NATIONAL RETAIL PROPERTIES, INC.
Form DEF 14A
April 11, 2008

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:

(2) Aggregate number of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

NATIONAL RETAIL PROPERTIES, INC.

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

April 11, 2008

To Our Stockholders:

You are cordially invited to attend the annual meeting of stockholders of National Retail Properties, Inc. (the Company) on May 30, 2008 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 eight directors;

2. The ratification of the selection of our independent registered public accounting firm for 2008; and

3. The transaction of such other business as may come before the meeting or any adjournment thereof.

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,
Craig Macnab
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 30, 2008

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 30, 2008, at 450 South Orange Avenue, Suite 900, Orlando, Florida 32801, for the following purposes:

1. To elect eight directors;

2. To ratify the selection of the independent registered public accounting firm for 2008; and

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on April 1, 2008, 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,
Christopher P. Tessitore
Executive Vice President, General Counsel and Secretary

April 11, 2008
Orlando, Florida

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 30, 2008, 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 April 1, 2008 (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 18, 2008.

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 the proposals 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 eight nominees for director who receive the most votes 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, 72,979,640 shares of the common stock of the Company (the Common Stock) were outstanding, of which 72,803,504 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 1.29% 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 the proposals 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 this 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. The table sets forth each nominee s name, age, principal occupation or employment during at least the last five years, and directorships in other public corporations.

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

Name and Age	Background
Dennis E. Gershenson, 65	Mr. Gershenson is President and Chief Executive Officer and serves as Chairman of the Board of Trustees for Ramco-Gershenson Properties Trust. Mr. Gershenson has held the position of President and CEO since May 1996. Prior to that he served as Vice President - Finance and Treasurer of Ramco-Gershenson, Inc. from 1976 to 1996. Mr. Gershenson currently serves on the Board of Directors of Hospice of Michigan, the Cranbrook Academy of Arts, the Metropolitan Affairs Coalition and Oakland Family Services. He is also an active member of the International Council of Shopping Centers (ICSC) and the National Association of Real Estate Investment Trusts (NAREIT).
Kevin B. Habicht, 49	Mr. Habicht has served as a director of the Company from June 2000 to the present, 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. Since 2000, Mr. Habicht has served as a director of Orange Avenue Mortgage Investments, Inc., a commercial real estate lending company. Mr. Habicht is a Certified Public Accountant and a Chartered Financial Analyst.
Clifford R. Hinkle, 59	Mr. Hinkle has served as a director of the Company since 1993. Since 1991, Mr. Hinkle has been a founder, director and executive officer of Flagler Holdings, Inc., a merchant banking company, and related companies. Since 2000, Mr. Hinkle has been a Vice President and Director of Murphy, Middleton, Hinkle & Parker (formerly known as Murphy Investment Management Company), a registered investment advisor. Mr. Hinkle previously served as Executive Director and Chief Investment Officer of the State Board of Administration of Florida.
Richard B. Jennings, 64	Mr. Jennings has served as a director of the Company since 2000. Mr. Jennings currently serves as President of Realty Capital International Inc. and Realty Capital International LLC, real estate investment banking firms, which he founded in 1991 and 1999, respectively. Mr. Jennings served as President of Jennings Securities LLC from 1995 through October 2006. From 1969-1991, Mr. Jennings held senior management positions at Landauer Real Estate Counselors, Drexel Burnham Lambert Incorporated, and Goldman, Sachs & Co. Mr. Jennings also serves as a director of Alexandria Real Estate Equities, Inc. and Cogdell Spencer, Inc.

Ted B. Lanier, 73	Mr. Lanier has served as a director of the Company since 1988. Since his retirement in 1991 as Chairman and Chief Executive Officer of Triangle Bank and Trust Company, Raleigh, North Carolina, Mr. Lanier has managed his personal investments and

	managed investment accounts for various individuals and trusts.
Robert C. Legler, 64	Mr. Legler has served as a director of the Company since 2002. From 1973 until 1990, Mr. Legler was the founder and chairman of privately-held First Marketing Corporation, America's largest publisher of newsletters serving nearly 500 clients in the commercial banking, brokerage, health care, cable television, travel and retail industries. Upon the sale of the company to Reed (now Reed Elsiever) in 1990, Mr. Legler served as non-executive Chairman of the Board of First Marketing until his retirement in September 2000. Mr. Legler has served as a director of Ligonier Ministries of Lake Mary, Florida for more than 20 years. From October 1999 through October 2001, he served as director of the Indian River Hospital Foundation of Vero Beach, Florida.
Craig Macnab, 52	Mr. Macnab has served as Chief Executive Officer of the Company since February 2004. Prior to joining the Company, Mr. Macnab was the Chief Executive Officer of JDN Realty Corporation ("JDN"), a publicly traded real estate investment trust, from April 2000 through March 2003. Mr. Macnab also served as a director of JDN from December 1993 until March 2003 and as a director of Per Se Technologies, Inc. from 2002 to 2007. Mr. Macnab is currently a director of Developers Diversified Realty Corp.
Robert Martinez, 73	Mr. Martinez has served as a director of the Company since 2002. From 1987 until 1991, Mr. Martinez served as the fortieth governor of the state of Florida and, from 1991 to 1993, served as the Director of the Office of National Drug Control reporting to the President of the United States. From 1999 to 2007, he served as managing director for Carlton Fields Government Consulting. In 2007, he assumed the position of Senior Policy Advisor at Holland and Knight LLP. From 1997-2001, Mr. Martinez also served as director of PRINEX Technologies, a manufacturer of ordinances and aerospace products for the United States Department of Defense and commercial enterprises.

