

NATIONAL RETAIL PROPERTIES, INC.

Form 8-K/A

May 22, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 16, 2006

NATIONAL RETAIL PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction

001-11290
(Commission File Number)

56-1431377
(IRS Employer

of incorporation)

Identification No.)

450 South Orange Avenue

Suite 900

Orlando, Florida
(Address of principal executive offices)

32801
(Zip Code)

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

Not applicable

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(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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EXPLANATORY NOTE

This Form 8-K/A is being filed to include the Pro Forma Condensed Consolidated Statements of Earnings from Continuing Operations for the years ended December 31, 2004 and 2003 that were omitted from the Form 8-K dated May 16, 2006 and filed on May 19, 2006, of National Retail Properties, Inc. (the Company). These omissions have been corrected in this Form 8-K/A. No other changes have been made in this Form 8-K/A.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On May 16, 2006, the Company completed the sale of its office properties located in the Pentagon City submarket of the Washington, DC metropolitan area (DC Office Buildings) to Brookfield Financial Properties, L.P., an affiliate of Brookfield Properties Corporation for \$229,330,000, which includes the assumption of a \$95,000,000 loan secured by the properties. The properties are leased to the United States of America and serve as the headquarters of the Transportation Security Administration under a lease that expires in 2014.

Item 7.01. Regulation FD Disclosure.

On May 16, 2006, National Retail Properties, Inc. (the Company) issued a press release announcing the sale of its office property described in Item 2.01 above. The press release is being furnished and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act) or otherwise subject to the liabilities of such section, nor shall such information be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2006, and the unaudited Pro Forma Condensed Consolidated Statements of Earnings from Continuing Operations for the quarter ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, are based on the historical financial statements of the Company.

The unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2006, is presented as if the following transactions occurred on March 31, 2006: (i) disposition of the DC Office Buildings including the buyer's assumption of the related mortgage payable, and (ii) the repayment of the Company's credit facility with the proceeds from the disposition of the DC Office Buildings.

The historical balance sheet includes the 87 Investment Properties which were acquired between December 2005 and January 2006 for approximately \$173 million, including closing costs. In addition, the historical amounts include the 21 Inventory Properties which were acquired in December 2005 for approximately \$31 million, including closing costs.

The unaudited Pro Forma Condensed Consolidated Statements of Earnings from Continuing Operations for the quarter ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, are presented as if the following transactions occurred on January 1, 2003 (i) the disposition of the DC Office Buildings, including the buyer's assumption of the related mortgage payable, (ii) the acquisition of 87 Investment Properties and 21 Inventory Properties financed with the proceeds from the credit facility, and (iii) the repayment of the Company's credit facility with the proceeds from the disposition of the DC Office Buildings. The unaudited pro forma information should be read in conjunction with the historical financial statements and notes related thereto appearing in the Company's Form 10-K for the year ended December 31, 2005 and the Form 10-Q for the quarter ended March 31, 2006.

Preparation of the pro forma information was based on assumptions considered appropriate by the Company's management. The pro forma financial information is unaudited and is not necessarily indicative of the results which would have occurred if the transactions described above had been consummated on January 1, 2003 for the Pro Forma Condensed Consolidated Statements of Earnings from Continuing Operations and on March 31, 2006 for the Pro Forma Condensed Consolidated Balance Sheet, nor does it purport to represent the future financial position and the results of operations for future periods. In management's opinion, all adjustments necessary to reflect the effects of the transactions have been made.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2006

