Risk Factors Comparison 2024-02-08 to 2023-02-09 Form: 10-K

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Carefully consider the following risks and all of the other information set forth in this Annual Report on Form 10- K, including the consolidated financial statements and the notes thereto. If any of the events or developments described below were actually to occur, NNN ~~’~~**'** s business, financial condition or results of operations could be adversely affected. **This “ Risk Factors ” section contains references to NNN' s “ stockholders. ” Unless expressly stated otherwise, the references represent NNN' s common stock and any class or series of preferred stock which may be outstanding from time to time.** Risks Related to NNN ~~’~~**'** s Business and Operations Changes in financial and economic conditions, including inflation **,** may have an adverse impact on NNN, its tenants, and commercial real estate in general. Financial and economic conditions can be challenging and volatile and any worsening of such conditions, including any disruption in the capital markets, or an inflationary economic environment, both real or anticipated, could adversely affect NNN ~~’~~**'** s business and results of operations. Such conditions could also affect the financial condition of NNN ~~’~~**'** s tenants, developers, borrowers, lenders or the institutions that hold NNN ~~’~~**'** s cash balances and short- term investments, which may expose NNN to increased risks of default by these parties. There can be no assurance that actions of the United States Government, the Federal Reserve or other government and regulatory bodies attempting to stabilize the economy or financial markets will achieve their intended effect. Additionally, some of these actions may adversely affect financial institutions, capital providers, retailers, consumers, NNN ~~’~~**'** s financial condition, NNN' s results of operations or the trading price of NNN ~~’~~**'** s shares. Potential consequences of challenging and volatile financial and economic conditions include: • the financial condition of NNN ~~’~~**'** s tenants may be adversely affected, which may result in tenant defaults under the leases due to bankruptcy, lack of liquidity, operational failures or for other reasons, • the ability to raise equity capital or borrow on terms and conditions that NNN finds acceptable may be limited or unavailable, which could reduce NNN ~~’~~**'** s ability to pursue acquisition and development opportunities and refinance existing debt, reduce NNN ~~’~~**'** s returns from acquisition and development activities, reduce NNN ~~’~~**'** s ability to make cash distributions to its stockholders and increase NNN ~~’~~**'** s future interest expense, • the recognition of impairment charges on or reduced values of the Properties or tenant receivables, may adversely affect NNN' s results of operations, • reduced values of the Properties may limit NNN' s ability to dispose of assets at attractive prices and reduce the availability of buyer financing, and • the value and liquidity of NNN ~~’~~**'** s short- term investments and cash deposits could be reduced as a result of (i) a deterioration of the financial condition of the institutions that hold NNN ~~’~~**'** s cash deposits or the institutions or assets in which NNN has made short- term investments, (ii) the dislocation of the markets for NNN ~~’~~**'** s short- term investments, (iii) increased volatility in market rates for such investments or (iv) other factors. Loss of rent from tenants would reduce NNN ~~’~~**'** s cash flow. NNN' s tenants encounter significant macroeconomic, governmental and competitive forces. Adverse changes in consumer spending or consumer preferences for particular goods, services or store **-** based retailing could severely impact their ability to pay rent. Shifts from in- store to online shopping could increase due to changing consumer shopping patterns as well as the increase in consumer adoption and use of mobile electronic devices. This expansion of e- commerce could have an adverse impact on NNN' s tenants' ongoing viability and the size, type and location of space tenants lease in the future. NNN cannot predict with certainty what tenants will want or what the impact will be on market rents. The default, financial distress, bankruptcy or liquidation of one or more of NNN ~~’~~**'** s tenants could cause substantial vacancies in the Property Portfolio. Vacancies reduce NNN ~~’~~**'** s revenues, increase property expenses and could decrease the value of each vacant Property. Upon the expiration of a lease, the tenant may choose not to renew the lease and NNN may not be able to re- lease the vacant Property at a comparable lease rate. Furthermore, NNN may incur additional expenditures in connection with such renewal or re- leasing. A significant portion of the source of the Property Portfolio annual base rent is concentrated in specific industry classifications, tenants and geographic locations. As of December 31, ~~2022~~ **2023** , approximately, • ~~54~~ **55** . ~~1~~ **6** % of the Property Portfolio annual base rent is generated from tenants in five retail lines of trade: full- service and limited- service restaurants (~~18~~ **17** . ~~0~~ **2** %), convenience stores (16. ~~5~~ **4** %), automotive service (~~13~~ **15** . ~~7~~ **6** %) and family entertainment centers (~~5~~ **6** . ~~9~~ **4** %), • 19. ~~5~~ **0** % of the Property Portfolio annual base rent is generated from five tenants: 7- Eleven (4. ~~7~~ **4** %), Mister Car Wash (4. ~~4~~ **2** %), Camping World (3. ~~9~~ **8** %), **Dave & Buster' s (3. 