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 an eight-member Board of Directors that consists of Messrs. Gershenson, Habicht, Hinkle, Jennings, Lanier, Legler, Macnab, and Martinez, with Mr. Macnab serving as Chairman. Mr. Hinkle served as Chairman during 2007 and in February 2008, Mr. Hinkle was appointed Lead Director and Mr. Macnab was appointed Chairman.

The Board has adopted a set of corporate governance guidelines, which, along with the written charters for our Board committees described below, provide the framework for the Board's governance of the Company. Our corporate governance guidelines are available both on our website at http://www.nnnreit.com and in print to any stockholder who requests it.

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 our Board of Directors are "independent" directors, as that term is defined in the NYSE listing standards.

The Board of Directors has determined that Messrs. Gershenson, Hinkle, Jennings, Lanier, Legler and Martinez, representing a majority of our Board of Directors, qualify as independent directors (the "Independent Directors") as that term is defined in the NYSE listing standards. The Board 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 consulted with our outside 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. In early 2006, the Board of Directors determined that G. Nicholas Beckwith III, who served on our

Board of Directors until our 2007 annual meeting of stockholders held on May 16, 2007, was an Independent Director.

Meetings and Attendance. The Board of Directors met 12 times in the fiscal year ended December 31, 2007. Each of the nominees serving on the Board of Directors in 2007 attended 95% of the meetings of (i) the Board of Directors and (ii) the committees of the Board of Directors on which he served. 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. All of our directors as of the date of the 2007 annual meeting of the Company's stockholders were in attendance for the 2007 annual meeting, except for Mr. Beckwith, whose term expired on that date. In addition, non-management members of the Board of Directors met in executive session four times in the fiscal year ended December 31, 2007. Pursuant to our corporate governance guidelines, the Chairman of the Board, if not one of our officers, presides at all executive sessions of the Board of Directors, except for executive sessions to discuss the compensation of our chief executive officer, which are chaired by the chairman of the Compensation Committee. If the Chairman of the Board is an officer, the Board of Directors will annually appoint a Lead Director, and in the absence of such appointment, the chairman of the Governance and Nominating Committee will serve as Lead Director to preside when the Board of Directors meets in executive session. As a result, in 2007, Mr. Hinkle, as a non-officer Chairman of the Board, presided over all four executive sessions. In 2008, Mr. Hinkle will continue to preside over executive sessions in his capacity as Lead Director.

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 both on our website at http://www.nnnreit.com and in print to any stockholder who requests it. 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 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, which we refer to as 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 meet the audit committee composition requirements of the Exchange Act and the NYSE listing standards and that each of Messrs. Jennings and Lanier 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, 2007. During fiscal year 2007 and as of February 13, 2008, Messrs. Lanier, Jennings and Martinez were the members of the Audit Committee, with Mr. Lanier 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 both on our website at http://www.nnnreit.com and in print to any stockholder who requests it. 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 reelection to the Board at our annual meeting of stockholders and to fill vacancies that may arise from time to time;
- develops and makes recommendations to the Board 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 who have expertise that is useful to us and complimentary to the background, skills and experience of other Board members. The Governance and Nominating Committees assessment of the composition of the Board 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 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, 2007. Between January 1, 2007, and May 15, 2007, Messrs. Hinkle, Jennings and Beckwith were the members of the Governance and Nominating Committee, with Mr. Hinkle serving as Chairman. Following May 15, 2007, and as of February 13, 2008, the Governance and Nominating Committee consisted of Messrs. Jennings, Legler, and Martinez, with Mr. Jennings 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 both on our website at http://www.nnnreit.com and in print to any stockholder who requests it.

