

NATIONAL RETAIL PROPERTIES, INC.

Form 424B5

October 06, 2006

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CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount	Proposed	Proposed	Amount of
		Maximum	Maximum	
to be	Registered	Offering	Aggregate Offering	Registration
Securities to be Registered	Registered	Price Per Share	Price	Fee(1)
Depository Shares, each representing 1/100th of a share of 7.375% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share	3,680,000	25.00	\$92,000,000	\$9,844
7.375% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share, underlying the Depository Shares	36,800	(2)	(2)	(2)

- (1) This filing fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933 and relates to the Registration Statement on Form S-3 (No. 333-132095) filed by National Retail Properties, Inc. on February 28, 2006.
- (2) The registrant received no additional or separate consideration for the shares of 7.375% Series C Cumulative Redeemable Preferred Stock underlying the Depository Shares.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-132095

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 28, 2006)

3,200,000 Shares

Depository Shares Each Representing 1/100th of a Share of
7.375% Series C Cumulative Redeemable Preferred Stock
Liquidation Preference Equivalent to \$25.00 Per Depository Share

Each of the 3,200,000 depository shares offered hereby represents ownership of 1/100th of a share of our 7.375% Series C Cumulative Redeemable Preferred Stock, or Series C Preferred Stock. The shares of Series C Preferred Stock represented by the depository shares will be deposited with American Stock Transfer & Trust Company, as depository. As a holder of depository shares, you will be entitled to all proportional rights, preferences and privileges of the Series C Preferred Stock represented thereby, including dividend, voting, redemption and liquidation rights and preferences. The proportionate liquidation preference of each depository share is \$25.00. We have granted the underwriters an option to purchase up to 480,000 additional depository shares to cover over-allotments.

We will pay cumulative distributions on the Series C Preferred Stock underlying the depository shares from (and including) October 12, 2006 in the amount of \$1.84375 per depository share each year, which is equivalent to 7.375% of the \$25.00 liquidation preference per depository share. Dividends will be payable quarterly in arrears, on March 15, June 15, September 15, and December 15, commencing on December 15, 2006. The Series C Preferred Stock has no maturity and will remain outstanding indefinitely unless redeemed. Except in limited circumstances relating to our qualification as a real estate investment trust, or REIT,

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and as described below, the Series C Preferred Stock and the depositary shares representing the Series C Preferred Stock are not redeemable prior to October 12, 2011. On and after October 12, 2011, at any time and from time to time the Series C Preferred Stock (and, therefore, the depositary shares) will be redeemable in whole or in part at our option, at a cash redemption price of \$2,500.00 per preferred share (equivalent to \$25.00 per depositary share), plus all accrued and unpaid dividends (whether or not declared) to the date of redemption.

During any period of time that both (i) the depositary shares (or the Series C Preferred Stock if no longer held in depositary form) are not listed on the New York Stock Exchange, or NYSE, the American Stock Exchange, or AMEX, or NASDAQ, and (ii) we are not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or Exchange Act, but any shares of Series C Preferred Stock are outstanding, we will (i) increase the cumulative cash distributions payable on the Series C Preferred Stock underlying the depositary shares to a fixed rate of \$2.09375 per depositary share per year, which is equivalent to 8.375% of the \$25.00 liquidation preference, per depositary share and (ii) have the option to redeem the Series C Preferred Stock (and, therefore, the depositary shares), in whole but not in part, within 90 days of the date upon which the depositary shares (or shares of the Series C Preferred Stock) cease to be listed and we cease to be subject to such reporting requirements, for a redemption price of \$2,500.00 per share (or \$25.00 per depositary share), plus accrued and unpaid distributions, if any, to the redemption date.

Holders of depositary shares representing interests in the Series C Preferred Stock generally have no voting rights, except if we fail to pay dividends for six or more quarterly periods, whether or not consecutive or as required by law.

We intend to apply to list the depositary shares on the NYSE under the symbol NNNPRC. We expect trading of the depositary shares on the NYSE to commence within the 30-day period after the initial delivery of the depositary shares.

Investing in the depositary shares and the Series C Preferred Stock involves risks that are described in the **Risk Factors** sections beginning on page S-5 of this prospectus supplement and page 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which is incorporated herein by reference.

	Per Depositary Share	Total
Public Offering Price ⁽¹⁾	\$ 25.0000	\$ 80,000,000
Underwriting Discount	\$ 0.7875	\$ 2,520,000
Proceeds to us (before expenses)	\$ 24.2125	\$ 77,480,000

(1) Plus accrued dividends, if any, from October 12, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the depositary shares offered hereby in book-entry form only will be made against payment therefor in New York, New York on or about October 12, 2006.

