

COMMERCIAL NET LEASE REALTY INC

Form 424B3

November 28, 2001

Filed pursuant to Rules 424(b)(3) & (5)  
Registration No. 333-53796

**PROSPECTUS SUPPLEMENT**  
**(To Prospectus dated May 1, 2001)**

**4,000,000 Shares**

**Common Stock**

**\$13.34 per share**

We are selling 4,000,000 shares of our common stock, par value \$.01 per share. We have granted the underwriters an option to purchase up to 600,000 additional shares of common stock to cover over-allotments.

Our common stock is listed on the New York Stock Exchange under the symbol NNN. The last sale price of our common stock on the New York Stock Exchange on November 27, 2001 was \$13.34 per share.

**Investing in our common stock involves risks. See Risk Factors beginning on page S-7 of this Prospectus Supplement.**

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.

	<b><u>Per Share</u></b>	<b><u>Total</u></b>
Public Offering Price	\$ 13.34	\$53,360,000
Underwriting Discount	\$ .70	\$ 2,800,000
Proceeds to us, before expenses	\$ 12.64	\$50,560,000

The underwriters expect to deliver the shares to purchasers on or about November 30, 2001.

*Sole Book Running Manager*  
**Salomon Smith Barney**  
**A.G. Edwards & Sons, Inc.**

*Co-Lead Manager*  
**Wachovia Securities**

**Legg Mason Wood Walker**  
**Incorporated**

**Raymond James**

November 27, 2001

**You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate as of any date other than their respective dates.**

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Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the securities. Such transactions may include stabilization, the purchase of securities to cover syndicate short positions and the imposition of penalty bids. For a description of these activities, see Underwriting.

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### **HOW TO OBTAIN MORE INFORMATION**

We file reports, proxy statements and other information with the SEC. You may read any document we file at the SEC's public reference room at 450 Fifth Street, NW, Room 1024, Washington, D.C. 20549. Please call the SEC toll free at 1-800-SEC-0330 for information about its public reference rooms. You also may read our filings at the SEC's Web site at <http://www.sec.gov>.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933. This prospectus supplement and accompanying prospectus do not contain all of the information in the registration statement. We have omitted certain parts of the registration statement, as permitted by the rules and regulations of the SEC. You may inspect and copy the registration statement, including exhibits, at the SEC's public reference facilities or Web site. Our statements in this prospectus supplement and accompanying prospectus about the contents of any contract or other document are not necessarily complete. You should refer to the copy of each contract or other document we have filed as an exhibit to the registration statement for complete information.

The SEC allows us to incorporate by reference into this prospectus supplement and the accompanying prospectus the information we file with it. This means that we have disclosed important information to you by referring you to those documents. The information we incorporate by reference is considered a part of this prospectus supplement and the accompanying prospectus, and later information we file with the SEC will automatically update and supersede this information. We incorporate by reference all documents we file pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus supplement and prior to the completion of this offering.

You may obtain copies of these documents (other than exhibits) free of charge by contacting our Secretary at our principal offices, which are located at 450 South Orange Avenue, Suite 900, Orlando, Florida 32801, (407) 265-7348.

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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. In this prospectus supplement, the words we, our, ours and us refer to Commercial Net Lease Realty, Inc. and its subsidiaries and joint ventures, unless the context indicates otherwise. The following summary contains basic information about the offering. Unless otherwise indicated, the information contained in this prospectus supplement assumes no exercise of the underwriter's over-allotment option.*

### The Company

We are a fully integrated, self-administered equity real estate investment trust (REIT) formed in 1984 that acquires, owns, manages and indirectly develops a diversified portfolio of high quality, freestanding properties that are generally leased to major retail businesses under full-credit, long-term commercial net leases.

Our portfolio emphasizes properties that are located within intensive commercial corridors near traffic generators such as regional malls, business developments and major thoroughfares. These properties, which generally have purchase prices of up to \$10.0 million, attract a wide array of established retail tenants, such as Academy, Barnes & Noble, Bed Bath & Beyond, Best Buy, Borders, CVS, Eckerd, Food 4 Less, IHOP, Office Depot, OfficeMax, Supervalu, The Sports Authority, Wal-Mart and 7-Eleven. Consequently, our management believes that such properties offer attractive opportunities for stable current returns and potential capital appreciation. In addition, management believes that the location and design of properties in this niche provide flexibility in use and tenant selection and an increased likelihood of advantageous re-lease terms upon expiration or early termination of the related leases.