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 2007 Performance Incentive Plan.
- *Role of Management in Compensation Determinations*. The Compensation Committee considers the recommendations of Mr. Macnab when determining the base salary and incentive performance compensation levels of the executive officers. Similarly, the Compensation Committee also considers the recommendations of Mr. Macnab when setting specific Company and individual incentive performance targets. In addition, officers may be invited to attend committee meetings but are not present for any discussion of their own compensation. Management generally does not have a role in the setting of director compensation.
- *Role of Independent Compensation Consultants*. In November 2006, the Compensation Committee retained Gressle & McGinley LLC, a compensation consultant focused on the REIT industry ("G&M"), to assist the Compensation Committee in evaluating executive and director compensation programs and in setting executive officers' and directors' compensation. G&M also assisted in setting executive officers' and directors' compensation during 2007. The use of independent consultants provides additional assurance that our executive compensation programs are reasonable, consistent with Company objectives, and competitive with executive compensation with companies in our peer group. G&M reports directly to the Compensation Committee and regularly participates in committee meetings.
- *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 Securities Exchange Act of 1934, 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 the Chief Executive Officer to such of our non-executive associates as he determines, in consultation with our other executive officers. In connection with such grants, the Committee typically authorizes a tax gross-up cash payment to each recipient representing 25% of the fair market value of the stock award on the date of grant. The restricted stock typically vests 20% annually over a five-year period.

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 five times in the fiscal year ended December 31, 2007. Between January 1, 2007, and May 15, 2007, Messrs. Beckwith, Legler and Martinez were the members of the Compensation Committee, with Mr. Legler serving as Chairman. Following May 15, 2007 and as of February 13, 2008, the Compensation Committee consisted of Messrs. Legler, Jennings and Martinez, with Mr. Legler 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 2007.

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($)(1) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compensation ($) (g)	Total ($) (h)
G. Nicholas Beckwith III		$45,141	—	—	—		$ 45,141
Clifford R. Hinkle	$ 24,500	$91,201					$ 115,701
Richard B. Jennings(2)	$ 3,750	$91,201	—	—	—		$ 94,951
Ted B. Lanier	$ 12,500	$91,201	—	—	—		$ 103,701
Robert C. Legler(2)	$ 8,000	$91,201	—	—	—		$ 99,201
Robert Martinez(2)		$91,201			—		$ 91,201

(1) With the exception of Mr. Beckwith, the awards shown in column (c) represent annual grants made to directors of the Company. The grant to Mr. Beckwith represents a pro rata portion of the annual grant made to directors of the Company through the end of his term as a member of the Board of Directors on May 15, 2007.

(2) The cash fees and stock awards earned by Messrs. Jennings, Legler, and Martinez 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. Each non-employee director received 4,000 shares of unrestricted stock. Additionally, the 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 received $25,000, $15,000, $10,000 and $7,500 respectively.

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 day 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 or the earlier of a change of control or the time specified in such director’s fee agreement.

The following table sets forth fees deferred into shares of common stock by directors under the Deferred Fee Plan.

	Number of Shares Credited to Deferred Fee Account

Name	2007	Total
Richard B. Jennings	4,650	13,565
Robert C. Legler	5,059	17,455
Robert Martinez	4,689	16,753
G. Nicholas Beckwith III	1,948	1,948
Total	16,346	49,721

Code of Business Conduct

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 both on our website at http://www.nnnreit.com and in print to any stockholder who requests it. 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 promptly following the date of the amendment or waiver.

Executive Officers

Our executive officers are listed below.

Name	Position
Craig Macnab	Chief Executive Officer
Julian E. Whitehurst	President and Chief Operating Officer
Kevin B. Habicht	Executive Vice President, Chief Financial Officer, Assistant Secretary and Treasurer
Christopher P. Tessitore	Executive Vice President, General Counsel and Secretary
Paul E. Bayer	Executive Vice President

The background of Messrs. Macnab and Habicht are described at PROPOSAL IELECTION OF DIRECTORSNominees.

Julian E. Whitehurst, age 50, has served 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 partner at the law firm of Lowndes, Drosdick, Doster, Kantor & Reed, P.A. He is a member of ICSC, NAREIT, and the Association of Corporate Counsel.

Christopher P. Tessitore, age 40, 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 partner at the law firm of Lowndes, Drosdick, Doster, Kantor & Reed, P.A. Mr. Tessitore has served on the board of directors and executive committee of BETA Center, Inc. He is a member of ICSC, NAREIT, and the Association of Corporate Counsel.

Paul E. Bayer, age 46, has served as Executive Vice President of the Company since January 2007. 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.

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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 or the Securities Exchange Act of 1934 except to the extent that the Company incorporated it by specific reference.

Management is responsible for the Companys financial statements, internal controls and financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Companys consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Audit Committees responsibility is to monitor and oversee these processes. The Audit Committee is governed by a charter, a copy of which is available both on our website at http://www.nnnreit.com and in print to any stockholder who requests it. 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 Companys 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. 61 (Codification of Statements on Auditing Standards, AU § 380), issues regarding accounting and auditing principles and practices and the adequacy of internal control over financial reporting that could significantly affect the Companys financial statements.