Joint Bookrunners

Stifel Nicolaus

A.G. Edwards

Raymond James

BB&T Capital Markets

Comerica Securities

PNC Capital Markets LLC

Wells Fargo Securities

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The date of this prospectus supplement is October 5, 2006

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize to be delivered to you. We have not authorized anyone to provide you with different or additional information. We are offering to sell, and seeking offers to buy, the securities only in jurisdictions where offers and sales are permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus or the documents incorporated by reference is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. This prospectus supplement adds, updates and changes information contained in the accompanying prospectus and the information incorporated by reference.

In this prospectus supplement, the words we, our, ours and us refer to National Retail Properties, Inc. and its subsidiaries and joint ventures, unless the context indicates otherwise. The following summary contains basic information about the offering.

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FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus supplement and the accompanying prospectus, 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, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Also, when we use any of the words anticipate, assume, believe, estimate, expect, intend, or similar expressions, we are making forward-looking statements. The forward-looking statements are not guaranteed and are based on our present intentions and on our present expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond our control, that could cause actual results or events to differ materially from those we anticipate or project, such as:

the ability of our tenants to make payments under their respective leases, including our reliance on certain major tenants and our ability to re-lease properties that are currently vacant or that become vacant;

our ability to locate suitable tenants for our properties;

changes in real estate market conditions and general economic conditions;

the inherent risks associated with owning real estate (including local real estate market conditions, governing laws and regulations and illiquidity of real estate investments);

our ability to sell properties at an attractive price;

the ability of borrowers to make payments of principal and interest under structured finance investments we make to such borrowers;

our ability to gain access to the underlying collateral for any structured finance investments to borrowers;

our ability to repay debt financing obligations;

our ability to refinance amounts outstanding under our credit facilities at maturity on terms favorable to us;

the loss of any member of our management team;

our ability to be in compliance with certain debt covenants;

our ability to integrate acquired properties and operations into existing operations;

continued availability of proceeds from our debt or equity capital;

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the availability of other debt and equity financing alternatives;

market conditions affecting our equity capital;

changes in interest rates under our current credit facilities and under any additional variable rate debt arrangements that we may enter into in the future;

our ability to successfully implement our selective acquisition strategy or to fully realize the anticipated benefits of renovation or development projects;

our ability to maintain internal controls and processes to ensure all transactions are accounted for properly, all relevant disclosures and filings are timely made in accordance with all rules and regulations, and any potential fraud or embezzlement is thwarted or detected;

changes in federal or state tax rules or regulations that could have adverse tax consequences; and

our ability to qualify as a real estate investment trust for federal income tax purposes.

You should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. We undertake no obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

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SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and notes thereto appearing elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus.

The Company

General

We are a leading owner, operator, acquirer and developer of net lease retail properties. These properties are located in 41 states and are generally leased under long-term commercial net leases to established retail tenants (*Investment Properties*), including Academy, Barnes & Noble, Best Buy, Susser (Circle K), CVS, Eckerd, OfficeMax, The Sports Authority and Uni-Mart. As of June 30, 2006, we owned 607 Investment Properties with aggregate gross leasable area of 8.9 million square feet.

Additionally, we acquire, develop, own and operate an inventory of retail properties, directly or indirectly, in our taxable real estate investment trust (*REIT*) subsidiary entities for the purpose of selling the real estate to third-party purchasers (*Inventory Properties*). As of June 30, 2006, we owned 91 Inventory Properties.

We are a fully integrated REIT for U.S. federal tax purposes, formed in 1984. Prior to our name change on May 1, 2006, National Retail Properties, Inc. was known as Commercial Net Lease Realty, Inc.

Recent Developments

Denny's Acquisition.

On September 26, 2006, we acquired 60 franchisee-operated restaurant properties from affiliated entities of Denny's Corporation for a cash purchase price of approximately \$61.7 million. The properties are leased to 30 tenants, and the weighted average remaining lease term for these properties is nine years.

Recent Debt Issuance.

