

NATIONAL RETAIL PROPERTIES, INC.  
Form 10-Q  
August 02, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2007

OR

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

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

Commission File Number 001-11290

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**NATIONAL RETAIL PROPERTIES, INC.**

(Exact name of registrant as specified in its charter)

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<b>Maryland</b> <i>(State or other jurisdiction</i>	<b>56-1431377</b> <i>(I.R.S. Employer</i>
<i>of incorporation or organization)</i>	<i>Identification No.)</i>
<b>450 South Orange Avenue, Suite 900, Orlando, Florida 32801</b>	
<i>(Address of principal executive offices, including zip code)</i>	

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(407) 265-7348

*(Registrant's telephone number, including area code)*

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) for the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

67,090,207 shares of Common Stock, \$0.01 par value, outstanding as of July 30, 2007.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	June 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
Real estate, Investment Portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization:		
Held for investment	\$ 1,797,937	\$ 1,431,428
Held for sale	9,568	9,568
Accounted for using the direct financing method:		
Held for investment	41,962	53,693
Held for sale	17,249	17,641
Real estate, Inventory Portfolio, held for sale	169,827	228,159
Mortgages, notes and accrued interest receivable, net of allowance of \$482 and \$634, respectively	42,158	30,945
Mortgage residual interests	28,384	31,512
Cash and cash equivalents	2,516	1,675
Restricted cash	37,707	36,587
Receivables, net of allowance of \$1,076 and \$722, respectively	6,258	7,915
Accrued rental income, net of allowance	25,590	26,413
Debt costs, net of accumulated amortization of \$12,304 and \$11,339, respectively	7,239	8,180
Other assets	32,648	33,069
<b>Total assets</b>	<b>\$ 2,219,043</b>	<b>\$ 1,916,785</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Line of credit payable	\$ 172,600	\$ 28,000
Mortgages payable	34,991	35,892
Notes payable - secured	22,500	24,500
Notes payable - convertible	172,500	172,500
Notes payable, net of unamortized discount of \$924 and \$996, respectively	489,876	489,804
Financing lease obligation	26,041	26,041
Accrued interest payable	6,032	5,989
Other liabilities	40,315	30,116
Income tax liability	3,579	6,340
<b>Total liabilities</b>	<b>968,434</b>	<b>819,182</b>
Minority interest	1,382	1,098
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 15,000,000 shares		
Series A, 1,781,589 shares issued and outstanding at December 31, 2006, stated liquidation value of \$25 per share		44,540
Series C Redeemable, 3,680,000 depositary shares issued and outstanding, stated liquidation value of \$25 per share	92,000	92,000
Common stock, \$0.01 par value. Authorized 190,000,000 shares; 67,075,385 and 59,823,031 shares issued and outstanding at June 30 and December 31, respectively	671	598
Capital in excess of par value	1,041,350	873,885

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Retained earnings	108,475	80,263
Accumulated other comprehensive income	6,731	5,219
Total stockholders' equity	1,249,227	1,096,505
	\$ 2,219,043	\$ 1,916,785

See accompanying notes to condensed consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands, except per share data)

(unaudited)

	Quarter Ended		Six Months Ended	
	June 30, 2007	2006	June 30, 2007	2006
<b>Revenues:</b>				
Rental income from operating leases	\$ 41,641	\$ 29,002	\$ 77,511	\$ 56,862
Earned income from direct financing leases	1,060	1,058	2,130	2,105
Percentage rents	141	22	599	477
Real estate expense reimbursement from tenants	1,478	892	2,747	1,739
Interest and other income from real estate transactions	957	1,626	2,157	3,051
Interest income on mortgage residual interests	1,144	1,947	2,388	4,244
	46,421	34,547	87,532	68,478
<b>Disposition of real estate, Inventory Portfolio:</b>				
Gross proceeds		4,711	825	21,451
Costs		(4,148)	(493)	(14,444)
Gain		563	332	7,007
<b>Operating expenses:</b>				
General and administrative	5,946	6,777	12,267	13,618
Real estate	1,982	1,429	3,862	2,740
Depreciation and amortization	7,729	5,210	14,622	10,413
Impairment mortgage residual interests valuation adjustment		842		2,662
Restructuring costs		1,580		1,580
	15,657	15,838	30,751	31,013
Earnings from operations	30,764	19,272	57,113	44,472
<b>Other expenses (revenues):</b>				
Interest and other income	(1,024)	(1,015)	(2,327)	(1,831)
Interest expense	12,443	11,192	23,545	23,273
	11,419	10,177	21,218	21,442
Earnings from continuing operations before income tax benefit, minority interest and equity in earnings of unconsolidated affiliate	19,345	9,095	35,895	23,030
Income tax benefit	2,421	3,435	5,217	5,294
Minority interest	148	(184)	334	(3,292)
Equity in earnings of unconsolidated affiliate		228		195
Earnings from continuing operations	21,914	12,574	41,446	25,227

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### Earnings from discontinued operations:

Real estate, Investment Portfolio	24,948	65,312	28,359	74,370
Real estate, Inventory Portfolio, net of income tax expense and minority interest	1,793	2,315	5,554	4,052
	26,741	67,627	33,913	78,422
Net earnings	\$ 48,655	\$ 80,201	\$ 75,359	\$ 103,649

See accompanying notes to condensed consolidated financial statements.

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## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS - CONTINUED

(dollars in thousands, except per share data)

(unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net earnings	\$ 48,655	\$ 80,201	\$ 75,359	\$ 103,649
Series A preferred stock dividends		(1,002)		(2,004)
Series B Convertible preferred stock dividends				(419)
Series C Redeemable preferred stock dividends	(1,696)		(3,392)	
Net earnings available to common shareholders basic	46,959	79,199	71,967	101,226
Series B Convertible preferred stock dividends, if dilutive				419
Net earnings available to common shareholders diluted	\$ 46,959	\$ 79,199	\$ 71,967	\$ 101,645
Net earnings per share of common stock:				
Basic:				
Continuing operations	\$ 0.31	\$ 0.20	\$ 0.60	\$ 0.41
Discontinued operations	0.40	1.18	0.54	1.39
Net earnings	\$ 0.71	\$ 1.38	\$ 1.14	\$ 1.80
Diluted:				
Continuing operations	\$ 0.30	\$ 0.20	\$ 0.59	