

PRESSTEK INC /DE/
Form 10-Q
November 15, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended October 1, 2011

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 0-17541
PRESSTEK, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other Jurisdiction of
Incorporation or Organization)

02-0415170
(I.R.S. Employer Identification No.)

10 Glenville Street
Greenwich, Connecticut
(Address of Principal Executive Offices)

06831
(Zip Code)

(203) 769-8056
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) of 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions 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 ☒

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(do not check if a 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 ☒

As of November 10, 2011, there were 37,374,872 shares of the Registrant's Common Stock, \$0.01 par value, outstanding.

PRESSTEK, INC.
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This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See "Information Regarding Forward-Looking Statements" under Part 1 – Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Quarterly Report on Form 10-Q.

DI is a registered trademark of Presstek, Inc.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PRESSTEK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(Unaudited)

| | October 1, 2011 | January 1, 2011 |
|--|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$3,293 | \$4,165 |
| Accounts receivable, net | 15,808 | 18,647 |
| Inventories | 27,382 | 29,143 |
| Other current assets | 2,563 | 1,609 |
| Total current assets | 49,046 | 53,564 |
| Property, plant and equipment, net | 19,191 | 21,156 |
| Intangible assets, net | 5,158 | 4,748 |
| Other noncurrent assets | 1,021 | 1,057 |
| Total assets | \$74,416 | \$80,525 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Line of credit | \$13,130 | \$10,252 |
| Accounts payable | 8,345 | 9,733 |
| Accrued expenses | 4,964 | 6,624 |
| Deferred revenue | 5,128 | 4,643 |
| Total current liabilities | 31,567 | 31,252 |
| Other long-term liabilities | 50 | 95 |
| Total liabilities | 31,617 | 31,347 |
| Stockholders' equity | | |
| Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued | - | - |
| Common stock, \$0.01 par value, 75,000,000 shares authorized, 37,343,286 and 36,942,166 shares issued and outstanding at October 1, 2011 and January 1, 2011, respectively | 373 | 369 |
| Additional paid-in capital | 124,761 | 122,664 |
| Accumulated other comprehensive loss | (3,344) | (3,517) |
| Accumulated deficit | (78,991) | (70,338) |
| Total stockholders' equity | 42,799 | 49,178 |
| Total liabilities and stockholders' equity | \$74,416 | \$80,525 |

The accompanying notes are an integral part of these consolidated financial statements.

PRESSTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per-share data)
(Unaudited)

| | Three months ended | | Nine months ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Revenue | | | | |
| Equipment | \$3,396 | \$4,760 | \$14,744 | \$15,890 |
| Consumables | 18,214 | 20,584 | 58,201 | 62,807 |
| Service and parts | 5,290 | 6,070 | 17,231 | 18,815 |
| Total revenue | 26,900 | 31,414 | 90,176 | 97,512 |
| Cost of revenue | | | | |
| Equipment | 4,422 | 4,965 | 16,254 | 16,312 |
| Consumables | 11,078 | 11,127 | 32,693 | 34,088 |
| Service and parts | 4,115 | 5,016 | 14,040 | 15,117 |
| Total cost of revenue | 19,615 | 21,108 | 62,987 | 65,517 |
| Gross profit | 7,285 | 10,306 | 27,189 | 31,995 |
| Operating expenses | | | | |
| Research and development | 1,194 | 1,154 | 3,379 | 3,207 |
| Sales, marketing and customer support | 5,028 | 5,302 | 15,901 | 16,366 |
| General and administrative | 5,063 | 4,580 | 13,517 | 14,712 |
| Amortization of intangible assets | 256 | 204 | 667 | 617 |
| Restructuring and other charges | 413 | 412 | 777 | 461 |
| Total operating expenses | 11,954 | 11,652 | 34,241 | 35,363 |
| Operating loss | (4,669) | (1,346) | (7,052) | (3,368) |
| Interest and other income (expense), net | (696) | 8 | (1,370) | (848) |
| Loss from continuing operations before income taxes | (5,365) | (1,338) | (8,422) | (4,216) |
| Provision (benefit) for income taxes | 50 | 158 | 231 | (331) |
| Loss from continuing operations | (5,415) | (1,496) | (8,653) | (3,885) |
| Loss from discontinued operations, net of tax | - | - | - | (70) |
| Net loss | \$(5,415) | \$(1,496) | \$(8,653) | \$(3,955) |
| Loss per share - basic and diluted | \$(0.15) | \$(0.04) | \$(0.23) | \$(0.11) |
| Weighted average shares outstanding - basic and diluted | 37,229 | 36,908 | 37,274 | 36,887 |

The accompanying notes are an integral part of these consolidated financial statements.

PRESSTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

| | Nine months ended | |
|--|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 |
| Operating activities | | |
| Net loss | \$(8,653) | \$(3,955) |
| Add loss from discontinued operations | - | 70 |
| Loss from continuing operations | (8,653) | (3,885) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 2,971 | 3,426 |
| Amortization of intangible assets | 667 | 617 |
| Provision for warranty costs | - | (55) |
| Provision for accounts receivable allowances | 1,840 | 607 |
| Stock compensation expense | 1,304 | 1,908 |
| Accrual for non-cash bonus plan | - | 598 |
| Loss on disposal of long-lived assets | 69 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 727 | (388) |
| Inventories | 1,007 | (1,328) |
| Other current assets | (951) | (309) |
| Deferred income taxes | - | (338) |
| Other noncurrent assets | 287 | 248 |
| Accounts payable | (1,389) | 837 |
| Accrued expenses | (1,761) | (2,141) |
| Restructuring and other charges | 777 | 461 |
| Deferred revenue | 484 | (973) |
| Net cash used in operating activities from continuing operations | (2,621) | (715) |
| Investing activities | | |
| Purchase of property, plant and equipment | (250) | (802) |
| Investment in patents and other intangible assets | (1,146) | (943) |
| Net cash used in investing activities from continuing operations | (1,396) | (1,745) |
| Financing activities | | |
| Net proceeds from issuance of common stock | 77 | 143 |
| Payments of loan origination costs | - | (973) |
| Net borrowings (repayments) under line of credit agreement | 2,878 | (8,486) |
| Net cash provided by (used in) financing activities from continuing operations | 2,955 | (9,316) |
| Cash provided by discontinued operations | | |
| Operating activities | - | 1,452 |
| Investing activities | - | 7,372 |
| Net cash provided by discontinued operations | - | 8,824 |

| | | |
|--|---------|----------|
| Effect of exchange rate changes on cash and cash equivalents | 190 | (342) |
| Net decrease in cash and cash equivalents | (872) | (3,294) |
| Cash and cash equivalents, beginning of period | 4,165 | 5,843 |
| Cash and cash equivalents, end of period | \$3,293 | \$2,549 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$559 | \$697 |
| Cash paid for income taxes | \$22 | \$32 |

The accompanying notes are an integral part of these consolidated financial statements.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 1, 2011
(Unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements of Presstek, Inc. and its subsidiaries ("Presstek," the "Company," "we" or "us") contain all adjustments, including normal recurring adjustments necessary to present fairly Presstek's financial position as of October 1, 2011 and January 1, 2011, its results of operations for the three and nine months ended October 1, 2011 and October 2, 2010 and its cash flows for the nine months ended October 1, 2011 and October 2, 2010, in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the interim reporting requirements of Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Certain reclassifications were made to prior years' amounts to conform to the 2011 presentation.

The results of the three and nine months ended October 1, 2011 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2011. The information contained in this Quarterly Report on Form 10-Q should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2011, filed with the U.S. Securities and Exchange Commission ("SEC") on March 16, 2011.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.

The Company operates and reports on a 52- or 53-week, fiscal year ending on the Saturday closest to December 31. Accordingly, the accompanying consolidated financial statements include the thirteen and thirty-nine week periods ended October 1, 2011 (the "third quarter and first nine months of fiscal 2011" or "the nine months ended October 1, 2011") and October 2, 2010 (the "third quarter and first nine months of fiscal 2010" or "the nine months ended October 2, 2010").

Use of Estimates

The Company prepares its financial statements in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management believes the most judgmental estimates include those related to product returns; warranty obligations; allowance for doubtful accounts; slow-moving and obsolete inventories; income taxes; the valuation of intangible assets, long-lived assets and deferred tax assets; stock-based compensation; and litigation. The Company bases its estimates and judgments on historical experience and various other appropriate factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenues

and expenses that are not readily apparent from other sources. Actual results could differ from those estimates.

Long-Lived Assets

Our management assesses the recoverability of its long-lived assets by determining whether the depreciation and amortization of long lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment if any, is measured based on fair value and is charged to operations in the period in which long-lived assets impairment is determined by management. Due to the decline in the market value of the Company's common stock, we tested our long-lived assets for impairment at the end of the third quarter of 2011. Our projected future undiscounted cash flows exceeded the carrying value of long-lived assets. Accordingly, no impairment was indicated or recorded. There can be no assurance that market conditions will not change or demand for our services will continue, which could result in impairment of long-lived assets in the future.

For a complete discussion of our critical accounting policies and estimates, refer to our Annual Report on Form 10-K for the fiscal year ended January 1, 2011, which was filed with the SEC on March 16, 2011. There were no significant changes to the Company's critical accounting policies during the nine months ended October 1, 2011.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

October 1, 2011

(Unaudited)

Recently Issued Accounting Standards

In October 2009, the FASB issued ASU 2009-13, Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements. This guidance modifies the fair value requirements of FASB ASC subtopic 605-25, Revenue Recognition-Multiple Element Arrangements, by allowing the use of the “best estimate of selling price” in addition to vendor specific objective evidence and third-party evidence for determining the selling price of a deliverable. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence, (b) third-party evidence, or (c) estimates. In addition, the residual method of allocating arrangement consideration is no longer permitted. ASU 2009-13 is effective for fiscal years beginning on or after June 15, 2010. The adoption of this guidance did not have a material impact upon our financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS. These amendments, effective for the interim and annual periods beginning on or after December 15, 2011 (early adoption is prohibited), result in a common definition of fair value and common requirements for measurement of and disclosure requirements between U.S. GAAP and IFRS. The amendments change some fair value measurement principles and disclosure requirements. The adoption of this guidance is not expected to have a material impact upon our financial position and results of operations.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income (Topic 220). This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The adoption of this guidance is not expected to have a material impact upon our financial position and results of operations.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

2. DISCONTINUED OPERATIONS

The Company accounts for its discontinued operations under the provisions of FASB Accounting Standards Codification Topic 360. Accordingly, results of operations and the related charges for discontinued operations have been classified as “Loss from discontinued operations, net of tax” in the accompanying Consolidated Statements of Operations. For comparative purposes, all prior periods presented have been reclassified on a consistent basis.

On March 5, 2010, Presstek sold Lasertel to SELEX Galileo Inc. (“SELEX”). The sale of Lasertel to SELEX was for \$8.0 million in cash and, in addition, Presstek was able to retain approximately \$2.0 million of laser diodes inventory for Presstek’s future production requirements. Lasertel, as a subsidiary of SELEX, and in accordance with a supply agreement established between Lasertel and Presstek on March 5, 2010, continues to manufacture semiconductor laser diodes for Presstek for an initial period of three years. The net cash proceeds from this sale were used to pay down debt. SELEX also assumed the current lease on the Lasertel property in Tucson, Arizona.

Lasertel incurred an operating loss of \$0.6 million during the first quarter of fiscal 2010 prior to the sale date. Presstek recorded a minor adjustment in the second quarter of fiscal 2010. Presstek recorded a gain on the disposition of Lasertel of \$0.5 million during the nine months ended October 1, 2010, bringing the aggregate loss from discontinued operations for the first nine months of fiscal 2010 to approximately \$0.1 million.

Results of operations of the discontinued business of Lasertel included in the Company’s Statements of Operations for the first nine months of 2010 consist of the following (in thousands, except per-share data):

| | Three months ended October 2, 2010 | Nine months ended October 2, 2010 |
|---------------------------------------|--|---|
| Revenues from external customers | \$- | \$1,394 |
| Loss from operations | - | (555) |
| Gain on disposition | - | 485 |
| Loss before income taxes | - | (70) |
| Provision (benefit) for income taxes | - | - |
| Net loss from discontinued operations | \$- | \$(70) |
| Earnings (loss) per share | \$0.00 | \$0.00 |

The Company had no assets and liabilities of the discontinued business of Lasertel at October 1, 2011 or January 1, 2011.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

3. ACCOUNTS RECEIVABLE, NET

The components of accounts receivable, net of allowances, are as follows (in thousands):

| | October 1, 2011 | January 1, 2011 |
|---------------------|--------------------|--------------------|
| Accounts receivable | \$22,717 | \$24,278 |
| Less allowances | (6,909) | (5,631) |
| | \$15,808 | \$18,647 |

4. INVENTORIES

The components of inventories are as follows (in thousands):

| | October 1, 2011 | January 1, 2011 |
|-----------------|--------------------|--------------------|
| Raw materials | \$3,376 | \$4,433 |
| Work in process | 1,030 | 1,170 |
| Finished goods | 22,976 | 23,540 |
| | \$27,382 | \$29,143 |

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

5. PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment, net, are as follows (in thousands):

| | October 1, 2011 | January 1, 2011 |
|--|--------------------|--------------------|
| Land and improvements | \$ 1,301 | \$ 1,301 |
| Buildings and leasehold improvements | 22,623 | 22,442 |
| Production and other equipment | 44,802 | 44,104 |
| Office furniture and equipment | 11,016 | 10,868 |
| Construction in process | 348 | 589 |
| Total property, plant and equipment, at cost | 80,090 | 79,304 |
| Accumulated depreciation and amortization | (60,899) | (58,148) |
| Net property, plant and equipment | \$ 19,191 | \$ 21,156 |

Construction in process is generally related to production equipment not yet placed into service.

The Company recorded depreciation expense of \$1.3 million and \$3.0 million in the third quarter and first nine months of fiscal 2011 and \$1.1 million and \$3.4 million in the third quarter and first nine months of fiscal 2010. Under the Company's financing arrangements (see Note 6), all property, plant and equipment is pledged as security.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

6. FINANCING ARRANGEMENTS

The components of the Company's outstanding borrowings are as follows (in thousands):

| | October 1, 2011 | January 1, 2011 |
|----------------|--------------------|--------------------|
| Line of credit | \$ 13,130 | \$ 10,252 |

The primary sources of the Company's liquidity are (i) cash generated by the Company's operations and (ii) a \$25 million Revolving Credit and Security Agreement with a term that expires on March 5, 2013 ("Credit Agreement"). The Company utilizes its sources of liquidity to fund current operations and make capital and other investments in support of the business.

On March 5, 2010, the Company entered into the Credit Agreement among the Company and PNC Bank, National Association ("PNC"), as Lender and as administrative agent for Lenders (PNC, in such agency capacity, the "Agent"). The Credit Agreement, which matures on March 5, 2013, provides for funding of up to \$25.0 million through a revolving credit facility (the "Revolver"). Borrowing availability under the Revolver is determined based on a percentage of eligible accounts receivable and inventory of the Company and certain of its subsidiaries. The Company may terminate the Credit Agreement at any time prior to the maturity date upon thirty (30) days' prior written notice and upon payment in full of all outstanding obligations under the Credit Agreement. If the Company terminates the Credit Agreement at any time prior to the end of the term the Company must pay an early termination fee as specified in the Credit Agreement. The Credit Agreement requires the Company to prepay a portion of borrowings under the Credit Agreement out of the proceeds of certain dispositions of property.

Borrowings under the Credit Agreement bear interest at the Revolving Interest Rate. The Revolving Interest Rate is calculated differently for domestic rate loans and for Eurodollar rate loans. For domestic rate loans the interest rate per annum is equal to the sum of the Alternate Base Rate plus two and one half percent (2.50%). The Alternate Base Rate is defined as a rate per annum, for any day, equal to the higher of (i) PNC's published reference rate, (ii) the Federal Funds Open rate in effect on such day plus one half of one percent (0.50%) or (iii) the Daily LIBOR Rate in effect on such day plus one percent (1.0%). For Eurodollar rate loans the interest rate per annum is equal to the sum of three and one-half percent (3.50%) plus the greater of (a) the Eurodollar rate, or (b) one percent (1.0%). The Credit Agreement requires monthly interest payments with respect to domestic rate loans and a payment at the end of each interest period with respect to Eurodollar rate loans.

Borrowings under the Credit Agreement are secured by all of the assets of Presstek, Inc. and certain of its domestic and foreign subsidiaries that guaranty the obligations of Presstek, Inc., including all receivables, equipment, general intangibles, inventory, investment property, subsidiary stock, owned real property and leasehold interests of the Company.

Under the Credit Agreement the Company is required to provide monthly Borrowing Base Certificates to the Agent that become the basis for calculating the Credit Agreement's Formula Amount. The Formula Amount, capped at \$25 million, represents the maximum amount of advances available to the Company at a given point in time. The Formula

Amount is normally calculated 20 days subsequent to the close of each fiscal month. Because of the timing delay, the Agent utilizes a process that estimates the maximum amount available daily during each fiscal period. As of October 1, 2011 and January 1, 2011 the Formula Amount was \$18.1 and \$15.0 million, respectively. The Company had outstanding balances on its line of credit of \$13.1 million and \$10.3 million, at October 1, 2011 and January 1, 2011, respectively. At October 1, 2011, there were \$1.0 million of outstanding letters of credit, thereby reducing the amount available under the credit line, based on the Formula amount, to \$4.0 million. The amount

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

available under the credit line, based on the Formula Amount, as of January 1, 2011 was \$4.7 million. The computed preliminary availability based on the daily estimation process was \$2.0 million and \$4.6 million as of October 1, 2011 and January 1, 2011, respectively.

Under the terms of the Credit Agreement, the Company is required to comply with certain financial and non-financial covenants. Among other restrictions, the Company is restricted in its ability to pay dividends, incur additional debt and make acquisitions and divestitures, with certain exceptions. The key financial covenants include a requirement for the Company to maintain (i) for the fiscal quarter ending January 1, 2011, a fixed charge coverage ratio (the ratio of "EBITDA" (as defined in the Credit Agreement) to the total of (i) interest expense, plus (ii) capital expenditures) of not less than 1.0 to 1.0; (ii) for each quarter ending on or after April 2, 2011, for the four fiscal quarter periods then ended, a fixed charge coverage ratio of not less than 1.0 to 1.0; and (iii) an annual limit on capital expenditures of \$4.0 million in each fiscal year beginning in 2011.

On August 24, 2011, the Company entered into a Second Amendment (the "Amendment") to the Credit Agreement. The Amendment modified the Credit Agreement as follows: (a) the Availability Block (as defined in the Credit Agreement) of \$2,000,000 was eliminated until the earlier of January 31, 2012 or the date of the completion of a sale-leaseback transaction for the Company's real property located in Hudson, New Hampshire (the "Sale-Leaseback Transaction"); (b) the definitions of "EBITDA" and "Restructuring Charges" were amended to provide for add-backs for (i) restructuring charges for the fiscal year ending December 31, 2011 of up to \$1,400,000 and (ii) marketing expenses for the Company's 75DI printing press of up to \$1,500,000 incurred through the fiscal quarter ending on or about June 30, 2012; (c) the early termination fee due in the event obligations are prepaid in full prior to the end of the Term (March 5, 2013) was increased from (x) \$500,000 if prepaid prior to March 5, 2012 and \$125,000 if prepaid prior to the date that was 30 days prior to the last day of the Term to (y) \$750,000 at all times prior to the last day of the Term; and (d) an additional fee in the amount of \$100,000 will be due to the Lender in the event that a Sale-Leaseback Transaction is not completed by November 30, 2011; it is anticipated that a Sale-Leaseback Transaction will not be completed by November 30, 2011 and that this fee will become payable to the Lender.

As of January 1, 2011 and October 1, 2011, the Company was in compliance with all financial covenants. The fixed charge coverage ratio for the quarter ended January 1, 2011 was 3.5 to 1.0, in excess of the 1.0 to 1.0 minimum required ratio. The fixed charge coverage ratio for the quarter ended October 1, 2011 was 3.0 to 1.0, also in excess of the 1.0 to 1.0 minimum required ratio. Additionally, since the inception of the Credit Agreement, the Company's capital expenditures have been below the maximum levels allowed.

The weighted average interest rate on the Company's short-term borrowings was 4.50% at October 1, 2011.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

7. ACCRUED EXPENSES

The components of accrued expenses are as follows (in thousands):

| | October 1, 2011 | January 1, 2011 |
|---|--------------------|--------------------|
| Accrued payroll and employee benefits | \$1,556 | \$1,561 |
| Accrued warranty | 797 | 919 |
| Accrued restructuring and other charges | 296 | 225 |
| Accrual for non-cash bonus plan | - | 1,186 |
| Accrued legal | 31 | 83 |
| Accrued professional fees | 715 | 1,020 |
| Other | 1,569 | 1,630 |
| | \$4,964 | \$6,624 |

The Company's 2010 bonus plans provided for any management bonuses to be paid in the form of shares of Common Stock. The Company had an accrued expense related to its non-cash bonus plan of \$598,000 for the first nine months of fiscal 2010. There is no comparable accrual recorded for the first nine months of 2011.

8. ACCRUED WARRANTY

Product warranty activity in the first nine months of fiscal 2011 is as follows (in thousands):

| | |
|---|--------|
| Balance at January 1, 2011 | \$919 |
| Accruals for warranties | - |
| Utilization of accrual for warranty costs | (122) |
| Balance at October 1, 2011 | \$797 |

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

9. DEFERRED REVENUE

The components of deferred revenue are as follows (in thousands):

| | October 1, 2011 | January 1, 2011 |
|----------------------------|--------------------|--------------------|
| Deferred service revenue | \$4,717 | \$4,054 |
| Deferred equipment revenue | 411 | 589 |
| | \$5,128 | \$4,643 |

10. RESTRUCTURING AND OTHER CHARGES

During the first nine months of fiscal 2011, the Company utilized \$0.7 million of reserves related to restructuring and other charges in the United States, Canada and the United Kingdom. The expenses incurred during the first nine months of fiscal 2011 are expected to be fully paid by the fourth quarter of fiscal 2012. These amounts are recorded on the restructuring and other charges line in the consolidated statements of operations.

The activity for the first nine months of fiscal 2011 related to the Company's restructuring and other charges accruals is as follows (in thousands):

| | Balance January 1, 2011 | Charged to expense | Utilization | Balance October 1, 2011 |
|-----------------------------------|-------------------------------|-----------------------|-------------|-------------------------------|
| Severance and fringe benefits | \$225 | \$767 | \$(696) | \$296 |
| Lease termination and other costs | - | 10 | (10) | - |
| | 225 | 777 | (706) | 296 |

11. STOCK-BASED COMPENSATION

The Company has equity incentive plans that are administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee oversees and approves which employees receive grants, the number of shares or options granted and the exercise prices and other terms of the awards.

The 2003 Stock Option and Incentive Plan

The 2003 Stock Option and Incentive Plan (the "2003 Plan") provides for the award of stock options, stock issuances and other equity interests in the Company to employees, officers, directors (including those directors who are not an employee or officer of the Company, such directors being referred to as Non-Employee Directors), consultants and advisors of the Company and its subsidiaries. A total of 2,000,000 shares of common stock, subject to anti-dilution adjustments, have been reserved under this plan. Any future options granted under the 2003 Plan will become exercisable at such times and subject to such terms and conditions as the Board of Directors or Committee may

specify at the time of each grant. At October 1, 2011, there were 1,885,567 options outstanding under the 2003 Plan, and 29,033 shares available for future grants under this plan. The options will expire at various dates prescribed by the individual option grants.

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PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

With respect to all stock options previously granted to the Company's current executive officers and other current employees and Non-Employee Directors under the 2003 Stock Plan, the Compensation Committee approved on September 30, 2010 an amendment to the exercise prices of such options so that each such option outstanding shall have an exercise price equal to the per share closing price of the Company's common stock on that date of \$2.19 per share. The amendment did not change the vesting schedules or any of the other terms of the respective stock options. This modification affected 331 employees who held 724,300 stock options on September 30, 2010. For purposes of stock activity disclosure the amended options are treated as option cancellations and new option grants with the only change from the original grant being the revised option price.

2008 Omnibus Incentive Plan

On June 2, 2011 the Company's stockholders approved the 2008 Omnibus Incentive Plan (As Amended and Restated) (the "2008 Plan"). The 2008 Plan provides for the award of stock options, stock issuances and other equity interests in the Company to employees, officers, directors (including Non-Employee Directors), consultants and advisors of the Company and its subsidiaries. A total of 5,500,000 shares of common stock, subject to anti-dilution adjustments, have been reserved under this plan. Awards granted under this plan may have varying vesting and termination provisions and can have no longer than a ten-year contractual life. There were 10,000 and 407,990 options granted under this plan for the three and nine months ended October 1, 2011, respectively. At October 1, 2011, there were 2,530,264 options outstanding and 2,565,652 shares available for future grants under this plan. In addition 336,511 shares were issued out of the 2008 Plan for the Company's 2010 Stock Bonus Plans (See Note 7).

Employee Stock Purchase Plan

The Company's 2002 Employee Stock Purchase Plan ("ESPP") is designed to provide eligible employees of the Company and its participating U.S. subsidiaries an opportunity to purchase common stock of the Company through accumulated payroll deductions. The purchase price of the stock is equal to 85% of the fair market value of a share of common stock on the first day or last day of each three-month offering period, whichever is lower. All employees of the Company or participating subsidiaries who customarily work at least 20 hours per week and do not own five percent or more of the Company's common stock are eligible to participate in the ESPP. A total of 950,000 shares of the Company's common stock, subject to adjustment, have been reserved for issuance under this plan. The Company issued 22,917 and 64,609 shares of common stock under its ESPP for the three and nine months ended October 1, 2011, respectively. The Company issued 23,039 and 60,350 shares of common stock under its ESPP for the three and nine months ended October 2, 2010, respectively. At October 1, 2011, there were 348,049 shares available for future grants under this plan.

Non-plan Options

In fiscal 2007, the Company granted 300,000 shares of restricted common stock and stock options for 1,000,000 shares of common stock to its Chairman, President and Chief Executive Officer ("CEO") under a non-plan, non-qualified stock option agreement. The award of restricted stock vested on May 10, 2007, the effective date of the CEO's employment agreement with the Company. The award of stock options vests 20% on the date of grant, and an additional 20% vests on each of January 1, 2008, 2009, 2010 and 2011. Each portion of the option that vests will remain exercisable for five years after the applicable vesting date. As of October 1, 2011, 1,000,000 options remain

outstanding.

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PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

Stock-Based Compensation

Stock-based compensation associated with stock option grants to all officers, directors, and employees is included as a component of “General and administrative expense” in the Company’s Consolidated Statements of Operations.

Stock based compensation expense for the three and nine months ended October 1, 2011 and October 2, 2010 is as follows (in thousands):

| | Three months ended | | Nine months ended | |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Stock option plan | | | | |
| 2003 Plan | \$82 | \$341 | \$292 | \$535 |
| 2008 Plan | 307 | 242 | 997 | 962 |
| 1998 Plan | 1 | - | 2 | 2 |
| ESPP | (6) | 7 | 13 | 22 |
| Non-plan, non-qualified | - | 129 | - | 387 |
| Total | \$384 | \$719 | \$1,304 | \$1,908 |

As of October 1, 2011, there was \$1.3 million of unrecognized compensation expense related to stock option grants. The weighted average period over which the remaining unrecognized compensation expense will be recognized is 1.5 years.

Valuation Assumptions

ESPP

The fair value of the rights to purchase shares of common stock under the Company’s ESPP was estimated on the commencement date of the offering period using the Black-Scholes valuation model with the following assumptions:

| | Three months ended | | Nine months ended | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Risk-free interest rate | 0.02 | 0.16 | 0.05 | 0.16 |
| Volatility | 102.2 | 82.3 | 80.7 | 71.4 |
| Expected life (in years) | 0.25 | 0.25 | 0.25 | 0.25 |
| Dividend yield | -- | -- | -- | -- |

Based on the above assumptions, the weighted average fair values of each stock purchase right under the Company’s ESPP for the third quarter and first nine months of fiscal 2011 was \$0.18 and \$0.42 and for the third quarter and first nine months of fiscal 2010 was \$0.49 and \$0.54, respectively.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

Plan Options

The fair value of the options to purchase common stock granted in the third quarter and first nine months of fiscal 2011 and fiscal 2010 under the 2008 Plan and were estimated on the respective grant dates using the Black-Scholes valuation model with the following assumptions:

| | Three months ended | | Nine months ended | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Risk-free interest rate | 1.02 | 1.26 | 2.01 | 2.34 |
| Volatility | 83.7 | 77.6 | 79.6 | 76.6 |
| Expected life (in years) | 5.42 | 5.83 | 5.68 | 5.83 |
| Dividend yield | - | - | - | - |

Based on the above assumptions, the weighted average fair value of each option to purchase a share of the Company's common stock granted in the third quarter and first nine months of fiscal 2011 under the 2008 Plan was \$1.11 and \$1.35, respectively. The weighted average fair value of each option to purchase a share of the Company's common stock granted in the third quarter and first nine months of fiscal 2010 under the 2008 Plan was \$1.48 and \$1.70, respectively.

Expected volatilities are based on historical volatilities of Presstek's common stock. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules, the Company's historical exercise patterns and the ESPP purchase period. The risk-free rate is based on a U.S. Treasury securities rate for the period corresponding to the expected life of the options or ESPP purchase period.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

Stock Option Activity

Stock option activity for the nine months ended October 1, 2011 is summarized as follows:

| | Shares | Weighted average exercise price | Weighted average remaining contractual life | Aggregate intrinsic value |
|--------------------------------|-----------|--|--|---------------------------------|
| Outstanding at January 1, 2011 | 5,354,556 | \$4.87 | 6.27 years | \$ 2 0 0 thousand |
| Granted | 407,990 | | | |
| Exercised | - | | | |
| Canceled/expired | 150,790 | | | |
| Outstanding at October 1, 2011 | 5,611,756 | \$4.62 | 5.82 years | \$- |
| Exercisable at October 1, 2011 | 4,328,554 | \$5.30 | 5.02 years | \$- |

There were no options exercised during the three and nine months ended October 1, 2011. During the nine months ended October 2, 2010, the total intrinsic value of stock options exercised was approximately \$5 thousand.

12. INTEREST AND OTHER INCOME (EXPENSE)

The components of Interest and other income (expense), net, are as follows (in thousands):

| | Three months ended | | Nine months ended | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Interest income (expense), net | \$(294) | \$(248) | \$(835) | \$(799) |
| Foreign currency gains (losses) | (394) | 264 | (676) | (83) |
| Other income (expense), net | (8) | (8) | 141 | 34 |
| | \$(696) | \$8 | \$(1,370) | \$(848) |

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

13. INCOME TAXES

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. Cumulative adjustments to the tax provision are recorded in the interim period in which a change in the estimated annual effective rate is determined. Our effective tax rate differs from the statutory rate due to valuation allowances placed on tax benefits derived from operating losses.

At October 1, 2011, our deferred tax assets, net of valuation allowance, were zero. However, if future events differ from expectations, changes in the valuation allowance may be required. A change in the valuation allowance occurs if there is a change in management's assessment of the amount of net deferred tax assets that is expected to be realized in the future.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

14. COMPREHENSIVE INCOME (LOSS)

Comprehensive loss is comprised of net income (loss), and unrealized foreign currency translation gains and losses and all changes in equity of the Company during the period from non-owner sources.

The primary component of accumulated other comprehensive income (loss) is unrealized gains or losses on foreign currency translation. The components of comprehensive income (loss) are as follows (in thousands):

| | Three months ended | | Nine months ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Net loss | \$(5,417) | \$(1,496) | \$(8,653) | \$(3,955) |
| Unrealized foreign currency translation gains/(losses) | (380) | 1,698 | 173 | 692 |
| Comprehensive income/(loss) | \$(5,797) | \$202 | \$(8,480) | \$(3,263) |

15. SEGMENT AND GEOGRAPHIC INFORMATION

Presstek is a market-focused high technology company that designs, manufactures and distributes proprietary and non-proprietary solutions to the printing and communications industries, primarily serving short-run, full-color customers. The Company's operations are organized based on the market application of our products and related services and until the quarter ended April 3, 2010 consisted of two business segments: Presstek and Lasertel. The Presstek segment is primarily engaged in the development, manufacture, sale and servicing of our patented digital imaging systems and patented printing plate technologies and related equipment and supplies for the graphic arts and printing industries, primarily serving the short-run, full-color market segment. Lasertel, which was sold to a third party, manufactures and develops high-powered laser diodes for sale to Presstek and other customers.

The Lasertel segment was reclassified as discontinued operations in the third quarter of fiscal 2008, based on our determination to sell the segment (see Note 2). On March 5, 2010, Presstek sold the Lasertel subsidiary to SELEX. Subsequent to the sale date, the Company has conducted business in only one industry segment, the Presstek segment.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

The Company's classification of revenue from continuing operations by geographic area is determined by the location of the Company's customer. The following table summarizes revenue information by geographic area (in thousands):

| | Three months ended | | Nine months ended | |
|----------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| United States | \$16,978 | \$20,672 | \$57,742 | \$64,004 |
| United Kingdom | 2,560 | 3,680 | 8,331 | 10,815 |
| All other | 7,362 | 7,062 | 24,103 | 22,693 |
| | \$26,900 | \$31,414 | \$90,176 | \$97,512 |

The Company's long-lived assets by geographic area are as follows (in thousands):

| | October 1, 2011 | January 1, 2011 |
|----------------|--------------------|--------------------|
| United States | \$24,652 | \$26,026 |
| United Kingdom | 390 | 510 |
| Canada | 328 | 425 |
| | \$25,370 | \$26,961 |

16. RELATED PARTIES

The Company engages the services of Amster, Rothstein & Ebenstein, a law firm of which Board member Daniel S. Ebenstein is a partner. Expenses incurred for services rendered by this law firm were \$5,000 (including \$2,000 of pass-through expenses), and \$18,000 (including \$5,000 of pass-through expenses) for the third quarter and first nine months ended Fiscal 2011 and \$45,000 (including \$20,000 of pass-through expenses) and \$99,000 (including \$41,000 of pass-through expenses) for the third quarter and first nine months of Fiscal 2010, respectively.

17. COMMITMENTS AND CONTINGENCIES

Commitments & Contingencies

The Company has change-in-control agreements with certain of its employees that provide them with benefits should their employment with the Company be terminated other than for cause or their disability or death, or if they resign for good reason, as defined in these agreements, in connection with or within a certain period of time after the date of any change-in-control of the Company.

PRESSTEK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
October 1, 2011
(Unaudited)

From time to time the Company engages in sales of equipment that is leased by or intended to be leased by a third-party purchaser to another party. In certain situations, the Company may retain recourse obligations to a financing institution involved in providing financing to the ultimate lessee in the event the lessee of the equipment defaults on its lease obligations. In certain such instances, the Company may refurbish and remarket the equipment on behalf of the financing company, should the ultimate lessee default on payment of the lease. In certain circumstances, should the resale price of such equipment fall below certain predetermined levels, the Company would, under these arrangements, reimburse the financing company for any such shortfall in sale price (a "shortfall payment"). Generally, the Company's liability for these recourse agreements is limited to 9.5% of the amount outstanding. The maximum amount for which the Company was liable to the financial institutions for the shortfall payments was approximately \$0.7 million at October 1, 2011 and \$1.0 million at October 2, 2010.

Litigation

The Company is involved in litigation that it considers routine and incidental to its business. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The potential liability is assessed by analyzing the litigation using available information. The Company develops its views on estimated losses in consultation with outside counsel handling its defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies.

Presstek is a party to litigation that it considers routine and incidental to its business however it does not expect the results of any of these actions to have a material adverse effect on its business, results of operation or financial condition.

18. SUBSEQUENT EVENTS

On October 24, 2011, Presstek, Inc. (the "Company") received a notification letter (the "Notice") from The NASDAQ Stock Market ("NASDAQ") advising the Company that for 30 consecutive trading days preceding the date of the Notice, the bid price of the Company's common stock had closed below the \$1.00 per share minimum required for continued listing on The NASDAQ Global Select Market pursuant to NASDAQ Marketplace Rule 5450(a)(1) (the "Minimum Bid Price Rule").

The Notice has no effect on the listing of the Company's common stock at this time and the Company's common stock will continue to trade on the NASDAQ Global Select Market under the symbol "PRST."

The Notice also stated that the Company will be provided 180 calendar days, or until April 23, 2012, to regain compliance with the Minimum Bid Price Rule. To do so, the bid price of the Company's common stock must close at or above \$1.00 per share for a minimum of ten consecutive trading days prior to that date.

If compliance with the Minimum Bid Price Rule cannot be demonstrated by April 23, 2012, NASDAQ will provide written notification to the Company that the Company's common stock is subject to delisting. The Company may, however, be eligible for an additional grace period if it satisfies the initial listing standards (with the exception of the Minimum Bid Price Rule) for listing on the NASDAQ Capital Market, and submits a timely notification to NASDAQ to transfer the listing of its common stock to the NASDAQ Capital Market. The Company may also appeal

NASDAQ's delisting determination to a NASDAQ Hearings Panel.

The Company intends to continue to monitor the bid price for its common stock. If the Company's common stock does not trade at a level that is likely to regain compliance with the NASDAQ requirements, the Company's Board of Directors will consider other options that may be available to achieve compliance, including, but not limited to, seeking implementation of a reverse stock split, which would require approval of the Company's stockholders. The Company's Board of Directors has taken no action at this time to implement a reverse stock split.

On November 14, 2011, The Company announced that it expects to report special charges in the fourth quarter of 2011 in the range of \$1.0 million to \$1.3 million primarily for employee severance cost associated with the profit improvement actions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks described below in the section entitled "Information Regarding Forward-Looking Statements", in "Part II, Item 1A Risk Factors" of this Quarterly Report on Form 10-Q and in "Part I, Item 1A, Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 1, 2011, as filed with the SEC on March 16, 2011.

Overview of the Company

The Company is a provider of high-technology, digital-based printing solutions to the commercial print segment of the graphic communications industry. The Company designs, manufactures and distributes proprietary and non-proprietary solutions aimed at serving the needs of a wide range of print service providers worldwide. Our proprietary digital imaging and advanced technology consumables offer superior business solutions for commercial printing focusing on the growing need for short-run, high quality color applications. We have helped to lead the industry's transformation from analog print production methods to digital imaging technology. We are a leader in the development of advanced printing systems using digital imaging equipment, workflow and consumables-based solutions that economically benefit the user through streamlined operations and chemistry-free, environmentally responsible solutions. We are also a leading sales and service channel across a broadly served market in the small to mid-sized commercial, quick and in-plant printing segments.

Presstek's business model is a capital equipment and consumables model. In this model, approximately 85% of our revenue is recurring revenue. Our model is designed so that each placement of either a DI® press or a CTP system generally results in recurring aftermarket revenue for consumables and service. We also provide consumables for use on equipment purchased by end users from other manufacturers and suppliers.

Through our various operations, we provide advanced digital print solutions through the development, manufacture, and sourcing of digital laser imaging equipment and advanced technology chemistry-free and chemistry-based printing plates, which we call consumables, for commercial and in-plant print providers targeting the growing market for high quality, fast turnaround short-run color printing. We are a leading sales and services company delivering Presstek digital solutions and solutions from other manufacturing partners through our direct sales and service force and through distribution partners worldwide.

We have developed the enabling technology for DI® digital offset presses. DI® presses are Presstek's proprietary system by which digital images are transferred directly onto printing plates that are already mounted in a press. Our advanced DI® presses are a waterless, easy to use, high quality printing press that is fully automated and provides our users with competitive advantages over alternative print technologies. We believe that our DI® digital offset presses, in combination with our proprietary printing plates and streamlined workflow, produce a superior offset printing solution. By combining advanced digital technology with the reliability and economic advantages of offset printing, we believe our customers are better able to grow their businesses, generate higher profits and better serve the needs of their customers.

Similar digital imaging technologies are used in our CTP systems. We also design and manufacture CTP systems that incorporate our technology to image our chemistry-free printing plates. Our chemistry-free digital imaging systems

enable customers to produce high quality, full color lithographic printed materials more quickly and cost effectively than conventional methods that employ more complicated workflows and toxic chemical processing. This results in reduced printing cycle time and lowers the effective cost of production for commercial printers. Our

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solutions make it more cost effective for printers to meet the increasing demand for shorter print runs, higher quality color and faster turn-around times.

We have executed a major transformation in the way we go to market. In the past, we were reliant on original equipment manufacturer (“OEM”) partners to deliver our business solutions to customers. Today, more than 90% of our sales are through our own distribution channels.

We are primarily engaged in the development, manufacture, sourcing, sale and servicing of our business solutions using patented digital imaging systems and patented printing plate technologies. We also provide traditional analog systems and related equipment and supplies for the graphic arts and printing industries.

We generate revenue through three main sources: (i) the sale of our equipment and related workflow software, including DI® presses and CTP devices; (ii) the sale of our proprietary and non-proprietary consumables and supplies; and (iii) the servicing of offset printing systems and analog and CTP systems and related equipment.

Prior to March 5, 2010, we conducted business in two segments: the Presstek segment, and the Lasertel segment. Lasertel manufactured and developed high-powered laser diodes and related laser products. On September 24, 2008, the Board of Directors approved a plan to market the Lasertel subsidiary for sale; as a result the Company has presented the results of operations of this subsidiary within discontinued operations. On March 5, 2010, the Lasertel subsidiary was sold to SELEX as previously discussed. Commencing with the second quarter of fiscal 2010, the Company’s reports filed with the SEC reflect that the Company conducts business in one industry segment as a result of its sale of Lasertel.

Strategy

Our business strategy is centered on maximizing the sale of consumable products, such as printing plates, and therefore our business efforts focus on the sale of “consumable burning engines” such as our DI® presses and CTP devices, as well as the servicing of customers using our business solutions.

To complement our direct sales efforts, in certain territories, we maintain relationships with key press manufacturers such as Ryobi, Heidelberg, and KBA, who market printing presses and/or press solutions that use our proprietary consumables.

Another method of growing the market for consumables is to develop and distribute consumables that can be imaged by non-Presstek devices (i.e. “open platform” plates). In addition to expanding the base of our DI® and CTP units, an element of our focus is to reach beyond our proprietary systems and penetrate the installed base of CTP devices in all market segments with our thermal plate offerings. The first step in executing this strategy was the launch of our Aurora Pro chemistry-free printing plate designed to be used with CTP units manufactured by other thermal CTP device manufacturers. In December 2009 we introduced Aeon, a no preheat thermal CTP plate that offers run lengths to 200,000 without baking. We continue to work with other CTP manufacturers to qualify our consumables on their systems. We believe this strategy fundamentally enhances our ability to expand and control our business.

During fiscal 2010 we took a major step forward in our up-market growth strategy with the introduction of the new Presstek 75DI® digital offset press. The 75DI® incorporates Presstek’s next-generation imaging technology and DI® thermal plates into a larger six-page format. This new larger format press, which can also be purchased with integrated aqueous coating capability, will provide us greater access to the up-market, larger customers.

Since 2007, management has been taking steps to improve the Company's cost structure and strengthen its balance sheet in order to enable Presstek to improve profitability and strengthen its overall financial position. Our reduced cost levels and balance sheet improvements to date are, in large part, the result of our cost reduction initiatives as described in more detail below, as well as a continuing focused effort to review and manage working capital.

General

We operate and report on a 52- or 53-week fiscal year ending on the Saturday closest to December 31. Accordingly, the accompanying consolidated financial statements include the thirteen week periods ended October 1, 2011 (the "third quarter of fiscal 2011" or "the three months ended October 1, 2011") and October 2, 2010 (the "third quarter of fiscal 2010" or "the three months ended October 2, 2010") and the thirty-nine week periods ended October 1, 2011 ("the first nine months of fiscal 2011" or the nine months ended October 1, 2011" or "year to date 2011") and October 2, 2010 ("the first nine months of fiscal 2010" or the nine months ended October 2, 2010" or "year to date 2010") .

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist in understanding our consolidated financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our consolidated financial statements.

RESULTS OF OPERATIONS

Results of operations in dollars and as a percentage of revenue were as follows (in thousands of dollars):

| | Three months ended | | | | Nine months ended | | | |
|---|--------------------|---------|--------------------|--------|--------------------|--------|--------------------|--------|
| | October 1, 2011 | | October 2, 2010 | | October 1, 2011 | | October 2, 2010 | |
| | % of revenue | | % of revenue | | % of revenue | | % of revenue | |
| Revenue: | | | | | | | | |
| Equipment | \$3,396 | 12.6 | \$4,760 | 15.2 | \$14,744 | 16.4 | \$15,890 | 16.3 |
| Consumables | 18,214 | 67.7 | 20,584 | 65.5 | 58,201 | 64.5 | 62,807 | 64.4 |
| Service and parts | 5,290 | 19.7 | 6,070 | 19.3 | 17,231 | 19.1 | 18,815 | 19.3 |
| Total revenue | 26,900 | 100.0 | 31,414 | 100.0 | 90,176 | 100.0 | 97,512 | 100.0 |
| Cost of revenue: | | | | | | | | |
| Equipment | 4,422 | 16.4 | 4,965 | 15.8 | 16,254 | 18.0 | 16,312 | 16.7 |
| Consumables | 11,078 | 41.2 | 11,127 | 35.4 | 32,693 | 36.3 | 34,088 | 35.0 |
| Service and parts | 4,115 | 15.3 | 5,016 | 16.0 | 14,040 | 15.6 | 15,117 | 15.5 |
| Total cost of revenue | 19,615 | 72.9 | 21,108 | 67.2 | 62,987 | 69.8 | 65,517 | 67.2 |
| Gross profit | 7,285 | 27.1 | 10,306 | 32.8 | 27,189 | 30.2 | 31,995 | 32.8 |
| Operating expenses: | | | | | | | | |
| Research and development | 1,194 | 4.4 | 1,154 | 3.7 | 3,379 | 3.7 | 3,207 | 3.3 |
| Sales, marketing and customer support | 5,028 | 18.7 | 5,302 | 16.9 | 15,901 | 17.6 | 16,366 | 16.8 |
| General and administrative | 5,063 | 18.8 | 4,580 | 14.6 | 13,517 | 15.0 | 14,712 | 15.1 |
| Amortization of intangible assets | 256 | 1.0 | 204 | 0.6 | 667 | 0.7 | 617 | 0.6 |
| Restructuring and other charges | 413 | 1.5 | 412 | 1.3 | 777 | 0.9 | 461 | 0.5 |
| Total operating expenses | 11,954 | 44.4 | 11,652 | 37.1 | 34,241 | 38.0 | 35,363 | 36.3 |
| Operating loss | (4,669) | (17.4) | (1,346) | (4.3) | (7,052) | (7.8) | (3,368) | (3.5) |
| Interest and other income (expense), net | (696) | (2.6) | 8 | 0.0 | (1,370) | (1.5) | (848) | (0.8) |
| Loss from continuing operations before income taxes | (5,365) | (19.9) | (1,338) | (4.3) | (8,422) | (9.3) | (4,216) | (4.3) |
| Provision(benefit) for income taxes | 50 | 0.2 | 158 | 0.5 | 231 | 0.3 | (331) | (0.3) |
| Loss from continuing operations | (5,415) | (20.1) | (1,496) | (4.8) | (8,653) | (9.6) | (3,885) | (4.0) |
| Gain(loss) from discontinued operations, net of tax | - | - | - | - | - | - | (70) | (0.1) |
| Net loss | \$(5,415) | (20.1) | \$(1,496) | (4.8) | (8,653) | (9.6) | \$(3,955) | (4.1) |

Three and nine months ended October 1, 2011 compared to the three and nine months ended October 2, 2010

Revenue

Consolidated revenue was \$26.9 million and \$90.2 million, respectively, for the third quarter and the first nine months of 2011, a reduction of \$4.5 million from the 2010 third quarter and \$7.3 million from the first nine months of 2010. The revenue declines in both periods resulted from reductions in all three revenue categories.

