ratios of Earnings to Fixed Charges (filed herewith).
21.	Subsidiaries of the Registrant (filed herewith).
23.	Consent of Independent Accountants
23.1	Ernst & Young LLP dated February 24, 2011 (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).

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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).
101.	Interactive Data File
101.1	The following materials from National Retail Properties, Inc. Annual Report on Form 10-K for the period ended December 31, 2010, formatted in Extensible Business Reporting Language: (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of earnings, (iii) condensed consolidated statements of cash flows, and (iv) notes to condensed consolidated financial statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 (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 24<sup>th</sup> day of February, 2011.

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.

**Table of Contents****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
<u>/s/ Craig Macnab</u> Craig Macnab	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 24, 2011
<u>/s/ Ted B. Lanier</u> Ted B. Lanier	Lead Director	February 24, 2011
<u>/s/ Don DeFosset</u> Don DeFosset	Director	February 24, 2011
<u>/s/ David M. Fick</u> David M. Fick	Director	February 24, 2011
<u>/s/ Dennis E. Gershenson</u> Dennis E. Gershenson	Director	February 24, 2011
<u>/s/ Richard B. Jennings</u> Richard B. Jennings	Director	February 24, 2011
<u>/s/ Robert C. Legler</u> Robert C. Legler	Director	February 24, 2011
<u>/s/ Robert Martinez</u> Robert Martinez	Director	February 24, 2011
<u>/s/ Kevin B. Habicht</u> Kevin B. Habicht	Director, Chief Financial Officer (Principal Financial and Accounting Officer), Executive Vice President, Assistant Secretary and Treasurer	February 24, 2011

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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

## **Table of Contents**

- 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).
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  - 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

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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).
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- 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).
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- 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).
  
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- 10.10     Amendment to Employment Agreement, dated as of November 8, 2010, between the Registrant and Craig Macnab (filed herewith).
  
- 10.11     Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Julian E. Whitehurst (filed herewith).
  
- 10.12     Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Kevin B. Habicht (filed herewith).
  
- 10.13     Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Paul E. Bayer (filed herewith).
  
- 10.14     Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Christopher P. Tessitore (filed herewith).
  
- 12.      Statement of Computation of Ratios of Earnings to Fixed Charges (filed herewith).
  
- 21.      Subsidiaries of the Registrant (filed herewith).
  
- 23.      Consent of Independent Accountants
  
- 23.1      Ernst & Young LLP dated February 24, 2011 (filed herewith).



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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).
101.	Interactive Data File
101.1	The following materials from National Retail Properties, Inc. Annual Report on Form 10-K for the period ended December 31, 2010, formatted in Extensible Business Reporting Language: (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of earnings, (iii) condensed consolidated statements of cash flows, and (iv) notes to condensed consolidated financial statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 (filed herewith).

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## NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES

## SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION

December 31, 2010

(Dollars in thousands)

Costs Capitalized										Life on Which
Initial Cost to Company Building,		Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a)		(b)	Accumulated		Depreciation & Amortization in Latest Income Statement is Computed		
Encumbrances	Land	Leasehold Interests	Improvements & Carrying Costs	Land	Leasehold Interests	Total	Amortization	Date of Construction Acquired		
Real Estate Held for Investment the Company has Invested in Under Operating Leases:										
7-Eleven:										
	Lakes, FL	1,077	817	1,077	817	1,894	244	1999	10/98 (g)	40 years
	Tampa, FL	1,081	917	1,070	917	1,987	270	1999	12/98 (g)	40 years
A.C. Moore Arts & Crafts, Inc.:										
	Dover, NJ	1,138	3,238	1,138	3,238	4,376	982	1995	11/98	40 years
Academy:										
	Beaumont, TX	1,424	2,449	1,424	2,449	3,873	722	1992	03/99	40 years
	Houston, TX	2,311	1,628	2,311	1,628	3,939	480	1976	03/99	40 years
	Pasadena, TX	900	2,181	900	2,181	3,081	643	1994	03/99	40 years
	Franklin, TN	1,807	2,108	1,807	2,108	3,915	389	1999	06/05	30 years
Ace Hardware and Lighting:										
	Bourbonnais, IL	298	1,329	298	1,329	1,627	335	1997	11/98	37 years
Advance Auto Parts:										
	Miami, FL	867	1,035	867	1,035	1,902	143	2005	12/04 (g)	40 years
All Star Sports:										
	Wichita, KS	3,275	1,631	3,275	1,631	4,906	148	1988	05/07	40 years
	Wichita, KS	1,551	965	1,551	965	2,516	87	1987	05/07	40 years
Amazing Jake s:										
	Plano, TX	5,705	17,049	5,705	17,049	22,754	1,198	1982	07/08	35 years
AMC Theatre:										
	Bloomington, IN	2,338	4,000	2,338	4,000	6,338	527	1987	09/07	25 years
	Brighton, CO	1,070	5,491	1,070	5,491	6,561	452	2005	09/07	40 years
	Castle Rock, CO	2,905	5,002	2,905	5,002	7,907	412	2005	09/07	40 years
	Evansville, IN	1,300	4,269	1,300	4,269	5,569	401	1999	09/07	35 years
	Galesburg, IL	1,205	2,441	1,205	2,441	3,646	201	2003	09/07	40 years
	Machesney Park, IL	3,018	8,770	3,018	8,770	11,788	722	2005	09/07	40 years
	Michigan City, IN	1,996	8,422	1,996	8,422	10,418	693	2005	09/07	40 years
	Muncie, IN	1,243	5,512	1,243	5,512	6,755	454	2005	09/07	40 years

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Naperville, IL	6,141	11,624	6,141	11,624	17,765	957	2006	09/07	40 years
New Lenox, IL	6,778	10,980	6,778	10,980	17,758	904	2004	09/07	40 years
Chicago, IL	7,257	10,955	7,257	10,955	18,212	810	2007	01/08	40 years
Johnson Creek, WI	1,433	3,932	1,433	3,932	5,365	332	1997	01/08	35 years
Lake Delton, WI	2,063	8,366	2,063	8,366	10,429	707	1999	01/08	35 years
Quincy, IL	1,297	2,850	1,297	2,850	4,147	241	1982	01/08	35 years
Schererville, IN	6,619	14,225	6,619	14,225	20,844	1,403	1996	01/08	30 years
American Payday Loans:									
Des Moines, IA	108	379	108	379	487	53	1979	06/05	40 years
AmerUs Group Warehouse:									
Des Moines, IA	28	85	28	85	113	47	1949	06/05	10 years
Amoco:									
Miami, FL	969		969	(i)	969	(i)	(i)	05/03	(i)
Sunrise, FL	949		949	(i)	949	(i)	(i)	06/03	(i)
Amscot:									
Tampa, FL	1,160	352	1,160	352	1,512	46	1981	10/05	40 years
Orlando, FL	764	866	764	866	1,630	100	2006	12/05	40 years
Orlando, FL	664	1,011	664	1,011	1,675	106	2006	12/05	40 years
Orlando, FL	358	922	358	922	1,280	103	2006	02/06 (g)	40 years
Orlando, FL	546	938	546	938	1,484	103	2006	02/06 (g)	40 years
Clearwater, FL	456	332	456	332	788	36	1967	09/06 (g)	40 years

See accompanying report of independent registered public accounting firm.

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	Costs Capitalized							Life on Which		
	Subsequent			Gross Amount at Which						
	Initial Cost to Company Building, Improvements & Encumbrances	to Acquisition	Carrying Costs	Carried at Close of Period	Building, Improvements & Leasehold Interests	(a) Accumulated Depreciation and Amortization	(b) Date of Construction Acquired			
									Depreciation	
									Date	
Depreciation & Amortization in Latest Income Statement is Computed										
Anna's Linens:										
Harlingen, TX	317	756		317	756	1,073	212	1999	11/98 (f)	40 years
Applebee's:										
Ballwin, MO	1,496	1,404		1,496	1,404	2,900	317	1995	12/01	40 years
Cincinnati, OH	312	898		312	898	1,210	11	2002	08/10	30 years
Crestview Hills, KY	1,069	1,367		1,069	1,367	2,436	21	1993	08/10	25 years
Danville, KY	641	1,645		641	1,645	2,286	21	2003	08/10	30 years
Florence, KY	1,075	1,488		1,075	1,488	2,563	22	1988	08/10	25 years
Frankfort, KY	862	1,610		862	1,610	2,472	20	1993	08/10	30 years
Georgetown, KY	809	1,437		809	1,437	2,246	18	2001	08/10	30 years
Hilliard, OH	808	1,846		808	1,846	2,654	23	1998	08/10	30 years
Mason, OH	545	941		545	941	1,486	12	1997	08/10	30 years
Maysville, KY	513	1,387		513	1,387	1,900	15	2005	08/10	35 years
Nicholasville, KY	454	1,077		454	1,077	1,531	13	2000	08/10	30 years
Troy, OH	645	862		645	862	1,507	13	1996	08/10	25 years
Grove City, OH	511	1,415		511	1,415	1,926	10	1990	10/10	30 years
Kettering, OH	359	1,043		359	1,043	1,402	6	2005	10/10	35 years
Mesa, AZ	748	1,734		748	1,734	2,482	12	1998	10/10	30 years
Mesa, AZ	974	1,514		974	1,514	2,488	11	1992	10/10	30 years
Mt. Sterling, KY	510	1,392		510	1,392	1,902	8	2000	10/10	35 years
Phoenix, AZ	458	1,099		458	1,099	1,557	7	2004	10/10	35 years
Phoenix, AZ	781	1,456		781	1,456	2,237	10	1995	10/10	30 years
Arby's:										
Colorado Springs, CO	206	534		206	534	740	121	1998	12/01	40 years
Thomson, GA	268	504		268	504	772	114	1997	12/01	40 years
Washington										
Courthouse, OH	157	546		157	546	703	123	1998	12/01	40 years
Whitmore Lake, MI	171	469		171	469	640	106	1993	12/01	40 years
Arizona Oil:										
Casa Grande, AZ	2,340	1,894		2,340	1,894	4,234	142	1993	05/08	35 years
Gilbert, AZ	1,317	1,304		1,317	1,304	2,621	98	1996	05/08	35 years
Glendale, AZ	1,817	2,415		1,817	2,415	4,232	158	2001	05/08	40 years
Mesa, AZ	2,219	2,140		2,219	2,140	4,359	140	2000	05/08	40 years
Mesa, AZ	1,332	1,367		1,332	1,367	2,699	120	1986	05/08	30 years
Miami, AZ	762	2,148		762	2,148	2,910	161	1998	05/08	35 years
Peoria, AZ	860	1,117		860	1,117	1,977	98	1987	05/08	30 years
Prescott, AZ	1,266	1,261		1,266	1,261	2,527	95	1997	05/08	35 years
Scottsdale, AZ	1,529	1,373		1,529	1,373	2,902	103	1999	05/08	35 years
Sedona, AZ	1,281	1,324		1,281	1,324	2,605	87	2000	05/08	40 years
Tucson, AZ	1,105	1,336		1,105	1,336	2,441	100	1992	05/08	35 years
Tucson, AZ	1,457	1,619		1,457	1,619	3,076	121	1995	05/08	35 years
Tucson, AZ	1,223	1,911		1,223	1,911	3,134	143	1996	05/08	35 years
Tucson, AZ	1,083	1,599		1,083	1,599	2,682	120	1992	05/08	35 years
Ashley Furniture:										
Altamonte Springs, FL	2,906	4,877	315	2,906	5,192	8,098	1,695	1997	09/97	40 years
Louisville, KY	1,667	4,989		1,667	4,989	6,656	722	2005	03/05	40 years
AT&T:										
Cincinnati, OH	297	443	331	297	774	1,071	133	1999	06/98 (f)	40 years

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## Babies R Us:

Arlington, TX	831	2,612		831	2,612	3,443	947	1996	06/96	40 years
Independence, MO	1,679	2,302	115	1,679	2,417	4,096	532	1996	12/01	40 years

## Barnes & Noble:

Brandon, FL	1,476	1,527		1,476	1,527	3,003	610	1995	08/94 (f)	40 years
Glendale, CO	3,245	2,722		3,245	2,722	5,967	1,106	1994	09/94	40 years
Houston, TX	3,308	2,396		3,308	2,396	5,704	913	1995	10/94 (f)	40 years
Plantation, FL	4,596 (p)	3,616		3,616	(c)	3,616	(c)	1996	05/95 (f)	(c)
Freehold, NJ (n)	2,917	2,261		2,917	2,261	5,178	843	1995	01/96	40 years
Dayton, OH	1,413	3,325		1,413	3,325	4,738	1,110	1996	05/97	40 years
Redding, CA	497	1,626		497	1,626	2,123	550	1997	06/97	40 years
Memphis, TN	1,574	2,242		1,574	2,242	3,816	388	1997	09/97	40 years
Marlton, NJ	2,831	4,319		2,709	4,319	7,028	1,309	1995	11/98	40 years

## Bealls:

Sarasota, FL	1,078	1,795		1,078	1,795	2,873	325	1996	09/97	40 years
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See accompanying report of independent registered public accounting firm.

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	Costs Capitalized							Life on Which Depreciation & Amortization in Latest Income Statement is Computed			
	Initial Cost to Company Building, Improvements & Encumbrances		Subsequent to Acquisition Carrying Costs		Gross Amount at Which Carried at Close of Period (a) (b) Building, Improvements & Leasehold Interests		Accumulated Depreciation and Date of Construction				
Date Acquired											
Beautiful America Dry Cleaners:											
Orlando, FL	47 (o)	40	111		40	111	151	19	2001	02/04	40 years
Bed Bath & Beyond:											
Richmond, VA	2,634 (p)	1,184	2,843	179	1,184	3,021	4,205	613	1997	06/98	40 years
Glendale, AZ		1,082		2,758	1,082	2,758	3,840	790	1999	12/98 (g)	40 years
Midland, MI		231		2,702	231	2,702	2,933	279	2006	07/03	40 years
Best Buy:											
Brandon, FL		2,985	2,772		2,985	2,772	5,757	962	1996	02/97	40 years
Cuyahoga Falls, OH		3,709	2,359		3,709	2,359	6,068	799	1970	06/97	40 years
Rockville, MD		6,233	3,419		6,233	3,419	9,652	1,150	1995	07/97	40 years
Fairfax, VA		3,052	3,218		3,052	3,218	6,270	1,076	1995	08/97	40 years
St. Petersburg, FL	4,204 (p)	4,032	2,611		4,032	2,611	6,643	640	1997	09/97	35 years
Pittsburg, PA		2,331	2,293		2,331	2,293	4,624	719	1997	06/98	40 years
Denver, CO		8,882	4,373		8,882	4,373	13,255	1,043	1991	06/01	40 years
Best Smoke & Gas:											
Abbottstown, PA		55	200		55	200	255	25	2000	01/06	40 years
Billy Bob's:											
Gresham, OR		817	108		817	108	925	24	1993	12/01	40 years
BJ's Wholesale Club:											
Orlando, FL	3,762 (o)	3,271	8,627	367	3,271	8,993	12,264	1,539	2001	02/04	40 years
Black Fox Beauty Supply:											
Corpus Christi, TX		116	137	195	125	332	457	69	1967	11/93	40 years
Blockbuster Video:											
Conyers, GA		320	556		320	556	876	188	1997	06/97	40 years
Alice, TX		318	578		318	578	896	131	1995	12/01	40 years
Gainesville, GA		295	612		295	612	907	138	1997	12/01	40 years
Glasgow, KY		303	561		303	561	864	127	1997	12/01	40 years
Kingsville, TX		499	458	30	499	487	986	106	1995	12/01	40 years
Mobile, AL		491	498		491	498	989	113	1997	12/01	40 years
Mobile, AL		843	562		843	562	1,405	127	1997	12/01	40 years
BMW:											
Duluth, GA		4,434	4,080	6,559	4,504	10,639	15,143	1,435	1984	12/01	40 years
Borders:											
Wilmington, DE		3,031	6,062		2,994	6,062	9,056	2,429	1994	12/94	40 years
Richmond, VA		2,177	2,600		2,177	2,600	4,777	1,011	1995	06/95	40 years
Ft. Lauderdale, FL	4,428 (p)	3,165	3,319		3,165	3,319	6,484	863	1995	02/96	33 years
Bangor, ME		1,547	2,487		1,547	2,487	4,034	903	1996	06/96	40 years
Altamonte Springs, FL		1,947			1,947	(c)	1,947	(c)	1997	09/97	(c)
Borough of Abbottstown:											
Abbottstown, PA		55	200		55	200	255	25	2000	01/06	40 years
Boston Market:											

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Burton, MI	620	707	620	707	1,327	160	1997	12/01	40 years
Geneva, IL	1,125	1,037	1,125	893	2,018	204	1996	12/01	40 years
N. Olmsted, OH	602	461	602	389	991	89	1996	12/01	40 years
Novi, MI	836	651	836	298	1,134	72	1995	12/01	40 years
Orland Park, IL	562	556	562	377	939	88	1995	12/01	40 years
Warren, OH	562	468	562	468	1,030	106	1997	12/01	40 years