The Companys independent registered public accounting firm also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Committee discussed with the independent registered public accounting firm that firms independence. The Audit Committee has reviewed the original proposed scope of the annual audit of the Companys 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 Companys Annual Report on Form 10-K for the year ended December 31, 2007 filed with the SEC.

AUDIT COMMITTEE

Ted B. Lanier, Chairman
Richard B. Jennings
Robert Martinez

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

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 Compensation Committee (for purposes of this discussion and analysis, the "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 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 independent compensation consultants. In evaluating performance, the Committee considers quantitative and qualitative improvement in factors such as funds from operations (FFO) per share based metrics, capital structure, absolute and relative stockholder returns and individual performance and contribution to corporate goals and objectives. Additionally, the Committee makes a subjective assessment of our general performance, the executive officer's contribution to our 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 for executive officers, which includes the use of restricted stock awards, results in a significant alignment of interest between these individuals and our stockholders. In addition, under our Corporate Governance Guidelines, executive officers are strongly encouraged to own our common stock (including restricted stock) equal to a minimum of two times their annual base salary.

Accounting and Tax Considerations

We select and implement the elements of compensation for their ability to help us achieve the objectives of our compensation program and not based on any unique or preferential financial accounting or tax treatment. However, when awarding compensation, the Committee is mindful of the accounting impact that will be caused as a result of the compensation expense related to the Committee's actions. In addition, Section 162(m) of the Internal Revenue Code provides that public companies cannot deduct for federal income tax purposes non-performance based compensation paid to certain named executive officers in excess of $1.0 million per year. While we have not adopted a policy requiring that all compensation be deductible and expect that we may pay compensation that is not deductible when necessary to achieve our compensation objectives, we consider the consequences of Section 162(m) and under our 2007 Performance Incentive Plan, a portion of our future restricted stock awards are intended to be performance-based grants which are exempt from the deduction limits of Section 162(m).

Timing of Restricted Stock Awards

Restricted stock awards to our executive officers are typically made annually in conjunction with the review of the individual performance of our executive officers. The review and the annual restricted stock awards typically occur at the regularly scheduled February meeting of the Committee. For corporate and accounting measurement purposes, the date of grant of the restricted stock awards is the date of the meeting or such later date as specified by the Committee. However, the number of shares of restricted stock granted is based on our closing stock price on the last trading day of the preceding fiscal year for which the restricted stock was earned.

2007 Executive Compensation Components and How They Relate to Our Objectives

For the fiscal year ended December 31, 2007, base salary, non-equity incentive compensation (in the form of a cash bonus) and equity incentive compensation (in the form of restricted and non-restricted stock) were the principal components of compensation for the named executive officers. Executives also receive certain benefits and other perquisites. We believe that these compensation components provide an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term shareholder value, and encourages executive recruitment and retention.

Base Salary

Base salary is intended to provide executive officers with a base level of compensation that is comparable to the base salaries awarded by comparable companies, with the understanding that a significant portion of each executive's total compensation will be incentive based. In 2005, the Committee undertook an extensive review of the compensation of our executive officers as compared to the compensation of executive officers of companies in our peer group (the "2005 Review"). In connection with the 2005 Review, the Committee, with the assistance of The Schonbraun McCann Group, LLC, an independent compensation consultant focusing on the REIT industry ("SMG"), determined that our peer group included Realty Income Corporation, Lexington Corporate Properties, Inc., Capital Automotive REIT, Entertainment Properties Trust, Equity One, Inc., Developers Diversified Realty Corporation and Regency Centers Corporation. The Committee was provided 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 strategy of benchmarking base salary comparable to the peer group. As a result of the 2005 Review, the Committee set base salaries for executive officers in 2005. The Committee expects to undertake similar peer group compensation reviews every two or three years. In 2007, upon the recommendation of management, the Committee approved an approximately 4% inflationary increase to the base salaries of Messrs. Macnab, Whitehurst, and Habicht. Messrs. Bayer and Tessitore became executive officers on January 2, 2007.