Equipment revenue was \$3.4 million and \$14.7 million in the third quarter and first nine months of 2011, respectively, compared to \$4.8 million and \$15.9 million in the same prior year periods. Equipment sales continue to be impacted by unfavorable economic conditions resulting in some reluctance by small to mid-size customers in our North American market to make capital equipment purchases, and financing remains difficult to obtain. Gross revenue of “growth” portfolio DI® presses and peripherals decreased to \$2.6 million in the third quarter of fiscal 2011 from \$3.6 million in the third quarter of 2010. For the first nine months of 2011 DI® equipment revenue increased to \$11.9 million from \$11.2 million in the prior year period. DI press revenues have benefited from the sale of one 75DI press in each of the first three quarters of 2011. Gross revenue of our remaining “growth” portfolio of equipment, Dimension Excel, Dimension Pro, Compass, and Vector platesetters, declined from \$0.7 million in the third quarter of 2010 to \$0.4 million in the current year quarter and declined from \$2.7 million for the first nine months of 2010 to \$1.8 million for the current year period. Equipment sales of our “traditional” line of products, defined as QMDI presses, polyester CTP platesetters, and conventional equipment, decreased from \$0.6 million in the third quarter of 2010 to \$0.4 million in the current year’s quarter. Year to date gross revenue from our “traditional” line of equipment products decreased from \$2.6 million in 2010 to \$1.6 million in the current year period.

Consumables revenue declined from \$20.6 million in the third quarter of 2010 to \$18.2 million in the current year quarter and from \$62.8 million for the first nine months of 2010 to \$58.2 million in the comparable 2011 period. Sales of Presstek’s “growth” portfolio of consumables, defined as 52DI®, 34DI®, and thermal CTP plates, decreased by \$0.6 million to \$7.3 million in the current year quarter. Sales of our “growth” consumables decreased from \$24.4 million in the first nine months of 2010 to \$22.8 million in the comparable current year period. Sales of Presstek’s “growth” portfolio of DI® plates declined from \$4.3 million in the third quarter of 2010 to \$3.7 million in the current year period and decreased by \$1.2 million to \$11.9 million in the first nine months of 2011 compared to the comparable 2010 period. Sales of thermal CTP plates were \$3.6 million in the third quarter of both years, and decreased from \$11.3 million in the first nine months of 2010 to \$10.9 million in the first nine months of 2011. Sales of Presstek’s “traditional” plate products, consisting of QMDI, other DI®, and polyester plates, declined from \$7.5 million in the third quarter 2010 to \$6.0 million in the current year’s quarter and from \$22.2 million in the first nine months of 2010 to \$20.2 million in the current year period. Sales of other “traditional” consumables products declined year-over-year from \$5.1 million to \$4.9 million for the quarter and from \$15.8 million to \$14.9 million for the nine month period.

Service and parts revenue was \$5.3 million in the third quarter of 2011 and \$17.2 million for the first nine months of 2011, reflecting decreases of \$0.8 million and \$1.6 million, respectively, from the prior year periods. These reductions are due primarily to the natural erosion of our legacy service customer base, a decrease in new equipment placements, and a general trend by customers to delay service calls and maintenance to save money in a difficult economy.

Cost of Revenue

Consolidated cost of product, consisting of the cost of material, labor and overhead, shipping and handling costs and warranty expenses, was \$15.5 million in the third quarter of fiscal year 2011 and \$48.9 million in the first nine months of 2011, compared to \$16.1 million and \$50.4 million, respectively, in 2010. The quarterly and year to date decreases are due primarily to lower equipment and consumables revenues.

Consolidated cost of service and parts was \$4.1 million in the third quarter of fiscal year 2011 and \$14.0 million for the nine months ended October 1, 2011, compared to \$5.0 million and \$15.1 million, respectively, in the same prior year periods. These amounts represent the cost of spare parts, labor and overhead associated with the ongoing service of products.

Gross Profit

Consolidated gross profit as a percentage of total revenue was 27.1% in the third quarter of fiscal 2011 compared to 32.8% in the third quarter of fiscal 2010; and 30.2% in the first nine months of 2011 compared to 32.8% for the first nine months of 2010.

Gross profit as a percentage of product revenues for the third quarter of fiscal 2011 and the first nine months of 2011 was 28.3% and 32.9%, respectively, compared to 36.5% and 36.0% in the comparable prior year periods. The margin decrease is primarily due to unfavorable product mix in equipment and consumables, lower factory volumes, the impact of a strengthening yen on DI press purchases, and general inflation on raw materials and freight costs.

Gross profit as a percentage of service revenues increased to 22.2% in the third quarter of fiscal 2011 from 17.4% in the prior year period, and decreased to 18.5% for the first nine months of 2011 from 19.7% for the related 2010 period. The increase in the third quarter was due primarily to lower overhead costs. The year to date reduction is due to reduced service revenues during 2011 offset somewhat by cost reduction actions commensurate with the lower revenue base.

Research and Development

Research and development expenses primarily consist of payroll and related expenses for personnel, parts and supplies, and contracted services required to conduct our equipment and consumables development efforts.

Research and development expenses were \$1.2 million in both the third quarter of fiscal 2011 and fiscal 2010. For the first nine months of 2011 expenses increased to \$3.4 million compared to \$3.2 million in the prior year period.

Sales, Marketing and Customer Support

Sales, marketing and customer support expenses primarily consist of payroll and related expenses for personnel, advertising, trade shows, promotional expenses, and travel costs associated with sales, marketing and customer support activities.

Sales, marketing and customer support expenses decreased to \$5.0 million in the third quarter of fiscal 2011 from \$5.3 million in the third quarter of fiscal year 2010. Year-to-date selling, marketing and customer support expenses declined from \$16.4 million in the first nine months of 2010 to \$15.9 million in the comparable current year period. The reductions in expense in both periods resulted primarily from lower payroll and commission expense.

General and Administrative

General and administrative expenses are primarily comprised of payroll and related expenses, including stock compensation, for personnel and contracted professional services necessary to conduct our general management, finance, information systems, human resources and administrative activities.

General and administrative expenses in the third quarter of 2011, which include a \$1.4 million non-cash charge for bad debt expense in our European region, were \$5.1 million compared to \$4.6 million in the third quarter of fiscal 2010. Excluding the bad debt charge expenses declined by \$0.9 million year over year due primarily to lower stock compensation, payroll, and professional services costs. Compared to the first nine months of 2010 general and administrative expenses have declined by \$1.2 million, or 8.1%, to \$13.5 million for the current year period. Excluding the bad debt charge in the third quarter, general and administrative expenses declined by \$2.6 million, or 17.6%, due primarily to lower stock compensation, payroll, and legal fees.

Amortization of Intangible Assets

Amortization expense was \$0.3 million and \$0.7 million in the third quarter and first nine months respectively of fiscal 2011 compared to \$0.2 million and \$0.6 million in the comparable prior year periods. These expenses relate to intangible assets recorded in connection with the Company's 2004 ABDick acquisition, 75DI development costs, patents and other purchased intangible assets.

Restructuring and Other Charges

The company incurred restructuring and other charges of \$0.4 million in the third quarter for both fiscal 2011 and fiscal 2010. For the first nine months of 2011, the Company incurred \$0.8 million of expense compared to \$0.5 million in the comparable prior year period.

Interest and Other Expense, Net

Net interest and other expense was \$0.7 million in the third quarter of fiscal year 2011 compared to \$0.0 million in the prior year period. For the first nine months of fiscal year 2011, net interest and other expense was \$1.4 million compared to expense of \$0.8 million in the first nine months of fiscal year 2010. The increase in expense is driven primarily by unfavorable swings in the impact of foreign currency.

Provision for Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year. Cumulative adjustments to the tax provision are recorded in the interim period in which a change in the estimated annual effective rate is determined. Our effective tax rate differs from the statutory rate due to valuation allowances placed on tax benefits derived from operating expenses.

The Company recorded a valuation allowance of \$2.7 million against UK, Canadian and German net deferred tax assets in fiscal 2010.

At October 1, 2011, our deferred tax assets, net of valuation allowance, were zero. However, if future events differ from expectations, changes in the valuation allowance may be required. A change in the valuation allowance occurs if there is a change in management's assessment of the amount of net deferred tax assets that is expected to be realized in the future.

DISCONTINUED OPERATIONS

The Company accounts for its discontinued operations under the provisions of FASB Accounting Standards Codification Topic 360. Accordingly, results of operations and the related charges for discontinued operations have been classified as “Loss from discontinued operations, net of tax” in the accompanying Consolidated Statements of Operations. For comparative purposes, all prior periods presented have been reclassified on a consistent basis.

On March 5, 2010, Presstek sold Lasertel to SELEX Galileo Inc. (“SELEX”). The sale of Lasertel to SELEX was for \$8.0 million in cash and, in addition, Presstek was able to retain approximately \$2.0 million of laser diodes inventory for Presstek’s future production requirements. Lasertel, as a subsidiary of SELEX, and in accordance with a supply agreement established between Lasertel and Presstek on March 5, 2010, will continue to manufacture semiconductor laser diodes for Presstek for an initial period of three years. The net cash proceeds from this sale were used to pay down debt. SELEX also assumed the current lease on the Lasertel property in Tucson, Arizona.

Lasertel incurred an operating loss of \$0.6 million during the first quarter of fiscal 2010 prior to the sale date. Presstek recorded a minor adjustment in the second quarter of fiscal 2010. Presstek recorded a gain on the disposition of Lasertel of \$0.5 million during the nine months ended October 1, 2010, bringing the aggregate loss from discontinued operations for the first nine months of fiscal 2010 to approximately \$0.1 million.

Results of operations of the discontinued business of Lasertel included in the Company’s Statements of Operations for the first nine months of 2010 consist of the following (in thousands, except per-share data):

| | Three months ended October 2, 2010 | Nine months ended October 2, 2010 |
|---------------------------------------|--|---|
| Revenues from external customers | \$- | \$1,394 |
| Loss from operations | - | (555) |
| Gain on disposition | - | 485 |
| Loss before income taxes | - | (70) |
| Provision (benefit) for income taxes | - | - |
| Net loss from discontinued operations | \$- | \$(70) |
| Earnings (loss) per share | \$0.00 | \$0.00 |

The Company had no assets and liabilities of the discontinued business of Lasertel at October 1, 2011 or January 1, 2011.

Liquidity and Capital Resources

We finance our operating and capital investment requirements primarily through cash flows from operations and borrowings. At October 1, 2011, we had \$3.3 million of cash and cash equivalents and \$17.4 million of working capital, compared to \$2.5 million of cash and cash equivalents and \$25.6 million of working capital at October 2, 2010.

Continuing Operations

Our operating activities used \$2.6 million of cash in the nine months ended October 1, 2011. Cash used by operating activities came from a net loss of \$8.7 million offset by positive adjustments of \$6.9 million for non-cash charges included in net loss (including depreciation, amortization, provisions for warranty costs, accounts receivable allowances and stock compensation expense) and a \$0.8 million negative impact on cash due to changes in operating assets and liabilities. The negative impact on cash related to operating assets and liabilities was, in large part, due to a decrease of \$1.8 million in accrued expenses, a decrease of \$1.4 million in accounts payable and an increase in other current assets of \$1.0 million. This is partially offset by a decrease of \$1.0 million in inventory, a decrease of \$0.7 million in accounts receivable, an increase of \$0.8 million of restructuring charges and an increase of deferred revenue of \$0.5 million. The increase in other current assets was driven by pre-payment of certain annual operating expenses in the normal course of business.

Our investing activities used \$1.4 million of net cash in the first nine months ended October 1, 2011 primarily for additions to developed technology costs and additions to property, plant and equipment. The addition to developed technology relate to the design and prototyping of our new 75DI® digital offset press. The additions to property, plant and equipment relate primarily to equipment provided to our CTP plate customers.

Our financing activities provided \$3.0 million of cash in the nine months ended October 1, 2011, consisting primarily of \$2.9 million of cash borrowings under our lines of credit.

Liquidity

The primary sources of the Company's liquidity are (i) cash generated by the Company's operations and (ii) a \$25 million Revolving Credit and Security Agreement with a term that expires on March 5, 2013 ("Credit Agreement"). The Company utilizes its sources of liquidity to fund current operations and make capital and other investments in support of the business.

On March 5, 2010, the Company entered into the Credit Agreement among the Company and PNC Bank, National Association ("PNC"), as Lender and as administrative agent for Lenders (PNC, in such agency capacity, the "Agent"). The Credit Agreement, which matures on March 5, 2013, provides for funding of up to \$25.0 million through a revolving credit facility (the "Revolver"). Borrowing availability under the Revolver is determined based on a percentage of eligible accounts receivable and inventory of the Company and certain of its subsidiaries. The Company may terminate the Credit Agreement at any time prior to the maturity date upon thirty (30) days' prior written notice and upon payment in full of all outstanding obligations under the Credit Agreement. If the Company terminates the Credit Agreement at any time prior to the end of the term the Company must pay an early termination fee as specified in the Credit Agreement. The Credit Agreement requires the Company to prepay a portion of borrowings under the Credit Agreement out of the proceeds of certain dispositions of property.

Borrowings under the Credit Agreement bear interest at the Revolving Interest Rate. The Revolving Interest Rate is calculated differently for domestic rate loans and for Eurodollar rate loans. For domestic rate loans the interest rate per annum is equal to the sum of the Alternate Base Rate plus two and one half percent (2.50%). The Alternate Base Rate is defined as a rate per annum, for any day, equal to the higher of (i) PNC's published reference rate, (ii) the Federal Funds Open rate in effect on such day plus one half of one percent (0.50%) or (iii) the Daily LIBOR Rate in effect on such day plus one percent (1.0%). For Eurodollar rate loans the interest rate per annum is equal to the sum of three and one-half percent (3.50%) plus the greater of (a) the Eurodollar rate, or (b) one percent (1.0%). The Credit Agreement requires monthly interest payments with respect to domestic rate loans and a payment at the end of each interest period with respect to Eurodollar rate loans.

Borrowings under the Credit Agreement are secured by all of the assets of Presstek, Inc. and certain of its domestic and foreign subsidiaries that guaranty the obligations of Presstek, Inc., including all receivables, equipment, general intangibles, inventory, investment property, subsidiary stock, owned real property and leasehold interests of the Company.

Under the Credit Agreement the Company is required to provide monthly Borrowing Base Certificates to the Agent that become the basis for calculating the Credit Agreement's Formula Amount. The Formula Amount, capped at \$25 million, represents the maximum amount of advances available to the Company at a given point in time. The Formula Amount is normally calculated 20 days subsequent to the close of each fiscal month. Because of the timing delay, the Agent utilizes a process that estimates the maximum amount available daily during each fiscal period. As of October 1, 2011 and January 1, 2011 the Formula Amount was \$18.1 and \$15.0 million, respectively. The Company had outstanding balances on its line of credit of \$13.1 million and \$10.3 million, at October 1, 2011 and January 1, 2011, respectively. At October 1, 2011, there were \$1.0 million of outstanding letters of credit, thereby reducing the amount available under the credit line, based on the Formula amount, to \$4.0 million. The amount available under the credit line, based on the Formula Amount, as of January 1, 2011 was \$4.7 million. The computed preliminary availability based on the daily estimation process was \$2.0 million and \$4.6 million as of October 1, 2011 and January 1, 2011, respectively.

Under the terms of the Credit Agreement, the Company is required to comply with certain financial and non-financial covenants. Among other restrictions, the Company is restricted in its ability to pay dividends, incur additional debt and make acquisitions and divestitures, with certain exceptions. The key financial covenants include a requirement

for the Company to maintain (i) for the fiscal quarter ending January 1, 2011, a fixed charge coverage ratio (the ratio of “EBITDA” (as defined in the Credit Agreement) to the total of (i) interest expense, plus (ii) capital expenditures) of not less than 1.0 to 1.0; (ii) for each quarter ending on or after April 2, 2011, for the four fiscal quarter periods then ended, a fixed charge coverage ratio of not less than 1.0 to 1.0; and (iii) an annual limit on capital expenditures of \$4.0 million in each fiscal year beginning in 2011.

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On August 24, 2011, the Company entered into a Second Amendment (the “Amendment”) to the Credit Agreement. The Amendment modified the Credit Agreement as follows: (a) the Availability Block (as defined in the Credit Agreement) of \$2,000,000 was eliminated until the earlier of January 31, 2012 or the date of the completion of a sale-leaseback transaction for the Company’s real property located in Hudson, New Hampshire (the “Sale-Leaseback Transaction”); (b) the definitions of “EBITDA” and “Restructuring Charges” were amended to provide for add-backs for (i) restructuring charges for the fiscal year ending December 31, 2011 of up to \$1,400,000 and (ii) marketing expenses for the Company’s 75DI printing press of up to \$1,500,000 incurred through the fiscal quarter ending on or about June 30, 2012; (c) the early termination fee due in the event obligations are prepaid in full prior to the end of the Term (March 5, 2013) was increased from (x)\$500,000 if prepaid prior to March 5, 2012 and \$125,000 if prepaid prior to the date that was 30 days prior to the last day of the Term to (y) \$750,000 at all times prior to the last day of the Term; and (d) an additional fee in the amount of \$100,000 will be due to the Lender in the event that a Sale-Leaseback Transaction is not completed by November 30, 2011; it is anticipated that a Sale-Leaseback Transaction will not be completed by November 30, 2011 and that this fee will become payable to the Lender.

As of January 1, 2011 and October 1, 2011, the Company was in compliance with all financial covenants. The fixed charge coverage ratio for the quarter ended January 1, 2011 was 3.5 to 1.0, in excess of the 1.0 to 1.0 minimum required ratio. The fixed charge coverage ratio for the quarter ended October 1, 2011 was 3.0 to 1.0, also in excess of the 1.0 to 1.0 minimum required ratio. Additionally, since the inception of the Credit Agreement, the Company’s capital expenditures have been below the maximum levels allowed.

Our liquidity is dependent on availability under our current Credit Agreement. This availability is a function of both our cash generated by operations and our borrowing base availability (primarily an amount based on eligible inventories and accounts receivable less advances and stand-by letters of credit) and compliance with our debt covenants. Accordingly, a reduction in receivables has a corresponding effect on availability under the Revolver. The Company currently expects fourth quarter 2011 revenue to show softness comparable to third quarter levels, as well as an increase in its debt levels. It is expected that this will lead to a decline in cash receipts and availability under the Revolver as well as lower EBITDA comparable to the third quarter (less receivables reserves). The Company has initiated further cost reduction actions that will improve the Company’s overall cash availability and EBITDA and help to achieve continuing compliance with the financial covenants under the Credit Agreement.

Since the fixed charge ratio covenant under the Credit Agreement is calculated on a rolling four quarter basis, in order for the ratio at the end of the third quarter 2011 to remain unchanged at the end of the fourth quarter 2011, EBITDA (as defined in the Credit Agreement) during the fourth quarter must equal EBITDA achieved during the fourth quarter of 2010. A reduction in EBITDA during the fourth quarter from the year-ago period will reduce the ratio. The Company expects EBITDA during the fourth quarter 2011 to be significantly lower than the level of EBITDA during the fourth quarter 2010, and accordingly it expects the fixed charge coverage ratio to be reduced. While the Company currently believes that it will achieve compliance with the fixed charge coverage ratio as of the end of the fourth quarter, there can be no assurance that this will be the case. If the Company does achieve compliance at the end of the fourth quarter, it expects to maintain compliance throughout the next four fiscal quarters, as the cost reductions initiated in the fourth quarter 2011 are expected to significantly improve EBITDA throughout fiscal year 2012. However, if the Company is unable to achieve compliance with the fixed charge coverage ratio, then an event of default would occur under the Credit Agreement. In such event, the “Availability Block” would increase to \$3,500,000 which would significantly restrict the Company’s credit availability, and the Lender could demand immediate repayment of all amounts outstanding under the Credit Agreement. This could result in significant limitations on the Company’s ability to operate. In such event the Company would expect to seek an amendment to the Credit Agreement that would permit the Company to work through any resulting operating limitations, however there can be no assurance that the Lender would agree to any such amendment to the Credit Agreement.

The Company has additional resources available to it in order to improve its liquidity, in the event that it was necessary. The Company could issue additional equity under the Company's Shelf Registration Statement, subject to market conditions and the willingness of investors to purchase such equity; the Company is presently marketing its office and manufacturing facility in Hudson, New Hampshire for a potential sale-leaseback transaction and could enter into such a transaction, subject to the willingness of a buyer to enter into such a transaction on acceptable terms; and the Company could seek to obtain additional debt financing, subject to the willingness of a lender to provide such financing and the Lender to provide its consent under the Credit Agreement. There can be no assurance that the Company will be able to achieve any of these transactions, as they are not exclusively within the Company's control.

Based upon all of these factors, management believes that it will remain in compliance with debt covenants and have adequate availability throughout the next four fiscal quarters. However, a further and more significant decline in operating results could have a negative impact and may require management to scale back on capital expenditures and/or other operating activities.

The weighted average interest rate on the Company's short-term borrowings was 4.50% at October 1, 2011.

Long-Lived Assets

Our management assesses the recoverability of its long-lived assets by determining whether the depreciation and amortization of long lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment if any, is measured based on fair value and is charged to operations in the period in which long-lived assets impairment is determined by management. Due to the decline in the market value of the Company's common stock, we tested our long-lived assets for impairment at the end of the third quarter of 2011. Our projected future undiscounted cash flows exceeded the carrying value of long-lived assets. Accordingly, no impairment was indicated or recorded. There can be no assurance that market conditions will not change or demand for our services will continue, which could result in impairment of long-lived assets in the future.

Commitments and Contingencies

The Company has change-in-control agreements with certain of its employees that provide them with benefits should their employment with the Company be terminated other than for cause or their disability or death, or if they resign for good reason, as defined in these agreements, in connection with or within a certain period of time after the date of any change-in-control of the Company.

From time to time the Company engages in sales of equipment that is leased by or intended to be leased by a third-party purchaser to another party. In certain situations, the Company may retain recourse obligations to a financing institution involved in providing financing to the ultimate lessee in the event the lessee of the equipment defaults on its lease obligations. In certain such instances, the Company may refurbish and remarket the equipment on behalf of the financing company, should the ultimate lessee default on payment of the lease. In certain circumstances, should the resale price of such equipment fall below certain predetermined levels, the Company would, under these arrangements, reimburse the financing company for any such shortfall in sale price (a "shortfall payment"). Generally, the Company's liability for these recourse agreements is limited to 9.5% of the amount outstanding. The maximum amount for which the Company was liable to the financial institutions for the shortfall payments was approximately \$0.7 million at October 1, 2011 and \$1.0 million at October 2, 2010.

Effect of Inflation

Inflation has not had a material impact on our financial conditions or results of operations.

Information Regarding Forward-Looking Statements

Statements other than those of historical fact contained in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements regarding the following:

- our expectations regarding our ability to comply with the terms of our financing agreement;
- the adequacy of internal cash and working capital for our operations;
- manufacturing constraints and difficulties;
- the introduction of competitive products into the marketplace;
- the ability of the Company and its divisions to generate positive cash flows in the near-term, or to otherwise be profitable;
- our ability to produce commercially competitive products;
- the strength of our various strategic partnerships, both on manufacturing and distribution;
- our ability to secure other strategic alliances and relationships;
- our expectations regarding the Company’s strategy for growth, including statements regarding the Company’s expectations for continued product mix improvement;
- our expectations regarding the balance, independence and control of our business;
- our expectations and plans regarding market penetration, including the strength and scope of our distribution channels and our expectations regarding sales of Direct Imaging presses or computer-to-plate devices;
- the commercialization and marketing of our technology;
- our expectations regarding performance of existing, planned and recently introduced products;
- the adequacy of our intellectual property protections and our ability to protect and enforce our intellectual property rights;

| | | | |
|-------------------|----|-----------|--------------|
| | | 1,566,862 | |
| Total liabilities | \$ | 2,713,575 | \$ 2,590,962 |

and
equity

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in thousands, except per share data)

| | Year Ended December 31, | | |
|--|-------------------------|----------------|----------------|
| | 2010 | 2009 | 2008 |
| Revenues: | | | |
| Rental income from operating leases | \$ 211,172 | \$ 209,256 | \$ 205,334 |
| Earned income from direct financing leases | 3,001 | 3,070 | 3,103 |
| Percentage rent | 959 | 1,340 | 1,104 |
| Real estate expense reimbursement from tenants | 7,438 | 8,361 | 6,980 |
| Interest and other income from real estate transactions | 3,026 | 4,535 | 5,807 |
| Interest income on commercial mortgage residual interests | 3,460 | 4,252 | 4,636 |
| | 229,056 | 230,814 | 226,964 |
| Disposition of real estate, Inventory Portfolio: | | | |
| Gross proceeds | 5,600 | 953 | 4,900 |
| Costs | (4,959) | (916) | (4,879) |
| Gain | 641 | 37 | 21 |
| Retail operations: | | | |
| Revenues | 32,958 | 15,595 | - |
| Operating expenses | (31,647) | (15,176) | - |
| Net | 1,311 | 419 | - |
| Operating expenses: | | | |
| General and administrative | 22,778 | 21,773 | 24,875 |
| Real estate | 13,534 | 13,642 | 10,152 |
| Depreciation and amortization | 48,328 | 46,539 | 43,668 |
| Impairment losses and other charges | 7,458 | 36,080 | 1,234 |
| Impairment commercial mortgage residual interests valuation adjustment | 3,995 | 498 | 758 |
| Restructuring costs | - | 731 | - |
| | 96,093 | 119,263 | 80,687 |
| Earnings from operations | 134,915 | 112,007 | 146,298 |
| Other expenses (revenues): | | | |
| Interest and other income | (1,513) | (1,371) | (3,748) |
| Interest expense | 65,179 | 62,151 | 63,964 |
| Loss on interest rate hedge | - | - | 804 |
| | 63,666 | 60,780 | 61,020 |

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| | | | |
|--|---------------|---------------|---------------|
| Earnings from continuing operations before income tax benefit (expense), equity in earnings of unconsolidated affiliate and gain on extinguishment of debt | 71,249 | 51,227 | 85,278 |
| Income tax benefit (expense) | (475) | 1,049 | 7,255 |
| Equity in earnings of unconsolidated affiliate | 428 | 421 | 364 |
| Gain on extinguishment of debt | - | 3,432 | 4,961 |
| Earnings from continuing operations | 71,202 | 56,129 | 97,858 |
| Earnings (loss) from discontinued operations (Note 18): | | | |
| Real estate, Investment Portfolio, net of income tax expense | 1,859 | 1,776 | 12,914 |
| Real estate, Inventory Portfolio, net of income tax expense | 292 | (1,506) | 9,199 |
| | 2,151 | 270 | 22,113 |

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS CONTINUED

(dollars in thousands, except per share data)

| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2010 | 2009 | 2008 |
| Earnings including noncontrolling interests | \$ 73,353 | \$ 56,399 | \$ 119,971 |
| Loss (earnings) attributable to noncontrolling interests: | | | |
| Continuing operations | (367) | (1,423) | (96) |
| Discontinued operations | 11 | (166) | (2,722) |
| | (356) | (1,589) | (2,818) |
| Net earnings attributable to NNN | 72,997 | 54,810 | 117,153 |
| Other comprehensive income (loss) | 1,150 | (1,903) | 1,688 |
| Total comprehensive income | \$ 74,147 | \$ 52,907 | \$ 118,841 |
| Net earnings attributable to NNN | \$ 72,997 | \$ 54,810 | \$ 117,153 |
| Series C preferred stock dividends | (6,785) | (6,785) | (6,785) |
| Net earnings attributable to common stockholders | \$ 66,212 | \$ 48,025 | \$ 110,368 |
| Net earnings per share of common stock: | | | |
| Basic: | | | |
| Continuing operations | \$ 0.77 | \$ 0.60 | \$ 1.22 |
| Discontinued operations | 0.03 | - | 0.26 |
| Net earnings | \$ 0.80 | \$ 0.60 | \$ 1.48 |
| Diluted: | | | |
| Continuing operations | \$ 0.77 | \$ 0.60 | \$ 1.22 |
| Discontinued operations | 0.03 | - | 0.26 |
| Net earnings | \$ 0.80 | \$ 0.60 | \$ 1.48 |
| Weighted average number of common shares outstanding: | | | |
| Basic | 82,715,645 | 79,846,258 | 74,249,137 |
| Diluted | 82,849,362 | 79,953,499 | 74,344,231 |

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years Ended December 31, 2010, 2009 and 2008

(dollars in thousands, except per share data)

| | Series C Preferred Stock | Common Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income | Total Stockholders Equity | Noncontrolling Interests | Total Equity |
|--|--------------------------------|-----------------|--------------------------------------|----------------------|---|---------------------------------|-----------------------------|-----------------|
| Balances at December 31, 2007 | \$ 92,000 | \$ 725 | \$ 1,189,564 | \$ 134,383 | \$ 975 | \$ 1,417,647 | \$ 2,956 | \$ 1,420,603 |
| Net earnings | - | - | - | 117,153 | - | 117,153 | 2,818 | 119,971 |
| Dividends declared and paid: | | | | | | | | |
| \$1.84375 per depository share of Series C preferred stock | - | - | - | (6,785) | - | (6,785) | - | (6,785) |
| \$1.48 per share of common stock | - | 4 | 8,472 | (110,107) | - | (101,631) | - | (101,631) |
| Issuance of common stock: | | | | | | | | |
| 3,523,285 shares | - | 35 | 80,633 | - | - | 80,668 | - | 80,668 |
| 1,753,201 shares discounted stock purchase program | - | 18 | 38,878 | - | - | 38,896 | - | 38,896 |
| Issuance of 217,397 shares of restricted common stock | - | 2 | (2) | - | - | - | - | - |
| Stock issuance costs | - | - | (3,582) | - | - | (3,582) | - | (3,582) |
| Equity component of convertible debt | - | - | 20,467 | - | - | 20,467 | - | 20,467 |
| Amortization of deferred compensation | - | - | 2,588 | - | - | 2,588 | - | 2,588 |
| Interest rate hedge termination | - | - | - | - | (162) | (162) | - | (162) |
| Amortization of interest rate hedges | - | - | - | - | (109) | (109) | - | (109) |
| Unrealized gain | - | - | - | - | 1,760 | 1,760 | 249 | 2,009 |

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| | | | | | | | | | |
|---|-----------|--------|--------------|------------|----------|--------------|----------|--------------|--|
| commercial mortgage residual interests | | | | | | | | | |
| Stock value adjustment | - | - | - | - | (50) | (50) | - | (50) | |
| Contributions from noncontrolling interests | - | - | - | - | - | - | 41 | 41 | |
| Distributions to noncontrolling interests | - | - | - | - | - | - | (5,483) | (5,483) | |
| Other | - | - | - | - | - | - | 1,505 | 1,505 | |
| Balances at December 31, 2008 | \$ 92,000 | \$ 784 | \$ 1,337,018 | \$ 134,644 | \$ 2,414 | \$ 1,566,860 | \$ 2,086 | \$ 1,568,946 | |

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY CONTINUED

Years Ended December 31, 2010, 2009 and 2008

(dollars in thousands, except per share data)

| | Series C Preferred Stock | Common Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income | Total Stockholders Equity | Noncontrolling Interests | Total Equity |
|---|--------------------------------|-----------------|--------------------------------------|----------------------|---|---------------------------------|-----------------------------|-----------------|
| Balances at December 31, 2008 | \$ 92,000 | \$ 784 | \$ 1,337,018 | \$ 134,644 | \$ 2,414 | \$ 1,566,860 | \$ 2,086 | \$ 1,568,946 |
| Net earnings | - | - | - | 54,810 | - | 54,810 | 1,589 | 56,399 |
| Dividends declared and paid: | | | | | | | | |
| \$1.84375 per depository share of Series C preferred stock | - | - | - | (6,785) | - | (6,785) | - | (6,785) |
| \$1.50 per share of common stock | - | 1 | 1,797 | (120,256) | - | (118,458) | - | (118,458) |
| Issuance of common stock: | | | | | | | | |
| 99,738 shares | - | 1 | 1,435 | - | - | 1,436 | - | 1,436 |
| 3,664,182 shares discounted stock purchase program | - | 36 | 65,519 | - | - | 65,555 | - | 65,555 |
| Issuance of 262,546 shares of restricted common stock | - | 3 | (3) | - | - | - | - | - |
| Stock issuance costs | - | - | (113) | - | - | (113) | - | (113) |
| Equity component of extinguishment of convertible debt | - | - | (795) | - | - | (795) | - | (795) |
| Amortization of deferred compensation | - | - | 3,443 | - | - | 3,443 | - | 3,443 |
| Amortization of interest rate hedges | - | - | - | - | (159) | (159) | - | (159) |
| Unrealized loss commercial mortgage residual interests | - | - | - | - | (1,744) | (1,744) | 104 | (1,640) |
| | - | - | - | - | - | - | 152 | 152 |

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| | | | | | | | | | |
|---|---|---|-----|---|---|-----|-------|-------|--|
| Contributions from noncontrolling interests | | | | | | | | | |
| Distributions to noncontrolling interests | - | - | - | - | - | - | (552) | (552) | |
| Other | - | - | 190 | - | - | 190 | (757) | (567) | |

Balances at December 31, 2009

| | | | | | | | | | | | | | | | |
|----|--------|----|-----|----|-----------|----|--------|----|-----|----|-----------|----|-------|----|-----------|
| \$ | 92,000 | \$ | 825 | \$ | 1,408,491 | \$ | 62,413 | \$ | 511 | \$ | 1,564,240 | \$ | 2,622 | \$ | 1,566,862 |
|----|--------|----|-----|----|-----------|----|--------|----|-----|----|-----------|----|-------|----|-----------|

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY CONTINUED

Years Ended December 31, 2010, 2009 and 2008

(dollars in thousands, except per share data)

| | Series C Preferred Stock | Common Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income | Total Stockholders Equity | Noncontrolling Interests | Total Equity |
|--|--------------------------------|-----------------|--------------------------------------|----------------------|--|---------------------------------|-----------------------------|-----------------|
| Balances at December 31, 2009 | \$ 92,000 | \$ 825 | \$ 1,408,491 | \$ 62,413 | \$ 511 | \$ 1,564,240 | \$ 2,622 | \$ 1,566,862 |
| Net earnings | - | - | - | 72,997 | - | 72,997 | 356 | 73,353 |
| Dividends declared and paid: | | | | | | | | |
| \$1.84375 per depository share of Series C preferred stock | - | - | - | (6,785) | - | (6,785) | - | (6,785) |
| \$1.51 per share of common stock | - | 3 | 7,350 | (125,391) | - | (118,038) | - | (118,038) |
| Issuance of common stock: | | | | | - | | | |
| 39,872 shares | - | 1 | 697 | - | - | 698 | - | 698 |
| 491,705 shares discounted stock purchase program | - | 5 | 10,272 | - | - | 10,277 | - | 10,277 |
| Issuance of 377,164 shares of restricted common stock | - | 4 | (4) | - | - | - | - | - |
| Stock issuance costs | - | - | (1) | - | - | (1) | - | (1) |
| Performance incentive plan | - | - | (1,634) | - | - | (1,634) | - | (1,634) |
| Amortization of deferred compensation | - | - | 5,119 | - | - | 5,119 | - | 5,119 |
| Amortization of interest rate hedges | - | - | - | - | (165) | (165) | - | (165) |
| Unrealized gain commercial mortgage residual interests | - | - | - | - | 1,272 | 1,272 | (26) | 1,246 |
| Contributions from noncontrolling interests | - | - | - | - | - | - | 43 | 43 |

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| | | | | | | | | |
|---|-----------|--------|--------------|----------|----------|--------------|----------|--------------|
| Distributions to noncontrolling interests | - | - | - | - | - | - | (861) | (861) |
| Purchase of noncontrolling interest | - | - | (404) | - | - | (404) | (1,199) | (1,603) |
| Other | - | - | (136) | - | 43 | (93) | 356 | 263 |
| Balances at December 31, 2010 | \$ 92,000 | \$ 838 | \$ 1,429,750 | \$ 3,234 | \$ 1,661 | \$ 1,527,483 | \$ 1,291 | \$ 1,528,774 |

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

| | Year Ended December 31, | | |
|--|-------------------------|-----------|------------|
| | 2010 | 2009 | 2008 |
| Cash flows from operating activities: | | | |
| Earnings including noncontrolling interests | \$ 73,353 | \$ 56,399 | \$ 119,971 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Performance incentive plan expense | 5,756 | 4,172 | 3,299 |
| Stock options expense tax effect | 122 | 190 | - |
| Depreciation and amortization | 49,084 | 48,485 | 45,347 |
| Impairment losses and other charges | 7,458 | 41,710 | 5,660 |
| Impairment commercial mortgage residual interests valuation | 3,995 | 498 | 758 |
| Amortization of notes payable discount | 6,360 | 6,006 | 5,670 |
| Amortization of deferred interest rate hedges | (166) | (159) | (162) |
| Equity in earnings of unconsolidated affiliates | (428) | (421) | (364) |
| Distributions received from unconsolidated affiliates | 578 | 607 | 439 |
| Gain on disposition of real estate, Investment Portfolio | (1,134) | (2,392) | (9,980) |
| Gain on extinguishment of debt | - | (3,432) | (4,961) |
| Gain on disposition of real estate, Inventory Portfolio | (941) | (595) | (12,665) |
| Deferred income taxes | (2,544) | (16,649) | (5,593) |
| Income tax valuation allowance | 3,121 | 14,900 | - |
| Change in operating assets and liabilities, net of assets acquired and liabilities assumed in business combinations: | | | |
| Additions to real estate, Inventory Portfolio | (478) | (2,457) | (33,745) |
| Proceeds from disposition of real estate, Inventory Portfolio | 42,817 | 6,276 | 128,785 |
| Decrease in real estate leased to others using the direct financing method | 1,544 | 1,378 | 1,195 |
| Decrease (increase) in work in process | (755) | (786) | 47 |
| Increase in mortgages, notes and accrued interest receivable | (467) | (10) | (217) |
| Decrease (increase) in receivables | (219) | 941 | 243 |
| Decrease (increase) in commercial mortgage residual interests | 1,516 | (291) | - |
| Decrease (increase) in accrued rental income | 124 | (2,061) | (978) |
| Decrease (increase) in other assets | (53) | (172) | 951 |
| Decrease in accrued interest payable | (129) | (137) | (3,635) |
| Decrease in other liabilities | (431) | (2,930) | (1,463) |
| Increase (decrease) in current tax liability | (169) | 432 | (1,143) |
| Net cash provided by operating activities | 187,914 | 149,502 | 237,459 |
| Cash flows from investing activities: | | | |
| Proceeds from the disposition of real estate, Investment Portfolio | 10,312 | 14,588 | 60,027 |
| Additions to real estate, Investment Portfolio: | | | |
| Accounted for using the operating method | (230,928) | (44,433) | (352,618) |
| Investment in unconsolidated affiliate | - | - | (901) |
| Increase in mortgages and notes receivable | (8,564) | (959) | (29,934) |
| Principal payments on mortgages and notes receivable | 13,818 | 4,009 | 64,589 |
| Cash received from commercial mortgage residual interests | - | - | 3,591 |
| Payment of lease costs | (1,324) | (451) | (922) |
| Other | (3,574) | (817) | (136) |

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| | | | |
|---------------------------------------|-----------|----------|-----------|
| Net cash used in investing activities | (220,260) | (28,063) | (256,304) |
|---------------------------------------|-----------|----------|-----------|

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(dollars in thousands)

| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2010 | 2009 | 2008 |
| Cash flows from financing activities: | | | |
| Proceeds from line of credit payable | \$ 278,900 | \$ 132,400 | \$ 516,000 |
| Repayment of line of credit payable | (117,900) | (158,900) | (619,300) |
| Repayment of mortgages payable | (6,453) | (1,000) | (1,190) |
| Proceeds from notes payable convertible | - | - | 234,035 |
| Repurchase of notes payable convertible debt component | - | (14,785) | (18,420) |
| Repurchase of notes payable convertible equity component | - | (795) | (768) |
| Repayment of notes payable secured | - | - | (12,000) |
| Repayment of notes payable | (20,000) | - | (100,000) |
| Payment of debt costs | (75) | (6,275) | (5,813) |
| Proceeds from issuance of common stock | 17,692 | 68,060 | 127,328 |
| Payment of Series C preferred stock dividends | (6,785) | (6,785) | (6,785) |
| Payment of common stock dividends | (125,391) | (120,256) | (110,107) |
| Noncontrolling interest distributions | (861) | (552) | (5,483) |
| Noncontrolling interest contributions | 43 | 152 | 41 |
| Stock issuance costs | (1) | (104) | (3,566) |
| Net cash provided by (used in) financing activities | 19,169 | (108,840) | (6,028) |
| Net increase (decrease) in cash and cash equivalents | (13,177) | 12,599 | (24,873) |
| Cash and cash equivalents at beginning of year | 15,225 | 2,626 | 27,499 |
| Cash and cash equivalents at end of year | \$ 2,048 | \$ 15,225 | \$ 2,626 |
| Supplemental disclosure of cash flow information: | | | |
| Interest paid, net of amount capitalized | \$ 62,386 | \$ 61,475 | \$ 69,395 |
| Taxes paid (received) | \$ 472 | \$ (63) | \$ 3,441 |
| Supplemental disclosure of noncash investing and financing activities: | | | |
| Issued 392,474, 262,546 and 225,517 shares of restricted and unrestricted common stock in 2010, 2009 and 2008, respectively, pursuant to NNN's performance incentive plan | \$ 6,889 | \$ 4,290 | \$ 3,796 |
| Issued 10,092, 6,594 and 12,766 shares of common stock in 2010, 2009 and 2008, respectively, to directors pursuant to NNN's performance incentive plan | \$ 236 | \$ 118 | \$ 262 |
| Issued 25,066, 41,604 and 26,879 shares of common stock in 2010, 2009 and 2008, respectively, pursuant to NNN's Deferred Director Fee Plan | \$ 401 | \$ 611 | \$ 449 |
| Surrender of 2,520 shares of restricted common stock in 2008 | \$ - | \$ - | \$ 58 |
| Change in other comprehensive income | \$ 1,150 | \$ (1,903) | \$ 1,439 |

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| | | | | | | |
|---|----|-------|----|----------|----|--------|
| Change in lease classification (direct financing lease to operating lease) | \$ | - | \$ | - | \$ | 300 |
| Transfer of real estate from Inventory Portfolio to Investment Portfolio | \$ | - | \$ | 16,058 | \$ | 29,948 |
| Note and mortgage receivable accepted in connection with real estate transactions | \$ | 5,950 | \$ | 1,550 | \$ | 24,245 |
| Mortgages payable assumed in connection with real estate transactions | \$ | 5,432 | \$ | - | \$ | - |
| Real estate acquired in connection with mortgage receivable foreclosure | \$ | 6,250 | \$ | 4,240 | \$ | 2,497 |
| Assets received in note receivable foreclosure | \$ | - | \$ | 5,527 | \$ | - |
| Note receivable foreclosures | \$ | - | \$ | (17,013) | \$ | - |

See accompanying notes to consolidated financial statements.

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NATIONAL RETAIL PROPERTIES, INC.

and SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008

Note 1 Organization and Summary of Significant Accounting Policies:

Organization and Nature of Business National Retail Properties, Inc., a Maryland corporation, is a fully integrated real estate investment trust (REIT) formed in 1984. The term NNN or the Company refers to National Retail Properties, Inc. and all of its consolidated subsidiaries. NNN has elected to treat certain subsidiaries as taxable REIT subsidiaries. These taxable subsidiaries and their majority owned and controlled subsidiaries are collectively referred to as the TRS.

NNN's operations are divided into two primary business segments: (i) investment assets, including real estate assets, mortgages and notes receivable and commercial mortgage residual interests (collectively, Investment Assets), and (ii) inventory real estate assets (Inventory Assets). NNN acquires, owns, invests in, manages and develops properties that are leased primarily to retail tenants under long-term net leases and primarily held for investment (Investment Properties or Investment Portfolio).

| | December 31, 2010 |
|--|-------------------|
| Investment Portfolio: | |
| Total properties (including retail operations) | 1,195 |
| Gross leasable area (square feet) | 12,972,000 |
| States | 46 |

The Inventory Assets typically represent direct and indirect investment interests in real estate assets acquired or developed primarily for the purpose of selling the real estate (Inventory Properties or Inventory Portfolio). As of December 31, 2010, NNN owned 17 Inventory Properties.

Principles of Consolidation NNN's consolidated financial statements include the accounts of each of the respective majority owned and controlled affiliates, including transactions whereby NNN has been determined to be the primary beneficiary in accordance with the Financial Accounting Standards Board (FASB) guidance included in *Consolidation*. All significant intercompany account balances and transactions have been eliminated. NNN applies the equity method of accounting to investments in partnerships and joint ventures that are not subject to control by NNN due to the significance of rights held by other parties.

The TRS develops real estate through various joint venture development affiliate agreements. NNN consolidates the joint venture development entities listed in the table below based upon either NNN being the primary beneficiary of the respective variable interest entity or NNN having a controlling interest over the respective entity. NNN eliminates significant intercompany

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balances and transactions and records a noncontrolling interest for its other partners' ownership percentage. The following table summarizes each of the investments as of December 31, 2010:

| Date of Agreement | Entity Name | TRS Ownership % |
|-------------------|-----------------------------|-----------------------|
| November 2002 | WG Grand Prairie TX, LLC | 60% |
| February 2003 | Gator Pearson, LLC | 50% |
| February 2006 | CNLRs BEP, L.P. | 50% |
| September 2006 | NNN Harrison Crossing, L.P. | 50% |

In September 2007, NNN entered into a joint venture, NNN Retail Properties Fund I LLC (the "NNN Crow JV") with an affiliate of Crow Holdings Realty Partners IV, LP.

Real Estate Investment Portfolio NNN records the acquisition of real estate at cost, including acquisition and closing costs. The cost of properties developed by NNN includes direct and indirect costs of construction, property taxes, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy.

Purchase Accounting for Acquisition of Real Estate Subject to a Lease In accordance with the FASB guidance on business combinations, the fair value of the real estate acquired with in-place leases is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, value of in-place leases and value of tenant relationships, based in each case on their relative fair values.

The fair value of the tangible assets of an acquired leased property is determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to land, building and tenant improvements based on the determination of the fair values of these assets. The as-if-vacant fair value of a property is provided to management by a qualified appraiser.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded as other assets or liabilities based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases, and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the lease, including the probability of renewal periods. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases unless the Company believes that it is likely that the tenant would renew the option whereby the Company would amortize the value attributable to the renewal over the renewal period. The capitalized below-market lease values are amortized as an increase to rental income over the initial term.