Buccaneer Car

Wash:

Tampa, FL	541	829	541	829	1,370	23	1978	04/10	25 years
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Buck s:

St. Louis, MO	776	3,822	776	3,822	4,598	163	2009	12/07 (m)	40 years
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Buffalo Wild Wings:

Michigan City, IN	163	492	163	492	655	111	1996	12/01	40 years
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Bugaboo Creek:

Rochester, NY	792	1,535	792	1,535	2,327	136	1995	06/07	40 years
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	Costs Capitalized							Life on Which		
	Initial Cost to Company Building, Improvements & Encumbrances		Subsequent to Acquisition Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b) Building, Improvements & Land			Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciation & Amortization in Latest Income Statement is Computed
	Land	Leasehold Interests	Land	Leasehold Interests	Total					
Burger King:										
Colonial Heights, VA	662	610		662	610	1,272	138	1997	12/01	40 years
Camping World:										
Vacaville, CA	2,467	6,575		2,467	6,575	9,042	86	2008	07/10	35 years
North Little Rock, AR	1,198	3,348		1,198	3,348	4,546	28	2007	09/10	35 years
Strafford, MO	1,278	3,694		1,278	3,694	4,972	31	2007	09/10	35 years
Carl's Jr.:										
Spokane, WA	471	530		471	530	1,001	120	1996	12/01	40 years
Chandler, AZ	729	644		729	644	1,373	178	1984	06/05	20 years
Tucson, AZ	681	536	103	681	639	1,320	344	1988	06/05	10 years
CarQuest:										
Abbeville, LA	23	148		23	148	171		1970	12/10	20 years
Abbotsford, WI	56	163		56	163	219		1984	12/10	25 years
Aberdeen, SD (n)	71	329		71	329	400	1	1961	12/10	20 years
Addison, IL	76	314		76	314	390	1	1971	12/10	25 years
Alsip, IL	57	323		57	323	380	1	1972	12/10	20 years
Anaconda, MT	35	307		35	307	342	1	1965	12/10	20 years
Ann Arbor, MI	25	241		25	241	266	1	1970	12/10	20 years
Antigo, WI	96	294		96	294	390		1998	12/10	30 years
Appleton, WI (n)	85	438		85	438	523	1	1995	12/10	30 years
Arden, NC	42	281		42	281	323		1989	12/10	25 years
Baker, MT	12	140		12	140	152		1965	12/10	20 years
Bakersfield, CA	77	484		77	484	561	1	1945	12/10	20 years
Bangor, ME	51	339		51	339	390	1	1985	12/10	25 years
Bangor, ME (n)	53	356		53	356	409	1	1945	12/10	15 years
Bartlett, TN	40	293		40	293	333		1989	12/10	25 years
Bay City, MI	14	100		14	100	114		1942	12/10	15 years
Bay City, MI	41	282		41	282	323		1989	12/10	25 years
Bay City, MI	106	521		106	521	627	1	1920	12/10	15 years
Bellevue, NE	29	142		29	142	171		1965	12/10	20 years
Bend, OR	125	245		125	245	370	1	1935	12/10	15 years
Biddeford, ME	60	320		60	320	380	1	1968	12/10	20 years
Billings, MT	31	188		31	188	219		1970	12/10	25 years
Bismarck, ND	25	136		25	136	161		1985	12/10	25 years
Bozeman, MT	28	257		28	257	285	1	1964	12/10	20 years
Brunswick, ME	41	254		41	254	295		1985	12/10	25 years
Bucksport, ME	19	114		19	114	133		1976	12/10	20 years
Burlington, NC	47	229		47	229	276		1994	12/10	30 years
Carol Stream, IL	103	515		103	515	618	1	1960	12/10	20 years
Chicago, IL	83	383		83	383	466	1	1987	12/10	25 years
Chippewa Falls, WI	33	328		33	328	361		1996	12/10	30 years
Cody, WY (n)	146	253		146	253	399		1999	12/10	30 years
Colstrip, MT	39	275		39	275	314		1981	12/10	25 years
Connersville, IN	28	171		28	171	199		1920	12/10	15 years
Corapolis, PA (n)	74	316		74	316	390	1	1980	12/10	20 years
Cut Bank, MT	9	115		9	115	124		1937	12/10	20 years
Devils Lake, ND	38	276		38	276	314		1999	12/10	30 years

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Dillon, MT	24	204	24	204	228		1973	12/10	20 years
Dodge City, KS (n)	43	166	43	166	209		1948	12/10	15 years
Eau Claire, WI	33	204	33	204	237		1956	12/10	20 years
Elgin, IL	88	311	88	311	399	1	1965	12/10	20 years
Enterprise, AL	25	184	25	184	209		1988	12/10	25 years
Escanaba, MI	40	283	40	283	323		1982	12/10	25 years
Evansville, IN	60	301	60	301	361	1	1980	12/10	25 years
Fairbanks, AK	292	545	292	545	837	1	2003	12/10	35 years
Gainesville, FL (n)	47	362	47	362	409	1	1957	12/10	15 years
Glasgow, MT	48	275	48	275	323	1	1972	12/10	20 years
Great Falls, MT	17	173	17	173	190		1967	12/10	20 years
Greenville, OH	63	193	63	193	256	1	1910	12/10	15 years
Hamilton, MT	24	242	24	242	266		1991	12/10	25 years
Harlem, MT	17	116	17	116	133		1983	12/10	25 years
Havre, MT	22	311	22	311	333	1	1964	12/10	20 years
Hayward, WI	57	333	57	333	390	1	1980	12/10	25 years
Helena, MT	31	282	31	282	313		1987	12/10	25 years
Houlton, ME	38	219	38	219	257	1	1915	12/10	10 years
Irving, TX	182	208	182	208	390		1984	12/10	20 years
Kalispell, MT (n)	59	645	59	645	704	1	1998	12/10	30 years
Kennedale, TX	88	283	88	283	371	1	1959	12/10	20 years
Lafayette, LA	51	357	51	357	408		1996	12/10	30 years
Laurel, MS	74	202	74	202	276	1	1959	12/10	15 years

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	Costs Capitalized						Life on Which			
	Initial Cost to		Subsequent to	Gross Amount at Which		Depreciation & Amortization in Latest Income Statement is Computed				
	Company Building,		Acquisition	Carried at Close of Period (a) (b) Building,						
	Improvements & Encumbrances			Improvements & Leasehold Interests						
	Land	Leasehold Interests	Carrying Costs	Land	Leasehold Interests			Total Amortization and Date of Construction	Date Acquired	
Lewistown, MT	19	180		19	180	199		1964	12/10	25 years
Libby, MT	33	262		33	262	295	1	1965	12/10	20 years
Livingston, MT	34	261		34	261	295	1	1976	12/10	20 years
Lufkin, TX (n)	94	229		94	229	323		1986	12/10	20 years
Madison, TN	78	179		78	179	257		1988	12/10	25 years
Madison, WI	57	409		57	409	466	1	1973	12/10	25 years
Malta, MT	19	181		19	181	200		1976	12/10	25 years
Marshfield, WI	60	282		60	282	342	1	1940	12/10	20 years
Medford, WI	37	229		37	229	266		1988	12/10	25 years
Memphis, TN	38	199		38	199	237		1987	12/10	25 years
Metamora, IL	69	292		69	292	361		1996	12/10	30 years
Midland, MI	44	336		44	336	380		1986	12/10	30 years
Midland, TX	36	212		36	212	248	1	1960	12/10	15 years
Montello, WI	26	173		26	173	199		1997	12/10	30 years
Muskegon, MI	38	257		38	257	295		1990	12/10	30 years
Neillsville, WI	26	145		26	145	171		1979	12/10	25 years
Nicholasville, KY	54	241		54	241	295		1988	12/10	25 years
Ocala, FL	78	416		78	416	494	1	1971	12/10	15 years
Olathe, KS	78	235		78	235	313	1	1950	12/10	15 years
Oshkosh, WI	99	224		99	224	323		1999	12/10	30 years
Overland, MO	68	370		68	370	438	1	1961	12/10	20 years
Owosso, MI	50	264		50	264	314		1986	12/10	25 years
Pearl, MS	43	195		43	195	238		1989	12/10	30 years
Phillips, WI	23	177		23	177	200		1992	12/10	30 years
Powell, WY	37	182		37	182	219		1978	12/10	25 years
Rhineland, WI	28	115		28	115	143		1958	12/10	20 years
River Falls, WI	42	234		42	234	276		1976	12/10	20 years
Riverton, WY	99	300		99	300	399	1	1978	12/10	25 years
Rockford, IL	61	376		61	376	437	1	1962	12/10	25 years
Roundup, MT	23	205		23	205	228		1972	12/10	20 years
Schofield, WI	41	425		41	425	466	1	1968	12/10	20 years
Sheboygan, WI	77	370		77	370	447		2007	12/10	35 years
Shelby, MT	20	208		20	208	228		1976	12/10	20 years
Shelbyville, KY	52	224		52	224	276		1982	12/10	25 years
Sidney, MT (n)	42	395		42	395	437	1	1962	12/10	20 years
Spartanburg, SC	53	252		53	252	305		1972	12/10	25 years
Spokane, WA	66	201		66	201	267		1965	12/10	20 years
Spokane, WA	93	373		93	373	466	1	1972	12/10	20 years
St. Peter, MN	17	259		17	259	276		1999	12/10	30 years
Stayton, OR	88	312		88	312	400		1994	12/10	30 years
Stevens Point, WI (n)	61	405		61	405	466	1	1975	12/10	25 years
Sulphur, LA	31	216		31	216	247		1984	12/10	20 years
Thornton, CO	414	536		414	536	950	1	1996	12/10	30 years
Troy, AL	15	52		15	52	67		1966	12/10	15 years
Wasilla, AK	227	504		227	504	731	1	2002	12/10	35 years
Wausau, WI	52	300		52	300	352		1989	12/10	25 years
Wautoma, WI	18	106		18	106	124		1959	12/10	20 years
Waynesboro, MS	15	71		15	71	86		1962	12/10	15 years
West Columbia, SC	41	159		41	159	200		1962	12/10	20 years
West Memphis, AR	58	294		58	294	352		1987	12/10	25 years

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Whitefish, MT	30	227	30	227	257		1993	12/10	30 years
Williston, ND	35	297	35	297	332		1999	12/10	30 years
Windom, MN	5	137	5	137	142		1950	12/10	20 years
Wisconsin Rapids, WI	41	215	41	215	256		1975	12/10	20 years
Yakima, WA	50	321	50	321	371	1	1965	12/10	20 years

## Carvers:

Centerville, OH	851	1,059	851	1,059	1,910	239	1986	12/01	40 years
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## Certified Auto

### Sales:

Albuquerque, NM	1,113	1,419	1,113	1,419	2,532	194	2005	04/04 (f)	40 years
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## Champps:

Alpharetta, GA	3,033	1,642	3,033	1,642	4,675	371	1999	12/01	40 years
Irving, TX	1,760	1,724	1,760	1,724	3,484	390	2000	12/01	40 years

## Char-Hut:

Sunrise, FL	287	424	287	424	711	70	1979	05/04	40 years
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	Initial Cost to Company Building,		Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b)						
	Improvements &			Improvements &		Accumulated				
						Depreciation	Date	Depreciation & Amortization in Latest Income Statement is Computed		
	Encumbrances	Land	Leasehold Interests	Carrying Costs	Land	Leasehold Interests	Total Amortization	of Construction	Date Acquired	
Checkers:										
Orlando, FL		257			257	(c)	257	(c)	1988	07/92 (c)
Cheddar's Cafe:										
Baytown, TX		858	2,251		858	2,251	3,109	2	2010	12/10 40 years
Chili's:										
Camden, SC		627	1,888		627	1,888	2,515	250	2005	09/05 40 years
Milledgeville, GA		516	1,997		516	1,997	2,513	264	2005	09/05 40 years
Sumter, SC		800	1,717		800	1,717	2,517	216	2004	12/05 40 years
Hinesville, GA		921	1,898		921	1,898	2,819	184	2006	02/07 40 years
Albany, GA		615		1,984	615	1,984	2,599	159	2007	06/07 (m) 40 years
Statesboro, GA		703		1,888	703	1,888	2,591	147	2007	06/07 (m) 40 years
Florence, SC		889	1,715		889	1,715	2,604	152	2007	06/07 40 years
Valdosta, GA		716		1,871	716	1,871	2,587	142	2007	07/07 (m) 40 years
Tifton, GA		454	1,550		454	1,550	2,004	86	2008	06/08 (m) 40 years
Evans, GA		700		1,511	700	1,511	2,211	71	2009	10/08 (m) 40 years
Jefferson City, MO		305	898		305	898	1,203	27	2003	12/09 35 years
Merriam, KS		853	981		853	981	1,834	34	1998	12/09 30 years
Wichita, KS		420	623		420	623	1,043	22	1995	12/09 30 years
China 1:										
Cohoes, NY		16	87	6	16	93	109	14	1994	09/04 40 years
China Wok:										
Carlisle, PA		90	107		90	107	197	13	1988	01/06 40 years
Cinemark:										
Draper, UT		1,523			1,523	(e)	1,523	(e)	(e)	08/10 (m) (e)
Claim Jumper:										
Roseville, CA		1,557	2,014		1,557	2,014	3,571	455	2000	12/01 40 years
Tempe, AZ		2,531	2,921		2,531	2,921	5,452	660	2000	12/01 40 years
Continental Rental:										
Lapeer, MI		88	633		88	633	721	53	2007	10/05 40 years
Cool Crest:										
Independence, MO		1,838	1,534		1,838	1,534	3,372	139	1988	05/07 40 years
CORA Rehabilitation Clinics:										
Orlando, FL	93 (o)	80	221		80	221	301	38	2001	02/04 40 years
CVS:										
San Antonio, TX		441			441	(c)	441	(c)	1993	12/93 (c)
Lafayette, LA		968			968	(c)	968	(c)	1995	01/96 (c)
Midwest City, OK		673	1,103		673	1,103	1,776	409	1996	03/96 40 years
Pantego, TX		1,016	1,449		1,016	1,449	2,465	491	1997	06/97 40 years
Flower Mound, TX		932	881		831	881	1,712	152	1996	09/97 40 years
Arlington, TX		2,079		1,397	2,079	1,397	3,476	432	1998	11/97 (g) 40 years
Leavenworth, KS		726		1,331	726	1,331	2,057	417	1998	11/97 (g) 40 years
Lewisville, TX		789		1,335	789	1,335	2,124	410	1998	04/98 (g) 40 years
Forest Hill, TX		692		1,175	692	1,175	1,867	363	1998	04/98 (g) 40 years
Garland, TX		1,477		1,400	1,477	1,400	2,877	424	1998	06/98 (g) 40 years
Oklahoma City, OK		1,581		1,471	1,581	1,471	3,052	440	1999	08/98 (g) 40 years

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Dallas, TX	2,618	2,571	2,618	2,571	5,189	463	2003	06/99	40 years
Gladstone, MO	1,851	1,740	1,851	1,740	3,591	451	2000	12/99 (g)	40 years
Dave & Buster s:									
Hilliard, OH	934	4,689	934	4,689	5,623	484	1998	11/06	40 years
Tulsa, OK	1,862	2,105	1,862	2,105	3,967	103	2009	04/08 (m)	40 years
Wauwatosa, WI	5,694	5,638	5,694	5,638	11,332	112	2010	12/08 (m)	40 years
Orlando, FL	8,114		8,114	(e)	8,114	(e)	(e)	06/10 (m)	(e)
Denny s:									
Columbus, TX (n)	428	817	428	817	1,245	185	1997	12/01	40 years
Alexandria, VA	604	196	604	196	800	42	1981	09/06	20 years
Amarillo, TX	590	632	590	632	1,222	136	1982	09/06	20 years
Arlington Heights, IL	470	228	470	228	698	49	1977	09/06	20 years
Austintown, OH	466	397	466	397	863	85	1980	09/06	20 years
Boardman Township, OH	497	258	497	258	755	55	1977	09/06	20 years

See accompanying report of independent registered public accounting firm.

