NATIONAL RETAIL PROPERTIES, INC.
Form DEF 14A
March 21, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant [_]

Check the appropriate box:

[_] Preliminary Proxy Statement
[_] Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[_] Definitive Additional Materials
[_] Soliciting Material Pursuant to §240.14a-12

National Retail Properties, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statements, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
[X] No fee required.
[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
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(2) Aggregate number of securities to which transaction applies:
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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

NATIONAL RETAIL PROPERTIES, INC.

450 South Orange Avenue, Suite 900
Orlando, Florida 32801
Tel: 407-265-7348

March 21, 2019

To Our Stockholders:

You are cordially invited to attend the annual meeting of stockholders of National Retail Properties, Inc. (the "Company") on May 14, 2019, at 8:30 a.m. local time, at 450 South Orange Avenue, Suite 900, Orlando, Florida 32801. Our directors and officers look forward to greeting you personally. Enclosed for your review are the Proxy Card, Proxy Statement and Notice of Meeting for the Annual Meeting of Stockholders, which describe the business to be conducted at the meeting. The matters proposed for consideration at the meeting are:

1. The election of nine directors;

2. An advisory vote on executive compensation; and

3. The ratification of the selection of our independent registered public accounting firm for 2019.

Whether you own a few or many shares of stock of the Company, it is important that your shares be represented. If you cannot personally attend the meeting, we encourage you to make certain you are represented at the meeting by signing and dating the accompanying proxy card and promptly returning it in the enclosed envelope. You may also vote either by telephone (1-800-690-6903) or on the Internet (http://www.proxyvote.com). Returning your proxy card, voting by telephone or voting on the Internet will not prevent you from voting in person, but will assure that your vote will be counted if you are unable to attend the meeting.

Sincerely,

/s/ Julian E. Whitehurst
Julian E. Whitehurst
President and Chief Executive Officer

NATIONAL RETAIL PROPERTIES, INC.

450 South Orange Avenue, Suite 900
Orlando, Florida 32801

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 14, 2019

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of NATIONAL RETAIL PROPERTIES, INC. will be held at 8:30 a.m. local time, on May 14, 2019, at 450 South Orange Avenue, Suite 900, Orlando, Florida 32801, for the following purposes:

1. The election of nine directors;

2. An advisory vote on executive compensation; and

3. The ratification of the selection of our independent registered public accounting firm for 2019.

We will also transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on March 15, 2019, will be entitled to notice of and to vote at the annual meeting or at any adjournment thereof.

Stockholders are cordially invited to attend the meeting in person. PLEASE VOTE, EVEN IF YOU PLAN TO ATTEND THE MEETING, by completing, signing and returning the enclosed proxy card, by telephone (1-800-690-6903) or on the internet (http://www.proxyvote.com) by following the instructions on your proxy card. If you decide to attend the meeting you may revoke your Proxy and vote your shares in person. It is important that your shares be voted.

By Order of the Board of Directors,

/s/ Christopher P. Tessitore
Christopher P. Tessitore
Executive Vice President, General Counsel,
and Secretary

March 21, 2019
Orlando, Florida

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE ANNUAL MEETING TO BE HELD ON MAY 14, 2019

Our Proxy Statement and our Annual Report to shareholders,
which includes our Annual Report on Form 10-K, are available at

NATIONAL RETAIL PROPERTIES, INC.
450 South Orange Avenue, Suite 900
Orlando, Florida 32801
Tel: 407-265-7348

PROXY STATEMENT

General. This Proxy Statement is furnished by the Board of Directors of National Retail Properties, Inc. (the "Company") in connection with the solicitation by the Board of Directors of proxies to be voted at the annual meeting of stockholders to be held on May 14, 2019, and at any adjournment thereof, for the purposes set forth in the accompanying notice of such meeting. All stockholders of record at the close of business on March 15, 2019 (the "Record Date"), will be entitled to vote. It is anticipated that this Proxy Statement and the enclosed Proxy will be mailed to stockholders on or about April 2, 2019. The Proxy Statement and our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") will also be available on the Internet at www.nnnreit.com/proxyvote.

When we use the words "we," "us," "our" or "Company," we are referring to National Retail Properties, Inc.

Voting/Revocation of Proxy. If you complete and properly sign and mail the accompanying proxy card, it will be voted as you direct. If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. "Street name" stockholders who wish to vote at the meeting will need to obtain a proxy from the institution that holds their shares.

If you are a registered stockholder, you may vote by telephone (1-800-690-6903), or electronically through the Internet (http://www.proxyvote.com), by following the instructions included with your proxy card. If your shares are held in "street name," please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically.

Any proxy, if received in time, properly signed and not revoked, will be voted at such meeting in accordance with the directions of the stockholder. If no directions are specified, the proxy will be voted FOR each of Proposals I, II, and III contained herein. Any stockholder giving a proxy has the power to revoke it at any time before it is exercised. A proxy may be revoked (1) by delivery of a written statement to the Secretary of the Company stating that the proxy is revoked, (2) by presentation at the annual meeting of a subsequent proxy executed by the person executing the prior proxy, or (3) by attendance at the annual meeting and voting in person.

Vote Required for Approval; Quorum. The nominees for director who receive a majority of the votes cast will be elected. If you indicate "withhold authority to vote" for a particular nominee by entering the number of any nominee (as designated on the proxy card) below the pertinent instruction on the proxy card, your vote will not count either for or against the nominee. As of the Record Date, 161,978,308 shares of the common stock of the Company (the "Common Stock") were outstanding, of which 161,496,779 shares entitled the holder thereof to one vote on each of the matters to be voted upon at the annual meeting. As of the Record Date, our executive officers and directors had the power to vote approximately 0.33% of the outstanding shares of Common Stock. Our executive officers and directors have advised us that they intend to vote their shares of Common Stock FOR each of Proposals I, II, and III contained herein.

Votes cast in person or by proxy at the annual meeting will be tabulated and a determination will be made as to whether or not a quorum is present. We will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence or absence of a quorum, but as unvoted for purposes of determining the approval of any matter submitted to the stockholders. If a broker submits a proxy indicating that it does not have discretionary authority as to certain shares to vote on a particular matter (broker non-votes), those shares will not be considered as present and entitled to vote with respect to such matter. Broker non-votes with respect to the election of directors will have no effect on the outcome of the vote on that proposal.

YOUR VOTE AT THE ANNUAL MEETING IS VERY IMPORTANT TO US.

Solicitation of Proxies. Solicitation of proxies will be primarily by mail. However, our directors and officers may also solicit proxies by telephone or telegram or in person. All of the expenses of soliciting proxies, including preparing, assembling, printing and mailing the materials used in the solicitation of proxies, will be paid by us. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to forward soliciting materials, at our expense, to the beneficial owners of shares held of record by such persons.

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PROPOSAL I

ELECTION OF DIRECTORS

Nominees

The persons named below have been nominated by the Board of Directors of the Company (the “Board of Directors” or the “Board”) for election as directors to serve until the next annual meeting of stockholders or until their successors shall have been elected and qualified.

In selecting the candidates to nominate for election as directors, the Board’s principal qualification is whether an individual has the ability to act in the best interests of the Company and its stockholders. In making such determination with respect to each nominee, the Board takes into account certain interpersonal skills, including leadership abilities, work ethic, business judgment, collegiality and communication skills, and believes that each nominee possesses the interpersonal skills necessary to act in the best interests of the Company and its stockholders. The Board also takes into account each person’s experience and management skills, the specifics of which are discussed in the table below. The table sets forth each nominee’s name, age, principal occupation or employment and directorships in other public corporations during at least the last five years, as well as the specific experience, qualifications, attributes and skills each nominee has acquired in such positions.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ALL OF THE NOMINEES DESCRIBED BELOW FOR ELECTION AS DIRECTORS.

Name and Age	Background
Pamela K. M. Beall, 62	Ms. Beall has served as a director of the Company since August 2016. Ms. Beall is Executive Vice President, Chief Financial Officer and director of MPLX GP LLC, a subsidiary of Marathon Petroleum Corporation ("MPC"), a Fortune 51, public company. MPLX GP LLC is the general partner of MPLX LP, a publicly traded master limited partnership, and is one of the largest petroleum pipeline companies and natural gas processors in the United States. Ms. Beall was Executive Vice President of Corporate Planning and Strategy of MPLX LP from January 2016 to October 2016; Senior Vice President of Corporate Planning, Government and Public Affairs of MPC and President of MPLX from January 2014 to January 2016, and was Vice President of Investor Relations of MPC from July 2011 to January 2014. She currently serves on the board of trustees of the University of Findlay, and is a member of the executive, audit, business affairs, and capital campaign committees. Ms. Beall received a Bachelor of Science, Accounting degree from the University of Findlay, and a Master of Business Administration from Bowling Green State University, and is a non-practicing Certified Public Accountant. The Board believes, that in these positions, Ms. Beall has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Ms. Beall should serve as a director for the Company.