5 %) and** LA Fitness ~~(3. 4 %) and GPM Investments (convenience stores)~~ (3. 1 %), and • 41. 0 % of the Property Portfolio annual base rent is generated from properties located in five states: Texas (**16** ~~17. 1 %), Florida (8~~ . 8 %), **Florida (9. 4 %),** Illinois (5. ~~3 %), Ohio (5.~~ 2 %) **, Ohio (4. 9 %)** and Georgia (4. ~~6~~ **7** %). Any financial hardship and / or economic changes in these lines of trade, tenants or states could have an adverse effect on NNN ~~’~~**'** s results of operations. NNN may not be able to successfully execute its acquisition or development strategies. NNN may not be able to implement its investment strategies successfully. Additionally, NNN cannot ~~assure~~ **ensure** that its Property Portfolio will expand at all, or if it will expand at any specified rate or to any specified size. In addition, investment in additional real estate assets is subject to a number of risks. Because NNN expects to invest in markets other than the ones in which its current Properties are located or properties which may be leased to tenants other than those to which NNN has historically leased properties, NNN will also be subject to the risks associated with investment in new markets, new lines of trade or with new tenants that may be relatively unfamiliar to NNN ~~’~~**'** s management team. NNN ~~’~~**'** s development activities are subject to, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks from factors beyond NNN ~~’~~**'** s control, such as weather, labor conditions or material shortages), the risk of finding tenants for the properties and the ability to obtain both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken or provide a tenant the opportunity to delay rent commencement, reduce rent or terminate a lease. Any of these situations may delay or eliminate proceeds or cash flows NNN expects from these projects, which could have an adverse effect on NNN ~~’~~**'** s financial condition. NNN may not be able to dispose of ~~properties~~ **Properties** consistent with its operating strategy. NNN may be unable to sell Properties targeted for disposition under favorable terms due to adverse market conditions or possible prohibitive tax liability. This may adversely affect, among other things, NNN ~~’~~**'** s ability to sell under favorable terms, execute its operating strategy, achieve target earnings or returns, retire or repay debt or pay dividends. Certain provisions of NNN ~~’~~**'** s leases or loan agreements may be unenforceable. NNN ~~’~~**'** s rights and obligations with respect to its leases **and** ~~, mortgage loans or other~~ loans are governed by written agreements. A court could determine that one or more provisions of such an agreement are unenforceable, such as a particular remedy, a master lease covenant, a loan prepayment provision or a provision governing NNN ~~’~~**'** s security interest in the underlying collateral of a borrower or lessee. NNN could be adversely impacted if this were to happen with respect to an asset or group of assets. Competition from numerous other REITs, commercial developers, real estate limited partnerships and other investors **or a lack of properties for sale** may impede NNN ~~’~~**'** s ability to grow. NNN may not complete suitable property acquisitions or developments on advantageous terms, if at all, due to competition for such properties with others engaged in real estate investment activities or **a** lack of properties for sale on terms deemed acceptable to NNN. NNN ~~’~~**'** s inability to successfully acquire or develop new properties may affect NNN ~~’~~**'** s ability to achieve anticipated return on investment or realize its investment strategy, which could have an adverse effect on its results of operations. A natural disaster or impacts of weather or other event resulting in an uninsured loss may adversely affect the operations of NNN ~~’~~**'** s tenants and therefore the ability of NNN ~~’~~**'** s tenants to pay rent, NNN ~~’~~**'** s operating results and asset values of NNN ~~’~~**'** s Property Portfolio. The impacts of a natural disaster or weather event on NNN ~~’~~**'** s Property Portfolio are highly uncertain. Such impacts may result from natural disasters, including floods, droughts, wind and fire. The Properties are generally covered by comprehensive liability, fire ~~,~~ and extended insurance coverage. NNN believes that the insurance carried on its Properties is adequate and in accordance with industry standards. There are, however, types of losses (such as from hurricanes, floods, earthquakes or other types of natural disasters or wars, terrorism or other acts of violence) which may be uninsurable, self- insured by tenants, or the cost of insuring against these losses may not be economically justifiable in the opinion of tenants or NNN. If an uninsured loss occurs or a loss exceeds policy limits, NNN could lose both its invested capital and anticipated revenues from the Property, thereby reducing NNN ~~’~~**'** s cash flow and asset value. NNN ~~’~~**'** s ability to fully control the management of its net- leased ~~properties~~ **Properties** may be limited. The tenants of net- leased ~~properties~~ **Properties** are responsible for maintenance and other day- to- day management of the Properties. If a Property is not adequately maintained in accordance with the terms of the applicable lease, NNN may incur expenses for deferred maintenance expenditures or other liabilities when the lease expires. While NNN ~~’~~**'** s leases generally provide for recourse against the tenant in these instances, a bankrupt or financially troubled tenant may be more likely to defer maintenance and it may be more difficult to enforce remedies against such a tenant. Although NNN endeavors to monitor compliance by tenants with their lease obligations, NNN may not always be able to ascertain or forestall deterioration in the condition of a property or the financial circumstances of a tenant. ~~Vacant properties or bankrupt~~ **Bankrupt** tenants **or vacant Properties** could adversely affect NNN ~~’~~**'** s business or financial condition. **The occurrence of a tenant bankruptcy or insolvency could diminish or eliminate the income NNN receives from its tenant. A bankruptcy court might authorize a tenant to terminate one or more of its leases with NNN. If that happens, NNN' s claim against the bankrupt tenant for unpaid future rent would be subject to statutory limitations that most likely would result in rent payments that would be substantially less than the remaining rent NNN is owed under the lease (s) or NNN may elect not to pursue claims against a tenant for a terminated lease (s). Any claims NNN has for unpaid past rent, may not be paid in full, or at all. Moreover, in the case of a tenant’ s lease (s) that are not terminated as the result of its bankruptcy, NNN may be required or elect to reduce the rent payable under those leases or provide other concessions, reducing amounts NNN receives under such lease (s). As a result, tenant bankruptcies may have a material adverse effect on NNN' s results of operations and financial condition. Any of these events could adversely affect NNN' s cash flow from operations. As of January 31, 2024, less than one percent of total Properties, and less than one percent of aggregate gross leasable area held in the Property Portfolio, was leased to one tenant that is currently in bankruptcy under Chapter 11 of the U. S. Bankruptcy Code. As a result, this tenant has the right to reject or affirm their leases with NNN.** As of December 31, ~~2022~~ **2023** , NNN owned ~~21~~ **18** vacant, un- leased Properties, which accounted for ~~approximately~~ **less than** one percent of total Properties **, and less than one percent of aggregate gross leasable area** held in the Property Portfolio. NNN is actively marketing these Properties for sale or lease but may not be able to sell or lease these Properties on favorable terms or at all ~~. As of January 30, 2023, less than one percent of total Properties, and less than one percent of aggregate gross leasable area held in the Property Portfolio, was leased to one tenant that is currently in bankruptcy under Chapter 11 of the U. S. Bankruptcy Code. As a result, this tenant has the right to reject or affirm their leases with NNN~~ . Cybersecurity risks and cyber incidents as well as other significant disruptions of NNN ~~’~~**'** s information technology networks and related systems and resources, **or those of NNN' s vendors or other third- parties,** could adversely affect NNN' s business, disrupt operations and expose NNN to liabilities to tenants, ~~employees~~ **associates** , capital providers, governmental regulators ~~,~~ and other third parties. NNN uses information technology and other computer resources to carry out important operational activities and to maintain its business records. **This includes the use of third- party software, technologies, tools and a broad array of services and functions.