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	Subsequent		Gross Amount at Which			Depreciation & Amortization in				
	Initial Cost to Company Building,	to Acquisition	Carried at Close of Period (a)	Which (b)	Accumulated	Latest Income Statement				
	Improvements & Encumbrances	Leasehold Interest	Carrying Costs	Leasehold Interests	Total	and Amortization	Date of Construction	Date Acquired	is Computed	
Campbell, CA	460	238		460	238	698	51	1976	09/06	20 years
Carson, CA	1,246	157		1,246	157	1,403	34	1975	09/06	20 years
Chehalis, WA	415	287		415	287	702	62	1977	09/06	20 years
Chubbuck, ID	350	394		344	394	738	85	1983	09/06	20 years
Clackamas, OR	468	407		468	407	875	87	1993	09/06	20 years
Collinsville, IL	676	283		676	283	959	61	1979	09/06	20 years
Colorado Springs, CO	585	390		585	390	975	84	1978	09/06	20 years
Colorado Springs, CO	321	377		321	377	698	81	1984	09/06	20 years
Corpus Christi, TX	345	776	300	345	1,076	1,421	192	1980	09/06	20 years
Dallas, TX	497	150		497	150	647	32	1979	09/06	20 years
Enfield, CT	684	229		684	229	913	49	1976	09/06	20 years
Fairfax, VA	768	683		768	683	1,451	147	1979	09/06	20 years
Federal Way, WA	543	193		543	193	736	41	1977	09/06	20 years
Florissant, MO	443	238		443	238	681	51	1977	09/06	20 years
Ft. Worth, TX	392	314		392	314	706	67	1974	09/06	20 years
Hermitage, PA	321	420		321	420	741	90	1980	09/06	20 years
Hialeah, FL	432	175		432	175	607	38	1978	09/06	20 years
Houston, TX	504	348		504	348	852	75	1976	09/06	20 years
Indianapolis, IN	310	590		310	590	900	127	1981	09/06	20 years
Indianapolis, IN	326	511		326	511	837	110	1978	09/06	20 years
Indianapolis, IN	358	767		358	767	1,125	165	1978	09/06	20 years
Indianapolis, IN	231	511		231	511	742	110	1974	09/06	20 years
Kernersville, NC	407	557		407	557	964	120	2000	09/06	20 years
Lafayette, IN	424	773		416	773	1,189	166	1978	09/06	20 years
Laurel, MD	528	379		528	379	907	81	1976	09/06	20 years
Little Rock, AR	672	77		672	77	749	16	1979	09/06	20 years
Little Rock, AR	703	180		703	180	883	39	1979	09/06	20 years
Maplewood, MN	630	271		630	271	901	58	1983	09/06	20 years
Merriville, IN	368	813		368	813	1,181	174	1976	09/06	20 years
Middleburg Heights, OH	497	260		497	260	757	56	1976	09/06	20 years
N. Miami, FL	855	151		855	151	1,006	32	1977	09/06	20 years
Nampa, ID	357	729		357	729	1,086	156	1979	09/06	20 years
North Richland Hills, TX	500	130		500	130	630	28	1970	09/06	20 years
Novi, MI	545	305		545	305	850	66	1979	09/06	20 years
Omaha, NE	496	314		496	314	810	67	1994	09/06	20 years
Pompano Beach, FL	436	394		436	394	830	84	1976	09/06	20 years
Portland, OR	764	161		764	161	925	35	1977	09/06	20 years
Provo, UT	519	216		519	216	735	46	1978	09/06	20 years
Pueblo, CO	475	302		475	302	777	65	1980	09/06	20 years
Raleigh, NC	1,094	482		1,094	482	1,576	103	1984	09/06	20 years
Southfield, MI	401	330		401	330	731	71	1980	09/06	20 years
St. Louis, MO	520	266		520	266	786	57	1973	09/06	20 years
Sugarland, TX	315	334		315	334	649	72	1997	09/06	20 years
Tacoma, WA	580	201		580	201	781	43	1984	09/06	20 years
Tucson, AZ	922	290		922	290	1,212	62	1979	09/06	20 years
Wethersfield, CT	884	176		884	176	1,060	38	1978	09/06	20 years
Worcester, MA	383	493		383	493	876	106	1978	09/06	20 years
Boise, ID	514	477		514	477	991	96	1983	12/06	20 years
St. Louis, MO	635	303		635	303	938	60	1980	01/07	20 years
Virginia Gardens, FL	793	133		793	133	926	26	1977	01/07	20 years

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## Dick's Sporting Goods:

Taylor, MI	1,920	3,527	1,920	3,527	5,447	1,260	1996	08/96	40 years
White Marsh, MD	2,681	3,917	2,681	3,917	6,598	1,400	1996	08/96	40 years

## Dimitri's Family

### Restaurant:

Indianapolis, IN	223	483	223	483	706	104	1979	09/06	20 years
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## Dollar General:

Memphis, TN	266	1,136	46	266	1,182	1,448	329	1998	12/97	40 years
High Springs, FL	432			432	(e)	432	(e)	(e)	07/10 (m)	(e)
Inverness, FL	459			459	(e)	459	(e)	(e)	08/10 (m)	(e)
Cocoa, FL	406			406	(e)	406	(e)	(e)	08/10 (m)	(e)
Palm Bay, FL	355			355	(e)	355	(e)	(e)	08/10 (m)	(e)
Deland, FL	585			585	(e)	585	(e)	(e)	11/10 (m)	(e)
Seffner, FL	659			659	(e)	659	(e)	(e)	12/10 (m)	(e)

## Dollar Tree:

Garland, TX	239	626		239	626	865	149	1994	02/94	40 years
Copperas Cove, TX	242	512	194	242	706	948	200	1972	11/98	40 years

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	Initial Cost to Company Building, Improvements & Encumbrances	Subsequent to Acquisition Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated Depreciation and Amortization	Date of Construction		Date Acquired	Depreciation & Amortization in Latest Income Statement is Computed
			Land	Leasehold Interests	Total					
Donato's: Medina, OH	405	464		405	464	869	105	1996	12/01	40 years
Dr. Clean Dry Cleaners: Monticello, NY	20	72		20	72	92	10	1996	03/05	40 years
Easyhome: Cohoes, NY	64	348	242	64	590	654	69	1994	09/04	40 years
Ecotech Institute: Aurora, CO	5,076	13,874	6,043	5,076	19,917	24,993	1,294	1986	04/07	40 years
El Tapatio Grill: Hammond, LA	248	814	62	248	627	875	156	1997	12/01	40 years
Enterprise Rent-A-Car: Wilmington, NC	218	327	33	218	360	578	76	1981	12/01	40 years
Express Oil Change: Birmingham, AL	470	695		470	695	1,165	49	2008	02/08 (f)	40 years
Florence, AL	110	381		110	381	491	37	1987	02/08	30 years
Helena, AL	363	628		363	628	991	45	1998	02/08	40 years
Muscle Shoals, AL	168	624		168	624	792	60	1985	02/08	30 years
Opelika, AL	547	680		547	680	1,227	49	2006	02/08	40 years
Cordova, TN	639	785		639	785	1,424	40	2000	12/08	40 years
Horn Lake, MS	326	611		326	611	937	36	1998	12/08	35 years
Lakeland, TN	186	489		186	489	675	25	2000	12/08	40 years
Memphis, TN	402	721		402	721	1,123	37	2001	12/08	40 years
Fallas Paredes: Arlington, TX	318	1,680	242	318	1,923	2,241	623	1996	06/96	38 years
Family Dollar: Albany, NY (n)	34	824		34	824	858	130	1992	09/04	40 years
Cohoes, NY	94	507	33	94	540	634	80	1994	09/04	40 years
Hudson Falls, NY	51	380		51	380	431	60	1993	09/04	40 years
Monticello, NY	96	352		96	352	448	51	1996	03/05	40 years
Famous Footwear: Lapeer, MI	163	835		163	835	998	69	2007	10/05	40 years
Fantastic Sams: Eden Prairie, MN	65	181	81	65	261	326	56	1997	12/01	40 years
Fazoli's: Bay City, MI	647	634		647	634	1,281	143	1997	12/01	40 years
Ferguson: Destin, FL	554	1,012	253	554	1,265	1,819	111	2006	03/07	40 years
First Watch Restaurant: Tulsa, OK	325	314	34	325	382	707	68	1978	09/06	20 years
Flash Markets:										

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Lebanon, TN	582	2,063	582	2,063	2,645	148	2007	03/07	40 years
Food 4 Less:									
Chula Vista, CA	3,569		3,569	(c)	3,569	(c)	1995	11/98	(c)
Food Fast:									
Bossier City, LA	883	658	883	658	1,541	155	1975	06/07	15 years
Brownsboro, TX	328	385	328	385	713	45	1990	06/07	30 years
Flint, TX	272	411	272	411	683	58	1985	06/07	25 years
Forney, TX	545	707	545	707	1,252	83	1989	06/07	30 years
Forney, TX	473	654	473	654	1,127	77	1990	06/07	30 years
Gun Barrel City, TX	242	467	242	467	709	66	1988	06/07	25 years
Gun Barrel City, TX	270	386	270	386	656	55	1986	06/07	25 years
Jacksonville, TX	660	632	660	632	1,292	149	1976	06/07	15 years
Kemp, TX	581	505	581	505	1,086	72	1986	06/07	25 years
Longview, TX	403	572	403	572	975	81	1985	06/07	25 years
Longview, TX	426	382	426	382	808	54	1984	06/07	25 years

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			Leasehold Interests	Carrying Costs	Land	Leasehold Interests					Total Amortization
Longview, TX	360	535		360	535	895	76	1983	06/07	25 years	
Longview, TX	178	236		178	236	414	42	1977	06/07	20 years	
Longview, TX	252	304		252	304	556	43	1983	06/07	25 years	
Longview, TX	271	431		271	431	702	51	1990	06/07	30 years	
Mabank, TX	229	494		229	494	723	70	1986	06/07	25 years	
Mt. Vernon, TX	292	666		292	666	958	94	1990	06/07	25 years	
Shreveport, LA	361	250		361	250	611	59	1969	06/07	15 years	
Tyler, TX	302	455		302	455	757	81	1981	06/07	20 years	
Tyler, TX	316	545		316	545	861	64	1989	06/07	30 years	
Tyler, TX	258	419		258	419	677	74	1978	06/07	20 years	
Tyler, TX	542	403		481	403	884	57	1984	06/07	25 years	
Tyler, TX	323	283		323	283	606	50	1978	06/07	20 years	
Tyler, TX	488	831		488	831	1,319	147	1980	06/07	20 years	
Tyler, TX	256	542		256	542	798	96	1980	06/07	20 years	
Tyler, TX	742	546		742	546	1,288	77	1985	06/07	25 years	
Tyler, TX	188	329		188	329	517	47	1984	06/07	25 years	
Fresenius Medical Care:											
Houston, TX	422	1,915		460	1,915	2,375	241	1995	08/06	40 years	
Fresh Market:											
Gainesville, FL	317	1,248	656	317	1,904	2,221	287	1982	03/99	40 years	
Fuel-On:											
Bloomsburg, PA	541	146		541	146	687	39	1967	08/05	20 years	
Dallas, PA	677	1,091		677	1,091	1,768	293	1995	08/05	20 years	
Emporium, PA	380	569		380	569	949	153	1996	08/05	20 years	
Hazleton, PA	2,529	728		2,529	728	3,257	196	2001	08/05	20 years	
Johnsonburg, PA	781	504		781	504	1,285	135	1978	08/05	20 years	
Kane, PA	478	592		356		356		1984	08/05	20 years	
Luzerne, PA	171	415		171	415	586	112	1989	08/05	20 years	
Ridgway, PA	382	259		382	259	641	70	1975	08/05	20 years	
St. Mary s, PA	274	261		274	261	535	70	1979	08/05	20 years	
White Haven, PA	486	867		486	867	1,353	233	1990	08/05	20 years	
Yeagertown, PA	142	180		142	180	322	48	1977	08/05	20 years	
Carlisle, PA	170	202		170	202	372	25	1988	01/06	40 years	
Clairton, PA	215	701		215	701	916	139	1986	01/06	25 years	
Danville, PA	180	359		180	359	539	45	1988	01/06	40 years	
Houtzdale, PA	541	500		356		356		1977	01/06	15 years	
Minersville, PA	680	582		680	582	1,262	72	1974	01/06	40 years	
Pittsburgh, PA	905	1,346		905	1,346	2,251	167	1967	01/06	40 years	
Summerville, PA	93	272		93	272	365	34	1988	01/06	40 years	
Zelienople, PA	160	437		160	437	597	54	1988	01/06	40 years	
Furr s Family Dining:											
Las Cruces, NM	947		2,182	947	2,182	3,129	234	2006	01/06 (m)	40 years	
Tucson, AZ	1,116			1,116	(e)	1,116	(e)	(e)	07/06	(e)	
Moore, OK	939		2,429	939	2,429	3,368	195	2007	03/07 (m)	40 years	
Arlington, TX	1,061			1,061	(e)	1,061	(e)	(e)	04/10 (m)	(e)	
Gander Mountain:											
Amarillo, TX	1,514	5,781		1,514	5,781	7,295	885	2004	11/04	40 years	
DeForest, WI	2,798	10,953		2,798	10,953	13,751	91	2008	09/10	35 years	

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Springfield, IL	1,717	7,622		1,717	7,622	9,339	64	2009	09/10	35 years
Onalaska, WI	1,963			1,963	(e)	1,963	(e)	(e)	10/10 (m)	(e)
Ocala, FL	3,315	8,908		3,315	8,908	12,223	53	2008	10/10	35 years
Gate Petroleum:										
Concord, NC	852	1,201		852	1,201	2,053	166	2001	06/05	40 years
Rocky Mount, NC	259	1,164		259	1,164	1,423	161	2000	06/05	40 years
Gen-X Clothing:										
Federal Way, WA	2,037	1,662	257	2,037	1,919	3,956	567	1994	06/98	40 years
Golden Corral:										
Lake Placid, FL	115	305	54	115	359	474	246	1985	05/85	35 years
Brandon, FL	1,188	1,339		1,188	1,339	2,527	303	1998	12/01	40 years
Dallas, TX	1,138	1,025		1,138	1,025	2,163	232	1994	12/01	40 years
Temple Terrace, FL	1,330	1,391		1,330	1,391	2,721	314	1997	12/01	40 years

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	Initial Cost to Company Building, Improvements & Encumbrances		Subsequent to Acquisition Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciation & Amortization in Latest Income Statement is Computed
	Land	Leasehold Interests	Land	Leasehold Interests	Total	Amortization				
Goodyear Truck & Tire:										
Park City, KS	214	687		214	687	901	190	1989	06/05	20 years
Anthony, TX	(1)	1,242		(1)	1,242	1,242	107	2007	02/07	40 years
Great Clips:										
Lapeer, MI	27	194		27	194	221	16	2007	10/05	40 years
Green Light Convenience:										
Moosic, PA	323	309		323	309	632	83	1980	08/05	20 years
Guitar Center:										
Roseville, MN	1,599	1,419		1,599	1,419	3,018	179	1994	08/06	40 years
GymKix:										
Copperas Cove, TX	204	432	171	204	603	807	170	1972	11/98	40 years
H&R Block:										
Swansea, IL	46	132	69	46	201	247	45	1997	12/01	40 years
Hastings:										
Nacogdoches, TX	397	1,257		397	1,257	1,654	381	1997	11/98	40 years
Havertys Furniture:										
Clearwater, FL	1,184	2,526	44	1,184	2,570	3,754	1,125	1992	05/93	40 years
Orlando, FL	820	2,441	6	820	2,448	3,268	1,001	1992	05/93	40 years
Pensacola, FL	633	1,595		603	1,595	2,198	579	1994	06/96	40 years
Bowie, MD	1,966	4,221		1,966	4,221	6,187	1,256	1997	12/97	39 years
Health Source Chiropractic:										
Houston, TX	112	509		112	509	621	65	1995	08/06	40 years
Healthy Pet:										
Suwanee, GA	175	1,038		175	1,038	1,213	105	1997	12/06	40 years
Colonial Heights, VA	160	746		160	746	906	74	1996	01/07	40 years
Heilig-Meyers/The Room Store:										
Baltimore, MD	470	813		470	813	1,283	246	1968	11/98	40 years
Glen Burnie, MD	632	932		632	932	1,564	282	1968	11/98	40 years
Hog Pit:										
Tucson, AZ	827	305	18	845	305	1,150	79	1974	12/01	40 years
Hollywood Feed:										
Ridgeland, MS	343	411	362	343	773	1,116	53	1997	08/06	40 years
Home Decor:										
Memphis, TN	549	540	364	549	904	1,453	247	1998	12/97	40 years
Home Depot:										
Sunrise, FL	5,149			5,149	(i)	5,149	(i)	(i)	05/03	(i)
HomeGoods:										
Fairfax, VA	971	756	1,585	971	2,341	3,312	552	1995	12/95	40 years
Hooters:										
Tampa, FL	784	505		784	505	1,289	114	1993	12/01	40 years

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Humana:									
Sunrise, FL	800	253	800	253	1,053	42	1984	05/04	40 years
Hy-Vee:									
St. Joseph, MO	1,580	2,849	1,580	2,849	4,429	591	1991	09/02	40 years
Int 1 House of Pancakes:									
Midwest City, OK	407		407	(i)	407	(i)	(i)	11/00	(i)
Ankeny, IA	693	515	693	515	1,208	95	2002	06/05	30 years
J & J Insurance:									
Hollywood, FL	195	44	18	119	119		1960	12/05	15 years