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Steven D. Cosler, 63	Mr. Cosler has served as a director of the Company since August 2016. Mr. Cosler served as lead director of Catamaran Corporation, which was acquired by United Healthcare in July 2015. Mr. Cosler currently serves on the boards of EBMS, ELAP Services and Eversana, all of which are Water Street Healthcare portfolio companies. He also serves on the board of LifeNet International, a non-profit organization, and is chairman and co-founder of Elevate Indianapolis, a non-profit organization. The Board believes, that in these positions, Mr. Cosler has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Mr. Cosler should serve as a director for the Company.
Don DeFosset, 70	Mr. DeFosset has served as a director of the Company since December 2008. Mr. DeFosset currently serves on the boards of directors for Regions Financial Corporation, ITT Corporation, Terex Corporation, and ATL Partners, and also serves on the board of trustees for the University of Tampa. Mr. DeFosset retired in November 2005 as Chairman, President and Chief Executive Officer of Walter Industries, Inc., a diversified company with principal operating businesses in homebuilding and home financing, water transmission products and energy services. Mr. DeFosset is a graduate of Purdue University, where he earned a Bachelor's degree in Industrial Engineering. He received his MBA from Harvard Business School in 1974. The Board believes, that in these positions, Mr. DeFosset has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Mr. DeFosset should serve as a director for the Company.
David M. Fick, 61	Mr. Fick has served as a director of the Company since November 2010. Mr. Fick is a professional faculty member at the Johns Hopkins University Carey Business School where he teaches graduate-level Real Estate Finance, Capital Markets, and REIT Structuring and Analysis. He is President of Nandua Oyster Company, an aquaculture business he founded in 2007. Mr. Fick served as Managing Director at Stifel Nicolaus & Company, a successor to Legg Mason Wood Walker. In that position he headed Real Estate Research and was an analyst covering real estate investment trusts ("REITs") from 1997 to 2010. During this period he was also a member of the Legg Mason Real Estate Capital Investment Committee. Mr. Fick also served as Equity Vice President, Finance with Alex Brown Kleinwort Benson and LaSalle Partners from 1993 to 1995, and as Chief Financial Officer at Mills Corporation and Western Development Corporation from 1991 to 1994. Prior to that, he was a practicing CPA and consultant with a national accounting firm, specializing in the real estate industry. He is also a member of the National Association of Real Estate Investment Trusts ("Nareit"), and the American Institute of Certified Public Accountants, and is a non-practicing Certified Public Accountant. Mr. Fick is also a member of the Virginia Eastern Shorekeeper board, and the Virginia Coastal Land Management Advisory Council. Mr. Fick is also an active investor in several private real estate funds and partnerships.

	The Board believes, that in these positions, Mr. Fick has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, accounting experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Mr. Fick should serve as a director for the Company.
Edward J. Fritsch, 60	Mr. Fritsch has served as a director of the Company since February 2012. Mr. Fritsch is President, Chief Executive Officer and Director of Highwoods Properties, Inc., a REIT publicly traded on the New York Stock Exchange. Joining Highwoods in 1982, Mr. Fritsch was a partner in the predecessor firm which launched its initial public offering in 1994. In 2004, Mr. Fritsch assumed the role of Chief Executive Officer. Mr. Fritsch is a member of the Nareit Board of Governors and served as Nareit's 2015/2016 chair. Mr. Fritsch is also a member of Wells Fargo's central regional advisory board, a member of the University of North Carolina at Chapel Hill Foundation board, a director of the University of North Carolina at Chapel Hill Real Estate Holdings, a member of Dix Park Conservancy Board and a member of Triangle Family Services Advisory Board. The Board believes, that in these positions, Mr. Fritsch has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, accounting experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Mr. Fritsch should serve as a director for the Company.
Kevin B. Habicht, 60	Mr. Habicht has served as a director of the Company since June 2000, as Executive Vice President and Chief Financial Officer of the Company since December 1993 and as Treasurer of the Company since January 1998. Mr. Habicht served as Secretary of the Company from January 1998 to May 2003. Mr. Habicht is a Certified Public Accountant and a Chartered Financial Analyst. The Board believes, that in these positions, Mr. Habicht has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, accounting experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Mr. Habicht should serve as a director for the Company.

Betsy D. Holden, 63	Ms. Holden has served as a director of the company since February 2019. Ms. Holden has been a Senior Advisor to McKinsey & Company, a global management consulting company, since April 2007 leading strategy, marketing and board effectiveness initiatives for consumer goods, healthcare, and financial services clients. Prior to that Ms. Holden spent 25 years in marketing and line positions in consumer goods. Ms. Holden served as President, Global Marketing and Category Development of Kraft Foods Inc. from January 2004 to June 2005, Co-Chief Executive Officer of Kraft Foods Inc. from March 2001 until December 2003, and President and Chief Executive Officer of Kraft Foods North America from May 2000 to December 2003. Ms. Holden currently serves as a Director of Dentsply Sirona and Western Union. She has served on eight public boards over the last 20 years including Diageo Plc (2009-2018), Time, Inc. (2014-2018), and Catamaran Corporation (2012-2015). Ms. Holden was selected as a 2015 NACD Directorship 100 honoree and was inducted into the Chicago Business Hall of Fame in 2016. She currently serves on the board of Lyons Magnus, a private equity food service portfolio company. Ms. Holden graduated Phi Beta Kappa with a Bachelor of Arts from Duke University and serves on the Executive Committee of Duke University's Board of Trustees. She received a Masters of Management in Marketing and Finance from Northwestern University's Kellogg School of Management and serves on the Global Advisory Board. The Board believes, that in these positions, Ms. Holden has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Ms Holden should serve as a director for the Company.
Sam L. Susser, 55	Mr. Susser has served as a director of the Company since November 2015. Mr. Susser is currently President of Susser Investment Company, the general partner of Susser Holdings II, L.P., a private investment firm he founded in 1998 and serves as Chairman of Affiliated Bank and the Corpus Christi Athletic Club. Mr. Susser led the growth of Susser Holdings Corporation, a Fortune 500 convenience store operator and motor fuel distributor, from 1988 until its sale to Energy Transfer Partners in August 2014, as Chairman of the Board since September 2013, as President and CEO since 1992, and as a director since 1988. Mr. Susser remained Chairman of the Board of Susser Petroleum Partners LP (now known as Sunoco LP), a publicly traded partnership created by Susser Holdings Corporation in September 2012, until May 2015. Mr. Susser's career began in the corporate finance division and the mergers and acquisitions group of Salomon Brothers, Inc., an investment bank, from 1985 through 1987. He received his BBA in Finance from the University of Texas at Austin. The Board believes, that in these positions, Mr. Susser has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, accounting experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Mr. Susser should serve as a director for the Company.

Julian E. Whitehurst, 61	Mr. Whitehurst has served as a director of the Company since February 2017, as CEO of the Company since April 2017, as President of the Company since May 2006 and as Chief Operating Officer of the Company since June 2004. He also previously served as Executive Vice President of the Company from February 2003 to May 2006, as Secretary of the Company from May 2003 to May 2006, and previously served as General Counsel from 2003 to 2006. Prior to February 2003, Mr. Whitehurst was a shareholder at the law firm of Lowndes, Drosdick, Doster, Kantor & Reed, P.A. He serves as a member of the board of directors of InvenTrust Properties, Inc., serves on the board of trustees and the executive committee of Lake Highland Preparatory School. Mr. Whitehurst is a member of ICSC and Nareit, and serves on the Nareit Advisory Board of Governors. The Board believes, that in these positions, Mr. Whitehurst has acquired the experience, qualifications, attributes and skills, including business and management experience, real estate experience, accounting experience, finance and capital markets experience and an understanding of corporate governance regulations necessary to act in the best interests of the Company and its stockholders, and based on these skills, together with the interpersonal skills mentioned above, the Board has concluded that Mr. Whitehurst should serve as a director for the Company.

In the event that any nominee(s) should be unable to accept the office of director, which is not anticipated, it is intended that the persons named in the Proxy will vote FOR the election of such other person in the place of such nominee(s) for the office of director as the Board of Directors may recommend.