On September 13, 2006, we issued \$150.0 million aggregate principal amount of 3.95% Convertible Senior Notes due 2026 (the *Notes*), and on September 29, 2006, we issued an additional \$22.5 million aggregate principal amount of the Notes pursuant to the underwriters' over-allotment option. The Notes are our senior unsecured obligations, will mature on September 15, 2026, and are effectively subordinated to the debts and liabilities of our subsidiaries. The Notes will bear interest at 3.95% per annum. Interest on the Notes is payable semi-annually on March 15 and September 15 of each year, beginning on March 15, 2007. The Notes are convertible, subject to various conditions, into cash and at our option, cash, common stock or a combination thereof at an initial conversion price of \$24.4490 per share. The initial conversion price is equivalent to a conversion rate of 40.9015 shares per \$1,000 principal amount of Notes. The Notes may be converted at the option of the holder at any time on or after September 15, 2025, and prior thereto only upon the occurrence of specified events.

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The Offering

Issuer	National Retail Properties, Inc.
Securities Offered	<p>3,200,000 depositary shares (3,680,000 depositary shares if the underwriters' over-allotment option is exercised in full), each representing a 1/100th fractional interest in a share of 7.375% Series C Cumulative Redeemable Preferred Stock. Dividend Rate and Payment Dates</p> <p>Dividends on the offered shares are cumulative from October 12, 2006 and are payable quarterly in arrears on the fifteenth day of March, June, September and December of each year, or, if not a business day, the next succeeding business day, when and as declared, beginning on December 15, 2006. We will pay cumulative dividends on the Series C Preferred Stock underlying the depositary shares at the fixed rate of \$1.84375 per depositary share each year, which is equivalent to 7.375% of the \$25.00 liquidation preference per depositary share. The first dividend we will pay on December 15, 2006 will be for less than a full quarter and will cover the period from the first date we issue and sell the depositary shares through November 30, 2006. Dividends on the Series C Preferred Stock underlying the depositary shares will continue to accumulate even if any of our agreements prohibit the current payment of dividends, we do not have earnings or funds legally available to pay the dividends or our board of directors does not declare the payment of the dividends. See Description of Series C Preferred Stock and Depositary Shares Dividends on page S-9 of this prospectus supplement.</p> <p>However, during any period of time that both (i) the depositary shares (or the Series C Preferred Stock if no longer held in depositary form) are not listed on the NYSE, AMEX or NASDAQ, and (ii) we are not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or Exchange Act, but any shares of Series C Preferred Stock are outstanding, we will increase the cumulative cash distributions payable on the Series C Preferred Stock underlying the depositary shares to a fixed rate of \$2.09375 per depositary share per year, which is equivalent to 8.375% of the \$25.00 liquidation preference, per depositary share.</p>
Liquidation Preference	<p>The liquidation preference of each share of Series C Preferred Stock is \$2,500.00 (or \$25.00 per depositary share). Upon liquidation, holders of Series C Preferred Stock will be entitled to receive the liquidation preference with respect to their shares of Series C Preferred Stock plus an amount equal to accumulated but unpaid dividends with respect to such shares. See Description of Series C Preferred Stock and Depositary Shares Liquidation Preference on page S-10 of this prospectus supplement.</p>

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Optional Redemption	The Series C Preferred Stock underlying the depositary shares is not redeemable prior to October 12, 2011, except in limited circumstances relating to the preservation of our qualification as a REIT and as set forth under the caption Special Optional Redemption below. On and after October 12, 2011, the Series C Preferred Stock will be redeemable at our option for cash, in whole or, from time to time, in part, at a price per share equal to \$2,500.00 per share (or \$25.00 per depositary share), plus all accumulated, accrued and unpaid dividends on each share of Series C Preferred Stock, if any, to the redemption date.
Special Optional Redemption	During any period of time that both (i) the depositary shares (or the Series C Preferred Stock if no longer held in depositary form) are not listed on the NYSE, AMEX or NASDAQ, and (ii) we are not subject to the reporting requirements of the Exchange Act, but any shares of Series C Preferred Stock are outstanding, we will have the option to redeem the Series C Preferred Stock (and, therefore, the depositary shares), in whole but not in part, within 90 days of the date upon which the depositary shares (or shares of the Series C Preferred Stock) cease to be listed and we cease to be subject to such reporting requirements, for a redemption price of \$2,500.00 per share (or \$25.00 per depositary share), plus accrued and unpaid distributions, if any, to the redemption date.
Maturity	The Series C Preferred Stock underlying the depositary shares does not have a maturity date. Accordingly, the Series C Preferred Stock will remain outstanding indefinitely unless we decide to redeem them.
Restriction on Ownership	In order to assist us in maintaining our qualification as a REIT for U.S. federal income tax purposes, no person may own, or be deemed to own by virtue of the attribution rules of the Internal Revenue Code of 1986, as amended (hereinafter referred to as the Internal Revenue Code or the Code), more than 9.8% of the value of our outstanding capital stock, subject to certain exceptions. See Description of Common Stock Restrictions on Ownership in the accompanying prospectus.
Ranking	The Series C Preferred Stock underlying the depositary shares will rank, as to dividend rights and rights upon our liquidation, dissolution or winding up, senior to shares of our common stock and on a parity with any equity securities that we may issue in the future, the terms of which specifically provide that such equity securities rank on a parity with the Series C Preferred Stock. The terms of the Series C Preferred Stock do not limit our ability to (i) incur indebtedness that is senior to the Series C Preferred Stock or (ii) issue additional capital stock that is equal in rank therewith.