We generally acquire properties that are newly constructed or re-developed as of the time of acquisition. In addition, we generally acquire properties that are subject to a lease in order to avoid the risks of not finding a tenant on a timely basis and to provide an immediate revenue stream. Our leases typically provide that the tenant bears responsibility for substantially all property costs and expenses associated with ongoing maintenance and operation, including utilities, property taxes and insurance, and generally also provide that the tenant is responsible for roof and structural repairs. Such leases typically do not limit our recourse against the tenant and any guarantor in the event of a default and for this reason are considered full-credit leases. Our properties are leased on a long-term basis, generally 10 to 20 years, with renewal options for an additional 10 to 20 years.

As of September 30, 2001, we owned (or in certain limited cases ground leased), either directly or through investment interests, 239 properties, which were 90% leased, located in 36 states. The average remaining initial lease term of our properties was approximately 12 years. Leases representing approximately 73% of annualized base rental income from our properties, as of September 30, 2001, have initial terms extending until at least December 31, 2011. Approximately 81% of annualized base rental income is derived from leases that provide for periodic, contractually fixed increases in base rent.

Our address and phone number are:

Commercial Net Lease Realty, Inc.  
450 S. Orange Avenue  
Suite 900  
Orlando, Florida 32801  
(407) 265-7348



### **Core Business Objectives**

We seek to enhance our operating performance and financial position through the implementation of the following core business objectives:

*We Underwrite Long-Term Triple-Net/ Full-Credit Leases* To avoid initial lease-up risks, we generally acquire only properties which are fully leased under a long-term, full-credit lease. We believe that our emphasis on full-credit, long-term (10 to 20 years), triple-net leases will produce a predictable long-term income stream. Our willingness to make long-term investments in retail properties offers tenants financial flexibility and allows them to allocate capital to their core businesses.

*We Minimize Investment Risk through Diversification of Line of Business/ Geographic Location* We continue to diversify our portfolio to include a full spectrum of retail businesses as tenants, including distinct retail segments as well as a diversity of tenants and geographic locations. We target retailers which we view as leaders in their respective market segments and which have the financial strength to compete effectively.

*We Develop and Maintain Relationships with Quality Tenants* We seek to develop and maintain long-term working relationships with established retail companies by providing sale/leaseback financing and, through our affiliation with Commercial Net Lease Realty Services, Inc., build-to-suit services on multiple properties to target retailers on a national basis, thereby adding additional efficiency and value to ourselves and the retailers. In our view, our relationships with our tenants are fostered by the broad range of services we offer to tenants. These services, which include providing market surveys, site selection analyses and facility management consulting, are designed to aid a tenant in the selection and operation of a specific site.

*Our Real Estate is Located in Highly Visible Areas* We typically invest in properties which are located in areas with high levels of commercial traffic, such as commercial developments near regional malls, business developments and major thoroughfares. These locations provide our tenants with high visibility to passing traffic, ease of access, control over the site's operating hours and maintenance standards and distinctive building design, thereby promoting greater customer identification. In addition, due to the short development cycles generally associated with such properties (approximately six to 12 months), this format provides tenants flexibility in responding to changing retail trends and permits faster development of new stores. This enables our tenants to add new stores quickly.

*The Design of Our Properties Provides Tenants with Great Flexibility* Due to the short development cycles generally associated with our properties (approximately six to 12 months), our retail property format provides tenants with flexibility in responding to changing retail trends and permits faster development of new stores. This enables our tenants to add new stores quickly and in the most efficient manner.

*We Maintain a Conservative Capital Structure* We seek to operate with a moderate use of leverage. We believe that our portfolio of properties and the predictability and stability of the underlying cash flow will permit us to obtain attractive long-term debt financing. We intend to maintain a ratio of total indebtedness to total assets (before accumulated depreciation) of not more than 50 percent.