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Pro Forma Adjustments | Pro Forma |
|---|-----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Real estate, Investment Portfolio: | | | |
| Accounted for using the operating method, net of accumulated depreciation and amortization and impairment | \$ 1,158,639 ^(A) | \$ | \$ 1,158,639 |
| Accounted for using the direct financing method | 89,803 | | 89,803 |
| Held for sale, net of impairment | 164,129 | (162,529) ^(B) | 1,600 |
| Real estate, Inventory Portfolio, held for sale | 151,878 ^(A) | | 151,878 |
| Mortgages, notes and accrued interest receivable, net of allowance | 51,981 | | 51,981 |
| Mortgage residual interests, net of impairment | 47,438 | | 47,438 |
| Cash and cash equivalents | 20,322 | | 20,322 |
| Restricted cash | 30,549 | | 30,549 |
| Receivables, net of allowance | 7,438 | (221) ^(B) | 7,217 |
| Accrued rental income, net of allowance | 28,112 | (1,776) ^(B) | 26,336 |
| Debt costs, net of accumulated amortization | 5,606 | (169) ^(B) | 5,437 |
| Other assets | 20,450 | (2,668) ^(B) | 17,782 |
| Total assets | \$ 1,776,345 | \$ (167,363) | \$ 1,608,982 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Line of credit payable | \$ 191,500 | \$ (133,863) ^(C) | \$ 57,637 |
| Mortgages payable | 37,176 | | 37,176 |
| Mortgages payable, held for sale | 95,000 | (95,000) ^(D) | |
| Notes payable secured | 28,250 | | 28,250 |
| Notes payable, net of unamortized discount | 489,700 | | 489,700 |
| Financing lease obligation | 26,041 | | 26,041 |
| Accrued interest payable | 8,609 | (286) ^(D) | 8,323 |
| Other liabilities | 20,668 | (6) ^(B) | 20,662 |
| Income tax liability | 13,593 | | 13,593 |
| Total liabilities | 910,537 | (229,155) | 681,382 |
| Minority interest | 5,168 | | 5,168 |
| Stockholders equity: | | | |
| Preferred stock, \$0.01 par value. Authorized 15,000,000 shares | | | |
| Series A, 1,781,589 shares issued and outstanding, stated liquidation value of \$25 per share | 44,540 | | 44,540 |
| Series B Convertible, 10,000 shares issued and outstanding, stated liquidation value of \$2,500 per share | 25,000 | | 25,000 |
| | 563 | | 563 |

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Common stock, \$0.01 par value. Authorized 190,000,000 shares; 56,274,304 shares issued and outstanding

Excess stock, \$0.01 par value. Authorized 205,000,000 shares; none issued or outstanding

| | | | |
|---|--------------|-----------------------|--------------|
| Capital in excess of par value | 803,414 | | 803,414 |
| Accumulated dividends in excess of net earnings | (16,473) | 61,792 ^(E) | 45,319 |
| Other comprehensive income | 3,596 | | 3,596 |
| Total stockholders equity | 860,640 | 61,792 | 922,432 |
| | \$ 1,776,345 | \$ (167,363) | \$ 1,608,982 |

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS

FOR THE QUARTER ENDED MARCH 31, 2006

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Pro Forma Adjustments ^(J) | Pro Forma |
|---|------------|---|-----------|
| Revenues: | | | |
| Rental income from operating leases | \$ 29,482 | \$ 204 ^(F) | \$ 29,686 |
| Earned income from direct financing leases | 2,336 | | 2,336 |
| Contingent rental income | 456 | | 456 |
| Real estate expense reimbursement from tenants | 996 | | 996 |
| Gain on disposition of real estate, Inventory Portfolio | 6,444 | | 6,444 |
| Interest income from real estate transactions | 1,459 | | 1,459 |
| Interest income on mortgage residual interests | 2,297 | | 2,297 |
| | 43,470 | 204 | 43,674 |
| Operating expenses: | | | |
| General and administrative | 7,200 | | 7,200 |
| Real estate | 1,338 | | 1,338 |
| Depreciation and amortization | 5,351 | 18 ^(G) | 5,369 |
| Impairment mortgage residual interests | 1,820 | | 1,820 |
| | 15,709 | 18 | 15,727 |
| Earnings from operations | 27,761 | 186 | 27,947 |
| Other expenses (revenues): | | | |
| Interest and other income | (846) | | (846) |
| Interest expense | 11,935 | (2,000) ^(H) | 9,935 |
| | 11,089 | (2,000) | 9,089 |
| Earnings from continuing operations before income tax benefit, minority interest and equity in earnings (losses) of unconsolidated affiliates | 16,672 | 2,186 | 18,858 |
| Income tax benefit | 1,893 | | 1,893 |
| Minority interest | (3,197) | | (3,197) |
| Equity in earnings (losses) of unconsolidated affiliates | (33) | | (33) |
| Earnings from continuing operations | 15,335 | 2,186 | 17,521 |
| Series A preferred stock dividends | (1,002) | | (1,002) |
| Series B convertible preferred stock dividends | (419) | | (419) |
| Earnings from continuing operations available to common stockholders basic | 13,914 | 2,186 | 16,100 |