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Voting Rights

Holders of the depositary shares representing interests in the Series C Preferred Stock will generally have no voting rights. However, if dividends on any outstanding Series C Preferred Stock have not been paid for six or more quarterly periods (whether or not declared or consecutive), holders of depositary shares representing interests in the Series C Preferred Stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to elect two additional directors to our board of directors to serve until all unpaid dividends have been fully paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series C Preferred Stock cannot be made without the affirmative vote of holders of at least 66²/₃% of the outstanding Series C Preferred Stock, voting as a separate class. See Description of Series C Preferred Stock and Depositary Shares Voting Rights beginning on page S-12 of this prospectus supplement.

In any matter in which the Series C Preferred Stock may vote, each depositary share will be entitled to 1/100th of a vote.

Listing

We have applied to list the depositary shares on the New York Stock Exchange under the symbol NNNPRC. We expect trading on the New York Stock Exchange will commence within 30 days after the initial delivery of the depositary shares to the underwriters. The Series C Preferred Stock is not listed, and we do not expect that there will be any other trading market for the Series C Preferred Stock. We cannot assure you that our listing application will be approved.

Form

The depositary shares will be issued and maintained in book-entry form registered in the name of the nominee of The Depositary Trust Company except under limited circumstances.

Use of Proceeds

We intend to redeem our 9% Non-Voting Series A Preferred Stock, which will become redeemable on December 31, 2006, with approximately \$44.5 million of net proceeds from this offering, plus accumulated unpaid distributions, and use the remainder of the net proceeds to repay borrowings under our \$300.0 million unsecured revolving credit facility. See Use of Proceeds in this prospectus supplement.

Risk Factors

You should read carefully the Risk Factors beginning on page S-5 of this prospectus supplement, as well as the risk factors relating to our business that are incorporated by reference in this prospectus supplement and the accompanying prospectus, for certain considerations relevant to an investment in the depositary shares and our Series C Preferred Stock.

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RISK FACTORS

You should carefully consider the risks described below, as well as the risks described in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the depositary shares representing the Series C Preferred Stock. These risks are not the only ones faced by us. The trading price of the depositary shares could decline due to any of these risks, and you may lose all or part of your investment. This prospectus supplement and the accompanying prospectus and the documents incorporated herein and therein by reference also contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and in the documents incorporated herein by reference, particularly our Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

Risks Relating to This Offering

There is no established market for the depositary shares and the market value of the depositary shares could be substantially affected by various factors.

The depositary shares are a new issue of securities with no established trading market. We intend to apply to list the depositary shares on the NYSE. We cannot assure you that our listing application will be approved by the NYSE. However, even if approved for listing by the NYSE, an active trading market on the NYSE for the depositary shares may not develop or last, in which case the trading price of the depositary shares could be adversely affected. If an active trading market does develop on the NYSE, the depositary shares may trade at prices higher or lower than their initial offering price.

The trading price of our depositary shares would also depend on many factors, including:

prevailing interest rates;

the market for similar securities;

general economic conditions;

our financial condition, results of operations and prospects; and

the matters discussed in the prospectus under the captions Risk Factors and Forward-Looking Statements.

We have been advised by some of the underwriters that they intend to make a market in our depositary shares, but they are not obligated to do so and may discontinue market-making at any time without notice.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on the Series C Preferred Stock is limited by the laws of Maryland. Under Maryland General Corporation Law, a Maryland corporation may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on the Series C Preferred Stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of any shares of the preferred shares then outstanding, if any, with preferences senior to those of the Series C Preferred Stock.

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We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on the Series C Preferred Stock.