Corporate Governance

General. We are currently managed by a nine-member Board of Directors that consists of Mses. Beall and Holden, and Messrs. Cosler, DeFosset, Fick, Fritsch, Habicht, Susser, and Whitehurst, with Mr. DeFosset serving as Chairman of the Board. Robert C. Legler retired as a member and Chairman of the Board of Directors effective December 20, 2018.

The Board of Directors has adopted a set of corporate governance guidelines, which, along with the written charters for the Board committees described below, provide the framework for the Board’s governance of the Company. Our corporate governance guidelines are available on our website at http://www.nnnreit.com.

Independence and Composition. Our corporate governance guidelines and the rules and regulations of the New York Stock Exchange, which we refer to as the NYSE listing standards, each require that a majority of the Board of Directors are “independent” directors, as that term is defined in the NYSE listing standards.

The Board of Directors has determined that Ms. Beall, Ms. Holden and Messrs. Cosler, DeFosset, Fick, Fritsch, and Susser, representing a majority of the Board of Directors, qualify as independent directors (the “Independent Directors”) as that term is defined in the NYSE listing standards. The Board of Directors made its determination based on information furnished by all directors regarding their relationships with us and our affiliates and research conducted by management. In addition, the Board of Directors consulted with our external legal counsel to ensure that the Board’s determination would be consistent with all relevant securities laws and regulations as well as the NYSE listing standards.

Leadership Structure. In connection with Mr. Macnab's retirement in 2017, the Board of Directors elected to split the roles of Chief Executive Officer and Chairman of the Board. Effective as of April 28, 2017, Julian E. Whitehurst assumed the position of Chief Executive Officer. Mr. Legler served as Chairman of the Board until his retirement. Mr. DeFosset serves as Chairman of the Board since his election on December, 20, 2018. In his role as Chairman of the Board, Mr. DeFosset presides over all meetings of the stockholders and directors, and reviews and approves Board meeting schedules, agendas, and information provided to the Board. In addition, Mr. DeFosset presides as chairman when the Board meets in executive session and he serves as the interface between the Board and the Chief Executive Officer in communicating matters discussed during the executive session.

Risk Oversight. Our management is responsible for managing the day-to-day risks associated with our business. The Board of Directors, however, is elected to provide effective oversight of our affairs for the benefit of our stockholders, and among its primary responsibilities, in accordance with our corporate governance guidelines, is overseeing management in the competent and ethical operation of the Company, reviewing and approving our business plans and corporate strategies, and adopting and evaluating policies of corporate and ethical conduct and governance. Implicit in these duties is risk oversight, the primary responsibility of which has been delegated to the Board's Audit Committee. The Audit Committee reviews with management annually, or more frequently as the Audit Committee deems necessary, our significant risks or exposures and discusses guidelines and policies to govern this process and assesses steps that management has taken to minimize such risks to the Company.

While the primary responsibility has been delegated to the Audit Committee, the Governance and Nominating Committee and the Compensation Committee consider risks within their area of responsibility. Further, each director may consult with management at any time and is encouraged to discuss with management any questions such director may have.

With respect to risks related to compensation matters, our management, together with the Compensation Committee, reviewed our compensation policies and practices for our employees in order to determine whether they are reasonably likely to have a material adverse effect on the Company. We believe that our compensation policies and practices do not promote unreasonable risk-taking behavior and are not reasonably likely to have a material adverse effect based on the following factors:

- the Compensation Committee consists solely of independent non-employee directors, and the Compensation Committee has engaged an independent, external compensation consultant to assist with creating the executive compensation program;

- the Compensation Committee maintains the right, in its sole discretion, to modify the compensation policies and practices at any time;

- the Compensation Committee has elected to use awards of restricted stock instead of other equity awards, such as stock options, because, as a REIT, which pays a large portion of its annual earnings to stockholders in the form of dividends, the Compensation Committee believes that restricted stock provides a better incentive and alignment of interest than stock options;

- restricted stock grants are intended to provide our named executive officers with a significant interest in the long-term performance of our stock;

- restricted stock awards are subject to forfeiture upon certain employment termination events;

- performance-contingent restricted stock grants tied to our three-year total shareholder returns relative to a broad REIT peer group further focus our executive officers on long-term shareholder value creation;

- bonus awards to our executive officers are reduced if balance sheet leverage exceeds levels previously approved by the Compensation Committee;

- we have adopted a stock ownership policy for our executive officers and members of our Board which requires all directors and executive officers to own meaningful levels of Company stock;

- we have adopted an insider trading policy which prohibits, among other things, trading of Company securities on a short-term basis, buying puts or calls on Company securities, short sales of Company securities, and certain other activities. We have also adopted an anti-hedging policy for directors and executive officers which prohibits all hedging activities, including, buying, selling or trading in options or other derivative securities based on Company securities;

- we have adopted a pledging limitation policy for our directors and executive officers which restricts directors and executive officers from pledging shares of the Company and holding of shares of the Company in margin accounts (no directors or executive officers have pledged any shares);

- we have adopted a clawback policy for our executive officers which allows the Board to recover certain incentive compensation if the Company has a material restatement of financial results, as a result of such restatement the incentive compensation would not have been earned, and the executive officer engaged in fraud or other intentional misconduct;

- none of our employees are paid commission compensation;

- bonus and incentive awards to our employees eligible for bonus awards are capped; and

- we base executive compensation on several critical success factors.

Given these factors, we believe we have mitigated potential short-term excessive risk-taking and aligned compensation with increasing long-term shareholder value.

Meetings and Attendance. The Board of Directors met five times in the fiscal year ended December 31, 2018. Each of the nominees serving on the Board of Directors in 2018 attended (i) not less than 80% of the Board of Director meetings (including 100% of the Board's regular quarterly meetings), and (ii) 100% of the committee meetings held during the period that the nominee served on the committees of the Board of Directors. Our corporate governance guidelines provide that it is the responsibility of individual directors to make themselves available to attend scheduled and special Board meetings on a consistent basis. In addition to the five Board of Directors meetings, all of our directors were in attendance for the 2018 annual meeting of the Company’s stockholders. In addition, non-management members of the Board of Directors met in executive session five times in the fiscal year ended December 31, 2018. These sessions were presided over by Mr. Legler in his capacity as Chairman.

Interested Party Communications. The Board of Directors has adopted a process whereby stockholders and other interested parties can send communications to our directors. Anyone wishing to communicate directly with one or more directors may do so in writing addressed to the director or directors, c/o National Retail Properties, Inc., 450 South Orange Avenue, Suite 900, Orlando, Florida 32801, attention: Secretary of the Company. All correspondence will be reviewed by the Secretary of the Company and forwarded directly to the addressee so long as, in the Secretary’s discretion, such correspondence is reasonably related to protecting or promoting legitimate interests of interested parties or the reliability of the financial markets.

Audit Committee

General. The Board of Directors has established an Audit Committee, which is governed by a written charter, a copy of which is available on our website at http://www.nnnreit.com. Among the duties, powers and responsibilities of the Audit Committee as provided in its charter, the Audit Committee:

- has sole power and authority concerning the engagement and fees of independent registered public accounting firms;

- reviews with the independent registered public accounting firm the plans and results of the audit engagement;

- pre-approves all audit services and permitted non-audit services provided by the independent registered public accounting firm;

- reviews the independence of the independent registered public accounting firm;

- reviews the adequacy and effectiveness of our internal control over financial reporting; and

- reviews accounting, auditing and financial reporting matters with our independent registered public accounting firm and management.

Independence and Composition. The composition of the Audit Committee is subject to the independence and other requirements of the Securities Exchange Act of 1934 and the rules and regulations promulgated by the SEC thereunder (the “Exchange Act”), and the NYSE listing standards.

The Board of Directors, upon the unanimous recommendation of the Governance and Nominating Committee, has determined that all current members of the Audit Committee are “independent,” as that term is defined in the NYSE listing standards and as required by the Exchange Act, and meet all audit committee composition requirements of the Exchange Act and the NYSE listing standards, and that each of Ms. Beall, Ms. Holden and Messrs. Cosler, Fick, and Susser qualifies as an “audit committee financial expert” as that term is defined in the Exchange Act.

Meetings. The Audit Committee met eight times in the fiscal year ended December 31, 2018. The Audit Committee consisted of Ms. Beall and Messrs. Cosler, Fick, and Fritsch, with Mr. Fick serving as Chairman.