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	Costs Capitalized			Life on Which		
	Subsequent		Gross Amount at Which		Depreciation & Amortization in	
	to		Carried at Close of Period (a) (b)		Latest	
	Initial Cost to Company Building, Improvements & Encumbrances	Acquisition Costs	Building, Improvements & Leasehold Interests	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired
Jack in the Box:						
Plano, TX	1,055	1,237	1,055	1,237	2,292	171
2001						
06/05						
40 years						
Jacobson Industrial:						
Des Moines, IA	61	112	61	112	173	31
1973						
06/05						
20 years						
Jared Jewelers:						
Richmond, VA	955	1,336	955	1,336	2,291	302
1998						
12/01						
40 years						
Brandon, FL	1,197	1,182	1,197	1,182	2,379	255
2001						
05/02						
40 years						
Lithonia, GA	1,271	1,216	1,271	1,216	2,487	262
2001						
05/02						
40 years						
Houston, TX	1,676	1,440	1,676	1,440	3,116	289
1999						
12/02						
40 years						
Jazzercise Fitness Center:						
Orlando, FL	42 (o)	37	101	37	101	138
2001						
02/04						
40 years						
Jin's Asian Cafe:						
Sealy, TX	67	74	67	74	141	22
1982						
03/99						
40 years						
Jo-Ann etc:						
Corpus Christi, TX	818	896	12	818	909	1,727
389						
1967						
11/93						
40 years						
St. Peters, MO	1,741	5,406	1,741	5,406	7,147	738
2005						
06/05 (g)						
40 years						
Johnny Carino's:						
Lewisville, TX	1,370	1,019	1,370	1,019	2,389	230
1994						
12/01						
40 years						
Lubbock, TX	1,007	1,206	1,007	1,206	2,213	272
1995						
12/01						
40 years						
S. Beaumont, TX	439	1,363	439	1,363	1,802	308
2000						
12/01						
40 years						
Kangaroo Express:						
Carthage, NC	485	354	485	354	839	39
1989						
08/06						
40 years						
Sanford, NC	1,638	1,371	1,638	1,371	3,009	150
2003						
08/06						
40 years						
Sanford, NC	666	661	666	661	1,327	72
2000						
08/06						
40 years						
Siler City, NC	586	645	586	645	1,231	71
1998						
08/06						
40 years						
West End, NC	426	516	426	516	942	56
1999						
08/06						
40 years						
Bellevue, FL	471	1,451	471	1,451	1,922	159
2006						
08/06						
40 years						
Jacksonville, FL	683	1,362	683	1,362	2,045	149
1969						
08/06						
40 years						
Jacksonville, FL	807	1,239	807	1,239	2,046	136
1975						
08/06						
40 years						
Destin, FL	1,366	1,192	1,366	1,192	2,558	128
2000						
09/06						
40 years						
Niceville, FL (n)	1,434	1,124	1,434	1,124	2,558	121
2000						
09/06						
40 years						
Kill Devil Hills, NC	490	741	490	741	1,231	78
1995						
10/06						
40 years						
Kill Devil Hills, NC	679	552	679	552	1,231	58
1990						
10/06						
40 years						
Interlachen, FL	519	1,500	519	1,500	2,019	105
2007						
10/06						
40 years						
Clarksville, TN	276	955	276	955	1,231	96
1999						
12/06						
40 years						
Clarksville, TN	521	710	521	710	1,231	72
1999						
12/06						
40 years						
Gallatin, TN	474	757	474	757	1,231	76
1999						
12/06						
40 years						
Midland City, AL	729	2,538	729	2,538	3,267	256
2006						
12/06						
40 years						
Naples, FL	3,195	1,403	3,195	1,403	4,598	142
2001						
12/06						
40 years						
Oxford, MS	440	1,097	440	1,097	1,537	111
1998						
12/06						
40 years						
Columbiana, AL	771	989	771	989	1,760	98
1982						
01/07						
40 years						
Naples, FL	3,162	1,597	3,162	1,597	4,759	155
1995						
02/07						
40 years						
Longs, SC	745	758	745	758	1,503	72
2001						
03/07						
40 years						
Kentwood, LA	985	891	985	891	1,876	84
2001						
03/07						
40 years						
Dothan, AL	774	1,886	774	1,886	2,660	179
2007						
03/07						
40 years						
Naples, FL	2,412	1,589	2,412	1,589	4,001	144
2000						
05/07						
40 years						
Montgomery, AL	666	1,185	666	1,185	1,851	105
1998						
06/07						
40 years						

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Cary, NC	1,314	2,125	1,314	2,125	3,439	179	2007	08/07	40 years
Kash n Karry:									
Seffner, FL	322	1,222	322	1,222	1,544	220	1983	03/99	40 years
Keg Steakhouse:									
Lynnwood, WA	1,256	649	1,256	649	1,905	147	1992	12/01	40 years
Tacoma, WA	527	795	527	795	1,322	180	1981	12/01	40 years
KFC:									
Fenton, MO	307	496	307	496	803	279	1985	07/92	33 years
Erie, PA	517	496	517	496	1,013	112	1996	12/01	40 years
Marysville, WA	647	546	647	546	1,193	123	1996	12/01	40 years
Evansville, IN	370	767	370	767	1,137	89	2004	05/06	40 years
Kohl s:									
Florence, AL	818	1,047	818	1,047	1,865	111	2006	06/04	40 years
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	Costs Capitalized							Life on Which											
	Initial Cost to Company Building,		Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated	Date	Date	Depreciation & Amortization in Latest Income Statement is Computed									
	Improvements &		Carrying	Improvements &		Depreciation													
	Encumbrances	Land	Leasehold Interest	Improvements	Costs	Land					Leasehold Interests	Total	and Amortization						
Kum & Go: Omaha, NE		393		214		393		214		607		59		1979		06/05		20 years	
Kwik Pik:																			
Bradford, PA		184		762		184		762		946		205		1983		08/05		20 years	
Coraopolis, PA (n)		476		347		476		347		823		93		1983		08/05		20 years	
St Clair, PA		212		475		212		475		687		128		1984		08/05		20 years	
Beech Creek, PA		477		613		477		613		1,090		76		1988		01/06		40 years	
Canisteo, NY		142		485		142		485		627		60		1983		01/06		40 years	
Curwensville, PA		226		608		226		608		834		75		1983		01/06		40 years	
Ellwood City, PA		196		526		196		526		722		65		1987		01/06		40 years	
Hastings, PA		199		455		199		455		654		56		1989		01/06		40 years	
Jersey Shore, PA		515		381		515		381		896		47		1960		01/06		40 years	
Leeper, PA		286		644		286		644		930		80		1987		01/06		40 years	
Lewisberry, PA		412		534		412		534		946		66		1988		01/06		40 years	
Mercersburg, PA		672		746		672		746		1,418		93		1988		01/06		40 years	
New Florence, PA		298		812		298		812		1,110		101		1989		01/06		40 years	
Newstead, NY		255		835		255		835		1,090		104		1990		01/06		40 years	
Philipsburg, PA		428		269		428		269		697		33		1978		01/06		40 years	
Plainfield, PA		244		383		244		383		627		47		1988		01/06		40 years	
Reynoldsville, PA		113		328		113		328		441		41		1983		01/06		40 years	
Port Royal, PA		238		635		238		635		873		142		1989		07/06		20 years	
LA Fitness:																			
Centerville, OH		2,700			8,572		2,700		8,572		11,272		330		2009		06/08 (m)		40 years
Warren, MI		2,360		6,674			2,360		6,674		9,034		299		2009		07/08 (m)		40 years
Cincinnati, OH		5,145			9,011		5,145		9,011		14,156		347		2009		08/08 (m)		40 years
Lawrence, IN		1,604		5,867			1,604		5,867		7,471		55		2010		01/10 (m)		40 years
Laveen, AZ		1,665					1,665		(e)		1,665		(e)		(e)		02/10 (m)		(e)
Kennesaw, GA		3,653					3,653		(e)		3,653		(e)		(e)		07/10 (m)		(e)
Las Margaritas:																			
Indianapolis, IN		640		1,107			640		1,107		1,747		239		1996		12/01		40 years
Lil Champ:																			
Gainesville, FL		900			1,800		900		1,800		2,700		171		2006		07/05 (m)		40 years
Jacksonville, FL		2,225		3,265			2,225		3,265		5,490		211		2006		08/05		40 years
Ocala, FL		846			1,564		846		1,564		2,410		138		2006		02/06 (m)		40 years
Logan's Roadhouse:																			
Alexandria, LA		1,218		3,049			1,218		3,049		4,267		314		1998		11/06		40 years
Beckley, WV		1,396		2,405			1,396		2,405		3,801		248		2006		11/06		40 years
Cookeville, TN		1,262		2,271			1,262		2,271		3,533		234		1997		11/06		40 years
Fort Wayne, IN		1,274		2,110			1,172		2,110		3,282		218		2003		11/06		40 years
Greenwood, IN		1,341		2,105			1,341		2,105		3,446		217		2000		11/06		40 years
Hurst, TX		1,858		1,916			1,858		1,916		3,774		198		1999		11/06		40 years
Jackson, TN		1,200		2,246			1,200		2,246		3,446		232		1994		11/06		40 years
Lake Charles, LA		1,285		2,202			1,285		2,202		3,487		227		1998		11/06		40 years
McAllen, TX		1,608		2,178			1,608		2,178		3,786		225		2005		11/06		40 years
Opelika, AL		1,028		1,753			1,028		1,753		2,781		181		2005		11/06		40 years
Roanoke, VA		2,302		1,947			2,302		1,947		4,249		201		1998		11/06		40 years
San Marcos, TX		837		1,453			837		1,453		2,290		150		2000		11/06		40 years
Sanford, FL		1,678		1,730			1,678		1,730		3,408		178		1999		11/06		40 years
Smyrna, TN		1,335		2,047			1,335		2,047		3,382		211		2002		11/06		40 years

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Warner Robins, GA	905	1,534		905	1,534	2,439	158	2004	11/06	40 years
Franklin, TN	2,519	1,705		2,519	1,705	4,224	172	1995	12/06	40 years
Southaven, MS	1,298	1,338		1,298	1,338	2,636	135	2005	12/06	40 years
Columbus, MS	707			707	(e)	707	(e)	(e)	11/10 (m)	(e)
Lancaster, TX	987			987	(e)	987	(e)	(e)	12/10 (m)	(e)
Lowe's:										
Memphis, TN	3,215	9,170	24	3,215	9,194	12,409	1,960	2001	06/02	40 years
M & T Bank:										
Carlisle, PA	87	103		87	103	190	13	1988	01/06	40 years
Magic China Café:										
Orlando, FL	47 (o)	40	111	40	111	151	19	2001	02/04	40 years
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	Costs Capitalized							Life on Which Depreciation & Amortization in Latest Income Statement is Computed		
	Initial Cost to Company Building, Improvements & Encumbrances	Land	Subsequent to Acquisition Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated Depreciation and Amortization		Date of Construction	Date Acquired
				Building, Improvements & Land	Leasehold Interests	Total				
Magic Mountain:										
Columbus, OH	5,380	2,693		5,380	2,693	8,073	238	1990	06/07	40 years
Columbus, OH	2,076	1,906		2,076	1,906	3,982	169	1990	06/07	40 years
Majestic Liquors:										
Coffee City, TX	1,330	3,858		1,330	3,858	5,188	567	1996	02/05	40 years
Ft. Worth, TX	988	2,368		988	2,368	3,356	348	1997	02/05	40 years
Ft. Worth, TX	1,652	2,018		1,652	2,018	3,670	296	2000	02/05	40 years
Ft. Worth, TX	2,505	2,138		2,505	2,138	4,643	314	1988	02/05	40 years
Ft. Worth, TX	611	1,609		579	1,609	2,188	236	1974	02/05	40 years
Hudson Oaks, TX	361	1,029		361	1,029	1,390	151	1993	02/05	40 years
Granbury, TX	786	1,234		786	1,234	2,020	148	2006	05/05 (g)	40 years
Azle, TX	648	859		648	859	1,507	76	1970	06/07	40 years
Ft. Worth, TX	575	933		575	933	1,508	83	1982	06/07	40 years
Mattress Firm:										
Baton Rouge, LA	609	914		609	914	1,523	343	1995	12/95	40 years
MC Sports:										
Lapeer, MI	408	2,086		408	2,086	2,494	172	2007	10/05	40 years
Merchant s Tires:										
Hampton, VA	180	427		180	427	607	62	1986	03/05	40 years
Newport News, VA	234	259		234	259	493	38	1986	03/05	40 years
Norfolk, VA	398	508		398	508	906	74	1986	03/05	40 years
Rockville, MD	1,030	306		1,030	306	1,336	44	1974	03/05	40 years
Washington, DC	624	578		624	578	1,202	84	1983	03/05	40 years
Mi Pueblo Foods:										
Palo Alto, CA	2,272	3,405	28	2,272	3,433	5,705	1,004	1998	12/98 (f)	40 years
Michaels:										
Fairfax, VA	992	773	1,369	992	2,141	3,133	527	1995	12/95	40 years
Grapevine, TX (n)	1,018	2,067		1,018	2,067	3,085	648	1998	06/98	40 years
Plymouth Meeting, PA	2,911	2,595		2,911	2,595	5,506	696	1999	10/98 (g)	40 years
Michael s Family Restaurant:										
Sherman, TX	233	126	24	233	150	383	29	1969	09/06	20 years
Mister Car Wash:										
Anoka, MN	212	214		212	214	426	53	1968	04/07	15 years
Brooklyn Park, MN	438	778		438	778	1,216	115	1985	04/07	25 years
Cedar Rapids, IA	391	816		391	816	1,207	121	1989	04/07	25 years
Clive, IA	1,141	935		1,141	935	2,076	173	1983	04/07	20 years
Cottage Grove, MN	274	485		274	485	759	72	1992	04/07	25 years
Des Moines, IA	249	596		249	596	845	74	1990	04/07	30 years
Des Moines, IA	213	476		213	476	689	88	1964	04/07	20 years
Eden Prairie, MN	865	751		865	751	1,616	139	1984	04/07	20 years
Edina, MN	894	687		894	687	1,581	127	1985	04/07	20 years
Houston, TX	1,846	1,592		1,846	1,592	3,438	236	1983	04/07	25 years

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Houston, TX	624	1,108	624	1,108	1,732	137	1988	04/07	30 years
Houston, TX	5,126	1,267	5,126	1,267	6,393	134	1995	04/07	35 years
Houston, TX	796	678	796	678	1,474	101	1986	04/07	25 years
Houston, TX	1,347	1,702	1,347	1,702	3,049	210	1984	04/07	30 years
Houston, TX	1,960	1,145	1,960	1,145	3,105	170	1983	04/07	25 years
Houston, TX	3,193	1,305	3,193	1,305	4,498	138	1995	04/07	35 years
Houston, TX	288	466	288	466	754	115	1970	04/07	15 years
Houston, TX	2,260	1,806	2,260	1,806	4,066	268	1975	04/07	25 years
Humble, TX	1,204	1,517	1,204	1,517	2,721	161	1993	04/07	35 years
Plymouth, MN	827	182	827	182	1,009	67	1955	04/07	10 years
Roseville, MN	861	564	861	564	1,425	104	1963	04/07	20 years
Spokane, WA	214	580	214	580	794	72	1990	04/07	30 years
Spokane, WA	1,253	1,146	1,253	1,146	2,399	121	1997	04/07	35 years
St. Cloud, MN (n)	243	391	243	391	634	73	1986	04/07	20 years
Stillwater, MN	289	214	289	214	503	53	1971	04/07	15 years
Sugarland, TX	3,789	1,972	3,789	1,972	5,761	209	1995	04/07	35 years
West St Paul, MN	836	236	836	236	1,072	44	1972	04/07	20 years
Rochester, MN	319	451	319	451	770	36	1994	10/07	40 years
Rochester, MN	1,055	2,327	1,055	2,327	3,382	187	2003	10/07	40 years
Birmingham, AL	2,378	2,145	2,378	2,145	4,523	223	1985	11/07	30 years
Clearwater, FL	825	765	825	765	1,590	96	1969	11/07	25 years