Our governing documents do not limit us from incurring additional indebtedness and other liabilities. As of June 30, 2006, we and our subsidiaries had outstanding \$639.4 million of senior unsecured indebtedness (exclusive of intercompany debt, trade payables, distributions payable, accrued expenses and other liabilities) and \$63.0 million of secured indebtedness. We may incur additional indebtedness and become more highly leveraged, which could harm our financial position and potentially limit our cash available to pay dividends. As a result, we may not have sufficient funds remaining to satisfy our dividend obligations relating to our Series C Preferred Stock if we incur additional indebtedness.

We cannot assure you that we will be able to pay dividends regularly.

Our ability to pay dividends in the future is dependent on our ability to operate profitably and to generate cash from our operations and the operations of our subsidiaries. We cannot guarantee that we will be able to pay dividends on a regular quarterly basis in the future. Furthermore, any new shares of common stock issued will substantially increase the cash required to continue to pay cash dividends at current levels. Any common stock or preferred stock that may in the future be issued to finance acquisitions, upon exercise of stock options or otherwise, would have a similar effect.

Our ability to issue preferred stock in the future could adversely affect the rights of holders of our preferred shares.

Our articles of incorporation authorize us to issue up to 15,000,000 shares of preferred stock in one or more series on terms determined by our board of directors. As of October 1, 2006, we had 1,781,589 shares of preferred stock outstanding. However, the use of depositary shares enables us to issue significant amounts of preferred stock, notwithstanding the number of shares authorized by our articles of incorporation. Our future issuance of any series of preferred stock under our articles of incorporation could therefore effectively diminish our ability to pay dividends on, and the liquidation preference of, our Series C Preferred Stock.

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We estimate that the net proceeds from this offering will be approximately \$77.3 million, after deducting the underwriting discount and other estimated expenses of this offering payable by us. We intend to redeem our 9% Non-Voting Series A Preferred Stock, which will become redeemable on December 31, 2006, with approximately \$44.5 million of net proceeds from this offering, plus accumulated unpaid distributions, and use the remainder of the net proceeds to repay borrowings under our \$300.0 million unsecured revolving credit facility. Borrowings under the credit facility, which expires on May 8, 2009, were \$78.8 million as of October 1, 2006, and currently bear interest at a rate of LIBOR plus 0.8%.

Pending application of the net proceeds from this offering to redeem our 9% Non-Voting Series A Preferred Stock, we may invest such proceeds in short-term, interest-bearing investments or temporarily reduce the outstanding balance of our unsecured revolving credit facility.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our historical ratio of earnings to combined fixed charges and preferred stock dividends for the periods indicated:

	For the Six Months		For the Years Ended December 31,				
	Ended June 30,	2005	2005	2004	2003	2002	2001
Ratio of earnings to combined fixed charges and preferred stock dividends	4.39x	2.88x	2.43x	2.46x	2.44x	2.43x	2.08x

(1) Earnings for the six months ended June 30, 2006 includes a \$59.5 million gain on the disposition of the two office buildings and related parking garage (DC Office Buildings) which were sold in May 2006. The ratio of earnings to combined fixed charges and preferred stock dividends for the six months ended June 30, 2006 excluding the DC Office Buildings gain is 2.38x.

For the purposes of computing these ratios, earnings have been calculated by adding fixed charges (excluding capitalized interest) to income (loss) before taxes and extraordinary items. Fixed charges consist of interest costs, whether expensed or capitalized, and the amortization of debt expense and discount or premium relating to any indebtedness, whether expensed or capitalized.

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DESCRIPTION OF SERIES C PREFERRED STOCK AND DEPOSITARY SHARES

*The following is a summary of the material terms and provisions of the Series C Preferred Stocks and depositary shares. The statements below describing our Series C Preferred Stock are in all respects subject to and qualified in their entirety by reference to the applicable provisions of our articles of incorporation, including the articles supplementary establishing the Series C Preferred Stock, and our bylaws, each of which is available from us as described in the *Where You Can Find More Information* section beginning on page S-17 of this prospectus supplement and is incorporated by reference in this prospectus supplement. This description of the particular terms of the Series C Preferred Stock supplements the description of the general terms and provisions of our preferred stock set forth in the accompanying prospectus beginning on page 16 under *Description of Preferred Stock*. The statements below describing our depositary shares are in all respects subject to and qualified in their entirety by reference to the Deposit Agreement, which we will file with the SEC.*

*As used in this section, the terms *we*, *us* and *our* refer to National Retail Properties, Inc. and not to any of its subsidiaries.*

General

Under our articles of incorporation, we are authorized to issue up to 190,000,000 shares of common stock, par value \$.01 per share, and 15,000,000 shares of preferred stock, par value \$.01 per share. As of October 1, 2006, we had 58,620,316 shares of common stock outstanding and 1,781,589 shares of 9% Series A Non-Voting Preferred Stock outstanding. We intend to use the net proceeds from this offering to repurchase all of our 9% Series A Non-Voting Preferred Stock.

