

NATIONAL RETAIL PROPERTIES, INC.

Form 10-Q/A

November 05, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q/A**

(Amendment No. 1)

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

**For the quarterly period ended September 30, 2008**

**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.**

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

**Maryland**  
*(State or other jurisdiction of  
incorporation or organization)*

**56-1431377**  
*(I.R.S. Employer Identification No.)*

**450 South Orange Avenue, Suite 900,**

**Orlando, Florida 32801**

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

**(407) 265-7348**

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

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 or 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 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.

78,371,882 shares of Common Stock, \$0.01 par value, outstanding as October 30, 2008.

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***EXPLANATORY NOTE:***

This Amendment No. 1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed on November 4, 2008 (this Amendment), is being filed solely for the purpose of including a conformed signature on Exhibit 32.2. Exhibit 32.2 was manually signed prior to filing, but the conformed signature was inadvertently omitted from the electronically filed copy. Other than including a conformed signature, this Amendment does not modify the disclosure contained in the Quarterly Report.

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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

## NATIONAL RETAIL PROPERTIES, INC.

## and SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	September 30, 2008 (unaudited)	December 31, 2007
<b><u>ASSETS</u></b>		
Real estate, Investment Portfolio:		
Accounted for using the operating method, net of accumulated depreciation and amortization	\$ 2,313,293	\$ 2,055,846
Accounted for using the direct financing method	31,545	37,497
Real estate, Inventory Portfolio, held for sale	126,223	248,611
Investment in unconsolidated affiliate	4,853	4,139
Mortgages, notes and accrued interest receivable, net of allowance	66,646	73,162
Commercial mortgage residual interests	22,496	24,340
Cash and cash equivalents	2,514	27,499
Receivables, net of allowance of \$2,910 and \$1,582, respectively	4,654	3,818
Accrued rental income, net of allowance of \$3,278 and \$3,077, respectively	23,933	24,652
Debt costs, net of accumulated amortization of \$12,314 and \$13,424, respectively	11,851	8,548
Income tax asset	3,021	
Other assets	26,941	31,493
<b>Total assets</b>	<b>\$ 2,637,970</b>	<b>\$ 2,539,605</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Line of credit payable	\$ 53,000	\$ 129,800
Mortgages payable	26,598	27,480
Note payable - secured		12,000
Notes payable - convertible	406,535	172,500
Notes payable, net of unamortized discount of \$1,568 and \$1,710, respectively	618,432	718,290
Accrued interest payable	18,727	11,243
Other liabilities	45,994	57,002
Income tax liability		1,671
<b>Total liabilities</b>	<b>1,169,286</b>	<b>1,129,986</b>
Minority interest	1,101	2,334
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; 74,920,409 and 72,527,729 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	749	725
Excess stock, \$0.01 par value. Authorized 205,000,000 shares; none issued or outstanding		

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Capital in excess of par value	1,225,068	1,175,364
Retained earnings	145,918	137,599
Accumulated other comprehensive income	3,848	1,597
Total stockholders' equity	1,467,583	1,407,285
	\$ 2,637,970	\$ 2,539,605

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Revenues:</b>				
Rental income from operating leases	\$ 53,997	\$ 41,718	\$ 154,948	\$ 115,729
Earned income from direct financing leases	773	802	2,342	2,425
Percentage rent	196	181	407	775
Real estate expense reimbursement from tenants	1,456	1,339	4,478	4,034
Interest and other income from real estate transactions	1,027	1,389	3,669	3,636
Interest income on commercial mortgage residual interests	1,124	1,135	3,651	3,523
	58,573	46,564	169,495	130,122
<b>Disposition of real estate, Inventory Portfolio:</b>				
Gross proceeds			4,900	825
Costs			(4,879)	(493)
Gain			21	332
<b>Operating expenses:</b>				
General and administrative	5,242	5,229	18,842	17,496
Real estate	2,359	1,778	6,972	5,426
Depreciation and amortization	11,559	8,048	32,382	22,186
Impairment real estate, Inventory Portfolio		128		128
Impairment commercial mortgage residual interests valuation		638	758	638
	19,160	15,821	58,954	45,874
Earnings from operations	39,413	30,743	110,562	84,580
<b>Other expenses (revenues):</b>				
Interest and other income	(818)	(793)	(3,047)	(3,120)
Interest expense	14,791	11,833	44,823	35,377
Loss on interest rate hedge			804	
	13,973	11,040	42,580	32,257
Earnings from continuing operations before income tax benefit, minority interest and equity in earnings of unconsolidated affiliate	25,440	19,703	67,982	52,323
Income tax benefit	1,654	1,488	6,075	6,703
Minority interest	(113)	(93)	654	244
Equity in earnings of unconsolidated affiliate	100		280	

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Earnings from continuing operations	27,081	21,098	74,991	59,270
Earnings from discontinued operations:				
Real estate, Investment Portfolio (Note 14)	2,997	24,377	12,626	56,013
Real estate, Inventory Portfolio, net of income tax expense and minority interest (Note 14)	196	1,911	6,598	7,462
	3,193	26,288	19,224	63,475
Net earnings	\$ 30,274	\$ 47,386	\$ 94,215	\$ 122,745

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net earnings	\$ 30,274	\$ 47,386	\$ 94,215	\$ 122,745
Series C preferred stock dividends	(1,696)	(1,696)	(5,089)	(5,089)
Net earnings available to common stockholders basic and diluted	\$ 28,578	\$ 45,690	\$ 89,126	\$ 117,656
Net earnings per share of common stock:				
Basic:				
Continuing operations	\$ 0.35	\$ 0.29	\$ 0.96	\$ 0.84
Discontinued operations	0.04	0.39	0.26	0.98
Net earnings	\$ 0.39	\$ 0.68	\$ 1.22	\$ 1.82
Diluted:				
Continuing operations	\$ 0.35	\$ 0.29	\$ 0.96	\$ 0.84
Discontinued operations	0.04	0.39	0.26	0.98
Net earnings	\$ 0.39	\$ 0.68	\$ 1.22	\$ 1.82