Non-Equity Incentive Compensation (Cash Bonuses)

Bonus Plan. As described above, we believe that a significant portion of each executive officer's total compensation should be provided in the form of incentive compensation. Thus, in consultation with G&M, in November 2006, the Committee approved a non-equity incentive compensation plan (the "Bonus Plan") for executive officers. The bonus potential for executive officers under the Bonus Plan was based 75% upon our achievement of certain FFO per share based targets in 2007 (the "2007 Earnings Targets"), while 25% was based on individual performance as evaluated by the Committee, in the case of Mr. Macnab and as evaluated by Mr. Macnab, in the case of Messrs. Whitehurst, Habicht, Bayer, and Tessitore. The 2007 Earnings Targets were fixed by the Committee. FFO is generally considered by industry analysts and investors to be the most appropriate measure of performance of real estate investment companies. Total bonus potential for each of our executive officers in 2007 was based on the following percentages of their respective base salaries:

	Achievement of 2007 Earnings Targets[(1)]			
Named Executive Officer	**Threshold Performance**	**Target Performance**	**Maximum Performance**	**Outperform Performance**
Craig Macnab	50%	100%	150%	200%
Julian E. Whitehurst	50%	100%	125%	150%
Kevin B. Habicht	50%	100%	125%	150%
Paul E. Bayer	60%	80%	100%	120%
Christopher P. Tessitore	60%	80%	100%	120%

(1) An interpolation provision applied in the event that actual results in 2007 fell between any of the 2007 Earnings Targets.

In addition, the Committee reserved the right, in its sole discretion, to make further modifications to the Bonus Plan, to terminate the Bonus Plan or to elect not to make any awards under the Bonus Plan.

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Awards under Bonus Plan. In February 2008, the Committee met to consider awards to executive officers under the Bonus Plan. Based on the Company's 2007 FFO per share of $1.87, and thus, achievement of the outperform 2007 Earnings Target, a review of Mr. Macnab's performance in 2007 and a report from Mr. Macnab on the performance of the other executive officers in 2007, the Committee approved a cash bonus to Mr. Macnab equal to 200% of his base salary in 2007, a cash bonus to each of Messrs. Whitehurst and Habicht equal to 150% of such officer's base salary, and a cash bonus to each of Messrs. Bayer and Tessitore equal to 120% of each of such officer's base salary.

The February 2008 bonus awards are reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table below.

Equity Incentive Plan Compensation (Restricted Stock Awards)

Restricted stock grants are intended to provide the named executive officers 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 that is earned based on achievement of specified financial performance targets.

Restricted Stock Plan. Thus, in consultation with G&M, in November 2006, the Committee approved an equity incentive compensation plan (the "Restricted Stock Plan") for executive officers. The Restricted Stock Plan provided for grants of restricted stock based on our achievement of the 2007 Earnings Targets. In addition, the Committee reserved the right, in its sole discretion, to make further modifications to the Restricted Stock Plan, to terminate the Restricted Stock Plan or to elect not to make any awards under the Restricted Stock Plan. The Restricted Stock Plan has two components: a "retention" component and a "performance" component. Each of the components provides for a restricted stock grant potential for our executive officers in 2007 based on the percentages of their respective base salaries set forth on the chart set forth above under "Non-Equity Incentive Compensation (Cash Bonuses) - Bonus Plan."

Retention Component. The retention restricted stock will, if awarded, vest 20% per year over a five-year period. In addition, the executive officers would be entitled to receive dividends on unvested shares of retention restricted stock.

Performance Component. The performance restricted stock will, if awarded, fully vest as follows:

- if we have satisfied a cumulative total return target during the period beginning January 1, 2008 and ending after January 1, 2010 and before January 1, 2013, or

- if we have achieved an annual FFO per share based target at December 31, 2009, 2010 or 2011.

In addition, the awards will vest 50% upon the achievement of a lower set of annualized total return and FFO per share targets. On January 1, 2013, an interpolated number of shares of performance restricted stock will vest if we have achieved the 50% vesting targets, but not the 100% vesting targets. Unlike the retention restricted stock, the executive officers would not be entitled to dividends on unvested shares of performance restricted stock.

Awards under Restricted Stock Plan. In February 2008, based on achievement of the outperform 2007 Earnings Target, pursuant to each of the components of the Restricted Stock Plan, the Committee approved grants of restricted stock to Mr. Macnab with a value equal to 200% of his base salary in 2007, grants of restricted stock to each of Messrs. Whitehurst and Habicht equal to 150% of such officer's base salary and grants of restricted stock to each of Messrs. Bayer and Tessitore equal to 120% of such officer's base salary.

Although the grant date of the restricted stock for corporate and accounting measurement purposes was February 12, 2008, the date of the Committee meeting at which the grants were approved, the number of shares of restricted stock granted was based on our closing stock price of $23.38 per share on December 31, 2007.

Other. In recognition of their exceptional performance during 2007, in February 2008, the Committee approved a 2,600 share grant of stock to each of Mr. Bayer and Mr. Tessitore. In connection with these grants, the Committee authorized a tax gross up cash payment to Messrs. Bayer and Tessitore equal to 25% of the market value at the date of grant.

Although the February 2008 stock grants were intended to reward our executive officers for 2007 performance, the February 2008 stock awards are not reflected in the Equity Compensation Tables below because there was no impact of these grants for FAS 123R reporting purposes on our consolidated financial statements for the year ended December 31, 2007. These grants will first be reflected in the Equity Compensation Tables included in our proxy statement for the 2009 annual meeting of stockholders.

