

NATIONAL RETAIL PROPERTIES, INC.

Form 424B5

September 19, 2018

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Filed Pursuant to Rule 424(b)(5)
Registration File No. 333-223141

Title of Each Class of	Amount	Proposed	Proposed	
	to be	Maximum	Maximum	Amount of
Securities to be Registered	Registered	Offering Price	Aggregate	Registration Fee(1)
4.300% Notes due 2028			\$400,000,000	\$49,800
4.800% Notes due 2048			\$300,000,000	\$37,350
Total			\$700,000,000	\$87,150

- (1) This filing fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended (the Securities Act), and relates to the Registration Statement on Form S-3 (No. 333-223141) filed on February 22, 2018 (the Registration Statement). In accordance with Rules 456(b) and 457(r) under the Securities Act, the registrant deferred payment of the registration fee for the Registration Statement.

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PROSPECTUS SUPPLEMENT

(To Prospectus dated February 22, 2018)

\$700,000,000

\$400,000,000 4.300% Notes due 2028

\$300,000,000 4.800% Notes due 2048

We are offering \$400,000,000 aggregate principal amount of 4.300% notes due 2028 and \$300,000,000 aggregate principal amount of 4.800% notes due 2048. We refer to the notes due 2028 as the 2028 notes, the notes due 2048 as the 2048 notes and to both series of notes collectively as the notes. The notes will have the following terms:

Interest on the notes will be payable semi-annually on April 15 and October 15, commencing April 15, 2019.

The 2028 notes mature on October 15, 2028 and the 2048 notes mature on October 15, 2048. The notes will be redeemable in whole or in part at any time or from time to time at the applicable redemption price described in the section of this prospectus supplement entitled "Description of Notes—Optional Redemption."

There is no sinking fund for the notes.

The notes will be our senior unsecured obligations and will rank equally with all of our other senior indebtedness from time to time outstanding. However, the notes will be effectively subordinated to our mortgage debt and other secured indebtedness (to the extent of the value of the assets securing such debt) and will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries (to the extent of the value of the assets of those subsidiaries).

The 2028 notes and the 2048 notes will each be a new series of securities with no established trading market. The notes will not be listed on any securities exchange or automated quotation system.

Investing in the notes involves risks. See Risk Factors beginning on page S-4 of this prospectus supplement and beginning on page 6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated herein by reference.

	Per Note due 2028	Total	Per Note due 2048	Total
Public Offering Price(1)	99.288%	\$ 397,152,000	98.587%	\$ 295,761,000
Underwriting Discount	0.650%	\$ 2,600,000	0.875%	\$ 2,625,000
Proceeds to National Retail Properties, Inc. (before expenses)(1)	98.638%	\$ 394,552,000	97.712%	\$ 293,136,000

(1) Plus accrued interest, if any, from September 27, 2018 if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the notes will be made to investors through the book-entry delivery system of The Depository Trust Company for the accounts of its participants, including Clearstream Banking S.A. and Euroclear Bank, SA/NV, as operator for the Euroclear System, against payment in New York, New York on or about September 27, 2018.

Joint Book-Running Managers

BofA Merrill Lynch **Citigroup** **Wells Fargo Securities**
Morgan Stanley **US Bancorp**
Jefferies **RBC Capital Markets** **SunTrust Robinson Humphrey**
Senior Co-Managers

BB&T Capital Markets
Capital One Securities

TD Securities
Raymond James

The date of this prospectus supplement is September 18, 2018.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are offering to sell, and seeking offers to buy, the securities only in jurisdictions where offers and sales are permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus or the documents incorporated by reference is accurate as of any date other than their respective dates or on the date or dates that are specified in these documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and adds to, updates and changes information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference filed with the Securities and Exchange Commission (the "SEC") prior to the filing of this prospectus supplement, the information in this prospectus supplement shall control. In addition, to the extent that any information in a document incorporated by reference that is filed with the SEC after the filing of this prospectus supplement differs or varies from the information contained in this prospectus supplement, the accompanying prospectus or any document incorporated by reference herein or therein that was filed with the SEC prior to the filing of this prospectus supplement, the information in such later filed document shall control.

In this prospectus supplement, the words "we," "our," "ours" and "us" refer to National Retail Properties, Inc. and its subsidiaries and joint ventures, unless the context indicates otherwise.