The aggregate value of other acquired intangible assets, consisting of in-place leases, is measured by the excess of (i) the purchase price paid for a property after adjusting existing in-place leases to market rental rates over (ii) the estimated fair value of the property as-if-vacant, determined as set forth above. The value of in-place leases exclusive of the value of above-market and below-market in-place leases is amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

The value of tenant relationships is reviewed on individual transactions to determine if future value was derived from the acquisition.

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Real estate is generally leased to tenants on a net lease basis, whereby the tenant is responsible for all operating expenses relating to the property, including property taxes, insurance, maintenance and repairs. The leases are accounted for using either the operating or the direct financing method. Such methods are described below:

Operating method Leases accounted for using the operating method are recorded at the cost of the real estate. Revenue is recognized as rentals are earned and expenses (including depreciation) are charged to operations as incurred. Buildings are depreciated on the straight-line method over their estimated useful lives. Leasehold interests are amortized on the straight-line method over the terms of their respective leases. When scheduled rentals vary during the lease term, income is recognized on a straight-line basis so as to produce a constant periodic rent over the term of the lease. Accrued rental income is the aggregate difference between the scheduled rents which vary during the lease term and the income recognized on a straight-line basis.

Direct financing method Leases accounted for using the direct financing method are recorded at their net investment (which at the inception of the lease generally represents the cost of the property). Unearned income is deferred and amortized into income over the lease terms so as to produce a constant periodic rate of return on NNN's net investment in the leases.

Real Estate Inventory Portfolio The TRS acquires and/or develops and owns properties primarily for the purpose of selling the real estate. The properties that are classified as held for sale at any given time may consist of properties that have been acquired in the marketplace with the intent to sell and properties that have been, or are currently being, constructed by the TRS. The TRS records the acquisition of the real estate at cost, including the acquisition and closing costs. The cost of the real estate developed by the TRS includes direct and indirect costs of construction, interest and other miscellaneous costs incurred during the development period until the project is substantially complete and available for occupancy. Real estate held for sale is not depreciated and is recorded at the lower of cost or fair value. In accordance with the FASB guidance included in *Real Estate*, the TRS classifies its real estate held for sale as discontinued operations for each property in which rental revenues are generated.

Impairment Real Estate Based upon events or changes in certain circumstances, management periodically assesses its Investment Properties for possible impairment indicating that the carrying value of the asset, including accrued rental income, may not be recoverable through operations. Events or circumstances that may occur include significant changes in real estate market condition and the ability of NNN to re-lease or sell properties that are currently vacant or become vacant. Management determines whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the residual value of the real estate, with the carrying cost of the individual asset. If an impairment is indicated, a loss will be recorded for the amount by which the carrying value of the asset exceeds its fair value.

Real Estate Dispositions When real estate is disposed of, the related cost, accumulated depreciation or amortization and any accrued rental income for operating leases and the net investment for direct financing leases are removed from the accounts and gains and losses from the dispositions are reflected in income. Gains from the disposition of real estate are generally recognized using the full accrual method in accordance with the FASB guidance included in *Real Estate Sales*, provided that various criteria relating to the terms of the sale and any subsequent involvement by NNN with the real estate sold are met. Lease termination fees are recognized when the related leases are cancelled and NNN no longer has a continuing obligation to provide services to the former tenants.

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Valuation of Mortgages, Notes and Accrued Interest The allowance related to the mortgages, notes and accrued interest is NNN's best estimate of the amount of probable credit losses. The allowance is determined on an individual note basis in reviewing any payment past due for over 90 days. Any outstanding amounts are written off against the allowance when all possible means of collection have been exhausted.

Investment in an Unconsolidated Affiliate NNN accounts for its investment in an unconsolidated affiliate under the equity method of accounting.

Commercial Mortgage Residual Interests, at Fair Value Commercial mortgage residual interests, classified as available for sale, are reported at their market values with unrealized gains and losses reported as other comprehensive income in stockholders' equity. The commercial mortgage residual interests were acquired in connection with the acquisition of Orange Avenue Mortgage Investments, Inc. (OAMI). NNN recognizes the excess of all cash flows attributable to the commercial mortgage residual interests estimated at the acquisition/transaction date over the initial investment (the accretable yield) as interest income over the life of the beneficial interest using the effective yield method. Losses are considered other than temporary valuation impairments if and when there has been a change in the timing or amount of estimated cash flows, exclusive of changes in interest rates, that leads to a loss in value.

In 2010, NNN acquired the 21.1% non-controlling interest in its majority owned and controlled subsidiary, OAMI, for \$1,603,000, pursuant to which OAMI became a wholly owned subsidiary of NNN. NNN accounted for the transaction as an equity transaction in accordance with the FASB guidance on consolidation.

Cash and Cash Equivalents NNN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash and money market accounts. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

Cash accounts maintained on behalf of NNN in demand deposits at commercial banks and money market funds may exceed federally insured levels; however, NNN has not experienced any losses in such accounts.

Valuation of Receivables NNN estimates of the collectibility of its accounts receivable related to rents, expense reimbursements and other revenues. NNN analyzes accounts receivable and historical bad debt levels, customer credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. In addition, tenants in bankruptcy are analyzed and estimates are made in connection with the expected recovery of pre-petition and post-petition claims.

Goodwill Goodwill arises from business combinations and represents the excess of the cost of an acquired entity over the net fair value amounts that were assigned to the assets acquired and the liabilities assumed. In accordance with the FASB guidance included in *Goodwill*, NNN performs impairment testing on goodwill by comparing fair value to carrying amount annually.

Debt Costs Debt costs incurred in connection with NNN's \$400,000,000 line of credit and mortgages payable have been deferred and are being amortized over the term of the respective loan commitment using the straight-line method, which approximates the effective interest method. Debt costs incurred in connection with the issuance of NNN's notes payable have been deferred and are being amortized over the term of the respective debt obligation using the effective interest method.

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Revenue Recognition Rental revenues for non-development real estate assets are recognized when earned in accordance with the FASB guidance included in *Leases*, based on the terms of the lease at the time of acquisition of the leased asset. Rental revenues for properties under construction commence upon completion of construction of the leased asset and delivery of the leased asset to the tenant.

Earnings Per Share Earnings per share have been computed pursuant to the FASB guidance included in *Earnings Per Share*. Effective January 1, 2009, the guidance requires classification of the Company's unvested restricted share units which contain rights to receive nonforfeitable dividends, as participating securities requiring the two-class method of computing earnings per share. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the weighted average shares outstanding during the period. The following table is a reconciliation of the numerator and denominator used in the computation of basic and diluted earnings per common share using the two-class method for the years ended December 31 (dollars in thousands):

| | 2010 | 2009 | 2008 |
|--|------------|------------|------------|
| Basic and Diluted Earnings: | | | |
| Net earnings attributable to NNN | \$ 72,997 | \$ 54,810 | \$ 117,153 |
| Less: Series C preferred stock dividends | (6,785) | (6,785) | (6,785) |
| Net earnings available to NNN's common stockholders | 66,212 | 48,025 | 110,368 |
| Less: Earnings attributable to unvested restricted shares | (299) | (290) | (485) |
| Net earnings used in basic earnings per share | 65,913 | 47,735 | 109,883 |
| Reallocated undistributed income (loss) | - | (1) | - |
| Net earnings used in diluted earnings per share | \$ 65,913 | \$ 47,734 | \$ 109,883 |
| Basic and Diluted Weighted Average Shares Outstanding: | | | |
| Weighted average number of shares outstanding | 83,320,921 | 80,486,215 | 74,732,844 |
| Less: Unvested restricted stock | (605,276) | (639,957) | (483,707) |
| Weighted average number of shares outstanding used in basic earnings per share | 82,715,645 | 79,846,258 | 74,249,137 |
| Effects of dilutive securities: | | | |
| Common stock options | 3,814 | 9,037 | 35,900 |
| Directors' deferred fee plan | 129,903 | 98,204 | 59,194 |
| Weighted average number of shares outstanding used in diluted earnings per share | 82,849,362 | 79,953,499 | 74,344,231 |

The potential dilutive shares related to convertible notes payable were not included in computing earnings per common share because their effects would be antidilutive.

Stock-Based Compensation On January 1, 2006, NNN adopted the FASB guidance included in *Equity Based Payments to Non-Employees*, under the modified prospective method. Under the modified prospective method, compensation cost is recognized for all awards granted after the adoption of this standard and for the unvested portion of previously granted awards that are outstanding as of that date. In accordance with the FASB guidance, NNN estimates the fair value of restricted stock and stock option grants at the date of grant and amortizes those amounts into expense on a straight line basis or amount vested, if greater, over the appropriate vesting period.

Income Taxes NNN has made an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code), and related regulations. NNN generally will not be subject to federal income taxes on amounts distributed to stockholders,

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providing it distributes 100 percent of its REIT taxable income and meets certain other requirements for qualifying as a REIT. For each of the years in the three-year period ended December 31, 2010, NNN believes it has qualified as a REIT. Notwithstanding NNN's qualification for taxation as a REIT, NNN is subject to certain state taxes on its income and real estate.

NNN and its taxable REIT subsidiaries have made timely TRS elections pursuant to the provisions of the REIT Modernization Act. A taxable REIT subsidiary is able to engage in activities resulting in income that previously would have been disqualified from being eligible REIT income under the federal income tax regulations. As a result, certain activities of NNN which occur within its TRS entities are subject to federal and state income taxes (See Note 17). All provisions for federal income taxes in the accompanying consolidated financial statements are attributable to NNN's taxable REIT subsidiaries and to OAMI's built-in-gain tax liability.

Income taxes are accounted for under the asset and liability method as required by the FASB guidance included in *Income Taxes*. Deferred tax assets and liabilities are recognized for the temporary differences based on estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Fair Value Measurement NNN's estimates of fair value of financial and non-financial assets and liabilities based on the framework established in the fair value accounting guidance. The framework specifies a hierarchy of valuation inputs which was established to increase consistency, clarity and comparability in fair value measurements and related disclosures. The guidance describes a fair value hierarchy based upon three levels of inputs that may be used to measure fair value, two of which are considered observable and one that is considered unobservable. The following describes the three levels:

Level 1 Valuation is based upon quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation is based upon inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include option pricing models, discounted cash flow models and similar techniques.

New Accounting Pronouncements In June 2009, FASB issued revised guidance on the accounting for variable interest entities. The revised guidance reflects the elimination of the concept of a qualifying special-purpose entity. The guidance also replaces the quantitative-based risks and rewards calculation of the previous guidance for determining which company, if any, has a controlling financial interest in a variable interest entity with an approach that is primarily qualitative. The new guidance requires ongoing assessments of whether an enterprise is the primary beneficiary of the variable interest entity as well as additional disclosures. The guidance is effective for financial statements issued for fiscal years beginning after November 15, 2009.

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The adoption of the standard did not have a significant impact on NNN's financial position or results of operations.

In January 2010, the FASB issued *Fair Value Measurements and Disclosures, Improving Disclosures about Fair Value Measurements*. This update requires new disclosures for transfers in and out of Level 1 and 2, as well as disclosure about the valuation techniques and inputs used to measure fair value for Level 1 and 2. In addition, activity in Level 3 should present separately information about purchases, sales, issuances and settlements on a gross basis (rather than as one net number). A reporting entity should provide fair value measurements disclosures for each class of assets and liabilities. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the standard did not have a significant impact on NNN's financial position or results of operations.

In February 2010, the FASB issued *Subsequent Events, Amendments to Certain Recognition and Disclosure Requirements*. An entity that files Exchange Act reports with the Securities and Exchange Commission (Commission) is required to evaluate subsequent events through the date that the financial statements are issued. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and requirements of the Commission. The scope of the reissuance disclosure requirements is refined to include revised financial statements only. Revised financial statements include financial statements revised either as a result of correction of an error or retrospective application of accounting principles generally accepted in the United States of America. All of the amendments in this are effective upon issuance of the final update, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010. The adoption of the standard did not have an impact on NNN's financial position or results of operations.

Use of Estimates Management of NNN has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Significant estimates include provision for impairment and allowances for certain assets, accruals, useful lives of assets and capitalization of costs. Actual results could differ from those estimates.

Reclassification Certain items in the prior year's consolidated financial statements and notes to consolidated financial statements have been reclassified to conform to the 2010 presentation.

Note 2 Real Estate Investment Portfolio:

Leases The following outlines key information for NNN's Investment Property leases at December 31, 2010:

| | |
|--|----------|
| Lease classification: | |
| Operating | 1,159 |
| Direct financing | 16 |
| Building portion direct financing / land portion operating | 7 |
| Weighted average remaining lease term | 12 Years |

The leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index, and/or increases in the tenant's sales volume. Generally, the tenant is also required to pay all property taxes and assessments, substantially maintain the interior and exterior of the building and carry property and liability insurance coverage. Certain of NNN's

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Investment Properties are subject to leases under which NNN retains responsibility for certain costs and expenses of the property. Generally, the leases of the Investment Properties provide the tenant with one or more multi-year renewal options subject to generally the same terms and conditions, including rent increases, consistent with the initial lease term.

Investment Portfolio Accounted for Using the Operating Method Real estate subject to operating leases consisted of the following as of December 31 (dollars in thousands):

| | 2010 | 2009 |
|--|--------------|--------------|
| Land and improvements | \$ 1,122,243 | \$ 1,054,889 |
| Buildings and improvements | 1,592,752 | 1,450,348 |
| Leasehold interests | 1,290 | 1,290 |
| | 2,716,285 | 2,506,527 |
| Less accumulated depreciation and amortization | (222,921) | (183,948) |
| | 2,493,364 | 2,322,579 |
| Work in progress | 26,586 | 5,997 |
| | \$ 2,519,950 | \$ 2,328,576 |

Some leases provide for scheduled rent increases throughout the lease term. Such amounts are recognized on a straight-line basis over the terms of the leases. For the years ended December 31, 2010, 2009 and 2008, NNN recognized collectively in continuing and discontinued operations, \$(93,000), \$2,102,000 and \$1,020,000, respectively, of such income, net of reserves. At December 31, 2010 and 2009, the balance of accrued rental income, net of allowances of \$3,609,000 and \$2,875,000, respectively, was \$25,535,000 and \$25,745,000, respectively.

As of December 31, 2010, in connection with the development of Investment Properties, NNN has the following funding commitments (dollars in thousands):

| | # of Properties | Total Commitment ⁽¹⁾ | Amount Funded | Remaining Commitment |
|----------------------|-----------------|---------------------------------|---------------|----------------------|
| Investment Portfolio | 28 | \$ 68,746 | \$ 50,196 | \$ 18,550 |

⁽¹⁾ Includes land and construction costs.

The following is a schedule of future minimum lease payments to be received on noncancellable operating leases at December 31, 2010 (dollars in thousands):

| | |
|------------|--------------|
| 2011 | \$ 225,328 |
| 2012 | 222,547 |
| 2013 | 214,526 |
| 2014 | 204,970 |
| 2015 | 196,748 |
| Thereafter | 1,641,387 |
| | \$ 2,705,506 |

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Since lease renewal periods are exercisable at the option of the tenant, the above table only presents future minimum lease payments due during the initial lease terms. In addition, this table does not include amounts for potential variable rent increases that are based on the CPI or future contingent rents which may be received on the leases based on a percentage of the tenant's gross sales.

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Investment Portfolio Accounted for Using the Direct Financing Method The following lists the components of net investment in direct financing leases at December 31 (dollars in thousands):

| | 2010 | 2009 |
|---|-----------|-----------|
| Minimum lease payments to be received | \$ 37,699 | \$ 42,244 |
| Estimated unguaranteed residual values | 12,297 | 12,297 |
| Less unearned income | (20,223) | (23,224) |
| Net investment in direct financing leases | \$ 29,773 | \$ 31,317 |

The following is a schedule of future minimum lease payments to be received on direct financing leases held for investment at December 31, 2010 (dollars in thousands):

| | |
|------------|-----------|
| 2011 | \$ 4,531 |
| 2012 | 4,558 |
| 2013 | 4,508 |
| 2014 | 3,750 |
| 2015 | 3,457 |
| Thereafter | 16,895 |
| | \$ 37,699 |

The above table does not include future minimum lease payments for renewal periods, potential variable CPI rent increases or contingent rental payments that may become due in future periods (see Real Estate Investment Portfolio Accounted for Using the Operating Method).

Note 3 Real Estate Inventory Portfolio:

As of December 31, 2010, the TRS owned 17 Inventory Properties: 10 completed inventory and seven land parcels. As of December 31, 2009, the TRS owned 19 Inventory Properties: 13 completed inventory and six land parcels. The real estate Inventory Portfolio consisted of the following at December 31 (dollars in thousands):

| | 2010 | 2009 |
|-----------------|-----------|-----------|
| Inventory: | | |
| Land | \$ 19,734 | \$ 37,088 |
| Building | 18,487 | 47,684 |
| | 38,221 | 84,772 |
| Less impairment | (6,145) | (12,349) |
| | \$ 32,076 | \$ 72,423 |

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The following table summarizes the number of Inventory Properties sold and the corresponding gain recognized on the disposition of Inventory Properties included in continuing and discontinued operations for the years ended December 31 (dollars in thousands):

| | 2010 | | 2009 | | 2008 | |
|---|-----------------------|--------|-----------------------|--------|-----------------------|----------|
| | # of Properties | Gain | # of Properties | Gain | # of Properties | Gain |
| Continuing operations | 2 | \$ 641 | 2 | \$ 37 | 1 | \$ 21 |
| Noncontrolling interest | | (320) | | (14) | | (10) |
| Total continuing operations attributable to NNN | | 321 | | 23 | | 11 |
| Discontinued operations | 2 | 300 | 2 | 558 | 24 | 12,644 |
| Noncontrolling interest | | (43) | | - | | (3,297) |
| Total discontinued operations attributable to NNN | | 257 | | 558 | | 9,347 |
| | 4 | \$ 578 | 4 | \$ 581 | 25 | \$ 9,358 |

Note 4 Impairments Real Estate:

Management periodically assesses its real estate for possible impairment whenever certain events or changes in circumstances indicate that the carrying amount of the asset, including accrued rental income, may not be recoverable through operations. Events or circumstances that may occur include significant changes in real estate market conditions and the ability of NNN to re-lease or sell properties that are vacant or become vacant. Impairments are measured as the amount by which the current book value of the asset exceeds the estimated fair value of the asset. As a result of the Company's review of long lived assets, including identifiable intangible assets, NNN recognized the following real estate impairments for the years ended December 31 (dollars in thousands):

| | 2010 | | 2009 | | 2008 | |
|-------------------------|------|---|------|--------|------|-------|
| Continuing operations | \$ | - | \$ | 28,884 | \$ | 1,234 |
| Discontinued operations | | - | | 5,630 | | 4,426 |
| | \$ | - | \$ | 34,514 | \$ | 5,660 |

The valuation of impaired assets is determined using widely accepted valuation techniques including discounted cash flow analysis, income capitalization, analysis of recent comparable sales transactions, actual sales negotiations and bona fide purchase offers received from third parties. NNN may consider a single valuation technique or multiple valuation techniques, as appropriate, when measuring the fair value of its real estate.

Note 5 Business Combinations:

In connection with the default of a note receivable and certain lease agreements between NNN and one of its tenants, in June 2009, NNN acquired the operations of the auto service business which was operated on 12 Investment Properties. The note foreclosure resulted in a loss of \$7,816,000. NNN recorded the value of the assets received at fair value. No liabilities were assumed. The fair value of the assets resulted in goodwill of \$3,400,000. In connection with the annual review of goodwill for impairment, NNN recognized a noncash impairment charge of \$1,900,000 included in Impairment losses and other charges in the Consolidated Statement of Earnings during the year ended December 31, 2010.

Table of Contents**Note 6 Mortgages, Notes and Accrued Interest Receivable:**

Mortgages are secured by real estate, real estate securities or other assets. Structured finance investments are secured by the borrowers' pledge of their respective membership interests in the entities which own the respective real estate. Mortgages and notes receivable consisted of the following at December 31 (dollars in thousands):

| | 2010 | 2009 |
|---|-----------|-----------|
| Mortgages and notes receivable | \$ 29,750 | \$ 41,707 |
| Accrued interest receivables, net of reserves | 644 | 269 |
| Unamortized discount | (63) | - |
| | \$ 30,331 | \$ 41,976 |

In connection with the evaluation of the collectibility of its mortgages and notes receivable, during the year ended December 31, 2010, NNN recorded a valuation reserve of \$5,625,000.

Note 7 Commercial Mortgage Residual Interests:

OAMI holds the commercial mortgage residual interests (Residuals) from seven securitizations. The following table summarizes the investment interests in each of the transactions:

| Securitization | Investment Interest | | |
|----------------|------------------------|---------------------|-----------------------|
| | Company ⁽¹⁾ | OAMI ⁽²⁾ | 3 rd Party |
| BYL 99-1 | - | 59.0% | 41.0% |
| CCMH I, LLC | 42.7% | 57.3% | - |
| CCMH II, LLC | 44.0% | 56.0% | - |
| CCMH III, LLC | 36.7% | 63.3% | - |
| CCMH IV, LLC | 38.3% | 61.7% | - |
| CCMH V, LLC | 38.4% | 61.6% | - |
| CCMH VI, LLC | - | 100.0% | - |

⁽¹⁾ NNN owned these investment interests prior to its acquisition of the equity interest in OAMI.

⁽²⁾ Effective July 1, 2010, NNN owns 100 percent of OAMI's investment interest.

Each of the Residuals is recorded at fair value based upon an independent valuation. Unrealized gains and losses are reported as other comprehensive income in stockholders' equity and other than temporary losses as a result of a change in the timing or amount of estimated cash flows are recorded as an other than temporary valuation impairment. Due to changes in market conditions relating to residual assets, the independent valuation adjusted several valuation assumptions related to prepayment speeds and default curves during 2010.

The following table summarizes the recognition of unrealized gains and/or losses recorded as other comprehensive income as well as other than temporary valuation impairment as of December 31 (dollars in thousands):

| | 2010 | 2009 | 2008 |
|-------------------|----------|-------|----------|
| Unrealized gains | \$ 1,272 | \$ - | \$ 2,009 |
| Unrealized losses | - | 1,640 | - |

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| | | | |
|---|-------|-----|-----|
| Other than temporary valuation impairment | 3,995 | 498 | 758 |
|---|-------|-----|-----|

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The following table summarizes the changes to the key assumptions used in determining the value of the Residuals as of December 31:

| | 2010 | 2009 |
|--|-----------------------|-----------------------|
| Discount rate | 25% | 25% |
| Average life equivalent CPR speeds range | 4.35% to 20.37% CPR | 14.5% to 20.7% CPR |
| Foreclosures: | | |
| Frequency curve default model | 0.1% - 15.0% range | 6% average rate |
| Loss severity of loans in foreclosure | 20% | 20% |
| Yield: | | |
| LIBOR | Forward 3-month curve | Forward 3-month curve |
| Prime | Forward curve | Forward curve |

The following table shows the effects on the key assumptions affecting the fair value of the Residuals at December 31, 2010 (dollars in thousands):

| | Residuals |
|--|-----------|
| Carrying amount of retained interests | \$ 15,915 |
| Discount rate assumption: | |
| Fair value at 27% discount rate | \$ 15,261 |
| Fair value at 30% discount rate | \$ 14,357 |
| Prepayment speed assumption: | |
| Fair value of 1% increases above the CPR Index | \$ 15,910 |
| Fair value of 2% increases above the CPR Index | \$ 15,909 |
| Expected credit losses: | |
| Fair value 2% adverse change | \$ 15,658 |
| Fair value 3% adverse change | \$ 15,503 |
| Yield Assumptions: | |
| Fair value of Prime/LIBOR spread contracting 25 basis points | \$ 16,262 |
| Fair value of Prime/LIBOR spread contracting 50 basis points | \$ 16,623 |

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation of a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions; in reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

Note 8 Line of Credit Payable:

NNN's \$400,000,000 revolving credit facility had a weighted average outstanding balance of \$17,861,000 and a weighted average interest rate of 3.8% during the year ended December 31, 2010. In November 2009, NNN entered into a credit agreement for a new \$400,000,000 revolving credit facility, replacing the existing revolving credit facility (as the context requires, the previous and new revolving credit facility, the "Credit Facility"). The Credit Facility matures November 2012, with an option to extend maturity to November 2013. The Credit Facility bears interest at LIBOR plus 280 basis points with a 1.0% LIBOR floor; however, such interest rate may change pursuant to a tiered interest rate structure based on NNN's debt rating. The Credit Facility also includes an accordion feature for NNN to increase, at its option, the facility size up to \$500,000,000. As of December 31, 2010, \$161,000,000 was outstanding, and \$239,000,000 was available for future borrowings under the Credit Facility, excluding undrawn letters of credit totaling \$647,000.

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In accordance with the terms of the Credit Facility, NNN is required to meet certain restrictive financial covenants which, among other things, require NNN to maintain certain (i) maximum leverage ratios, (ii) debt service coverage, (iii) cash flow coverage and (iv) investment and dividend limitations. At December 31, 2010, NNN was in compliance with those covenants.

Note 9 Mortgages Payable:

The following table outlines the mortgages payable included in NNN's consolidated financial statements (dollars in thousands):

| Entered | Initial Balance | Interest Rate | Maturity ⁽³⁾ | Carrying Value of Encumbered Asset(s) ⁽¹⁾ | Outstanding Principal Balance at December | |
|------------------------------|--------------------|------------------|-------------------------|---|--|-----------|
| | | | | | 31, 2010 | 2009 |
| December 2001 ⁽²⁾ | \$ 623 | 9.00% | April 2014 | \$ 734 | \$ 215 | \$ 267 |
| December 2001 ⁽²⁾ | 698 | 9.00% | April 2019 | 1,186 | 364 | 392 |
| December 2001 ⁽²⁾ | 485 | 9.00% | April 2019 | 1,152 | 187 | 201 |
| June 2002 | 21,000 | 6.90% | July 2012 | 24,051 | 18,841 | 19,170 |
| February 2004 ⁽²⁾ | 6,952 | 6.90% | January 2017 | 11,522 | 4,038 | 4,554 |
| March 2005 ⁽²⁾ | 1,015 | 8.14% | September 2016 | 1,322 | 624 | 706 |
| | | | | \$ 39,967 | \$ 24,269 | \$ 25,290 |

⁽¹⁾ Each loan is secured by a first mortgage lien on certain of NNN's properties. The carrying values of the assets are as of December 31, 2010.

⁽²⁾ Date entered represents the date that NNN acquired real estate subject to a mortgage securing a loan. The corresponding original principal balance represents the outstanding principal balance at the time of acquisition.

⁽³⁾ Monthly payments include interest and principal, if any; the balance is due at maturity.

The following is a schedule of the annual maturities of NNN's mortgages payable at December 31, 2010 (dollars in thousands):

| | |
|------------|-----------|
| 2011 | \$ 1,098 |
| 2012 | 19,290 |
| 2013 | 863 |
| 2014 | 881 |
| 2015 | 917 |
| Thereafter | 1,220 |
| | \$ 24,269 |

Table of Contents**Note 10 Notes Payable Convertible:**

Each of NNN's outstanding series of convertible notes are summarized in the table below (dollars in thousands, except conversion price):

| Terms | 2026 Notes ⁽¹⁾⁽²⁾⁽⁴⁾ | 2028 Notes ⁽²⁾⁽⁵⁾⁽⁶⁾ |
|--|------------------------------------|------------------------------------|
| Issue Date | September 2006 | March 2008 |
| Net Proceeds | \$ 168,650 | \$ 228,576 |
| Stated Interest Rate | 3.950% | 5.125% |
| Debt Issuance Costs | \$ 3,850 ⁽³⁾ | \$ 5,457 ⁽⁷⁾ |
| Earliest Conversion Date | September 2025 | June 2027 |
| Earliest Put Option Date | September 2011 | June 2013 |
| Maturity Date | September 2026 | June 2028 |
| Original Principal | \$ 172,500 | \$ 234,035 |
| Repurchases | (33,800) | (11,000) |
| Outstanding principal balance at December 31, 2010 | \$ 138,700 | \$ 223,035 |

- (1) NNN repurchased \$8,800 and \$25,000 in 2009 and 2008, respectively, for a purchase price of \$6,994 and \$19,188, respectively, resulting in a gain of \$1,565 and \$4,961, respectively.
- (2) Debt issuance costs include underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. These costs have been deferred and are being amortized over the period to the earliest put option date of the holders using the effective interest method.
- (3) Includes \$463 of note costs which were written off in connection with the repurchase of \$33,800 of the 2026 Notes.
- (4) The conversion rate per \$1 principal amount was 41.9803 shares of NNN's common stock, which is equivalent to a conversion price of \$23.8207 per share of common stock.
- (5) The conversion rate per \$1 principal amount was 39.3620 shares of NNN's common stock, which is equivalent to a conversion price of \$25.4052 per share of common stock.
- (6) NNN repurchased \$11,000 in 2009 for a purchase price of \$8,588 resulting in a gain of \$1,867.
- (7) Includes \$219 of note costs which were written off in connection with the repurchase of \$11,000 of the 2028 Notes, respectively.
- (8) With the adoption of the new accounting guidance on convertible debt securities, the effective interest rate for the 2026 Notes and the 2028 Notes are 5.840% and 7.192%, respectively.

Each series of convertible notes represents senior, unsecured obligations of NNN and are subordinated to all secured indebtedness of the Company. Each note is redeemable at the option of NNN, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the notes being redeemed plus accrued and unpaid interest thereon through but not including the redemption date and (ii) the make whole amount, if any, as defined in the applicable supplemental indenture relating to the notes.

The carrying amounts of the Company's debt and equity balances are summarized in the table below as of December 31 (dollars in thousands):

| | 2010 | 2009 |
|--|-------------|-------------|
| Carrying value of equity component | \$ (33,873) | \$ (33,873) |
| Principal amount of convertible debt | 361,735 | 361,735 |
| Remaining unamortized debt discount | (12,201) | (18,355) |
| Net carrying value of convertible debt | \$ 315,661 | \$ 309,507 |

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As of December 31, 2010, the remaining amortization periods for the debt discount were approximately nine months and 18 months for the 2026 Notes and the 2028 Notes, respectively.

The adjusted effective interest rates for the liability components of the 2026 Notes and the 2028 Notes were 5.840% and 7.192%, respectively. The Company recorded noncash interest charges of \$6,154,000, \$5,809,000 and \$5,481,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The Company recorded contractual interest expense of \$16,909,000,

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\$17,046,000 and \$16,548,000 for the years ended December 31, 2010, 2009 and 2008, respectively, relating to the 2026 Notes and 2028 Notes.

The if-converted values which exceed the principal amount as of December 31, 2010, are \$15,601,000 and \$9,611,000 for the 2026 Notes and the 2028 Notes, respectively. As of December 31, 2009, the if-converted amount did not exceed the value of the principal amount.

Note 11 Notes Payable:

Each of NNN's outstanding series of non-convertible notes are summarized in the table below (dollars in thousands):

| Notes | Issue Date | Principal | Discount ⁽³⁾ | Net Price | Stated Rate | Effective Rate ⁽⁴⁾ | Maturity |
|---------------------------|----------------|-----------|-------------------------|-----------|-------------|-------------------------------|---------------|
| | | | | | | | Date |
| 2012 ⁽¹⁾ | June 2002 | \$ 50,000 | \$ 287 | \$ 49,713 | 7.750% | 7.833% | June 2012 |
| 2014 ⁽¹⁾⁽²⁾⁽⁵⁾ | June 2004 | 150,000 | 440 | 149,560 | 6.250% | 5.910% | June 2014 |
| 2015 ⁽¹⁾ | November 2005 | 150,000 | 390 | 149,610 | 6.150% | 6.185% | December 2015 |
| 2017 ⁽¹⁾⁽⁶⁾ | September 2007 | 250,000 | 877 | 249,123 | 6.875% | 6.924% | October 2017 |

⁽¹⁾ The proceeds from the note issuance were used to pay down outstanding indebtedness of NNN's Credit Facility.

⁽²⁾ The proceeds from the note issuance were used to repay the obligation of the 2004 Notes.

⁽³⁾ The note discounts are amortized to interest expense over the respective term of each debt obligation using the effective interest method.

⁽⁴⁾ Includes the effects of the discount, treasury lock gain and swap gain (as applicable).

⁽⁵⁾ NNN entered into a forward starting interest rate swap agreement which fixed a swap rate of 4.61% on a notional amount of \$94,000. Upon issuance of the 2014 Notes, NNN terminated the forward starting interest rate swap agreement resulting in a gain of \$4,148. The gain has been deferred and is being amortized as an adjustment to interest expense over the term of the 2014 Notes using the effective interest method.

⁽⁶⁾ NNN entered into an interest rate hedge with a notional amount of \$100,000. Upon issuance of the 2017 Notes, NNN terminated the interest rate hedge agreement resulting in a liability of \$3,260, of which \$3,228 was recorded to other comprehensive income. The liability has been deferred and is being amortized as an adjustment to interest expense over the term of the 2017 Notes using the effective interest method.

Each series of the notes represent senior, unsecured obligations of NNN and are subordinated to all secured indebtedness of NNN. Each of the notes are redeemable at the option of NNN, in whole or in part, at a redemption price equal to the sum of (i) the principal amount of the notes being redeemed plus accrued and unpaid interest thereon through the redemption date and (ii) the make-whole amount, if any, as defined in the applicable supplemental indenture relating to the notes.

In connection with the debt offerings, NNN incurred debt issuance costs totaling \$5,226,000 consisting primarily of underwriting discounts and commissions, legal and accounting fees, rating agency fees and printing expenses. Debt issuance costs for all note issuances have been deferred and are being amortized over the term of the respective notes using the effective interest method.

In September 2010, NNN repaid the \$20,000,000 8.5% notes payable that were due in September 2010.

In accordance with the terms of the indenture, pursuant to which NNN's notes have been issued, NNN is required to meet certain restrictive financial covenants, which, among other things, require NNN to maintain (i) certain leverage ratios and (ii) certain interest coverage. At December 31, 2010, NNN was in compliance with those covenants.

Table of Contents**Note 12 Preferred Stock:**

7.375% Series C Cumulative Redeemable Preferred Stock. In October 2006, NNN filed a prospectus supplement to the prospectus contained in its February 2006 shelf registration statement and issued 3,680,000 depositary shares, each representing 1/100th of a share of 7.375% Series C Cumulative Redeemable Preferred Stock (Series C Preferred Stock), and received gross proceeds of \$92,000,000. In connection with this offering, NNN incurred stock issuance costs of approximately \$3,098,000, consisting primarily of underwriting commissions and fees, legal and accounting fees and printing expenses.

Holders of the depositary shares are entitled to receive, when and as authorized by the Board of Directors, cumulative preferential cash dividends at the rate of 7.375% of the \$25.00 liquidation preference per depositary share per annum (equivalent to a fixed annual amount of \$1.84375 per depositary share). The Series C Preferred Stock underlying the depositary shares ranks senior to NNN's common stock with respect to dividend rights and rights upon liquidation, dissolution or winding up of NNN. The Series C Preferred Stock has no maturity date and will remain outstanding unless redeemed. NNN may redeem the Series C Preferred Stock underlying the depositary shares on or after October 12, 2011, for cash, at a redemption price of \$2,500.00 per share (or \$25.00 per depositary share), plus all accumulated, accrued and unpaid dividends.

Note 13 Common Stock:

In October 2008, NNN filed a prospectus supplement to the prospectus contained in its February 2006 shelf registration statement and issued 3,450,000 shares (including 450,000 shares in connection with the underwriters' over allotment) of common stock at a price of \$23.05 per share and received net proceeds of \$75,958,000. In connection with this offering, NNN incurred stock issuance costs totaling approximately \$3,565,000, consisting primarily of underwriters' fees and commissions, and legal and accounting fees and printing expenses.

In February 2009, NNN filed a shelf registration statement with the Commission which permits the issuance by NNN of an indeterminate amount of debt and equity securities.

Dividend Reinvestment and Stock Purchase Plan. In June 2009, NNN filed a shelf registration statement with the Commission for its Dividend Reinvestment and Stock Purchase Plan (DRIP) which permits the issuance by NNN of 16,000,000 shares of common stock. The following outlines the common stock issuances pursuant to the DRIP for the years ended December 31:

| | 2010 | 2009 | 2008 |
|------------------------|---------------|---------------|---------------|
| Shares of common stock | 793,759 | 3,766,452 | 2,146,640 |
| Net proceeds | \$ 17,623,000 | \$ 67,354,000 | \$ 47,372,000 |

Note 14 Employee Benefit Plan:

Effective January 1, 1998, NNN adopted a defined contribution retirement plan (the Retirement Plan) covering substantially all of the employees of NNN. The Retirement Plan permits participants to defer up to a maximum of 60 percent of their compensation, as defined in the Retirement Plan, subject to limits established by the Code. NNN matches 60 percent of the participants' contributions up to a maximum of eight percent of a participant's annual compensation. NNN's contributions to the Retirement Plan for the years ended December 31, 2010, 2009 and 2008 totaled \$297,000, \$302,000 and \$385,000, respectively.

Table of Contents**Note 15 Dividends:**

The following presents the characterization for tax purposes of common stock dividends paid to stockholders for the years ended December 31:

| | 2010 | 2009 | 2008 |
|--------------------------------|-------------|-------------|-------------|
| Ordinary dividends | \$ 1.072446 | \$ 1.495182 | \$ 1.480000 |
| Qualified dividends | 0.081661 | - | - |
| Capital gain | 0.000861 | 0.003051 | - |
| Unrecaptured Section 1250 Gain | 0.000498 | 0.001767 | - |
| Nontaxable distributions | 0.354534 | - | - |
| | \$ 1.510000 | \$ 1.500000 | \$ 1.480000 |

During the years ended December 31, 2010, 2009 and 2008, NNN declared and paid dividends to its common shareholders of \$125,391,000, \$120,256,000 and \$110,107,000, respectively, or \$1.51, \$1.50 and \$1.48 per share, respectively, of common stock.

On January 14, 2011, NNN declared a dividend of \$0.38 per share, which is payable February 15, 2011 to its common stockholders of record as of January 31, 2011.

The following presents the characterization for tax purposes of preferred stock dividends per share paid to stockholders for the year ended December 31:

| | 2010 | 2009 | 2008 |
|--------------------------------|-------------|-------------|-------------|
| Ordinary dividends | \$ 1.703170 | \$ 1.837828 | \$ 1.843750 |
| Qualified dividends | 0.140580 | - | - |
| Capital gain | - | 0.003750 | - |
| Unrecaptured Section 1250 Gain | - | 0.002172 | - |
| | \$ 1.843750 | \$ 1.843750 | \$ 1.843750 |

NNN declared and paid dividends to its Series C Preferred stockholders of \$6,785,000 or \$1.84375 per depository share during each of the years ended December 31, 2010, 2009 and 2008. The Series C Preferred Stock has no maturity date and will remain outstanding unless redeemed.

Note 16 Restructuring Costs:

During the year ended December 31, 2009, NNN recorded restructuring costs of \$731,000, related to the reduction of its workforce in January 2009.

Note 17 Income Taxes:

NNN treats some depreciation expense and certain other items differently for tax than for financial reporting purposes. The principal differences between NNN's effective tax rates for the years ended December 31, 2010, 2009 and 2008, and the statutory rates relate to state taxes and nondeductible expenses.

For income tax purposes, NNN has taxable REIT subsidiaries in which certain real estate activities are conducted. In 2010, NNN acquired the 21.1% non-controlling interest in its majority owned and controlled subsidiary, OAMI, pursuant to which OAMI became a wholly owned subsidiary of NNN. OAMI has remaining tax liabilities relating to the built-in gain of its assets.

In June 2009, NNN incurred a new deferred income tax item as a result of NNN acquiring the operations of 12 auto service businesses. See Note 5 Business Combinations. The new deferred tax item is goodwill. The amount of the tax deductible goodwill is approximately \$11,216,000. It is

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amortized for tax purposes using a straight-line method, over 15 years, beginning with the month incurred.

The components of the net income tax asset consist of the following at December 31 (dollars in thousands):

| | 2010 | 2009 |
|--------------------------------------|------------|------------|
| Temporary differences: | | |
| Built-in gain | \$ (4,068) | \$ (4,731) |
| Depreciation | (772) | (385) |
| Cost basis | 256 | 1,796 |
| Deferred income | 230 | 464 |
| Other | 56 | (268) |
| Reserves | 13,160 | 10,892 |
| Goodwill | 3,239 | 2,801 |
| Excess interest expense carryforward | 5,678 | 5,678 |
| Net operating loss carryforward | 5,398 | 4,484 |
| Net deferred income tax asset | 23,177 | 20,731 |
| Valuation allowance | (18,021) | (14,900) |
| Total deferred income tax asset | \$ 5,156 | \$ 5,831 |

In assessing the ability to realize a deferred tax asset, management considers whether it is more likely than not that some portion or the entire deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The net operating loss carryforwards were generated by NNN's taxable REIT subsidiaries. The net operating loss carryforwards begin to expire in 2027. Based upon the level of historical taxable income, projections for future taxable income, and tax strategies available to NNN over the periods in which the deferred tax assets are deductible, management believes, with the exception of certain impairments and losses, it is more likely than not that NNN will realize all of the benefits of these deductible differences that existed as of December 31, 2010. NNN believes it is more likely than not that the benefit from certain impairment charges and losses will not be realized. In recognition of this risk, NNN has provided a valuation allowance of \$18,021,000 on the deferred tax assets relating to the impairments and losses. The income tax benefit consists of the following components for the years ended December 31 (as adjusted) (dollars in thousands):

| | 2010 | 2009 | 2008 |
|---|-----------|-----------|------------|
| Net earnings before income taxes | \$ 74,097 | \$ 53,930 | \$ 113,859 |
| Provision for income tax benefit (expense): | | | |
| Current: | | | |
| Federal | (254) | (419) | (1,936) |
| State and local | (48) | (79) | (364) |
| Deferred: | | | |
| Federal | (744) | 1,110 | 4,539 |
| State and local | (54) | 268 | 1,055 |
| Total benefit (expense) for income taxes | (1,100) | 880 | 3,294 |
| Net earnings attributable to NNN's stockholders | \$ 72,997 | \$ 54,810 | \$ 117,153 |

In June 2006, the FASB issued additional guidance, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements included in *Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax

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return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

NNN, in accordance with FASB guidance included in *Income Taxes*, has analyzed its various federal and state filing positions. NNN believes that its income tax filing positions and deductions are well documented and supported. Additionally, NNN believes that its accruals for tax liabilities are adequate. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to the FASB guidance. In addition, NNN did not record a cumulative effect adjustment related to the adoption of the FASB guidance.

NNN has had no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Further, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be recorded in non-operating expenses. The periods that remain open under federal statute are 2007 through 2010. NNN also files in many states with varying open years under statute.

Note 18 Earnings from Discontinued Operations:

Real Estate Investment Portfolio NNN classified the revenues and expenses related to (i) all Investment Properties that were sold and leasehold interests which expired, and (ii) all Investment Properties that were held for sale as of December 31, 2010, as discontinued operations. The following is a summary of the earnings from discontinued operations from the Investment Portfolio for each of the years ended December 31 (dollars in thousands):

| | 2010 | 2009 | 2008 |
|---|-----------------|-----------------|------------------|
| Revenues: | | | |
| Rental income from operating leases | \$ 1,181 | \$ 4,786 | \$ 5,655 |
| Earned income from direct financing leases | - | - | 100 |
| Percentage rent | - | - | 25 |
| Real estate expense reimbursement from tenants | 48 | 208 | 208 |
| Interest and other income from real estate transactions | 21 | 118 | 429 |
| Interest and other income from non-real estate transactions | - | 5 | 2 |
| | 1,250 | 5,117 | 6,419 |
| Operating expenses: | | | |
| General and administrative | 16 | 7 | (71) |
| Real estate | 309 | 784 | 374 |
| Depreciation and amortization | 186 | 1,438 | 1,454 |
| Impairment losses and other charges | - | 3,536 | 1,730 |
| | 511 | 5,765 | 3,487 |
| Earnings (loss) before gain on disposition of real estate and income tax benefit (expense) | 739 | (648) | 2,932 |
| Gain on disposition of real estate | 1,134 | 2,392 | 9,980 |
| Income tax benefit (expense) | (14) | 32 | 2 |
| Earnings from discontinued operations attributable to NNN | \$ 1,859 | \$ 1,776 | \$ 12,914 |

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Real Estate Inventory Portfolio NNN has classified as discontinued operations the revenues and expenses related to (i) Inventory Properties which generated rental revenues prior to disposition, and (ii) Inventory Properties which generated rental revenues and were held for sale as of December 31, 2010. The following is a summary of the earnings from discontinued operations from the Inventory Portfolio for each of the years ended December 31 (dollars in thousands):

| | 2010 | 2009 | 2008 |
|---|----------|------------|-----------|
| Revenues: | | | |
| Rental income from operating leases | \$ 3,369 | \$ 4,975 | \$ 8,646 |
| Percentage rent | - | - | 139 |
| Real estate expense reimbursement from tenants | 1,358 | 1,513 | 867 |
| Interest and other from real estate transactions | 513 | 141 | 561 |
| | 5,240 | 6,629 | 10,213 |
| Disposition of real estate: | | | |
| Gross proceeds | 37,470 | 5,402 | 151,713 |
| Costs | (37,170) | (4,844) | (139,069) |
| Gain | 300 | 558 | 12,644 |
| Operating expenses: | | | |
| General and administrative | 71 | 116 | 22 |
| Real estate | 1,755 | 2,169 | 1,468 |
| Depreciation and amortization | 159 | 323 | 226 |
| Impairment losses and other charges | - | 2,094 | 2,696 |
| | 1,985 | 4,702 | 4,412 |
| Other expenses (revenues): | | | |
| Interest and other income | (3) | - | (8) |
| Interest expense | 2,655 | 3,790 | 5,291 |
| | 2,652 | 3,790 | 5,283 |
| Earnings (loss) before income tax expense | 903 | (1,305) | 13,162 |
| Income tax expense | (611) | (201) | (3,963) |
| Earnings (loss) from discontinued operations including noncontrolling interests | 292 | (1,506) | 9,199 |
| Loss (earnings) attributable to noncontrolling interests | 11 | (166) | (2,722) |
| Earnings (loss) from discontinued operations attributable to NNN | \$ 303 | \$ (1,672) | \$ 6,477 |

Note 19 Derivatives:

In accordance with the guidance on derivatives and hedging, NNN records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

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NNN's objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, NNN primarily uses treasury locks, forward swaps (forward hedges) and interest rate swaps as part of its cash flow hedging strategy. Treasury locks and forward starting swaps are used to hedge forecasted debt issuances. Treasury locks designated as cash flow hedges lock in the yield/price of a treasury security. Forward swaps also lock the associated swap spread. Interest rate swaps

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designated as cash flow hedges hedging the variable cash flows associated with floating rate debt involve the receipt of variable rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings.

NNN discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is re-designated as a hedging instrument or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued, NNN continues to carry the derivative at its fair value on the balance sheet, and recognizes any changes in its fair value in earnings or may choose to cash settle the derivative at that time.