Governance and Nominating Committee

General. The Board of Directors has established a Governance and Nominating Committee, which is governed by a written charter, a copy of which is available on our website at http://www.nnnreit.com. As provided in the Governance and Nominating Committee charter, the Governance and Nominating Committee:

- identifies and recommends to the Board of Directors individuals to stand for election and re-election to the Board of Directors at our annual meeting of stockholders and to fill vacancies that may arise from time to time;
- develops and makes recommendations to the Board of Directors for the creation and ongoing review and revision of a set of effective corporate governance principles that promote our competent and ethical operation and a policy governing ethical business conduct of our employees and Directors; and
- makes recommendations to the Board of Directors as to the structure and membership of committees of the Board of Directors.

Selection of Director Nominees. Our corporate governance guidelines provide that the Governance and Nominating Committee will endeavor to identify individuals to serve on the Board of Directors who have expertise that is useful to us and complimentary to the background, skills and experience of other Board members. The Governance and Nominating Committee’s assessment of the composition of the Board of Directors includes (a) skills - business and management experience, real estate experience, accounting experience, finance and capital markets experience, and an understanding of corporate governance regulations and public policy matters, (b) character - ethical and moral standards, leadership abilities, sound business judgment, independence and innovative thought, and (c) composition - diversity, age and public company experience. The Governance and Nominating Committee measures its composition by taking into account the entirety of the Board and the criteria listed above rather than having any representational directors. While we do not have a formal policy on diversity, the Governance and Nominating Committee assesses its effectiveness in accounting for diversity, along with the other factors taken into account to identify director nominees, when it annually evaluates the performance of the Board and each director and periodically reviews the Company’s corporate governance guidelines. The principal qualification for a director is the ability to act in the best interests of the Company and its stockholders. Each of the candidates for director named in this proxy statement have been recommended by the Governance and Nominating Committee and approved by the Board of Directors for inclusion on the attached proxy card.

The Governance and Nominating Committee also considers director nominees recommended by stockholders. See the section of this proxy statement entitled “PROPOSALS FOR NEXT ANNUAL MEETING” for a description of how stockholders desiring to make nominations for directors and/or to bring a proper subject before a meeting should do so. The Governance and Nominating Committee evaluates director candidates recommended by stockholders in the same manner as it evaluates director candidates recommended by our directors, management or employees.

Independence and Composition. The NYSE listing standards require that the Governance and Nominating Committee consist solely of independent directors. The Board of Directors, upon the unanimous recommendation of the Governance and Nominating Committee, has determined that all current members of the Governance and Nominating Committee are "independent" as that term is defined in the NYSE listing standards.

Meetings. The Governance and Nominating Committee met four times in the fiscal year ended December 31, 2018. The Governance and Nominating Committee consisted of Ms. Beall and Messrs. DeFosset, Fritsch, and Susser, with Mr. Fritsch serving as Chairman.

Compensation Committee

General. The Board of Directors has established a Compensation Committee, which is governed by a written charter, a copy of which is available on our website at http://www.nnnreit.com.

Processes and Procedures for Executive and Director Compensation Determinations

- Role of Compensation Committee. The Compensation Committee is responsible for discharging the responsibilities of the Board of Directors with respect to approving and evaluating compensation plans, policies and programs for our executive officers and directors and approving all awards to any executive officer, director or associate under our equity incentive plans. The Compensation Committee also serves as the administrator of our 2017 Performance Incentive Plan, and our 2007 Performance Incentive Plan.
- Role of Management in Compensation Determinations. The Compensation Committee considers the recommendations of our Chief Executive Officer when determining the base salary and incentive performance compensation levels of the other executive officers. Similarly, the Compensation Committee also considers the recommendations of our Chief Executive Officer when setting specific Company and individual incentive performance targets. In addition, officers may be invited to attend committee meetings. Management generally does not have a role in the setting of director compensation.
- Role of Compensation Consultants. The Compensation Committee has the authority, in its sole discretion, to engage compensation consultants as needed or desired to assist the Compensation Committee in researching and evaluating executive officer and director compensation programs. Since 2012, the Compensation Committee has retained Pearl Meyer & Partners, an independent compensation consulting firm ("Pearl Meyer"), to assist the Compensation Committee in reviewing and evaluating the Company's executive and non-employee director compensation programs. The use of independent third-party consultants provides additional assurance that our executive compensation programs are reasonable, consistent with Company objectives, and competitive with executive compensation for companies in our peer group. Pearl Meyer reports directly to the Compensation Committee, provides no other services to the Company, and regularly participates in committee meetings. The Compensation Committee assessed the independence of Pearl Meyer pursuant to the applicable SEC rules and concluded no conflict of interest exists that would prevent Pearl Meyer from serving as an independent advisor to the Committee.
- Delegation of Authority by the Committee. The Committee may delegate its authority to make and administer awards under our equity incentive plans to another committee of the Board of Directors or, except for awards to individuals subject to Section 16 of the Exchange Act, to one or more of our officers. On an annual basis, the Committee typically authorizes a limited number of shares of restricted stock to be awarded by our Chief Executive Officer to such of our non-executive associates as he determines, in consultation with our other executive officers.

Our executive compensation programs and philosophy are described in greater detail under the section entitled "Compensation Discussion and Analysis."

Independence and Composition. The NYSE listing standards require that the Compensation Committee consist solely of independent directors. The Board of Directors, upon the unanimous recommendation of the Governance and Nominating Committee, has determined that all current members of the Compensation Committee are "independent" as that term is defined in the NYSE listing standards.

Meetings. The Compensation Committee met four times in the fiscal year ended December 31, 2018. The Compensation Committee consisted of Messrs. Cosler, DeFosset, Fick, and Susser, with Mr. DeFosset serving as Chairman.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is or was previously an officer or employee of the Company, and no executive officer of the Company serves on the board of directors of any company at which any member of the Compensation Committee is employed.

Director Compensation

The following table shows the compensation paid to our non-employee directors during fiscal year 2018.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Total ($)
(a)	(b)	(c)	(d)
Pamela K. Beall	$100,500	$126,000	$226,500
Steven D. Cosler[2]	--	$228,250	$228,250
Don DeFosset	$69,500	$168,000	$237,500
David M. Fick[2]	$117,250	$126,000	$243,250
Edward J. Fritsch	--	$236,000	$236,000
Robert C. Legler[2]	--	$260,000	$260,000
Sam L. Susser[2]	--	$224,750	$224,750

(1) The awards shown in column (c) represent stock awards as a result of an annual election to receive stock in lieu of cash made to directors of the Company. The amounts represent the grant date fair value with respect to the fiscal year in accordance with FASB ASC Topic 718.

(2) The cash fees and stock awards earned by Mr. Legler ($260,000), as well as the stock awards earned by Mr. Fick ($126,000), Mr. Cosler ($228,250), and Mr. Susser ($98,750), are deferred into shares of our common stock under our Deferred Fee Plan, which is described in greater detail below.

The Company only compensates non-employee directors for services provided as directors of the Company. Following a study by Pearl Meyer which found that total compensation levels for our directors were below the 50th percentile (or "median") of industry peers (as identified in “Executive Compensation-Compensation Discussion and Analysis-Benchmarking”), effective July 1, 2017, board compensation was set at $200,000 per year, payable in quarterly increments. Non-employee directors may elect to receive up to $80,000 of their annual board compensation in the form of cash, with the remainder paid in shares of the Company’s Common Stock. Additionally, the Non-Employee Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Compensation Committee, and the Chairman of the Governance and Nominating Committee receive $50,000, $25,000, $20,000 and $15,000, respectively. Additionally, each non-chair member of the Audit Committee, Compensation Committee and Governance and Nominating Committee receives $10,000, $8,000, and $6,000, respectively. The Committee retainers are payable in cash or stock at the election of each director. In 2017 the Company inadvertently failed to pay the increased fee levels to the non-employee directors discussed above, that became effective July 1, 2017. The Company increased fees to the non-employee directors paid in 2018 by $111,375 to compensate for that oversight.

Pursuant to our corporate governance guidelines, each of our non-employee directors is required to own our Common Stock equivalent to three times the annual total board compensation within five years of becoming a board member. The Compensation Committee reviews progress toward meeting these ownership requirements annually, and each of the nominees that have served on the Board of Directors for the requisite number of years exceeds the ownership requirements.