** As part of NNN ~~’~~**'** s normal business activities, **NNN** (i) **maintains operational and financial information related to** NNN **' s business, (ii) collects, processes, stores and transmits certain personal identifying and confidential information relating to its tenants, associates and vendors, within NNN' s systems and utilizing those of third- party providers, and (iii)** allows associates to perform some or all of their business activities remotely ~~, and (ii) NNN collects and stores certain personal identifying and confidential information relating to its tenants, employees, vendors and suppliers, and (iii) maintains operational and financial information related to NNN’ s business~~ . NNN faces risks associated with security breaches through cyber- attacks or cyber- intrusions, malware, computer viruses and malicious codes, ransomware, attachments to e- mail, unauthorized access attempts, denial of service attacks, phishing, social engineering, persons with access to systems inside NNN ~~’~~**'** s organization, and other significant disruptions of NNN ~~’~~**'** s information technology networks and related systems. The risk of a security breach has generally increased as the frequency, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques, tools and tactics used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, NNN may be unable to anticipate these techniques or to implement adequate security barriers, disaster recovery or other preventative or corrective measures, and thus it is impossible for NNN to entirely counteract this risk or fully mitigate the harms after such an attack. NNN has implemented systems and processes intended to address ongoing and evolving cybersecurity risks, secure its information technology, applications and computer systems, and prevent unauthorized access to or loss of sensitive, confidential and personal data. Although NNN and its service providers employ what NNN believes are adequate security, disaster recovery and other preventative and corrective measures, NNN ~~’~~**'** s security measures, taken as a whole, may not be sufficient for all possible situations and may be vulnerable to, among other things, fraud, hacking, ~~employee~~ **associate** error, system error **, vendors' use of generative artificial intelligence technologies** , and faulty password management. NNN ~~’~~**'** s ability to conduct its business may be impaired if its information technology networks, systems or resources, including its websites or e- mail systems, are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, fraud, intentional penetration or disruption of its information technology resources by: • a third party, • natural disaster, • a failure of hardware or software due to a design or programmatic flaw, • a failure of hardware or software security controls, • telecommunications system failure, • service provider error or failure, • fraudulent transactions, • intentional or unintentional personnel actions, • lost connectivity to NNN ~~’~~**'** s networked resources, or • a failure of disaster recovery system. A significant and extended disruption **or other material cyber incident** could damage NNN ~~’~~**'** s business or reputation and cause: • loss of revenues or tenant relationships, • unintended and / or unauthorized public disclosure or the misappropriation of proprietary, personal identifying and confidential information, and • NNN to incur significant expenses to address and remediate or otherwise resolve these kinds of issues. The release of confidential information may also lead to litigation or other proceedings against NNN by affected individuals, business partners and / or regulators, and the outcome of such proceedings, which could include losses, penalties, fines, injunctions, expenses and charges recorded against NNN ~~’~~**'** s earnings and cause NNN reputational harm, could have a material and adverse effect on NNN ~~’~~**'** s business, financial position or results of operations. In addition, the costs of maintaining adequate protection against data security threats, based on considerations of their evolution, increasing sophistication, pervasiveness and frequency and / or government- mandated standards or obligations regarding protective efforts, could be material to NNN ~~’~~**'** s financial position, results of operations, cash flows, and the market price of NNN' s common stock in a particular period or over various periods **. NNN relies upon cloud computing services to operate certain aspects of its business and any disruption could have an adverse effect on its financial condition and results of operations. NNN' s business depends upon cloud computing services provided by third- parties to provide a distributed computing infrastructure platform for certain NNN business operations, including data processing, storage capabilities, communications, disaster recovery and other services. Such third- party cloud computing services are vulnerable to damage or interruption from infrastructure changes, natural disasters, cybersecurity attacks, power outages, terrorist attacks and other events or acts. NNN expects that in the future it will experience interruptions, delays and outages in service and availability from its third- party cloud computing providers from time to time due to a