*We Offer Tenants Build-to-Suit Development Capabilities* Through our affiliation with Commercial Net Lease Realty Services, Inc., we provide build-to-suit development to retailers. These build-to-suit services allow us to offer the tenant a wider menu of services and we believe tenants often prefer that we develop the property because we can reduce overall construction costs. Upon completing the development and construction of a property, Commercial Net Lease Realty Services may sell the completed property to us or to an unrelated third party.





## Recent Developments

### Captec Merger

On July 1, 2001, we entered into an Agreement and Plan of Merger with Captec Net Lease Realty, Inc., a Delaware corporation. Pursuant to the merger agreement, and subject to the terms and conditions thereof, Captec will merge with and into our company, with our company being the surviving corporation.

Captec is a public company whose shares of common stock are traded on the Nasdaq National Market under the symbol CRRR. In its quarterly report for the quarter ended September 30, 2001, Captec reported \$5,639,620 in leasing revenues for the three months ended September 30, 2001 and \$16,953,918 in leasing revenues for the nine months ended September 30, 2001. Based on Captec's quarterly report for the quarter ended September 30, 2001, the net book value of Captec's assets was \$132,171,215.

In the merger, holders of Captec common stock will receive 0.4575 shares of our common stock, 0.21034679 shares of our 9% Class A non-voting preferred stock and \$1.27 in cash for each share of Captec common stock. Cash will be paid instead of the issuance of fractional shares. The exchange ratio is not subject to change and there is no collar or minimum trading price for the shares of Captec common stock or our common stock.

On November 19, 2001, Captec's stockholders approved the merger. While the consummation of the merger continues to be subject to additional customary closing conditions, it is expected that the closing of the merger will be effective on December 1, 2001.

### Property Dispositions

Between January 1, 2001 and September 30, 2001, we sold 31 properties having 398,577 square feet of gross leasable area or space which accounted for \$3,552,837 of base rent. Since January 1, 2001, we acquired two properties for an aggregate purchase price of \$14.5 million (on an inclusive cost basis). These two properties have approximately 105,000 square feet of gross leasable area.

## The Offering

Securities offered	4,000,000 shares of common stock <sup>(1)</sup>
Price per share	\$13.34
Shares of common stock to be outstanding after this offering	34,925,113 <sup>(1)(2)</sup>
Use of proceeds	We will use the net proceeds from the sale of the common stock to repay amounts outstanding under our existing credit facility.
Risk factors	See "Risk Factors" beginning on page S-7 of this prospectus supplement.
New York Stock Exchange symbol	NNN

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- (1) This number assumes the underwriters' overallotment option to purchase up to 600,000 additional shares of our common stock is not exercised.
- (2) The number of shares of common stock outstanding after the offering excludes shares of common stock issuable upon exercise of options under our 2000 Performance Incentive Plan.

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## **RISK FACTORS**

In addition to the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, you should carefully review the following considerations in determining whether to purchase the common stock.

### **The loss of any member of our management team could adversely affect our business.**

We depend upon the services of James M. Seneff, Jr., as Chairman of the board of directors and Chief Executive Officer, and of Gary M. Ralston, as President. Loss of the services of either of Mr. Seneff or Mr. Ralston could have a material adverse effect on our business and financial condition. We have entered into employment agreements with both Mr. Seneff and Mr. Ralston. Our agreement with Mr. Seneff does not require that he devote all of his efforts to the company nor is it expected that he will devote all of his efforts to the company.

### **A substantial portion of our revenue is derived from a small number of tenants.**

Eckerd accounted for approximately 14.7% of the annualized base rental income from our properties (which we call base rent) as of September 30, 2001. Our next five largest tenants (Best Buy, OfficeMax, Barnes & Noble, Borders Books & Music, and Academy), in terms of base rent as of September 30, 2001, accounted for an aggregate of approximately 34.4% of base rent. The default, financial distress or bankruptcy of one or more of these tenants could cause vacancies among certain of our properties. Such vacancies would reduce our revenues until we were able to re-lease the affected properties, and could decrease the ultimate sale value of each such property. Upon the expiration of the leases that are currently in place, we may not be able to re-lease a vacant property at a comparable lease rate or without incurring additional expenditures in connection with such re-leasing.