A Deferred Fee Plan was established by the Company for the benefit of its directors and their beneficiaries. A director may elect to defer all or part of his or her director's fees to be earned in any calendar year by filing a deferred fee agreement with the Company no later than December 15 of the previous year. A director has the option to have deferred fees paid in cash, in shares of Common Stock or in a combination of cash and Common Stock. If the director elects to have the deferred fees paid in stock, the number of shares allocated to the director's stock account is determined based on the market value of the Common Stock on the trading day preceding the date the deferred director's fees were earned. A director is entitled to receive the vested portion of the amounts credited to his or her deferred fee account on the time specified in such director's fee agreement.

The following table sets forth fees deferred into shares of Common Stock, as well as dividends earned on the deferred shares by directors under the Deferred Fee Plan.

	Number of Shares Credited to Deferred Fee Account	
Name	2018	Total
Steven D. Cosler	5,791	10,729
Don DeFosset	1,318	29,599
David M. Fick	4,250	29,553
Robert C. Legler	10,917	109,312
Sam L. Susser	2,593	6,601
Total	24,869	185,794

Code of Business Conduct and Insider Trading Policy

Our directors, as well as our officers and employees, are also governed by our code of business conduct. Our code of business conduct is available on our website at http://www.nnnreit.com. Amendments to, or waivers from, a provision of the code of business conduct that applies to our directors, executive officers or employees will be posted to our website within four business days following the date of such amendment or waiver.

Executive Officers

Our executive officers are listed below.

Name	Position
Julian E. Whitehurst	President and Chief Executive Officer
Kevin B. Habicht	Executive Vice President, Chief Financial Officer, Assistant Secretary and Treasurer
Paul E. Bayer	Executive Vice President and Chief Investment Officer
Stephen A. Horn, Jr.	Executive Vice President and Chief Acquisition Officer
Michelle L. Miller	Executive Vice President and Chief Accounting Officer
Christopher P. Tessitore	Executive Vice President, General Counsel and Secretary

The backgrounds for Messrs. Bayer, Horn, and Tessitore, and Ms. Miller are set forth below. The backgrounds of Messrs. Whitehurst and Habicht are described above at "PROPOSAL I - ELECTION OF DIRECTORS - Nominees."

Paul E. Bayer, age 57, has served as Executive Vice President of the Company since January 2007 and as Chief Investment Officer since June 2010. He also previously served as Senior Vice President of the Company from

September 2005 to December 2006. From September 1999 through September 2005, he served as Vice President of Leasing of the Company. Prior to September 1999, Mr. Bayer was a leasing agent at J. Donegan Company from 1994 through 1999. Mr. Bayer also previously served as a leasing agent for Combined Properties from 1992 until 1993 and as a marketing principal at Trammell Crow Company from 1988 until 1991. He is a member of ICSC.

Stephen A. Horn, Jr., age 47, has served as Executive Vice President and Chief Acquisition Officer of the Company since January 2, 2014. He also previously served as Senior Vice President of Acquisitions for the Company from June 2008 to December 2013, and as Vice President of Acquisitions of the Company from 2003 to 2008. Prior to 2003, Mr. Horn worked in the mergers and acquisitions group at A.G. Edwards & Sons in St. Louis, MO. He is a member of ICSC.

Michelle L. Miller, age 50, has served as Executive Vice President and Chief Accounting Officer since March 2016. She joined National Retail Properties in 1999 and currently leads the accounting department as well as oversees financial reporting, forecasting, lease administration and information technology. Prior to 1999, Ms. Miller worked as a Senior Manager with KPMG and focused primarily on real estate and financial institutions. She is a CPA and received her B.S. in Accounting and Finance from Florida State University in 1991. Ms. Miller is a member of the American Institute of CPAs, the Florida Institute of CPAs, and ICSC.

Christopher P. Tessitore, age 51, has served as Executive Vice President of the Company since January 2007, as General Counsel since February 2006 and as Secretary since May 2006. He also previously served as Senior Vice President and Assistant General Counsel of the Company from 2005 to 2006. Prior to March 2005, Mr. Tessitore was a shareholder at the law firm of Lowndes, Drosdick, Doster, Kantor & Reed, P.A., where he specialized in real estate acquisition, development and finance, as well as general business law. Mr. Tessitore serves on the board of directors of Elevate Orlando. He is a member of ICSC, Nareit, and the Association of Corporate Counsel.

AUDIT COMMITTEE REPORT

The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any previous or future filings under the Securities Act of 1933 (the "Securities Act") or the Exchange Act except to the extent that the Company incorporated it by specific reference.

Management is responsible for the Company's financial statements, internal controls and financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee is governed by a charter, a copy of which is available on our website at http://www.nnnreit.com. The Audit Committee charter is designed to assist the Audit Committee in complying with applicable provisions of the Exchange Act and the NYSE listing standards, all of which relate to corporate governance and many of which directly or indirectly affect the duties, powers and responsibilities of the Audit Committee.

Review and Discussions with Management and Independent Registered Public Accounting Firm. In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the audited consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 1301, issues regarding accounting and auditing principles and practices, and the adequacy of internal control over financial reporting that could significantly affect the Company's financial statements.

The Company's independent registered public accounting firm also provided to the Audit Committee the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") regarding the independent accountant's communications with the Audit Committee concerning independence, and the Audit Committee discussed with the independent registered public accounting firm that firm's independence. The Audit Committee has reviewed the original proposed scope of the annual audit of the Company's financial statements and the associated fees and any significant variations in the actual scope of the audit and fees.

Conclusion. Based on the review and discussions referred to above, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC.

AUDIT COMMITTEE

David M. Fick, Chairman
Pamela K. Beall
Steven D. Cosler
Edward J. Fritsch
Betsy D. Holden

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

We design our executive compensation program to attract and retain talented and experienced executive officers and to reinforce key business objectives in support of long-term value creation. Our Compensation Committee (for purposes of this discussion, the "Committee") seeks to provide compensation that is not only competitive relative to our peer group, but also structured so as to align our executives' short-term and long-term interests with the interests of our stockholders. Accordingly, the Committee seeks to incentivize our executive officers and emphasize pay-for-performance by basing a significant portion of compensation on achievement of critical success factors. The primary elements of our total compensation program for our named executive officers ("NEOs") include base salary, annual cash incentives and long-term equity-based incentives. We have designed a compensation program that makes a substantial percentage of executive pay variable, subject to increase and decrease based on actual versus planned corporate performance and total shareholder returns relative to our peers. In addition, executive officers are subject to market competitive stock ownership guidelines which further aligns executive interests with shareholders.

Executive Compensation Program. In 2018, the Committee approved annual incentive awards and long-term incentive awards. Annual incentives are based on both (i) the achievement of certain increased core funds from operations ("FFO") per share goals, excluding any impairments, charges for retirement severance, and debt prepayments (85% weighting), and (ii) a subjective assessment of contributions toward corporate strategic objectives and achievement of individual performance goals (15% weighting). Annual incentives are subject to downward adjustment if our debt leverage ratio exceeds a cap established by the Board. For 2018, the Committee approved long-term incentive compensation through grants of the following: (i) service-based restricted stock vesting ratably over four years, and (ii) performance-based restricted stock awards, the vesting of which is tied to the three-year relative total shareholder return of the Company compared to a broad group of REIT companies as of December 31, 2020.

Restricted Stock. Restricted stock grants are intended to provide our NEOs with a significant interest in the long-term performance of our stock. The Committee has elected to use awards of restricted stock instead of other equity awards, such as stock options, because, as a REIT, which pays a large portion of its annual earnings to stockholders in the form of dividends, we believe that restricted stock provides a better incentive and alignment of interest than stock options. The Committee has determined that our desired compensation objectives are better achieved by awarding restricted stock. The Company did not issue any stock options to its executive officers in 2018, and there are no outstanding stock options. Consistent with our pay for performance philosophy, 60% of the target long-term incentive award opportunity for our NEOs in 2018 was provided in the form of performance-contingent restricted stock grants.

2018 Business Results. The following are some of the highlights of our business results in 2018:

- Generated Core FFO per share of $2.65 per share and Adjusted FFO of $2.68 per share, reflecting an increase of 5.2% and 5.5%, respectively;
- Dividends increased 4.8% to $1.95 per share marking the 29th consecutive year of annual dividend increases;
- Invested $715.60 million in 265 properties at a projected 6.8% initial cash return on assets;
- Sold 61 properties for $147.6 million, producing $65.1 million of gains on sale;

- Balance sheet leverage and portfolio property occupancy remained at industry leading levels; and
- Delivered annualized total return to shareholders of 17.7%, 11.3% and 14.8% for the past one, three and five years ending December 31, 2018.