variety of factors, including, but not limited to, infrastructure changes, human or software errors, website hosting disruptions and capacity constraints. Because NNN cannot easily switch its cloud computing operations to other third- party providers without significant costs, any disruption of or interference with its use of third- party cloud computing service providers could have a materially negative impact on NNN' s business and results of operations** . Future investment in international markets could subject NNN to additional risks. If NNN expands its operating strategy to include investment in international markets, NNN could face additional risks, including foreign currency exchange rate fluctuations, operational risks due to local economic and political conditions and laws and policies of the United States affecting foreign investment. NNN may suffer a loss in the event of a default or bankruptcy of a borrower. As of December 31, ~~2022~~ **2023** , NNN held mortgages receivable of $ 1, ~~530~~ **002** , 000, which represented less than one percent of total assets. If a borrower defaults on a mortgage or other loan made by NNN, and does not have sufficient assets to satisfy the loan, NNN may suffer a loss of principal and interest. In the event of the bankruptcy of a borrower, NNN may not be able to recover against all or any of the assets of the borrower, or the collateral may not be sufficient to satisfy the balance due on the loan. In addition, certain of NNN ~~’~~**'** s loans may be subordinate to other debt of a borrower. These investments are typically loans secured by a borrower ~~’~~**'** s pledge of its ownership interests in the entity that owns the real estate or other assets and are typically subordinated to senior loans encumbering the underlying real estate or assets. Subordinated positions are generally subject to a higher risk of nonpayment of principal and interest than the more senior loans. If a borrower defaults on the debt senior to NNN ~~’~~**'** s loan, or in the event of the bankruptcy of a borrower, NNN ~~’~~**'** s loan will be satisfied only after the borrower ~~’~~**'** s senior creditors ~~’~~**'** claims are satisfied. Where debt senior to NNN ~~’~~**'** s loans exists, the presence of intercreditor arrangements may limit NNN ~~’~~**'** s ability to amend loan documents, assign the loans, accept prepayments, exercise remedies and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy proceedings and litigation can significantly increase the time needed for NNN to acquire underlying collateral, if any, in the event of a default, during which time the collateral may decline in value. In addition, there are significant costs and delays associated with the foreclosure process. Property ownership through joint ventures and partnerships could limit NNN ~~’~~**'** s control of those investments. Joint ventures or partnerships involve risks not otherwise present for direct investments by NNN. It is possible that NNN ~~’~~**'** s coventurers or partners may have different interests or goals than NNN at any time and they may take actions contrary to NNN ~~’~~ **'** s requests, policies or objectives, including NNN ~~’~~ **'** s policy with respect to maintaining its qualification as a REIT. Other risks of joint venture or partnership investments include impasses on decisions because in some instances no single co- venturer or partner has full control over the joint venture or partnership, respectively, or the co- venturer or partner may become insolvent, bankrupt or otherwise unable to contribute to the joint venture or partnership, respectively. Further, disputes may develop with a co- venturer or partner over decisions affecting the property, joint venture or partnership that may result in litigation, arbitration or some other form of dispute resolution. Risks Related to Financing NNN ~~’~~ **'** s Business NNN may be unable to obtain debt or equity capital on favorable terms, if at all. NNN may be unable to obtain capital on favorable terms, if at all, to further its business objectives or meet its existing obligations. Nearly all of NNN ~~’~~ **'** s debt, including the Credit Facility, is subject to balloon principal payments due at maturity. These maturities range ~~between~~ **from** ~~2023~~ **2024** ~~and~~ **to** 2052. NNN' s ability to make these scheduled principal payments may be adversely impacted by NNN ~~’~~ **'** s inability to extend or refinance the Credit Facility, the inability to dispose of assets at an attractive price or the inability to obtain additional debt or equity capital. Capital that may be available may be materially more expensive or available under terms that are materially more restrictive which would have an adverse impact on NNN ~~’~~ **'** s business, financial condition and results of operations. The amount of debt NNN has and the restrictions imposed by that debt could adversely affect NNN ~~’~~ **'** s business and financial condition. As of December 