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	Costs Capitalized						Life on Which			
	Initial Cost to Company Building, Improvements & Encumbrances	Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b) Building, Improvements & Leasehold Interests			Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Depreciation & Amortization in Latest Income Statement is Computed	
Mesquite, TX	1,596	2,201	1,596	2,201	3,797	275	1987	11/07	25 years	
Seminole, FL	2,166	1,496	2,166	1,496	3,662	156	1985	11/07	30 years	
Tampa, FL	2,993	1,669	2,993	1,669	4,662	209	1969	11/07	25 years	
Vestavia Hills, AL	1,009	956	1,009	956	1,965	119	1967	11/07	25 years	
El Paso, TX	1,424	1,306	1,424	1,306	2,730	132	1986	12/07	30 years	
El Paso, TX	988	1,046	988	1,046	2,034	80	1998	12/07	40 years	
El Paso, TX	1,399	1,468	1,399	1,468	2,867	112	1991	12/07	40 years	
El Paso, TX	664	824	664	824	1,488	63	1991	12/07	40 years	
El Paso, TX	1,807	2,287	1,807	2,287	4,094	175	1983	12/07	40 years	
Muchas Gracias Mexican Restaurant:										
Salem, OR	556	736	556	736	1,292	166	1996	12/01	40 years	
My Big Fat Greek Restaurant:										
Tucson, AZ	996	2,742	996	2,742	3,738	226	2007	12/06 (m)	40 years	
Olathe, KS	525	731	525	731	1,256	6	2005	09/10	35 years	
Nitlantika:										
Hollywood, FL	383	88	37	234	234		1960	12/05	15 years	
Office Depot:										
Arlington, TX	596	1,411	596	1,411	2,007	597	1994	01/94	40 years	
Richmond, VA	889	1,948	889	1,948	2,837	710	1996	05/96	40 years	
Hartsdale, NY	4,509	2,454	4,509	2,454	6,963	408	1996	09/97	40 years	
Gastonia, NC	1,554	2,367	1,554	2,367	3,921	357	2004	12/04	40 years	
OfficeMax:										
Cincinnati, OH	543	1,575	543	1,575	2,118	649	1994	07/94	40 years	
Evanston, IL	1,868	1,758	1,868	1,758	3,626	684	1995	06/95	40 years	
Altamonte Springs, FL	1,690	3,050	1,690	3,050	4,740	1,135	1995	01/96	40 years	
Cutler Bay, FL	989	1,479	989	1,479	2,468	536	1995	06/96	40 years	
Sacramento, CA	1,144	2,961	1,144	2,961	4,105	1,037	1996	12/96	40 years	
Salinas, CA	1,353	1,829	1,353	1,829	3,182	635	1995	02/97	40 years	
Redding, CA	667	2,182	667	2,182	2,849	739	1997	06/97	40 years	
Kelso, WA	868		1,806	868	1,806	585	1998	09/97 (g)	40 years	
Lynchburg, VA	562		1,851	562	1,851	569	1998	02/98 (m)	40 years	
Leesburg, FL	640		1,929	640	1,929	581	1998	08/98 (m)	40 years	
Tigard, OR	1,540	2,247	1,540	2,247	3,787	681	1995	11/98	40 years	
Griffin, GA	685		1,802	685	1,802	527	1999	11/98 (g)	40 years	
Old River Cabinets:										
Fairfax, VA	194	365	29	194	394	588	73	1995	12/95	40 years
Orlando Metro Gymnastics:										
Orlando, FL	428	1,345	428	1,345	1,773	200	2003	01/05	40 years	
Palais Royale:										
Sealy, TX	457	504	1,634	462	2,134	259	1982	03/99	40 years	

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Pantry I									
Petroleum:									
Avis, PA	392	326	392	326	718	88	1976	08/05	20 years
Howard, PA	136	375	136	375	511	46	1987	01/06	40 years
Patriot Fuels:									
Vinita, OK	72	368	72	368	440	24	1972	07/09	20 years
Pennstar Bank:									
Dallas, PA	214	345	214	345	559	93	1995	08/05	20 years
Pep Boys:									
Chicago, IL	1,077	3,756	1,077	3,756	4,833	335	1993	11/07	35 years
Cicero, IL	1,341	3,760	1,341	3,760	5,101	336	1993	11/07	35 years
Cornwell Heights, PA	2,058	3,102	2,058	3,102	5,160	388	1972	11/07	25 years
East Brunswick, NJ	2,449	5,026	2,449	5,026	7,475	524	1987	11/07	30 years
Guayama, PR	1,729	2,732	1,729	2,131	3,860	70	1998	11/07	33 years
Jacksonville, FL	810	2,331	810	2,331	3,141	208	1989	11/07	35 years
Joliet, IL	1,506	3,727	1,506	3,727	5,233	333	1993	11/07	35 years
Lansing, IL	869	3,440	869	3,440	4,309	307	1993	11/07	35 years
Las Vegas, NV	1,917	2,530	1,917	2,530	4,447	226	1989	11/07	35 years
Marietta, GA	1,311	3,556	1,311	3,556	4,867	370	1987	11/07	30 years
Marlton, NJ	1,608	4,142	1,608	4,142	5,750	431	1983	11/07	30 years
Philadelphia, PA	1,300	3,830	1,300	3,830	5,130	342	1995	11/07	35 years
Quakertown, PA	1,129	3,252	1,129	3,252	4,381	290	1995	11/07	35 years
Reading, PA	1,189	3,367	1,189	2,819	4,008	109	1989	11/07	28 years

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	Costs Capitalized							Life on Which		
	Initial Cost to Company Building,		Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated	Depreciation & Amortization in Latest Income Statement	is Computed	
	Improvements &			Improvements &		Depreciation				
	Encumbrances	Leasehold Interests	Carrying Costs	Land	Leasehold Interests	and Total Amortization				
	Land	Improvements				Date of Construction				Date Acquired
Roswell, GA	931	2,732		931	2,732	3,663	285	2007	11/07	30 years
Turnersville, NJ	990	3,494		990	3,494	4,484	364	1986	11/07	30 years
Houston, TX	734	3,028		734	3,028	3,762	71	1994	04/10	30 years
Perkins Restaurant:										
Des Moines, IA	226	203		226	203	429	113	1976	06/05	10 years
Des Moines, IA	270	218		270	218	488	121	1977	06/05	10 years
Des Moines, IA	256	136		256	136	392	75	1976	06/05	10 years
Newton, IA	354	402		354	402	756	223	1979	06/05	10 years
Urbandale, IA	377	581		377	581	958	161	1979	06/05	20 years
Pet Paradise:										
Houston, TX	417	2,306		417	2,306	2,723	161	2008	03/08	40 years
Bunnell, FL	316	881		316	881	1,197	60	1997	04/08	40 years
Houston, TX	535		3,426	535	3,426	3,961	146	2009	09/08 (m)	40 years
Charlotte, NC	825		3,231	825	3,231	4,056	118	2009	11/08 (m)	40 years
Davie, FL	1,138	1,069		1,138	1,069	2,207	62	2003	12/08	35 years
Petco:										
Grand Forks, ND	307	910		307	910	1,217	297	1996	12/97	40 years
Petro Express:										
Charlotte, NC	1,025	1,605		1,025	1,605	2,630	198	1986	04/07	30 years
Belmont, NC	1,508	1,622		1,508	1,622	3,130	172	2001	04/07	35 years
Charlotte, NC	1,697	2,419		1,697	2,419	4,116	224	2005	04/07	40 years
Charlotte, NC	1,258	1,560		1,258	1,560	2,818	145	2004	04/07	40 years
Charlotte, NC	1,810	2,570		1,810	2,570	4,380	238	2004	04/07	40 years
Charlotte, NC	1,030	1,725		1,030	1,725	2,755	213	1983	04/07	30 years
Charlotte, NC	1,037	1,468		1,037	1,468	2,505	155	1997	04/07	35 years
Charlotte, NC	2,316	2,064		2,316	2,064	4,380	219	1996	04/07	35 years
Charlotte, NC	1,291	1,839		1,291	1,839	3,130	227	1988	04/07	30 years
Charlotte, NC	1,340	1,790		1,340	1,790	3,130	190	1998	04/07	35 years
Charlotte, NC	1,458	2,047		1,458	2,047	3,505	253	1987	04/07	30 years
Charlotte, NC	1,323	870		1,323	870	2,193	108	1982	04/07	30 years
Charlotte, NC	507	698		507	698	1,205	129	1967	04/07	20 years
Charlotte, NC	629	876		629	876	1,505	108	1986	04/07	30 years
Charlotte, NC	429	425		429	425	854	53	1983	04/07	30 years
Charlotte, NC	1,778	1,977		1,778	1,977	3,755	244	1992	04/07	30 years
Charlotte, NC	2,165	1,965		2,165	1,965	4,130	208	1997	04/07	35 years
Charlotte, NC	2,784	3,720		2,784	3,720	6,504	394	1998	04/07	35 years
Charlotte, NC	1,532	1,973		1,532	1,973	3,505	209	1998	04/07	35 years
Charlotte, NC	1,293	1,837		1,293	1,837	3,130	227	1987	04/07	30 years
Concord, NC	2,144	1,986		2,144	1,986	4,130	210	2000	04/07	35 years
Concord, NC	1,828	1,677		1,828	1,677	3,505	178	2002	04/07	35 years
Conover, NC	917	1,275		917	1,275	2,192	135	1999	04/07	35 years
Cornelius, NC	1,653	2,664		1,653	2,664	4,317	282	2000	04/07	35 years
Denver, NC	2,317	1,750		2,317	1,750	4,067	185	1999	04/07	35 years
Fort Mill, SC	1,883	1,559		1,883	1,559	3,442	193	1988	04/07	30 years
Fort Mill, SC	3,825	2,554		3,825	2,554	6,379	271	1998	04/07	35 years
Gastonia, NC	745	760		745	760	1,505	70	2003	04/07	40 years
Gastonia, NC	1,070	1,185		1,070	1,185	2,255	126	1990	04/07	35 years
Gastonia, NC	965	1,228		965	1,228	2,193	130	2001	04/07	35 years
Gastonia, NC	335	545		335	545	880	50	2000	04/07	40 years

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Hickory, NC	1,975	1,530	1,975	1,530	3,505	162	2002	04/07	35 years
Kings Mountain, NC	1,210	982	1,210	982	2,192	104	1988	04/07	35 years
Lake Wylie, SC	1,972	1,283	1,972	1,283	3,255	136	2003	04/07	35 years
Lake Wylie, SC	1,381	2,061	1,381	2,061	3,442	218	1998	04/07	35 years
Lincolnton, NC	723	532	723	532	1,255	66	1989	04/07	30 years
Lincolnton, NC	2,359	1,771	2,359	1,771	4,130	188	2000	04/07	35 years
Matthews, NC	1,197	1,746	1,197	1,746	2,943	216	1987	04/07	30 years
Mineral Springs, NC	678	577	678	577	1,255	54	2002	04/07	40 years
Monroe, NC	709	796	709	796	1,505	84	1999	04/07	35 years
Monroe, NC	421	834	421	834	1,255	88	1997	04/07	35 years
Monroe, NC	857	1,023	857	1,023	1,880	95	2004	04/07	40 years
Rock Hill, SC	778	727	778	727	1,505	90	1990	04/07	30 years
Rock Hill, SC	2,119	1,886	2,119	1,886	4,005	200	1998	04/07	35 years
Rock Hill, SC	3,095	1,910	3,095	1,910	5,005	202	1999	04/07	35 years
Statesville, NC	1,886	2,182	1,886	2,182	4,068	231	1999	04/07	35 years
Thomasville, NC	994	1,761	994	1,761	2,755	187	2000	04/07	35 years
Waxhaw, NC	508	747	508	747	1,255	69	2002	04/07	40 years
York, SC	2,306	1,449	2,306	1,449	3,755	154	1999	04/07	35 years
Charlotte, NC	1,231	1,214	1,231	1,214	2,445	110	1997	05/07	40 years
Charlotte, NC	1,849	2,280	1,849	2,280	4,129	207	2005	05/07	40 years
Rock Hill, SC	3,108	2,146	3,108	2,146	5,254	194	1999	05/07	40 years

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	Costs Capitalized								Life on Which	
	Initial Cost to Company Building,		Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (a) (b)		Accumulated		Depreciation & Amortization in Latest Income Statement	
	Improvements &		Improvements &		Depreciation		Date		is Computed	
	Encumbrances	Land	Leasehold Interests	Carrying Costs	Land	Leasehold Interests	Total	and Amortization	Construction Date Acquired	
<b>PetSmart:</b>										
Chicago, IL		2,724	3,566		2,724	3,566	6,290	1,096	1998	09/98 40 years
<b>Pier I Imports:</b>										
Anchorage, AK		928	1,663		928	1,663	2,591	617	1995	02/96 40 years
Memphis, TN		713	822		713	822	1,535	278	1997	09/96 (f) 40 years
Sanford, FL		738	803		738	803	1,541	257	1998	06/97 (f) 40 years
Valdosta, GA		391	806		391	806	1,197	224	1999	01/99 (f) 40 years
<b>Pizza Hut:</b>										
Monroeville, AL		547	44		547	44	591	10	1976	12/01 40 years
<b>Popeye's:</b>										
Snellville, GA		642	437		642	437	1,079	99	1995	12/01 40 years
<b>Pro Tip Nails &amp; Spa:</b>										
Orlando, FL	47 (o)	40	111		40	111	151		2001	02/04 40 years
<b>Pull-A-Part:</b>										
Augusta, GA		1,414		1,451	1,414	1,451	2,865	128	2007	08/06 (m) 40 years
Birmingham, AL		1,165	2,090		1,165	2,090	3,255	229	1964	08/06 40 years
Charlotte, NC		2,913	1,724		2,913	1,724	4,637	189	2006	08/06 40 years
Conley, GA		1,686	1,387		1,686	1,387	3,073	152	1999	08/06 40 years
Harvey, LA		1,887		4,326	1,887	4,326	6,213	266	2008	08/06 (m) 40 years
Knoxville, TN		961	2,384		961	2,384	3,345	206	2007	08/06 (m) 40 years
Louisville, KY		3,206	1,532		3,206	1,532	4,738	168	2006	08/06 40 years
Nashville, TN		2,164	1,414		2,164	1,414	3,578	155	2006	08/06 40 years
Norcross, GA		1,831	1,040		1,831	1,040	2,871	114	1998	08/06 40 years
Cleveland, OH		4,556		2,096	4,556	2,096	6,652	164	2007	08/06 (m) 40 years
Lafayette, LA		1,036		2,226	1,036	2,226	3,262	169	2007	08/06 (m) 40 years
Montgomery, AL		934		2,013	934	2,013	2,947	157	2007	11/06 (m) 40 years
Jackson, MS		1,315	2,471		1,315	2,471	3,786	162	2008	12/06 (m) 40 years
Baton Rouge, LA		893		3,256	893	3,256	4,149	146	2009	01/07 (m) 40 years
Memphis, TN		1,779	2,964		1,779	2,964	4,743	195	2008	05/07 (m) 40 years
Mobile, AL		550		2,772	550	2,772	3,322	136	2009	06/07 (m) 40 years
Winston-Salem, NC		846		2,449	846	2,449	3,295	125	2009	08/07 (m) 40 years
Lithonia, GA		2,410		2,345	2,410	2,345	4,755	115	2009	08/07 (m) 40 years
Columbia, SC		935	2,178		935	2,178	3,113	107	2009	09/07 (m) 40 years
Akron, OH		1,065		1,869	1,065	1,869	2,934	53	2009	10/08 (m) 40 years
<b>QuikTrip:</b>										
Alpharetta, GA		1,048	607		1,048	607	1,655	84	1996	06/05 40 years
Clive, IA		623	557		623	557	1,180	103	1994	06/05 30 years
Des Moines, IA		379	455		379	455	834	84	1990	06/05 30 years
Des Moines, IA		259	792		259	792	1,051	146	1996	06/05 30 years
Gainesville, GA		592	913		592	913	1,505	169	1989	06/05 30 years
Herculaneum, MO		856	1,613		856	1,613	2,469	298	1991	06/05 30 years
Johnston, IA		394	385		394	385	779	71	1991	06/05 30 years
Lee's Summit, MO		374	1,224		374	1,224	1,598	170	1999	06/05 40 years
Norcross, GA		844	297		839	297	1,136	55	1994	06/05 30 years
Norcross, GA		948	294		948	294	1,242	54	1989	06/05 30 years
Norcross, GA		966	202		966	202	1,168	37	1993	06/05 30 years
Olathe, KS		793	1,392		793	1,392	2,185	193	1999	06/05 40 years

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Tulsa, OK	1,225	650	1,225	650	1,875	120	1990	06/05	30 years
Urbandale, IA	340	764	340	764	1,104	106	1993	06/05	40 years
Wichita, KS	118	454	113	454	567	84	1989	06/05	30 years
Wichita, KS	127	543	127	543	670	100	1990	06/05	30 years
Woodstock, GA	488	1,042	488	1,042	1,530	144	1997	06/05	40 years

## Qwest Corporation Service Center:

Cedar Rapids, IA	184	629	184	629	813	174	1976	06/05	20 years
Decorah, IA	72	272	72	272	344	151	1974	06/05	10 years