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FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus supplement and the accompanying prospectus, including the documents that are incorporated by reference, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Also, when we use any of the words anticipate, assume, believe, estimate, expect, intend or similar expressions, we are making forward-looking statements. These forward-looking statements are not guaranteed and are based on our present intentions and on our present expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond our control, that could cause actual results or events to differ materially from those we anticipate or project, such as:

changes in financial and economic conditions generally and in the markets in which we own properties may have an adverse impact on our tenants, and commercial real estate in general;

our ability to obtain debt or equity capital on favorable terms, if at all;

loss of rent from tenants would reduce our cash flow;

a significant portion of the source of our annual base rent is heavily concentrated in specific industry classifications, tenants and in specific geographic locations;

owning real estate and indirect interests in real estate involves inherent risks;

real estate investments are illiquid;

costs of complying with changes in governmental laws and regulations may adversely affect our results of operations;

we may be subject to known or unknown environmental liabilities and hazardous materials on our properties;

our ability to successfully execute acquisition or development strategies;

our ability to dispose of properties consistent with our operating strategy;

we may suffer a loss in the event of a default of or bankruptcy of a tenant or a borrower;

certain provisions of our leases or loan agreements may be unenforceable;

property ownership through joint ventures and partnerships could limit our control of those investments;

competition from numerous other real estate investment trusts (REITs), commercial developers, real estate limited partnerships and other investors may impede our ability to grow;

the loss of key management personnel could adversely affect performance and the value of our securities;

uninsured losses may adversely affect our operating results and asset values;

acts of violence, terrorist attacks or war may adversely affect the markets in which we operate and our results of operations;

vacant properties or bankrupt tenants or borrowers could adversely affect our business or financial condition;

the amount of debt we have and the restrictions imposed by that debt could adversely affect our business and financial condition;

we are obligated to comply with financial and other covenants in our debt instruments that could restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerate the payment of such debt;

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the market value of our equity and debt securities are subject to various factors that may cause significant fluctuations or volatility;

our failure to qualify as a REIT for federal income tax purposes could result in significant tax liability;

even if we remain qualified as a REIT, we could face other tax liabilities that adversely affect operating results and reduce cash flow;

adverse legislative or regulatory tax changes could reduce our earnings, cash flow and the market value of our securities;

compliance with REIT requirements, including distribution requirements, may limit our flexibility and negatively affect our operating decisions;

changes in accounting pronouncements could adversely impact our or our tenants' reported financial performance;

our failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and the market value of our securities;

our ability to pay dividends in the future is subject to many factors;

cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations and expose us to liabilities to tenants, employees, capital providers, and other third parties; and

future investment in international markets could subject us to additional risks, including foreign currency exchange rate fluctuations, operational risks due to local economic and political conditions and laws and policies of the U.S. affecting foreign investment.

You should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. Except as required by law, we undertake no obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

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SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements (including the notes thereto) contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. Because this is a summary, it may not contain all of the information that is important to you. You should read this entire prospectus supplement and the accompanying prospectus, including the information incorporated by reference herein and therein, before making an investment decision.

The Company

We acquire, own, invest in and develop properties that are leased primarily to retail tenants under long-term net leases and primarily held for investment. As of June 30, 2018, we owned 2,846 properties, with an aggregate gross leasable area of approximately 29.4 million square feet, located in 48 states, with a weighted average remaining lease term of 11.5 years. Approximately 98% of our properties were leased as of June 30, 2018.

We are a fully integrated REIT for U.S. federal tax purposes, formed in 1984.

Our executive offices are located at 450 South Orange Avenue, Suite 900, Orlando, Florida 32801, and our telephone number is (407) 265-7348.

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The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see Description of Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus.