### **Three of our tenants are currently in bankruptcy proceedings.**

Three of our tenants, Waccamaw/ Homeplace, Heilig-Meyers and HomeLife, have each filed voluntary petitions for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result, each of these tenants has a right to reject or affirm its leases with us.

HomeLife has filed a motion to reject all five of its leases in the bankruptcy proceedings. Regardless of such election by HomeLife, Sears, Roebuck & Co., as assignor of the leases to HomeLife, will remain liable under the leases. Waccamaw/ HomePlace rejected all five of its leases with us and surrendered the properties to us. As of November 2001, Heilig-Meyers has rejected 12 of its 17 leases with us, and the lease for one of its properties has been assigned to a new tenant pursuant to the U.S. Bankruptcy Code procedures. As of the respective lease rejection dates, Waccamaw/ HomePlace and Heilig-Meyers were no longer required to pay rent, real estate taxes or insurance on the properties. While Heilig-Meyers continues to lease four properties, the tenant has not rejected or affirmed the remaining four leases and there can be no assurance that some or all of the leases will not be rejected in the future.

The lost revenues and increased property expenses resulting from the rejection by any bankrupt tenant of any of their respective leases with us could have a material adverse effect on our liquidity and results of operations, if we are unable to re-lease the properties at comparable rental rates and in a timely manner. Currently, we own 22 vacant, unleased properties, accounting for 12.8% of the total gross leasable area, and are actively marketing these 22 properties.

### **Mr. Seneff's ability to devote his full attention to us is limited.**

Mr. Seneff manages numerous business ventures, and his responsibilities to these other ventures will reduce the amount of time that he may devote exclusively to us.

**We may not be able to repay our debt financing obligations.**

While our organizational documents do not limit the level or amount of debt that we may incur, it is our current policy to maintain a ratio of total indebtedness to total assets (before accumulated

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depreciation) of not more than 50%. However, this policy is subject to reevaluation and modification by the board of directors without shareholder approval. If the board of directors modifies this policy to permit a higher degree of leverage and we incur additional indebtedness, debt service requirements would increase accordingly. Such an increase could adversely affect our financial condition and results of operations. In addition, increased leverage could increase the risk that we may default on our debt obligations, with resulting losses to our cash flow and asset value.

We are subject to the risks associated with debt financing. These risks include the risks that we may be unable to generate sufficient cash through our operating activities to meet required payments of principal and interest and that rising interest rates may cause the rate of our variable rate credit facility to rise. In addition, we may not be able to repay or refinance existing indebtedness (which generally will not have been fully amortized at maturity) or refinance existing indebtedness at terms that are as favorable as the terms of existing indebtedness. In the event that we are unable to secure financing of such indebtedness on acceptable terms, we may be forced to resort to alternatives that may adversely affect our ability to generate cash to pay our debt service obligations, such as disposing of properties on disadvantageous terms (which may also result in losses) and obtaining financing on unfavorable terms.

**There are a number of risks inherent in owning real estate.**

*Uncontrollable Factors Affecting Performance and Value.* Changes in general national, regional and local economic and market conditions may affect our economic performance and the value of our real estate assets. Local real estate market conditions may include excess supply and intense competition for tenants, including competition based on rental rates, attractiveness and location of the property and quality of maintenance, insurance and management services. In addition, other factors may affect the performance and value of a property adversely, including changes in laws and governmental regulations (including those governing usage, zoning and taxes), changes in interest rates and the availability of financing.

*Illiquidity of Real Estate Investments.* Because real estate investments are relatively illiquid, our ability to adjust our portfolio promptly in response to economic or other conditions is limited. Certain significant expenditures, such as debt service (if any), real estate taxes and operating and maintenance costs, generally do not change in response to economic or other conditions. This combination of variable revenue and relatively fixed expenditures may result, under certain market conditions, in reduced income from investment. Such reduction in investment income could have an adverse effect on our financial condition and results of operations.