31, ~~2022~~ **2023** , NNN had outstanding debt, including ~~mortgages payable of $ 9, 964, 000,~~ total unsecured notes payable of $ ~~3~~ **4** , ~~739~~ **228** , ~~890~~ **544** , 000 and $ ~~166~~ **132** , ~~200~~ **000** , 000 outstanding on the Credit Facility. NNN ~~’~~ **'** s organizational documents do not limit the level or amount of debt that it may incur. If NNN incurs additional debt and permits a higher degree of leverage, debt service requirements would increase and could adversely affect NNN ~~’~~ **'** s financial condition and results of operations, as well as NNN ~~’~~ **'** s ability to pay principal and interest on the outstanding debt or cash dividends to its stockholders. In addition, increased leverage could increase the risk that NNN may default on its debt obligations. The amount of **outstanding** debt ~~outstanding~~ at any time could have important consequences to NNN ~~’~~ **'** s stockholders. For example, it could: • require NNN to dedicate a substantial portion of its cash flow from operations to payments on its debt, thereby reducing funds available for operations, real estate investments and other business opportunities that may arise in the future, • increase NNN ~~’~~ **'** s vulnerability to general adverse economic and industry conditions, • limit NNN ~~’~~ **'** s ability to obtain any additional financing it may need in the future for working capital, debt refinancing, capital expenditures, real estate investments, development or other general corporate purposes, • make it difficult to satisfy NNN ~~’~~ **'** s debt service requirements, • limit NNN ~~’~~ **'** s ability to pay dividends in cash on its outstanding ~~common and preferred~~ stock, • limit NNN ~~’~~ **'** s flexibility in planning for, or reacting to, changes in its business and the factors that affect the profitability of its business, and • limit NNN ~~’~~ **'** s flexibility in conducting its business, which may place NNN at a disadvantage compared to competitors with less debt or debt with less restrictive terms. NNN ~~’~~ **'** s ability to make scheduled payments of principal or interest on its debt, or to retire or refinance such debt will depend primarily on its future performance, which to a certain extent is subject to the creditworthiness of its tenants, competition, and economic, financial, and other factors beyond its control. There can be no assurance that NNN ~~’~~ **'** s business will continue to generate sufficient cash flow from operations in the future to service its debt or meet its other cash needs. If NNN is unable to generate sufficient cash flow from its business, it may be required to refinance all or a portion of its existing debt, sell assets or obtain additional financing to meet its debt obligations and other cash needs. NNN cannot assure stockholders that any such refinancing, sale of assets or additional financing would be possible or, if possible, on terms and conditions, including but not limited to the interest rate, which NNN would find acceptable or would not result in a material decline in earnings. NNN is obligated to comply with financial and other covenants in its debt instruments that could restrict its operating activities, and the failure to comply with such covenants could result in defaults that accelerate the payment of such debt. As of December 31, ~~2022~~ **2023** , NNN had approximately $ ~~3~~ **4** , ~~916~~ **360** , ~~054~~ **544** , 000 of outstanding debt, **none** of which ~~approximately $ 9, 964, 000~~ was secured debt. NNN ~~’~~ **'** s unsecured debt instruments contain various restrictive covenants which include, among others, provisions restricting NNN ~~’~~ **'** s ability to: • incur or guarantee additional debt, • make certain distributions, investments and other restricted payments, • enter into transactions with certain affiliates, • create certain liens, • consolidate, merge or sell NNN ~~’~~ **'** s assets, and • prepay debt. ~~NNN’ s secured~~ **Secured** debt instruments generally contain customary covenants, including, among others, provisions: • requiring the maintenance of the property securing the debt, • restricting its ability to sell, assign or further encumber the properties securing the debt, • restricting its ability to incur additional debt on the property securing the debt, • restricting modifications to property improvements, • restricting its ability to amend or modify existing leases on the property securing the debt, and • establishing certain prepayment restrictions. In addition, NNN ~~’~~ **'** s debt instruments may contain cross- default provisions, in which case a default of NNN under one debt instrument will be a default of NNN under multiple or all debt instruments of NNN. NNN ~~’~~ **'** s ability to meet some of its debt covenants, including covenants related to the condition of the property or payment of real estate taxes, may be dependent on the performance by NNN ~~’~~ **'** s tenants under their leases. In addition, certain