## Rallys:

Toledo, OH	126	320	126	320	446	153	1989	07/92	39 years
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	Costs Capitalized						Life on Which Depreciation & Amortization in Latest Income Statement is Computed				
	Initial Cost to Company Building, Improvements & Encumbrances	Subsequent to Acquisition Carrying Costs	Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated Depreciation					
			Building, Improvements & Leasehold Interests		Total						
			Land	Leasehold Interests							
	Land	Leasehold Interests	Improvements	Costs	Land	Leasehold Interests	Total	Amortization	Date of Construction	Date Acquired	
RBC Bank:											
Altamonte Springs, FL	1,316	2,014			1,316	2,014	3,330	36	2007	05/10	35 years
REB Oil:											
Deerfield Beach, FL	770	274			770	274	1,044	35	1980	12/05	40 years
Lake Placid, FL	2,532	1,157	491		2,532	1,648	4,180	188	1990	12/05	40 years
Regal Theatre:											
Bolingbrook, IL	2,937	3,032			2,937	3,032	5,969	333	1994	09/07	30 years
Reliable Life Insurance:											
St. Louis, MO	2,078	13,762			2,076	13,762	15,838	2,224	1975	05/04	40 years
Retail Operations (h):											
Bakersfield, CA	3,664	3,709			3,664	3,709	7,373	296	1994	03/08	35 years
Bakersfield, CA	3,363	3,288			3,363	3,288	6,651	230	2002	03/08	40 years
Bakersfield, CA	2,043	3,520			2,043	680	2,723	212	1988	03/08	30 years
Bakersfield, CA	2,564	4,465	2,093		2,564	6,558	9,122	416	1988	03/08	30 years
Bakersfield, CA	2,099	2,011			1,759		1,759	93	1990	03/08	35 years
Bakersfield, CA	3,346	6,016			3,346	6,016	9,362	477	1998	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
San Fernando, CA	6,630	2,706			6,630	2,706	9,336	257	1988	03/08	30 years
Ventura, CA	6,253	4,560	207		6,253	4,767	11,020	367	1994	03/08	35 years
Ventura, CA	5,590	4,431	94		5,590	4,526	10,116	311	2001	03/08	40 years
Rite Aid:											
Douglasville, GA	413	995			413	995	1,408	371	1996	01/96	40 years
Conyers, GA	575	999			575	999	1,574	338	1997	06/97	40 years
Augusta, GA	569	1,327			502	1,327	1,829	433	1997	12/97	40 years
Riverdale, GA	1,089	1,707			1,089	1,707	2,796	557	1997	12/97	40 years
Warner Robins, GA	707		1,227		707	1,227	1,934	367	1999	03/98 (g)	40 years
Mobile, AL	1,137	1,694			1,137	1,694	2,831	383	2000	12/01	40 years
Orange Beach, AL	1,410	1,996			1,410	1,996	3,406	451	2000	12/01	40 years
Norfolk, VA	2,742	1,797			2,742	1,797	4,539	399	2001	02/02	40 years
Thorndale, PA	2,261	2,472			2,261	2,472	4,733	548	2001	02/02	40 years
West Mifflin, PA	1,402	2,044			1,402	2,044	3,446	453	1999	02/02	40 years
Albany, NY	25	867			25	867	892	136	1994	09/04	40 years
Saratoga Springs, NY	762	591	30		762	621	1,383	93	1993	09/04	40 years
Monticello, NY	624	664	769		664	769	1,433	111	1996	03/05	40 years
Rite Rug:											
Columbus, OH	1,596	934	13		1,605	939	2,544	144	1970	11/04	40 years
Road Ranger:											
Springfield, IL	705	1,500			705	1,500	2,205	170	1997	06/06	40 years
Belvidere, IL	748	1,256			1,098	1,256	2,354	143	1997	06/06	40 years
Brazil, IN	2,199	907			2,199	907	3,106	103	1990	06/06	40 years
Cherry Valley, IL	1,409	1,897			1,409	1,897	3,306	215	1991	06/06	40 years
Cottage Grove, WI	2,175	1,733			2,175	1,733	3,908	197	1990	06/06	40 years
Decatur, IL	815	1,314			815	1,314	2,129	149	2002	06/06	40 years
Dekalb, IL	747	1,658			747	1,658	2,405	188	2000	06/06	40 years
Elk Run Heights, IA	1,538	2,470			1,538	2,470	4,008	280	1989	06/06	40 years
Lake Station, IN	3,172	1,112			3,172	1,112	4,284	126	1987	06/06	40 years

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Mendota, IL	959	1,296		1,214	1,296	2,510	147	1996	06/06	40 years
Oakdale, WI	1,844	1,663		1,844	1,663	3,507	189	1998	06/06	40 years
Rockford, IL	1,094	1,662		1,094	1,662	2,756	189	1996	06/06	40 years
Rockford, IL	623	1,331		623	1,331	1,954	151	2000	06/06	40 years
Springfield, IL	1,795	1,863		1,795	1,863	3,658	211	1978	06/06	40 years
Champaign, IL	3,241	2,008		3,241	2,008	5,249	194	2006	02/07	40 years
DeKalb, IL	505	1,503		505	1,503	2,008	146	2004	02/07	40 years
Fenton, MO	2,584	2,622		2,584	2,622	5,206	254	2007	02/07	40 years
Hampshire, IL	1,307	1,501	1,629	1,307	3,130	4,437	272	1988	02/07 (f)	40 years
Princeton, IL (n)	1,141	3,066		1,141	3,066	4,207	297	2003	02/07	40 years
South Beloit, IL	3,824	2,309		3,824	2,309	6,133	224	2002	02/07	40 years
Cedar Rapids, IA	1,025	984		1,025	984	2,009	93	1990	03/07	40 years
Marion, IA	737	1,071		737	1,071	1,808	102	1974	03/07	40 years
Okawville, IL	930	1,147		930	1,147	2,077	97	1997	08/07	40 years
Dubuque, IA	561	1,941		561	1,941	2,502	160	2000	09/07	40 years
Belvidere, IL	521	1,053		521	1,053	1,574	82	2008	09/07 (f)	40 years
South Beloit, IL	1,182	1,324		1,182	1,324	2,506	103	2008	09/07 (f)	40 years

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	Costs Capitalized			Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated		Life on Which Depreciation & Amortization in Latest Income Statement is Computed	
	Initial Cost to Company Building, Improvements &	Subsequent to Acquisition	Carrying Costs	Land	Leasehold Interests	Total	and Amortization	Date of Construction	Date Acquired	
Alexandria, KY	624	1,306		624	1,306	1,930	101	1993	04/08	35 years
Covington, KY	486	1,420		486	1,420	1,906	110	1996	04/08	35 years
Dry Ridge, KY	892	1,946		892	1,946	2,838	176	1973	04/08	30 years
Florence, KY	615	1,242		615	1,242	1,857	96	1990	04/08	35 years
Florence, KY	741	1,272		741	1,272	2,013	98	1994	04/08	35 years
Florence, KY	884	1,557		884	1,557	2,441	121	1995	04/08	35 years
Hebron, KY	1,522	2,984		1,522	2,984	4,506	231	1996	04/08	35 years
Wilder, KY	954	1,902		954	1,902	2,856	147	1994	04/08	35 years
Robb & Stucky:										
Ft. Myers, FL	2,188	6,225		2,188	6,225	8,413	2,052	1997	12/97	40 years
Roger & Marv s:										
Kenosha, WI	1,918	3,431		1,918	3,431	5,349	1,186	1992	02/97	40 years
Roni Deutch Tax Services:										
Hollywood, FL	203	46	19	124		124		1960	12/05	15 years
Ross Dress for Less:										
Coral Gables, FL	1,782	1,661		1,782	1,661	3,443	557	1994	06/96	38 years
Lodi, CA	614	1,415		614	1,415	2,029	255	1984	03/99	40 years
Rue 21:										
Lapeer, MI	126	645		126	645	771	53	2007	10/05	40 years
Sally Beauty Supply:										
Lapeer, MI	33	167		33	167	200	14	2007	10/05	40 years
Saltgrass Steakhouse:										
Beaumont, TX	553			553	(e)	553	(e)	(e)	09/10 (m)	(e)
Schlotzsky s Deli:										
Phoenix, AZ	706	315		706	315	1,021	71	1995	12/01	40 years
Scottsdale, AZ	717	311		717	311	1,028	70	1995	12/01	40 years
Season s 52:										
Schaumburg, IL	2,065	1,311		2,065	1,311	3,376	296	1998	12/01	40 years
Shek s Chinese Express:										
Eden Prairie, MN	65	261		65	261	326	56	1997	12/01	40 years
Shoes on a Shoestring:										
Albuquerque, NM	1,442	2,335		1,442	2,335	3,777	791	1997	06/97	40 years
Shop n Save:										
Homestead, PA	1,139		2,158 (j)	1,139	2,158	3,297	374	1994	02/97	31 years
Shop-a-Snak:										
Bessemer, AL	564	742		564	742	1,306	86	2002	05/06	40 years
Chelsea, AL	391	628		391	628	1,019	73	1981	05/06	40 years
Jasper, AL	551	747		551	747	1,298	86	1998	05/06	40 years
Birmingham, AL	490	769		490	769	1,259	89	1992	05/06	40 years
Birmingham, AL	361	744		361	744	1,105	86	1989	05/06	40 years
Birmingham, AL	446	672		446	672	1,118	78	1989	05/06	40 years
Birmingham, AL	439	704		439	704	1,143	81	1989	05/06	40 years
Homewood, AL	468	657		468	657	1,125	76	1990	05/06	40 years
Hoover, AL	764	1,157		663	1,157	1,820	134	2005	05/06	40 years

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Hoover, AL	713	865	713	865	1,578	100	1998	05/06	40 years
Trussville, AL	272	542	272	542	814	63	1992	05/06	40 years
Tuscaloosa, AL	525	463	525	463	988	54	1991	05/06	40 years
Tuscaloosa, AL	386	733	386	733	1,119	85	1991	05/06	40 years
Tuscaloosa, AL	432	559	432	559	991	65	1991	05/06	40 years

SOAKS Express

Wash:

Ankeny, IA	662		662	(e)	662	(e)	(e)	06/05	(e)
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Sonic Automotive:

Charlotte, NC	3,619	4,854	3,619	4,854	8,473	440	1996	05/07	40 years
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Spec's Liquor and Fine

Foods:

Corpus Christi, TX	777	918	520	768	1,438	2,206	407	1967	11/93	40 years
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See accompanying report of independent registered public accounting firm.

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	Costs Capitalized								Life on Which Depreciation & Amortization in Latest Income Statement is Computed	
	Initial Cost to Company Building, Improvements & Encumbrances	Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b)			Accumulated Depreciation	Date of Construction	Date Acquired		
			Leasehold Interests	Carrying Costs	Land					
										Leasehold Interests
	Land	Leasehold Interests	Carrying Costs	Land	Leasehold Interests	Total	and Amortization	Date of Construction	Date Acquired	
Spencer's Air Conditioning & Appliance:										
Glendale, AZ	342	982		342	982	1,324	281	1999	12/98 (g)	40 years
Sports Authority:										
Tampa, FL	2,128	1,522		2,128	1,522	3,650	552	1994	06/96	40 years
Sarasota, FL	1,428	1,703		1,428	1,703	3,131	294	1988	09/97	40 years
Memphis, TN (n)	820		2,598	820	2,598	3,418	786	1998	12/97 (g)	40 years
Little Rock, AR	3,113	2,660		3,113	2,660	5,773	817	1997	09/98	40 years
Iselin, NJ	3,750	5,983		3,750	5,983	9,733	1,190	1994	01/03	40 years
Stone Mountain Chevrolet:										
Lilburn, GA	3,027	4,685		3,027	4,685	7,712	747	2004	08/04	40 years
Stop N Go:										
Grand Prairie, TX	421	685		421	685	1,106	155	1986	12/01	40 years
Kennedale, TX	400	692		391	692	1,083	156	1985	12/01	40 years
Stripes:										
Laredo, TX	841	739		841	739	1,580	93	2001	12/05	40 years
Brownsville, TX	1,843	1,419		1,843	1,419	3,262	179	2000	12/05	40 years
Brownsville, TX	1,039	1,145		1,039	1,145	2,184	144	2004	12/05	40 years
Brownsville, TX	2,530	1,125		2,530	1,125	3,655	142	1990	12/05	40 years
Brownsville, TX	1,182	1,105		1,182	1,105	2,287	139	2000	12/05	40 years
Brownsville, TX	2,915	1,800		2,915	1,800	4,715	227	2000	12/05	40 years
Brownsville, TX	1,392	1,444		1,392	1,444	2,836	182	2005	12/05	40 years
Brownsville, TX	933	699		933	699	1,632	88	1999	12/05	40 years
Brownsville, TX	1,015	1,308		1,015	1,308	2,323	165	2003	12/05	40 years
Brownsville, TX	2,033	1,288		2,033	1,288	3,321	162	1995	12/05	40 years
Brownsville, TX	1,279	1,015		1,279	1,015	2,294	128	1990	12/05	40 years
Brownsville, TX	2,417	1,828		2,417	1,828	4,245	230	2000	12/05	40 years
Corpus Christi, TX	703	1,037		703	1,037	1,740	131	1986	12/05	40 years
Corpus Christi, TX	1,308	2,151		1,308	2,151	3,459	271	1995	12/05	40 years
Corpus Christi, TX	1,400	1,531		1,400	1,531	2,931	193	1984	12/05	40 years
Corpus Christi, TX	853	1,416		853	1,416	2,269	179	2005	12/05	40 years
Corpus Christi, TX	1,385	1,419		1,385	1,419	2,804	179	1982	12/05	40 years
Donna, TX	1,004	1,127		1,004	1,127	2,131	142	1995	12/05	40 years
Edinburg, TX	1,317	1,624		1,317	1,624	2,941	205	1999	12/05	40 years
Edinburg, TX	970	1,286		970	1,286	2,256	162	2003	12/05	40 years
Falfurias, TX	4,244	4,458		4,213	4,458	8,671	562	2002	12/05	40 years
Freer, TX	1,151	1,158		1,151	1,158	2,309	146	1984	12/05	40 years
George West, TX	1,243	695		1,243	695	1,938	88	1996	12/05	40 years
Harlingen, TX	755	601		755	601	1,356	76	1987	12/05	40 years
Harlingen, TX	754	1,152		754	1,152	1,906	145	1999	12/05	40 years
Harlingen, TX	906	953		906	953	1,859	120	1991	12/05	40 years
La Feria, TX	900	1,347		900	1,347	2,247	170	1988	12/05	40 years
Laredo, TX	736	670		736	670	1,406	84	1984	12/05	40 years
Laredo, TX	675	533		675	533	1,208	67	1993	12/05	40 years

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Laredo, TX	1,553	1,775	1,553	1,775	3,328	224	2000	12/05	40 years
Laredo, TX	459	460	459	460	919	58	1983	12/05	40 years
Laredo, TX	1,495	1,400	1,495	1,400	2,895	177	1993	12/05	40 years
Lawton, OK	697	964	697	964	1,661	122	1984	12/05	40 years
Los Indios, TX	1,387	1,457	1,387	1,457	2,844	184	2005	12/05	40 years
McAllen, TX	975	1,030	975	1,030	2,005	130	2003	12/05	40 years
McAllen, TX	987	893	987	893	1,880	113	1999	12/05	40 years
Mission, TX	1,125	1,213	1,125	1,213	2,338	153	2003	12/05	40 years
Mission, TX	880	1,101	880	1,101	1,981	139	1999	12/05	40 years
Olmito, TX	3,688	2,880	3,688	2,880	6,568	363	2002	12/05	40 years
Pharr, TX	784	805	784	805	1,589	101	2000	12/05	40 years
Pharr, TX	2,426	1,881	2,426	1,881	4,307	237	2003	12/05	40 years
Pharr, TX	982	1,178	982	1,178	2,160	148	1988	12/05	40 years
Port Isabel, TX	2,062	1,299	2,062	1,299	3,361	164	1994	12/05	40 years
Portland, TX	656	915	656	915	1,571	115	1983	12/05	40 years
Progreso, TX	1,769	1,811	1,769	1,811	3,580	228	1999	12/05	40 years
Riviera, TX	2,351	2,158	2,351	2,158	4,509	272	2005	12/05	40 years
San Benito, TX	791	1,857	791	1,857	2,648	234	1994	12/05	40 years
San Benito, TX	1,103	1,586	1,103	1,586	2,689	200	2005	12/05	40 years
San Juan, TX	1,424	1,546	1,424	1,546	2,970	195	2004	12/05	40 years
San Juan, TX	1,124	1,172	1,124	1,172	2,296	148	1996	12/05	40 years
South Padre Island, TX	1,367	1,389	1,367	1,389	2,756	175	1988	12/05	40 years
Wichita Falls, TX	440	751	440	751	1,191	95	1984	12/05	40 years
Wichita Falls, TX	905	1,351	905	1,351	2,256	170	2000	12/05	40 years
Wichita Falls, TX	484	828	484	828	1,312	104	1983	12/05	40 years
Palmview, TX	835	1,372	835	1,372	2,207	144	2005	10/06	40 years

See accompanying report of independent registered public accounting firm.