Issuer	National Retail Properties, Inc.
Notes Offered	\$400,000,000 aggregate principal amount of 4.300% notes due 2028. \$300,000,000 aggregate principal amount of 4.800% notes due 2048.
Maturity	The 2028 notes will mature on October 15, 2028, unless previously redeemed in accordance with their terms prior to such date. The 2048 notes will mature on October 15, 2048, unless previously redeemed in accordance with their terms prior to such date.
Interest Rate and Payment Dates	The 2028 notes will bear interest at a rate of 4.300% per year. The 2048 notes will bear interest at a rate of 4.800% per year. Interest will be payable semi-annually on April 15 and October 15, commencing April 15, 2019.
Ranking of Notes	The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness from time to time outstanding. However, the notes will be effectively subordinated to our mortgage debt and other secured indebtedness (to the extent of the value of the assets securing such debt). The notes will also be structurally subordinated to the indebtedness and other liabilities of our subsidiaries (to the extent of the value of the assets of those subsidiaries).
Indebtedness	As of June 30, 2018, we had approximately \$2.6 billion of outstanding indebtedness, of which \$13.1 million was secured indebtedness.
Optional Redemption	We may redeem the 2028 notes prior to July 15, 2028 (the 2028 Notes Par Call Date), at any time in whole or from time to time in part, at the redemption price set forth in the section of this prospectus supplement entitled Description of Notes Optional Redemption; provided, however, that if we redeem the 2028 notes on or after the 2028 Notes Par Call Date, the redemption price will equal 100% of the principal amount of the 2028 notes to be redeemed, plus accrued interest and unpaid interest thereon to, but not including, the redemption date. We may redeem the 2048 notes prior to April 15, 2048 (the 2048 Notes Par Call Date), at any time in whole or from time to time in part, at the redemption price set forth in the section of this prospectus supplement entitled Description of Notes Optional Redemption; provided, however, that if we redeem the 2048 notes on or after the 2048 Notes Par Call Date,

the redemption price will equal 100% of the principal amount of the 2048 notes to be redeemed, plus accrued interest and unpaid interest thereon to, but not including, the redemption date.

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Covenants	<p>We will issue the notes under an indenture, as supplemented, with U.S. Bank National Association, as successor trustee. The indenture will, among other things, restrict our ability, and the ability of our subsidiaries, to:</p> <p>incur debt without meeting certain financial tests; and</p> <p>secure debt with our assets and the assets of our subsidiaries.</p> <p>For more details, see Description of Notes Certain Covenants in this prospectus supplement.</p>
Use of Proceeds	<p>We intend to use the net proceeds from the offering of the notes to repay all of the outstanding indebtedness under our credit facility, to redeem all of our outstanding 5.500% Notes due 2021 and to fund future property acquisitions and for general corporate purposes. This prospectus supplement does not constitute a notice of redemption under the indenture governing such 5.500% Notes due 2021. See Use of Proceeds in this prospectus supplement.</p>
Sinking Fund	<p>The notes will not have the benefit of a sinking fund.</p>
Risk Factors	<p>You should carefully read Risk Factors beginning on page S-4 of this prospectus supplement, as well as the risk factors beginning on page 6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which is incorporated by reference herein, for certain considerations relevant to an investment in the notes.</p>
Material Federal Income Tax Considerations	<p>Prospective investors are urged to consult their tax advisors with respect to the federal, state, local and foreign tax consequences of purchasing, owning and disposing of the notes. See Additional Material Federal Income Tax Considerations in this prospectus supplement and Material Federal Income Tax Considerations in the accompanying prospectus.</p>

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including Risk Factors beginning on page 6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, you should carefully review the following risk factors in determining whether to purchase the notes.

An adverse credit rating of the notes may cause their trading price to fall.

A rating assigned to the notes reflects the applicable rating agency's assessment of the likelihood that the holders of the notes will receive the payments of interest and principal required to be made. A rating reflects only the view of a rating agency and is not a recommendation to buy, sell or hold the notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it decides the circumstances warrant that change. A rating agency rating the notes may assign a rating that is lower than the ratings assigned to our other debt. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings in the future, the trading price of the notes could significantly decline.

We may incur additional debt and may not be able to repay our obligations under the notes.

It is our current policy to maintain a ratio of total indebtedness to total assets (before accumulated depreciation) of not more than 60%. However, this policy is subject to reevaluation and modification by our board of directors without the approval of our security holders. If our board of directors modifies this policy to permit a higher degree of leverage and we incur additional indebtedness, debt service requirements would increase accordingly. Such an increase could adversely affect our financial condition and results of operations, as well as our ability to pay principal and interest on the notes. In addition, increased leverage could increase the risk that we may default on our other debt obligations.