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| | | | | |
|--|---------|------------|----------|------------|
| Series B convertible preferred stock dividends, if dilutive | | 419 | | 419 |
| Earnings from continuing operations available to common stockholders | diluted | \$ 14,333 | \$ 2,186 | \$ 16,519 |
| Earnings from continuing operations per share of common stock: | | | | |
| Basic | | \$ 0.25 | | \$ 0.29 |
| Diluted | | \$ 0.25 | | \$ 0.29 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | | 55,408,126 | | 55,408,126 |
| Diluted | | 56,956,636 | | 56,956,636 |

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2005

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Adjusted for Discontinued Operations ^(K) | DC Office Buildings ^(I) | Pro Forma Adjustments ^(J) | Pro Forma |
|---|------------|--|---------------------------------------|---|------------|
| Revenues: | | | | | |
| Rental income from operating leases | \$ 112,384 | \$ (499) | \$ (15,940) | \$ 15,251 ^(F) | \$ 111,196 |
| Earned income from direct financing leases | 10,388 | (437) | | | 9,951 |
| Contingent rental income | 480 | | | | 480 |
| Real estate expense reimbursement from tenants | 6,350 | (21) | (2,017) | | 4,312 |
| Gain on disposition of real estate, Inventory Portfolio | 2,010 | | | | 2,010 |
| Interest income from real estate transactions | 6,216 | | | | 6,216 |
| Interest income on mortgage residual interests | 7,349 | | | | 7,349 |
| | 145,177 | (957) | (17,957) | 15,251 | 141,514 |
| Operating expenses: | | | | | |
| General and administrative | 23,411 | (1) | 83 | | 23,493 |
| Real estate | 11,534 | (26) | (5,822) | | 5,686 |
| Depreciation and amortization | 22,276 | (25) | (5,135) | 2,135 ^(G) | 19,251 |
| Impairment real estate | 1,673 | | | | 1,673 |
| Impairment mortgage residual interests | 2,382 | | | | 2,382 |
| | 61,276 | (52) | (10,874) | 2,135 | 52,485 |
| Earnings from operations | 83,901 | (905) | (7,083) | 13,116 | 89,029 |
| Other expenses (revenues): | | | | | |
| Interest and other income | (2,054) | 1 | 15 | | (2,038) |
| Interest expense | 35,941 | 1 | (3,097) | 2,305 ^(H) | 35,150 |
| | 33,887 | 2 | (3,082) | 2,305 | 33,112 |
| Earnings from continuing operations before income tax benefit, minority interest and equity in earnings of unconsolidated affiliates | | | | | |
| | 50,014 | (907) | (4,001) | 10,811 | 55,917 |
| Income tax benefit | 2,776 | (1) | | | 2,775 |
| Minority interest | 137 | | | | 137 |
| Equity in earnings of unconsolidated affiliates | 1,209 | | | | 1,209 |
| Earnings from continuing operations | 54,136 | (908) | (4,001) | 10,811 | 60,038 |

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PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2005