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	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		
	Initial Cost to Company Building, Improvements & Encumbrances	Leasehold Interests	Carrying Costs	Land	Leasehold Interests	Total	Accumulated Amortization	Date of Construction	Date Acquired	is Computed
Harlingen, TX	638	1,807		638	1,807	2,445	183	2006	12/06	40 years
Rio Grande City, TX	1,871	1,612		1,871	1,612	3,483	163	2006	12/06	40 years
San Juan, TX	816	1,434		816	1,434	2,250	145	2006	12/06	40 years
Zapata, TX	1,333	1,773		1,333	1,773	3,106	179	2006	12/06	40 years
Orange Grove, TX	1,767	1,838		1,767	1,838	3,605	170	2007	04/07	40 years
Harlingen, TX	408	826		408	826	1,234	86	1982	11/07	30 years
Laredo, TX	698	1,169		698	1,169	1,867	122	1981	11/07	30 years
Laredo, TX	448	734		448	734	1,182	77	1981	11/07	30 years
Laredo, TX	348	1,168		348	1,168	1,516	122	1983	11/07	30 years
Laredo, TX	468	728		468	728	1,196	76	1973	11/07	30 years
Laredo, TX	584	958		584	958	1,542	100	1981	11/07	30 years
San Benito, TX	420	1,135		420	1,135	1,555	118	1985	11/07	30 years
Del Rio, TX	1,565	758		1,565	758	2,323	59	1996	11/07	40 years
Kerrville, TX	640	1,616		640	1,616	2,256	126	1996	11/07	40 years
Monahans, TX	2,628	2,973		2,628	2,973	5,601	232	1996	11/07	40 years
Odessa, TX	2,633	3,199		2,633	3,199	5,832	250	2006	11/07	40 years
San Angelo, TX	194	471		194	471	665	37	1998	11/07	40 years
Pharr, TX	573	1,229		573	1,229	1,802	93	2000	12/07	40 years
Harlingen, TX	329	935		329	935	1,264	92	1980	01/08	30 years
Harlingen, TX	277	808		277	808	1,085	80	1983	01/08	30 years
Laredo, TX	325	816		325	816	1,141	80	1983	01/08	30 years
McAllen, TX	643	1,776		643	1,776	2,419	175	1980	01/08	30 years
Port Isabel, TX	299	855		299	855	1,154	84	1983	01/08	30 years
Brownsville, TX	843	1,429		843	1,429	2,272	94	2007	05/08	40 years
Edinburg, TX	834	1,787		834	1,787	2,621	117	2007	05/08	40 years
La Villa, TX	710	2,166		710	2,166	2,876	142	2007	05/08	40 years
Laredo, TX	879	1,593		879	1,593	2,472	105	2007	05/08	40 years
Laredo, TX	1,183	1,934		1,183	1,934	3,117	127	2007	05/08	40 years
McAllen, TX	1,270	2,383		1,270	2,383	3,653	208	1986	05/08	30 years
Houston, TX	696	1,458		696	1,458	2,154	74	2008	12/08	40 years
Lubbock, TX	671	1,612		671	1,612	2,283	82	2007	12/08	40 years
Subway:										
Eden Prairie, MN	54	150	67	54	218	272	47	1997	12/01	40 years
Albany, NY	3	67		3	67	70	10	1992	09/04	40 years
Cohoes, NY	21	116	8	21	123	144	18	1994	09/04	40 years
Sunshine Energy:										
Kansas City, MO	517	720		517	720	1,237	42	1993	07/09	25 years
Neosho, MO	352			352	(c)	352	(c)	1992	07/09	(c)
Superior Petroleum:										
Midway, PA	311	708		311	708	1,019	117	1990	01/06	30 years
Supervalu:										
Huntington, WV	1,254	761		1,254	761	2,015	264	1971	02/97	40 years
Maple Heights, OH	1,035	2,874		1,035	2,874	3,909	997	1985	02/97	40 years
Susser:										
Corpus Christi, TX	630	3,131		630	3,131	3,761	923	1983	03/99	40 years
Swansea Quick Cash:										
Swansea, IL	46	132		46	132	178	30	1997	12/01	40 years
Taco Bell:										
Ocala, FL	275	755		275	755	1,030	171	2001	12/01	40 years
Ormond Beach, FL	632	526		632	526	1,158	119	2001	12/01	40 years

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Phoenix, AZ	594	283	594	283	877	64	1995	12/01	40 years
Bedford, IN	797	937	797	937	1,734	108	1989	05/06	40 years
Columbus, IN	690	1,213	690	1,213	1,903	140	2005	05/06	40 years
Columbus, IN	1,257	2,055	1,257	2,055	3,312	238	1990	05/06	40 years
Evansville, IN	524	1,815	524	1,815	2,339	210	2005	05/06	40 years
Evansville, IN	221	828	221	828	1,049	96	2003	05/06	40 years
Evansville, IN	308	1,301	308	1,301	1,609	150	2000	05/06	40 years
Fishers, IN	990	486	990	486	1,476	56	1998	05/06	40 years
Greensburg, IN	648	1,079	648	1,079	1,727	125	1998	05/06	40 years
Indianapolis, IN	1,032	1,650	1,032	1,650	2,682	191	2004	05/06	40 years
Indianapolis, IN	547	703	547	703	1,250	81	2004	05/06	40 years
Madisonville, KY	682	1,193	682	1,193	1,875	138	1999	05/06	40 years
Owensboro, KY	639	1,326	639	1,326	1,965	153	2005	05/06	40 years
Shelbyville, IN	670	1,756	670	1,756	2,426	203	1998	05/06	40 years
Speedway, IN	408	1,426	408	1,426	1,834	165	2003	05/06	40 years
Terre Haute, IN	1,037	1,656	1,037	1,656	2,693	191	2003	05/06	40 years
Terre Haute, IN	1,314	2,249	1,314	2,249	3,563	260	2003	05/06	40 years

See accompanying report of independent registered public accounting firm.

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	Costs Capitalized						Life on Which Depreciation & Amortization in Latest Income Statement is Computed			
	Initial Cost to Company Building, Improvements & Encumbrances	Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b)			Date of Construction				
			Leasehold Interests	Carrying Costs	Leasehold Interests					
								Total Amortization and Depreciation		
	Land	Leasehold Interests	Improvements	Land	Leasehold Interests	Depreciation	Date Acquired			
Vincennes, IN	502	880		502	880	1,382	102	2004	05/06	40 years
Anderson, SC	176	436		176	436	612	1	2000	12/10	30 years
Anderson, SC	273	820		273	820	1,093	1	1989	12/10	25 years
Asheville, NC	408	732		408	732	1,140	1	1992	12/10	25 years
Asheville, NC	252	483		252	483	735	1	1993	12/10	25 years
Black Mountain, NC	149	313		149	313	462	1	1992	12/10	25 years
Blue Ridge, GA	276	553		276	553	829	1	1992	12/10	25 years
Cedartown, GA	353	890		353	890	1,243	1	1990	12/10	25 years
Duncan, SC	280	483		280	483	763	1	1999	12/10	30 years
Easley, SC (n)	444	818		444	818	1,262	1	1991	12/10	25 years
Fort Payne, AL	362	533		362	533	895	1	1989	12/10	25 years
Franklin, NC	472	687		472	687	1,159	1	1992	12/10	25 years
Gaffney, SC	388	940		388	940	1,328	1	1998	12/10	30 years
Greenville, SC	169	330		169	330	499	1	1990	12/10	25 years
Greenville, SC	414	810		414	810	1,224	1	1995	12/10	30 years
Hendersonville, NC	569	1,163		569	1,163	1,732	2	1988	12/10	25 years
Inman, SC	223	502		223	502	725	1	1999	12/10	30 years
Lavonia, GA	122	359		122	359	481		1999	12/10	30 years
Madison, AL	498	886		498	886	1,384	1	1985	12/10	25 years
Oneonta, AL	362	881		362	881	1,243	1	1992	12/10	25 years
Piedmont, SC	249	702		249	702	951	1	2000	12/10	30 years
Pisgah Forest, NC	260	672		260	672	932	1	1998	12/10	30 years
Rainsville, AL	411	1,077		411	1,077	1,488	1	1998	12/10	30 years
Seneca, SC	304	807		304	807	1,111	1	1993	12/10	25 years
Simpsonville, SC	635	1,022		635	1,022	1,657	2	1991	12/10	25 years
Spartanburg, SC	239	496		239	496	735	1	1992	12/10	30 years
Spartanburg, SC	492	949		492	949	1,441	1	1993	12/10	30 years
Sylva, NC	580	786		580	786	1,366	1	1994	12/10	30 years
Toccoa, GA	201	600		201	600	801	1	1993	12/10	30 years
Waynesville, NC	395	585		395	585	980	1	1998	12/10	30 years
Taverna Greek Grill:										
Farmington, NM	2,757	730		2,757	730	3,487	48	2003	12/07 (m)	40 years
Texas Roadhouse:										
Grand Junction, CO	584	920		584	920	1,504	208	1997	12/01	40 years
Thornton, CO	599	1,019		599	1,019	1,618	230	1998	12/01	40 years
TGI Friday's:										
Corpus Christi, TX	1,210	1,532		1,210	1,532	2,742	346	1995	12/01	40 years
Third Federal Savings:										
Parma, OH	370	238	1,100	370	1,338	1,708	135	1977	09/06	20 years
Thomasville:										
Buford, GA	1,267	2,406		1,267	2,406	3,673	388	2004	07/04	40 years
TitleMax:										
Aiken, SC	442	646		442	646	1,088	51	1989	08/08	30 years
Anniston, AL	160	453		160	453	613	27	2008	08/08	40 years
Berkeley, MO	237	282		237	282	519	33	1961	08/08	20 years
Cheraw, SC	88	330		88	330	418	31	1976	08/08	25 years
Columbia, SC	212	319		212	319	531	25	1987	08/08	30 years
Dalton, GA	178	347		178	347	525	33	1972	08/08	25 years
Darlington, SC	47	267		47	267	314	25	1973	08/08	25 years
Fairfield, AL	133	178		133	178	311	17	1974	08/08	25 years

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Gadsden, AL	250	389	250	389	639	23	2007	08/08	40 years
Hueytown, AL	135	93	135	93	228	22	1948	08/08	10 years
Jonesboro, GA	675	292	675	292	967	28	1970	08/08	25 years
Lawrenceville, GA	370	332	370	332	702	26	1986	08/08	30 years
Lewisburg, TN	70	298	70	298	368	20	1998	08/08	35 years
Macon, GA	103	290	103	290	393	34	1967	08/08	20 years
Marietta, GA	285	278	285	278	563	33	1967	08/08	20 years
Memphis, TN	226	444	226	444	670	35	1986	08/08	30 years
Memphis, TN	111	237	111	237	348	19	1981	08/08	30 years
Montgomery, AL	96	233	96	233	329	22	1970	08/08	25 years
Nashville, TN	268	276	268	276	544	26	1978	08/08	25 years
Nashville, TN	256	301	256	301	557	24	1982	08/08	30 years

See accompanying report of independent registered public accounting firm.

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	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		
	Initial Cost to Company Building, Improvements & Encumbrances	Leasehold Interest	Carrying Costs	Land	Leasehold Interests	Total	Accumulated Amortization	Date of Construction	Date Acquired	is Computed
Norcross, GA	599	350		599	350	949	33	1975	08/08	25 years
Pulaski, TN	109	361		109	361	470	29	1986	08/08	30 years
Riverdale, GA	877	400		877	400	1,277	38	1978	08/08	25 years
Snellville, GA	565	396		565	396	961	38	1977	08/08	25 years
Springfield, MO	125	230		125	230	355	22	1979	08/08	25 years
Springfield, MO	220	400		220	400	620	38	1979	08/08	25 years
St. Louis, MO	134	398		134	398	532	27	1993	08/08	35 years
St. Louis, MO	244	288		244	288	532	27	1971	08/08	25 years
Sylacauga, AL	94	191		94	191	285	15	1986	08/08	30 years
Taylors, SC	299	372		299	372	671	25	1999	08/08	35 years
Tony s Tires:										
Montgomery, AL	593	1,187	43	593	1,229	1,822	150	1998	08/06	40 years
Top s:										
Lacey, WA	2,777	7,082		2,777	7,082	9,859	2,457	1992	02/97	40 years
Tractor Supply Co.:										
Aransas Pass, TX	101	1,399	200	100	1,599	1,699	428	1983	03/99	40 years
Tully s:										
Cheektowaga, NY	689	386		689	386	1,075	87	1994	12/01	40 years
Ultra Car Wash:										
Mobile, AL	1,071	1,086		1,071	1,086	2,157	92	2005	08/07	40 years
Lilburn, GA	1,396	1,119		1,396	1,119	2,515	73	2004	05/08	40 years
Uni-Mart:										
Bear Creek, PA	191	230		191	230	421	62	1980	08/05	20 years
Chambersburg, PA	76	197		76	197	273	53	1990	08/05	20 years
East Brady, PA	269	583		269	583	852	157	1987	08/05	20 years
Pleasant Gap, PA	332	593		332	593	925	159	1996	08/05	20 years
Port Vue, PA	824	118		824	118	942	32	1953	08/05	20 years
Punxsutawney, PA	253	542		253	542	795	146	1983	08/05	20 years
Shamokin, PA	324	506		324	506	830	136	1956	08/05	20 years
Shippensburg, PA	204	330		204	330	534	89	1989	08/05	20 years
Taylor, PA	181	527		181	527	708	142	1973	08/05	20 years
Wilkes-Barre, PA	178	471		178	471	649	127	1989	08/05	20 years
Wilkes-Barre, PA	876	1,957		876	1,957	2,833	526	1998	08/05	20 years
Wilkes-Barre, PA	171	422		171	422	593	114	1999	08/05	20 years
Williamsport, PA	909	122		909	122	1,031	33	1950	08/05	20 years
Ashland, PA	355	545		355	545	900	144	1977	09/05	20 years
Bear Creek, PA (n)	689	275		689	275	964	73	1980	09/05	20 years
Mountaintop, PA	423	616		423	616	1,039	163	1987	09/05	20 years
Effort, PA	1,297	1,202		1,297	1,202	2,499	149	2000	01/06	40 years
Export, PA	222	215		222	215	437	27	1988	01/06	40 years
Hughesville, PA	290	566		290	566	856	70	1977	01/06	40 years
McSherrystown, PA	135	365		135	365	500	45	1988	01/06	40 years
Milesburg, PA	134	373		134	373	507	46	1987	01/06	40 years
Nanticoke, PA	175	482		175	482	657	60	1988	01/06	40 years
Nuangola, PA	1,062	1,203		1,062	1,203	2,265	149	2000	01/06	40 years
Plains, PA	204	401		204	401	605	50	1994	01/06	40 years
Punxsutawney, PA	294	650		294	650	944	81	1983	01/06	40 years
Williamsport, PA	295	379		295	379	674	47	1988	01/06	40 years
Burnham, PA	265	510		340	435	775	97	1978	07/06	20 years

United Rentals:

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Carrollton, TX	478	535	478	535	1,013	81	1981	12/04	40 years
Cedar Park, TX	535	829	535	829	1,364	125	1990	12/04	40 years
Clearwater, FL	1,173	1,811	1,173	1,811	2,984	273	2001	12/04	40 years
Fort Collins, CO	2,057	978	2,057	978	3,035	148	1975	12/04	40 years
Irving, TX	708	911	708	911	1,619	138	1984	12/04	40 years
La Porte, TX	1,115	2,125	1,115	2,125	3,240	321	2000	12/04	40 years
Littleton, CO	1,743	1,944	1,743	1,944	3,687	294	2002	12/04	40 years
Oklahoma City, OK	744	1,265	744	1,265	2,009	191	1997	12/04	40 years
Perrysburg, OH	642	1,119	642	1,119	1,761	169	1979	12/04	40 years
Plano, TX	1,030	1,148	1,030	1,148	2,178	173	1996	12/04	40 years
Temple, TX	1,160	1,360	1,160	1,360	2,520	205	1998	12/04	40 years
Ft. Worth, TX	510	1,128	510	1,128	1,638	168	1997	01/05	40 years
Ft. Worth, TX	1,428		1,428	(i)	1,428	(i)	(i)	01/05	(i)
Melbourne, FL	747	607	747	607	1,354	85	1970	05/05	40 years

See accompanying report of independent registered public accounting firm.