In February 2008, NNN terminated its interest rate hedge with a notional amount of \$100,000,000 that was hedging the risk of changes in forecasted interest payments on a forecasted issuance of long-term debt. The fair value of the interest rate hedge when terminated was a liability of \$804,000, which NNN recorded as a loss on interest rate hedge.

In September 2007, NNN terminated two interest rate hedges with a combined notional amount of \$100,000,000 that were hedging the risk of changes in forecasted interest payments on a forecasted issuance of long-term debt. The fair value of the interest rate hedges when terminated was a liability of \$3,260,000, of which \$3,228,000 was deferred in other comprehensive income.

In June 2004, NNN terminated its forward-starting interest rate swaps with a notional amount of \$94,000,000 that was hedging the risk of changes in forecasted interest payments on a forecasted issuance of long-term debt. The fair value of the interest rate swaps when terminated was an asset of \$4,148,000, which was deferred in other comprehensive income.

As of December 31, 2010, \$715,000 remains in other comprehensive income related to the effective portion of NNN's previous interest rate hedges. During the year ended December 31, 2010, 2009 and 2008, NNN reclassified \$165,000, \$159,000 and \$162,000, respectively, out of other comprehensive income as a reduction to interest expense. Over the next 12 months, NNN estimates that an additional \$172,000 will be reclassified as a reduction in interest expense. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on NNN's long-term debt.

NNN does not use derivatives for trading or speculative purposes or currently have any derivatives that are not designated as hedges. NNN had no derivative financial instruments outstanding at December 31, 2010.

Table of Contents**Note 20 Performance Incentive Plan:**

In June 2007, NNN filed a registration statement on Form S-8 with the Commission which permits the issuance of up to 5,900,000 shares of common stock pursuant to NNN's 2007 Performance Incentive Plan (the "2007 Plan"). The 2007 Plan replaced NNN's previous Performance Incentive Plan. The 2007 Plan allows NNN to award or grant to key employees, directors and persons performing consulting or advisory services for NNN or its affiliates, stock options, stock awards, stock appreciation rights, Phantom Stock Awards, Performance Awards and Leveraged Stock Purchase Awards, each as defined in the 2007 Plan.

The following summarizes NNN's stock-based compensation activity for each of the years ended December 31:

| | Number of Shares | | |
|--------------------------|------------------|----------|----------|
| | 2010 | 2009 | 2008 |
| Outstanding, January 1 | 12,154 | 77,004 | 118,804 |
| Options granted | - | - | - |
| Options exercised | (4,654) | (51,500) | (28,000) |
| Options surrendered | - | (13,350) | (13,800) |
| Outstanding, December 31 | 7,500 | 12,154 | 77,004 |
| Exercisable, December 31 | 7,500 | 12,154 | 77,004 |

The following represents the weighted average option exercise price information for each of the years ended December 31:

| | 2010 | 2009 | 2008 |
|---------------------------|----------|----------|----------|
| Outstanding, January 1 | \$ 13.72 | \$ 14.00 | \$ 13.64 |
| Granted during the year | - | - | - |
| Exercised during the year | 13.08 | 13.72 | 11.17 |
| Outstanding, December 31 | 14.11 | 13.72 | 14.00 |
| Exercisable, December 31 | 14.11 | 13.72 | 14.00 |

The following summarizes the outstanding options and the exercisable options at December 31, 2010:

| | Total |
|--|----------|
| Outstanding options: | |
| Number of shares | 7,500 |
| Weighted-average exercise price | \$ 14.11 |
| Weighted-average remaining contractual life in years | 1.8 |
| Exercisable options: | |
| Number of shares | 7,500 |
| Weighted-average exercise price | \$ 14.11 |

One-third of the option grant to each individual becomes exercisable at the end of each of the first three years of service following the date of the grant and the options' maximum term is 10 years. At December 31, 2010, the intrinsic value of options outstanding was \$93,000. All options outstanding at December 31, 2010, were exercisable. During the years ended December 31, 2010, 2009 and 2008, NNN received proceeds totaling \$61,000, \$707,000 and \$313,000, respectively, in connection with the exercise of options. NNN issued new common stock to satisfy share option exercises. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009 and 2008, was \$43,000, \$240,000 and \$327,000, respectively.

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Pursuant to the 2007 Plan, NNN has granted and issued shares of restricted stock to certain officers, directors and key associates of NNN. The following summarizes the activity for the year ended December 31, 2010, of such grants.

| | Number of Shares | Weighted Average Share Price |
|---|------------------------|------------------------------------|
| Non-vested restricted shares, January 1 | 668,010 | \$ 16.95 |
| Restricted shares granted | 392,474 | 21.38 |
| Restricted shares vested | (142,637) | 19.80 |
| Restricted shares forfeited | (15,310) | 11.23 |
| Non-vested restricted shares, December 31 | 902,537 | \$ 18.52 |

During the year ended December 31, 2010 and 2008, a total of 15,310 and 2,520, respectively, of restricted shares were forfeited. No shares were forfeited in 2009.

Compensation expense for the restricted stock which is not contingent upon NNN's performance goals is determined based upon the fair value at the date of grant, assuming a 1.3% forfeiture rate, and is recognized as the greater of the amount amortized over a straight lined basis or the amount vested over the vesting periods. Vesting periods for officers and key associates of NNN range from four to seven years and generally vest yearly on a straight line basis.

During the year ended December 31, 2008, NNN granted 81,330 performance based shares with a weighted average grant price of \$8.00 to certain executive officers of NNN. The compensation expense for the grant is based upon fair market value of the grant calculated by a third party using a lattice model with the following assumptions: (i) risk free rate of 3.48%, (ii) a dividend rate of 6.50%, (iii) a term of five years, and (iv) a volatility of 19.89%. Volatility is based upon the historical volatility of NNN's stock and other factors. The vesting of these shares is contingent upon the achievement of certain performance goals by January 1, 2013.

During the year ended December 31, 2010, NNN granted 91,000 performance based shares subject to its earnings based growth after a three year period relative to its peers. The shares were granted to certain executive officers and had weighted average grant price of \$23.12 per share. Once the performance criteria are met and the actual number of shares earned is determined, the shares vest immediately. NNN considers the likelihood of meeting the performance criteria based upon management's estimates and analysis of future earnings based growth relative to its peers from which it determines the amounts to be recognized. Compensation expense is recognized over the requisite service period.

The following summarizes other grants made during the year ended December 31, 2010, pursuant to the 2007 Plan.

| | Shares | Weighted Average Share Price |
|--|-----------|------------------------------------|
| Other share grants under the 2007 Plan: | | |
| Directors' fees | 10,092 | \$ 23.38 |
| Deferred Directors' fees | 25,066 | 23.54 |
| | 35,158 | \$ 23.50 |
| Shares available under the 2007 Plan for grant, end of period | 4,860,190 | |

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The total compensation cost for share-based payments for the years ended December 31, 2010, 2009 and 2008, totaled \$5,310,000, \$4,172,000 and \$3,341,000, respectively, of such compensation expense. At December 31, 2010, NNN had \$9,366,000 of unrecognized compensation cost related to non-vested share-based compensation arrangements under the 2007 Plan. This cost is expected to be recognized over a weighted average period of 2.5 years.

Note 21 Fair Value of Financial Instruments:

NNN believes the carrying value of its Credit Facility approximates fair value based upon its nature, terms and variable interest rate. NNN believes that the carrying value of its cash and cash equivalents, mortgages, notes and other receivables, mortgages payable and other liabilities at December 31, 2010 and 2009, approximate fair value based upon current market prices of similar issues. At December 31, 2010 and 2009, the carrying value and fair value of NNN's notes payable and convertible notes payable, collectively, was \$1,044,621,000 and \$987,275,000, respectively, based upon the quoted market price.

Note 22 Quarterly Financial Data (unaudited):

The following table outlines NNN's quarterly financial data (dollars in thousands, except per share data):

| 2010 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|------------------|-------------------|------------------|-------------------|
| Revenues as originally reported | \$ 56,626 | \$ 56,496 | \$ 56,656 | \$ 59,440 |
| Reclassified to discontinued operations | (101) | (54) | (7) | - |
| Adjusted revenue | \$ 56,525 | \$ 56,442 | \$ 56,649 | \$ 59,440 |
| Net earnings attributable to NNN's stockholders | \$ 16,365 | \$ 21,207 | \$ 21,210 | \$ 14,215 |
| Net earnings per share ⁽¹⁾ : | | | | |
| Basic | \$ 0.18 | \$ 0.23 | \$ 0.23 | \$ 0.15 |
| Diluted | 0.18 | 0.23 | 0.23 | 0.15 |
| 2009 | | | | |
| Revenues as originally reported | \$ 57,963 | \$ 58,681 | \$ 57,035 | \$ 57,750 |
| Reclassified to discontinued operations | 114 | (546) | 59 | (242) |
| Adjusted revenue | \$ 58,077 | \$ 58,135 | \$ 57,094 | \$ 57,508 |
| Net earnings (loss) attributable to NNN's stockholders | \$ 26,804 | \$ 18,090 | \$ 22,443 | \$ (12,527) |
| Net earnings (loss) per share ⁽¹⁾ : | | | | |
| Basic | \$ 0.32 | \$ 0.21 | \$ 0.26 | \$ (0.18) |
| Diluted | 0.32 | 0.20 | 0.26 | (0.17) |

⁽¹⁾ Calculated independently for each period and consequently, the sum of the quarters may differ from the annual amount.

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NNN has identified two primary financial segments: (i) Investment Assets, and (ii) Inventory Assets. The following tables represent the segment data and reconciliation to NNN's consolidated totals for the years ended December 31, 2010, 2009 and 2008 (as adjusted) (dollars in thousands):

| 2010 | Investment Assets | Inventory Assets | Eliminations (Intercompany) | Consolidated Totals |
|---|----------------------|---------------------|--------------------------------|------------------------|
| External revenues | \$ 223,870 | \$ (40) | \$ - | \$ 223,830 |
| Intersegment revenues | 671 | 534 | (1,205) | - |
| Interest revenue | 3,231 | 48 | - | 3,279 |
| Interest revenue on Residuals | 3,460 | - | - | 3,460 |
| Gain on the disposition of real estate, Inventory Portfolio | - | 426 | 215 | 641 |
| Retail operations, net | 1,311 | - | - | 1,311 |
| Interest expense | 67,834 | (1,450) | (1,205) | 65,179 |
| Depreciation and amortization | 48,320 | 8 | - | 48,328 |
| Operating expenses | 31,983 | 4,329 | - | 36,312 |
| Impairment losses and other charges | 7,458 | 260 | (260) | 7,458 |
| Impairment commercial mortgage residual interests valuation adjustment | 3,995 | - | - | 3,995 |
| Equity in earnings of unconsolidated affiliate | (372) | - | 800 | 428 |
| Income tax benefit (expense) | (1,434) | 959 | - | (475) |
| Earnings (loss) from continuing operations | 71,147 | (1,220) | 1,275 | 71,202 |
| Earnings from discontinued operations, net of income tax expense | 1,859 | 292 | - | 2,151 |
| Earnings (loss) including noncontrolling interests | 73,006 | (928) | 1,275 | 73,353 |
| Earnings attributable to noncontrolling interests from continuing operations | (9) | (358) | - | (367) |
| Earnings attributable to noncontrolling interests from discontinued operations | - | 11 | - | 11 |
| Net earnings (loss) attributable to NNN | \$ 72,997 | \$ (1,275) | \$ 1,275 | \$ 72,997 |
| Assets | \$ 2,846,036 | \$ 38,997 | \$ (171,458) | \$ 2,713,575 |
| Additions to long-lived assets: | | | | |
| Real estate | \$ 230,928 | \$ 478 | \$ - | \$ 231,406 |

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| 2009 | Investment Assets | Inventory Assets | Eliminations (Intercompany) | Consolidated Totals |
|--|----------------------|---------------------|--------------------------------|------------------------|
| External revenues | \$ 223,262 | \$ 194 | \$ - | \$ 223,456 |
| Intersegment revenues | 3,035 | 1,042 | (4,077) | - |
| Interest revenue | 4,447 | 30 | - | 4,477 |
| Interest revenue Residuals | 4,252 | - | - | 4,252 |
| Gain on the disposition of real estate, Inventory Portfolio | - | 5 | 32 | 37 |
| Retail operations, net | 419 | - | - | 419 |
| Interest expense | 66,018 | 188 | (4,055) | 62,151 |
| Depreciation and amortization | 46,529 | 10 | - | 46,539 |
| Operating expenses | 30,335 | 5,080 | - | 35,415 |
| Impairment losses and other charges | 29,367 | 6,713 | - | 36,080 |
| Impairments commercial mortgage residual interests valuation adjustment | 498 | - | - | 498 |
| Restructuring costs | 731 | - | - | 731 |
| Equity in earnings of unconsolidated affiliates | (12,280) | - | 12,701 | 421 |
| Gain on extinguishment of debt | 3,432 | - | - | 3,432 |
| Income tax benefit | 462 | 587 | - | 1,049 |
| Earnings (loss) from continuing operations | 53,551 | (10,133) | 12,711 | 56,129 |
| Earnings (loss) from discontinued operations, net of income tax expense | 1,776 | (1,506) | - | 270 |
| Earnings (loss) including noncontrolling interests | 55,327 | (11,639) | 12,711 | 56,399 |
| Loss (earnings) attributable to noncontrolling interests from continuing operations | (517) | (906) | - | (1,423) |
| Earnings attributable to noncontrolling interests from discontinued operations | - | (166) | - | (166) |
| Net earnings (loss) attributable to NNN | \$ 54,810 | \$ (12,711) | \$ 12,711 | \$ 54,810 |
| Assets | \$ 2,588,408 | \$ 237,715 | \$ (235,161) | \$ 2,590,962 |
| Additions to long-lived assets: | | | | |
| Real estate | \$ 44,433 | \$ 2,457 | \$ - | \$ 46,890 |

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| 2008 | Investment Assets | Inventory Assets | Eliminations (Intercompany) | Consolidated Totals |
|---|----------------------|---------------------|--------------------------------|------------------------|
| External revenues | \$ 217,682 | \$ 204 | \$ - | \$ 217,886 |
| Intersegment revenues | 12,727 | 606 | (13,333) | - |
| Interest revenue | 8,190 | - | - | 8,190 |
| Interest revenue on Residuals | 4,636 | - | - | 4,636 |
| Gain on the disposition of real estate, Inventory Portfolio | - | (308) | 329 | 21 |
| Interest expense | 69,763 | 7,442 | (13,241) | 63,964 |
| Depreciation and amortization | 43,626 | 42 | - | 43,668 |
| Operating expenses | 25,489 | 9,538 | - | 35,027 |
| Impairment losses and other charges | 1,234 | - | - | 1,234 |
| Impairments commercial mortgage residual interests valuation adjustment | 758 | - | - | 758 |
| Equity in earnings of unconsolidated affiliates | (2,785) | - | 3,149 | 364 |
| Loss on derivative instrument | (804) | - | - | (804) |
| Gain on extinguishment of debt | 4,961 | - | - | 4,961 |
| Income tax benefit | 1,329 | 5,926 | - | 7,255 |
| Earnings (loss) from continuing operations | 105,066 | (10,594) | 3,386 | 97,858 |
| Earnings from discontinued operations, net of income tax expense | 12,914 | 9,199 | - | 22,113 |
| Earnings including noncontrolling interests | 117,980 | (1,395) | 3,386 | 119,971 |
| Loss (earnings) attributable to noncontrolling interests from continuing operations | (827) | 731 | - | (96) |
| Earnings attributable to noncontrolling interests from discontinued operations | - | (2,722) | - | (2,722) |
| Net earnings (loss) attributable to NNN | \$ 117,153 | \$ (3,386) | \$ 3,386 | \$ 117,153 |
| Assets | \$ 2,650,040 | \$ 128,916 | \$ (129,485) | \$ 2,649,471 |
| Additions to long-lived assets: | | | | |
| Real estate | \$ 352,618 | \$ 33,745 | \$ - | \$ 386,363 |

Table of Contents**Note 24 Fair Value Measurements:**

NNN currently values its Residuals based upon an independent valuation which provides a discounted cash flow analysis based upon prepayment speeds, expected loan losses and yield curves. These valuation inputs are generally considered unobservable; therefore, the Residuals are considered Level 3 financial assets. The table below presents a reconciliation of the Residuals during the year ended December 31, 2010 (dollars in thousands):

| | |
|---|-----------|
| Balance at beginning of period | \$ 20,153 |
| Total gains (losses) realized/unrealized: | |
| Included in earnings | (3,995) |
| Included in other comprehensive income | 1,272 |
| Interest income on Residuals | 3,460 |
| Cash received from Residuals | (4,975) |
| Purchases, sales, issuances and settlements, net | - |
| Transfers in and/or out of Level 3 | - |
| Balance at end of period | \$ 15,915 |
| Changes in gains (losses) included in earnings attributable to a change in unrealized gains (losses) relating to assets still held at the end of period | \$ (133) |

Note 25 Major Tenants:

As of December 31, 2010, NNN did not have any tenant that accounted for ten percent or more of its rental and earned income.

Note 26 Commitments and Contingencies:

As of December 31, 2010, NNN had letters of credit totaling \$647,000 outstanding under its Credit Facility.

In the ordinary course of its business, NNN is a party to various other legal actions which management believes are routine in nature and incidental to the operation of the business of NNN. Management believes that the outcome of the proceedings will not have a material adverse effect upon its operations, financial condition or liquidity.

Note 27 Subsequent Events:

NNN reviewed all subsequent events and transactions that have occurred after December 31, 2010, the date of the consolidated balance sheet. There were no subsequent events or transactions.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Process for Assessment and Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting.

NNN carried out an assessment as of December 31, 2010, of the effectiveness of the design and operation of its disclosure controls and procedures and its internal control over financial reporting. This assessment was done under the supervision and with the participation of management, including NNN's Chief Executive Officer and Chief Financial Officer. Rules adopted by the Securities and Exchange Commission (the "Commission") require NNN to present the conclusions of the Chief Executive Officer and Chief Financial Officer about the effectiveness of NNN's disclosure controls and procedures and the conclusions of NNN's management about the effectiveness of NNN's internal control over financial reporting as of the end of the period covered by this annual report.

CEO and CFO Certifications. Included as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K are forms of Certification of NNN's Chief Executive Officer and Chief Financial Officer. The forms of Certification are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This section of the Annual Report on Form 10-K that stockholders are currently reading is the information concerning the assessment referred to in the Section 302 certifications and this information should be read in conjunction with the Section 302 certifications for a more complete understanding of the topics presented.

Disclosure Controls and Procedures and Internal Control over Financial Reporting. Disclosure controls and procedures are designed with the objective of providing reasonable assurance that information required to be disclosed in NNN's reports filed or submitted under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures are also designed with the objective of providing reasonable assurance that such information is accumulated and communicated to NNN's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal control over financial reporting is a process designed by, or under the supervision of, NNN's Chief Executive Officer and Chief Financial Officer, and affected by NNN's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP") and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of NNN's assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that NNN's receipts and expenditures are being made in accordance with authorizations of management or the Board of Directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NNN's assets that could have a material adverse effect on NNN's financial statements.

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Scope of the Assessments. The assessment by NNN's Chief Executive Officer and Chief Financial Officer of NNN's disclosure controls and procedures and the assessment by NNN's management, including NNN's Chief Executive Officer and Chief Financial Officer, of NNN's internal control over financial reporting included a review of procedures and discussions with NNN's management and others at NNN. In the course of the assessments, NNN sought to identify data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken.

NNN's internal control over financial reporting is also assessed on an ongoing basis by personnel in NNN's Accounting department and by NNN's internal auditors in connection with their internal audit activities. The overall goals of these various assessment activities are to monitor NNN's disclosure controls and procedures and NNN's internal control over financial reporting and to make modifications as necessary. NNN's intent in this regard is that the disclosure controls and procedures and the internal control over financial reporting will be maintained and updated (including with improvements and corrections) as conditions warrant. Management also sought to deal with other control matters in the assessment, and in each case if a problem was identified, management considered what revision, improvement and/or correction was necessary to be made in accordance with NNN's on-going procedures. The assessments of NNN's disclosure controls and procedures and NNN's internal control over financial reporting is done on a quarterly basis so that the conclusions concerning effectiveness of those controls can be reported in NNN's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K.

Assessment of Effectiveness of Disclosure Controls and Procedures.

Based upon the assessments, NNN's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2010, NNN's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting.

Management, including NNN's Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting for NNN. Management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework to assess the effectiveness of NNN's internal control over financial reporting. Based upon the assessments, NNN's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2010, NNN's internal control over financial reporting was effective.

Attestation Report of the Registered Public Accounting Firm.

Ernst & Young LLP, NNN's independent registered public accounting firm, audited the financial statements included in this Annual Report on Form 10-K and has issued an attestation report on NNN's effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting.

During the three months ended December 31, 2010, there were no changes in NNN's internal control over financial reporting that has materially affected, or are reasonably likely to materially affect, NNN's internal control for financial reporting.

Limitations on the Effectiveness of Controls.

Management, including NNN's Chief Executive Officer and Chief Financial Officer, do not expect that NNN's disclosure controls and procedures or NNN's internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of

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controls can provide absolute assurance that all control issues and instances of fraud, if any, within NNN have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the sections thereof captioned Proposal I: Election of Directors Nominees, Proposal I: Election of Directors Executive Officers, Proposal I: Election of Directors Code of Business Conduct and Security Ownership, and the information in such sections is incorporated herein by reference.

Item 11. Executive Compensation

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the sections thereof captioned Proposal I: Election of Directors Compensation of Directors, Executive Compensation and Compensation Committee Report, and the information in such sections are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the section thereof captioned Executive Compensation Equity Compensation Plan Information, and Security Ownership, and the information in such sections are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the section thereof captioned Certain Relationships and Related Transactions and the information in such section is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Reference is made to the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14(a); information responsive to this Item is contained in the section thereof captioned Audit Committee Report and Proposal II: Proposal to Ratify Independent Registered Public Accounting Firm, and the information in such sections are incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report.

(1) Financial Statements

| | |
|---|----|
| <u>Reports of Independent Registered Public Accounting Firm</u> | 44 |
| <u>Consolidated Balance Sheets as of December 31, 2010 and 2009</u> | 46 |
| <u>Consolidated Statements of Earnings for the years ended December 31, 2010, 2009 and 2008</u> | 47 |
| <u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010, 2009 and 2008</u> | 49 |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008</u> | 52 |
| <u>Notes to Consolidated Financial Statements</u> | 54 |

(2) Financial Statement Schedules

Schedule III Real Estate and Accumulated Depreciation and Amortization and Notes as of December 31, 2010

Schedule IV Mortgage Loans on Real Estate and Notes as of December 31, 2010

All other schedules are omitted because they are not applicable or because the required information is shown in the financial statements or the notes thereto.

(3) Exhibits

The following exhibits are filed as a part of this report.

3. Articles of Incorporation and Bylaws

- 3.1 First Amended and Restated Articles of Incorporation of the Registrant, as amended (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on May 1, 2006, and incorporated herein by reference).
- 3.2 Articles Supplementary Establishing and Fixing the Rights and Preferences of 7.375% Series C Cumulative Preferred Stock, par value \$0.01 per share, dated October 11, 2006 (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference).

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- 3.3 Third Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on May 1, 2006, and incorporated herein by reference; second amendment filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2007, and incorporated herein by reference).

- 4. Instruments Defining the Rights of Security Holders, Including Indentures
 - 4.1 Specimen Certificate of Common Stock, par value \$0.01 per share, of the Registrant (filed as Exhibit 3.4 to the Registrant's Registration Statement No. 1-11290 on Form 8-B filed with the Securities and Exchange Commission and incorporated herein by reference).

 - 4.2 Indenture, dated as of March 25, 1998, between the Registrant and First Union National Bank, as trustee (filed as Exhibit 4.4 to the Registrant's Registration Statement on Form S-3 (Registration No. 333-132095) filed with the Securities and Exchange Commission on February 28, 2006, and incorporated herein by reference).

 - 4.3 Form of Supplemental Indenture No. 3 dated September 20, 2000, by and among Registrant and First Union National Bank, Trustee, relating to \$20,000,000 of 8.5% Notes due 2010 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).

 - 4.4 Form of 8.5% Notes due 2010 (filed as Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).

 - 4.5 Form of Supplemental Indenture No. 4 dated as of May 30, 2002, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$50,000,000 of 7.75% Notes due 2012 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).

 - 4.6 Form of 7.75% Notes due 2012 (filed as Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).

 - 4.7 Form of Supplemental Indenture No. 5 dated as of June 18, 2004, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$150,000,000 of 6.25% Notes due 2014 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated June 15, 2004 and filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).

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- 4.8 Form of 6.25% Notes due 2014 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated June 15, 2004 and filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).

- 4.9 Form of Supplemental Indenture No. 6 dated as of November 17, 2005, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$150,000,000 of 6.15% Notes due 2015 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated November 14, 2005 and filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).

- 4.10 Form of 6.15% Notes due 2015 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated November 14, 2005 and filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).

- 4.11 Seventh Supplemental Indenture, dated as of September 13, 2006, between National Retail Properties, Inc. and U.S. Bank National Association relating to 3.95% Convertible Senior Notes due 2026 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated September 7, 2006 and filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).

- 4.12 Form of 3.95% Convertible Senior Notes due 2026 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated September 7, 2006 and filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).

- 4.13 Specimen certificate representing the 7.375% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share, of the Registrant (filed as Exhibit 4.4 to the Registrant's Registration Statement on Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference).

- 4.14 Deposit Agreement, among the Registrant, American Stock Transfer & Trust Company, as Depositary, and the holders of depositary receipts (filed as Exhibit 4.18 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 6, 2006, and incorporated herein by reference).

- 4.15 Form of Supplemental Indenture No. 8 between National Retail Properties, Inc. and U.S. Bank National Association relating to 6.875% Notes due 2017 (filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).

- 4.16 Form of 6.875% Notes due 2017 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).

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- 4.17 Form of Ninth Supplemental Indenture between National Retail Properties, Inc. and U.S. Bank National Association relating to 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.1 to Registrants Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).
- 4.18 Form of 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).

10. Material Contracts

- 10.1 2007 Performance Incentive Plan (filed as Annex A to the Registrant's 2007 Annual Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2007, and incorporated herein by reference).
- 10.2 Form of Restricted Stock Agreement between NNN and the Participant of NNN (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2005, and incorporated herein by reference).
- 10.3 Employment Agreement dated as of December 1, 2008, between the Registrant and Craig Macnab (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
- 10.4 Employment Agreement dated as of December 1, 2008, between the Registrant and Julian E. Whitehurst (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
- 10.5 Employment Agreement dated as of December 1, 2008, between the Registrant and Kevin B. Habicht (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
- 10.6 Employment Agreement dated as of December 1, 2008, between the Registrant and Paul E. Bayer (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
- 10.7 Employment Agreement dated as of December 1, 2008, between the Registrant and Christopher P. Tessitore (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

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|-------|---|
| 10.8 | Form of Indemnification Agreement (as entered into between the Registrant and each of its directors and executive officers) (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 12, 2009, and incorporated herein by reference). |
| 10.9 | Credit Agreement, dated as of November 3, 2009, by and among the Registrant, certain lenders and Wells Fargo Bank, National Association, as the Administrative Agent (filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 5, 2010, and incorporated herein by reference). |
| 10.10 | Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Craig Macnab (filed herewith). |
| 10.11 | Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Julian E. Whitehurst (filed herewith). |
| 10.12 | Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Kevin B. Habicht (filed herewith). |
| 10.13 | Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Paul E. Bayer (filed herewith). |
| 10.14 | Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Christopher P. Tessitore (filed herewith). |
| 12. | Statement of Computation of Ratios of Earnings to Fixed Charges (filed herewith). |
| 21. | Subsidiaries of the Registrant (filed herewith). |
| 23. | Consent of Independent Accountants |
| 23.1 | Ernst & Young LLP dated February 24, 2011 (filed herewith). |
| 24. | Power of Attorney (included on signature page). |
| 31. | Section 302 Certifications |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |

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- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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| | |
|-------|---|
| 32. | Section 906 Certifications |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 99. | Additional Exhibits |
| 99.1 | Certification of Chief Executive Officer pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual (filed herewith). |
| 101. | Interactive Data File |
| 101.1 | The following materials from National Retail Properties, Inc. Annual Report on Form 10-K for the period ended December 31, 2010, formatted in Extensible Business Reporting Language: (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of earnings, (iii) condensed consolidated statements of cash flows, and (iv) notes to condensed consolidated financial statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 (filed herewith). |

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 24th day of February, 2011.

NATIONAL RETAIL PROPERTIES, INC.

By: /s/ Craig Macnab

Craig Macnab

Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Table of Contents**POWER OF ATTORNEY**

Each person whose signature appears below hereby constitutes and appoints each of Craig Macnab and Kevin B. Habicht as his attorney-in-fact and agent, with full power of substitution and resubstitution for him in any and all capacities, to sign any or all amendments to this report and to file same, with exhibits thereto and other documents in connection therewith, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his substitutes may do or cause to be done by virtue hereof.

| Signature | Title | Date |
|---|---|-------------------|
| <u>/s/ Craig Macnab</u> Craig Macnab | Chairman of the Board and Chief Executive Officer (Principal Executive Officer) | February 24, 2011 |
| <u>/s/ Ted B. Lanier</u> Ted B. Lanier | Lead Director | February 24, 2011 |
| <u>/s/ Don DeFosset</u> Don DeFosset | Director | February 24, 2011 |
| <u>/s/ David M. Fick</u> David M. Fick | Director | February 24, 2011 |
| <u>/s/ Dennis E. Gershenson</u> Dennis E. Gershenson | Director | February 24, 2011 |
| <u>/s/ Richard B. Jennings</u> Richard B. Jennings | Director | February 24, 2011 |
| <u>/s/ Robert C. Legler</u> Robert C. Legler | Director | February 24, 2011 |
| <u>/s/ Robert Martinez</u> Robert Martinez | Director | February 24, 2011 |
| <u>/s/ Kevin B. Habicht</u> Kevin B. Habicht | Director, Chief Financial Officer (Principal Financial and Accounting Officer), Executive Vice President, Assistant Secretary and Treasurer | February 24, 2011 |

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Exhibit Index

3. Articles of Incorporation and Bylaws

- 3.1 First Amended and Restated Articles of Incorporation of the Registrant, as amended (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on May 1, 2006, and incorporated herein by reference).
- 3.2 Articles Supplementary Establishing and Fixing the Rights and Preferences of 7.375% Series C Cumulative Preferred Stock, par value \$0.01 per share, dated October 11, 2006 (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference).
- 3.3 Third Amended and Restated Bylaws of the Registrant, as amended (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on May 1, 2006, and incorporated herein by reference; second amendment filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2007, and incorporated herein by reference).

4. Instruments Defining the Rights of Security Holders, Including Indentures

- 4.1 Specimen Certificate of Common Stock, par value \$0.01 per share, of the Registrant (filed as Exhibit 3.4 to the Registrant's Registration Statement No. 1-11290 on Form 8-B filed with the Securities and Exchange Commission and incorporated herein by reference).
- 4.2 Indenture, dated as of March 25, 1998, between the Registrant and First Union National Bank, as trustee (filed as Exhibit 4.4 to the Registrant's Registration Statement on Form S-3 (Registration No. 333-132095) filed with the Securities and Exchange Commission on February 28, 2006, and incorporated herein by reference).
- 4.3 Form of Supplemental Indenture No. 3 dated September 20, 2000, by and among Registrant and First Union National Bank, Trustee, relating to \$20,000,000 of 8.5% Notes due 2010 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).
- 4.4 Form of 8.5% Notes due 2010 (filed as Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 20, 2000, and incorporated herein by reference).
- 4.5 Form of Supplemental Indenture No. 4 dated as of May 30, 2002, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$50,000,000 of 7.75% Notes due 2012 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated and filed with the

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Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).

- 4.6 Form of 7.75% Notes due 2012 (filed as Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 4, 2002, and incorporated herein by reference).

- 4.7 Form of Supplemental Indenture No. 5 dated as of June 18, 2004, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$150,000,000 of 6.25% Notes due 2014 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated June 15, 2004 and filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).

- 4.8 Form of 6.25% Notes due 2014 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated June 15, 2004 and filed with the Securities and Exchange Commission on June 18, 2004, and incorporated herein by reference).

- 4.9 Form of Supplemental Indenture No. 6 dated as of November 17, 2005, by and among Registrant and Wachovia Bank, National Association, Trustee, relating to \$150,000,000 of 6.15% Notes due 2015 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated November 14, 2005 and filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).

- 4.10 Form of 6.15% Notes due 2015 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated November 14, 2005 and filed with the Securities and Exchange Commission on November 17, 2005, and incorporated herein by reference).

- 4.11 Seventh Supplemental Indenture, dated as of September 13, 2006, between National Retail Properties, Inc. and U.S. Bank National Association relating to 3.95% Convertible Senior Notes due 2026 (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated September 7, 2006 and filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).

- 4.12 Form of 3.95% Convertible Senior Notes due 2026 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated September 7, 2006 and filed with the Securities and Exchange Commission on September 13, 2006, and incorporated herein by reference).

- 4.13 Specimen certificate representing the 7.375% Series C Cumulative Redeemable Preferred Stock, par value \$.01 per share, of the Registrant (filed as Exhibit 4.4 to the Registrant's Registration Statement on Form 8-A dated October 11, 2006 and filed with the Securities and Exchange Commission on October 12, 2006, and incorporated herein by reference).

- 4.14 Deposit Agreement, among the Registrant, American Stock Transfer & Trust Company, as Depositary, and the holders of depositary receipts (filed as Exhibit 4.18 to the Registrant's Quarterly Report on Form 10-Q filed

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with the Securities and Exchange Commission on November 6, 2006, and incorporated herein by reference).

- 4.15 Form of Supplemental Indenture No. 8 between National Retail Properties, Inc. and U.S. Bank National Association relating to 6.875% Notes due 2017 (filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).
- 4.16 Form of 6.875% Notes due 2017 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on September 4, 2007, and incorporated herein by reference).
- 4.17 Form of Ninth Supplemental Indenture between National Retail Properties, Inc. and U.S. Bank National Association relating to 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.1 to Registrant's Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).
- 4.18 Form of 5.125% Convertible Senior Notes due 2028 (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008, and incorporated herein by reference).

10. Material Contracts

- 10.1 2007 Performance Incentive Plan (filed as Annex A to the Registrant's 2007 Annual Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2007, and incorporated herein by reference).
- 10.2 Form of Restricted Stock Agreement between NNN and the Participant of NNN (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 15, 2005, and incorporated herein by reference).
- 10.3 Employment Agreement dated as of December 1, 2008, between the Registrant and Craig Macnab (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
- 10.4 Employment Agreement dated as of December 1, 2008, between the Registrant and Julian E. Whitehurst (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).
- 10.5 Employment Agreement dated as of December 1, 2008, between the Registrant and Kevin B. Habicht (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

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- 10.6 Employment Agreement dated as of December 1, 2008, between the Registrant and Paul E. Bayer (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

- 10.7 Employment Agreement dated as of December 1, 2008, between the Registrant and Christopher P. Tessitore (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3, 2008, and incorporated herein by reference).

- 10.8 Form of Indemnification Agreement (as entered into between the Registrant and each of its directors and executive officers) (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated and filed with the Securities and Exchange Commission on June 12, 2009, and incorporated herein by reference).

- 10.9 Credit Agreement, dated as of November 3, 2009, by and among the Registrant, certain lenders and Wells Fargo Bank, National Association, as the Administrative Agent (filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 5, 2010, and incorporated herein by reference).

- 10.10 Amendment to Employment Agreement, dated as of November 8, 2010, between the Registrant and Craig Macnab (filed herewith).

- 10.11 Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Julian E. Whitehurst (filed herewith).

- 10.12 Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Kevin B. Habicht (filed herewith).

- 10.13 Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Paul E. Bayer (filed herewith).

- 10.14 Amendment to Employment Agreement dated as of November 8, 2010, between the Registrant and Christopher P. Tessitore (filed herewith).

- 12. Statement of Computation of Ratios of Earnings to Fixed Charges (filed herewith).

- 21. Subsidiaries of the Registrant (filed herewith).

- 23. Consent of Independent Accountants

- 23.1 Ernst & Young LLP dated February 24, 2011 (filed herewith).

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24. Power of Attorney (included on signature page).

31. Section 302 Certifications

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

- 32. Section 906 Certifications
 - 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

 - 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

- 99. Additional Exhibits
 - 99.1 Certification of Chief Executive Officer pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual (filed herewith).

- 101. Interactive Data File
 - 101.1 The following materials from National Retail Properties, Inc. Annual Report on Form 10-K for the period ended December 31, 2010, formatted in Extensible Business Reporting Language: (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of earnings, (iii) condensed consolidated statements of cash flows, and (iv) notes to condensed consolidated financial statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 (filed herewith).

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NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION

December 31, 2010

(Dollars in thousands)

| Costs Capitalized | | | | | | | | | | Life on Which |
|---|--------------------|---------------------------|--|------|---------------------|--------|--|----------------------|---------------|--------------------|
| Initial Cost to Company Building, | | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) | | Accumulated | | Depreciation & Amortization in Latest Income Statement is Computed | | | |
| Encumbrances | Land | Leasehold Interests | Improvements & Carrying Costs | Land | Leasehold Interests | Total | Amortization | Date of Construction | Date Acquired | |
| Real Estate Held for Investment the Company has Invested in Under Operating Leases: | | | | | | | | | | |
| 7-Eleven: | | | | | | | | | | |
| | Lakes, FL | 1,077 | 817 | | 1,077 | 817 | 1,894 | 244 | 1999 | 10/98 (g) 40 years |
| | Tampa, FL | 1,081 | 917 | | 1,070 | 917 | 1,987 | 270 | 1999 | 12/98 (g) 40 years |
| A.C. Moore Arts & Crafts, Inc.: | | | | | | | | | | |
| | Dover, NJ | 1,138 | 3,238 | | 1,138 | 3,238 | 4,376 | 982 | 1995 | 11/98 40 years |
| Academy: | | | | | | | | | | |
| | Beaumont, TX | 1,424 | 2,449 | | 1,424 | 2,449 | 3,873 | 722 | 1992 | 03/99 40 years |
| | Houston, TX | 2,311 | 1,628 | | 2,311 | 1,628 | 3,939 | 480 | 1976 | 03/99 40 years |
| | Pasadena, TX | 900 | 2,181 | | 900 | 2,181 | 3,081 | 643 | 1994 | 03/99 40 years |
| | Franklin, TN | 1,807 | 2,108 | | 1,807 | 2,108 | 3,915 | 389 | 1999 | 06/05 30 years |
| Ace Hardware and Lighting: | | | | | | | | | | |
| | Bourbonnais, IL | 298 | 1,329 | | 298 | 1,329 | 1,627 | 335 | 1997 | 11/98 37 years |
| Advance Auto Parts: | | | | | | | | | | |
| | Miami, FL | 867 | 1,035 | | 867 | 1,035 | 1,902 | 143 | 2005 | 12/04 (g) 40 years |
| All Star Sports: | | | | | | | | | | |
| | Wichita, KS | 3,275 | 1,631 | | 3,275 | 1,631 | 4,906 | 148 | 1988 | 05/07 40 years |
| | Wichita, KS | 1,551 | 965 | | 1,551 | 965 | 2,516 | 87 | 1987 | 05/07 40 years |
| Amazing Jake s: | | | | | | | | | | |
| | Plano, TX | 5,705 | 17,049 | | 5,705 | 17,049 | 22,754 | 1,198 | 1982 | 07/08 35 years |
| AMC Theatre: | | | | | | | | | | |
| | Bloomington, IN | 2,338 | 4,000 | | 2,338 | 4,000 | 6,338 | 527 | 1987 | 09/07 25 years |
| | Brighton, CO | 1,070 | 5,491 | | 1,070 | 5,491 | 6,561 | 452 | 2005 | 09/07 40 years |
| | Castle Rock, CO | 2,905 | 5,002 | | 2,905 | 5,002 | 7,907 | 412 | 2005 | 09/07 40 years |
| | Evansville, IN | 1,300 | 4,269 | | 1,300 | 4,269 | 5,569 | 401 | 1999 | 09/07 35 years |
| | Galesburg, IL | 1,205 | 2,441 | | 1,205 | 2,441 | 3,646 | 201 | 2003 | 09/07 40 years |
| | Machesney Park, IL | 3,018 | 8,770 | | 3,018 | 8,770 | 11,788 | 722 | 2005 | 09/07 40 years |
| | Michigan City, IN | 1,996 | 8,422 | | 1,996 | 8,422 | 10,418 | 693 | 2005 | 09/07 40 years |
| | Muncie, IN | 1,243 | 5,512 | | 1,243 | 5,512 | 6,755 | 454 | 2005 | 09/07 40 years |

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| | | | | | | | | | |
|-------------------------|-------|--------|-------|--------|--------|-------|------|-----------|----------|
| Naperville, IL | 6,141 | 11,624 | 6,141 | 11,624 | 17,765 | 957 | 2006 | 09/07 | 40 years |
| New Lenox, IL | 6,778 | 10,980 | 6,778 | 10,980 | 17,758 | 904 | 2004 | 09/07 | 40 years |
| Chicago, IL | 7,257 | 10,955 | 7,257 | 10,955 | 18,212 | 810 | 2007 | 01/08 | 40 years |
| Johnson Creek, WI | 1,433 | 3,932 | 1,433 | 3,932 | 5,365 | 332 | 1997 | 01/08 | 35 years |
| Lake Delton, WI | 2,063 | 8,366 | 2,063 | 8,366 | 10,429 | 707 | 1999 | 01/08 | 35 years |
| Quincy, IL | 1,297 | 2,850 | 1,297 | 2,850 | 4,147 | 241 | 1982 | 01/08 | 35 years |
| Schererville, IN | 6,619 | 14,225 | 6,619 | 14,225 | 20,844 | 1,403 | 1996 | 01/08 | 30 years |
| American Payday Loans: | | | | | | | | | |
| Des Moines, IA | 108 | 379 | 108 | 379 | 487 | 53 | 1979 | 06/05 | 40 years |
| AmerUs Group Warehouse: | | | | | | | | | |
| Des Moines, IA | 28 | 85 | 28 | 85 | 113 | 47 | 1949 | 06/05 | 10 years |
| Amoco: | | | | | | | | | |
| Miami, FL | 969 | | 969 | (i) | 969 | (i) | (i) | 05/03 | (i) |
| Sunrise, FL | 949 | | 949 | (i) | 949 | (i) | (i) | 06/03 | (i) |
| Amscot: | | | | | | | | | |
| Tampa, FL | 1,160 | 352 | 1,160 | 352 | 1,512 | 46 | 1981 | 10/05 | 40 years |
| Orlando, FL | 764 | 866 | 764 | 866 | 1,630 | 100 | 2006 | 12/05 | 40 years |
| Orlando, FL | 664 | 1,011 | 664 | 1,011 | 1,675 | 106 | 2006 | 12/05 | 40 years |
| Orlando, FL | 358 | 922 | 358 | 922 | 1,280 | 103 | 2006 | 02/06 (g) | 40 years |
| Orlando, FL | 546 | 938 | 546 | 938 | 1,484 | 103 | 2006 | 02/06 (g) | 40 years |
| Clearwater, FL | 456 | 332 | 456 | 332 | 788 | 36 | 1967 | 09/06 (g) | 40 years |

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | | | | | Life on Which | | | |
|-----------------------|---|---------------------|----------------|-----------------------|---------------------|-------|--|---------------|----------------|------------------------------------|----------------------|
| | Subsequent | | | Gross Amount at Which | | | | | | | |
| | Initial Cost to Company Building, Improvements & Encumbrances | Leasehold Interests | Carrying Costs | Land | Leasehold Interests | Total | Accumulated Depreciation and Amortization | | | | |
| | | | | | | | | | to Acquisition | Carried at Close of Period (a) (b) | Date of Construction |
| | | | | | | | | | | | |
| | | | | | | | Depreciation & Amortization in Latest Income Statement is Computed | | | | |
| Anna's Linens: | | | | | | | | | | | |
| Harlingen, TX | 317 | 756 | | 317 | 756 | 1,073 | 212 | 1999 | 11/98 (f) | 40 years | |
| Applebee's: | | | | | | | | | | | |
| Ballwin, MO | 1,496 | 1,404 | | 1,496 | 1,404 | 2,900 | 317 | 1995 | 12/01 | 40 years | |
| Cincinnati, OH | 312 | 898 | | 312 | 898 | 1,210 | 11 | 2002 | 08/10 | 30 years | |
| Crestview Hills, KY | 1,069 | 1,367 | | 1,069 | 1,367 | 2,436 | 21 | 1993 | 08/10 | 25 years | |
| Danville, KY | 641 | 1,645 | | 641 | 1,645 | 2,286 | 21 | 2003 | 08/10 | 30 years | |
| Florence, KY | 1,075 | 1,488 | | 1,075 | 1,488 | 2,563 | 22 | 1988 | 08/10 | 25 years | |
| Frankfort, KY | 862 | 1,610 | | 862 | 1,610 | 2,472 | 20 | 1993 | 08/10 | 30 years | |
| Georgetown, KY | 809 | 1,437 | | 809 | 1,437 | 2,246 | 18 | 2001 | 08/10 | 30 years | |
| Hilliard, OH | 808 | 1,846 | | 808 | 1,846 | 2,654 | 23 | 1998 | 08/10 | 30 years | |
| Mason, OH | 545 | 941 | | 545 | 941 | 1,486 | 12 | 1997 | 08/10 | 30 years | |
| Maysville, KY | 513 | 1,387 | | 513 | 1,387 | 1,900 | 15 | 2005 | 08/10 | 35 years | |
| Nicholasville, KY | 454 | 1,077 | | 454 | 1,077 | 1,531 | 13 | 2000 | 08/10 | 30 years | |
| Troy, OH | 645 | 862 | | 645 | 862 | 1,507 | 13 | 1996 | 08/10 | 25 years | |
| Grove City, OH | 511 | 1,415 | | 511 | 1,415 | 1,926 | 10 | 1990 | 10/10 | 30 years | |
| Kettering, OH | 359 | 1,043 | | 359 | 1,043 | 1,402 | 6 | 2005 | 10/10 | 35 years | |
| Mesa, AZ | 748 | 1,734 | | 748 | 1,734 | 2,482 | 12 | 1998 | 10/10 | 30 years | |
| Mesa, AZ | 974 | 1,514 | | 974 | 1,514 | 2,488 | 11 | 1992 | 10/10 | 30 years | |
| Mt. Sterling, KY | 510 | 1,392 | | 510 | 1,392 | 1,902 | 8 | 2000 | 10/10 | 35 years | |
| Phoenix, AZ | 458 | 1,099 | | 458 | 1,099 | 1,557 | 7 | 2004 | 10/10 | 35 years | |
| Phoenix, AZ | 781 | 1,456 | | 781 | 1,456 | 2,237 | 10 | 1995 | 10/10 | 30 years | |
| Arby's: | | | | | | | | | | | |
| Colorado Springs, CO | 206 | 534 | | 206 | 534 | 740 | 121 | 1998 | 12/01 | 40 years | |
| Thomson, GA | 268 | 504 | | 268 | 504 | 772 | 114 | 1997 | 12/01 | 40 years | |
| Washington | | | | | | | | | | | |
| Courthouse, OH | 157 | 546 | | 157 | 546 | 703 | 123 | 1998 | 12/01 | 40 years | |
| Whitmore Lake, MI | 171 | 469 | | 171 | 469 | 640 | 106 | 1993 | 12/01 | 40 years | |
| Arizona Oil: | | | | | | | | | | | |
| Casa Grande, AZ | 2,340 | 1,894 | | 2,340 | 1,894 | 4,234 | 142 | 1993 | 05/08 | 35 years | |
| Gilbert, AZ | 1,317 | 1,304 | | 1,317 | 1,304 | 2,621 | 98 | 1996 | 05/08 | 35 years | |
| Glendale, AZ | 1,817 | 2,415 | | 1,817 | 2,415 | 4,232 | 158 | 2001 | 05/08 | 40 years | |
| Mesa, AZ | 2,219 | 2,140 | | 2,219 | 2,140 | 4,359 | 140 | 2000 | 05/08 | 40 years | |
| Mesa, AZ | 1,332 | 1,367 | | 1,332 | 1,367 | 2,699 | 120 | 1986 | 05/08 | 30 years | |
| Miami, AZ | 762 | 2,148 | | 762 | 2,148 | 2,910 | 161 | 1998 | 05/08 | 35 years | |
| Peoria, AZ | 860 | 1,117 | | 860 | 1,117 | 1,977 | 98 | 1987 | 05/08 | 30 years | |
| Prescott, AZ | 1,266 | 1,261 | | 1,266 | 1,261 | 2,527 | 95 | 1997 | 05/08 | 35 years | |
| Scottsdale, AZ | 1,529 | 1,373 | | 1,529 | 1,373 | 2,902 | 103 | 1999 | 05/08 | 35 years | |
| Sedona, AZ | 1,281 | 1,324 | | 1,281 | 1,324 | 2,605 | 87 | 2000 | 05/08 | 40 years | |
| Tucson, AZ | 1,105 | 1,336 | | 1,105 | 1,336 | 2,441 | 100 | 1992 | 05/08 | 35 years | |
| Tucson, AZ | 1,457 | 1,619 | | 1,457 | 1,619 | 3,076 | 121 | 1995 | 05/08 | 35 years | |
| Tucson, AZ | 1,223 | 1,911 | | 1,223 | 1,911 | 3,134 | 143 | 1996 | 05/08 | 35 years | |
| Tucson, AZ | 1,083 | 1,599 | | 1,083 | 1,599 | 2,682 | 120 | 1992 | 05/08 | 35 years | |
| Ashley Furniture: | | | | | | | | | | | |
| Altamonte Springs, FL | 2,906 | 4,877 | 315 | 2,906 | 5,192 | 8,098 | 1,695 | 1997 | 09/97 | 40 years | |
| Louisville, KY | 1,667 | 4,989 | | 1,667 | 4,989 | 6,656 | 722 | 2005 | 03/05 | 40 years | |
| AT&T: | | | | | | | | | | | |
| Cincinnati, OH | 297 | 443 | 331 | 297 | 774 | 1,071 | 133 | 1999 | 06/98 (f) | 40 years | |