*Environmental Matters.* It is our policy, as part of our acquisition due diligence process, to obtain at least a Phase I environmental site assessment for each property. Other than nine properties which we acquired under agreements executed before Phase I environmental site assessments became common practice, all of our properties have been subjected to Phase I environmental site assessments. The nine properties which were not subjected to Phase I site assessment are now leased to Golden Corral Corporation. To determine the status of the Golden Corral properties, we hired an environmental consultant in 1994 to review environmental regulatory databases containing a compilation of information by federal and state environmental agencies regarding sites reported to be contaminated. The consultant has advised us that none of the Golden Corral properties were identified in those databases. We cannot be sure, however, that such databases contain a complete and accurate list of all contaminated sites reported by federal and state environmental agencies. Further, we cannot be certain that we will not be required to undertake or pay for removal or remediation of any contamination of properties currently or previously owned by us or that the costs of such removal or remediation would not be material.

**There are risks involved with the acquisition and development of real estate.**

We cannot assure that we will be able to implement our investment strategies successfully. Additionally, we cannot assure that our property portfolio will expand at all, or if it will expand at any specified rate or to any specified

size. In addition, investment in additional real estate assets is subject to a number of risks. Because we expect to invest in markets other than the ones in which our current

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properties are located, we will also be subject to the risks associated with investment in new markets that may be relatively unfamiliar to our management.

To the extent that we engage in development activities, we will be subject to the risks normally associated with such activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks from causes beyond our control, such as weather or labor conditions or material shortages) and the ability to obtain both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken or provide a tenant the opportunity to terminate a lease. Any of these situations could have an adverse effect on our financial condition and results of operations and on the amount of funds available for distribution to stockholders.

**We have potential financial exposure as a result of lawsuits filed in connection with our anticipated merger with Captec.**

Following the public announcement of our proposed merger with Captec Net Lease Realty, Inc., certain Captec stockholders filed three lawsuits against Captec and its directors alleging breaches of fiduciary duty in connection with the merger and in connection with the sale of certain assets of Captec to CRC Acquisition LLC, a Michigan limited liability company owned by a Captec officer. One of these lawsuits also named our company, but we have since been dismissed as a party to that lawsuit. In the lawsuits, which have been consolidated into a single action, the plaintiffs are seeking a declaration that the action is properly maintainable as a class action, equitable relief that would enjoin the proposed merger, and unspecified damages. The plaintiffs have also sought a preliminary injunction barring our proposed acquisition of Captec.

Captec has entered into a Memorandum of Understanding with the plaintiffs (MOU), pursuant to which Captec and the plaintiffs agreed in principle to settle the consolidated action. Under the MOU, Captec agreed to provide to its shareholders additional disclosures concerning the proposed merger with us and agreed, if the settlement is approved ultimately by the court, to pay plaintiffs' attorneys' fees in an amount to be determined by the court but not to exceed \$350,000. The plaintiffs agreed in the MOU to negotiate and execute a Stipulation of Settlement and to submit the Stipulation of Settlement to the court for approval to withdraw their preliminary injunction request. If a Stipulation of Settlement is not executed by Captec and the plaintiffs or if the Stipulation of Settlement is not approved by the court, the consolidated action could continue, could delay the consummation of our merger with Captec, and could result in substantial damage awards against Captec and/or its directors, damages for which we could be responsible. In addition, to the extent that the settlement negotiations or litigation require significant attention from our management, their attention could be diverted from our operations.

**We may not be able to successfully integrate Captec's operations with ours.**

The proposed merger with Captec Net Lease Realty, Inc. involves risks related to the integration and management of acquired properties and operations. Because we do not intend to retain any of the existing management of Captec, the integration of our company with Captec will be a complex and time-consuming process and may disrupt our business if not completed in a timely and efficient manner. We may encounter substantial difficulties, costs and delays involved in integrating our operations with those of Captec, including:

perceived adverse changes in business focus;

potential conflicts in marketing or other important relationships; and

the diversion of our management's attention from other ongoing business concerns.



Further, the completion of the merger poses risks for our ongoing operations, including that:

following the merger, we may not achieve the cost savings and operating efficiencies; and

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the Captec portfolio may not perform as well as we anticipate.