Shares of preferred stock may be offered and sold from time to time, in one or more series, as authorized by our board of directors. Our board of directors is authorized under Maryland law and our articles of incorporation to set for each series of preferred stock the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption. The Series C Preferred Stock is being issued pursuant to an articles supplementary to our articles of incorporation that sets forth the terms of a series of preferred stock consisting of up to 36,800 shares, designated 7.375% Series C Cumulative Redeemable Preferred Stock.

The registrar, transfer agent and distributions disbursing agent for the Series C Preferred Stock is American Stock Transfer & Trust Company.

Each depositary share represents a 1/100th fractional interest in a share of Series C Preferred Stock. The Series C Preferred Stock underlying the depositary shares will be deposited with American Stock Transfer & Trust Company, as depositary, under a deposit agreement among us, the depositary and the holders from time to time of the depositary receipts issued by the depositary under the deposit agreement. The depositary shares will be evidenced by depositary receipts issued pursuant to the deposit agreement. Subject to the terms of the deposit agreement, each record holder of depositary receipts evidencing depositary shares will be entitled, proportionately (i.e., 1/100th), to all the rights and preferences of, and subject to all of the limitations of, the interest in the Series C Preferred Stock underlying the depositary shares (including dividend, voting, redemption and liquidation rights and preferences). See *Description of Depositary Shares* beginning on page 21 of the accompanying prospectus.

Ranking

The Series C Preferred Stock represented by the depositary shares will, as to dividend rights and rights upon our liquidation, dissolution or winding-up, rank:

senior to all classes or series of our common stock and to all other equity securities ranking junior to the Series C Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up;

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on a parity with any equity securities authorized or designated by us in the future, the terms of which specifically provide that such equity securities rank on a parity with the Series C Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; and

junior to any class or series of equity securities authorized or designated by us in the future which specifically provides that such class or series ranks senior to the Series C Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up.

The term "equity securities" does not include convertible debt securities, which will rank senior to the Series C Preferred Stock prior to conversion. In addition, the Series C Preferred Stock will be junior to our indebtedness and the indebtedness of our subsidiaries.

Dividends

Holders of the Series C Preferred Stock are entitled to receive, when and as authorized by our board of directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 7.375% of the \$2,500.00 liquidation preference (or \$25.00 per depositary share) per year (equivalent to \$184.375 per year or \$1.84375 per year per depositary share). Dividends on the Series C Preferred Stock will accrue and be cumulative from October 12, 2006, the date of original issue by us of the Series C Preferred Stock. Dividends will be payable quarterly in arrears on the fifteenth day of March, June, September and December of each year or, if not a business day, the next succeeding business day. We refer to each such date as a Dividend Payment Date. The first dividend we will pay on December 15, 2006 will be for less than a full quarter and will cover the period from the first date we issue and sell the depositary shares through November 30, 2006.

During any period of time that both (i) the depositary shares (or the Series C Preferred Stock if no longer held in depositary form) are not listed on the NYSE, AMEX or NASDAQ, and (ii) we are not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or Exchange Act, but any shares of Series C Preferred Stock are outstanding, we will increase the cumulative cash dividends payable on the Series C Preferred Stock and, accordingly, holders of the Series C Preferred Stock will be entitled to receive, when and as authorized by our board of directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8.375% of the \$2,500.00 liquidation preference (or \$25.00 per depositary share) per year (equivalent to \$209.375 per year or \$2.09375 per year per depositary share). Distributions not paid shall accrue at this increased rate.

Any dividend, including any dividend payable on the Series C Preferred Stock for any partial dividend period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends are payable to holders of record of depositary shares as they appear in the depositary's records at the close of business on the applicable record date, which will be the date that our board of directors designates for the payment of a dividend that is not more than 30 nor less than 10 days prior to the Dividend Payment Date, which date we refer to as a Dividend Payment Record Date.

Our board of directors will not authorize, pay or set apart for payment by us any dividend on the Series C Preferred Stock at any time that:

the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, prohibits such authorization, payment or setting apart for payment;

the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, provides that such authorization, payment or setting apart for payment would constitute a breach of, or a default under, such agreement; or

the law restricts or prohibits the authorization or payment.