The common stock of the Company currently is traded on the NYSE under the symbol "NNN." Set forth below is a line graph comparing the cumulative total stockholder return on NNN's common stock, based on the market price of the common stock and assuming reinvestment of dividends, with the FTSE National Association of Real Estate Investment Trusts Equity Index ("NAREIT") and the S&P 500 Index ("S&P") for the five-year period commencing December 31, 2013, and ending December 31, 2018. The graph assumes an investment of $100 on December 31, 2013.

Comparison to Five-Year Cumulative Total Return

The common stock of NNN is currently traded on the NYSE under the symbol "NNN." Set forth below is a line graph comparing the cumulative total stockholder return on NNN’s common stock, based on the market price of the common stock and assuming reinvestment of dividends, with the FTSE National Association of Real Estate Investment Trusts Equity Index (“NAREIT”) and the S&P 500 Index (“S&P”) for the 10-year period commencing December 31, 2008 and ending December 31, 2018. The graph assumes an investment of $100 on December 31, 2008.

Comparison to Ten-Year Cumulative Total Return

2018 Compensation Highlights. The following are some of the highlights related to the 2018 compensation of our executive officers:

- The Committee approved base salary increases averaging 6.5% and ranging from 2.9% to 10.7%, to bring all NEOs' base salaries in line with peer group 50th percentile (or "median") base salaries;

- The Committee approved annual cash incentive award opportunities for NEOs, based on position, with potential awards ranging from 50% to 75% for “threshold” performance, 100% to 150% for "target" performance, and 150% to 225% for “maximum” performance, expressed as a percentage of each executive’s base salary, with any earned awards, subject to downward adjustment of up to 20% of the funded award levels if our leverage (ratio of total liabilities to gross book assets) exceeded the 57.5% cap established by the board for 2018;

- Based on our core FFO (excluding impairments, charges for retirement severance, and debt prepayments) per share results, which were between the target and maximum performance goals, the Committee approved payment of annual cash incentive compensation for 2018 at 114.3% of target awards for the corporate performance component (weighted at 85% for the total award opportunity), ranging from 97.1% to 145.7% of each executive officer’s base salary;

- Based on the Committee's subjective individual performance assessment of the CEO and the Committee's review of the CEO's assessment of the other NEOs, the Committee approved payment of annual cash incentive compensation for 2018 at award levels ranging from target to maximum awards for this component (representing 15% of the total award opportunity), with award levels ranging from 18.8% to 25.9% of each executive officer's base salary;

- The Committee approved target long-term incentive award opportunities for NEOs ranging from 160% to 315% of each executive's base salary. For current NEOs, grants were made using a 60/40 value mix of performance shares, tied to our three-year relative Total Shareholder Return (TSR) vs. a broad group of REIT comparators through December 31, 2020 (60% weighting), and service-based restricted stock (40% weighting);

- Based on our TSR for the 3-year period ending December 31, 2018 which ranked at the 73rd percentile vs comparator companies in the NAREIT All Equity REIT Index, the Committee approved performance shares awards for the 2016-2018 grant cycle at 193% of target with shares vesting January 1, 2019;

- The Committee engaged Pearl Meyer as an independent third-party compensation consultant in order to assist in the development and evaluation of the executive compensation program. Pearl Meyer was not engaged for any non-compensation related services; and

- The Committee concluded that our compensation policies and practices do not promote unreasonable risk-taking behavior and are not reasonably likely to have a material adverse effect on the Company.

2018 Say-on-Pay Voting Results

In 2018, we submitted our executive compensation program to an advisory vote of our shareholders (also known as "Say-on-Pay"). Approximately 92.6% of voting shareholders at the 2018 annual meeting approved our executive compensation program. The Committee considered such strong shareholder support as an endorsement of the Company's executive compensation program and policies and the Committee intends to continue the pay-for-performance program that is currently in place while increasing the emphasis on and number of metrics for performance share grants in 2019. The Committee values the opinions of our stockholders and will continue to consider those opinions when making future executive compensation decisions.

Objectives of Compensation Program

We believe our success is largely attributable to the talent and dedication of our employees (whom we refer to as associates) and to the management and leadership efforts of our executive officers. Our goal is to establish a compensation program that will attract and retain talented corporate officers, motivate them to perform to their fullest potential, and align their long-term interests with the interests of our stockholders.

What Our Compensation Program is Designed to Reward and Other Policies

We believe that the most effective compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals, and which aligns executives' interests with those of the stockholders by rewarding performance that meets or exceeds established goals, with the ultimate objective of improving stockholder value. Our Committee evaluates both performance and compensation to ensure that we maintain our ability to attract and retain superior executive officers and that compensation provided to our executive officers is appropriately aligned with performance and remains competitive relative to the compensation paid to similarly situated executives of our peer companies. In making compensation decisions, the Committee considers the compensation practices and financial performance of REIT and other industry participants and from time to time receives assessments and advice regarding compensation practices from third party compensation consultants. In evaluating performance, the

Committee considers quantitative and qualitative improvement in factors such as FFO per share based metrics, capital structure, absolute and relative stockholder returns, individual performance, and contribution to corporate goals and objectives. Additionally, the Committee takes into account our general performance, the executive officer’s past performance, the executive officer’s anticipated performance and contribution to our achievement of our long-term goals, and the position, level and scope of the executive officer’s responsibility.

We believe that our compensation program for executive officers, which includes the use of performance-based and service-based restricted stock awards, results in a significant alignment of interest between these individuals and our stockholders. Under our corporate governance guidelines, within five years of becoming a Covered Person, as defined by the Committee, executive officers are required to own our Common Stock (including restricted stock) equal to a minimum of five times the annual base salary for CEO and three times their annual base salary for all other Covered Persons. The Committee reviews progress toward meeting these guidelines annually and each Covered Person exceeds the stock ownership guidelines. In addition, equity grants to NEOs do not include tax gross-up provisions, and the Committee does not intend to provide tax gross-ups on any future restricted stock grants to executive officers. Additionally, we have adopted a clawback policy for our executive officers which allows the Board to recover certain incentive compensation if the Company has a material restatement of financial results, as a result of such restatement the incentive compensation would not have been earned, and the executive officer engaged in fraud or other intentional misconduct. Finally, we have also adopted an anti-hedging policy for directors and executive officers which prohibits all hedging activities, including, buying, selling or trading in options or other derivative securities based on Company securities.

Accounting and Tax Considerations

We have selected compensation elements that help us achieve the objectives of our compensation program and not because of preferential financial accounting or tax treatment. However, when awarding compensation, the Committee is mindful of the accounting impact of the compensation expense of each compensation element. In addition, Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), places a limit of $1 million per year on the amount of compensation paid to certain of our executive officers that the Company may deduct from our federal income tax return for any single taxable year. There is an exception to the $1 million limitation for performance-based compensation meeting certain requirements, although this exception is severely limited beginning in 2018, as described below. The material terms of the 2017 Performance Incentive Plan and the 2007 Performance Incentive Plan were previously approved by shareholders in 2017 and 2012, respectively, for purposes of Section 162(m), which allowed us to grant certain annual and long-term incentive awards that are designed to meet the definition of performance-based compensation under Section 162(m) of the Code ("Section 162(m)") in order to qualify for the performance-based exception to the $1 million deduction limit. However, to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals in the best interest of the Company, the Committee did not previously limit executive compensation to amounts deductible under Section 162(m) if the Committee determined that doing so is in the best interests of the Company.

The Tax Cuts and Jobs Act, enacted on December 22, 2017, substantially modifies Section 162(m) and, among other things, eliminates the performance-based exception to the $1 million deduction limit effective as of January 1, 2018. As a result, beginning in 2018, compensation paid to certain executive officers in excess of $1 million will generally be non-deductible, whether or not it is performance-based. In addition, beginning in 2018, the executive officers subject to Section 162(m) (the “Covered Employees”) will include any individual who served as the Chief Executive Officer (“CEO”) or Chief Financial Officer (“CFO”) at any time during the taxable year and the three other most highly compensated officers (other than the CEO and CFO) for the taxable year, and once an individual becomes a Covered Employee for any taxable year beginning after December 31, 2016, that individual will remain a Covered Employee for all future years, including following any termination of employment.