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Babies R Us:

| | | | | | | | | | | |
|------------------|-------|-------|-----|-------|-------|-------|-----|------|-------|----------|
| Arlington, TX | 831 | 2,612 | | 831 | 2,612 | 3,443 | 947 | 1996 | 06/96 | 40 years |
| Independence, MO | 1,679 | 2,302 | 115 | 1,679 | 2,417 | 4,096 | 532 | 1996 | 12/01 | 40 years |

Barnes & Noble:

| | | | | | | | | | | |
|------------------|-----------|-------|--|-------|-------|-------|-------|------|-----------|----------|
| Brandon, FL | 1,476 | 1,527 | | 1,476 | 1,527 | 3,003 | 610 | 1995 | 08/94 (f) | 40 years |
| Glendale, CO | 3,245 | 2,722 | | 3,245 | 2,722 | 5,967 | 1,106 | 1994 | 09/94 | 40 years |
| Houston, TX | 3,308 | 2,396 | | 3,308 | 2,396 | 5,704 | 913 | 1995 | 10/94 (f) | 40 years |
| Plantation, FL | 4,596 (p) | 3,616 | | 3,616 | (c) | 3,616 | (c) | 1996 | 05/95 (f) | (c) |
| Freehold, NJ (n) | 2,917 | 2,261 | | 2,917 | 2,261 | 5,178 | 843 | 1995 | 01/96 | 40 years |
| Dayton, OH | 1,413 | 3,325 | | 1,413 | 3,325 | 4,738 | 1,110 | 1996 | 05/97 | 40 years |
| Redding, CA | 497 | 1,626 | | 497 | 1,626 | 2,123 | 550 | 1997 | 06/97 | 40 years |
| Memphis, TN | 1,574 | 2,242 | | 1,574 | 2,242 | 3,816 | 388 | 1997 | 09/97 | 40 years |
| Marlton, NJ | 2,831 | 4,319 | | 2,709 | 4,319 | 7,028 | 1,309 | 1995 | 11/98 | 40 years |

Bealls:

| | | | | | | | | | | |
|--------------|-------|-------|--|-------|-------|-------|-----|------|-------|----------|
| Sarasota, FL | 1,078 | 1,795 | | 1,078 | 1,795 | 2,873 | 325 | 1996 | 09/97 | 40 years |
|--------------|-------|-------|--|-------|-------|-------|-----|------|-------|----------|

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | | | | | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | | | |
|---------------------------------|---|-------|--|-------|---|---------------|--------|--|------|-----------|----------|
| | Initial Cost to Company Building, Improvements & Encumbrances | | Subsequent to Acquisition Carrying Costs | | Gross Amount at Which Carried at Close of Period (a) (b) Building, Improvements & Depreciation and Date of Construction | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Land | Leasehold Interests | Land | Leasehold Interests | Total | Amortization | Date Acquired | | | | | |
| Beautiful America Dry Cleaners: | | | | | | | | | | | |
| Orlando, FL | 47 (o) | 40 | 111 | | 40 | 111 | 151 | 19 | 2001 | 02/04 | 40 years |
| Bed Bath & Beyond: | | | | | | | | | | | |
| Richmond, VA | 2,634 (p) | 1,184 | 2,843 | 179 | 1,184 | 3,021 | 4,205 | 613 | 1997 | 06/98 | 40 years |
| Glendale, AZ | | 1,082 | | 2,758 | 1,082 | 2,758 | 3,840 | 790 | 1999 | 12/98 (g) | 40 years |
| Midland, MI | | 231 | | 2,702 | 231 | 2,702 | 2,933 | 279 | 2006 | 07/03 | 40 years |
| Best Buy: | | | | | | | | | | | |
| Brandon, FL | | 2,985 | 2,772 | | 2,985 | 2,772 | 5,757 | 962 | 1996 | 02/97 | 40 years |
| Cuyahoga Falls, OH | | 3,709 | 2,359 | | 3,709 | 2,359 | 6,068 | 799 | 1970 | 06/97 | 40 years |
| Rockville, MD | | 6,233 | 3,419 | | 6,233 | 3,419 | 9,652 | 1,150 | 1995 | 07/97 | 40 years |
| Fairfax, VA | | 3,052 | 3,218 | | 3,052 | 3,218 | 6,270 | 1,076 | 1995 | 08/97 | 40 years |
| St. Petersburg, FL | 4,204 (p) | 4,032 | 2,611 | | 4,032 | 2,611 | 6,643 | 640 | 1997 | 09/97 | 35 years |
| Pittsburg, PA | | 2,331 | 2,293 | | 2,331 | 2,293 | 4,624 | 719 | 1997 | 06/98 | 40 years |
| Denver, CO | | 8,882 | 4,373 | | 8,882 | 4,373 | 13,255 | 1,043 | 1991 | 06/01 | 40 years |
| Best Smoke & Gas: | | | | | | | | | | | |
| Abbottstown, PA | | 55 | 200 | | 55 | 200 | 255 | 25 | 2000 | 01/06 | 40 years |
| Billy Bob's: | | | | | | | | | | | |
| Gresham, OR | | 817 | 108 | | 817 | 108 | 925 | 24 | 1993 | 12/01 | 40 years |
| BJ's Wholesale Club: | | | | | | | | | | | |
| Orlando, FL | 3,762 (o) | 3,271 | 8,627 | 367 | 3,271 | 8,993 | 12,264 | 1,539 | 2001 | 02/04 | 40 years |
| Black Fox Beauty Supply: | | | | | | | | | | | |
| Corpus Christi, TX | | 116 | 137 | 195 | 125 | 332 | 457 | 69 | 1967 | 11/93 | 40 years |
| Blockbuster Video: | | | | | | | | | | | |
| Conyers, GA | | 320 | 556 | | 320 | 556 | 876 | 188 | 1997 | 06/97 | 40 years |
| Alice, TX | | 318 | 578 | | 318 | 578 | 896 | 131 | 1995 | 12/01 | 40 years |
| Gainesville, GA | | 295 | 612 | | 295 | 612 | 907 | 138 | 1997 | 12/01 | 40 years |
| Glasgow, KY | | 303 | 561 | | 303 | 561 | 864 | 127 | 1997 | 12/01 | 40 years |
| Kingsville, TX | | 499 | 458 | 30 | 499 | 487 | 986 | 106 | 1995 | 12/01 | 40 years |
| Mobile, AL | | 491 | 498 | | 491 | 498 | 989 | 113 | 1997 | 12/01 | 40 years |
| Mobile, AL | | 843 | 562 | | 843 | 562 | 1,405 | 127 | 1997 | 12/01 | 40 years |
| BMW: | | | | | | | | | | | |
| Duluth, GA | | 4,434 | 4,080 | 6,559 | 4,504 | 10,639 | 15,143 | 1,435 | 1984 | 12/01 | 40 years |
| Borders: | | | | | | | | | | | |
| Wilmington, DE | | 3,031 | 6,062 | | 2,994 | 6,062 | 9,056 | 2,429 | 1994 | 12/94 | 40 years |
| Richmond, VA | | 2,177 | 2,600 | | 2,177 | 2,600 | 4,777 | 1,011 | 1995 | 06/95 | 40 years |
| Ft. Lauderdale, FL | 4,428 (p) | 3,165 | 3,319 | | 3,165 | 3,319 | 6,484 | 863 | 1995 | 02/96 | 33 years |
| Bangor, ME | | 1,547 | 2,487 | | 1,547 | 2,487 | 4,034 | 903 | 1996 | 06/96 | 40 years |
| Altamonte Springs, FL | | 1,947 | | | 1,947 | (c) | 1,947 | (c) | 1997 | 09/97 | (c) |
| Borough of Abbottstown: | | | | | | | | | | | |
| Abbottstown, PA | | 55 | 200 | | 55 | 200 | 255 | 25 | 2000 | 01/06 | 40 years |
| Boston Market: | | | | | | | | | | | |

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| | | | | | | | | | |
|-----------------|-------|-------|-------|-----|-------|-----|------|-------|----------|
| Burton, MI | 620 | 707 | 620 | 707 | 1,327 | 160 | 1997 | 12/01 | 40 years |
| Geneva, IL | 1,125 | 1,037 | 1,125 | 893 | 2,018 | 204 | 1996 | 12/01 | 40 years |
| N. Olmsted, OH | 602 | 461 | 602 | 389 | 991 | 89 | 1996 | 12/01 | 40 years |
| Novi, MI | 836 | 651 | 836 | 298 | 1,134 | 72 | 1995 | 12/01 | 40 years |
| Orland Park, IL | 562 | 556 | 562 | 377 | 939 | 88 | 1995 | 12/01 | 40 years |
| Warren, OH | 562 | 468 | 562 | 468 | 1,030 | 106 | 1997 | 12/01 | 40 years |

Buccaneer Car

Wash:

| | | | | | | | | | |
|-----------|-----|-----|-----|-----|-------|----|------|-------|----------|
| Tampa, FL | 541 | 829 | 541 | 829 | 1,370 | 23 | 1978 | 04/10 | 25 years |
|-----------|-----|-----|-----|-----|-------|----|------|-------|----------|

Buck s:

| | | | | | | | | | |
|---------------|-----|-------|-----|-------|-------|-----|------|-----------|----------|
| St. Louis, MO | 776 | 3,822 | 776 | 3,822 | 4,598 | 163 | 2009 | 12/07 (m) | 40 years |
|---------------|-----|-------|-----|-------|-------|-----|------|-----------|----------|

Buffalo Wild Wings:

| | | | | | | | | | |
|-------------------|-----|-----|-----|-----|-----|-----|------|-------|----------|
| Michigan City, IN | 163 | 492 | 163 | 492 | 655 | 111 | 1996 | 12/01 | 40 years |
|-------------------|-----|-----|-----|-----|-----|-----|------|-------|----------|

Bugaboo Creek:

| | | | | | | | | | |
|---------------|-----|-------|-----|-------|-------|-----|------|-------|----------|
| Rochester, NY | 792 | 1,535 | 792 | 1,535 | 2,327 | 136 | 1995 | 06/07 | 40 years |
|---------------|-----|-------|-----|-------|-------|-----|------|-------|----------|

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| | Costs Capitalized | | | | | | Life on Which | | | |
|-----------------------------------|---------------------------------------|----------------|---------------------------|--|-------|--------------------------|----------------------|---------------|--|----------|
| | Initial Cost to Company | | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) | | Accumulated Depreciation | Date of Construction | Date Acquired | Depreciation & Amortization in Latest Income Statement is Computed | |
| | Building, Improvements & Encumbrances | | Land | Building, Improvements & Land | | | | | | |
| | Leasehold Interests | Carrying Costs | Leasehold Interests | Total | | | | | | |
| Burger King: Colonial Heights, VA | 662 | 610 | | 662 | 610 | 1,272 | 138 | 1997 | 12/01 | 40 years |
| Camping World: Vacaville, CA | 2,467 | 6,575 | | 2,467 | 6,575 | 9,042 | 86 | 2008 | 07/10 | 35 years |
| North Little Rock, AR | 1,198 | 3,348 | | 1,198 | 3,348 | 4,546 | 28 | 2007 | 09/10 | 35 years |
| Strafford, MO | 1,278 | 3,694 | | 1,278 | 3,694 | 4,972 | 31 | 2007 | 09/10 | 35 years |
| Carl's Jr.: | | | | | | | | | | |
| Spokane, WA | 471 | 530 | | 471 | 530 | 1,001 | 120 | 1996 | 12/01 | 40 years |
| Chandler, AZ | 729 | 644 | | 729 | 644 | 1,373 | 178 | 1984 | 06/05 | 20 years |
| Tucson, AZ | 681 | 536 | 103 | 681 | 639 | 1,320 | 344 | 1988 | 06/05 | 10 years |
| CarQuest: | | | | | | | | | | |
| Abbeville, LA | 23 | 148 | | 23 | 148 | 171 | | 1970 | 12/10 | 20 years |
| Abbotsford, WI | 56 | 163 | | 56 | 163 | 219 | | 1984 | 12/10 | 25 years |
| Aberdeen, SD (n) | 71 | 329 | | 71 | 329 | 400 | 1 | 1961 | 12/10 | 20 years |
| Addison, IL | 76 | 314 | | 76 | 314 | 390 | 1 | 1971 | 12/10 | 25 years |
| Alsip, IL | 57 | 323 | | 57 | 323 | 380 | 1 | 1972 | 12/10 | 20 years |
| Anaconda, MT | 35 | 307 | | 35 | 307 | 342 | 1 | 1965 | 12/10 | 20 years |
| Ann Arbor, MI | 25 | 241 | | 25 | 241 | 266 | 1 | 1970 | 12/10 | 20 years |
| Antigo, WI | 96 | 294 | | 96 | 294 | 390 | | 1998 | 12/10 | 30 years |
| Appleton, WI (n) | 85 | 438 | | 85 | 438 | 523 | 1 | 1995 | 12/10 | 30 years |
| Arden, NC | 42 | 281 | | 42 | 281 | 323 | | 1989 | 12/10 | 25 years |
| Baker, MT | 12 | 140 | | 12 | 140 | 152 | | 1965 | 12/10 | 20 years |
| Bakersfield, CA | 77 | 484 | | 77 | 484 | 561 | 1 | 1945 | 12/10 | 20 years |
| Bangor, ME | 51 | 339 | | 51 | 339 | 390 | 1 | 1985 | 12/10 | 25 years |
| Bangor, ME (n) | 53 | 356 | | 53 | 356 | 409 | 1 | 1945 | 12/10 | 15 years |
| Bartlett, TN | 40 | 293 | | 40 | 293 | 333 | | 1989 | 12/10 | 25 years |
| Bay City, MI | 14 | 100 | | 14 | 100 | 114 | | 1942 | 12/10 | 15 years |
| Bay City, MI | 41 | 282 | | 41 | 282 | 323 | | 1989 | 12/10 | 25 years |
| Bay City, MI | 106 | 521 | | 106 | 521 | 627 | 1 | 1920 | 12/10 | 15 years |
| Bellevue, NE | 29 | 142 | | 29 | 142 | 171 | | 1965 | 12/10 | 20 years |
| Bend, OR | 125 | 245 | | 125 | 245 | 370 | 1 | 1935 | 12/10 | 15 years |
| Biddeford, ME | 60 | 320 | | 60 | 320 | 380 | 1 | 1968 | 12/10 | 20 years |
| Billings, MT | 31 | 188 | | 31 | 188 | 219 | | 1970 | 12/10 | 25 years |
| Bismarck, ND | 25 | 136 | | 25 | 136 | 161 | | 1985 | 12/10 | 25 years |
| Bozeman, MT | 28 | 257 | | 28 | 257 | 285 | 1 | 1964 | 12/10 | 20 years |
| Brunswick, ME | 41 | 254 | | 41 | 254 | 295 | | 1985 | 12/10 | 25 years |
| Bucksport, ME | 19 | 114 | | 19 | 114 | 133 | | 1976 | 12/10 | 20 years |
| Burlington, NC | 47 | 229 | | 47 | 229 | 276 | | 1994 | 12/10 | 30 years |
| Carol Stream, IL | 103 | 515 | | 103 | 515 | 618 | 1 | 1960 | 12/10 | 20 years |
| Chicago, IL | 83 | 383 | | 83 | 383 | 466 | 1 | 1987 | 12/10 | 25 years |
| Chippewa Falls, WI | 33 | 328 | | 33 | 328 | 361 | | 1996 | 12/10 | 30 years |
| Cody, WY (n) | 146 | 253 | | 146 | 253 | 399 | | 1999 | 12/10 | 30 years |
| Colstrip, MT | 39 | 275 | | 39 | 275 | 314 | | 1981 | 12/10 | 25 years |
| Connersville, IN | 28 | 171 | | 28 | 171 | 199 | | 1920 | 12/10 | 15 years |
| Corapolis, PA (n) | 74 | 316 | | 74 | 316 | 390 | 1 | 1980 | 12/10 | 20 years |
| Cut Bank, MT | 9 | 115 | | 9 | 115 | 124 | | 1937 | 12/10 | 20 years |
| Devils Lake, ND | 38 | 276 | | 38 | 276 | 314 | | 1999 | 12/10 | 30 years |

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| | | | | | | | | | |
|---------------------|-----|-----|-----|-----|-----|---|------|-------|----------|
| Dillon, MT | 24 | 204 | 24 | 204 | 228 | | 1973 | 12/10 | 20 years |
| Dodge City, KS (n) | 43 | 166 | 43 | 166 | 209 | | 1948 | 12/10 | 15 years |
| Eau Claire, WI | 33 | 204 | 33 | 204 | 237 | | 1956 | 12/10 | 20 years |
| Elgin, IL | 88 | 311 | 88 | 311 | 399 | 1 | 1965 | 12/10 | 20 years |
| Enterprise, AL | 25 | 184 | 25 | 184 | 209 | | 1988 | 12/10 | 25 years |
| Escanaba, MI | 40 | 283 | 40 | 283 | 323 | | 1982 | 12/10 | 25 years |
| Evansville, IN | 60 | 301 | 60 | 301 | 361 | 1 | 1980 | 12/10 | 25 years |
| Fairbanks, AK | 292 | 545 | 292 | 545 | 837 | 1 | 2003 | 12/10 | 35 years |
| Gainesville, FL (n) | 47 | 362 | 47 | 362 | 409 | 1 | 1957 | 12/10 | 15 years |
| Glasgow, MT | 48 | 275 | 48 | 275 | 323 | 1 | 1972 | 12/10 | 20 years |
| Great Falls, MT | 17 | 173 | 17 | 173 | 190 | | 1967 | 12/10 | 20 years |
| Greenville, OH | 63 | 193 | 63 | 193 | 256 | 1 | 1910 | 12/10 | 15 years |
| Hamilton, MT | 24 | 242 | 24 | 242 | 266 | | 1991 | 12/10 | 25 years |
| Harlem, MT | 17 | 116 | 17 | 116 | 133 | | 1983 | 12/10 | 25 years |
| Havre, MT | 22 | 311 | 22 | 311 | 333 | 1 | 1964 | 12/10 | 20 years |
| Hayward, WI | 57 | 333 | 57 | 333 | 390 | 1 | 1980 | 12/10 | 25 years |
| Helena, MT | 31 | 282 | 31 | 282 | 313 | | 1987 | 12/10 | 25 years |
| Houlton, ME | 38 | 219 | 38 | 219 | 257 | 1 | 1915 | 12/10 | 10 years |
| Irving, TX | 182 | 208 | 182 | 208 | 390 | | 1984 | 12/10 | 20 years |
| Kalispell, MT (n) | 59 | 645 | 59 | 645 | 704 | 1 | 1998 | 12/10 | 30 years |
| Kennedale, TX | 88 | 283 | 88 | 283 | 371 | 1 | 1959 | 12/10 | 20 years |
| Lafayette, LA | 51 | 357 | 51 | 357 | 408 | | 1996 | 12/10 | 30 years |
| Laurel, MS | 74 | 202 | 74 | 202 | 276 | 1 | 1959 | 12/10 | 15 years |

See accompanying report of independent registered public accounting firm.

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| | | | | | | | | | |
|----------------------|----|-----|----|-----|-----|---|------|-------|----------|
| Whitefish, MT | 30 | 227 | 30 | 227 | 257 | | 1993 | 12/10 | 30 years |
| Williston, ND | 35 | 297 | 35 | 297 | 332 | | 1999 | 12/10 | 30 years |
| Windom, MN | 5 | 137 | 5 | 137 | 142 | | 1950 | 12/10 | 20 years |
| Wisconsin Rapids, WI | 41 | 215 | 41 | 215 | 256 | | 1975 | 12/10 | 20 years |
| Yakima, WA | 50 | 321 | 50 | 321 | 371 | 1 | 1965 | 12/10 | 20 years |

Carvers:

| | | | | | | | | | |
|-----------------|-----|-------|-----|-------|-------|-----|------|-------|----------|
| Centerville, OH | 851 | 1,059 | 851 | 1,059 | 1,910 | 239 | 1986 | 12/01 | 40 years |
|-----------------|-----|-------|-----|-------|-------|-----|------|-------|----------|

Certified Auto

Sales:

| | | | | | | | | | |
|-----------------|-------|-------|-------|-------|-------|-----|------|-----------|----------|
| Albuquerque, NM | 1,113 | 1,419 | 1,113 | 1,419 | 2,532 | 194 | 2005 | 04/04 (f) | 40 years |
|-----------------|-------|-------|-------|-------|-------|-----|------|-----------|----------|

Champps:

| | | | | | | | | | |
|----------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Alpharetta, GA | 3,033 | 1,642 | 3,033 | 1,642 | 4,675 | 371 | 1999 | 12/01 | 40 years |
| Irving, TX | 1,760 | 1,724 | 1,760 | 1,724 | 3,484 | 390 | 2000 | 12/01 | 40 years |

Char-Hut:

| | | | | | | | | | |
|-------------|-----|-----|-----|-----|-----|----|------|-------|----------|
| Sunrise, FL | 287 | 424 | 287 | 424 | 711 | 70 | 1979 | 05/04 | 40 years |
|-------------|-----|-----|-----|-----|-----|----|------|-------|----------|

See accompanying report of independent registered public accounting firm.

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| Costs Capitalized | | | | | | | | | | |
|--|--------|---------------------|----------------|-------|---------------------|-------|--------------|----------------------|---------------|--|
| Initial Cost to Company Building, Subsequent to Acquisition Carried at Close of Period (a) (b) Accumulated | | | | | | | | | | Life on Which |
| Improvements & Leasehold Interests | | | | | | | | | | Depreciation & Amortization in Latest Income Statement is Computed |
| Encumbrances | Land | Leasehold Interests | Carrying Costs | Land | Leasehold Interests | Total | Amortization | Date of Construction | Date Acquired | |
| Checkers: | | | | | | | | | | |
| Orlando, FL | 257 | | | 257 | (c) | 257 | (c) | 1988 | 07/92 | (c) |
| Cheddar's Cafe: | | | | | | | | | | |
| Baytown, TX | 858 | 2,251 | | 858 | 2,251 | 3,109 | 2 | 2010 | 12/10 | 40 years |
| Chili's: | | | | | | | | | | |
| Camden, SC | 627 | 1,888 | | 627 | 1,888 | 2,515 | 250 | 2005 | 09/05 | 40 years |
| Milledgeville, GA | 516 | 1,997 | | 516 | 1,997 | 2,513 | 264 | 2005 | 09/05 | 40 years |
| Sumter, SC | 800 | 1,717 | | 800 | 1,717 | 2,517 | 216 | 2004 | 12/05 | 40 years |
| Hinesville, GA | 921 | 1,898 | | 921 | 1,898 | 2,819 | 184 | 2006 | 02/07 | 40 years |
| Albany, GA | 615 | | 1,984 | 615 | 1,984 | 2,599 | 159 | 2007 | 06/07 (m) | 40 years |
| Statesboro, GA | 703 | | 1,888 | 703 | 1,888 | 2,591 | 147 | 2007 | 06/07 (m) | 40 years |
| Florence, SC | 889 | 1,715 | | 889 | 1,715 | 2,604 | 152 | 2007 | 06/07 | 40 years |
| Valdosta, GA | 716 | | 1,871 | 716 | 1,871 | 2,587 | 142 | 2007 | 07/07 (m) | 40 years |
| Tifton, GA | 454 | 1,550 | | 454 | 1,550 | 2,004 | 86 | 2008 | 06/08 (m) | 40 years |
| Evans, GA | 700 | | 1,511 | 700 | 1,511 | 2,211 | 71 | 2009 | 10/08 (m) | 40 years |
| Jefferson City, MO | 305 | 898 | | 305 | 898 | 1,203 | 27 | 2003 | 12/09 | 35 years |
| Merriam, KS | 853 | 981 | | 853 | 981 | 1,834 | 34 | 1998 | 12/09 | 30 years |
| Wichita, KS | 420 | 623 | | 420 | 623 | 1,043 | 22 | 1995 | 12/09 | 30 years |
| China 1: | | | | | | | | | | |
| Cohoes, NY | 16 | 87 | 6 | 16 | 93 | 109 | 14 | 1994 | 09/04 | 40 years |
| China Wok: | | | | | | | | | | |
| Carlisle, PA | 90 | 107 | | 90 | 107 | 197 | 13 | 1988 | 01/06 | 40 years |
| Cinemark: | | | | | | | | | | |
| Draper, UT | 1,523 | | | 1,523 | (e) | 1,523 | (e) | (e) | 08/10 (m) | (e) |
| Claim Jumper: | | | | | | | | | | |
| Roseville, CA | 1,557 | 2,014 | | 1,557 | 2,014 | 3,571 | 455 | 2000 | 12/01 | 40 years |
| Tempe, AZ | 2,531 | 2,921 | | 2,531 | 2,921 | 5,452 | 660 | 2000 | 12/01 | 40 years |
| Continental Rental: | | | | | | | | | | |
| Lapeer, MI | 88 | 633 | | 88 | 633 | 721 | 53 | 2007 | 10/05 | 40 years |
| Cool Crest: | | | | | | | | | | |
| Independence, MO | 1,838 | 1,534 | | 1,838 | 1,534 | 3,372 | 139 | 1988 | 05/07 | 40 years |
| CORA Rehabilitation Clinics: | | | | | | | | | | |
| Orlando, FL | 93 (o) | 80 | 221 | 80 | 221 | 301 | 38 | 2001 | 02/04 | 40 years |
| CVS: | | | | | | | | | | |
| San Antonio, TX | 441 | | | 441 | (c) | 441 | (c) | 1993 | 12/93 | (c) |
| Lafayette, LA | 968 | | | 968 | (c) | 968 | (c) | 1995 | 01/96 | (c) |
| Midwest City, OK | 673 | 1,103 | | 673 | 1,103 | 1,776 | 409 | 1996 | 03/96 | 40 years |
| Pantego, TX | 1,016 | 1,449 | | 1,016 | 1,449 | 2,465 | 491 | 1997 | 06/97 | 40 years |
| Flower Mound, TX | 932 | 881 | | 831 | 881 | 1,712 | 152 | 1996 | 09/97 | 40 years |
| Arlington, TX | 2,079 | | 1,397 | 2,079 | 1,397 | 3,476 | 432 | 1998 | 11/97 (g) | 40 years |
| Leavenworth, KS | 726 | | 1,331 | 726 | 1,331 | 2,057 | 417 | 1998 | 11/97 (g) | 40 years |
| Lewisville, TX | 789 | | 1,335 | 789 | 1,335 | 2,124 | 410 | 1998 | 04/98 (g) | 40 years |
| Forest Hill, TX | 692 | | 1,175 | 692 | 1,175 | 1,867 | 363 | 1998 | 04/98 (g) | 40 years |
| Garland, TX | 1,477 | | 1,400 | 1,477 | 1,400 | 2,877 | 424 | 1998 | 06/98 (g) | 40 years |
| Oklahoma City, OK | 1,581 | | 1,471 | 1,581 | 1,471 | 3,052 | 440 | 1999 | 08/98 (g) | 40 years |

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| | | | | | | | | | |
|-----------------------|-------|-------|-------|-------|--------|-----|------|-----------|----------|
| Dallas, TX | 2,618 | 2,571 | 2,618 | 2,571 | 5,189 | 463 | 2003 | 06/99 | 40 years |
| Gladstone, MO | 1,851 | 1,740 | 1,851 | 1,740 | 3,591 | 451 | 2000 | 12/99 (g) | 40 years |
| Dave & Buster s: | | | | | | | | | |
| Hilliard, OH | 934 | 4,689 | 934 | 4,689 | 5,623 | 484 | 1998 | 11/06 | 40 years |
| Tulsa, OK | 1,862 | 2,105 | 1,862 | 2,105 | 3,967 | 103 | 2009 | 04/08 (m) | 40 years |
| Wauwatosa, WI | 5,694 | 5,638 | 5,694 | 5,638 | 11,332 | 112 | 2010 | 12/08 (m) | 40 years |
| Orlando, FL | 8,114 | | 8,114 | (e) | 8,114 | (e) | (e) | 06/10 (m) | (e) |
| Denny s: | | | | | | | | | |
| Columbus, TX (n) | 428 | 817 | 428 | 817 | 1,245 | 185 | 1997 | 12/01 | 40 years |
| Alexandria, VA | 604 | 196 | 604 | 196 | 800 | 42 | 1981 | 09/06 | 20 years |
| Amarillo, TX | 590 | 632 | 590 | 632 | 1,222 | 136 | 1982 | 09/06 | 20 years |
| Arlington Heights, IL | 470 | 228 | 470 | 228 | 698 | 49 | 1977 | 09/06 | 20 years |
| Austintown, OH | 466 | 397 | 466 | 397 | 863 | 85 | 1980 | 09/06 | 20 years |
| Boardman Township, OH | 497 | 258 | 497 | 258 | 755 | 55 | 1977 | 09/06 | 20 years |

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| | Costs Capitalized | | Subsequent | | Gross Amount at Which | | Accumulated | | Life on Which | |
|--------------------------|-----------------------------------|----------------|----------------|------------------------------------|-----------------------|--------------|--------------|----------|--|----------|
| | Initial Cost to Company Building, | to Acquisition | to Acquisition | Carried at Close of Period (a) (b) | Building, | Depreciation | | | Depreciation & Amortization in Latest Income Statement | |
| | Improvements & | Leasehold | Carrying | Land | Leasehold | Total | and | Date of | Date | is |
| | Encumbrance | Interest | Improvements | Costs | Interests | Amortization | Construction | Acquired | Computed | |
| Campbell, CA | 460 | 238 | | 460 | 238 | 698 | 51 | 1976 | 09/06 | 20 years |
| Carson, CA | 1,246 | 157 | | 1,246 | 157 | 1,403 | 34 | 1975 | 09/06 | 20 years |
| Chehalis, WA | 415 | 287 | | 415 | 287 | 702 | 62 | 1977 | 09/06 | 20 years |
| Chubbuck, ID | 350 | 394 | | 344 | 394 | 738 | 85 | 1983 | 09/06 | 20 years |
| Clackamas, OR | 468 | 407 | | 468 | 407 | 875 | 87 | 1993 | 09/06 | 20 years |
| Collinsville, IL | 676 | 283 | | 676 | 283 | 959 | 61 | 1979 | 09/06 | 20 years |
| Colorado Springs, CO | 585 | 390 | | 585 | 390 | 975 | 84 | 1978 | 09/06 | 20 years |
| Colorado Springs, CO | 321 | 377 | | 321 | 377 | 698 | 81 | 1984 | 09/06 | 20 years |
| Corpus Christi, TX | 345 | 776 | 300 | 345 | 1,076 | 1,421 | 192 | 1980 | 09/06 | 20 years |
| Dallas, TX | 497 | 150 | | 497 | 150 | 647 | 32 | 1979 | 09/06 | 20 years |
| Enfield, CT | 684 | 229 | | 684 | 229 | 913 | 49 | 1976 | 09/06 | 20 years |
| Fairfax, VA | 768 | 683 | | 768 | 683 | 1,451 | 147 | 1979 | 09/06 | 20 years |
| Federal Way, WA | 543 | 193 | | 543 | 193 | 736 | 41 | 1977 | 09/06 | 20 years |
| Florissant, MO | 443 | 238 | | 443 | 238 | 681 | 51 | 1977 | 09/06 | 20 years |
| Ft. Worth, TX | 392 | 314 | | 392 | 314 | 706 | 67 | 1974 | 09/06 | 20 years |
| Hermitage, PA | 321 | 420 | | 321 | 420 | 741 | 90 | 1980 | 09/06 | 20 years |
| Hialeah, FL | 432 | 175 | | 432 | 175 | 607 | 38 | 1978 | 09/06 | 20 years |
| Houston, TX | 504 | 348 | | 504 | 348 | 852 | 75 | 1976 | 09/06 | 20 years |
| Indianapolis, IN | 310 | 590 | | 310 | 590 | 900 | 127 | 1981 | 09/06 | 20 years |
| Indianapolis, IN | 326 | 511 | | 326 | 511 | 837 | 110 | 1978 | 09/06 | 20 years |
| Indianapolis, IN | 358 | 767 | | 358 | 767 | 1,125 | 165 | 1978 | 09/06 | 20 years |
| Indianapolis, IN | 231 | 511 | | 231 | 511 | 742 | 110 | 1974 | 09/06 | 20 years |
| Kemersville, NC | 407 | 557 | | 407 | 557 | 964 | 120 | 2000 | 09/06 | 20 years |
| Lafayette, IN | 424 | 773 | | 416 | 773 | 1,189 | 166 | 1978 | 09/06 | 20 years |
| Laurel, MD | 528 | 379 | | 528 | 379 | 907 | 81 | 1976 | 09/06 | 20 years |
| Little Rock, AR | 672 | 77 | | 672 | 77 | 749 | 16 | 1979 | 09/06 | 20 years |
| Little Rock, AR | 703 | 180 | | 703 | 180 | 883 | 39 | 1979 | 09/06 | 20 years |
| Maplewood, MN | 630 | 271 | | 630 | 271 | 901 | 58 | 1983 | 09/06 | 20 years |
| Merriville, IN | 368 | 813 | | 368 | 813 | 1,181 | 174 | 1976 | 09/06 | 20 years |
| Middleburg Heights, OH | 497 | 260 | | 497 | 260 | 757 | 56 | 1976 | 09/06 | 20 years |
| N. Miami, FL | 855 | 151 | | 855 | 151 | 1,006 | 32 | 1977 | 09/06 | 20 years |
| Nampa, ID | 357 | 729 | | 357 | 729 | 1,086 | 156 | 1979 | 09/06 | 20 years |
| North Richland Hills, TX | 500 | 130 | | 500 | 130 | 630 | 28 | 1970 | 09/06 | 20 years |
| Novi, MI | 545 | 305 | | 545 | 305 | 850 | 66 | 1979 | 09/06 | 20 years |
| Omaha, NE | 496 | 314 | | 496 | 314 | 810 | 67 | 1994 | 09/06 | 20 years |
| Pompano Beach, FL | 436 | 394 | | 436 | 394 | 830 | 84 | 1976 | 09/06 | 20 years |
| Portland, OR | 764 | 161 | | 764 | 161 | 925 | 35 | 1977 | 09/06 | 20 years |
| Provo, UT | 519 | 216 | | 519 | 216 | 735 | 46 | 1978 | 09/06 | 20 years |
| Pueblo, CO | 475 | 302 | | 475 | 302 | 777 | 65 | 1980 | 09/06 | 20 years |
| Raleigh, NC | 1,094 | 482 | | 1,094 | 482 | 1,576 | 103 | 1984 | 09/06 | 20 years |
| Southfield, MI | 401 | 330 | | 401 | 330 | 731 | 71 | 1980 | 09/06 | 20 years |
| St. Louis, MO | 520 | 266 | | 520 | 266 | 786 | 57 | 1973 | 09/06 | 20 years |
| Sugarland, TX | 315 | 334 | | 315 | 334 | 649 | 72 | 1997 | 09/06 | 20 years |
| Tacoma, WA | 580 | 201 | | 580 | 201 | 781 | 43 | 1984 | 09/06 | 20 years |
| Tucson, AZ | 922 | 290 | | 922 | 290 | 1,212 | 62 | 1979 | 09/06 | 20 years |
| Wethersfield, CT | 884 | 176 | | 884 | 176 | 1,060 | 38 | 1978 | 09/06 | 20 years |
| Worcester, MA | 383 | 493 | | 383 | 493 | 876 | 106 | 1978 | 09/06 | 20 years |
| Boise, ID | 514 | 477 | | 514 | 477 | 991 | 96 | 1983 | 12/06 | 20 years |
| St. Louis, MO | 635 | 303 | | 635 | 303 | 938 | 60 | 1980 | 01/07 | 20 years |
| Virginia Gardens, FL | 793 | 133 | | 793 | 133 | 926 | 26 | 1977 | 01/07 | 20 years |

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Dick's Sporting Goods:

| | | | | | | | | | |
|-----------------|-------|-------|-------|-------|-------|-------|------|-------|----------|
| Taylor, MI | 1,920 | 3,527 | 1,920 | 3,527 | 5,447 | 1,260 | 1996 | 08/96 | 40 years |
| White Marsh, MD | 2,681 | 3,917 | 2,681 | 3,917 | 6,598 | 1,400 | 1996 | 08/96 | 40 years |

Dimitri's Family

Restaurant:

| | | | | | | | | | |
|------------------|-----|-----|-----|-----|-----|-----|------|-------|----------|
| Indianapolis, IN | 223 | 483 | 223 | 483 | 706 | 104 | 1979 | 09/06 | 20 years |
|------------------|-----|-----|-----|-----|-----|-----|------|-------|----------|

Dollar General:

| | | | | | | | | | | |
|------------------|-----|-------|----|-----|-------|-------|-----|------|-----------|----------|
| Memphis, TN | 266 | 1,136 | 46 | 266 | 1,182 | 1,448 | 329 | 1998 | 12/97 | 40 years |
| High Springs, FL | 432 | | | 432 | (e) | 432 | (e) | (e) | 07/10 (m) | (e) |
| Inverness, FL | 459 | | | 459 | (e) | 459 | (e) | (e) | 08/10 (m) | (e) |
| Cocoa, FL | 406 | | | 406 | (e) | 406 | (e) | (e) | 08/10 (m) | (e) |
| Palm Bay, FL | 355 | | | 355 | (e) | 355 | (e) | (e) | 08/10 (m) | (e) |
| Deland, FL | 585 | | | 585 | (e) | 585 | (e) | (e) | 11/10 (m) | (e) |
| Seffner, FL | 659 | | | 659 | (e) | 659 | (e) | (e) | 12/10 (m) | (e) |

Dollar Tree:

| | | | | | | | | | | |
|-------------------|-----|-----|-----|-----|-----|-----|-----|------|-------|----------|
| Garland, TX | 239 | 626 | | 239 | 626 | 865 | 149 | 1994 | 02/94 | 40 years |
| Copperas Cove, TX | 242 | 512 | 194 | 242 | 706 | 948 | 200 | 1972 | 11/98 | 40 years |

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| | Costs Capitalized | | | | | | Life on Which | | | |
|-------------------------|-----------------------------------|---------------------|---------------------------|--|---------------------|--------------|--------------------------|--|-------------|----------|
| | Initial Cost to Company Building, | | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) Building, | | Accumulated | | Depreciation & Amortization in Latest Income Statement | | |
| | Improvements & | | | Improvements & | | Depreciation | | | | |
| | Encumbrance | Leasehold Interests | Carrying Costs | Land | Leasehold Interests | Total | and Date of Construction | Date Acquired | is Computed | |
| Donato s: | | | | | | | | | | |
| Medina, OH | 405 | 464 | | 405 | 464 | 869 | 105 | 1996 | 12/01 | 40 years |
| Dr. Clean Dry Cleaners: | | | | | | | | | | |
| Monticello, NY | 20 | 72 | | 20 | 72 | 92 | 10 | 1996 | 03/05 | 40 years |
| Easyhome: | | | | | | | | | | |
| Cohoes, NY | 64 | 348 | 242 | 64 | 590 | 654 | 69 | 1994 | 09/04 | 40 years |
| Ecotech Institute: | | | | | | | | | | |
| Aurora, CO | 5,076 | 13,874 | 6,043 | 5,076 | 19,917 | 24,993 | 1,294 | 1986 | 04/07 | 40 years |
| El Tapatio Grill: | | | | | | | | | | |
| Hammond, LA | 248 | 814 | 62 | 248 | 627 | 875 | 156 | 1997 | 12/01 | 40 years |
| Enterprise Rent-A-Car: | | | | | | | | | | |
| Wilmington, NC | 218 | 327 | 33 | 218 | 360 | 578 | 76 | 1981 | 12/01 | 40 years |
| Express Oil Change: | | | | | | | | | | |
| Birmingham, AL | 470 | 695 | | 470 | 695 | 1,165 | 49 | 2008 | 02/08 (f) | 40 years |
| Florence, AL | 110 | 381 | | 110 | 381 | 491 | 37 | 1987 | 02/08 | 30 years |
| Helena, AL | 363 | 628 | | 363 | 628 | 991 | 45 | 1998 | 02/08 | 40 years |
| Muscle Shoals, AL | 168 | 624 | | 168 | 624 | 792 | 60 | 1985 | 02/08 | 30 years |
| Opelika, AL | 547 | 680 | | 547 | 680 | 1,227 | 49 | 2006 | 02/08 | 40 years |
| Cordova, TN | 639 | 785 | | 639 | 785 | 1,424 | 40 | 2000 | 12/08 | 40 years |
| Horn Lake, MS | 326 | 611 | | 326 | 611 | 937 | 36 | 1998 | 12/08 | 35 years |
| Lakeland, TN | 186 | 489 | | 186 | 489 | 675 | 25 | 2000 | 12/08 | 40 years |
| Memphis, TN | 402 | 721 | | 402 | 721 | 1,123 | 37 | 2001 | 12/08 | 40 years |
| Fallas Paredes: | | | | | | | | | | |
| Arlington, TX | 318 | 1,680 | 242 | 318 | 1,923 | 2,241 | 623 | 1996 | 06/96 | 38 years |
| Family Dollar: | | | | | | | | | | |
| Albany, NY (n) | 34 | 824 | | 34 | 824 | 858 | 130 | 1992 | 09/04 | 40 years |
| Cohoes, NY | 94 | 507 | 33 | 94 | 540 | 634 | 80 | 1994 | 09/04 | 40 years |
| Hudson Falls, NY | 51 | 380 | | 51 | 380 | 431 | 60 | 1993 | 09/04 | 40 years |
| Monticello, NY | 96 | 352 | | 96 | 352 | 448 | 51 | 1996 | 03/05 | 40 years |
| Famous Footwear: | | | | | | | | | | |
| Lapeer, MI | 163 | 835 | | 163 | 835 | 998 | 69 | 2007 | 10/05 | 40 years |
| Fantastic Sams: | | | | | | | | | | |
| Eden Prairie, MN | 65 | 181 | 81 | 65 | 261 | 326 | 56 | 1997 | 12/01 | 40 years |
| Fazoli s: | | | | | | | | | | |
| Bay City, MI | 647 | 634 | | 647 | 634 | 1,281 | 143 | 1997 | 12/01 | 40 years |
| Ferguson: | | | | | | | | | | |
| Destin, FL | 554 | 1,012 | 253 | 554 | 1,265 | 1,819 | 111 | 2006 | 03/07 | 40 years |
| First Watch Restaurant: | | | | | | | | | | |
| Tulsa, OK | 325 | 314 | 34 | 325 | 382 | 707 | 68 | 1978 | 09/06 | 20 years |
| Flash Markets: | | | | | | | | | | |

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| | | | | | | | | | |
|---------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Lebanon, TN | 582 | 2,063 | 582 | 2,063 | 2,645 | 148 | 2007 | 03/07 | 40 years |
| Food 4 Less: | | | | | | | | | |
| Chula Vista, CA | 3,569 | | 3,569 | (c) | 3,569 | (c) | 1995 | 11/98 | (c) |
| Food Fast: | | | | | | | | | |
| Bossier City, LA | 883 | 658 | 883 | 658 | 1,541 | 155 | 1975 | 06/07 | 15 years |
| Brownsboro, TX | 328 | 385 | 328 | 385 | 713 | 45 | 1990 | 06/07 | 30 years |
| Flint, TX | 272 | 411 | 272 | 411 | 683 | 58 | 1985 | 06/07 | 25 years |
| Forney, TX | 545 | 707 | 545 | 707 | 1,252 | 83 | 1989 | 06/07 | 30 years |
| Forney, TX | 473 | 654 | 473 | 654 | 1,127 | 77 | 1990 | 06/07 | 30 years |
| Gun Barrel City, TX | 242 | 467 | 242 | 467 | 709 | 66 | 1988 | 06/07 | 25 years |
| Gun Barrel City, TX | 270 | 386 | 270 | 386 | 656 | 55 | 1986 | 06/07 | 25 years |
| Jacksonville, TX | 660 | 632 | 660 | 632 | 1,292 | 149 | 1976 | 06/07 | 15 years |
| Kemp, TX | 581 | 505 | 581 | 505 | 1,086 | 72 | 1986 | 06/07 | 25 years |
| Longview, TX | 403 | 572 | 403 | 572 | 975 | 81 | 1985 | 06/07 | 25 years |
| Longview, TX | 426 | 382 | 426 | 382 | 808 | 54 | 1984 | 06/07 | 25 years |