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Notwithstanding the foregoing, dividends on the Series C Preferred Stock will accrue whether or not:

the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, prohibits such authorization, payment or setting apart for payment;

we have earnings;

there are funds legally available for the payment of the dividends; and

the dividends are authorized.

Accrued but unpaid dividends on the Series C Preferred Stock will not bear additional interest.

Any dividend payment made on the Series C Preferred Stock will first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

If, for any taxable year, we elect to designate as capital gain dividends (as defined in Section 857 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code) a portion, which we refer to as the Capital Gains Amount, of the dividends not in excess of our earnings and profits that are paid or made available for the year to the holders of all classes of shares, or the Total Dividends, then the portion of the Capital Gains Amount that will be allocable to the holders of depositary shares will be the Capital Gains Amount multiplied by a fraction, the numerator of which will be the total dividends (within the meaning of the Code) paid or made available to the holders of depositary shares for the year and the denominator of which will be the Total Dividends.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of Series C Preferred Stock are entitled to be paid out of our assets legally available for distribution to our stockholders a liquidation preference of \$2,500.00 per share (or \$25.00 per depositary share), plus an amount equal to any accrued and unpaid dividends to the date of payment (whether or not declared), before any distribution or payment may be made to holders of shares of common stock or any other class or series of our equity stock ranking, as to liquidation rights, junior to the Series C Preferred Stock. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding Series C Preferred Stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on a parity with the Series C Preferred Stock, then the holders of the Series C Preferred Stock and each such other class or series of capital stock ranking, as to liquidation rights, on a parity with the Series C Preferred Stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled. Holders of Series C Preferred Stock will be entitled to written notice of any liquidation. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series C Preferred Stock and depositary shares will have no right or claim to any of our remaining assets.

Our consolidation or merger with or into any other entity or the sale, lease, transfer or conveyance of all or substantially all of our property or business will not be deemed to constitute our liquidation, dissolution or winding up. The Series C Preferred Stock will rank senior to the common stock as to priority for receiving liquidating distributions and on parity with any future equity securities which, by their terms, rank on a parity with the Series C Preferred Stock.

Redemption

The Series C Preferred Stock is not redeemable prior to October 12, 2011, except under the circumstances described below.

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On and after October 12, 2011, the Series C Preferred Stock may be redeemed at our option, in whole or in part, from time to time, at a redemption price of \$2,500.00 per share (or \$25.00 per depositary share), plus all dividends accrued and unpaid (whether or not declared) on the Series C Preferred Stock up to the date of such redemption, upon the giving of notice, as provided below. Whenever we redeem shares of our Series C Preferred Stock held by the depositary, the depositary will redeem as of the same redemption date a number of depositary shares representing the shares so redeemed and the depositary receipts evidencing such depositary shares.

If fewer than all of the outstanding Series C Preferred Stock are to be redeemed, the shares to be redeemed will be determined *pro rata*, by lot or in such other manner as prescribed by our board of directors. In the event that the redemption is to be by lot, and if as a result of the redemption any holder of Series C Preferred Stock would own, or be deemed by virtue of certain attribution provisions of the Code to own, in excess of 9.8% in value of our issued and outstanding equity securities (which includes the depositary shares), then, except in certain instances, we will redeem the requisite number of shares of Series C Preferred Stock of that stockholder such that the stockholder will not own or be deemed by virtue of certain attribution provisions of the Code to own, subsequent to the redemption, in excess of 9.8% in value of our issued and outstanding equity securities (which includes the depositary shares).

In addition, during any period of time that both (i) the depositary shares (or the Series C Preferred Stock if no longer held in depositary form) are not listed on the NYSE, AMEX or NASDAQ, and (ii) we are not subject to the reporting requirements of the Exchange Act, but any shares of Series C Preferred Stock are outstanding, we will have the option to redeem the Series C Preferred Stock (and, therefore, the depositary shares), in whole but not in part, within 90 days of the date upon which the depositary shares (or shares of the Series C Preferred Stock) cease to be listed and we cease to be subject to such reporting requirements, for a redemption price of \$2,500.00 per share (or \$25.00 per depositary share), plus all dividends accrued and unpaid, if any, to the redemption date, upon the giving of notice, as provided below.