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Adjusted for Discontinued Operations ^(K) | DC Office Buildings ^(I) | Pro Forma Adjustments ^(J) | Pro Forma |
|--|------------|--|---------------------------------------|---|------------|
| Earnings from continuing operations | 54,136 | (908) | (4,001) | 10,811 | 60,038 |
| Series A preferred stock dividends | (4,008) | | | | (4,008) |
| Series B convertible preferred stock dividends | (1,675) | | | | (1,675) |
| Earnings from continuing operations available to common stockholders basic | 48,453 | (908) | (4,001) | 10,811 | 54,355 |
| Series B convertible preferred stock dividends, if dilutive | 1,675 | | | | 1,675 |
| Earnings from continuing operations available to common stockholders diluted | \$ 50,128 | \$ (908) | \$ (4,001) | \$ 10,811 | \$ 56,030 |
| Earnings from continuing operations per share of common stock: | | | | | |
| Basic | \$ 0.91 | | | | \$ 1.03 |
| Diluted | \$ 0.92 | | | | \$ 1.03 |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | 52,984,821 | | | | 52,984,821 |
| Diluted | 54,640,143 | | | | 54,640,143 |

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PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Adjusted for Discontinued Operations ^(K) | DC Office Buildings ^(I) | Pro Forma Adjustments ^(J) | Pro Forma |
|---|------------|--|---------------------------------------|---|-----------|
| Revenues: | | | | | |
| Rental income from operating leases | \$ 97,903 | \$ (499) | \$ (18,256) | \$ 15,636 ^(F) | \$ 94,784 |
| Earned income from direct financing leases | 10,723 | (449) | | | 10,274 |
| Contingent rental income | 410 | | | | 410 |
| Real estate expense reimbursement from tenants | 5,756 | (1) | (2,738) | | 3,017 |
| Gain on disposition of real estate, Inventory Portfolio | 4,700 | | | | 4,700 |
| Interest income from real estate transactions | 7,698 | | | | 7,698 |
| | 127,190 | (949) | (20,994) | 15,636 | 120,883 |
| Operating expenses: | | | | | |
| General and administrative | 22,995 | (1) | (119) | | 22,875 |
| Real estate | 11,870 | (12) | (7,337) | | 4,521 |
| Depreciation and amortization | 16,682 | (24) | (3,405) | 2,208 ^(G) | 15,461 |
| Transition costs | 3,741 | | | | 3,741 |
| | 55,288 | (37) | (10,861) | 2,208 | 46,598 |
| Earnings from operations | 71,902 | (912) | (10,133) | 13,428 | 74,285 |
| Other expenses (revenues): | | | | | |
| Interest and other income | (3,761) | (1) | 2 | | (3,760) |
| Interest expense | 32,381 | | (4,866) | 2,551 ^(H) | 30,066 |
| | 28,620 | (1) | (4,864) | 2,551 | 26,306 |
| Earnings from continuing operations before income tax benefit, minority interest and equity in earnings of unconsolidated affiliates | | | | | |
| | 43,282 | (911) | (5,269) | 10,877 | 47,979 |
| Income tax benefit | 2,544 | | | | 2,544 |
| Minority interest | (1,243) | | | | (1,243) |
| Equity in earnings of unconsolidated affiliates | 4,724 | | | | 4,724 |
| Earnings from continuing operations | 49,307 | (911) | (5,269) | 10,877 | 54,004 |

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PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2004

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Adjusted for Discontinued Operations ^(K) | DC Office Buildings ^(I) | Pro Forma Adjustments ^(J) | Pro Forma |
|--|------------|--|---------------------------------------|---|------------|
| Earnings from continuing operations | 49,307 | (911) | (5,269) | 10,877 | 54,004 |
| Series A preferred stock dividends | (4,008) | | | | (4,008) |
| Series B convertible preferred stock dividends | (1,675) | | | | (1,675) |
| Earnings from continuing operations available to common stockholders basic | 43,624 | (911) | (5,269) | 10,877 | 48,321 |
| Series B convertible preferred stock dividends, if dilutive | | | | | |
| Earnings from continuing operations available to common stockholders diluted | \$ 43,624 | \$ (911) | \$ (5,269) | \$ 10,877 | \$ 48,321 |
| Earnings from continuing operations per share of common stock: | | | | | |
| Basic | \$ 0.85 | | | | \$ 0.94 |
| Diluted | \$ 0.85 | | | | \$ 0.93 |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | 51,312,434 | | | | 51,312,434 |
| Diluted | 51,742,518 | | | | 51,742,518 |

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NATIONAL RETAIL PROPERTIES, INC.