covenants in NNN ~~’~~ **'** s debt instruments, including its Credit Facility, require NNN, among other things, to: • limit certain leverage ratios, • maintain certain minimum interest and debt service coverage ratios, and • limit investments in certain types of assets. NNN ~~’~~ **'** s failure to comply with certain of its debt covenants could result in defaults that accelerate the payment under such debt and limit the dividends paid to NNN ~~’~~ **'** s ~~common and preferred~~ stockholders which would likely have a material adverse impact on NNN ~~’~~ **'** s financial condition and results of operations. In addition, these defaults could impair its access to the debt and equity markets. NNN ~~’~~ **'** s ability to pay dividends in the future is subject to many factors. NNN ~~’~~ **'** s ability to pay dividends may be impaired if any of the risks described in this section were to occur. In addition, payment of NNN ~~’~~ **'** s dividends depends upon NNN ~~’~~ **'** s earnings, financial condition, maintenance of NNN ~~’~~ **'** s REIT status and other factors as NNN ~~’~~ **'** s Board of Directors may deem relevant from time to time **. Future issuances of NNN' s equity securities could dilute the interest of NNN' s common stockholders. Raising additional capital through the issuance of common or preferred equity securities can dilute or otherwise adversely affect the interests of holders of**

NNN' s common stock and in the case of certain series of preferred equity securities, create a priority interest for holders of such series of preferred equity securities. The interests of NNN' s common stockholders could also be diluted by the issuance of shares of common stock pursuant to NNN' s performance incentive plan . Risks Related to – Real Estate Ownership Owning real estate and indirect interests in real estate carries inherent risks. NNN ~~’~~**'** s financial performance and the value of its real estate assets are subject to the risk that if the Properties do not generate revenues sufficient to meet its operating expenses, and debt service, NNN ~~’~~**'** s cash flow and ability to pay distributions to its stockholders will be adversely affected. NNN is susceptible to the following real estate industry risks, which are beyond its control: • changes in national, regional and local economic conditions and outlook, • decreases in consumer spending and retail sales or adverse changes in consumer preferences for particular goods, services or store- based retailing, • economic downturns in the areas where the Properties are located, • adverse changes in local real estate market conditions, such as an oversupply of space, reduction in demand for space, loss of a large employer, intense competition for tenants, or a demographic change, • changes in tenant or consumer preferences that reduce the attractiveness of the Properties to tenants, • a decrease in demand for fossil fuels, • changes in zoning, regulatory restrictions, or tax laws, and • changes in interest rates or availability of financing. All of these factors could result in decreases in market rental rates and increases in vacancy rates, which could adversely affect NNN ~~’~~**'** s results of operations. NNN ~~’~~**'** s real estate investments are illiquid. Because real estate investments are relatively illiquid, NNN ~~’~~**'** s ability to adjust the **Property** ~~portfolio~~ **Portfolio** promptly in response to economic or other conditions is limited. Certain significant expenditures generally do not change in response to economic or other conditions, including: (i) debt service, (ii) real estate taxes, and (iii) operating and maintenance costs. This combination of variable revenue and relatively fixed expenditures may result, under certain market conditions, in reduced earnings and could have an adverse effect on NNN ~~’~~**'** s financial condition. NNN may be subject to known or unknown environmental liabilities and risks, including but not limited to liabilities and risks resulting from the existence of hazardous materials on or under Properties owned by NNN. There may be known or unknown environmental liabilities associated with Properties owned or acquired in the future by NNN. Certain particular uses of some Properties may also have a heightened risk of environmental liability because of the hazardous materials used in performing services on those Properties, such as convenience stores with underground petroleum storage tanks or auto parts and auto service businesses using petroleum products, paint and machine solvents. Some of the Properties may contain asbestos or asbestos- containing materials, or may contain or may develop mold or other bio- contaminants. Asbestos- containing materials must be handled, managed and removed in accordance with applicable governmental laws, rules and regulations. Mold and other bio- contaminants can produce airborne toxins, may cause a variety of health issues in individuals and must be remediated in accordance