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| | Improvements & | | Improvements & | | Depreciation | | | | | |
| | Encumbrance | Leasehold Interests | Carrying Costs | Land | Leasehold Interests | Total Amortization | Date of Construction | Date Acquired | is Computed | |
| Longview, TX | 360 | 535 | | 360 | 535 | 895 | 76 | 1983 | 06/07 | 25 years |
| Longview, TX | 178 | 236 | | 178 | 236 | 414 | 42 | 1977 | 06/07 | 20 years |
| Longview, TX | 252 | 304 | | 252 | 304 | 556 | 43 | 1983 | 06/07 | 25 years |
| Longview, TX | 271 | 431 | | 271 | 431 | 702 | 51 | 1990 | 06/07 | 30 years |
| Mabank, TX | 229 | 494 | | 229 | 494 | 723 | 70 | 1986 | 06/07 | 25 years |
| Mt. Vernon, TX | 292 | 666 | | 292 | 666 | 958 | 94 | 1990 | 06/07 | 25 years |
| Shreveport, LA | 361 | 250 | | 361 | 250 | 611 | 59 | 1969 | 06/07 | 15 years |
| Tyler, TX | 302 | 455 | | 302 | 455 | 757 | 81 | 1981 | 06/07 | 20 years |
| Tyler, TX | 316 | 545 | | 316 | 545 | 861 | 64 | 1989 | 06/07 | 30 years |
| Tyler, TX | 258 | 419 | | 258 | 419 | 677 | 74 | 1978 | 06/07 | 20 years |
| Tyler, TX | 542 | 403 | | 481 | 403 | 884 | 57 | 1984 | 06/07 | 25 years |
| Tyler, TX | 323 | 283 | | 323 | 283 | 606 | 50 | 1978 | 06/07 | 20 years |
| Tyler, TX | 488 | 831 | | 488 | 831 | 1,319 | 147 | 1980 | 06/07 | 20 years |
| Tyler, TX | 256 | 542 | | 256 | 542 | 798 | 96 | 1980 | 06/07 | 20 years |
| Tyler, TX | 742 | 546 | | 742 | 546 | 1,288 | 77 | 1985 | 06/07 | 25 years |
| Tyler, TX | 188 | 329 | | 188 | 329 | 517 | 47 | 1984 | 06/07 | 25 years |
| Fresenius Medical Care: | | | | | | | | | | |
| Houston, TX | 422 | 1,915 | | 460 | 1,915 | 2,375 | 241 | 1995 | 08/06 | 40 years |
| Fresh Market: | | | | | | | | | | |
| Gainesville, FL | 317 | 1,248 | 656 | 317 | 1,904 | 2,221 | 287 | 1982 | 03/99 | 40 years |
| Fuel-On: | | | | | | | | | | |
| Bloomsburg, PA | 541 | 146 | | 541 | 146 | 687 | 39 | 1967 | 08/05 | 20 years |
| Dallas, PA | 677 | 1,091 | | 677 | 1,091 | 1,768 | 293 | 1995 | 08/05 | 20 years |
| Emporium, PA | 380 | 569 | | 380 | 569 | 949 | 153 | 1996 | 08/05 | 20 years |
| Hazleton, PA | 2,529 | 728 | | 2,529 | 728 | 3,257 | 196 | 2001 | 08/05 | 20 years |
| Johnsonburg, PA | 781 | 504 | | 781 | 504 | 1,285 | 135 | 1978 | 08/05 | 20 years |
| Kane, PA | 478 | 592 | | 356 | | 356 | | 1984 | 08/05 | 20 years |
| Luzerne, PA | 171 | 415 | | 171 | 415 | 586 | 112 | 1989 | 08/05 | 20 years |
| Ridgway, PA | 382 | 259 | | 382 | 259 | 641 | 70 | 1975 | 08/05 | 20 years |
| St. Mary s, PA | 274 | 261 | | 274 | 261 | 535 | 70 | 1979 | 08/05 | 20 years |
| White Haven, PA | 486 | 867 | | 486 | 867 | 1,353 | 233 | 1990 | 08/05 | 20 years |
| Yeagertown, PA | 142 | 180 | | 142 | 180 | 322 | 48 | 1977 | 08/05 | 20 years |
| Carlisle, PA | 170 | 202 | | 170 | 202 | 372 | 25 | 1988 | 01/06 | 40 years |
| Clairton, PA | 215 | 701 | | 215 | 701 | 916 | 139 | 1986 | 01/06 | 25 years |
| Danville, PA | 180 | 359 | | 180 | 359 | 539 | 45 | 1988 | 01/06 | 40 years |
| Houtzdale, PA | 541 | 500 | | 356 | | 356 | | 1977 | 01/06 | 15 years |
| Minersville, PA | 680 | 582 | | 680 | 582 | 1,262 | 72 | 1974 | 01/06 | 40 years |
| Pittsburgh, PA | 905 | 1,346 | | 905 | 1,346 | 2,251 | 167 | 1967 | 01/06 | 40 years |
| Summerville, PA | 93 | 272 | | 93 | 272 | 365 | 34 | 1988 | 01/06 | 40 years |
| Zelienople, PA | 160 | 437 | | 160 | 437 | 597 | 54 | 1988 | 01/06 | 40 years |
| Furr s Family Dining: | | | | | | | | | | |
| Las Cruces, NM | 947 | | 2,182 | 947 | 2,182 | 3,129 | 234 | 2006 | 01/06 (m) | 40 years |
| Tucson, AZ | 1,116 | | | 1,116 | (e) | 1,116 | (e) | (e) | 07/06 | (e) |
| Moore, OK | 939 | | 2,429 | 939 | 2,429 | 3,368 | 195 | 2007 | 03/07 (m) | 40 years |
| Arlington, TX | 1,061 | | | 1,061 | (e) | 1,061 | (e) | (e) | 04/10 (m) | (e) |
| Gander Mountain: | | | | | | | | | | |
| Amarillo, TX | 1,514 | 5,781 | | 1,514 | 5,781 | 7,295 | 885 | 2004 | 11/04 | 40 years |
| DeForest, WI | 2,798 | 10,953 | | 2,798 | 10,953 | 13,751 | 91 | 2008 | 09/10 | 35 years |

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| | | | | | | | | | |
|-----------------|-------|-------|-------|-------|--------|-----|------|-----------|----------|
| Springfield, IL | 1,717 | 7,622 | 1,717 | 7,622 | 9,339 | 64 | 2009 | 09/10 | 35 years |
| Onalaska, WI | 1,963 | | 1,963 | (e) | 1,963 | (e) | (e) | 10/10 (m) | (e) |
| Ocala, FL | 3,315 | 8,908 | 3,315 | 8,908 | 12,223 | 53 | 2008 | 10/10 | 35 years |

Gate Petroleum:

| | | | | | | | | | |
|-----------------|-----|-------|-----|-------|-------|-----|------|-------|----------|
| Concord, NC | 852 | 1,201 | 852 | 1,201 | 2,053 | 166 | 2001 | 06/05 | 40 years |
| Rocky Mount, NC | 259 | 1,164 | 259 | 1,164 | 1,423 | 161 | 2000 | 06/05 | 40 years |

Gen-X Clothing:

| | | | | | | | | | | |
|-----------------|-------|-------|-----|-------|-------|-------|-----|------|-------|----------|
| Federal Way, WA | 2,037 | 1,662 | 257 | 2,037 | 1,919 | 3,956 | 567 | 1994 | 06/98 | 40 years |
|-----------------|-------|-------|-----|-------|-------|-------|-----|------|-------|----------|

Golden Corral:

| | | | | | | | | | | |
|--------------------|-------|-------|----|-------|-------|-------|-----|------|-------|----------|
| Lake Placid, FL | 115 | 305 | 54 | 115 | 359 | 474 | 246 | 1985 | 05/85 | 35 years |
| Brandon, FL | 1,188 | 1,339 | | 1,188 | 1,339 | 2,527 | 303 | 1998 | 12/01 | 40 years |
| Dallas, TX | 1,138 | 1,025 | | 1,138 | 1,025 | 2,163 | 232 | 1994 | 12/01 | 40 years |
| Temple Terrace, FL | 1,330 | 1,391 | | 1,330 | 1,391 | 2,721 | 314 | 1997 | 12/01 | 40 years |

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|-------------------------------|-----------------------------------|------|---------------------------|--|-------|---------------------|---------------|--|----------------------|---------------|-------------|
| | Initial Cost to Company Building, | | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) Building, | | | Accumulated | Depreciation & Amortization in Latest Income Statement | | | |
| | Improvements & | | | Improvements & | | Depreciation | | | | | |
| | Encumbrance | Land | Leasehold Interests | Carrying Improvement Costs | Land | Leasehold Interests | Total | Amortization | Date of Construction | Date Acquired | is Computed |
| Goodyear Truck & Tire: | | | | | | | | | | | |
| Park City, KS | 214 | | 687 | | 214 | 687 | 901 | 190 | 1989 | 06/05 | 20 years |
| Anthony, TX | (1) | | 1,242 | | (1) | 1,242 | 1,242 | 107 | 2007 | 02/07 | 40 years |
| Great Clips: | | | | | | | | | | | |
| Lapeer, MI | 27 | | 194 | | 27 | 194 | 221 | 16 | 2007 | 10/05 | 40 years |
| Green Light Convenience: | | | | | | | | | | | |
| Moosic, PA | 323 | | 309 | | 323 | 309 | 632 | 83 | 1980 | 08/05 | 20 years |
| Guitar Center: | | | | | | | | | | | |
| Roseville, MN | 1,599 | | 1,419 | | 1,599 | 1,419 | 3,018 | 179 | 1994 | 08/06 | 40 years |
| GymKix: | | | | | | | | | | | |
| Copperas Cove, TX | 204 | | 432 | 171 | 204 | 603 | 807 | 170 | 1972 | 11/98 | 40 years |
| H&R Block: | | | | | | | | | | | |
| Swansea, IL | 46 | | 132 | 69 | 46 | 201 | 247 | 45 | 1997 | 12/01 | 40 years |
| Hastings: | | | | | | | | | | | |
| Nacogdoches, TX | 397 | | 1,257 | | 397 | 1,257 | 1,654 | 381 | 1997 | 11/98 | 40 years |
| Havertys Furniture: | | | | | | | | | | | |
| Clearwater, FL | 1,184 | | 2,526 | 44 | 1,184 | 2,570 | 3,754 | 1,125 | 1992 | 05/93 | 40 years |
| Orlando, FL | 820 | | 2,441 | 6 | 820 | 2,448 | 3,268 | 1,001 | 1992 | 05/93 | 40 years |
| Pensacola, FL | 633 | | 1,595 | | 603 | 1,595 | 2,198 | 579 | 1994 | 06/96 | 40 years |
| Bowie, MD | 1,966 | | 4,221 | | 1,966 | 4,221 | 6,187 | 1,256 | 1997 | 12/97 | 39 years |
| Health Source Chiropractic: | | | | | | | | | | | |
| Houston, TX | 112 | | 509 | | 112 | 509 | 621 | 65 | 1995 | 08/06 | 40 years |
| Healthy Pet: | | | | | | | | | | | |
| Suwanee, GA | 175 | | 1,038 | | 175 | 1,038 | 1,213 | 105 | 1997 | 12/06 | 40 years |
| Colonial Heights, VA | 160 | | 746 | | 160 | 746 | 906 | 74 | 1996 | 01/07 | 40 years |
| Heilig-Meyers/The Room Store: | | | | | | | | | | | |
| Baltimore, MD | 470 | | 813 | | 470 | 813 | 1,283 | 246 | 1968 | 11/98 | 40 years |
| Glen Burnie, MD | 632 | | 932 | | 632 | 932 | 1,564 | 282 | 1968 | 11/98 | 40 years |
| Hog Pit: | | | | | | | | | | | |
| Tucson, AZ | 827 | | 305 | 18 | 845 | 305 | 1,150 | 79 | 1974 | 12/01 | 40 years |
| Hollywood Feed: | | | | | | | | | | | |
| Ridgeland, MS | 343 | | 411 | 362 | 343 | 773 | 1,116 | 53 | 1997 | 08/06 | 40 years |
| Home Decor: | | | | | | | | | | | |
| Memphis, TN | 549 | | 540 | 364 | 549 | 904 | 1,453 | 247 | 1998 | 12/97 | 40 years |
| Home Depot: | | | | | | | | | | | |
| Sunrise, FL | 5,149 | | | | 5,149 | (i) | 5,149 | (i) | (i) | 05/03 | (i) |
| HomeGoods: | | | | | | | | | | | |
| Fairfax, VA | 971 | | 756 | 1,585 | 971 | 2,341 | 3,312 | 552 | 1995 | 12/95 | 40 years |
| Hooters: | | | | | | | | | | | |
| Tampa, FL | 784 | | 505 | | 784 | 505 | 1,289 | 114 | 1993 | 12/01 | 40 years |

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|--------------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Humana: | | | | | | | | | |
| Sunrise, FL | 800 | 253 | 800 | 253 | 1,053 | 42 | 1984 | 05/04 | 40 years |
| Hy-Vee: | | | | | | | | | |
| St. Joseph, MO | 1,580 | 2,849 | 1,580 | 2,849 | 4,429 | 591 | 1991 | 09/02 | 40 years |
| Int 1 House of Pancakes: | | | | | | | | | |
| Midwest City, OK | 407 | | 407 | (i) | 407 | (i) | (i) | 11/00 | (i) |
| Ankeny, IA | 693 | 515 | 693 | 515 | 1,208 | 95 | 2002 | 06/05 | 30 years |
| J & J Insurance: | | | | | | | | | |
| Hollywood, FL | 195 | 44 | 18 | 119 | 119 | | 1960 | 12/05 | 15 years |

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| | Costs Capitalized | | | Life on Which | | |
|----------------------------|---|---------------------|------------------------------------|---------------------|--------------------------------|----------------------|
| | Subsequent | | Gross Amount at Which | | Depreciation & Amortization in | |
| | to Acquisition | | Carried at Close of Period (a) (b) | | Latest | |
| | Initial Cost to Company Building, Improvements & Encumbrances | Leasehold Interests | Land | Leasehold Interests | Total | Date of Construction |
| | | | | | | |
| Jack in the Box: | | | | | | |
| Plano, TX | 1,055 | 1,237 | 1,055 | 1,237 | 2,292 | 2001 |
| Jacobson Industrial: | | | | | | |
| Des Moines, IA | 61 | 112 | 61 | 112 | 173 | 1973 |
| Jared Jewelers: | | | | | | |
| Richmond, VA | 955 | 1,336 | 955 | 1,336 | 2,291 | 1998 |
| Brandon, FL | 1,197 | 1,182 | 1,197 | 1,182 | 2,379 | 2001 |
| Lithonia, GA | 1,271 | 1,216 | 1,271 | 1,216 | 2,487 | 2001 |
| Houston, TX | 1,676 | 1,440 | 1,676 | 1,440 | 3,116 | 1999 |
| Jazzercise Fitness Center: | | | | | | |
| Orlando, FL | 42 (o) | 37 | 37 | 101 | 138 | 2001 |
| Jin's Asian Cafe: | | | | | | |
| Sealy, TX | 67 | 74 | 67 | 74 | 141 | 1982 |
| Jo-Ann etc: | | | | | | |
| Corpus Christi, TX | 818 | 896 | 818 | 909 | 1,727 | 1967 |
| St. Peters, MO | 1,741 | 5,406 | 1,741 | 5,406 | 7,147 | 2005 |
| Johnny Carino's: | | | | | | |
| Lewisville, TX | 1,370 | 1,019 | 1,370 | 1,019 | 2,389 | 1994 |
| Lubbock, TX | 1,007 | 1,206 | 1,007 | 1,206 | 2,213 | 1995 |
| S. Beaumont, TX | 439 | 1,363 | 439 | 1,363 | 1,802 | 2000 |
| Kangaroo Express: | | | | | | |
| Carthage, NC | 485 | 354 | 485 | 354 | 839 | 1989 |
| Sanford, NC | 1,638 | 1,371 | 1,638 | 1,371 | 3,009 | 2003 |
| Sanford, NC | 666 | 661 | 666 | 661 | 1,327 | 2000 |
| Siler City, NC | 586 | 645 | 586 | 645 | 1,231 | 1998 |
| West End, NC | 426 | 516 | 426 | 516 | 942 | 1999 |
| Bellevue, FL | 471 | 1,451 | 471 | 1,451 | 1,922 | 2006 |
| Jacksonville, FL | 683 | 1,362 | 683 | 1,362 | 2,045 | 1969 |
| Jacksonville, FL | 807 | 1,239 | 807 | 1,239 | 2,046 | 1975 |
| Destin, FL | 1,366 | 1,192 | 1,366 | 1,192 | 2,558 | 2000 |
| Niceville, FL (n) | 1,434 | 1,124 | 1,434 | 1,124 | 2,558 | 2000 |
| Kill Devil Hills, NC | 490 | 741 | 490 | 741 | 1,231 | 1995 |
| Kill Devil Hills, NC | 679 | 552 | 679 | 552 | 1,231 | 1990 |
| Interlachen, FL | 519 | 1,500 | 519 | 1,500 | 2,019 | 2007 |
| Clarksville, TN | 276 | 955 | 276 | 955 | 1,231 | 1999 |
| Clarksville, TN | 521 | 710 | 521 | 710 | 1,231 | 1999 |
| Gallatin, TN | 474 | 757 | 474 | 757 | 1,231 | 1999 |
| Midland City, AL | 729 | 2,538 | 729 | 2,538 | 3,267 | 2006 |
| Naples, FL | 3,195 | 1,403 | 3,195 | 1,403 | 4,598 | 2001 |
| Oxford, MS | 440 | 1,097 | 440 | 1,097 | 1,537 | 1998 |
| Columbiana, AL | 771 | 989 | 771 | 989 | 1,760 | 1982 |
| Naples, FL | 3,162 | 1,597 | 3,162 | 1,597 | 4,759 | 1995 |
| Longs, SC | 745 | 758 | 745 | 758 | 1,503 | 2001 |
| Kentwood, LA | 985 | 891 | 985 | 891 | 1,876 | 2001 |
| Dothan, AL | 774 | 1,886 | 774 | 1,886 | 2,660 | 2007 |
| Naples, FL | 2,412 | 1,589 | 2,412 | 1,589 | 4,001 | 2000 |
| Montgomery, AL | 666 | 1,185 | 666 | 1,185 | 1,851 | 1998 |

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|---|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Cary, NC | 1,314 | 2,125 | 1,314 | 2,125 | 3,439 | 179 | 2007 | 08/07 | 40 years |
| Kash n Karry: | | | | | | | | | |
| Seffner, FL | 322 | 1,222 | 322 | 1,222 | 1,544 | 220 | 1983 | 03/99 | 40 years |
| Keg Steakhouse: | | | | | | | | | |
| Lynnwood, WA | 1,256 | 649 | 1,256 | 649 | 1,905 | 147 | 1992 | 12/01 | 40 years |
| Tacoma, WA | 527 | 795 | 527 | 795 | 1,322 | 180 | 1981 | 12/01 | 40 years |
| KFC: | | | | | | | | | |
| Fenton, MO | 307 | 496 | 307 | 496 | 803 | 279 | 1985 | 07/92 | 33 years |
| Erie, PA | 517 | 496 | 517 | 496 | 1,013 | 112 | 1996 | 12/01 | 40 years |
| Marysville, WA | 647 | 546 | 647 | 546 | 1,193 | 123 | 1996 | 12/01 | 40 years |
| Evansville, IN | 370 | 767 | 370 | 767 | 1,137 | 89 | 2004 | 05/06 | 40 years |
| Kohl s: | | | | | | | | | |
| Florence, AL | 818 | 1,047 | 818 | 1,047 | 1,865 | 111 | 2006 | 06/04 | 40 years |
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| | | | Land | Leasehold Interests | Total | Accumulated Depreciation and Amortization | Date of Construction Acquired | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Kum & Go: | | | | | | | | | | | |
| Omaha, NE | 393 | 214 | | | 393 | 214 | 607 | 59 | 1979 | 06/05 | 20 years |
| Kwik Pik: | | | | | | | | | | | |
| Bradford, PA | 184 | 762 | | | 184 | 762 | 946 | 205 | 1983 | 08/05 | 20 years |
| Coraopolis, PA (n) | 476 | 347 | | | 476 | 347 | 823 | 93 | 1983 | 08/05 | 20 years |
| St Clair, PA | 212 | 475 | | | 212 | 475 | 687 | 128 | 1984 | 08/05 | 20 years |
| Beech Creek, PA | 477 | 613 | | | 477 | 613 | 1,090 | 76 | 1988 | 01/06 | 40 years |
| Canisteo, NY | 142 | 485 | | | 142 | 485 | 627 | 60 | 1983 | 01/06 | 40 years |
| Curwensville, PA | 226 | 608 | | | 226 | 608 | 834 | 75 | 1983 | 01/06 | 40 years |
| Ellwood City, PA | 196 | 526 | | | 196 | 526 | 722 | 65 | 1987 | 01/06 | 40 years |
| Hastings, PA | 199 | 455 | | | 199 | 455 | 654 | 56 | 1989 | 01/06 | 40 years |
| Jersey Shore, PA | 515 | 381 | | | 515 | 381 | 896 | 47 | 1960 | 01/06 | 40 years |
| Leeper, PA | 286 | 644 | | | 286 | 644 | 930 | 80 | 1987 | 01/06 | 40 years |
| Lewisberry, PA | 412 | 534 | | | 412 | 534 | 946 | 66 | 1988 | 01/06 | 40 years |
| Mercersburg, PA | 672 | 746 | | | 672 | 746 | 1,418 | 93 | 1988 | 01/06 | 40 years |
| New Florence, PA | 298 | 812 | | | 298 | 812 | 1,110 | 101 | 1989 | 01/06 | 40 years |
| Newstead, NY | 255 | 835 | | | 255 | 835 | 1,090 | 104 | 1990 | 01/06 | 40 years |
| Philipsburg, PA | 428 | 269 | | | 428 | 269 | 697 | 33 | 1978 | 01/06 | 40 years |
| Plainfield, PA | 244 | 383 | | | 244 | 383 | 627 | 47 | 1988 | 01/06 | 40 years |
| Reynoldsville, PA | 113 | 328 | | | 113 | 328 | 441 | 41 | 1983 | 01/06 | 40 years |
| Port Royal, PA | 238 | 635 | | | 238 | 635 | 873 | 142 | 1989 | 07/06 | 20 years |
| LA Fitness: | | | | | | | | | | | |
| Centerville, OH | 2,700 | | 8,572 | | 2,700 | 8,572 | 11,272 | 330 | 2009 | 06/08 (m) | 40 years |
| Warren, MI | 2,360 | 6,674 | | | 2,360 | 6,674 | 9,034 | 299 | 2009 | 07/08 (m) | 40 years |
| Cincinnati, OH | 5,145 | | 9,011 | | 5,145 | 9,011 | 14,156 | 347 | 2009 | 08/08 (m) | 40 years |
| Lawrence, IN | 1,604 | 5,867 | | | 1,604 | 5,867 | 7,471 | 55 | 2010 | 01/10 (m) | 40 years |
| Laveen, AZ | 1,665 | | | | 1,665 | (e) | 1,665 | (e) | (e) | 02/10 (m) | (e) |
| Kennesaw, GA | 3,653 | | | | 3,653 | (e) | 3,653 | (e) | (e) | 07/10 (m) | (e) |
| Las Margaritas: | | | | | | | | | | | |
| Indianapolis, IN | 640 | 1,107 | | | 640 | 1,107 | 1,747 | 239 | 1996 | 12/01 | 40 years |
| Lil Champ: | | | | | | | | | | | |
| Gainesville, FL | 900 | | 1,800 | | 900 | 1,800 | 2,700 | 171 | 2006 | 07/05 (m) | 40 years |
| Jacksonville, FL | 2,225 | 3,265 | | | 2,225 | 3,265 | 5,490 | 211 | 2006 | 08/05 | 40 years |
| Ocala, FL | 846 | | 1,564 | | 846 | 1,564 | 2,410 | 138 | 2006 | 02/06 (m) | 40 years |
| Logan s Roadhouse: | | | | | | | | | | | |
| Alexandria, LA | 1,218 | 3,049 | | | 1,218 | 3,049 | 4,267 | 314 | 1998 | 11/06 | 40 years |
| Beckley, WV | 1,396 | 2,405 | | | 1,396 | 2,405 | 3,801 | 248 | 2006 | 11/06 | 40 years |
| Cookeville, TN | 1,262 | 2,271 | | | 1,262 | 2,271 | 3,533 | 234 | 1997 | 11/06 | 40 years |
| Fort Wayne, IN | 1,274 | 2,110 | | | 1,172 | 2,110 | 3,282 | 218 | 2003 | 11/06 | 40 years |
| Greenwood, IN | 1,341 | 2,105 | | | 1,341 | 2,105 | 3,446 | 217 | 2000 | 11/06 | 40 years |
| Hurst, TX | 1,858 | 1,916 | | | 1,858 | 1,916 | 3,774 | 198 | 1999 | 11/06 | 40 years |
| Jackson, TN | 1,200 | 2,246 | | | 1,200 | 2,246 | 3,446 | 232 | 1994 | 11/06 | 40 years |
| Lake Charles, LA | 1,285 | 2,202 | | | 1,285 | 2,202 | 3,487 | 227 | 1998 | 11/06 | 40 years |
| McAllen, TX | 1,608 | 2,178 | | | 1,608 | 2,178 | 3,786 | 225 | 2005 | 11/06 | 40 years |
| Opelika, AL | 1,028 | 1,753 | | | 1,028 | 1,753 | 2,781 | 181 | 2005 | 11/06 | 40 years |
| Roanoke, VA | 2,302 | 1,947 | | | 2,302 | 1,947 | 4,249 | 201 | 1998 | 11/06 | 40 years |
| San Marcos, TX | 837 | 1,453 | | | 837 | 1,453 | 2,290 | 150 | 2000 | 11/06 | 40 years |
| Sanford, FL | 1,678 | 1,730 | | | 1,678 | 1,730 | 3,408 | 178 | 1999 | 11/06 | 40 years |
| Smyrna, TN | 1,335 | 2,047 | | | 1,335 | 2,047 | 3,382 | 211 | 2002 | 11/06 | 40 years |

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| | | | | | | | | | | |
|---|--------|-------|-----|-------|-------|--------|-------|------|-----------|----------|
| Warner Robins, GA | 905 | 1,534 | | 905 | 1,534 | 2,439 | 158 | 2004 | 11/06 | 40 years |
| Franklin, TN | 2,519 | 1,705 | | 2,519 | 1,705 | 4,224 | 172 | 1995 | 12/06 | 40 years |
| Southaven, MS | 1,298 | 1,338 | | 1,298 | 1,338 | 2,636 | 135 | 2005 | 12/06 | 40 years |
| Columbus, MS | 707 | | | 707 | (e) | 707 | (e) | (e) | 11/10 (m) | (e) |
| Lancaster, TX | 987 | | | 987 | (e) | 987 | (e) | (e) | 12/10 (m) | (e) |
| Lowe s: | | | | | | | | | | |
| Memphis, TN | 3,215 | 9,170 | 24 | 3,215 | 9,194 | 12,409 | 1,960 | 2001 | 06/02 | 40 years |
| M & T Bank: | | | | | | | | | | |
| Carlisle, PA | 87 | 103 | | 87 | 103 | 190 | 13 | 1988 | 01/06 | 40 years |
| Magic China Café: | | | | | | | | | | |
| Orlando, FL | 47 (o) | 40 | 111 | 40 | 111 | 151 | 19 | 2001 | 02/04 | 40 years |
| See accompanying report of independent registered public accounting firm. | | | | | | | | | | |

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| | Costs Capitalized | | | | | | | | | Life on Which |
|------------------------------|---|---------------------|---------------------------|--|---------------------|-------|--------------------------|----------------------|--|---------------|
| | Initial Cost to Company Building, Improvements & Encumbrances | | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) | | | Accumulated Depreciation | | Depreciation & Amortization in Latest Income Statement | |
| | Land | Leasehold Interests | Carrying Costs | Land | Leasehold Interests | Total | and Amortization | Date of Construction | Date Acquired | is Computed |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Magic Mountain: | | | | | | | | | | |
| Columbus, OH | 5,380 | 2,693 | | 5,380 | 2,693 | 8,073 | 238 | 1990 | 06/07 | 40 years |
| Columbus, OH | 2,076 | 1,906 | | 2,076 | 1,906 | 3,982 | 169 | 1990 | 06/07 | 40 years |
| Majestic Liquors: | | | | | | | | | | |
| Coffee City, TX | 1,330 | 3,858 | | 1,330 | 3,858 | 5,188 | 567 | 1996 | 02/05 | 40 years |
| Ft. Worth, TX | 988 | 2,368 | | 988 | 2,368 | 3,356 | 348 | 1997 | 02/05 | 40 years |
| Ft. Worth, TX | 1,652 | 2,018 | | 1,652 | 2,018 | 3,670 | 296 | 2000 | 02/05 | 40 years |
| Ft. Worth, TX | 2,505 | 2,138 | | 2,505 | 2,138 | 4,643 | 314 | 1988 | 02/05 | 40 years |
| Ft. Worth, TX | 611 | 1,609 | | 579 | 1,609 | 2,188 | 236 | 1974 | 02/05 | 40 years |
| Hudson Oaks, TX | 361 | 1,029 | | 361 | 1,029 | 1,390 | 151 | 1993 | 02/05 | 40 years |
| Granbury, TX | 786 | 1,234 | | 786 | 1,234 | 2,020 | 148 | 2006 | 05/05 (g) | 40 years |
| Azle, TX | 648 | 859 | | 648 | 859 | 1,507 | 76 | 1970 | 06/07 | 40 years |
| Ft. Worth, TX | 575 | 933 | | 575 | 933 | 1,508 | 83 | 1982 | 06/07 | 40 years |
| Mattress Firm: | | | | | | | | | | |
| Baton Rouge, LA | 609 | 914 | | 609 | 914 | 1,523 | 343 | 1995 | 12/95 | 40 years |
| MC Sports: | | | | | | | | | | |
| Lapeer, MI | 408 | 2,086 | | 408 | 2,086 | 2,494 | 172 | 2007 | 10/05 | 40 years |
| Merchant's Tires: | | | | | | | | | | |
| Hampton, VA | 180 | 427 | | 180 | 427 | 607 | 62 | 1986 | 03/05 | 40 years |
| Newport News, VA | 234 | 259 | | 234 | 259 | 493 | 38 | 1986 | 03/05 | 40 years |
| Norfolk, VA | 398 | 508 | | 398 | 508 | 906 | 74 | 1986 | 03/05 | 40 years |
| Rockville, MD | 1,030 | 306 | | 1,030 | 306 | 1,336 | 44 | 1974 | 03/05 | 40 years |
| Washington, DC | 624 | 578 | | 624 | 578 | 1,202 | 84 | 1983 | 03/05 | 40 years |
| Mi Pueblo Foods: | | | | | | | | | | |
| Palo Alto, CA | 2,272 | 3,405 | 28 | 2,272 | 3,433 | 5,705 | 1,004 | 1998 | 12/98 (f) | 40 years |
| Michaels: | | | | | | | | | | |
| Fairfax, VA | 992 | 773 | 1,369 | 992 | 2,141 | 3,133 | 527 | 1995 | 12/95 | 40 years |
| Grapevine, TX (n) | 1,018 | 2,067 | | 1,018 | 2,067 | 3,085 | 648 | 1998 | 06/98 | 40 years |
| Plymouth Meeting, PA | 2,911 | 2,595 | | 2,911 | 2,595 | 5,506 | 696 | 1999 | 10/98 (g) | 40 years |
| Michael's Family Restaurant: | | | | | | | | | | |
| Sherman, TX | 233 | 126 | 24 | 233 | 150 | 383 | 29 | 1969 | 09/06 | 20 years |
| Mister Car Wash: | | | | | | | | | | |
| Anoka, MN | 212 | 214 | | 212 | 214 | 426 | 53 | 1968 | 04/07 | 15 years |
| Brooklyn Park, MN | 438 | 778 | | 438 | 778 | 1,216 | 115 | 1985 | 04/07 | 25 years |
| Cedar Rapids, IA | 391 | 816 | | 391 | 816 | 1,207 | 121 | 1989 | 04/07 | 25 years |
| Clive, IA | 1,141 | 935 | | 1,141 | 935 | 2,076 | 173 | 1983 | 04/07 | 20 years |
| Cottage Grove, MN | 274 | 485 | | 274 | 485 | 759 | 72 | 1992 | 04/07 | 25 years |
| Des Moines, IA | 249 | 596 | | 249 | 596 | 845 | 74 | 1990 | 04/07 | 30 years |
| Des Moines, IA | 213 | 476 | | 213 | 476 | 689 | 88 | 1964 | 04/07 | 20 years |
| Eden Prairie, MN | 865 | 751 | | 865 | 751 | 1,616 | 139 | 1984 | 04/07 | 20 years |
| Edina, MN | 894 | 687 | | 894 | 687 | 1,581 | 127 | 1985 | 04/07 | 20 years |
| Houston, TX | 1,846 | 1,592 | | 1,846 | 1,592 | 3,438 | 236 | 1983 | 04/07 | 25 years |

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|-------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Houston, TX | 624 | 1,108 | 624 | 1,108 | 1,732 | 137 | 1988 | 04/07 | 30 years |
| Houston, TX | 5,126 | 1,267 | 5,126 | 1,267 | 6,393 | 134 | 1995 | 04/07 | 35 years |
| Houston, TX | 796 | 678 | 796 | 678 | 1,474 | 101 | 1986 | 04/07 | 25 years |
| Houston, TX | 1,347 | 1,702 | 1,347 | 1,702 | 3,049 | 210 | 1984 | 04/07 | 30 years |
| Houston, TX | 1,960 | 1,145 | 1,960 | 1,145 | 3,105 | 170 | 1983 | 04/07 | 25 years |
| Houston, TX | 3,193 | 1,305 | 3,193 | 1,305 | 4,498 | 138 | 1995 | 04/07 | 35 years |
| Houston, TX | 288 | 466 | 288 | 466 | 754 | 115 | 1970 | 04/07 | 15 years |
| Houston, TX | 2,260 | 1,806 | 2,260 | 1,806 | 4,066 | 268 | 1975 | 04/07 | 25 years |
| Humble, TX | 1,204 | 1,517 | 1,204 | 1,517 | 2,721 | 161 | 1993 | 04/07 | 35 years |
| Plymouth, MN | 827 | 182 | 827 | 182 | 1,009 | 67 | 1955 | 04/07 | 10 years |
| Roseville, MN | 861 | 564 | 861 | 564 | 1,425 | 104 | 1963 | 04/07 | 20 years |
| Spokane, WA | 214 | 580 | 214 | 580 | 794 | 72 | 1990 | 04/07 | 30 years |
| Spokane, WA | 1,253 | 1,146 | 1,253 | 1,146 | 2,399 | 121 | 1997 | 04/07 | 35 years |
| St. Cloud, MN (n) | 243 | 391 | 243 | 391 | 634 | 73 | 1986 | 04/07 | 20 years |
| Stillwater, MN | 289 | 214 | 289 | 214 | 503 | 53 | 1971 | 04/07 | 15 years |
| Sugarland, TX | 3,789 | 1,972 | 3,789 | 1,972 | 5,761 | 209 | 1995 | 04/07 | 35 years |
| West St Paul, MN | 836 | 236 | 836 | 236 | 1,072 | 44 | 1972 | 04/07 | 20 years |
| Rochester, MN | 319 | 451 | 319 | 451 | 770 | 36 | 1994 | 10/07 | 40 years |
| Rochester, MN | 1,055 | 2,327 | 1,055 | 2,327 | 3,382 | 187 | 2003 | 10/07 | 40 years |
| Birmingham, AL | 2,378 | 2,145 | 2,378 | 2,145 | 4,523 | 223 | 1985 | 11/07 | 30 years |
| Clearwater, FL | 825 | 765 | 825 | 765 | 1,590 | 96 | 1969 | 11/07 | 25 years |

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | Life on Which | | | | | | |
|------------------------------------|--|-------------------------------------|---|--------------------------|----------------------|---------------|--|----------|--|--|
| | Initial Cost to Company Building, Improvements & | Subsequent to Acquisition Carrying | Gross Amount at Which Carried at Close of Period (a) (b) Building, Improvements & | Accumulated Depreciation | Date of Construction | Date Acquired | Depreciation & Amortization in Latest Income Statement is Computed | | | |
| | EncumbrancesLand | Leasehold InterestsImprovementCosts | Land Leasehold Interests Total | and | | | | | | |
| Mesquite, TX | 1,596 | 2,201 | 1,596 2,201 | 3,797 | 275 | 1987 | 11/07 | 25 years | | |
| Seminole, FL | 2,166 | 1,496 | 2,166 1,496 | 3,662 | 156 | 1985 | 11/07 | 30 years | | |
| Tampa, FL | 2,993 | 1,669 | 2,993 1,669 | 4,662 | 209 | 1969 | 11/07 | 25 years | | |
| Vestavia Hills, AL | 1,009 | 956 | 1,009 956 | 1,965 | 119 | 1967 | 11/07 | 25 years | | |
| El Paso, TX | 1,424 | 1,306 | 1,424 1,306 | 2,730 | 132 | 1986 | 12/07 | 30 years | | |
| El Paso, TX | 988 | 1,046 | 988 1,046 | 2,034 | 80 | 1998 | 12/07 | 40 years | | |
| El Paso, TX | 1,399 | 1,468 | 1,399 1,468 | 2,867 | 112 | 1991 | 12/07 | 40 years | | |
| El Paso, TX | 664 | 824 | 664 824 | 1,488 | 63 | 1991 | 12/07 | 40 years | | |
| El Paso, TX | 1,807 | 2,287 | 1,807 2,287 | 4,094 | 175 | 1983 | 12/07 | 40 years | | |
| Muchas Gracias Mexican Restaurant: | | | | | | | | | | |
| Salem, OR | 556 | 736 | 556 736 | 1,292 | 166 | 1996 | 12/01 | 40 years | | |
| My Big Fat Greek Restaurant: | | | | | | | | | | |
| Tucson, AZ | 996 | 2,742 | 996 2,742 | 3,738 | 226 | 2007 | 12/06 (m) | 40 years | | |
| Olathe, KS | 525 | 731 | 525 731 | 1,256 | 6 | 2005 | 09/10 | 35 years | | |
| Nitlantika: | | | | | | | | | | |
| Hollywood, FL | 383 | 88 37 | 234 | 234 | | 1960 | 12/05 | 15 years | | |
| Office Depot: | | | | | | | | | | |
| Arlington, TX | 596 | 1,411 | 596 1,411 | 2,007 | 597 | 1994 | 01/94 | 40 years | | |
| Richmond, VA | 889 | 1,948 | 889 1,948 | 2,837 | 710 | 1996 | 05/96 | 40 years | | |
| Hartsdale, NY | 4,509 | 2,454 | 4,509 2,454 | 6,963 | 408 | 1996 | 09/97 | 40 years | | |
| Gastonia, NC | 1,554 | 2,367 | 1,554 2,367 | 3,921 | 357 | 2004 | 12/04 | 40 years | | |
| OfficeMax: | | | | | | | | | | |
| Cincinnati, OH | 543 | 1,575 | 543 1,575 | 2,118 | 649 | 1994 | 07/94 | 40 years | | |
| Evanston, IL | 1,868 | 1,758 | 1,868 1,758 | 3,626 | 684 | 1995 | 06/95 | 40 years | | |
| Altamonte Springs, FL | | | | | | | | | | |
| Cutler Bay, FL | 1,690 | 3,050 | 1,690 3,050 | 4,740 | 1,135 | 1995 | 01/96 | 40 years | | |
| Sacramento, CA | 989 | 1,479 | 989 1,479 | 2,468 | 536 | 1995 | 06/96 | 40 years | | |
| Salinas, CA | 1,144 | 2,961 | 1,144 2,961 | 4,105 | 1,037 | 1996 | 12/96 | 40 years | | |
| Redding, CA | 1,353 | 1,829 | 1,353 1,829 | 3,182 | 635 | 1995 | 02/97 | 40 years | | |
| Kelso, WA | 667 | 2,182 | 667 2,182 | 2,849 | 739 | 1997 | 06/97 | 40 years | | |
| Lynchburg, VA | 868 | 1,806 | 868 1,806 | 2,674 | 585 | 1998 | 09/97 (g) | 40 years | | |
| Leesburg, FL | 562 | 1,851 | 562 1,851 | 2,413 | 569 | 1998 | 02/98 (m) | 40 years | | |
| Tigard, OR | 640 | 1,929 | 640 1,929 | 2,569 | 581 | 1998 | 08/98 (m) | 40 years | | |
| Griffin, GA | 1,540 | 2,247 | 1,540 2,247 | 3,787 | 681 | 1995 | 11/98 | 40 years | | |
| Old River Cabinets: | | | | | | | | | | |
| Fairfax, VA | 685 | 1,802 | 685 1,802 | 2,487 | 527 | 1999 | 11/98 (g) | 40 years | | |
| Orlando Metro Gymnastics: | | | | | | | | | | |
| Orlando, FL | 194 | 365 29 | 194 394 | 588 | 73 | 1995 | 12/95 | 40 years | | |
| Palais Royale: | | | | | | | | | | |
| Sealy, TX | 428 | 1,345 | 428 1,345 | 1,773 | 200 | 2003 | 01/05 | 40 years | | |

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|----------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Pantry I | | | | | | | | | |
| Petroleum: | | | | | | | | | |
| Avis, PA | 392 | 326 | 392 | 326 | 718 | 88 | 1976 | 08/05 | 20 years |
| Howard, PA | 136 | 375 | 136 | 375 | 511 | 46 | 1987 | 01/06 | 40 years |
| Patriot Fuels: | | | | | | | | | |
| Vinita, OK | 72 | 368 | 72 | 368 | 440 | 24 | 1972 | 07/09 | 20 years |
| Pennstar Bank: | | | | | | | | | |
| Dallas, PA | 214 | 345 | 214 | 345 | 559 | 93 | 1995 | 08/05 | 20 years |
| Pep Boys: | | | | | | | | | |
| Chicago, IL | 1,077 | 3,756 | 1,077 | 3,756 | 4,833 | 335 | 1993 | 11/07 | 35 years |
| Cicero, IL | 1,341 | 3,760 | 1,341 | 3,760 | 5,101 | 336 | 1993 | 11/07 | 35 years |
| Cornwell Heights, PA | 2,058 | 3,102 | 2,058 | 3,102 | 5,160 | 388 | 1972 | 11/07 | 25 years |
| East Brunswick, NJ | 2,449 | 5,026 | 2,449 | 5,026 | 7,475 | 524 | 1987 | 11/07 | 30 years |
| Guayama, PR | 1,729 | 2,732 | 1,729 | 2,131 | 3,860 | 70 | 1998 | 11/07 | 33 years |
| Jacksonville, FL | 810 | 2,331 | 810 | 2,331 | 3,141 | 208 | 1989 | 11/07 | 35 years |
| Joliet, IL | 1,506 | 3,727 | 1,506 | 3,727 | 5,233 | 333 | 1993 | 11/07 | 35 years |
| Lansing, IL | 869 | 3,440 | 869 | 3,440 | 4,309 | 307 | 1993 | 11/07 | 35 years |
| Las Vegas, NV | 1,917 | 2,530 | 1,917 | 2,530 | 4,447 | 226 | 1989 | 11/07 | 35 years |
| Marietta, GA | 1,311 | 3,556 | 1,311 | 3,556 | 4,867 | 370 | 1987 | 11/07 | 30 years |
| Marlton, NJ | 1,608 | 4,142 | 1,608 | 4,142 | 5,750 | 431 | 1983 | 11/07 | 30 years |
| Philadelphia, PA | 1,300 | 3,830 | 1,300 | 3,830 | 5,130 | 342 | 1995 | 11/07 | 35 years |
| Quakertown, PA | 1,129 | 3,252 | 1,129 | 3,252 | 4,381 | 290 | 1995 | 11/07 | 35 years |
| Reading, PA | 1,189 | 3,367 | 1,189 | 2,819 | 4,008 | 109 | 1989 | 11/07 | 28 years |