We are subject to the risks associated with debt financing. These risks include our possible inability to generate cash through our operating activities sufficient to meet our required payments of principal and interest and that rising interest rates may cause the rate on our variable rate indebtedness to rise. In addition, we may not be able to repay or refinance existing indebtedness, which generally will not have been fully amortized at maturity, on favorable terms. In the event that we are unable to refinance our indebtedness on favorable terms, we may be forced to resort to alternatives that may adversely affect our ability to generate cash to pay our debt service obligations, including payments on the notes, such as disposing of properties on disadvantageous terms (which may also result in losses) and accepting financing on unfavorable terms.

The effective and structural subordination of the notes may limit our ability to satisfy our obligations under the notes.

The notes will be our senior unsecured obligations and will rank equally with all of our other senior indebtedness outstanding from time to time. However, the notes will be effectively subordinated to our mortgage debt and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness). As of June 30, 2018, we had outstanding \$13.1 million of secured indebtedness. The provisions of the indenture governing the notes do not prohibit us from incurring additional secured indebtedness in the future, provided that certain conditions are satisfied. Consequently, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us, the holders of any secured indebtedness will be entitled to proceed directly against the collateral that secures such secured indebtedness. Therefore, such collateral will not be available for satisfaction of any amounts owed under our unsecured indebtedness, including the notes, until such secured indebtedness is satisfied in full. The notes will also be structurally subordinated to the indebtedness and other liabilities of our subsidiaries (to the extent of the value

of the assets of those subsidiaries), including any equity interests in such subsidiaries that are held by persons other than us or our subsidiaries. See Description of Notes Ranking in this prospectus supplement.

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There is currently no trading market for the notes, and an active liquid trading market for the notes may not develop or, if it develops, be maintained.

The notes are new issues of securities with no established trading market. The notes will not be listed on any securities exchange or on any automated dealer quotation system. Although the underwriters have advised us that they intend to make a market in the notes, they are not obligated to do so and may discontinue any market-making at any time without notice. Accordingly, an active public trading market may not develop for the notes and, even if one develops, may not be maintained. If an active public trading market for the notes does not develop or is not maintained, the market price and liquidity of the notes is likely to be adversely affected, and holders may not be able to sell their notes at desired times and prices or at all. If any of the notes are traded after their purchase, they may trade at a discount, which could be substantial, from their purchase price.

The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, our financial condition, results of operations, business, prospects and credit quality relative to our competitors, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in any of these factors, some of which are beyond our control. In addition, market volatility or events or developments in the credit markets could materially and adversely affect the market value of the notes, regardless of our financial condition, results of operations, business, prospects or credit quality.

An increase in interest rates could result in a decrease in the market value of the notes.

In general, as market interest rates rise, notes bearing interest at a fixed rate generally decline in value. Consequently, if you purchase these notes and market interest rates increase, the market value of your notes may decline. We cannot predict the future level of market interest rates.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$685.9 million, after deducting the underwriting discounts and other estimated expenses of this offering payable by us. We intend to use the net proceeds from the offering of the notes to repay all of the outstanding indebtedness under our credit facility, to redeem all of our outstanding 5.500% Notes due 2021 and to fund future property acquisitions and for general corporate purposes. This prospectus supplement does not constitute a notice of redemption under the indenture governing such 5.500% Notes due 2021. Pending application of the net proceeds, we intend to invest the net proceeds in short-term, income-producing investments.

Borrowings under our credit facility were \$66.8 million as of September 17, 2018, and currently accrue interest at a rate of 3.043%. The credit facility matures on January 31, 2022, unless we exercise our option to extend the termination date by one year. Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, Morgan Stanley & Co. LLC, U.S. Bancorp Investments, Inc., RBC Capital Markets, LLC, SunTrust Robinson Humphrey, Inc. and certain of the other underwriters in this offering or their affiliates are lenders and/or agents under our credit facility and will receive their proportionate share of the amount repaid under the credit facility with the net proceeds from this offering. As of September 17, 2018, approximately \$300.0 million aggregate principal amount of 5.500% Notes due 2021 remained outstanding. We will incur an approximately \$18.2 million make-whole prepayment charge as a result of redeeming all of the outstanding 5.500% Notes due 2021. The underwriters in this offering or their affiliates may also be owners of the 5.500% Notes due 2021 and may receive the redemption price for such notes with the net proceeds from this offering.