The Tax Cuts and Jobs Act includes a transition rule under which the changes to Section 162(m) described above will not apply to compensation payable pursuant to a written binding contract that was in effect on November 2, 2017, and is not materially modified after that date. To the extent applicable to our existing contracts and awards, the Committee may avail itself of this transition rule. However, because of uncertainties as to the application and interpretation of the transition rule, no assurances can be given at this time that our existing contracts and awards, even if in place on November 2, 2017, will meet the requirements of the transition rule. Moreover, to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals in the best interest of the Company, the Committee does not limit its actions with respect to executive compensation to preserve deductibility under Section 162(m) if the Committee determines that doing so is in the best interests of the Company.

Benchmarking

In 2018, the Committee, with the assistance of Pearl Meyer, determined that our Peer Group included Camden Property Trust, EPR Properties, Federal Realty Investment Trust, Kimco Realty Corporation, Omega Healthcare Investors, Realty Income Corporation, Regency Centers Corporation, Retail Properties of America, Spirit Realty Capital, STORE Capital Corporation, Tanger Factory Outlet Centers, Taubman Centers, Inc., and Weingarten Realty Investment Trust (collectively, the “Peer Group”).

Company	Ticker	GICS Industry Description	# of EEs	Revenue[1]	Total Assets[2]	Equity Market Cap[3]	Enterprise Value[3]	TSR (%)[3] 1-Yr	3-Yr	5-Yr
Camden Property Trust	CPT	Residential REITs	1,600	$972	$6,220	$8,403	$10,713	(1)%	10%	14%
EPR Properties	EPR	Specialized REITs	63	$612	$6,114	$4,760	$7,647	5%	9%	12%
Federal Realty Investment Trust	FRT	Retail REITs	319	$901	$6,286	$8,719	$12,357	-8%	(4)%	6%
Kimco Realty Corporation	KIM	Retail REITs	546	$1,165	$10,999	$6,173	$11,012	(13)%	(13)%	-1%
Omega Healthcare Investors, Inc.	OHI	Health Care REITs	59	$883	$8,642	$7,054	$11,957	40%	9%	11%
Realty Income Corporation	O	Retail REITs	166	$1,296	$15,095	$18,604	$25,418	16%	12%	16%
Regency Centers Corporation	REG	Retail REITs	446	$1,139	$11,057	$9,943	$13,633	(12)%	(2)%	8%
Retail Properties of America, Inc.	RPAI	Retail REITs	220	$490	$3,657	$2,332	$3,856	(15)%	(5)%	2%
Spirit Realty Capital, Inc.	SRC	Retail REITs	87	$643	$5,093	$3,024	$5,247	(1)%	(1)%	3%
STORE Capital Corporation	STOR	Diversified REITs	86	$514	$6,752	$6,016	$8,947	14%	12%	N/A
Tanger Factory Outlet Centers, Inc.	SKT	Retail REITs	464	$494	$2,422	$1,884	$3,644	(19)%	(11)%	-5%
Taubman Centers, Inc.	TCO	Retail REITs	468	$646	$4,336	$2,778	$6,333	(27)%	(13)%	-2%
Weingarten Realty Investors	WRI	Retail REITs	281	$543	$3,997	$3,184	$5,130	(16)%	(4)%	4%
n=13		25th Percentile	87	$543	$4,336	$3,024	$5,247	(15)%	(5)%	1%
		Median	287	$646	$6,220	$6,016	$8,947	(8)%	(2)%	5%
		75th Percentile	464	$972	$8,642	$8,403	$11,957	5%	9%	11%
National Retail Properties, Inc.		Retail REITs	66	$614	$7,359	$7,720	$10,893	18%	11%	15%
Percentile			9	34	69	71	63	92	90	93

Data Source: S&P Capital IQ

1 As of most recently disclosed four quarters ($mm).

[2] As of most recently disclosed fiscal quarter ($mm).
[3] Market Cap, Enterprise Value, and Total Shareholder Return (TSR) current as of 12/31/2018.

The Peer Group consists of 13 publicly-traded REITs, most of which have investment credit ratings, operating across a variety of property sectors, with a primary focus on the retail sector, recognizing that the Company competes with REITs across all property sectors for capital and executive talent. Relative to the Peer Group, the Company's total assets, equity market capitalization and enterprise value as of December 21, 2018 are between the Peer Group 50th and 75th percentiles. In determining 2018 pay opportunities for executive officers, the Committee considered the compensation of our NEOs as compared to the compensation of NEOs of companies in our Peer Group. Pearl Meyer provided the Committee with a detailed analysis of the compensation of our executive officers as compared to the executive officers of companies in our Peer Group, with the overall objective of providing target total pay opportunities comparable to those provided by industry peers, and actual pay that is directionally aligned with performance relative to peers. For the past one, three, and five years ending December 31, 2018, our total return to shareholders was above the 75% percentile total return of the Peer Group.

We believe that our compensation, benchmarked against our Peer Group, provides an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term shareholder value creation, and encourages executive recruitment and retention. The Committee compared base salary and total compensation for our executive officers against the Peer Group, generally focusing on targeting aggregate total pay opportunities at or near 50th percentile market values. Compared with the Peer Group, 2018 target total direct compensation (sum of base salary plus target annual cash incentive plus target long-term incentives) was within a competitive range (defined as +/- 15%) of the Peer Group 50th percentile values for each of our NEOs and was equal to 95% of the 50th percentile in the aggregate.

2018 Executive Compensation Components and How They Relate to Our Objectives

For the fiscal year ended December 31, 2018, base salary, annual cash incentives, cash bonus, and long-term equity-based incentives were the principal components of compensation for the NEOs. Executives also receive certain benefits and other perquisites. We believe that these compensation components provide an appropriate mix of fixed and variable pay, balance short-term operational performance with long-term shareholder value, and encourages executive recruitment and retention. The target aggregate total direct compensation mix for our NEOs was 22% base salary, 27% short term incentive (STI or bonus) and 51% long-term incentive (LTI) compensation which is comparable with the Peer Group 50th percentile target compensation mix.

The differences in the target amounts and mix of compensation awarded to the NEOs are primarily a result of comparing each executive's compensation against corresponding market values for industry peers and giving consideration to differences in position and responsibilities among the Company's NEOs. The responsibilities for each named executive officer are as follows: (i) Mr. Whitehurst, our President and Chief Executive Officer, is responsible for developing, defining, implementing and executing the Company's corporate strategy, policies, mission, philosophy, goals and objectives; (ii) Mr. Habicht, our Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary, is responsible for overseeing all capital, financial reporting, tax, information technology and corporate communication matters of the Company and assisting the corporate secretary with his duties; (iii) Mr. Tessitore, our General Counsel and Secretary, is responsible for overseeing all legal matters for the Company, human resources, and various risk management functions; (iv) Mr. Bayer, our Executive Vice President and Chief Investment Officer, is responsible for overseeing the leasing, asset management, due diligence and underwriting groups of the Company; and

(v) Mr. Horn, our Executive Vice President and Chief Acquisition Officer, is responsible for leading our acquisition department. Our Committee believes that the different levels of compensation provided to the NEOs are commensurate to the responsibilities of each executive.

Base Salary

The Committee sets and adjusts the base salaries of our NEOs based on the qualifications, experience, scope of responsibilities and past performance of each executive, the practices of and salaries awarded by our Peer Group, and other factors deemed appropriate by the Committee. The Committee approved 2018 base salary increases for our NEOs ranging from 2.9% to 10.7% (6.5% average). After these increases, 2018 base salaries for NEOs were comparable with median levels for the Peer Group, ranging from 88% to 106% of median levels (97% of median levels in the aggregate).

Annual Incentive Compensation

Cash Incentive Bonus. We believe that a significant portion of the total compensation of the NEOs should be provided in the form of incentive compensation. For 2018, the Committee approved annual cash incentive bonus opportunities based upon per share profitability tempered with potential reductions in bonus amounts if balance sheet leverage rose above 50% (85% weighting) and subjective assessment of each NEOs contributions toward corporate objectives, as well as of individual performance (15% weighting). Profitability was based on core FFO per share, excluding impairments, charges for retirement severance and debt prepayment, and ranged from $2.59 per share for “threshold” performance to $2.63 per share for “target” level performance to $2.70 per share for “maximum” performance. Each NEO's bonus opportunity for threshold, target and maximum performance is set forth in the table below. Straight line interpolation is used to determine awards for results in between performance levels. The Committee reserved the right, in its sole discretion, to review and further modify the executive compensation program. The following tables represent the 2018 Annual cash incentive Bonus opportunity and actual awards expressed.