If we fail to integrate Captec successfully or fail to realize the intended benefits of the merger, the market price of our common stock subsequent to the merger could decline from its current market price.

**Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of violence or war may affect the market on which our common stock trades, the markets in which we operate, our operations and our profitability.**

Terrorist attacks may negatively affect our operations and your investment. There can be no assurance that there will not be further terrorist attacks against the United States or United States businesses. These attacks may directly impact our physical facilities or the businesses of our tenants.

Also, as a result of terrorism, the United States has entered into an armed conflict which could have a further impact on our tenants. The consequences of any of these armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or your investment.

More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They also could result in, or cause a deepening of, economic recession in the United States or abroad. Any of these occurrences could have a significant impact on our operating results and revenues and may result in the volatility of the market price for our securities.

**Our failure to qualify as a real estate investment trust for federal income tax purposes would affect our ability to maintain our current level of distributions and could result in significant tax liability.**

We intend to operate in a manner that will allow us to continue to qualify as a real estate investment trust. Although we believe that we have been organized as, and our past and present operations qualify us as, a real estate investment trust, we cannot assure you that this is true, or that we will remain qualified as a real estate investment trust in the future. This is because qualification as a real estate investment trust involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial or administrative interpretations and involves the determination of various factual matters and circumstances not entirely within our control.

If we fail to qualify as a real estate investment trust, we will not be allowed a deduction for distributions to stockholders in computing taxable income and would become subject to federal income tax at regular corporate rates for both current and past years. In this event, we could be subject to potentially significant tax liabilities, and the amount of cash available for distribution to stockholders would be reduced and possibly eliminated. Unless entitled to relief under certain statutory provisions, we would also be disqualified from treatment as a real estate investment trust for the four taxable years following the year during which qualification was lost.

**We make certain forward-looking statements in this prospectus that may or may not occur.**

Certain statements incorporated by reference or made in this prospectus supplement under the captions Summary, Risk Factors and The Company, and elsewhere in this prospectus supplement are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When we use the words anticipate, assume, believe, estimate, expect, intend, and other similar expressions in this prospectus supplement, they are generally intended to identify forward-looking statements. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect our actual results,

performance or achievements.

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**SELECTED FINANCIAL DATA**

The following table sets forth selected financial information for us for the nine months ended September 30, 2001 and 2000 and for each of three years in the period ended December 31, 2000.

We derived the selected financial information presented below for and as of the end of the last three fiscal years from our audited financial statements. We derived the selected financial information presented below for the nine-month periods ended September 30, 2001 and 2000 from our unaudited interim financial statements. Our management believes that the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the information set forth therein. The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of the results to be expected for the full fiscal year or for any future period.

You should read this table in conjunction with the other financial information included in our annual report on Form 10-K for the year ended December 31, 2000, and in our Quarterly Report on Form 10-Q for the period ended September 30, 2001, both of which are incorporated herein by reference.

<i>Dollars in thousands</i>	Nine months ended September 30,		Year ended December 31,		
	2001	2000	2000	1999	1998
	(unaudited)				
<b>Operating Data</b>					
Revenues:					
Rental and earned income					
\$52,568 \$55,662 \$73,776 \$72,525 \$61,750					
Interest and other income					
7,604 4,677 7,115 4,018 3,023					
Total revenues					
60,172 60,339 80,891 76,543 64,773					

Expenses:

General operating and administrative

5,113 3,709 4,850 6,180 7,735

Real estate expenses

458 312 397 432 599

Interest

18,452 19,647 26,528 21,920 13,460

Depreciation and amortization

6,876 6,746 9,088 8,634 6,759

Expenses incurred acquiring Advisor

2,153 1,063 1,521 9,824 5,501

Total expenses

33,052 31,477 42,384 46,990 34,054

Earnings before equity in earnings of unconsolidated affiliates,  
and gain on disposition of real estate

27,120 28,862 38,507 29,553 30,719

Equity in earnings of unconsolidated affiliates

(2,433) (3,089) (3,980) (966) 367

Gain on disposition of real estate

4,765 4,091 6,724 1,355

Earnings before cumulative effect of change in accounting  
principle

29,452 25,773 38,618 35,311 32,441

Cumulative effect of change in accounting principle

(367)