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The following table sets forth our historical ratio of earnings to fixed charges for the periods indicated:

	Six Months Ended June 30,		Year Ended December 31,			
	2018^(A)	2017^(A)	2016	2015	2014	2013
Ratio of Earnings to Fixed Charges	4.09x	3.36x	3.43x	3.23x	3.18x	2.77x

^(A) For the six months ended June 30, 2018 and the year ended December 31, 2017, ratio of earnings to fixed charges excluding the effect of \$0.5 million and \$7.8 million, respectively, in retirement severance costs would have been 4.10x and 3.43x, respectively. Retirement severance costs relate primarily to Craig Macnab's retirement as our chief executive officer on April 28, 2017.

For the purpose of computing these ratios, earnings have been calculated by taking pre-tax income from continuing operations before adjustment for income from equity investees and adding fixed charges, distributed income of equity investees and subtracting capitalized interest. Fixed charges consist of the sum of interest costs, whether expensed or capitalized, and amortized premiums, discounts and capitalized expenses related to indebtedness.

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DESCRIPTION OF NOTES

The following description of the particular terms of the notes offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus under "Description of Debt Securities," to which reference is hereby made.

General

The 2028 notes and the 2048 notes will each constitute separate series of debt securities (which are more fully described in the accompanying prospectus) to be issued under an Indenture, dated as of March 25, 1998 (the "Original Indenture"), as supplemented by a Seventeenth Supplemental Indenture (the "Supplemental Indenture" and together with the Original Indenture, the "Indenture"), between us and U.S. Bank National Association, as successor trustee (the "Trustee"). The Original Indenture has been filed with the SEC as an exhibit to the Registration Statement of which this prospectus supplement is a part and is available for inspection at our offices or at the SEC's Internet site at <http://www.sec.gov>. The Indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended. The statements made hereunder relating to the Indenture and the notes to be issued thereunder are summaries of certain provisions thereof, do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the Indenture and the notes. You should carefully read the Indenture and the notes as they, and not this prospectus supplement and accompanying prospectus, govern your rights as a noteholder.

All capitalized terms used but not defined herein shall have the respective meanings set forth in the Indenture.

The 2028 notes initially will be limited to an aggregate principal amount of \$400.0 million. The 2048 notes initially will be limited to an aggregate principal amount of \$300.0 million. We may re-open either of these series of notes in the future to issue additional notes having the same terms and conditions, except for any difference in the issue date, issue price and, if applicable, the initial interest payment date, and with the same CUSIP number as the notes offered hereby so long as such additional notes are fungible for U.S. federal income tax purposes with the notes offered hereby. The 2028 notes offered by this prospectus supplement and any additional 2028 notes would rank equally and ratably in right of payment and would be treated as a single series of debt securities for all purposes under the Indenture. The 2048 notes offered by this prospectus supplement and any additional 2048 notes would rank equally and ratably in right of payment and would be treated as a single series of debt securities for all purposes under the Indenture.

The notes will be issued only in fully registered form in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Ranking

The notes will be our direct, senior unsecured obligations and will rank equally with all of our other unsubordinated indebtedness from time to time outstanding. However, the notes will be effectively subordinated to our mortgage debt and other secured indebtedness (to the extent of the value of the assets securing such debt) and will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries (to the extent of the value of the assets of those subsidiaries). Accordingly, such indebtedness must be satisfied in full before holders of the notes will be able to realize any value from encumbered or indirectly-held properties.

As of June 30, 2018, on a pro forma basis after giving effect to this offering and the application of the proceeds therefrom, we would have had approximately \$3.0 billion of outstanding indebtedness, of which approximately \$13.1 million would have been secured by five of our properties with a book value of \$20.7 million. We may incur

additional indebtedness, including secured indebtedness, subject to the provisions described below under Certain Covenants Limitations on Incurrence of Indebtedness.

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Principal and Interest

The 2028 notes will bear interest at 4.300% per annum and will mature on October 15, 2028.

The 2048 notes will bear interest at 4.800% per annum and will mature on October 15, 2048.

The notes will bear interest from, and including, September 27, 2018 or from, and including, the immediately preceding interest payment date to which interest has been paid. Interest on the notes will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing April 15, 2019, to the persons in whose name the applicable notes are registered in the Security Register on the preceding April 1 or October 1 (whether or not a Business Day, as defined below), as the case may be.

Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any Interest Payment Date or Stated Maturity falls on a day that is not a Business Day, the required payment shall be made on the next Business Day as if it were made on the date such payment was due and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or Stated Maturity, as the case may be. Business Day means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banks in the City of New York, New York or in the City of St. Paul, Minnesota are authorized or required by law, regulation or executive order to close.