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 executive officers 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 their 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 executive officers 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, subject to any legal limitations on the amounts that may be contributed or the benefits that may be payable under such plans.

We do not consider perquisites to be a principal component of our executive officers’ compensation. Costs attributed to the perquisites and other personal benefits afforded to the named executive officers for the fiscal year ended December 31, 2007 are shown in the “Other Compensation” column of the Summary Compensation Table below.

We believe that our executive officer benefit and perquisite programs provided are reasonable and competitive with benefits and perquisites provided to executive officers of other REITs, and are necessary to sustain a fully competitive executive compensation program.

New Employment Agreements

Historically, because the employment agreements of most of our executive officers provided for automatic renewal, the Committee reviews the terms of the employment agreements periodically and before a renewal occurs to determine whether the terms of the agreements continue to further our goals.

Effective January 2, 2007, in connection with their promotions to the position of Executive Vice President, the Committee approved new employment agreements with each of Mr. Bayer and Mr. Tessitore. A description of the terms of Mr. Bayer’s and Mr. Tessitore’s employment agreements, including post-employment payments and triggers, can be found under “Potential Payments Upon Termination or Change of Control” below.

We believe that the protections provided to our executive officers in their employment agreements, particularly the post-employment payments, should help us achieve our goal of retaining our executive officers and are customary in industry practice.

Executive Compensation Tables

The following table shows total compensation paid or earned by the named executive officers for the fiscal years ended December 31, 2007 and 2006.

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($)(1) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation ($)(2) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($)(3) (i)	To
Craig Macnab	2007	$506,000	—	$666,118	—	$ 1,012,000	—	$ 123,572	$2,3
Chief Executive Officer	2006	$486,720	—	$979,413	—	$ 973,440	—	$ 231,036	$2,0
Julian E. Whitehurst	2007	$298,000	—	$407,736	—	$ 447,000	—	$ 25,013	$1,1
President and Chief Operating Officer	2006	$286,520	—	$625,213	—	$ 429,780	—	$ 134,761	$1,4
Kevin B. Habicht	2007	$295,000	—	$309,453	—	$ 442,500	—	$ 25,225	$1,0
Executive Vice President, Chief Financial Officer, Assistant Secretary & Treasurer	2006	$280,800	—	$301,809	—	$ 421,200	—	$ 142,545	$1,1
Paul E. Bayer	2007	$170,000	—	$ 77,709	—	$ 204,000	—	$ 28,930	$ 4
Executive Vice President									
Christopher P. Tessitore	2007	$170,000	—	$ 68,641	—	$ 204,000	—	$ 12,404	$ 4
Executive Vice President, Secretary									

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(1) The amounts in column (e) represent the expense recognized for financial statement reporting purposes with respect to the fiscal year in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No 123 (revised 2004) Share-Based Payment (FAS 123R). Our calculations in accordance with FAS 123R were made with the assumptions and other criteria, as set forth in the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2007. The awards for which expense is shown in this table include the awards described in the Grants of Plan-Based Awards Table below as well as awards granted in previous years for which we recognized expense in 2007 and 2006, respectively.

(2) The amounts in column (g) represent the cash bonuses awarded to the named executive officers, which are discussed on page 11 under "Compensation Discussion and Analysis - 2007 Executive Compensation Components and How They Relate to Our Objectives - Non-Equity Incentive Compensation (Cash Bonuses)."

(3) The amounts in column (i) represent:

- reimbursement payments for taxes incurred in connection with the vesting of restricted stock awards during 2007 and 2006 ($114,750 and $198,450, respectively, for Mr. Macnab, $16,191 and $126,184, respectively, for Mr. Whitehurst, $16,403 and $134,025, respectively, for Mr. Habicht, $18,819 during 2007 for Mr. Bayer, and $2,754 during 2007 for Mr. Tessitore);

- the Company’s contribution to the Company’s 401(k) plan on behalf of each of the named executive officers in an amount of $8,525 in 2006 and $8,250 in 2007;
- life insurance premiums paid by the Company with respect to life insurance for the benefit of the named executive officers during 2007 and 2006 ($297 and $270, respectively, for each of Messrs. Macnab, Whitehurst, and Habicht, and $202 during 2007 for each Messrs. Bayer and Tessitore); and

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- with respect to Mr. Macnab, a payment of $18,066 in 2006 for legal services provided to Mr. Macnab in connection with the negotiation of his employment agreement with the Company.

The following table sets forth certain information with respect to grants of plan-based awards to the named executive officers of the Company during or for the fiscal year ended December 31, 2007.