Net earnings					
\$29,452	\$25,773	\$38,251	\$35,311	\$32,441	

<i>Dollars in thousands</i>	Nine months ended September 30,		Year ended December 31,		
	2001	2000	2000	1999	1998
	(unaudited)				
<b>Other data:</b>					
Shares of common stock outstanding at end of period	30,911,510	30,395,897	30,456,705	30,255,939	29,521,089
Total properties at end of period	239	277	268	279	294
Total gross leasable area (sq. ft. in thousands)	6,009	6,543	6,302	6,718	5,742
Earnings before interest and taxes	\$48,242	\$45,774	\$65,238	\$57,634	\$46,105
Earnings before interest, taxes depreciation and amortization <sup>(1)</sup>	\$52,506	\$53,583	\$71,756	\$69,368	\$57,010
Ratio of earnings to fixed charges	2.59	2.31	2.42	2.87	3.41

	September 30,		December 31,		
	2001	2000	2000	1999	1998
Real estate assets, net	\$615,131	\$663,737	\$638,179	\$671,684	\$658,757
Total assets	787,414	775,731	761,611	749,789	685,595
Total liabilities	390,177	385,354	367,710	358,427	301,705
Total stockholders' equity	397,237	390,377	393,901	391,362	383,890

- (1) Earnings before interest, taxes, depreciation and amortization ( EBITDA ) represents net income before interest expense, income taxes, depreciation and amortization. EBITDA is not intended to represent cash flow from operations as defined by GAAP and you should not consider it as an alternative to cash flow as a measure of liquidity or as an alternative to net earnings as an indicator of operating performance. EBITDA is included in this prospectus supplement because management believes that certain investors find it to be a useful tool for measuring a company's ability to service its debt. EBITDA as calculated by us may not be comparable to calculations as presented by other companies, even in the same industry.

## PROPERTIES

### The Properties

As of September 30, 2001, we had an ownership interest in 239 net-leased properties (or properties under development) located in 36 states. Except for seven properties which are leased, all of the properties that we own are owned in fee simple. We own the improvements in three of the leased properties. The average age of the buildings in our property portfolio is approximately seven years. The aggregate gross leasable area ( GLA ) of our property portfolio is approximately 6.0 million square feet and buildings in our property portfolio generally range in size from approximately 700 square feet to approximately 83,000 square feet.





The following tables set forth the diversification of our property portfolio based on tenant diversification, retail line of business diversification and geographic diversification by region as of September 30, 2001:

### Diversification by Tenant

September 30, 2001

Retailer	Retail Specialty	Total Number of Properties	Total GLA (Sq. Ft.)	Percent of Total GLA	Current Annual Base Rent <sup>(1)</sup>	Percent of Total Current Annual Base Rent
Eckerd	Pharmacies and Drug Stores	48	486,088	8.09%	\$9,567,729	14.71%
Best Buy	Radio, Television and Other Electronics Stores	8	379,077	6.31%	5,680,825	8.73%
OfficeMax	Office Supplies and Stationery Stores	16	408,356	6.80%	5,384,042	8.28%
Barnes & Noble	Book Stores	8	228,648	3.81%	4,360,218	6.70%
Borders Books & Music	Book Stores	6	179,879	2.99%	3,483,089	5.36%
Academy	Sporting Goods Stores	10	511,624	8.51%	3,478,894	5.35%
The Good Guys	Radio, Television and Other Electronics Stores	8	159,431	2.65%	3,342,386	5.14%
Bed, Bath & Beyond	All Other Home Furnishings Stores	3	129,258	2.15%	1,731,850	2.67%
HomeLife	Furniture Stores	5	187,512	3.12%	1,727,431	2.66%
Sports Authority	Sporting Good Stores	4	166,025	2.76%	1,634,403	2.51%
Food 4 Less	Supermarkets and Other Grocery Stores	2	105,154	1.75%	1,516,331	2.33%
Dick's Sporting Goods	Sporting Goods Stores	2	116,000	1.93%	1,387,885	2.13%
Office Depot	Office Supplies and Stationery Stores					