The principal of and interest on the notes will be payable at the corporate trust office of the agent of the Trustee (the Paying Agent), currently located at 111 Fillmore Avenue East, St. Paul, MN 55107, *provided* that, at our option, subject to certain conditions, payment of principal and interest may be made by check mailed to the address of the Person entitled thereto as it appears in the Security Register or by wire transfer of funds to such Person at an account maintained within the United States.

Optional Redemption

We may redeem the 2028 notes prior to the 2028 Notes Par Call Date and the 2048 notes prior to the 2048 Notes Par Call Date, at any time in whole or from time to time in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date; and (ii) the Make-Whole Amount, if any, with respect to such notes; provided, however, that if we redeem the 2028 notes on or after the 2028 Notes Par Call Date or redeem the 2048 notes on or after the 2048 Notes Par Call Date, as applicable, the redemption price will equal 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date (the Redemption Price).

If notice has been given as provided in the Indenture and funds for the redemption of any notes called for redemption shall have been made available on the redemption date referred to in such notice, such notes will cease to bear interest on the date fixed for such redemption specified in such notice and the only right of the Holders of the notes will be to receive payment of the Redemption Price.

Notice of any optional redemption of any notes will be given to Holders at their addresses, as shown in the Security Register, not less than 15 days nor more than 60 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the Redemption Price and the principal amount of the notes held by such Holder to be redeemed.

If we redeem less than all the 2028 notes or less than all of the 2048 notes, we will notify the Trustee at least 45 days prior to the giving of the redemption notice (or such shorter period as is satisfactory to the Trustee) of the aggregate principal amount of notes to be redeemed and their redemption date. The Trustee shall select, in such manner as it shall deem fair and appropriate, notes to be redeemed in whole or in part. Notes may be redeemed in part in the minimum authorized denomination for notes or in any integral multiple thereof.

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Make-Whole Amount means, in connection with any optional redemption or accelerated payment of any note, the aggregate present value as of the redemption date of the remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption or accelerated payment) on the notes to be redeemed, assuming that such 2028 notes matured on the 2028 Notes Par Call Date or such 2048 notes matured on the 2048 Notes Par Call Date, as applicable, determined by discounting, on a semi-annual basis, such principal and interest at the applicable Reinvestment Rate (determined on the third Business Day preceding the date such notice of redemption is given or declaration of acceleration is made).

Reinvestment Rate means 0.25%, in the case of the 2028 notes, or 0.30%, in the case of the 2048 notes, in each case plus the arithmetic mean of the yields under the respective headings **This Week** and **Last Week** published in the Statistical Release under the caption **Treasury Constant Maturities** for the maturity (rounded to the nearest month) corresponding to the remaining life to maturity for the relevant notes (assuming for this purpose that such 2028 notes matured on the 2028 Notes Par Call Date or that such 2048 notes matured on the 2048 Notes Par Call Date, as applicable), as of the payment date of the principal being redeemed or paid. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence, and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For such purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

Statistical Release means the statistical release designated **H.15** or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States government securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination of the Make-Whole Amount, then such other reasonably comparable index as we shall designate.

Certain Covenants

Limitations on Incurrence of Indebtedness. We will not, and will not permit any Subsidiary (as defined below) to, incur any Indebtedness (as defined below) if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the proceeds thereof, the aggregate principal amount of all of our outstanding Indebtedness and our Subsidiaries' outstanding Indebtedness (determined on a consolidated basis in accordance with GAAP) is greater than 60% of the sum of (without duplication) (i) our Total Assets (as defined below) and those of our Subsidiaries, as of the end of the calendar quarter covered in our Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the SEC (or, if such filing is not permitted under the Exchange Act, with the Trustee) prior to the incurrence of such additional Indebtedness and (ii) the purchase price of any real estate assets or mortgages receivable acquired, and the amount of any securities offering proceeds received (to the extent that such proceeds were not used to acquire real estate assets or mortgages receivable or used to reduce Indebtedness), by us or any Subsidiary since the end of such calendar quarter, including those proceeds obtained in connection with the incurrence of such additional Indebtedness.