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	Costs Capitalized						Life on Which				
	Initial Cost to Company Building,		Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b)					Depreciation & Amortization in Latest Income Statement is Computed		
				Building,		Accumulated					
	Improvements &			Improvements &		Depreciation					
	Encumbrance	Land	Leasehold Interests	Carrying Costs	Land	Leasehold Interests	Total Amortization	Date of Construction		Date Acquired	
United Trust Bank:											
Bridgeview, IL	673		744		673	744	1,417	168	1997	12/01	40 years
Vacant Land:											
Florence, AL	1,034				748	(e)	748	(e)	(e)	06/04	(e)
Longwood, FL	975				975	(e)	975	(e)	(e)	03/06	(e)
Vacant Property:											
Arlington, TX	435		2,300	334	435	2,634	3,069	845	1996	06/96	38 years
Sarasota, FL	1,168		1,904	219	1,168	2,122	3,290	375	1996	09/97	40 years
Knoxville, TN	467		735		467	735	1,202	220	1999	01/98 (f)	40 years
Aransas Pass, TX	90		1,241		89	1,241	1,330	366	1983	03/99	40 years
Corpus Christi, TX	224		2,159		224	2,159	2,383	636	1983	03/99	40 years
Sarasota, FL	471		1,344	312	471	1,656	2,127	243	1983	03/99	40 years
Sealy, TX	820		905		820	905	1,725	267	1982	03/99	40 years
Winfield, AL	420		1,685		420	1,685	2,105	497	1983	03/99	40 years
Augusta, GA	177		674		177	674	851	152	1998	12/01	40 years
Chandler, AZ	655		791		655	791	1,446	182	1997	12/01	40 years
Cincinnati, OH	282		521	279	543	539	1,082	119	1998	12/01	40 years
Clifton, CO	245		732		245	732	977	166	1998	12/01	40 years
Columbus, OH	1,032		1,107		1,032	1,107	2,139	250	1998	12/01	40 years
Eden Prairie, MN	76		211	94	76	305	381	66	1997	12/01	40 years
Jacksonville, FL	987		856		794		794	170	1996	12/01	40 years
Mesa, AZ	153		400		153	400	553	116	1997	12/01	40 years
Mesa, AZ	43		113	363	43	476	519	32	1997	12/01	40 years
Montgomery, AL	1,418		1,140		1,418	1,044	2,462	244	1999	12/01	40 years
Southfield, MI	405		644		405	644	1,049	167	1976	12/01	40 years
Swansea, IL	92		265		92	265	357	60	1997	12/01	40 years
Florissant, MO	2,490		2,937		2,490	2,937	5,427	566	1996	04/03	40 years
Woodstock, GA	1,937		1,285		1,891	1,016	2,907	210	1997	05/03	40 years
Buford, GA	1,925		5,035		1,925	5,035	6,960	813	2003	07/04	40 years
Cohoes, NY	27		145	9	27	154	181	23	1994	09/04	40 years
Cohoes, NY	46		246	16	46	262	308	39	1994	09/04	40 years
Hudson Falls, NY	57		780	39	57	819	876	126	1990	09/04	40 years
Ticonderoga, NY	89		689		89	689	778	108	1993	09/04	40 years
Gastonia, NC	994		1,513		994	1,513	2,507	229	2004	12/04	40 years
Dallas, TX	2,407		2,299		2,407	2,299	4,706	312	1971	06/05	40 years
Dallas, TX	1,554		1,229		1,554	1,229	2,783	170	1982	06/05	40 years
Olean, NY	40		259		40	259	299	70	1990	08/05	20 years
Fairview Heights, IL	1,258		2,623		1,258	2,623	3,881	342	1980	10/05	40 years
Lapeer, MI	29		211		29	211	240	18	2007	10/05	40 years
Lapeer, MI	100		721		100	721	821	61	2007	10/05	40 years
Lafayette, LA	603		1,149		603	1,149	1,752	145	1999	12/05	40 years
West Palm Beach, FL	619		161		619	161	780	35	1984	09/06	20 years
Hillman, MI	167		823		167	363	530	64	1952	10/06	40 years
Lithonia, GA	923		1,276		923	1,276	2,199	113	2002	06/07	40 years
Lubbock, TX	2,606		2,898		2,606	2,898	5,504	251	1983	07/07	40 years
Lubbock, TX	1,293		1,211		1,293	1,211	2,504	105	1983	07/07	40 years
Bakersfield, CA	1,643		1,959		530		530	137	1975	03/08	25 years
Bellingham, WA	1,237		1,260		1,237	408	1,645	61	1994	06/08	30 years
Lubbock, TX	943		957		943	957	1,900	12	1964	11/10	10 years

Value City Furniture:

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White Marsh, MD	3,762		3,006	3,762	3,006	6,768	961	1998	10/97 (g)	40 years
Vitamin Shoppe, The:										
Cincinnati, OH	297	443	368	297	810	1,107	134	1999	06/98 (f)	40 years
Walgreens:										
Sunrise, FL	1,958	1,401		1,958	1,401	3,359	267	1994	05/03	40 years
Tulsa, OK	1,193	3,056		1,193	3,056	4,249	423	2003	06/05	40 years
Boise, ID	792	1,875		792	1,875	2,667	49	2000	03/10	30 years
Nampa, ID	1,062	2,253		1,062	2,253	3,315	59	2000	03/10	30 years
Wendy's:										
Sacramento, CA	586			586	(i)	586	(i)	(i)	02/98	(i)
New Kensington, PA	501	333		501	333	834	75	1980	12/01	40 years
Whataburger:										
Albuquerque, NM	624	419		624	419	1,043	95	1995	12/01	40 years
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	Costs Capitalized							Life on Which Depreciation & Amortization in Latest Income Statement is Computed			
	Initial Cost to Company Building,		Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period (a) (b) Building,			Accumulated				
	Improvements &			Improvements &		Depreciation	Date				
	Leasehold	Carrying	Leasehold		and	of	Date				
	Encumbrances	Land	Interests	Improvements	Costs	Land	Interests		Total	Amortization	Construction
Wherehouse Music:											
Homewood, AL	1,032	697			1,032	697	1,729	158	1997	12/01	40 years
Independence, MO	503	1,209			503	1,209	1,712	152	1994	12/05	40 years
Wingfoot:											
Beaverdam, OH	(l)	1,521			(l)	1,521	1,521	138	2004	05/07	40 years
Benton, AR	(l)	309			(l)	309	309	27	2001	05/07	40 years
Bowman, SC	(l)	969			(l)	969	969	100	1998	05/07	35 years
Dalton, GA	(l)	1,541			(l)	1,541	1,541	140	2004	05/07	40 years
Dandridge, TN	(l)	1,030			(l)	1,030	1,030	107	1989	05/07	35 years
Franklin, OH	(l)	563			(l)	563	563	58	1998	05/07	35 years
Gary, IN	(l)	1,486			(l)	1,486	1,486	135	2004	05/07	40 years
Georgetown, KY	(l)	679			(l)	679	679	82	1997	05/07	30 years
Mebane, NC	(l)	561			(l)	561	561	58	1998	05/07	35 years
Piedmont, SC	(l)	567			(l)	567	567	59	1999	05/07	35 years
Port Wentworth, GA											
Valdosta, GA	(l)	552			(l)	552	552	57	1998	05/07	35 years
Temple, GA	(l)	1,477			(l)	1,477	1,477	134	2004	05/07	40 years
Whiteland, IN	(l)	1,065			(l)	1,065	1,065	83	2007	06/07	40 years
Des Moines, IA	(l)	1,471			(l)	1,471	1,471	127	2004	07/07	40 years
Robinson, TX	(l)	816			(l)	816	816	71	1987	07/07	40 years
Kearney, MO	(l)	1,183			(l)	1,183	1,183	92	2007	07/07	40 years
Oklahoma City, OK	(l)	1,269			(l)	1,269	1,269	110	2003	07/07	40 years
Amarillo, TX	(l)	1,247			(l)	1,247	1,247	90	2008	08/07	40 years
Jackson, MS	(l)	1,158			(l)	1,158	1,158	74	2008	02/08	40 years
Glendale, KY	(l)	1,281			(l)	1,281	1,281	79	2008	03/08	40 years
Lebanon, TN	(l)	1,066			(l)	1,066	1,066	59	2008	07/08	40 years
Laredo, TX	(l)	1,331			(l)	1,331	1,331	68	2008	08/08	40 years
Midland, TX	(l)	1,238			(l)	1,238	1,238	55	2009	11/08 (q)	40 years
Tuscaloosa, AL	(l)	1,148			(l)	1,148	1,148	13	2010	04/10 (q)	40 years
Kenly, NC	(l)	8			(l)	8	8		(q)	08/10 (q)	(q)
Winn-Dixie:											
Columbus, GA	1,023	1,875			1,023	1,875	2,898	350	1984	07/03	40 years
Wireless Wizard:											
Ridgeland, MS	436	523	26		436	549	985	66	1997	08/06	40 years
Your Choice:											
Hazleton, PA	670	377			670	377	1,047	101	1974	08/05	20 years
	158	415	13		158	428	586	52	1988	01/06	40 years

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Montoursville, PA										
Ziebart:										
Maplewood, MN	308	311		308	311	619	46	1990	02/05	40 years
Middleburg Heights, OH	199	148		199	148	347	22	1961	02/05	40 years
Zio's Italian Kitchen:										
Aurora, CO (n)	1,168	1,105		1,168	1,105	2,273	210	2000	06/05	30 years
Leasehold Interests:										
Lima, OH	1,290			1,290	(e)	1,290	1,055	(e)	08/01	(e)
<b>SUBTOTAL</b>	<b>20,524</b>	<b>1,127,836</b>	<b>1,463,619</b>	<b>151,411</b>	<b>1,123,517</b>	<b>1,592,756</b>	<b>2,716,273</b>	<b>222,921</b>		

Real Estate Held for  
Investment the  
Company has Invested  
in Under Direct  
Financing Leases:

Barnes & Noble:										
Plantation, FL		3,498		(c)	(c)	(c)	1996	05/95 (f)		(c)
Borders:										
Altamonte Springs, FL		3,267		(c)	(c)	(c)	1997	09/97		(c)
Checkers:										
Orlando, FL		287		(c)	(c)	(c)	1988	07/92		(c)
CVS:										
San Antonio, TX		744		(c)	(c)	(c)	1993	12/93		(c)
Amarillo, TX	159	855		(d)	(d)	(d)	1994	12/94		(d)
Lafayette, LA		949		(c)	(c)	(c)	1995	01/96		(c)
Oklahoma City, OK	(l)	1,365		(l)	(c)	(c)	1997	06/97		(c)
Oklahoma City, OK	(l)	1,419		(l)	(c)	(c)	1997	06/97		(c)

See accompanying report of independent registered public accounting firm.

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	Costs Capitalized								Life on Which Depreciation & Amortization in Latest Income Statement is Computed	
	Initial Cost to Company Building, Improvements & Encumbrances		Subsequent to Acquisition Carrying Costs		Gross Amount at Which Carried at Close of Period (a) (b) Building, Improvements & Leasehold Interests		Accumulated Depreciation and of Construction			
	Land	Leasehold Interests	Improvements	Costs	Land	Leasehold Interests	Total Amortization	Date		
								Acquired		
Denny's:										
Stockton, CA	940	509			(d)	(d)	(d)	(d)	1982	09/06 (d)
Food 4 Less:										
Chula Vista, CA		4,266				(c)	(c)	(c)	1995	11/98 (c)
Heilig-Meyers/The Room Store:										
York, PA	279	1,110			(d)	(d)	(d)	(d)	1997	11/98 (d)
Marlow Heights, MD	416	1,397			(d)	(d)	(d)	(d)	1968	11/98 (d)
Jared Jewelers:										
Phoenix, AZ	215 (k)	(l)	1,242		(l)	(c)	(c)	(c)	1998	12/01 (c)
Toledo, OH		(l)	1,458		(l)	(c)	(c)	(c)	1998	12/01 (c)
Oviedo, FL	364 (k)	(l)	1,500		(l)	(c)	(c)	(c)	1998	12/01 (c)
Lewisville, TX	187 (k)	(l)	1,503		(l)	(c)	(c)	(c)	1998	12/01 (c)
Glendale, AZ		(l)	1,599		(l)	(c)	(c)	(c)	1998	12/01 (c)
Kash n Karry:										
Valrico, FL	2,979 (p)	1,235	3,255		(d)	(d)	(d)	(d)	1997	06/02 (d)
Rite Aid:										
Kennett Square, PA		(l)	1,984		(l)	(c)	(c)	(c)	2000	12/00 (c)
Arlington, VA		(l)	3,201		(l)	(c)	(c)	(c)	2000	02/02 (c)
Sunshine Energy:										
Altamont, KS	124	142			(d)	(d)	(d)	(d)	1979	07/09 (d)
Chouteau, OK	113	301			(d)	(d)	(d)	(d)	1988	07/09 (d)
Neosho, MO		775				(c)	(c)	(c)	1992	07/09 (c)
SUBTOTAL	3,745	3,266	34,642	1,984						
Real Estate Held for Sale the Company has Invested in:										
Our Place:										
North Richland Hills, TX	584	180	184		596	342	938		1989	02/06
Power Center:										
Midland, MI	1,085	1,635			1,085	1,635	2,720		2006	05/05 (g)
Elmira, NY	2,248	7,159			2,248	5,291	7,539		2006	08/05 (g)
Topsham, ME	1,885	1,735			1,885	62	1,947		2007	02/06 (g)
Irving, TX	951	1,090			951	1,063	2,014		1987	02/06
Waxahachie, TX	1,249	1,097			1,249	1,069	2,318		1995	02/06
Harlingen, TX	247	807			247	807	1,054		2008	09/06 (g)
Harlingen, TX.	749	1,238			749	1,238	1,987		2008	09/06 (g)
Woodstock, GA	261	701			261	606	867		1997	07/08
Tutor Time:										
Elk Grove, CA	1,216	2,786			1,216	2,741	3,957		2009	09/08
Vacant Land:										
Grand Prairie, TX	387				108		108	(e)	(e)	12/02
Topsham, ME	1,034				293		293	(e)	(e)	02/06

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Rockwall, TX	900	900	900	(e)	(e)	02/06
Fairfield Township, OH	3,201	1,868	1,868	(e)	(e)	08/06
Bonita Springs, FL	112	25	25	(e)	(e)	09/06
Lancaster, OH	2,135	1,339	1,339	(e)	(e)	01/08
Hadley, MA	2,869	2,091	2,091	(e)	(e)	02/08

SUBTOTAL	21,113	18,428	184	17,111	14,854	31,965
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## NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES

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

December 31, 2010

(dollars in thousands)

- (a) Transactions in real estate and accumulated depreciation during 2010, 2009, and 2008 are summarized as follows:

	2010	2009	2008
<b>Land, buildings, and leasehold interests:</b>			
Balance at the beginning of year	\$ 2,584,947	\$ 2,605,288	\$ 2,415,536
Acquisitions, completed construction and tenant improvements	248,438	35,924	410,787
Disposition of land, buildings, and leasehold interests	(58,438)	(21,751)	(215,542)
Provision for loss on impairment of real estate		(34,514)	(5,493)
Balance at the close of year	\$ 2,774,947	\$ 2,584,947	\$ 2,605,288
<b>Accumulated depreciation and amortization:</b>			
Balance at the beginning of year	\$ 183,949	\$ 146,289	\$ 111,080
Disposition of land, buildings, and leasehold interests	(2,071)	(3,143)	(2,591)
Depreciation and amortization expense	41,043	40,803	37,800
Balance at the close of year	\$ 222,921	\$ 183,949	\$ 146,289

As of December 31, 2010, 2009, and 2008, the detailed real estate schedule excludes work in progress of \$26,699, \$5,634, and \$42,253, respectively, which is included in the above reconciliation.

- (b) As of December 31, 2010, the leases are treated as either operating or financing leases for federal income tax purposes. As of December 31, 2010, the aggregate cost of the properties owned by NNN that are under operating leases were \$2,641,832 and financing leases were \$4,178.
- (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.

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- (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 certain 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.
- (q) The land is subject to a ground lease between NNN and an unrelated third party. Pursuant to the lease agreement, NNN funds the tenant's construction draws, final funding occurs generally within 12 months from the execution of the ground lease.  
See accompanying report of independent registered public accounting firm.

**Table of Contents****NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES****SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE****December 31, 2010****(dollars in thousands)**

Description	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages (f)	Principal Amount of Loans Subject to Delinquent Principal or Interest
First mortgages on properties:							
Paramus, NJ	9.000%	2022	(b)		\$ 6,000	\$ 4,971	\$
Des Moines, IA	8.000%	2013	(d)		400	269	
Terre Haute, IN	7.000%	2011	(c)		1,582	1,452	
Cleveland, OH	10.000%	2028	(c)		6,644	6,644	
Milford, CT	8.000%	2013	(c)		1,550	1,550	
Hollywood, FL	6.000%	2013	(c)		450	450	
Taylorsville, NC	9.500%	2013	(e)		352	352	
4 properties in FL and GA	6.250%	2014	(c)		5,500	5,450	
					\$ 22,478	\$ 21,138 (a)	\$

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

	2010	2009	2008
Balance at beginning of year	\$ 34,707	\$ 35,993	\$ 49,336
New mortgage loans	6,302 (g)	2,259 (g)	17,028 (g)
Deductions during the year:			
Collections of principal	(7,148)	(3,545)	(27,874)
Foreclosures	(12,723)		(2,497)
Balance at the close of year	\$ 21,138	\$ 34,707	\$ 35,993

(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) Principal and interest is payable in full on the earlier of (i) specific events as outlined in the loan agreement, or (ii) maturity date.
- (f) Mortgages held by NNN and its subsidiaries for federal income tax purposes for the years ended December 31, 2010, 2009 and 2008 were \$21,138, \$34,707, and \$35,993, respectively.
- (g) Mortgages totaling \$6,302, \$2,259, and \$17,028, were accepted in connection with real estate transactions for the year ended December 31, 2010, 2009 and 2008, respectively.  
See accompanying report of independent registered public accounting firm.