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | | | | | Life on Which | | |
|---------------------|-------------------|---------------------|----------------------------|------------------------------------|---------------------|--------------------|-------------|--|-------------|----------------------|
| | Initial Cost to | | Subsequent to | Gross Amount at Which | | | Accumulated | Depreciation & Amortization in Latest Income Statement | is Computed | |
| | Company Building, | | Acquisition | Carried at Close of Period (a) (b) | | | | | | |
| | Improvements & | | | Improvements & | | Depreciation | | | | |
| | Encumbrances | Leasehold Interests | Carrying Improvement Costs | Land | Leasehold Interests | Total Amortization | | | | Date of Construction |
| Roswell, GA | 931 | 2,732 | | 931 | 2,732 | 3,663 | 285 | 2007 | 11/07 | 30 years |
| Turnersville, NJ | 990 | 3,494 | | 990 | 3,494 | 4,484 | 364 | 1986 | 11/07 | 30 years |
| Houston, TX | 734 | 3,028 | | 734 | 3,028 | 3,762 | 71 | 1994 | 04/10 | 30 years |
| Perkins Restaurant: | | | | | | | | | | |
| Des Moines, IA | 226 | 203 | | 226 | 203 | 429 | 113 | 1976 | 06/05 | 10 years |
| Des Moines, IA | 270 | 218 | | 270 | 218 | 488 | 121 | 1977 | 06/05 | 10 years |
| Des Moines, IA | 256 | 136 | | 256 | 136 | 392 | 75 | 1976 | 06/05 | 10 years |
| Newton, IA | 354 | 402 | | 354 | 402 | 756 | 223 | 1979 | 06/05 | 10 years |
| Urbandale, IA | 377 | 581 | | 377 | 581 | 958 | 161 | 1979 | 06/05 | 20 years |
| Pet Paradise: | | | | | | | | | | |
| Houston, TX | 417 | 2,306 | | 417 | 2,306 | 2,723 | 161 | 2008 | 03/08 | 40 years |
| Bunnell, FL | 316 | 881 | | 316 | 881 | 1,197 | 60 | 1997 | 04/08 | 40 years |
| Houston, TX | 535 | | 3,426 | 535 | 3,426 | 3,961 | 146 | 2009 | 09/08 (m) | 40 years |
| Charlotte, NC | 825 | | 3,231 | 825 | 3,231 | 4,056 | 118 | 2009 | 11/08 (m) | 40 years |
| Davie, FL | 1,138 | 1,069 | | 1,138 | 1,069 | 2,207 | 62 | 2003 | 12/08 | 35 years |
| Petco: | | | | | | | | | | |
| Grand Forks, ND | 307 | 910 | | 307 | 910 | 1,217 | 297 | 1996 | 12/97 | 40 years |
| Petro Express: | | | | | | | | | | |
| Charlotte, NC | 1,025 | 1,605 | | 1,025 | 1,605 | 2,630 | 198 | 1986 | 04/07 | 30 years |
| Belmont, NC | 1,508 | 1,622 | | 1,508 | 1,622 | 3,130 | 172 | 2001 | 04/07 | 35 years |
| Charlotte, NC | 1,697 | 2,419 | | 1,697 | 2,419 | 4,116 | 224 | 2005 | 04/07 | 40 years |
| Charlotte, NC | 1,258 | 1,560 | | 1,258 | 1,560 | 2,818 | 145 | 2004 | 04/07 | 40 years |
| Charlotte, NC | 1,810 | 2,570 | | 1,810 | 2,570 | 4,380 | 238 | 2004 | 04/07 | 40 years |
| Charlotte, NC | 1,030 | 1,725 | | 1,030 | 1,725 | 2,755 | 213 | 1983 | 04/07 | 30 years |
| Charlotte, NC | 1,037 | 1,468 | | 1,037 | 1,468 | 2,505 | 155 | 1997 | 04/07 | 35 years |
| Charlotte, NC | 2,316 | 2,064 | | 2,316 | 2,064 | 4,380 | 219 | 1996 | 04/07 | 35 years |
| Charlotte, NC | 1,291 | 1,839 | | 1,291 | 1,839 | 3,130 | 227 | 1988 | 04/07 | 30 years |
| Charlotte, NC | 1,340 | 1,790 | | 1,340 | 1,790 | 3,130 | 190 | 1998 | 04/07 | 35 years |
| Charlotte, NC | 1,458 | 2,047 | | 1,458 | 2,047 | 3,505 | 253 | 1987 | 04/07 | 30 years |
| Charlotte, NC | 1,323 | 870 | | 1,323 | 870 | 2,193 | 108 | 1982 | 04/07 | 30 years |
| Charlotte, NC | 507 | 698 | | 507 | 698 | 1,205 | 129 | 1967 | 04/07 | 20 years |
| Charlotte, NC | 629 | 876 | | 629 | 876 | 1,505 | 108 | 1986 | 04/07 | 30 years |
| Charlotte, NC | 429 | 425 | | 429 | 425 | 854 | 53 | 1983 | 04/07 | 30 years |
| Charlotte, NC | 1,778 | 1,977 | | 1,778 | 1,977 | 3,755 | 244 | 1992 | 04/07 | 30 years |
| Charlotte, NC | 2,165 | 1,965 | | 2,165 | 1,965 | 4,130 | 208 | 1997 | 04/07 | 35 years |
| Charlotte, NC | 2,784 | 3,720 | | 2,784 | 3,720 | 6,504 | 394 | 1998 | 04/07 | 35 years |
| Charlotte, NC | 1,532 | 1,973 | | 1,532 | 1,973 | 3,505 | 209 | 1998 | 04/07 | 35 years |
| Charlotte, NC | 1,293 | 1,837 | | 1,293 | 1,837 | 3,130 | 227 | 1987 | 04/07 | 30 years |
| Concord, NC | 2,144 | 1,986 | | 2,144 | 1,986 | 4,130 | 210 | 2000 | 04/07 | 35 years |
| Concord, NC | 1,828 | 1,677 | | 1,828 | 1,677 | 3,505 | 178 | 2002 | 04/07 | 35 years |
| Conover, NC | 917 | 1,275 | | 917 | 1,275 | 2,192 | 135 | 1999 | 04/07 | 35 years |
| Cornelius, NC | 1,653 | 2,664 | | 1,653 | 2,664 | 4,317 | 282 | 2000 | 04/07 | 35 years |
| Denver, NC | 2,317 | 1,750 | | 2,317 | 1,750 | 4,067 | 185 | 1999 | 04/07 | 35 years |
| Fort Mill, SC | 1,883 | 1,559 | | 1,883 | 1,559 | 3,442 | 193 | 1988 | 04/07 | 30 years |
| Fort Mill, SC | 3,825 | 2,554 | | 3,825 | 2,554 | 6,379 | 271 | 1998 | 04/07 | 35 years |
| Gastonia, NC | 745 | 760 | | 745 | 760 | 1,505 | 70 | 2003 | 04/07 | 40 years |
| Gastonia, NC | 1,070 | 1,185 | | 1,070 | 1,185 | 2,255 | 126 | 1990 | 04/07 | 35 years |
| Gastonia, NC | 965 | 1,228 | | 965 | 1,228 | 2,193 | 130 | 2001 | 04/07 | 35 years |
| Gastonia, NC | 335 | 545 | | 335 | 545 | 880 | 50 | 2000 | 04/07 | 40 years |

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| | | | | | | | | | |
|---------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Hickory, NC | 1,975 | 1,530 | 1,975 | 1,530 | 3,505 | 162 | 2002 | 04/07 | 35 years |
| Kings Mountain, NC | 1,210 | 982 | 1,210 | 982 | 2,192 | 104 | 1988 | 04/07 | 35 years |
| Lake Wylie, SC | 1,972 | 1,283 | 1,972 | 1,283 | 3,255 | 136 | 2003 | 04/07 | 35 years |
| Lake Wylie, SC | 1,381 | 2,061 | 1,381 | 2,061 | 3,442 | 218 | 1998 | 04/07 | 35 years |
| Lincolnton, NC | 723 | 532 | 723 | 532 | 1,255 | 66 | 1989 | 04/07 | 30 years |
| Lincolnton, NC | 2,359 | 1,771 | 2,359 | 1,771 | 4,130 | 188 | 2000 | 04/07 | 35 years |
| Matthews, NC | 1,197 | 1,746 | 1,197 | 1,746 | 2,943 | 216 | 1987 | 04/07 | 30 years |
| Mineral Springs, NC | 678 | 577 | 678 | 577 | 1,255 | 54 | 2002 | 04/07 | 40 years |
| Monroe, NC | 709 | 796 | 709 | 796 | 1,505 | 84 | 1999 | 04/07 | 35 years |
| Monroe, NC | 421 | 834 | 421 | 834 | 1,255 | 88 | 1997 | 04/07 | 35 years |
| Monroe, NC | 857 | 1,023 | 857 | 1,023 | 1,880 | 95 | 2004 | 04/07 | 40 years |
| Rock Hill, SC | 778 | 727 | 778 | 727 | 1,505 | 90 | 1990 | 04/07 | 30 years |
| Rock Hill, SC | 2,119 | 1,886 | 2,119 | 1,886 | 4,005 | 200 | 1998 | 04/07 | 35 years |
| Rock Hill, SC | 3,095 | 1,910 | 3,095 | 1,910 | 5,005 | 202 | 1999 | 04/07 | 35 years |
| Statesville, NC | 1,886 | 2,182 | 1,886 | 2,182 | 4,068 | 231 | 1999 | 04/07 | 35 years |
| Thomasville, NC | 994 | 1,761 | 994 | 1,761 | 2,755 | 187 | 2000 | 04/07 | 35 years |
| Waxhaw, NC | 508 | 747 | 508 | 747 | 1,255 | 69 | 2002 | 04/07 | 40 years |
| York, SC | 2,306 | 1,449 | 2,306 | 1,449 | 3,755 | 154 | 1999 | 04/07 | 35 years |
| Charlotte, NC | 1,231 | 1,214 | 1,231 | 1,214 | 2,445 | 110 | 1997 | 05/07 | 40 years |
| Charlotte, NC | 1,849 | 2,280 | 1,849 | 2,280 | 4,129 | 207 | 2005 | 05/07 | 40 years |
| Rock Hill, SC | 3,108 | 2,146 | 3,108 | 2,146 | 5,254 | 194 | 1999 | 05/07 | 40 years |

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | | | | | | Life on Which | |
|----------------------|-----------------------------------|-------|---------------------------|----------------|--|---------------------|-------------|------------------|--|---------------|
| | Initial Cost to Company Building, | | Subsequent to Acquisition | | Gross Amount at Which Carried at Close of Period (a) (b) | | Accumulated | | Depreciation & Amortization in Latest Income Statement is Computed | |
| | Improvements & | | Improvements & | | Depreciation | | Date | | | |
| | Encumbrances | Land | Leasehold Interests | Carrying Costs | Land | Leasehold Interests | Total | and Amortization | of Construction | Date Acquired |
| PetSmart: | | | | | | | | | | |
| Chicago, IL | | 2,724 | 3,566 | | 2,724 | 3,566 | 6,290 | 1,096 | 1998 | 09/98 |
| Pier I Imports: | | | | | | | | | | |
| Anchorage, AK | | 928 | 1,663 | | 928 | 1,663 | 2,591 | 617 | 1995 | 02/96 |
| Memphis, TN | | 713 | 822 | | 713 | 822 | 1,535 | 278 | 1997 | 09/96 (f) |
| Sanford, FL | | 738 | 803 | | 738 | 803 | 1,541 | 257 | 1998 | 06/97 (f) |
| Valdosta, GA | | 391 | 806 | | 391 | 806 | 1,197 | 224 | 1999 | 01/99 (f) |
| Pizza Hut: | | | | | | | | | | |
| Monroeville, AL | | 547 | 44 | | 547 | 44 | 591 | 10 | 1976 | 12/01 |
| Popeye s: | | | | | | | | | | |
| Snellville, GA | | 642 | 437 | | 642 | 437 | 1,079 | 99 | 1995 | 12/01 |
| Pro Tip Nails & Spa: | | | | | | | | | | |
| Orlando, FL | 47 (o) | 40 | 111 | | 40 | 111 | 151 | | 2001 | 02/04 |
| Pull-A-Part: | | | | | | | | | | |
| Augusta, GA | | 1,414 | | 1,451 | 1,414 | 1,451 | 2,865 | 128 | 2007 | 08/06 (m) |
| Birmingham, AL | | 1,165 | 2,090 | | 1,165 | 2,090 | 3,255 | 229 | 1964 | 08/06 |
| Charlotte, NC | | 2,913 | 1,724 | | 2,913 | 1,724 | 4,637 | 189 | 2006 | 08/06 |
| Conley, GA | | 1,686 | 1,387 | | 1,686 | 1,387 | 3,073 | 152 | 1999 | 08/06 |
| Harvey, LA | | 1,887 | | 4,326 | 1,887 | 4,326 | 6,213 | 266 | 2008 | 08/06 (m) |
| Knoxville, TN | | 961 | 2,384 | | 961 | 2,384 | 3,345 | 206 | 2007 | 08/06 (m) |
| Louisville, KY | | 3,206 | 1,532 | | 3,206 | 1,532 | 4,738 | 168 | 2006 | 08/06 |
| Nashville, TN | | 2,164 | 1,414 | | 2,164 | 1,414 | 3,578 | 155 | 2006 | 08/06 |
| Norcross, GA | | 1,831 | 1,040 | | 1,831 | 1,040 | 2,871 | 114 | 1998 | 08/06 |
| Cleveland, OH | | 4,556 | | 2,096 | 4,556 | 2,096 | 6,652 | 164 | 2007 | 08/06 (m) |
| Lafayette, LA | | 1,036 | | 2,226 | 1,036 | 2,226 | 3,262 | 169 | 2007 | 08/06 (m) |
| Montgomery, AL | | 934 | | 2,013 | 934 | 2,013 | 2,947 | 157 | 2007 | 11/06 (m) |
| Jackson, MS | | 1,315 | 2,471 | | 1,315 | 2,471 | 3,786 | 162 | 2008 | 12/06 (m) |
| Baton Rouge, LA | | 893 | | 3,256 | 893 | 3,256 | 4,149 | 146 | 2009 | 01/07 (m) |
| Memphis, TN | | 1,779 | 2,964 | | 1,779 | 2,964 | 4,743 | 195 | 2008 | 05/07 (m) |
| Mobile, AL | | 550 | 2,772 | | 550 | 2,772 | 3,322 | 136 | 2009 | 06/07 (m) |
| Winston-Salem, NC | | 846 | 2,449 | | 846 | 2,449 | 3,295 | 125 | 2009 | 08/07 (m) |
| Lithonia, GA | | 2,410 | 2,345 | | 2,410 | 2,345 | 4,755 | 115 | 2009 | 08/07 (m) |
| Columbia, SC | | 935 | 2,178 | | 935 | 2,178 | 3,113 | 107 | 2009 | 09/07 (m) |
| Akron, OH | | 1,065 | | 1,869 | 1,065 | 1,869 | 2,934 | 53 | 2009 | 10/08 (m) |
| QuikTrip: | | | | | | | | | | |
| Alpharetta, GA | | 1,048 | 607 | | 1,048 | 607 | 1,655 | 84 | 1996 | 06/05 |
| Clive, IA | | 623 | 557 | | 623 | 557 | 1,180 | 103 | 1994 | 06/05 |
| Des Moines, IA | | 379 | 455 | | 379 | 455 | 834 | 84 | 1990 | 06/05 |
| Des Moines, IA | | 259 | 792 | | 259 | 792 | 1,051 | 146 | 1996 | 06/05 |
| Gainesville, GA | | 592 | 913 | | 592 | 913 | 1,505 | 169 | 1989 | 06/05 |
| Herculaneum, MO | | 856 | 1,613 | | 856 | 1,613 | 2,469 | 298 | 1991 | 06/05 |
| Johnston, IA | | 394 | 385 | | 394 | 385 | 779 | 71 | 1991 | 06/05 |
| Lee s Summit, MO | | 374 | 1,224 | | 374 | 1,224 | 1,598 | 170 | 1999 | 06/05 |
| Norcross, GA | | 844 | 297 | | 839 | 297 | 1,136 | 55 | 1994 | 06/05 |
| Norcross, GA | | 948 | 294 | | 948 | 294 | 1,242 | 54 | 1989 | 06/05 |
| Norcross, GA | | 966 | 202 | | 966 | 202 | 1,168 | 37 | 1993 | 06/05 |
| Olathe, KS | | 793 | 1,392 | | 793 | 1,392 | 2,185 | 193 | 1999 | 06/05 |

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| | | | | | | | | | |
|---------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Tulsa, OK | 1,225 | 650 | 1,225 | 650 | 1,875 | 120 | 1990 | 06/05 | 30 years |
| Urbandale, IA | 340 | 764 | 340 | 764 | 1,104 | 106 | 1993 | 06/05 | 40 years |
| Wichita, KS | 118 | 454 | 113 | 454 | 567 | 84 | 1989 | 06/05 | 30 years |
| Wichita, KS | 127 | 543 | 127 | 543 | 670 | 100 | 1990 | 06/05 | 30 years |
| Woodstock, GA | 488 | 1,042 | 488 | 1,042 | 1,530 | 144 | 1997 | 06/05 | 40 years |

Qwest Corporation Service Center:

| | | | | | | | | | |
|------------------|-----|-----|-----|-----|-----|-----|------|-------|----------|
| Cedar Rapids, IA | 184 | 629 | 184 | 629 | 813 | 174 | 1976 | 06/05 | 20 years |
| Decorah, IA | 72 | 272 | 72 | 272 | 344 | 151 | 1974 | 06/05 | 10 years |

Rallys:

| | | | | | | | | | |
|------------|-----|-----|-----|-----|-----|-----|------|-------|----------|
| Toledo, OH | 126 | 320 | 126 | 320 | 446 | 153 | 1989 | 07/92 | 39 years |
|------------|-----|-----|-----|-----|-----|-----|------|-------|----------|

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | Gross Amount at Which Carried at Close of Period (a) (b) | | | | | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | |
|--------------------------|-----------------------------------|---------------------------------|----------|--|---------------------|--------------|---------------------------------------|---------------|--|----------|
| | Initial Cost to Company Building, | Subsequent to Acquisition | | Building, | | Accumulated | | | | |
| | Improvements & | | Carrying | Improvements & | | Depreciation | | | | |
| | EncumbrancesLand | Leasehold InterestsImprovements | Costs | Land | Leasehold Interests | Total | Amortization and Date of Construction | Date Acquired | | |
| RBC Bank: | | | | | | | | | | |
| Altamonte Springs, FL | 1,316 | 2,014 | | 1,316 | 2,014 | 3,330 | 36 | 2007 | 05/10 | 35 years |
| REB Oil: | | | | | | | | | | |
| Deerfield Beach, FL | 770 | 274 | | 770 | 274 | 1,044 | 35 | 1980 | 12/05 | 40 years |
| Lake Placid, FL | 2,532 | 1,157 | 491 | 2,532 | 1,648 | 4,180 | 188 | 1990 | 12/05 | 40 years |
| Regal Theatre: | | | | | | | | | | |
| Bolingbrook, IL | 2,937 | 3,032 | | 2,937 | 3,032 | 5,969 | 333 | 1994 | 09/07 | 30 years |
| Reliable Life Insurance: | | | | | | | | | | |
| St. Louis, MO | 2,078 | 13,762 | | 2,076 | 13,762 | 15,838 | 2,224 | 1975 | 05/04 | 40 years |
| Retail Operations (h): | | | | | | | | | | |
| Bakersfield, CA | 3,664 | 3,709 | | 3,664 | 3,709 | 7,373 | 296 | 1994 | 03/08 | 35 years |
| Bakersfield, CA | 3,363 | 3,288 | | 3,363 | 3,288 | 6,651 | 230 | 2002 | 03/08 | 40 years |
| Bakersfield, CA | 2,043 | 3,520 | | 2,043 | 680 | 2,723 | 212 | 1988 | 03/08 | 30 years |
| Bakersfield, CA | 2,564 | 4,465 | 2,093 | 2,564 | 6,558 | 9,122 | 416 | 1988 | 03/08 | 30 years |
| Bakersfield, CA | 2,099 | 2,011 | | 1,759 | | 1,759 | 93 | 1990 | 03/08 | 35 years |
| Bakersfield, CA | 3,346 | 6,016 | | 3,346 | 6,016 | 9,362 | 477 | 1998 | 03/08 | 35 years |
| Bakersfield, CA | 3,303 | 3,845 | | 1,978 | | 1,978 | 268 | 1975 | 03/08 | 25 years |
| Bakersfield, CA | 2,798 | 5,260 | | 2,044 | | 2,044 | 263 | 1997 | 03/08 | 35 years |
| San Fernando, CA | 6,630 | 2,706 | | 6,630 | 2,706 | 9,336 | 257 | 1988 | 03/08 | 30 years |
| Ventura, CA | 6,253 | 4,560 | 207 | 6,253 | 4,767 | 11,020 | 367 | 1994 | 03/08 | 35 years |
| Ventura, CA | 5,590 | 4,431 | 94 | 5,590 | 4,526 | 10,116 | 311 | 2001 | 03/08 | 40 years |
| Rite Aid: | | | | | | | | | | |
| Douglasville, GA | 413 | 995 | | 413 | 995 | 1,408 | 371 | 1996 | 01/96 | 40 years |
| Conyers, GA | 575 | 999 | | 575 | 999 | 1,574 | 338 | 1997 | 06/97 | 40 years |
| Augusta, GA | 569 | 1,327 | | 502 | 1,327 | 1,829 | 433 | 1997 | 12/97 | 40 years |
| Riverdale, GA | 1,089 | 1,707 | | 1,089 | 1,707 | 2,796 | 557 | 1997 | 12/97 | 40 years |
| Warner Robins, GA | 707 | | 1,227 | 707 | 1,227 | 1,934 | 367 | 1999 | 03/98 (g) | 40 years |
| Mobile, AL | 1,137 | 1,694 | | 1,137 | 1,694 | 2,831 | 383 | 2000 | 12/01 | 40 years |
| Orange Beach, AL | 1,410 | 1,996 | | 1,410 | 1,996 | 3,406 | 451 | 2000 | 12/01 | 40 years |
| Norfolk, VA | 2,742 | 1,797 | | 2,742 | 1,797 | 4,539 | 399 | 2001 | 02/02 | 40 years |
| Thorndale, PA | 2,261 | 2,472 | | 2,261 | 2,472 | 4,733 | 548 | 2001 | 02/02 | 40 years |
| West Mifflin, PA | 1,402 | 2,044 | | 1,402 | 2,044 | 3,446 | 453 | 1999 | 02/02 | 40 years |
| Albany, NY | 25 | 867 | | 25 | 867 | 892 | 136 | 1994 | 09/04 | 40 years |
| Saratoga Springs, NY | 762 | 591 | 30 | 762 | 621 | 1,383 | 93 | 1993 | 09/04 | 40 years |
| Monticello, NY | 624 | 664 | 769 | 664 | 769 | 1,433 | 111 | 1996 | 03/05 | 40 years |
| Rite Rug: | | | | | | | | | | |
| Columbus, OH | 1,596 | 934 | 13 | 1,605 | 939 | 2,544 | 144 | 1970 | 11/04 | 40 years |
| Road Ranger: | | | | | | | | | | |
| Springfield, IL | 705 | 1,500 | | 705 | 1,500 | 2,205 | 170 | 1997 | 06/06 | 40 years |
| Belvidere, IL | 748 | 1,256 | | 1,098 | 1,256 | 2,354 | 143 | 1997 | 06/06 | 40 years |
| Brazil, IN | 2,199 | 907 | | 2,199 | 907 | 3,106 | 103 | 1990 | 06/06 | 40 years |
| Cherry Valley, IL | 1,409 | 1,897 | | 1,409 | 1,897 | 3,306 | 215 | 1991 | 06/06 | 40 years |
| Cottage Grove, WI | 2,175 | 1,733 | | 2,175 | 1,733 | 3,908 | 197 | 1990 | 06/06 | 40 years |
| Decatur, IL | 815 | 1,314 | | 815 | 1,314 | 2,129 | 149 | 2002 | 06/06 | 40 years |
| Dekalb, IL | 747 | 1,658 | | 747 | 1,658 | 2,405 | 188 | 2000 | 06/06 | 40 years |
| Elk Run Heights, IA | 1,538 | 2,470 | | 1,538 | 2,470 | 4,008 | 280 | 1989 | 06/06 | 40 years |
| Lake Station, IN | 3,172 | 1,112 | | 3,172 | 1,112 | 4,284 | 126 | 1987 | 06/06 | 40 years |

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| | | | | | | | | | |
|-------------------|-------|-------|-------|-------|-------|-----|------|-----------|----------|
| Mendota, IL | 959 | 1,296 | 1,214 | 1,296 | 2,510 | 147 | 1996 | 06/06 | 40 years |
| Oakdale, WI | 1,844 | 1,663 | 1,844 | 1,663 | 3,507 | 189 | 1998 | 06/06 | 40 years |
| Rockford, IL | 1,094 | 1,662 | 1,094 | 1,662 | 2,756 | 189 | 1996 | 06/06 | 40 years |
| Rockford, IL | 623 | 1,331 | 623 | 1,331 | 1,954 | 151 | 2000 | 06/06 | 40 years |
| Springfield, IL | 1,795 | 1,863 | 1,795 | 1,863 | 3,658 | 211 | 1978 | 06/06 | 40 years |
| Champaign, IL | 3,241 | 2,008 | 3,241 | 2,008 | 5,249 | 194 | 2006 | 02/07 | 40 years |
| DeKalb, IL | 505 | 1,503 | 505 | 1,503 | 2,008 | 146 | 2004 | 02/07 | 40 years |
| Fenton, MO | 2,584 | 2,622 | 2,584 | 2,622 | 5,206 | 254 | 2007 | 02/07 | 40 years |
| Hampshire, IL | 1,307 | 1,501 | 1,629 | 1,307 | 3,130 | 272 | 1988 | 02/07 (f) | 40 years |
| Princeton, IL (n) | 1,141 | 3,066 | 1,141 | 3,066 | 4,207 | 297 | 2003 | 02/07 | 40 years |
| South Beloit, IL | 3,824 | 2,309 | 3,824 | 2,309 | 6,133 | 224 | 2002 | 02/07 | 40 years |
| Cedar Rapids, IA | 1,025 | 984 | 1,025 | 984 | 2,009 | 93 | 1990 | 03/07 | 40 years |
| Marion, IA | 737 | 1,071 | 737 | 1,071 | 1,808 | 102 | 1974 | 03/07 | 40 years |
| Okawville, IL | 930 | 1,147 | 930 | 1,147 | 2,077 | 97 | 1997 | 08/07 | 40 years |
| Dubuque, IA | 561 | 1,941 | 561 | 1,941 | 2,502 | 160 | 2000 | 09/07 | 40 years |
| Belvidere, IL | 521 | 1,053 | 521 | 1,053 | 1,574 | 82 | 2008 | 09/07 (f) | 40 years |
| South Beloit, IL | 1,182 | 1,324 | 1,182 | 1,324 | 2,506 | 103 | 2008 | 09/07 (f) | 40 years |

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| | Costs Capitalized | | | Gross Amount at Which Carried at Close of Period (a) (b) | | | Accumulated | | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | |
|---------------------------|--|---------------------------|----------------|--|---------------------|-------|------------------|-------------------------------|--|----------|
| | Initial Cost to Company Building, Improvements & | Subsequent to Acquisition | Carrying Costs | Land | Leasehold Interests | Total | and Amortization | Date of Construction Acquired | Date | |
| Alexandria, KY | 624 | 1,306 | | 624 | 1,306 | 1,930 | 101 | 1993 | 04/08 | 35 years |
| Covington, KY | 486 | 1,420 | | 486 | 1,420 | 1,906 | 110 | 1996 | 04/08 | 35 years |
| Dry Ridge, KY | 892 | 1,946 | | 892 | 1,946 | 2,838 | 176 | 1973 | 04/08 | 30 years |
| Florence, KY | 615 | 1,242 | | 615 | 1,242 | 1,857 | 96 | 1990 | 04/08 | 35 years |
| Florence, KY | 741 | 1,272 | | 741 | 1,272 | 2,013 | 98 | 1994 | 04/08 | 35 years |
| Florence, KY | 884 | 1,557 | | 884 | 1,557 | 2,441 | 121 | 1995 | 04/08 | 35 years |
| Hebron, KY | 1,522 | 2,984 | | 1,522 | 2,984 | 4,506 | 231 | 1996 | 04/08 | 35 years |
| Wilder, KY | 954 | 1,902 | | 954 | 1,902 | 2,856 | 147 | 1994 | 04/08 | 35 years |
| Robb & Stucky: | | | | | | | | | | |
| Ft. Myers, FL | 2,188 | 6,225 | | 2,188 | 6,225 | 8,413 | 2,052 | 1997 | 12/97 | 40 years |
| Roger & Marv s: | | | | | | | | | | |
| Kenosha, WI | 1,918 | 3,431 | | 1,918 | 3,431 | 5,349 | 1,186 | 1992 | 02/97 | 40 years |
| Roni Deutch Tax Services: | | | | | | | | | | |
| Hollywood, FL | 203 | 46 | 19 | 124 | | 124 | | 1960 | 12/05 | 15 years |
| Ross Dress for Less: | | | | | | | | | | |
| Coral Gables, FL | 1,782 | 1,661 | | 1,782 | 1,661 | 3,443 | 557 | 1994 | 06/96 | 38 years |
| Lodi, CA | 614 | 1,415 | | 614 | 1,415 | 2,029 | 255 | 1984 | 03/99 | 40 years |
| Rue 21: | | | | | | | | | | |
| Lapeer, MI | 126 | 645 | | 126 | 645 | 771 | 53 | 2007 | 10/05 | 40 years |
| Sally Beauty Supply: | | | | | | | | | | |
| Lapeer, MI | 33 | 167 | | 33 | 167 | 200 | 14 | 2007 | 10/05 | 40 years |
| Saltgrass Steakhouse: | | | | | | | | | | |
| Beaumont, TX | 553 | | | 553 | (e) | 553 | (e) | (e) | 09/10 (m) | (e) |
| Schlotzsky s Deli: | | | | | | | | | | |
| Phoenix, AZ | 706 | 315 | | 706 | 315 | 1,021 | 71 | 1995 | 12/01 | 40 years |
| Scottsdale, AZ | 717 | 311 | | 717 | 311 | 1,028 | 70 | 1995 | 12/01 | 40 years |
| Season s 52: | | | | | | | | | | |
| Schaumburg, IL | 2,065 | 1,311 | | 2,065 | 1,311 | 3,376 | 296 | 1998 | 12/01 | 40 years |
| Shek s Chinese Express: | | | | | | | | | | |
| Eden Prairie, MN | 65 | 261 | | 65 | 261 | 326 | 56 | 1997 | 12/01 | 40 years |
| Shoes on a Shoestring: | | | | | | | | | | |
| Albuquerque, NM | 1,442 | 2,335 | | 1,442 | 2,335 | 3,777 | 791 | 1997 | 06/97 | 40 years |
| Shop n Save: | | | | | | | | | | |
| Homestead, PA | 1,139 | | 2,158 (j) | 1,139 | 2,158 | 3,297 | 374 | 1994 | 02/97 | 31 years |
| Shop-a-Snak: | | | | | | | | | | |
| Bessemer, AL | 564 | 742 | | 564 | 742 | 1,306 | 86 | 2002 | 05/06 | 40 years |
| Chelsea, AL | 391 | 628 | | 391 | 628 | 1,019 | 73 | 1981 | 05/06 | 40 years |
| Jasper, AL | 551 | 747 | | 551 | 747 | 1,298 | 86 | 1998 | 05/06 | 40 years |
| Birmingham, AL | 490 | 769 | | 490 | 769 | 1,259 | 89 | 1992 | 05/06 | 40 years |
| Birmingham, AL | 361 | 744 | | 361 | 744 | 1,105 | 86 | 1989 | 05/06 | 40 years |
| Birmingham, AL | 446 | 672 | | 446 | 672 | 1,118 | 78 | 1989 | 05/06 | 40 years |
| Birmingham, AL | 439 | 704 | | 439 | 704 | 1,143 | 81 | 1989 | 05/06 | 40 years |
| Homewood, AL | 468 | 657 | | 468 | 657 | 1,125 | 76 | 1990 | 05/06 | 40 years |
| Hoover, AL | 764 | 1,157 | | 663 | 1,157 | 1,820 | 134 | 2005 | 05/06 | 40 years |

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|----------------|-----|-----|-----|-----|-------|-----|------|-------|----------|
| Hoover, AL | 713 | 865 | 713 | 865 | 1,578 | 100 | 1998 | 05/06 | 40 years |
| Trussville, AL | 272 | 542 | 272 | 542 | 814 | 63 | 1992 | 05/06 | 40 years |
| Tuscaloosa, AL | 525 | 463 | 525 | 463 | 988 | 54 | 1991 | 05/06 | 40 years |
| Tuscaloosa, AL | 386 | 733 | 386 | 733 | 1,119 | 85 | 1991 | 05/06 | 40 years |
| Tuscaloosa, AL | 432 | 559 | 432 | 559 | 991 | 65 | 1991 | 05/06 | 40 years |

SOAKS Express

Wash:

| | | | | | | | | | |
|------------|-----|--|-----|-----|-----|-----|-----|-------|-----|
| Ankeny, IA | 662 | | 662 | (e) | 662 | (e) | (e) | 06/05 | (e) |
|------------|-----|--|-----|-----|-----|-----|-----|-------|-----|

Sonic Automotive:

| | | | | | | | | | |
|---------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Charlotte, NC | 3,619 | 4,854 | 3,619 | 4,854 | 8,473 | 440 | 1996 | 05/07 | 40 years |
|---------------|-------|-------|-------|-------|-------|-----|------|-------|----------|

Spec s Liquor and Fine

Foods:

| | | | | | | | | | | |
|--------------------|-----|-----|-----|-----|-------|-------|-----|------|-------|----------|
| Corpus Christi, TX | 777 | 918 | 520 | 768 | 1,438 | 2,206 | 407 | 1967 | 11/93 | 40 years |
|--------------------|-----|-----|-----|-----|-------|-------|-----|------|-------|----------|

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| | Costs Capitalized | | | | | | | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | | |
|---|---|---------------------------|--|---------------------|-------|--------------|----------------------|--|---------------|----------|
| | Initial Cost to Company Building, Improvements & Encumbrances | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) | | | Accumulated | | | | |
| | Leasehold Interests | Carrying Costs | Land | Leasehold Interests | Total | Depreciation | Date of Construction | | Date Acquired | |
| | | | | | | | | | | |
| Spencer's Air Conditioning & Appliance: | | | | | | | | | | |
| Glendale, AZ | 342 | 982 | | 342 | 982 | 1,324 | 281 | 1999 | 12/98 (g) | 40 years |
| Sports Authority: | | | | | | | | | | |
| Tampa, FL | 2,128 | 1,522 | | 2,128 | 1,522 | 3,650 | 552 | 1994 | 06/96 | 40 years |
| Sarasota, FL | 1,428 | 1,703 | | 1,428 | 1,703 | 3,131 | 294 | 1988 | 09/97 | 40 years |
| Memphis, TN (n) | 820 | | 2,598 | 820 | 2,598 | 3,418 | 786 | 1998 | 12/97 (g) | 40 years |
| Little Rock, AR | 3,113 | 2,660 | | 3,113 | 2,660 | 5,773 | 817 | 1997 | 09/98 | 40 years |
| Iselin, NJ | 3,750 | 5,983 | | 3,750 | 5,983 | 9,733 | 1,190 | 1994 | 01/03 | 40 years |
| Stone Mountain Chevrolet: | | | | | | | | | | |
| Lilburn, GA | 3,027 | 4,685 | | 3,027 | 4,685 | 7,712 | 747 | 2004 | 08/04 | 40 years |
| Stop N Go: | | | | | | | | | | |
| Grand Prairie, TX | 421 | 685 | | 421 | 685 | 1,106 | 155 | 1986 | 12/01 | 40 years |
| Kennedale, TX | 400 | 692 | | 391 | 692 | 1,083 | 156 | 1985 | 12/01 | 40 years |
| Stripes: | | | | | | | | | | |
| Laredo, TX | 841 | 739 | | 841 | 739 | 1,580 | 93 | 2001 | 12/05 | 40 years |
| Brownsville, TX | 1,843 | 1,419 | | 1,843 | 1,419 | 3,262 | 179 | 2000 | 12/05 | 40 years |
| Brownsville, TX | 1,039 | 1,145 | | 1,039 | 1,145 | 2,184 | 144 | 2004 | 12/05 | 40 years |
| Brownsville, TX | 2,530 | 1,125 | | 2,530 | 1,125 | 3,655 | 142 | 1990 | 12/05 | 40 years |
| Brownsville, TX | 1,182 | 1,105 | | 1,182 | 1,105 | 2,287 | 139 | 2000 | 12/05 | 40 years |
| Brownsville, TX | 2,915 | 1,800 | | 2,915 | 1,800 | 4,715 | 227 | 2000 | 12/05 | 40 years |
| Brownsville, TX | 1,392 | 1,444 | | 1,392 | 1,444 | 2,836 | 182 | 2005 | 12/05 | 40 years |
| Brownsville, TX | 933 | 699 | | 933 | 699 | 1,632 | 88 | 1999 | 12/05 | 40 years |
| Brownsville, TX | 1,015 | 1,308 | | 1,015 | 1,308 | 2,323 | 165 | 2003 | 12/05 | 40 years |
| Brownsville, TX | 2,033 | 1,288 | | 2,033 | 1,288 | 3,321 | 162 | 1995 | 12/05 | 40 years |
| Brownsville, TX | 1,279 | 1,015 | | 1,279 | 1,015 | 2,294 | 128 | 1990 | 12/05 | 40 years |
| Brownsville, TX | 2,417 | 1,828 | | 2,417 | 1,828 | 4,245 | 230 | 2000 | 12/05 | 40 years |
| Corpus Christi, TX | 703 | 1,037 | | 703 | 1,037 | 1,740 | 131 | 1986 | 12/05 | 40 years |
| Corpus Christi, TX | 1,308 | 2,151 | | 1,308 | 2,151 | 3,459 | 271 | 1995 | 12/05 | 40 years |
| Corpus Christi, TX | 1,400 | 1,531 | | 1,400 | 1,531 | 2,931 | 193 | 1984 | 12/05 | 40 years |
| Corpus Christi, TX | 853 | 1,416 | | 853 | 1,416 | 2,269 | 179 | 2005 | 12/05 | 40 years |
| Corpus Christi, TX | 1,385 | 1,419 | | 1,385 | 1,419 | 2,804 | 179 | 1982 | 12/05 | 40 years |
| Donna, TX | 1,004 | 1,127 | | 1,004 | 1,127 | 2,131 | 142 | 1995 | 12/05 | 40 years |
| Edinburg, TX | 1,317 | 1,624 | | 1,317 | 1,624 | 2,941 | 205 | 1999 | 12/05 | 40 years |
| Edinburg, TX | 970 | 1,286 | | 970 | 1,286 | 2,256 | 162 | 2003 | 12/05 | 40 years |
| Falfurias, TX | 4,244 | 4,458 | | 4,213 | 4,458 | 8,671 | 562 | 2002 | 12/05 | 40 years |
| Freer, TX | 1,151 | 1,158 | | 1,151 | 1,158 | 2,309 | 146 | 1984 | 12/05 | 40 years |
| George West, TX | 1,243 | 695 | | 1,243 | 695 | 1,938 | 88 | 1996 | 12/05 | 40 years |
| Harlingen, TX | 755 | 601 | | 755 | 601 | 1,356 | 76 | 1987 | 12/05 | 40 years |
| Harlingen, TX | 754 | 1,152 | | 754 | 1,152 | 1,906 | 145 | 1999 | 12/05 | 40 years |
| Harlingen, TX | 906 | 953 | | 906 | 953 | 1,859 | 120 | 1991 | 12/05 | 40 years |
| La Feria, TX | 900 | 1,347 | | 900 | 1,347 | 2,247 | 170 | 1988 | 12/05 | 40 years |
| Laredo, TX | 736 | 670 | | 736 | 670 | 1,406 | 84 | 1984 | 12/05 | 40 years |
| Laredo, TX | 675 | 533 | | 675 | 533 | 1,208 | 67 | 1993 | 12/05 | 40 years |

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| | | | | | | | | | |
|------------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Laredo, TX | 1,553 | 1,775 | 1,553 | 1,775 | 3,328 | 224 | 2000 | 12/05 | 40 years |
| Laredo, TX | 459 | 460 | 459 | 460 | 919 | 58 | 1983 | 12/05 | 40 years |
| Laredo, TX | 1,495 | 1,400 | 1,495 | 1,400 | 2,895 | 177 | 1993 | 12/05 | 40 years |
| Lawton, OK | 697 | 964 | 697 | 964 | 1,661 | 122 | 1984 | 12/05 | 40 years |
| Los Indios, TX | 1,387 | 1,457 | 1,387 | 1,457 | 2,844 | 184 | 2005 | 12/05 | 40 years |
| McAllen, TX | 975 | 1,030 | 975 | 1,030 | 2,005 | 130 | 2003 | 12/05 | 40 years |
| McAllen, TX | 987 | 893 | 987 | 893 | 1,880 | 113 | 1999 | 12/05 | 40 years |
| Mission, TX | 1,125 | 1,213 | 1,125 | 1,213 | 2,338 | 153 | 2003 | 12/05 | 40 years |
| Mission, TX | 880 | 1,101 | 880 | 1,101 | 1,981 | 139 | 1999 | 12/05 | 40 years |
| Olmito, TX | 3,688 | 2,880 | 3,688 | 2,880 | 6,568 | 363 | 2002 | 12/05 | 40 years |
| Pharr, TX | 784 | 805 | 784 | 805 | 1,589 | 101 | 2000 | 12/05 | 40 years |
| Pharr, TX | 2,426 | 1,881 | 2,426 | 1,881 | 4,307 | 237 | 2003 | 12/05 | 40 years |
| Pharr, TX | 982 | 1,178 | 982 | 1,178 | 2,160 | 148 | 1988 | 12/05 | 40 years |
| Port Isabel, TX | 2,062 | 1,299 | 2,062 | 1,299 | 3,361 | 164 | 1994 | 12/05 | 40 years |
| Portland, TX | 656 | 915 | 656 | 915 | 1,571 | 115 | 1983 | 12/05 | 40 years |
| Progreso, TX | 1,769 | 1,811 | 1,769 | 1,811 | 3,580 | 228 | 1999 | 12/05 | 40 years |
| Riviera, TX | 2,351 | 2,158 | 2,351 | 2,158 | 4,509 | 272 | 2005 | 12/05 | 40 years |
| San Benito, TX | 791 | 1,857 | 791 | 1,857 | 2,648 | 234 | 1994 | 12/05 | 40 years |
| San Benito, TX | 1,103 | 1,586 | 1,103 | 1,586 | 2,689 | 200 | 2005 | 12/05 | 40 years |
| San Juan, TX | 1,424 | 1,546 | 1,424 | 1,546 | 2,970 | 195 | 2004 | 12/05 | 40 years |
| San Juan, TX | 1,124 | 1,172 | 1,124 | 1,172 | 2,296 | 148 | 1996 | 12/05 | 40 years |
| South Padre Island, TX | 1,367 | 1,389 | 1,367 | 1,389 | 2,756 | 175 | 1988 | 12/05 | 40 years |
| Wichita Falls, TX | 440 | 751 | 440 | 751 | 1,191 | 95 | 1984 | 12/05 | 40 years |
| Wichita Falls, TX | 905 | 1,351 | 905 | 1,351 | 2,256 | 170 | 2000 | 12/05 | 40 years |
| Wichita Falls, TX | 484 | 828 | 484 | 828 | 1,312 | 104 | 1983 | 12/05 | 40 years |
| Palmview, TX | 835 | 1,372 | 835 | 1,372 | 2,207 | 144 | 2005 | 10/06 | 40 years |

See accompanying report of independent registered public accounting firm.

