

*Cash and Cash Equivalents.* The table below summarizes NNN's cash flows for each of the years ended December 31 (in thousands):

	2013	2012	2011
Cash and cash equivalents:			
Provided by operating activities	\$ 274,421	\$ 228,130	\$ 177,728
Used in investing activities	(568,040)	(601,759)	(752,068)
Provided by financing activities	293,028	373,623	574,374
Increase (decrease)	(591)	(6)	34
Net cash at beginning of period	2,076	2,082	2,048
Net cash at end of period	\$ 1,485	\$ 2,076	\$ 2,082

Cash provided by operating activities represents cash received primarily from rental income from tenants, proceeds from the disposition of certain properties and interest income less cash used for general and administrative expenses, interest expense and acquisition of certain properties. NNN's cash flow from operating activities, net of cash used in and provided by the acquisition and disposition of certain properties, has been sufficient to pay the distributions for each period presented. NNN uses proceeds from its Credit Facility to fund the acquisition of its properties. The change in cash provided by operations for the years ended December 31, 2013, 2012 and 2011, is primarily the result of changes in revenues and expenses as discussed in "Results of Operations." Cash generated from operations is expected to fluctuate in the future.

Changes in cash for investing activities are primarily attributable to acquisitions and dispositions of Properties.

NNN's financing activities for the year ended December 31, 2013, included the following significant transactions:

- \$127,800,000 in net payments to NNN's Credit Facility,
- \$277,644,000 in net proceeds from the issuance of 11,500,000 depositary shares representing interests in NNN's 5.700% Series E Cumulative Redeemable Preferred Stock (the "Series E Preferred Stock") in May,
- \$25,407,000 in net proceeds from the issuance of 764,891 shares of common stock in connection with the Dividend Reinvestment and Stock Purchase Plan ("DRIP"),
- \$238,643,000 in net proceeds from the issuance of 6,956,992 shares of common stock in connection with the at-the-market ("ATM") equity program,
- \$189,107,000 in dividends paid to common stockholders,
- \$19,047,000 in dividends paid to holders of the depositary shares of NNN's Series D Preferred Stock,
- \$8,876,000 in dividends paid to holders of the depositary shares of NNN's Series E Preferred Stock,
- \$344,266,000 in net proceeds from the issuance of the 3.300% notes payable in April,
- \$20,565,000 paid in the first quarter to settle the remaining \$15,537,000 principal amount of the 3.950% convertible notes payable, and
- \$226,231,000 paid to settle the \$223,035,000 principal amount of the 5.125% convertible notes payable.

*Financing Strategy.* NNN's financing objective is to manage its capital structure effectively in order to provide sufficient capital to execute its operating strategy while servicing its debt requirements, maintaining investment grade credit rating, staggering debt maturities and providing value to NNN's stockholders. NNN generally utilizes debt and equity security offerings, bank borrowings, the sale of properties, and to a lesser extent, internally generated funds to meet its capital needs.

NNN typically funds its short-term liquidity requirements, including investments in additional Properties, with cash from its Credit Facility. As of December 31, 2013, \$46,400,000 was outstanding and \$453,600,000 was available for future borrowings under the Credit Facility.

As of December 31, 2013, NNN's ratio of total debt to total gross assets (before accumulated depreciation) was approximately 32 percent and the ratio of secured indebtedness to total gross assets was less than one percent. The ratio of total debt to total market capitalization was approximately 28 percent. Certain financial agreements to which NNN is a party contain covenants that limit NNN's ability to incur debt under certain circumstances. The organizational documents of NNN do not limit the absolute amount or percentage of indebtedness that NNN may incur. Additionally, NNN may change its financing strategy.