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PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2003

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Adjusted for Discontinued Operations ^(K) | DC Office Buildings ^(I) | Pro Forma Adjustments ^(J) | Pro Forma |
|---|------------|--|---------------------------------------|---|-----------|
| Revenues: | | | | | |
| Rental income from operating leases | \$ 79,109 | \$ (491) | \$ (7,479) | \$ 15,636 ^(F) | \$ 86,775 |
| Earned income from direct financing leases | 10,531 | (459) | | | 10,072 |
| Contingent rental income | 390 | | | | 390 |
| Real estate expense reimbursement from tenants | 4,975 | | (2,583) | | 2,392 |
| Gain on disposition of real estate, Inventory Portfolio | 3,247 | | | | 3,247 |
| Interest income from real estate transactions | 2,366 | | | | 2,366 |
| | 100,618 | (950) | (10,062) | 15,636 | 105,242 |
| Operating expenses: | | | | | |
| General and administrative | 21,680 | (1) | (19) | | 21,660 |
| Real estate | 7,161 | (10) | (3,795) | | 3,356 |
| Depreciation and amortization | 12,968 | (28) | (1,202) | 2,208 ^(G) | 13,946 |
| Dissenting shareholders settlement | 2,413 | | | | 2,413 |
| | 44,222 | (39) | (5,016) | 2,208 | 41,375 |
| Earnings from operations | 56,396 | (911) | (5,046) | 13,428 | 63,867 |
| Other expenses (revenues): | | | | | |
| Interest and other income | (3,346) | 1 | | | (3,345) |
| Interest expense | 26,628 | | (666) | 2,517 ^(H) | 28,479 |
| | 23,282 | 1 | (666) | 2,517 | 25,134 |
| Earnings from continuing operations before income tax benefit, minority interest and equity in earnings of unconsolidated affiliates | | | | | |
| | 33,114 | (912) | (4,380) | 10,911 | 38,733 |
| Income tax benefit | 2,958 | | | | 2,958 |
| Minority interest | (12) | | | | (12) |
| Equity in earnings of unconsolidated affiliates | 4,341 | | | | 4,341 |
| Earnings from continuing operations | 40,401 | (912) | (4,380) | 10,911 | 46,020 |

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PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2003

(dollars in thousands, except per share data)

(unaudited)

| | Historical | Adjusted for Discontinued Operations ^(K) | DC Office Buildings ^(I) | Pro Forma Adjustments ^(J) | Pro Forma |
|---|------------|--|---------------------------------------|---|------------|
| Earnings from continuing operations | 40,401 | (912) | (4,380) | 10,911 | 46,020 |
| Series A preferred stock dividends | (4,008) | | | | (4,008) |
| Series B convertible preferred stock dividends | (502) | | | | (502) |
| Earnings from continuing operations available to common stockholders basic | 35,891 | (912) | (4,380) | 10,911 | 41,510 |
| Series B convertible preferred stock dividends, if dilutive | 502 | | | | 502 |
| Earnings from continuing operations available to common stockholders diluted | \$ 36,393 | \$ (912) | \$ (4,380) | \$ 10,911 | \$ 42,012 |
| Earnings from continuing operations per share of common stock: | | | | | |
| Basic | \$ 0.84 | | | | \$ 0.96 |
| Diluted | \$ 0.83 | | | | \$ 0.96 |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | 43,108,213 | | | | 43,108,213 |
| Diluted | 43,896,800 | | | | 43,896,800 |

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NATIONAL RETAIL PROPERTIES, INC.