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| | Initial Cost to Company Building, | Costs Capitalized Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) | | | | Accumulated Depreciation | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | | |
|---------------------|-----------------------------------|---|--|------------------------------------|--------------------|--------------------------|--------------------------|--|-------|----------|
| | Improvements & Encumbrances | Leasehold Interests | Carrying Costs | Improvements & Leasehold Interests | Total Amortization | and Date of Construction | Date Acquired | | | |
| Harlingen, TX | 638 | 1,807 | | 638 | 1,807 | 2,445 | 183 | 2006 | 12/06 | 40 years |
| Rio Grande City, TX | 1,871 | 1,612 | | 1,871 | 1,612 | 3,483 | 163 | 2006 | 12/06 | 40 years |
| San Juan, TX | 816 | 1,434 | | 816 | 1,434 | 2,250 | 145 | 2006 | 12/06 | 40 years |
| Zapata, TX | 1,333 | 1,773 | | 1,333 | 1,773 | 3,106 | 179 | 2006 | 12/06 | 40 years |
| Orange Grove, TX | 1,767 | 1,838 | | 1,767 | 1,838 | 3,605 | 170 | 2007 | 04/07 | 40 years |
| Harlingen, TX | 408 | 826 | | 408 | 826 | 1,234 | 86 | 1982 | 11/07 | 30 years |
| Laredo, TX | 698 | 1,169 | | 698 | 1,169 | 1,867 | 122 | 1981 | 11/07 | 30 years |
| Laredo, TX | 448 | 734 | | 448 | 734 | 1,182 | 77 | 1981 | 11/07 | 30 years |
| Laredo, TX | 348 | 1,168 | | 348 | 1,168 | 1,516 | 122 | 1983 | 11/07 | 30 years |
| Laredo, TX | 468 | 728 | | 468 | 728 | 1,196 | 76 | 1973 | 11/07 | 30 years |
| Laredo, TX | 584 | 958 | | 584 | 958 | 1,542 | 100 | 1981 | 11/07 | 30 years |
| San Benito, TX | 420 | 1,135 | | 420 | 1,135 | 1,555 | 118 | 1985 | 11/07 | 30 years |
| Del Rio, TX | 1,565 | 758 | | 1,565 | 758 | 2,323 | 59 | 1996 | 11/07 | 40 years |
| Kerrville, TX | 640 | 1,616 | | 640 | 1,616 | 2,256 | 126 | 1996 | 11/07 | 40 years |
| Monahans, TX | 2,628 | 2,973 | | 2,628 | 2,973 | 5,601 | 232 | 1996 | 11/07 | 40 years |
| Odessa, TX | 2,633 | 3,199 | | 2,633 | 3,199 | 5,832 | 250 | 2006 | 11/07 | 40 years |
| San Angelo, TX | 194 | 471 | | 194 | 471 | 665 | 37 | 1998 | 11/07 | 40 years |
| Pharr, TX | 573 | 1,229 | | 573 | 1,229 | 1,802 | 93 | 2000 | 12/07 | 40 years |
| Harlingen, TX | 329 | 935 | | 329 | 935 | 1,264 | 92 | 1980 | 01/08 | 30 years |
| Harlingen, TX | 277 | 808 | | 277 | 808 | 1,085 | 80 | 1983 | 01/08 | 30 years |
| Laredo, TX | 325 | 816 | | 325 | 816 | 1,141 | 80 | 1983 | 01/08 | 30 years |
| McAllen, TX | 643 | 1,776 | | 643 | 1,776 | 2,419 | 175 | 1980 | 01/08 | 30 years |
| Port Isabel, TX | 299 | 855 | | 299 | 855 | 1,154 | 84 | 1983 | 01/08 | 30 years |
| Brownsville, TX | 843 | 1,429 | | 843 | 1,429 | 2,272 | 94 | 2007 | 05/08 | 40 years |
| Edinburg, TX | 834 | 1,787 | | 834 | 1,787 | 2,621 | 117 | 2007 | 05/08 | 40 years |
| La Villa, TX | 710 | 2,166 | | 710 | 2,166 | 2,876 | 142 | 2007 | 05/08 | 40 years |
| Laredo, TX | 879 | 1,593 | | 879 | 1,593 | 2,472 | 105 | 2007 | 05/08 | 40 years |
| Laredo, TX | 1,183 | 1,934 | | 1,183 | 1,934 | 3,117 | 127 | 2007 | 05/08 | 40 years |
| McAllen, TX | 1,270 | 2,383 | | 1,270 | 2,383 | 3,653 | 208 | 1986 | 05/08 | 30 years |
| Houston, TX | 696 | 1,458 | | 696 | 1,458 | 2,154 | 74 | 2008 | 12/08 | 40 years |
| Lubbock, TX | 671 | 1,612 | | 671 | 1,612 | 2,283 | 82 | 2007 | 12/08 | 40 years |
| Subway: | | | | | | | | | | |
| Eden Prairie, MN | 54 | 150 | 67 | 54 | 218 | 272 | 47 | 1997 | 12/01 | 40 years |
| Albany, NY | 3 | 67 | | 3 | 67 | 70 | 10 | 1992 | 09/04 | 40 years |
| Cohoes, NY | 21 | 116 | 8 | 21 | 123 | 144 | 18 | 1994 | 09/04 | 40 years |
| Sunshine Energy: | | | | | | | | | | |
| Kansas City, MO | 517 | 720 | | 517 | 720 | 1,237 | 42 | 1993 | 07/09 | 25 years |
| Neosho, MO | 352 | | | 352 | (c) | 352 | (c) | 1992 | 07/09 | (c) |
| Superior Petroleum: | | | | | | | | | | |
| Midway, PA | 311 | 708 | | 311 | 708 | 1,019 | 117 | 1990 | 01/06 | 30 years |
| Supervalu: | | | | | | | | | | |
| Huntington, WV | 1,254 | 761 | | 1,254 | 761 | 2,015 | 264 | 1971 | 02/97 | 40 years |
| Maple Heights, OH | 1,035 | 2,874 | | 1,035 | 2,874 | 3,909 | 997 | 1985 | 02/97 | 40 years |
| Susser: | | | | | | | | | | |
| Corpus Christi, TX | 630 | 3,131 | | 630 | 3,131 | 3,761 | 923 | 1983 | 03/99 | 40 years |
| Swansea Quick Cash: | | | | | | | | | | |
| Swansea, IL | 46 | 132 | | 46 | 132 | 178 | 30 | 1997 | 12/01 | 40 years |
| Taco Bell: | | | | | | | | | | |
| Ocala, FL | 275 | 755 | | 275 | 755 | 1,030 | 171 | 2001 | 12/01 | 40 years |
| Ormond Beach, FL | 632 | 526 | | 632 | 526 | 1,158 | 119 | 2001 | 12/01 | 40 years |

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| | | | | | | | | | |
|------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Phoenix, AZ | 594 | 283 | 594 | 283 | 877 | 64 | 1995 | 12/01 | 40 years |
| Bedford, IN | 797 | 937 | 797 | 937 | 1,734 | 108 | 1989 | 05/06 | 40 years |
| Columbus, IN | 690 | 1,213 | 690 | 1,213 | 1,903 | 140 | 2005 | 05/06 | 40 years |
| Columbus, IN | 1,257 | 2,055 | 1,257 | 2,055 | 3,312 | 238 | 1990 | 05/06 | 40 years |
| Evansville, IN | 524 | 1,815 | 524 | 1,815 | 2,339 | 210 | 2005 | 05/06 | 40 years |
| Evansville, IN | 221 | 828 | 221 | 828 | 1,049 | 96 | 2003 | 05/06 | 40 years |
| Evansville, IN | 308 | 1,301 | 308 | 1,301 | 1,609 | 150 | 2000 | 05/06 | 40 years |
| Fishers, IN | 990 | 486 | 990 | 486 | 1,476 | 56 | 1998 | 05/06 | 40 years |
| Greensburg, IN | 648 | 1,079 | 648 | 1,079 | 1,727 | 125 | 1998 | 05/06 | 40 years |
| Indianapolis, IN | 1,032 | 1,650 | 1,032 | 1,650 | 2,682 | 191 | 2004 | 05/06 | 40 years |
| Indianapolis, IN | 547 | 703 | 547 | 703 | 1,250 | 81 | 2004 | 05/06 | 40 years |
| Madisonville, KY | 682 | 1,193 | 682 | 1,193 | 1,875 | 138 | 1999 | 05/06 | 40 years |
| Owensboro, KY | 639 | 1,326 | 639 | 1,326 | 1,965 | 153 | 2005 | 05/06 | 40 years |
| Shelbyville, IN | 670 | 1,756 | 670 | 1,756 | 2,426 | 203 | 1998 | 05/06 | 40 years |
| Speedway, IN | 408 | 1,426 | 408 | 1,426 | 1,834 | 165 | 2003 | 05/06 | 40 years |
| Terre Haute, IN | 1,037 | 1,656 | 1,037 | 1,656 | 2,693 | 191 | 2003 | 05/06 | 40 years |
| Terre Haute, IN | 1,314 | 2,249 | 1,314 | 2,249 | 3,563 | 260 | 2003 | 05/06 | 40 years |

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| | Costs Capitalized | | | | | | | | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | |
|------------------------|---|---------------------------|----------------|--|-------|---------------------|--------------------|-------------------------------|--|----------|
| | Initial Cost to Company Building, Improvements & Encumbrances | Subsequent to Acquisition | Carrying Costs | Gross Amount at Which Carried at Close of Period | Land | Leasehold Interests | Total Amortization | Date of Construction Acquired | Date | |
| | | | | Building, Improvements & Depreciation | | | | | | |
| | | | | | | | | | | |
| Vincennes, IN | 502 | 880 | | 502 | 880 | 1,382 | 102 | 2004 | 05/06 | 40 years |
| Anderson, SC | 176 | 436 | | 176 | 436 | 612 | 1 | 2000 | 12/10 | 30 years |
| Anderson, SC | 273 | 820 | | 273 | 820 | 1,093 | 1 | 1989 | 12/10 | 25 years |
| Asheville, NC | 408 | 732 | | 408 | 732 | 1,140 | 1 | 1992 | 12/10 | 25 years |
| Asheville, NC | 252 | 483 | | 252 | 483 | 735 | 1 | 1993 | 12/10 | 25 years |
| Black Mountain, NC | 149 | 313 | | 149 | 313 | 462 | 1 | 1992 | 12/10 | 25 years |
| Blue Ridge, GA | 276 | 553 | | 276 | 553 | 829 | 1 | 1992 | 12/10 | 25 years |
| Cedartown, GA | 353 | 890 | | 353 | 890 | 1,243 | 1 | 1990 | 12/10 | 25 years |
| Duncan, SC | 280 | 483 | | 280 | 483 | 763 | 1 | 1999 | 12/10 | 30 years |
| Easley, SC (n) | 444 | 818 | | 444 | 818 | 1,262 | 1 | 1991 | 12/10 | 25 years |
| Fort Payne, AL | 362 | 533 | | 362 | 533 | 895 | 1 | 1989 | 12/10 | 25 years |
| Franklin, NC | 472 | 687 | | 472 | 687 | 1,159 | 1 | 1992 | 12/10 | 25 years |
| Gaffney, SC | 388 | 940 | | 388 | 940 | 1,328 | 1 | 1998 | 12/10 | 30 years |
| Greenville, SC | 169 | 330 | | 169 | 330 | 499 | 1 | 1990 | 12/10 | 25 years |
| Greenville, SC | 414 | 810 | | 414 | 810 | 1,224 | 1 | 1995 | 12/10 | 30 years |
| Hendersonville, NC | 569 | 1,163 | | 569 | 1,163 | 1,732 | 2 | 1988 | 12/10 | 25 years |
| Inman, SC | 223 | 502 | | 223 | 502 | 725 | 1 | 1999 | 12/10 | 30 years |
| Lavonia, GA | 122 | 359 | | 122 | 359 | 481 | | 1999 | 12/10 | 30 years |
| Madison, AL | 498 | 886 | | 498 | 886 | 1,384 | 1 | 1985 | 12/10 | 25 years |
| Oneonta, AL | 362 | 881 | | 362 | 881 | 1,243 | 1 | 1992 | 12/10 | 25 years |
| Piedmont, SC | 249 | 702 | | 249 | 702 | 951 | 1 | 2000 | 12/10 | 30 years |
| Pisgah Forest, NC | 260 | 672 | | 260 | 672 | 932 | 1 | 1998 | 12/10 | 30 years |
| Rainsville, AL | 411 | 1,077 | | 411 | 1,077 | 1,488 | 1 | 1998 | 12/10 | 30 years |
| Seneca, SC | 304 | 807 | | 304 | 807 | 1,111 | 1 | 1993 | 12/10 | 25 years |
| Simpsonville, SC | 635 | 1,022 | | 635 | 1,022 | 1,657 | 2 | 1991 | 12/10 | 25 years |
| Spartanburg, SC | 239 | 496 | | 239 | 496 | 735 | 1 | 1992 | 12/10 | 30 years |
| Spartanburg, SC | 492 | 949 | | 492 | 949 | 1,441 | 1 | 1993 | 12/10 | 30 years |
| Sylva, NC | 580 | 786 | | 580 | 786 | 1,366 | 1 | 1994 | 12/10 | 30 years |
| Toccoa, GA | 201 | 600 | | 201 | 600 | 801 | 1 | 1993 | 12/10 | 30 years |
| Waynesville, NC | 395 | 585 | | 395 | 585 | 980 | 1 | 1998 | 12/10 | 30 years |
| Taverna Greek Grill: | | | | | | | | | | |
| Farmington, NM | 2,757 | 730 | | 2,757 | 730 | 3,487 | 48 | 2003 | 12/07 (m) | 40 years |
| Texas Roadhouse: | | | | | | | | | | |
| Grand Junction, CO | 584 | 920 | | 584 | 920 | 1,504 | 208 | 1997 | 12/01 | 40 years |
| Thornton, CO | 599 | 1,019 | | 599 | 1,019 | 1,618 | 230 | 1998 | 12/01 | 40 years |
| TGI Friday's: | | | | | | | | | | |
| Corpus Christi, TX | 1,210 | 1,532 | | 1,210 | 1,532 | 2,742 | 346 | 1995 | 12/01 | 40 years |
| Third Federal Savings: | | | | | | | | | | |
| Parma, OH | 370 | 238 | 1,100 | 370 | 1,338 | 1,708 | 135 | 1977 | 09/06 | 20 years |
| Thomasville: | | | | | | | | | | |
| Buford, GA | 1,267 | 2,406 | | 1,267 | 2,406 | 3,673 | 388 | 2004 | 07/04 | 40 years |
| TitleMax: | | | | | | | | | | |
| Aiken, SC | 442 | 646 | | 442 | 646 | 1,088 | 51 | 1989 | 08/08 | 30 years |
| Anniston, AL | 160 | 453 | | 160 | 453 | 613 | 27 | 2008 | 08/08 | 40 years |
| Berkeley, MO | 237 | 282 | | 237 | 282 | 519 | 33 | 1961 | 08/08 | 20 years |
| Cheraw, SC | 88 | 330 | | 88 | 330 | 418 | 31 | 1976 | 08/08 | 25 years |
| Columbia, SC | 212 | 319 | | 212 | 319 | 531 | 25 | 1987 | 08/08 | 30 years |
| Dalton, GA | 178 | 347 | | 178 | 347 | 525 | 33 | 1972 | 08/08 | 25 years |
| Darlington, SC | 47 | 267 | | 47 | 267 | 314 | 25 | 1973 | 08/08 | 25 years |
| Fairfield, AL | 133 | 178 | | 133 | 178 | 311 | 17 | 1974 | 08/08 | 25 years |

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|-------------------|-----|-----|-----|-----|-----|----|------|-------|----------|
| Gadsden, AL | 250 | 389 | 250 | 389 | 639 | 23 | 2007 | 08/08 | 40 years |
| Hueytown, AL | 135 | 93 | 135 | 93 | 228 | 22 | 1948 | 08/08 | 10 years |
| Jonesboro, GA | 675 | 292 | 675 | 292 | 967 | 28 | 1970 | 08/08 | 25 years |
| Lawrenceville, GA | 370 | 332 | 370 | 332 | 702 | 26 | 1986 | 08/08 | 30 years |
| Lewisburg, TN | 70 | 298 | 70 | 298 | 368 | 20 | 1998 | 08/08 | 35 years |
| Macon, GA | 103 | 290 | 103 | 290 | 393 | 34 | 1967 | 08/08 | 20 years |
| Marietta, GA | 285 | 278 | 285 | 278 | 563 | 33 | 1967 | 08/08 | 20 years |
| Memphis, TN | 226 | 444 | 226 | 444 | 670 | 35 | 1986 | 08/08 | 30 years |
| Memphis, TN | 111 | 237 | 111 | 237 | 348 | 19 | 1981 | 08/08 | 30 years |
| Montgomery, AL | 96 | 233 | 96 | 233 | 329 | 22 | 1970 | 08/08 | 25 years |
| Nashville, TN | 268 | 276 | 268 | 276 | 544 | 26 | 1978 | 08/08 | 25 years |
| Nashville, TN | 256 | 301 | 256 | 301 | 557 | 24 | 1982 | 08/08 | 30 years |

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| | Initial Cost to Company Building, | Costs Capitalized Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) Building, Accumulated | | | | | Life on Which Depreciation & Amortization in Latest Income Statement | | |
|---------------------|-----------------------------------|---|--|-------|---------------------|-------|------------------|--|---------------|-------------|
| | Improvements & Encumbrances | Leasehold Interest | Carrying Improvements Costs | Land | Leasehold Interests | Total | and Amortization | Date of Construction | Date Acquired | is Computed |
| Norcross, GA | 599 | 350 | | 599 | 350 | 949 | 33 | 1975 | 08/08 | 25 years |
| Pulaski, TN | 109 | 361 | | 109 | 361 | 470 | 29 | 1986 | 08/08 | 30 years |
| Riverdale, GA | 877 | 400 | | 877 | 400 | 1,277 | 38 | 1978 | 08/08 | 25 years |
| Snellville, GA | 565 | 396 | | 565 | 396 | 961 | 38 | 1977 | 08/08 | 25 years |
| Springfield, MO | 125 | 230 | | 125 | 230 | 355 | 22 | 1979 | 08/08 | 25 years |
| Springfield, MO | 220 | 400 | | 220 | 400 | 620 | 38 | 1979 | 08/08 | 25 years |
| St. Louis, MO | 134 | 398 | | 134 | 398 | 532 | 27 | 1993 | 08/08 | 35 years |
| St. Louis, MO | 244 | 288 | | 244 | 288 | 532 | 27 | 1971 | 08/08 | 25 years |
| Sylacauga, AL | 94 | 191 | | 94 | 191 | 285 | 15 | 1986 | 08/08 | 30 years |
| Taylors, SC | 299 | 372 | | 299 | 372 | 671 | 25 | 1999 | 08/08 | 35 years |
| Tony's Tires: | | | | | | | | | | |
| Montgomery, AL | 593 | 1,187 | 43 | 593 | 1,229 | 1,822 | 150 | 1998 | 08/06 | 40 years |
| Top's: | | | | | | | | | | |
| Lacey, WA | 2,777 | 7,082 | | 2,777 | 7,082 | 9,859 | 2,457 | 1992 | 02/97 | 40 years |
| Tractor Supply Co.: | | | | | | | | | | |
| Aransas Pass, TX | 101 | 1,399 | 200 | 100 | 1,599 | 1,699 | 428 | 1983 | 03/99 | 40 years |
| Tully's: | | | | | | | | | | |
| Cheektowaga, NY | 689 | 386 | | 689 | 386 | 1,075 | 87 | 1994 | 12/01 | 40 years |
| Ultra Car Wash: | | | | | | | | | | |
| Mobile, AL | 1,071 | 1,086 | | 1,071 | 1,086 | 2,157 | 92 | 2005 | 08/07 | 40 years |
| Lilburn, GA | 1,396 | 1,119 | | 1,396 | 1,119 | 2,515 | 73 | 2004 | 05/08 | 40 years |
| Uni-Mart: | | | | | | | | | | |
| Bear Creek, PA | 191 | 230 | | 191 | 230 | 421 | 62 | 1980 | 08/05 | 20 years |
| Chambersburg, PA | 76 | 197 | | 76 | 197 | 273 | 53 | 1990 | 08/05 | 20 years |
| East Brady, PA | 269 | 583 | | 269 | 583 | 852 | 157 | 1987 | 08/05 | 20 years |
| Pleasant Gap, PA | 332 | 593 | | 332 | 593 | 925 | 159 | 1996 | 08/05 | 20 years |
| Port Vue, PA | 824 | 118 | | 824 | 118 | 942 | 32 | 1953 | 08/05 | 20 years |
| Punxsutawney, PA | 253 | 542 | | 253 | 542 | 795 | 146 | 1983 | 08/05 | 20 years |
| Shamokin, PA | 324 | 506 | | 324 | 506 | 830 | 136 | 1956 | 08/05 | 20 years |
| Shippensburg, PA | 204 | 330 | | 204 | 330 | 534 | 89 | 1989 | 08/05 | 20 years |
| Taylor, PA | 181 | 527 | | 181 | 527 | 708 | 142 | 1973 | 08/05 | 20 years |
| Wilkes-Barre, PA | 178 | 471 | | 178 | 471 | 649 | 127 | 1989 | 08/05 | 20 years |
| Wilkes-Barre, PA | 876 | 1,957 | | 876 | 1,957 | 2,833 | 526 | 1998 | 08/05 | 20 years |
| Wilkes-Barre, PA | 171 | 422 | | 171 | 422 | 593 | 114 | 1999 | 08/05 | 20 years |
| Williamsport, PA | 909 | 122 | | 909 | 122 | 1,031 | 33 | 1950 | 08/05 | 20 years |
| Ashland, PA | 355 | 545 | | 355 | 545 | 900 | 144 | 1977 | 09/05 | 20 years |
| Bear Creek, PA (n) | 689 | 275 | | 689 | 275 | 964 | 73 | 1980 | 09/05 | 20 years |
| Mountaintop, PA | 423 | 616 | | 423 | 616 | 1,039 | 163 | 1987 | 09/05 | 20 years |
| Effort, PA | 1,297 | 1,202 | | 1,297 | 1,202 | 2,499 | 149 | 2000 | 01/06 | 40 years |
| Export, PA | 222 | 215 | | 222 | 215 | 437 | 27 | 1988 | 01/06 | 40 years |
| Hughesville, PA | 290 | 566 | | 290 | 566 | 856 | 70 | 1977 | 01/06 | 40 years |
| McSherrystown, PA | 135 | 365 | | 135 | 365 | 500 | 45 | 1988 | 01/06 | 40 years |
| Milesburg, PA | 134 | 373 | | 134 | 373 | 507 | 46 | 1987 | 01/06 | 40 years |
| Nanticoke, PA | 175 | 482 | | 175 | 482 | 657 | 60 | 1988 | 01/06 | 40 years |
| Nuangola, PA | 1,062 | 1,203 | | 1,062 | 1,203 | 2,265 | 149 | 2000 | 01/06 | 40 years |
| Plains, PA | 204 | 401 | | 204 | 401 | 605 | 50 | 1994 | 01/06 | 40 years |
| Punxsutawney, PA | 294 | 650 | | 294 | 650 | 944 | 81 | 1983 | 01/06 | 40 years |
| Williamsport, PA | 295 | 379 | | 295 | 379 | 674 | 47 | 1988 | 01/06 | 40 years |
| Burnham, PA | 265 | 510 | | 340 | 435 | 775 | 97 | 1978 | 07/06 | 20 years |

United Rentals:

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| | | | | | | | | | |
|-------------------|-------|-------|-------|-------|-------|-----|------|-------|----------|
| Carrollton, TX | 478 | 535 | 478 | 535 | 1,013 | 81 | 1981 | 12/04 | 40 years |
| Cedar Park, TX | 535 | 829 | 535 | 829 | 1,364 | 125 | 1990 | 12/04 | 40 years |
| Clearwater, FL | 1,173 | 1,811 | 1,173 | 1,811 | 2,984 | 273 | 2001 | 12/04 | 40 years |
| Fort Collins, CO | 2,057 | 978 | 2,057 | 978 | 3,035 | 148 | 1975 | 12/04 | 40 years |
| Irving, TX | 708 | 911 | 708 | 911 | 1,619 | 138 | 1984 | 12/04 | 40 years |
| La Porte, TX | 1,115 | 2,125 | 1,115 | 2,125 | 3,240 | 321 | 2000 | 12/04 | 40 years |
| Littleton, CO | 1,743 | 1,944 | 1,743 | 1,944 | 3,687 | 294 | 2002 | 12/04 | 40 years |
| Oklahoma City, OK | 744 | 1,265 | 744 | 1,265 | 2,009 | 191 | 1997 | 12/04 | 40 years |
| Perrysburg, OH | 642 | 1,119 | 642 | 1,119 | 1,761 | 169 | 1979 | 12/04 | 40 years |
| Plano, TX | 1,030 | 1,148 | 1,030 | 1,148 | 2,178 | 173 | 1996 | 12/04 | 40 years |
| Temple, TX | 1,160 | 1,360 | 1,160 | 1,360 | 2,520 | 205 | 1998 | 12/04 | 40 years |
| Ft. Worth, TX | 510 | 1,128 | 510 | 1,128 | 1,638 | 168 | 1997 | 01/05 | 40 years |
| Ft. Worth, TX | 1,428 | | 1,428 | (i) | 1,428 | (i) | (i) | 01/05 | (i) |
| Melbourne, FL | 747 | 607 | 747 | 607 | 1,354 | 85 | 1970 | 05/05 | 40 years |

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | | | | Life on Which | | | |
|----------------------|-----------------------------------|---------------------|---------------------------|--|---------------------|---------------------------------------|--|-------------|-----------|----------|
| | Initial Cost to Company Building, | | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) Building, Accumulated | | | Depreciation & Amortization in Latest Income Statement | | | |
| | Improvements & Encumbrances | | Carrying Costs | Improvements & Leasehold Interests | | Depreciation and Date of Construction | Date Acquired | is Computed | | |
| | Land | Leasehold Interests | | Land | Leasehold Interests | Total Amortization | | | | |
| | | | | | | | | | | |
| United Trust Bank: | | | | | | | | | | |
| Bridgeview, IL | 673 | 744 | | 673 | 744 | 1,417 | 168 | 1997 | 12/01 | 40 years |
| Vacant Land: | | | | | | | | | | |
| Florence, AL | 1,034 | | | 748 | (e) | 748 | (e) | (e) | 06/04 | (e) |
| Longwood, FL | 975 | | | 975 | (e) | 975 | (e) | (e) | 03/06 | (e) |
| Vacant Property: | | | | | | | | | | |
| Arlington, TX | 435 | 2,300 | 334 | 435 | 2,634 | 3,069 | 845 | 1996 | 06/96 | 38 years |
| Sarasota, FL | 1,168 | 1,904 | 219 | 1,168 | 2,122 | 3,290 | 375 | 1996 | 09/97 | 40 years |
| Knoxville, TN | 467 | 735 | | 467 | 735 | 1,202 | 220 | 1999 | 01/98 (f) | 40 years |
| Aransas Pass, TX | 90 | 1,241 | | 89 | 1,241 | 1,330 | 366 | 1983 | 03/99 | 40 years |
| Corpus Christi, TX | 224 | 2,159 | | 224 | 2,159 | 2,383 | 636 | 1983 | 03/99 | 40 years |
| Sarasota, FL | 471 | 1,344 | 312 | 471 | 1,656 | 2,127 | 243 | 1983 | 03/99 | 40 years |
| Sealy, TX | 820 | 905 | | 820 | 905 | 1,725 | 267 | 1982 | 03/99 | 40 years |
| Winfield, AL | 420 | 1,685 | | 420 | 1,685 | 2,105 | 497 | 1983 | 03/99 | 40 years |
| Augusta, GA | 177 | 674 | | 177 | 674 | 851 | 152 | 1998 | 12/01 | 40 years |
| Chandler, AZ | 655 | 791 | | 655 | 791 | 1,446 | 182 | 1997 | 12/01 | 40 years |
| Cincinnati, OH | 282 | 521 | 279 | 543 | 539 | 1,082 | 119 | 1998 | 12/01 | 40 years |
| Clifton, CO | 245 | 732 | | 245 | 732 | 977 | 166 | 1998 | 12/01 | 40 years |
| Columbus, OH | 1,032 | 1,107 | | 1,032 | 1,107 | 2,139 | 250 | 1998 | 12/01 | 40 years |
| Eden Prairie, MN | 76 | 211 | 94 | 76 | 305 | 381 | 66 | 1997 | 12/01 | 40 years |
| Jacksonville, FL | 987 | 856 | | 794 | | 794 | 170 | 1996 | 12/01 | 40 years |
| Mesa, AZ | 153 | 400 | | 153 | 400 | 553 | 116 | 1997 | 12/01 | 40 years |
| Mesa, AZ | 43 | 113 | 363 | 43 | 476 | 519 | 32 | 1997 | 12/01 | 40 years |
| Montgomery, AL | 1,418 | 1,140 | | 1,418 | 1,044 | 2,462 | 244 | 1999 | 12/01 | 40 years |
| Southfield, MI | 405 | 644 | | 405 | 644 | 1,049 | 167 | 1976 | 12/01 | 40 years |
| Swansea, IL | 92 | 265 | | 92 | 265 | 357 | 60 | 1997 | 12/01 | 40 years |
| Florissant, MO | 2,490 | 2,937 | | 2,490 | 2,937 | 5,427 | 566 | 1996 | 04/03 | 40 years |
| Woodstock, GA | 1,937 | 1,285 | | 1,891 | 1,016 | 2,907 | 210 | 1997 | 05/03 | 40 years |
| Buford, GA | 1,925 | 5,035 | | 1,925 | 5,035 | 6,960 | 813 | 2003 | 07/04 | 40 years |
| Cohoes, NY | 27 | 145 | 9 | 27 | 154 | 181 | 23 | 1994 | 09/04 | 40 years |
| Cohoes, NY | 46 | 246 | 16 | 46 | 262 | 308 | 39 | 1994 | 09/04 | 40 years |
| Hudson Falls, NY | 57 | 780 | 39 | 57 | 819 | 876 | 126 | 1990 | 09/04 | 40 years |
| Ticonderoga, NY | 89 | 689 | | 89 | 689 | 778 | 108 | 1993 | 09/04 | 40 years |
| Gastonia, NC | 994 | 1,513 | | 994 | 1,513 | 2,507 | 229 | 2004 | 12/04 | 40 years |
| Dallas, TX | 2,407 | 2,299 | | 2,407 | 2,299 | 4,706 | 312 | 1971 | 06/05 | 40 years |
| Dallas, TX | 1,554 | 1,229 | | 1,554 | 1,229 | 2,783 | 170 | 1982 | 06/05 | 40 years |
| Olean, NY | 40 | 259 | | 40 | 259 | 299 | 70 | 1990 | 08/05 | 20 years |
| Fairview Heights, IL | 1,258 | 2,623 | | 1,258 | 2,623 | 3,881 | 342 | 1980 | 10/05 | 40 years |
| Lapeer, MI | 29 | 211 | | 29 | 211 | 240 | 18 | 2007 | 10/05 | 40 years |
| Lapeer, MI | 100 | 721 | | 100 | 721 | 821 | 61 | 2007 | 10/05 | 40 years |
| Lafayette, LA | 603 | 1,149 | | 603 | 1,149 | 1,752 | 145 | 1999 | 12/05 | 40 years |
| West Palm Beach, FL | 619 | 161 | | 619 | 161 | 780 | 35 | 1984 | 09/06 | 20 years |
| Hillman, MI | 167 | 823 | | 167 | 363 | 530 | 64 | 1952 | 10/06 | 40 years |
| Lithonia, GA | 923 | 1,276 | | 923 | 1,276 | 2,199 | 113 | 2002 | 06/07 | 40 years |
| Lubbock, TX | 2,606 | 2,898 | | 2,606 | 2,898 | 5,504 | 251 | 1983 | 07/07 | 40 years |
| Lubbock, TX | 1,293 | 1,211 | | 1,293 | 1,211 | 2,504 | 105 | 1983 | 07/07 | 40 years |
| Bakersfield, CA | 1,643 | 1,959 | | 530 | | 530 | 137 | 1975 | 03/08 | 25 years |
| Bellingham, WA | 1,237 | 1,260 | | 1,237 | 408 | 1,645 | 61 | 1994 | 06/08 | 30 years |
| Lubbock, TX | 943 | 957 | | 943 | 957 | 1,900 | 12 | 1964 | 11/10 | 10 years |

Value City Furniture:

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| | | | | | | | | | | |
|----------------------|-------|-----|-------|-------|-------|-------|-----|------|-----------|----------|
| White Marsh, MD | 3,762 | | 3,006 | 3,762 | 3,006 | 6,768 | 961 | 1998 | 10/97 (g) | 40 years |
| Vitamin Shoppe, The: | | | | | | | | | | |
| Cincinnati, OH | 297 | 443 | 368 | 297 | 810 | 1,107 | 134 | 1999 | 06/98 (f) | 40 years |
| Walgreens: | | | | | | | | | | |
| Sunrise, FL | 1,958 | | | 1,958 | 1,401 | 3,359 | 267 | 1994 | 05/03 | 40 years |
| Tulsa, OK | 1,193 | | 3,056 | 1,193 | 3,056 | 4,249 | 423 | 2003 | 06/05 | 40 years |
| Boise, ID | 792 | | 1,875 | 792 | 1,875 | 2,667 | 49 | 2000 | 03/10 | 30 years |
| Nampa, ID | 1,062 | | 2,253 | 1,062 | 2,253 | 3,315 | 59 | 2000 | 03/10 | 30 years |
| Wendy s: | | | | | | | | | | |
| Sacramento, CA | 586 | | | 586 | (i) | 586 | (i) | (i) | 02/98 | (i) |
| New Kensington, PA | 501 | | 333 | 501 | 333 | 834 | 75 | 1980 | 12/01 | 40 years |
| Whataburger: | | | | | | | | | | |
| Albuquerque, NM | 624 | | 419 | 624 | 419 | 1,043 | 95 | 1995 | 12/01 | 40 years |

See accompanying report of independent registered public accounting firm.

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| | Costs Capitalized | | | | | | Accumulated Depreciation and Amortization | Date of Construction Acquired | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | | |
|--------------------|-----------------------------------|-------|---------------------------|--|-------|---------------------|---|-------------------------------|--|-----------|----------|
| | Initial Cost to Company Building, | | Subsequent to Acquisition | Gross Amount at Which Carried at Close of Period (a) (b) Building, | | | | | | | |
| | Improvements & | | Carrying | Improvements & | | | | | | | |
| | Encumbrances | Land | Leasehold Interests | Costs | Land | Leasehold Interests | | | | Total | |
| Wherehouse Music: | | | | | | | | | | | |
| Homewood, AL | 1,032 | 697 | | | 1,032 | 697 | 1,729 | 158 | 1997 | 12/01 | 40 years |
| Independence, MO | 503 | 1,209 | | | 503 | 1,209 | 1,712 | 152 | 1994 | 12/05 | 40 years |
| Wingfoot: | | | | | | | | | | | |
| Beaverdam, OH | (l) | 1,521 | | | (l) | 1,521 | 1,521 | 138 | 2004 | 05/07 | 40 years |
| Benton, AR | (l) | 309 | | | (l) | 309 | 309 | 27 | 2001 | 05/07 | 40 years |
| Bowman, SC | (l) | 969 | | | (l) | 969 | 969 | 100 | 1998 | 05/07 | 35 years |
| Dalton, GA | (l) | 1,541 | | | (l) | 1,541 | 1,541 | 140 | 2004 | 05/07 | 40 years |
| Dandridge, TN | (l) | 1,030 | | | (l) | 1,030 | 1,030 | 107 | 1989 | 05/07 | 35 years |
| Franklin, OH | (l) | 563 | | | (l) | 563 | 563 | 58 | 1998 | 05/07 | 35 years |
| Gary, IN | (l) | 1,486 | | | (l) | 1,486 | 1,486 | 135 | 2004 | 05/07 | 40 years |
| Georgetown, KY | (l) | 679 | | | (l) | 679 | 679 | 82 | 1997 | 05/07 | 30 years |
| Mebane, NC | (l) | 561 | | | (l) | 561 | 561 | 58 | 1998 | 05/07 | 35 years |
| Piedmont, SC | (l) | 567 | | | (l) | 567 | 567 | 59 | 1999 | 05/07 | 35 years |
| Port Wentworth, GA | (l) | 552 | | | (l) | 552 | 552 | 57 | 1998 | 05/07 | 35 years |
| Valdosta, GA | (l) | 1,477 | | | (l) | 1,477 | 1,477 | 134 | 2004 | 05/07 | 40 years |
| Temple, GA | (l) | 1,065 | | | (l) | 1,065 | 1,065 | 83 | 2007 | 06/07 | 40 years |
| Whiteland, IN | (l) | 1,471 | | | (l) | 1,471 | 1,471 | 127 | 2004 | 07/07 | 40 years |
| Des Moines, IA | (l) | 816 | | | (l) | 816 | 816 | 71 | 1987 | 07/07 | 40 years |
| Robinson, TX | (l) | 1,183 | | | (l) | 1,183 | 1,183 | 92 | 2007 | 07/07 | 40 years |
| Kearney, MO | (l) | 1,269 | | | (l) | 1,269 | 1,269 | 110 | 2003 | 07/07 | 40 years |
| Oklahoma City, OK | (l) | 1,247 | | | (l) | 1,247 | 1,247 | 90 | 2008 | 08/07 | 40 years |
| Amarillo, TX | (l) | 1,158 | | | (l) | 1,158 | 1,158 | 74 | 2008 | 02/08 | 40 years |
| Jackson, MS | (l) | 1,281 | | | (l) | 1,281 | 1,281 | 79 | 2008 | 03/08 | 40 years |
| Glendale, KY | (l) | 1,066 | | | (l) | 1,066 | 1,066 | 59 | 2008 | 07/08 | 40 years |
| Lebanon, TN | (l) | 1,331 | | | (l) | 1,331 | 1,331 | 68 | 2008 | 08/08 | 40 years |
| Laredo, TX | (l) | 1,238 | | | (l) | 1,238 | 1,238 | 55 | 2009 | 11/08 (q) | 40 years |
| Midland, TX | (l) | 1,148 | | | (l) | 1,148 | 1,148 | 13 | 2010 | 04/10 (q) | 40 years |
| Tuscaloosa, AL | (l) | 8 | | | (l) | 8 | 8 | | (q) | 08/10 (q) | (q) |
| Kenly, NC | (l) | | | | (l) | | | | (q) | 11/10 (q) | (q) |
| Winn-Dixie: | | | | | | | | | | | |
| Columbus, GA | 1,023 | 1,875 | | | 1,023 | 1,875 | 2,898 | 350 | 1984 | 07/03 | 40 years |
| Wireless Wizard: | | | | | | | | | | | |
| Ridgeland, MS | 436 | 523 | 26 | | 436 | 549 | 985 | 66 | 1997 | 08/06 | 40 years |
| Your Choice: | | | | | | | | | | | |
| Hazleton, PA | 670 | 377 | | | 670 | 377 | 1,047 | 101 | 1974 | 08/05 | 20 years |
| | 158 | 415 | 13 | | 158 | 428 | 586 | 52 | 1988 | 01/06 | 40 years |

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| | | | | | | | | | | |
|---------------------------|---------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|-------|----------|
| Montoursville, PA | | | | | | | | | | |
| Ziebart: | | | | | | | | | | |
| Maplewood, MN | 308 | 311 | | 308 | 311 | 619 | 46 | 1990 | 02/05 | 40 years |
| Middleburg Heights, OH | 199 | 148 | | 199 | 148 | 347 | 22 | 1961 | 02/05 | 40 years |
| Zio's Italian Kitchen: | | | | | | | | | | |
| Aurora, CO (n) | 1,168 | 1,105 | | 1,168 | 1,105 | 2,273 | 210 | 2000 | 06/05 | 30 years |
| Leasehold Interests: | | | | | | | | | | |
| Lima, OH | 1,290 | | | 1,290 | (e) | 1,290 | 1,055 | (e) | 08/01 | (e) |
| SUBTOTAL | 20,524 | 1,127,836 | 1,463,619 | 151,411 | 1,123,517 | 1,592,756 | 2,716,273 | 222,921 | | |

Real Estate Held for
Investment the
Company has Invested
in Under Direct
Financing Leases:

| | | | | | | | | | | |
|--------------------------|-----|-------|--|-----|-----|-----|-----|------|-----------|-----|
| Barnes & Noble: | | | | | | | | | | |
| Plantation, FL | | 3,498 | | | (c) | (c) | (c) | 1996 | 05/95 (f) | (c) |
| Borders: | | | | | | | | | | |
| Altamonte Springs, FL | | 3,267 | | | (c) | (c) | (c) | 1997 | 09/97 | (c) |
| Checkers: | | | | | | | | | | |
| Orlando, FL | | 287 | | | (c) | (c) | (c) | 1988 | 07/92 | (c) |
| CVS: | | | | | | | | | | |
| San Antonio, TX | | 744 | | | (c) | (c) | (c) | 1993 | 12/93 | (c) |
| Amarillo, TX | 159 | 855 | | (d) | (d) | (d) | (d) | 1994 | 12/94 | (d) |
| Lafayette, LA | | 949 | | | (c) | (c) | (c) | 1995 | 01/96 | (c) |
| Oklahoma City, OK | (l) | 1,365 | | (l) | (c) | (c) | (c) | 1997 | 06/97 | (c) |
| Oklahoma City, OK | (l) | 1,419 | | (l) | (c) | (c) | (c) | 1997 | 06/97 | (c) |

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| | Costs Capitalized | | | | | | | | Life on Which Depreciation & Amortization in Latest Income Statement is Computed | |
|--|---|-------|--|-------|---|-------|---|-----|--|-----------|
| | Initial Cost to Company Building, Improvements & Encumbrances | | Subsequent to Acquisition Carrying Costs | | Gross Amount at Which Carried at Close of Period (a) Building, Improvements & Leasehold Interests | | (b) Accumulated Depreciation and of Construction Date | | Date Acquired | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Denny s: | | | | | | | | | | |
| Stockton, CA | 940 | 509 | | | (d) | (d) | (d) | (d) | 1982 | 09/06 (d) |
| Food 4 Less: | | | | | | | | | | |
| Chula Vista, CA | | 4,266 | | | | (c) | (c) | (c) | 1995 | 11/98 (c) |
| Heilig-Meyers/The Room Store: | | | | | | | | | | |
| York, PA | 279 | 1,110 | | | (d) | (d) | (d) | (d) | 1997 | 11/98 (d) |
| Marlow Heights, MD | 416 | 1,397 | | | (d) | (d) | (d) | (d) | 1968 | 11/98 (d) |
| Jared Jewelers: | | | | | | | | | | |
| Phoenix, AZ | 215 (k) | (l) | 1,242 | | (l) | (c) | (c) | (c) | 1998 | 12/01 (c) |
| Toledo, OH | | (l) | 1,458 | | (l) | (c) | (c) | (c) | 1998 | 12/01 (c) |
| Oviedo, FL | 364 (k) | (l) | 1,500 | | (l) | (c) | (c) | (c) | 1998 | 12/01 (c) |
| Lewisville, TX | 187 (k) | (l) | 1,503 | | (l) | (c) | (c) | (c) | 1998 | 12/01 (c) |
| Glendale, AZ | | (l) | 1,599 | | (l) | (c) | (c) | (c) | 1998 | 12/01 (c) |
| Kash n Karry: | | | | | | | | | | |
| Valrico, FL | 2,979 (p) | 1,235 | 3,255 | | (d) | (d) | (d) | (d) | 1997 | 06/02 (d) |
| Rite Aid: | | | | | | | | | | |
| Kennett Square, PA | | (l) | 1,984 | | (l) | (c) | (c) | (c) | 2000 | 12/00 (c) |
| Arlington, VA | | (l) | 3,201 | | (l) | (c) | (c) | (c) | 2000 | 02/02 (c) |
| Sunshine Energy: | | | | | | | | | | |
| Altamont, KS | 124 | 142 | | | (d) | (d) | (d) | (d) | 1979 | 07/09 (d) |
| Chouteau, OK | 113 | 301 | | | (d) | (d) | (d) | (d) | 1988 | 07/09 (d) |
| Neosho, MO | | 775 | | | | (c) | (c) | (c) | 1992 | 07/09 (c) |
| SUBTOTAL | 3,745 | 3,266 | 34,642 | 1,984 | | | | | | |
| Real Estate Held for Sale the Company has Invested in: | | | | | | | | | | |
| Our Place: | | | | | | | | | | |
| North Richland Hills, TX | 584 | 180 | 184 | | 596 | 342 | 938 | | 1989 | 02/06 |
| Power Center: | | | | | | | | | | |
| Midland, MI | 1,085 | 1,635 | | | 1,085 | 1,635 | 2,720 | | 2006 | 05/05 (g) |
| Elmira, NY | 2,248 | 7,159 | | | 2,248 | 5,291 | 7,539 | | 2006 | 08/05 (g) |
| Topsham, ME | 1,885 | 1,735 | | | 1,885 | 62 | 1,947 | | 2007 | 02/06 (g) |
| Irving, TX | 951 | 1,090 | | | 951 | 1,063 | 2,014 | | 1987 | 02/06 |
| Waxahachie, TX | 1,249 | 1,097 | | | 1,249 | 1,069 | 2,318 | | 1995 | 02/06 |
| Harlingen, TX | 247 | 807 | | | 247 | 807 | 1,054 | | 2008 | 09/06 (g) |
| Harlingen, TX. | 749 | 1,238 | | | 749 | 1,238 | 1,987 | | 2008 | 09/06 (g) |
| Woodstock, GA | 261 | 701 | | | 261 | 606 | 867 | | 1997 | 07/08 |
| Tutor Time: | | | | | | | | | | |
| Elk Grove, CA | 1,216 | 2,786 | | | 1,216 | 2,741 | 3,957 | | 2009 | 09/08 |
| Vacant Land: | | | | | | | | | | |
| Grand Prairie, TX | 387 | | | | 108 | | 108 | (e) | (e) | 12/02 |
| Topsham, ME | 1,034 | | | | 293 | | 293 | (e) | (e) | 02/06 |

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| | | | | | | |
|------------------------|-------|-------|-------|-----|-----|-------|
| Rockwall, TX | 900 | 900 | 900 | (e) | (e) | 02/06 |
| Fairfield Township, OH | 3,201 | 1,868 | 1,868 | (e) | (e) | 08/06 |
| Bonita Springs, FL | 112 | 25 | 25 | (e) | (e) | 09/06 |
| Lancaster, OH | 2,135 | 1,339 | 1,339 | (e) | (e) | 01/08 |
| Hadley, MA | 2,869 | 2,091 | 2,091 | (e) | (e) | 02/08 |

| | | | | | | |
|----------|--------|--------|-----|--------|--------|--------|
| SUBTOTAL | 21,113 | 18,428 | 184 | 17,111 | 14,854 | 31,965 |
|----------|--------|--------|-----|--------|--------|--------|

See accompanying report of independent registered public accounting firm.

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NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION AND AMORTIZATION

December 31, 2010

(dollars in thousands)

- (a) Transactions in real estate and accumulated depreciation during 2010, 2009, and 2008 are summarized as follows:

| | 2010 | 2009 | 2008 |
|--|--------------|--------------|--------------|
| Land, buildings, and leasehold interests: | | | |
| Balance at the beginning of year | \$ 2,584,947 | \$ 2,605,288 | \$ 2,415,536 |
| Acquisitions, completed construction and tenant improvements | 248,438 | 35,924 | 410,787 |
| Disposition of land, buildings, and leasehold interests | (58,438) | (21,751) | (215,542) |
| Provision for loss on impairment of real estate | | (34,514) | (5,493) |
| Balance at the close of year | \$ 2,774,947 | \$ 2,584,947 | \$ 2,605,288 |
| Accumulated depreciation and amortization: | | | |
| Balance at the beginning of year | \$ 183,949 | \$ 146,289 | \$ 111,080 |
| Disposition of land, buildings, and leasehold interests | (2,071) | (3,143) | (2,591) |
| Depreciation and amortization expense | 41,043 | 40,803 | 37,800 |
| Balance at the close of year | \$ 222,921 | \$ 183,949 | \$ 146,289 |

As of December 31, 2010, 2009, and 2008, the detailed real estate schedule excludes work in progress of \$26,699, \$5,634, and \$42,253, respectively, which is included in the above reconciliation.

- (b) As of December 31, 2010, the leases are treated as either operating or financing leases for federal income tax purposes. As of December 31, 2010, the aggregate cost of the properties owned by NNN that are under operating leases were \$2,641,832 and financing leases were \$4,178.
- (c) For financial reporting purposes, the portion of the lease relating to the building has been recorded as a direct financing lease; therefore, depreciation is not applicable.
- (d) For financial reporting purposes, the lease for the land and building has been recorded as a direct financing lease; therefore, depreciation is not applicable.
- (e) NNN owns only the land for this property.
- (f) Date acquired represents acquisition date of land. Pursuant to lease agreement, NNN purchased the buildings from the tenants upon completion of construction, generally within 12 months from the acquisition of the land.

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- (g) Date acquired represents acquisition date of land. NNN developed the buildings, generally completing construction within 12 months from the acquisition date of the land.
- (h) In connection with the default of a note receivable and certain lease agreements between NNN and one of NNN's tenants, in June of 2009, NNN acquired the operations of the auto service business which was operated on certain Investment Properties.
- (i) NNN owns only the land for this property, which is subject to a ground lease between NNN and the tenant. The tenant funded the improvements on the property.
- (j) In 2005, there was a lease amendment to this property, resulting in a reclassification from a direct financing lease to an operating lease.
- (k) NNN owns only the building for this property, which is encumbered by a fixed rate mortgage and security agreement.
- (l) NNN owns only the building for this property. The land is subject to a ground lease between NNN and an unrelated third party.
- (m) Date acquired represents acquisition date of land. Pursuant to lease agreement, NNN funds the tenant's construction draws, final funding occurs generally within 12 months from the acquisition of the land.
- (n) The tenant of this property has subleased the property. The tenant continues to be responsible for complying with all the terms of the lease agreement and is continuing to pay rent on this property to NNN.
- (o) Property is encumbered as a part of NNN's \$6,952 long-term, fixed rate mortgage and security agreement.
- (p) Property is encumbered as a part of NNN's \$21,000 long-term, fixed rate mortgage and security agreement.
- (q) The land is subject to a ground lease between NNN and an unrelated third party. Pursuant to the lease agreement, NNN funds the tenant's construction draws, final funding occurs generally within 12 months from the execution of the ground lease.
See accompanying report of independent registered public accounting firm.

Table of Contents**NATIONAL RETAIL PROPERTIES, INC. AND SUBSIDIARIES****SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE****December 31, 2010****(dollars in thousands)**

| Description | Interest Rate | Maturity Date | Periodic Payment Terms | Prior Liens | Face Amount of Mortgages | Carrying Amount of Mortgages (f) | Principal Amount of Loans Subject to Delinquent Principal or Interest |
|--------------------------------|---------------|---------------|------------------------|-------------|--------------------------|----------------------------------|---|
| First mortgages on properties: | | | | | | | |
| Paramus, NJ | 9.000% | 2022 | (b) | | \$ 6,000 | \$ 4,971 | \$ |
| Des Moines, IA | 8.000% | 2013 | (d) | | 400 | 269 | |
| Terre Haute, IN | 7.000% | 2011 | (c) | | 1,582 | 1,452 | |
| Cleveland, OH | 10.000% | 2028 | (c) | | 6,644 | 6,644 | |
| Milford, CT | 8.000% | 2013 | (c) | | 1,550 | 1,550 | |
| Hollywood, FL | 6.000% | 2013 | (c) | | 450 | 450 | |
| Taylorsville, NC | 9.500% | 2013 | (e) | | 352 | 352 | |
| 4 properties in FL and GA | 6.250% | 2014 | (c) | | 5,500 | 5,450 | |
| | | | | | \$ 22,478 | \$ 21,138 (a) | \$ |

(a) The following shows the changes in the carrying amounts of mortgage loans during the years:

| | 2010 | 2009 | 2008 |
|------------------------------|-----------|-----------|------------|
| Balance at beginning of year | \$ 34,707 | \$ 35,993 | \$ 49,336 |
| New mortgage loans | 6,302 (g) | 2,259 (g) | 17,028 (g) |
| Deductions during the year: | | | |
| Collections of principal | (7,148) | (3,545) | (27,874) |
| Foreclosures | (12,723) | | (2,497) |
| Balance at the close of year | \$ 21,138 | \$ 34,707 | \$ 35,993 |

(b) Principal and interest is payable at level amounts over the life of the loan.

(c) Interest only payments are due monthly. Principal is due at maturity.

- (d) Principal and interest is payable at level amounts over the life of the loan with a principal balloon payment at maturity.
- (e) Principal and interest is payable in full on the earlier of (i) specific events as outlined in the loan agreement, or (ii) maturity date.
- (f) Mortgages held by NNN and its subsidiaries for federal income tax purposes for the years ended December 31, 2010, 2009 and 2008 were \$21,138, \$34,707, and \$35,993, respectively.
- (g) Mortgages totaling \$6,302, \$2,259, and \$17,028, were accepted in connection with real estate transactions for the year ended December 31, 2010, 2009 and 2008, respectively.
See accompanying report of independent registered public accounting firm.