

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    
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))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

National Retail Properties, Inc.

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(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- 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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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(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:

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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

[www.nnnreit.com/proxyvote](http://www.nnnreit.com/proxyvote)

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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](http://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

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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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TABLE OF CONTENTS

<u>PROPOSAL I: ELECTION OF DIRECTORS</u>	<u>1</u>
<u>Nominees</u>	<u>1</u>
<u>Corporate Governance</u>	<u>5</u>
<u>Audit Committee</u>	<u>7</u>
<u>Governance and Nominating Committee</u>	<u>8</u>
<u>Compensation Committee</u>	<u>9</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>10</u>
<u>Director Compensation</u>	<u>10</u>
<u>Code of Business Conduct and Insider Trading Policy</u>	<u>11</u>
<u>Executive Officers</u>	<u>11</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>13</u>
<u>EXECUTIVE COMPENSATION</u>	<u>14</u>
<u>Compensation Discussion and Analysis</u>	<u>14</u>
<u>COMPENSATION COMMITTEE REPORT</u>	<u>26</u>
<u>Executive Compensation Tables</u>	<u>27</u>
<u>Summary Compensation Table</u>	<u>27</u>
<u>Grants of Plan-Based Awards</u>	<u>28</u>
<u>Outstanding Equity Awards at Fiscal Year End</u>	<u>29</u>
<u>Option Exercises and Stock Vested</u>	<u>30</u>
<u>Potential Payments Upon Termination or Change of Control</u>	<u>30</u>
<u>Termination Upon Death or Disability</u>	<u>33</u>
<u>Termination by the Company without Cause; Termination by Executive for Good Reason</u>	<u>34</u>
<u>Termination upon Expiration of the Employment Agreement</u>	<u>34</u>
<u>Pay Ratio</u>	<u>35</u>
<u>PROPOSAL II: ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	<u>36</u>
<u>PROPOSAL III: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>37</u>
<u>SECURITY OWNERSHIP</u>	<u>39</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>40</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>41</u>
<u>OTHER MATTERS</u>	<u>41</u>
<u>PROPOSALS FOR NEXT ANNUAL MEETING</u>	<u>41</u>
<u>ANNUAL REPORT</u>	<u>42</u>

## 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
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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.
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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.

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.

Steven D.  
Cosler, 63

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.

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.

Don  
DeFosset,  
70

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.

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.

David M.  
Fick, 61

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.

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.

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 Holden, 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.

Betsy D.  
63

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 Ms. 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);

6

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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.

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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