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NOTES AND MANAGEMENT'S ASSUMPTIONS

TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Adjustments to the Pro Forma Condensed Consolidated Balance Sheet:

- (A) The historical Real estate, Investment Portfolio includes the 87 Investment Properties which were acquired between December 2005 and January 2006 for approximately \$173 million, including closing costs. In addition, the historical Real estate, Inventory Portfolio, held for sale includes the 21 Inventory Properties which were acquired in December 2005 for approximately \$31 million, including closing costs.
- (B) Decrease in Real estate, Investment Portfolio, held for sale, Accrued rental income, net of allowance, Receivables, Debt costs, net of allowance, Other assets and Other liabilities represents the removal of the assets and liabilities associated with the disposition of the DC Office Buildings.
- (C) The decrease in the Line of credit payable represents the net cash from the disposition of the DC Office Buildings, and is outlined below (dollars in thousands):

| | |
|--|------------|
| Net sales price | \$ 227,958 |
| Less mortgage payable, held for sale | (95,000) |
| Cash to Company | 132,958 |
| Reimbursements from seller for amounts prepaid | 1,197 |
| Payment to seller for accrued liabilities | (292) |
| | \$ 133,863 |

- (D) Decrease in Mortgage payable, held for sale represents the assumption by the buyer of the loan secured by a first mortgage lien on the DC Office Buildings. The decrease in Accrued interest payable represents the Company's payment of any accrued interest on the mortgage payable at the time of assumption.

- (E) The increase in the Accumulated dividends in excess of net earnings is outlined below (dollars in thousands):

| | |
|--|-----------|
| Gain on disposition of DC Office Buildings | \$ 59,435 |
| Recognition of deferred revenues associated with DC Office Buildings | 2,526 |
| Write off of debt costs | (169) |
| | \$ 61,792 |

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2. Adjustments to the Pro Forma Condensed Consolidated Statements of Earnings from Continuing Operations:

- (F) Rental income has been adjusted to reflect the lease payments from the 87 Investment Properties acquired. Rental income was calculated on a pro forma basis in accordance with rent provisions in the leases, assuming the leases were entered into on January 1, 2003.
- (G) Depreciation and amortization have been adjusted based on the allocated purchase price of the 87 Investment Properties acquired using an estimated useful life of 40 years, assuming the acquisition occurred on January 1, 2003.
- (H) Interest expense has been adjusted to reflect the interest costs related to the proceeds from the line of credit, offset by the net cash proceeds from the buyer for the DC Office Buildings, assuming that the borrowings to finance the Properties and the disposition of the DC Office Buildings occurred on January 1, 2003.
- (I) The DC Office Buildings are deemed discontinued operations; therefore, all revenues and expenses are reclassified to earnings from discontinued operations.
- (J) The 21 Inventory Properties acquired are classified as held for sale, and are deemed discontinued operations; therefore the pro forma effects of the acquisition of these properties are not included in earnings from continuing operations.
- (K) The Adjustments for Discontinued Operations for the years ended December 31, 2005, 2004 and 2003 does not include the reclassification of the revenues and expenses that are related to the DC Office Buildings.

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Exhibits.

- 2.1 Real Estate Purchase Contract, dated February 9, 2006, among CNLR DC Acquisitions I, LLC, Brookfield Financial Properties, L.P. and the Registrant (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005 (the Form 10-K) and incorporated herein by reference).
- 2.2 Amendment to Real Estate Purchase Contract, dated February 14, 2006, by and between CNLR DC Acquisitions I, LLC and Brookfield Financial Properties, L.P. (filed as Exhibit 10.11 to the Form 10-K and incorporated herein by reference).
- 2.3 Second Amendment to Real Estate Purchase Contract, dated February 15, 2006, by and between CNLR DC Acquisitions I, LLC and Brookfield Financial Properties, L.P. (filed as Exhibit 10.12 to the Form 10-K and incorporated herein by reference).
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- 2.5 Fourth Amendment to Real Estate Purchase Contract, dated May 10, 2006, by and between CNLR DC Acquisitions I, LLC and Brookfield Financial Properties, L.P. (filed as Exhibit 2.5 to the Form 8-K dated May 16, 2006 and incorporated herein by reference).
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- 99.1 Press release, dated May 16, 2006, of National Retail Properties, Inc. (filed as Exhibit 99.1 to the Form 8-K dated May 16, 2006 and incorporated herein by reference).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NATIONAL RETAIL PROPERTIES, INC.

By: /s/ Kevin B. Habicht
Name: Kevin B. Habicht
Title: Chief Financial Officer

Dated: May 22, 2006

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