Grants of Plan-Based Award

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Craig Macnab	02/05/07(2)	—	—	—	21,208	42,416	—	—	—	—
	02/05/07(3)	—	—	—	—	42,416	—	—	—	—
		$ 253,000	$ 506,000	$ 1,012,000	—	—	—	—	—	—
Julian E. Whitehurst	02/05/07(2)	—	—	—	9,364	18,727	—	—	—	—
	02/05/07(3)	—	—	—	—	18,727	—	—	—	—
		$ 149,000	$ 298,000	$ 447,000	—	—	—	—	—	—
Kevin B. Habicht	02/05/07(2)	—	—	—	9,177	18,353	—	—	—	—
	02/05/07(3)	—	—	—	—	18,353	—	—	—	—
		$ 147,500	$ 295,000	$ 442,500	—	—	—	—	—	—
Paul E. Bayer	02/05/07(3)	—	—	—	—	6,754	—	—	—	—
		$ 85,000	$ 170,000	$ 204,000	—	—	—	—	—	—
Christopher P. Tessitore	02/05/07(3)	—	—	—	—	6,972	—	—	—	—
		$ 85,000	$ 170,000	$ 204,000	—	—	—	—	—	—

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(1) The amounts shown in columns (c)-(e) reflect the bonus potential under the Bonus Plan. The actual bonus amounts earned by each named executive officer in 2007 are reported under the “Non-Equity Incentive Plan Compensation” column in the Summary Compensation

Table. For a detailed discussion of the Bonus Plan, see “Compensation Discussion and Analysis - 2007 Executive Compensation Components and How They Relate to Our Objectives - Non-Equity Incentive Compensation (Cash Bonuses)” above.

(2) The amounts shown in columns (i) and (j) reflect the performance restricted stock issued under our Restricted Stock Plan in 2007. The performance restricted stock was issued because of the Company’s achievement of its 2006 earnings targets. The performance restricted stock issued in 2007 will fully vest (as shown in column (g)) as follows:

- if we have satisfied a cumulative total return target during the period beginning January 1, 2007 and ending after January 1, 2009 and before January 1, 2012, or
- if we have achieved an annual FFO per share based target at December 31, 2009, 2010 or 2011.

In addition, the awards would 50% vest upon the achievement of a lower set of annualized total return and FFO per share targets. On January 1, 2012, an interpolated number of shares of performance restricted stock will vest if we have achieved the 50% vesting targets, but not the 100% vesting targets. For a detailed discussion of the Restricted Stock Plan, see “Compensation Discussion and Analysis - 2007 Executive Compensation Components and How They Relate to Our Objectives - Equity Incentive Compensation (Restricted Stock Awards)” above.

(3) The amounts shown in column (g) reflect the retention restricted stock issued under our Restricted Stock Plan in 2007. The retention restricted stock was issued because of the Company’s achievement of its 2006 earnings targets. These shares vest 20% per year over a five-year period.

The following table sets forth certain information with respect to equity awards outstanding as of December 31, 2007 for each of the named executive officers.

Outstanding Equity Awards at Fiscal Year End

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equ Incen Plan Av Marke Payo Valu Unear Shar Units Oth Rights Have Vest ($**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j
Craig Macnab	—	—	—	—	—	74,774(1)	$1,748,216	12,092(4)	$282
								42,416(5)	$991
Julian E. Whitehurst	—	—	—	—	—	56,810(2)	$1,328,218	5,436(4)	$127
								18,727(5)	$437
Kevin B. Habicht	23,000	—	—	$10.625	6/16/2010	36,612(3)	$ 855,989	5,436(4)	$127
								18,353(5)	$429
Paul E. Bayer	—	—	—	—	—	15,054(6)	$ 351,963	—	
Christopher P. Tessitore	—	—	—	—	—	16,129(7)	$ 377,096	—	

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(1) The restricted shares vest as follows: 19,269 in 2008; 19,269 in 2009; 19,270 in 2010; 8,483 in 2011; and 8,483 in 2012.

(2) The restricted shares vest as follows: 21,728 in 2008; 12,730 in 2009; 12,718 in 2010; 5,889 in 2011; and 3,745 in 2012.

(3) The restricted shares vest as follows: 9,130 in 2008; 9,128 in 2009; 11,013 in 2010, 3,670 in 2011; and 3,671 in 2012.

(4) The restricted shares vest 20% annually from 2008 through 2010 provided that the Company meets certain total shareholder return thresholds.

(5) The amounts shown in columns (i) and (j) reflect the performance restricted stock issued under our Restricted Stock Plan in 2007. The performance restricted stock was issued because of the Company’s achievement of its 2006 earnings targets. The performance restricted stock issued in 2007 will fully vest (as shown in column (g)) as follows:

- if we have satisfied a cumulative total return target during the period beginning January 1, 2007 and ending after January 1, 2009 and before January 1, 2012, or
- if we have achieved an annual FFO per share based target at December 31, 2009, 2010 or 2011.