In addition to the foregoing limitation on the incurrence of Indebtedness, we will not, and will not permit any Subsidiary to, incur any Indebtedness secured by any Encumbrance (as defined below) upon any of our properties or the properties of any Subsidiary if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the proceeds thereof, the aggregate principal amount of all of our outstanding Indebtedness and our Subsidiaries' outstanding Indebtedness (determined on a consolidated basis in accordance with GAAP) which is secured by any Encumbrance on our properties or any Subsidiary is greater than 40% of the sum of (without duplication) (i) our Total Assets, and those of our Subsidiaries, as of the end of the calendar quarter covered in our Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the SEC

(or, if such filing is not permitted under the Exchange Act, with the

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Trustee) prior to the incurrence of such additional Indebtedness and (ii) the purchase price of any real estate assets or mortgages receivable acquired, and the amount of any securities offering proceeds received (to the extent that such proceeds were not used to acquire real estate assets or mortgages receivable or used to reduce Indebtedness), by us or any Subsidiary since the end of such calendar quarter, including those proceeds obtained in connection with the incurrence of such additional Indebtedness.

We and our Subsidiaries will not at any time own Total Unencumbered Assets (as defined below) equal to less than 150% of the aggregate outstanding principal amount of Unsecured Indebtedness (as defined below) on a consolidated basis.

In addition to the foregoing limitations on the incurrence of Indebtedness, we will not, and will not permit any Subsidiary to, incur any Indebtedness if the ratio of Consolidated Income Available for Debt Service (as defined below) to the Annual Debt Service Charge (as defined below) for the four consecutive fiscal quarters most recently ended prior to the date on which such additional Indebtedness is to be incurred shall have been less than 1.5:1 on a pro forma basis after giving effect thereto and to the application of the proceeds therefrom, and calculated on the assumption that (i) such Indebtedness and any other Indebtedness incurred by us and our Subsidiaries since the first day of such four-quarter period and the application of the proceeds therefrom, including to refinance other Indebtedness, had occurred at the beginning of such period; (ii) the repayment or retirement of any other Indebtedness by us and our Subsidiaries since the first day of such four-quarter period had been repaid or retired at the beginning of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period); (iii) in the case of Acquired Indebtedness (as defined below) or Indebtedness incurred in connection with any acquisition since the first day of such four-quarter period, the related acquisition had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition being included in such pro forma calculation; and (iv) in the case of any acquisition or disposition by us or our Subsidiaries of any asset or group of assets since the first day of such four-quarter period, whether by merger, stock purchase or sale, or asset purchase or sale, such acquisition or disposition or any related repayment of Indebtedness had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation.

Provision of Financial Information. Whether or not we are subject to Section 13 or 15(d) of the Exchange Act, we will, within 15 days after each of the respective dates by which we would have been required to file annual reports, quarterly reports and other documents with the SEC if we were so subject, (1) transmit by mail to all Holders, as their names and addresses appear in the Security Register, without cost to such Holders, copies of the annual reports, quarterly reports and other documents which we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, if we were subject to such Sections, and (2) file with the Trustee copies of the annual reports, quarterly reports and other documents which we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, if we were subject to such Sections, and (3) promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder.

Waiver of Certain Covenants. We may omit to comply with any term, provision or condition of the foregoing covenants, and with any other term, provision or condition with respect to the notes of each series, as the case may be (except any such term, provision or condition which could not be amended without the consent of all Holders of notes of such series), if before or after the time for such compliance the Holders of at least a majority in principal amount of all of the outstanding notes of such series, as the case may be, by act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition. Except to the extent so expressly waived, and until such waiver shall become effective, our obligations and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

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As used herein, and in the Indenture:

Acquired Indebtedness means Indebtedness of a Person (i) existing at the time such Person becomes a Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case, other than Indebtedness incurred in connection with, or in contemplation of, such Person becoming a Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to be incurred on the date of the related acquisition of assets from any Person or the date the acquired Person becomes a Subsidiary.

Annual Debt Service Charge for any period means the aggregate interest expense for such period in respect of, and the amortization during such period of any original issue discount of, Indebtedness of us and our Subsidiaries and the amount of dividends which are payable during such period in respect of any Disqualified Stock.

Capital Stock means, with respect to any Person, any capital stock (including preferred stock), shares, interests, participations or other ownership interests (however designated) of such Person and any rights (other than debt securities convertible into or exchangeable for corporate stock), warrants or options to purchase any thereof.