	Core FFO per Share (85%)			
Position	Threshold	Target	Maximum	2018 Actual
President & Chief Executive Officer	63.75%	127.50%	191.25%	145.71%
EVP, CFO, Asst Secretary, & Treasurer	48.87%	97.75%	146.62%	111.71%
EVP & Chief Investment Officer	46.75%	93.50%	140.25%	106.86%
EVP & General Counsel	46.75%	93.50%	140.25%	106.86%
EVP & Chief Acquisition Officer	42.50%	85.00%	127.50%	97.14%

Position	Individual Performance (15%) Threshold	Target	Maximum	2018 Actual
President & Chief Executive Officer	11.25%	22.50%	33.75%	30.94%
EVP, CFO, Asst Secretary, & Treasurer	8.63%	17.25%	25.88%	25.88%
EVP & Chief Investment Officer	8.25%	16.50%	24.75%	24.75%
EVP & General Counsel	8.25%	16.50%	24.75%	20.63%
EVP & Chief Acquisition Officer	7.50%	15.00%	22.50%	18.75%

Position	Total Annual Cash Incentive Bonus Opportunity Threshold	Target	Maximum	2018 Actual
President & Chief Executive Officer	75.00%	150.00%	225.00%	176.65%
EVP, CFO, Asst Secretary, & Treasurer	57.50%	115.00%	172.50%	137.59%
EVP & Chief Investment Officer	55.00%	110.00%	165.00%	131.61%
EVP & General Counsel	55.00%	110.00%	165.00%	127.49%
EVP & Chief Acquisition Officer	50.00%	100.00%	150.00%	115.89%

Executive officers receiving a cash incentive bonus may elect to have such bonus paid in cash or in stock of the Company. If a NEO elects to have the cash incentive bonus paid in stock, the NEO is entitled to receive restricted stock in an amount equal to 125% of the cash incentive bonus, vesting on the third anniversary from grant date based on continued service.

Based on our actual 2018 core FFO per share results of $2.65 per share (excluding impairments and charges for retirement severance and debt prepayment), the Committee approved annual cash incentive bonus awards for NEOs equal to 114.3% of target, with payouts for this component ranging from 115.9% to 168.2% of base salary. For the strategic / individual performance component, our NEOs were evaluated based on their contributions towards a series of shared corporate strategic objectives as well as individual performance goals related to their respective functions. Award determinations were based on subjective assessments by the Committee (along with input from the President & Chief Executive Officer for his direct reports) of performance relative to pre-established corporate and individual objectives. Corporate strategic objectives for 2018 were as follows:

- Core FFO per share of at least $2.63 per share
- Acquisitions of $640 million at prudent risk-adjusted yields
- General & Administrative (G&A) expense (excluding acquisition transaction expenses) at or below $35 million
- Leverage ratio (total liabilities divided by gross book assets) below 50%
- 5-year total shareholder return (TSR) in the top half of all equity REITs

Each of these strategic objectives were met or exceeded in 2018. Our Core FFO was $2.65 per share, acquisitions totaled $715.6 million, G&A expense was $34.2 million, and our leverage ratio was 34.6%. Our 5-year annualized

TSR as of December 31, 2018 of 14.8% was well above the NAREIT All Equity REIT Index annualized return of 8.32%.

Our NEOs also generally met or exceeded individual performance objectives tied to their respective functions. Mr. Whitehurst continued to refine and communicate the strategic plan during a challenging economic environment. He was also actively involved with staff development and succession planning, while also enhancing Board and investor relations. Mr. Habicht successfully executed various debt and equity issuances generating net proceeds to the Company of $1,027.4 million with very favorable terms. He also led efforts to enhance our accounting systems and financial disclosures and was active with staff development and shareholder relations. Mr. Bayer led disposition and leasing efforts, including the sale of 61 properties generating proceeds of $147.6 million with gains to the Company of $65.1 million. Mr. Tessitore led the legal department, developing internal staff and managing relationships with external counsel, and advised the Board of Directors on various risk management and corporate governance issues. He also assumed additional responsibilities, including oversight of the human resources and various other administrative functions. Mr. Horn led our efforts to acquire a total of 265 properties at an initial cash yield of 6.8%. He also continued to develop staff, attend meetings with customers and institutional investors, and expand relationships with investment bankers. Based on these accomplishments, the Committee approved awards for the strategic / individual objectives component ranging from 18.8% to 25.9% of salary. The Committee determined that these payments were consistent with the strong performance of the executive management team. All cash incentive awards are reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table below.

Long-Term Incentive Compensation

For 2018, the Committee approved long-term incentive compensation opportunities for executive officers, provided through a 60/40 weighted mix of performance-based restricted stock and service-based restricted stock. Additionally, the EVP and Chief Acquisition Officer (Mr. Horn) received a supplemental services- based restricted stock grant, valued at 70% of base salary, to further enhance retention. Total target award opportunities for NEOs ranged from 160% to 315% of base salary, varying by position, as set forth in the table below.

	2018 Target Long-Term Incentive Award Opportunity (as % of Salary)		
Position	Performance Restricted Shares (60%)	Service Restricted Shares (40%)	Total Target Award
President & Chief Executive Officer	189%	126%	315%
EVP, CFO, Assistant Secretary, & Treasurer	120%	80%	200%
EVP & Chief Investment Officer	96%	64%	160%
EVP & General Counsel	96%	64%	160%
EVP & Chief Acquisition Officer	96%	134%	230%

Service-based restricted stock vests annually over a four-year period to enhance retention and promote long-term equity ownership. Performance-based restricted stock vests, if at all, at the end of three years on January 1, 2021. Vesting for performance-based restricted stock is tied to our total shareholder return relative to other companies in the NAREIT All Equity REIT Index for the three-year period ending December 31, 2020. The Committee chose this comparator group to allow for performance assessments within our applicable industry group, recognizing that we compete with REITs across various property sectors for investor capital. Total Shareholder Return ("TSR") includes stock price appreciation plus dividends over the three-year period, with calculations for the Company and comparators based on ten-day average closing stock prices leading up to the start and end of the measurement period. Performance levels and corresponding award funding levels for 2018 performance-based restricted stock grants are summarized in the following table.

Performance Level	3-Year Relative TSR Positioning	% of Target Award Funded
Below Threshold	Below 33rd Percentile	0%
Threshold	33rd Percentile	50%
Target	50th Percentile	100%
Superior	75th Percentile or Above	200%

For performance-based restricted share grants, 50% of the corresponding target award opportunity is earned for threshold performance, 100% for target performance, and 200% for maximum performance. No performance-based shares are earned for results below the threshold level. Straight line interpolation is used to determine awards for results in between performance levels.

The number of shares of service-based restricted stock and performance-based restricted stock granted was based on the average closing share price of our Common Stock for ten days prior to the grant date ($37.650 per share). Accordingly, the Committee approved grants of service-based restricted stock and target grants of performance-based restricted stock to Messrs. Whitehurst (25,936 service-based and 38,904 performance-based shares), Habicht (10,943 service-based and 16,414 performance-based shares), Bayer (6,578 service-based and 9,868 performance based shares) and Tessitore (7,020 service-based and 10,531 performance-based shares each), and Horn (12,279 service-based and 8,797 performance-based shares) as shown in the Grants of Plan-Based Awards table.

Executive officers are entitled to receive dividends on unvested shares of service-based restricted stock. Dividends payable on performance-based restricted stock will accumulate and be payable to the executive officers only if and to the extent the shares vest. No tax gross-ups shall be paid to the executive officers on any service-based restricted stock nor on any performance-based restricted stock.

In 2016, the executive officers were granted a performance-based restricted stock award as part of the 2016 executive compensation plan. Vesting for this award was tied to our total shareholder return relative to all Equity REITs in the NAREIT Index for the three-year period ending December 31, 2018. The Company's total shareholder return during this period was at the 73.2nd percentile compared to all Equity REITs in the NAREIT Index. As a result, executive officers earned approximately 192.8% of the target number of shares granted. These shares are included in the Outstanding Equity Awards at Fiscal Year End because they did not vest until January 1, 2019.

Benefits and Other Perquisites

We provide benefits to our executive officers under the National Retail Properties, Inc. Retirement Plan. We do not sponsor a defined benefit pension plan for our executive officers or any other associates. Our NEOs are eligible to receive, on the same basis as other associates, employer matching contributions under the plan. This allows our executive officers to save for retirement on a tax-deferred basis through the Section 401(k) savings feature of the plan, with the Company-funded portion of these benefits based on matching the contributions of the executive officers.

Our NEOs are also eligible to participate in the other employee benefit and welfare plans that the Company maintains on similar terms as associates who meet applicable eligibility criteria.