In addition, the awards would 50% vest upon the achievement of a lower set of annualized total return and FFO per share targets. On January 1, 2012, an interpolated number of shares of performance restricted stock will vest if we have achieved the 50% vesting targets, but not the 100% vesting targets. For a detailed discussion of the Restricted Stock Plan, see “Compensation Discussion and Analysis - 2007 Executive Compensation Components and How They Relate to Our Objectives - Equity Incentive Compensation (Restricted Stock Awards)” above.

(6) The restricted shares vest as follows: 3,851 in 2008; 4,051 in 2009; 3,250 in 2010; 2,551 in 2011; and 1,351 in 2012.

(7) The restricted shares vest as follows: 2,665 in 2008; 3,667 in 2009; 3,665 in 2010; 3,667 in 2011; and 2,465 in 2012.

The following table sets forth certain information with respect to exercised stock options and vested restricted stock of the named executive officers during the fiscal year ended December 31, 2007.

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
(a)	(b)	(c)	(d)	(e)
Craig Macnab	—	—	38,847	$ 891,539
Julian E. Whitehurst	—	—	14,107	$ 323,756
Kevin B. Habicht	20,000	$156,180	11,941	$ 274,046
Paul E. Bayer	—	—	4,000	$ 91,800
Christopher P. Tessitore	—	—	1,272	$ 29,192

Potential Payments Upon Termination or Change of Control

The Company entered into an employment agreement with Mr. Macnab in May 2006, into employment agreements with Messrs. Habicht and Whitehurst in August 2006, and into employment agreements with Messrs. Bayer and Tessitore in January 2007. Messrs. Macnab, Habicht, Whitehurst, Bayer, and Tessitore are collectively referred to herein as the "Executives" and each, an "Executive." Each agreement contains severance provisions that provide for payment to the Executive upon the occurrence of certain events, including death or disability, termination by the Company for "cause" or by the Executive without "good reason," termination by the Company without "cause" or by the Executive with "good reason," and termination upon expiration of the employment agreement. In the event the Executive is unable to perform his job duties due to death or disability, the agreement provides for payment of his accrued salary, a prorated performance bonus and, for a period of one year following termination of the agreement due to death, health benefits under the Company's health plans and programs to the Executive's dependents. In the event the Executive is terminated by the Company for "cause" or the Executive terminates the agreement without "good reason," the Executive is entitled to his accrued salary and benefits prior to the date of termination.

The agreement also contains severance provisions that call for payment to the Executive of the following amounts in the event that he is terminated without "cause" or he resigns for "good reason":

- accrued and unpaid salary through the date of termination;
- a cash payment equal to 200% (with respect to Messrs. Bayer and Tessitore), 250% (with respect to Messrs. Habicht and Whitehurst), and 300% (with respect to Mr. Macnab) of his respective annual salary;
- a cash payment equal to 200% (with respect to Messrs. Bayer and Tessitore), 250% (with respect to Messrs. Habicht and Whitehurst), and 300% (with respect to Mr. Macnab) of his respective average bonus for the last three years of employment under the agreement;
- immediate vesting of his restricted stock awards, stock options and other equity awards;
- for a period of one year after termination (but in no event after the Executive becomes eligible to receive benefits of the same type from another employer), health benefits under the Company's health plans and programs generally available to senior executives of the Company; and

- in the event of such a termination upon or after a change of control, a prorated annual bonus at the target level for the year in which termination occurred.

In the event that the employment agreement naturally terminates at the end of its term because the Company elects not to renew, the Executive will be entitled to the following severance payments:

- accrued and unpaid salary through the date of termination;
- a cash payment equal to 200% of his annual salary if the non-renewal is at the end of the initial term and 100% of his annual salary if the non-renewal is at the end of any subsequent renewal term;
- if the non-renewal is at the end of the term, immediate vesting of his restricted stock awards, stock options and other equity awards that are exclusively time-based vesting;
- for a period of one year after termination (but in no event after the Executive becomes eligible to receive benefits of the same type from another employer), health benefits under the Companys health plans and programs generally available to senior executives of the Company; and
- a prorated annual bonus at the target level for the year in which termination occurred.

In addition to the foregoing payments, each Executive shall be entitled to gross-up payments to the extent such payments result in the imposition of excise tax, interest or penalties.

Cause is defined in each Executives agreement as the Executives:

- conviction of (or pleading nolo contendere to) an indictment or information that is filed against Executive and is not discharged or otherwise resolved within 12 months thereafter, and said indictment of information charged Executive with a felony, any crime of moral turpitude, or any crime which is likely to result in material injury to the Company;
- the continued failure by Executive substantially to perform his duties or to carry out the lawful directives of the Board of Directors;
-