We shall give the depositary not less than 30 nor more than 60 days prior written notice of redemption of the deposited Series C Preferred Stock. A similar notice of redemption will be mailed by the depositary (or us, if the Series C Preferred Stock is no longer held in depositary form) not less than 30 nor more than 60 days prior to the date fixed for redemption to each holder of record of depositary shares (or Series C Preferred Stock, as the case may be) that is to be redeemed. The notice will notify the holder of the election to redeem the shares and will state at least the following:

the date fixed for redemption thereof, which we refer to as the redemption date;

the redemption price;

the number of shares of Series C Preferred Stock and depositary shares to be redeemed (and, if fewer than all the shares are to be redeemed, the number of shares to be redeemed from such holder);

the place(s) where the depositary receipts evidencing the depositary shares (or Series C Preferred Stock certificates, if no longer held in depositary form) are to be surrendered for payment; and

that dividends on the depositary shares and the Series C Preferred Stock will cease to accrue on the redemption date.

On or after the redemption date, each holder of depositary shares to be redeemed must present and surrender the depositary receipts evidencing the depositary shares to the depositary at the place designated in the notice of redemption. If the Series C Preferred Stock is no longer held in depositary form, on or after the redemption date, each holder of Series C Preferred Stock to be redeemed must present and surrender their preferred certificates to us at the place designated in the notice of redemption. The redemption price of the shares will then be paid to or on the order of the person whose name appears on such depositary receipts or preferred certificates as the owner thereof. Each surrendered depositary receipt or certificate will be canceled. In the event that fewer than all the depositary receipts or preferred certificates are to be redeemed, a new depositary receipt will be issued representing the unredeemed depositary shares.

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From and after the redemption date (unless we default in payment of the redemption price):

all dividends on the depositary shares designated for redemption in the notice will cease to accrue;

all rights of the depositary holders of the shares or preferred certificates, except the right to receive the redemption price thereof (including all accrued and unpaid dividends up to the redemption date), will cease and terminate;

the depositary shares and preferred certificates will not thereafter be transferred (except with our consent) on the depositary's books or our books; and

the depositary shares or Series C Preferred Stock will not be deemed to be outstanding for any purpose whatsoever.

Notwithstanding the foregoing, unless full cumulative dividends on all outstanding Series C Preferred Stock has been paid or declared and a sum sufficient for the payment of the dividends has been set apart for payment for all past dividend periods and the then-current dividend period, no Series C Preferred Stock will be redeemed unless all outstanding Series C Preferred Stock is simultaneously redeemed. This requirement will not prevent our purchase or acquisition of Series C Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series C Preferred Stock. Unless full cumulative dividends on all outstanding Series C Preferred Stock have been paid or declared and a sum sufficient for the payment of the dividends has been set apart for payment for all past dividend periods and the then-current dividend period, we will not purchase or otherwise acquire directly or indirectly any Series C Preferred Stock (except by exchange for our equity securities ranking junior to the Series C Preferred Stock as to dividend rights and liquidation preference).

Notwithstanding any other provision relating to redemption of the Series C Preferred Stock, we may redeem any or all of the Series C Preferred Stock at any time, whether or not prior to October 12, 2011, if our board of directors determines that the redemption is necessary or advisable to preserve our status as a REIT.

Voting Rights

Except as described below, holders of depositary shares or Series C Preferred Stock will generally have no voting rights. In any matter in which the Series C Preferred Stock may vote (as expressly provided in our articles of incorporation or the articles supplementary, or as may be required by law), each Series C Preferred Stock shall be entitled to one vote. As a result, each depositary share will be entitled to 1/100th of a vote.

If dividends on the Series C Preferred Stock are in arrears, whether or not declared, for six or more quarterly periods, whether or not these quarterly periods are consecutive, holders of Series C Preferred Stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote, at a special meeting called by the holders of record of at least 10% of any series of preferred stock as to which dividends are so in arrears or at the next annual meeting of stockholders, for the election of two additional directors to serve on our board of directors until all dividend arrearages have been paid.

Any amendment, alteration, repeal or other change to any provision of our articles of incorporation, including the articles supplementary establishing the Series C Preferred Stock, whether by merger, consolidation or otherwise, in any manner that would materially and adversely affect the rights, preferences, powers or privileges of the Series C Preferred Stock cannot be made without the affirmative vote of holders of at least 66 2/3% of the outstanding Series C Preferred Stock, voting separately as a class. In addition, the creation, issuance or increase in the authorized number of shares of any class or series of stock having a preference as to dividends or distributions, whether upon liquidation, dissolution or otherwise, that is senior to the Series C Preferred Stock requires the affirmative vote of holders of at least 66 2/3% of the outstanding Series C Preferred Stock, voting separately as a class.