Consolidated Income Available for Debt Service for any period means Earnings from Operations (as defined below) of ours and our Subsidiaries plus amounts which have been deducted, and minus amounts which have been added, for the following (without duplication): (i) interest on Indebtedness of us and our Subsidiaries, (ii) provision for taxes of us and our Subsidiaries based on income, (iii) amortization of debt discount, (iv) provisions for gains and losses on properties and property depreciation and amortization, (v) the effect of any noncash charge resulting from a change in accounting principles in determining Earnings from Operations for such period and (vi) amortization of deferred charges.

Disqualified Stock means, with respect to any Person, any Capital Stock of such Person which by the terms of such Capital Stock (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable), upon the happening of any event or otherwise (i) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than Capital Stock which is redeemable solely in exchange for common stock), (ii) is convertible into or exchangeable or exercisable for Indebtedness or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part (other than Capital Stock which is redeemable solely in exchange for Capital Stock which is not Disqualified Stock or the redemption price of which may, at the option of such Person, be paid in Capital Stock which is not Disqualified Stock), in each case on or prior to the Stated Maturity of the notes.

Earnings from Operations for any period means net earnings excluding gains and losses on sales of investments, extraordinary items and property valuation losses, net as reflected in the financial statements of us and our Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

Encumbrance means any mortgage, lien, charge, pledge or security interest of any kind.

GAAP means generally accepted accounting principles as used in the United States applied on a consistent basis as in effect from time to time; provided that solely for purposes of any calculation required by the financial covenants contained in the Indenture, *GAAP* shall mean generally accepted accounting principles as used in the United States on the date of the Indenture, applied on a consistent basis.

Indebtedness of us or our Subsidiaries means any indebtedness of us or our Subsidiaries, whether or not contingent, in respect of (i) borrowed money or evidenced by bonds, notes, debentures or similar instruments whether or not such indebtedness is secured by any Encumbrance existing on property owned by us or any Subsidiary of ours,

(ii) indebtedness for borrowed money of a Person other than us or our Subsidiaries which is secured by any Encumbrance existing on property owned by us or our Subsidiaries, to the extent of the lesser of

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(x) the amount of indebtedness so secured and (y) the fair market value (as determined in good faith by our Board of Directors) of the property subject to such Encumbrance, (iii) the reimbursement obligations, contingent or otherwise, in connection with any letters of credit actually issued or amounts representing the balance deferred and unpaid of the purchase price of any property or services, except any such balance that constitutes an accrued expense or trade payable, or all conditional sale obligations or obligations under any title retention agreement, (iv) the principal amount of all obligations of us or our Subsidiaries with respect to redemption, repayment or other repurchase of any Disqualified Stock or (v) any lease of property by us or any Subsidiary as lessee which is reflected on our consolidated balance sheet as a capitalized lease in accordance with GAAP, and also includes, to the extent not otherwise included, any obligation by us or our Subsidiaries to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), Indebtedness of another Person (other than us or our Subsidiaries) (it being understood that Indebtedness shall be deemed to be incurred by us or our Subsidiaries whenever we or such Subsidiary shall create, assume, guarantee or otherwise become liable in respect thereof).

Subsidiary means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests of which are owned, directly or indirectly, by such Person. For the purposes of this definition, *voting equity securities* means equity securities having voting power for the election of directors, whether at all times or only so long as no senior class of security has such voting power by reason of any contingency.

Total Assets as of any date means the sum of (i) the Undepreciated Real Estate Assets and (ii) all other assets of us and our Subsidiaries determined on a consolidated basis in accordance with GAAP (but excluding accounts receivable and intangibles).

Total Unencumbered Assets means the sum of (i) those Undepreciated Real Estate Assets not subject to an Encumbrance for borrowed money and (ii) all other assets of us and our Subsidiaries not subject to an Encumbrance for borrowed money determined on a consolidated basis in accordance with GAAP (but excluding accounts receivable and intangibles); *provided, however*, that, in determining Total Unencumbered Assets as a percentage of outstanding Unsecured Indebtedness for purposes of the covenant requiring us and our subsidiaries to maintain Total Unencumbered Assets equal to at least 150% of the aggregate outstanding principal amount of Unsecured Indebtedness on a consolidated basis, all investments in unconsolidated joint ventures, unconsolidated limited partnerships, unconsolidated limited liability companies and other Persons that are not consolidated for financial