with applicable governmental laws, rules and regulations. As part of its due diligence process, NNN generally obtains an environmental site assessment for each ~~Property~~ **property** it acquires. In cases where NNN intends to acquire real estate where evidence of some level of known contamination may exist, NNN generally requires the seller or tenant to (i) remediate the contamination in accordance with applicable laws, rules and regulations, (ii) indemnify NNN for environmental liabilities, and / or (iii) agree to other arrangements deemed appropriate by NNN, including, under certain circumstances, the purchase of environmental insurance. Although sellers or tenants may be contractually responsible for remediating hazardous materials on a property and may be responsible for indemnifying NNN for any liability resulting from the use of a Property and for any failure to comply with any applicable environmental laws, rules or regulations, NNN has no assurance that sellers, tenants or any other responsible party shall be able to meet their remediation and indemnity obligations to NNN. A tenant, seller or any other responsible party may not have the financial ability to meet its remediation and indemnity obligations to NNN when required. Furthermore, NNN may have strict liability to governmental agencies or third parties as a result of the existence of hazardous materials on Properties, whether or not NNN knew about or caused such hazardous materials to exist. As of January ~~30~~ **31** , ~~2023~~ **2024** , NNN had ~~71~~ **68** Properties currently under some level of environmental remediation and / or monitoring. In general, the responsible party (which may include the seller, a previous owner, the tenant or an adjacent or former land owner) is liable for the cost of the environmental remediation for each of these Properties. If NNN is responsible for hazardous materials located on its Properties, NNN ~~’~~**'** s liability may include investigation and remediation costs, property damage to third parties, personal injury to third parties, and governmental fines and penalties. Furthermore, the presence of hazardous materials on a Property may adversely impact the Property value or NNN ~~’~~**'** s ability to sell the Property. Significant environmental liability could impact NNN ~~’~~**'** s results of operations, ability to make distributions to stockholders, and its ability to meet its debt obligations. In order to mitigate exposure to environmental liability, NNN maintains an environmental insurance policy which provides environmental insurance coverage for substantially all of its Properties. However, the policy is subject to exclusions and limitations and does not cover all of the Properties owned by NNN. For those Properties covered under the policy, insurance may not fully compensate NNN for any environmental liability. NNN has no assurance that the insurer on its environmental insurance policy will be able to meet its obligations under the policy. NNN may not desire to renew the environmental insurance policy in place upon expiration or a replacement policy may not be available at a reasonable cost, if at all. Risks Related to – Tax Matters NNN ~~’~~**'** s failure to qualify as a REIT for federal income tax purposes could result in significant tax liability. NNN intends to operate in a manner that will allow NNN to continue to qualify as a REIT. NNN believes it has been organized as, and its past and present operations qualify NNN as a REIT. However, the Internal Revenue Service (“ IRS ”) could successfully assert that NNN is not qualified as such. In addition, NNN may not remain qualified as a REIT in the future. Qualification as a REIT involves the application of highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations and involves the determination of various factual matters and circumstances not entirely within NNN ~~’~~**'** s control. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for NNN to qualify as a REIT or avoid significant tax liability. If NNN fails to qualify as a REIT, it would not be allowed a deduction for dividends paid to stockholders in computing taxable income and would become subject to federal income tax at regular corporate rates. In this event, NNN could be subject to potentially significant tax liabilities and penalties. Unless entitled to relief under certain statutory provisions, NNN would also be disqualified from treatment as a REIT for the four taxable years following the year during which the qualification was lost. Compliance with REIT requirements, including distribution requirements, may limit NNN ~~’~~'s flexibility and may negatively affect NNN ~~’~~'s operating decisions. To maintain its status as a REIT for United States federal income tax purposes, NNN must meet certain requirements on an on- going basis, including requirements regarding its sources of income, the nature and diversification of its assets, the amounts NNN distributes to its stockholders and the ownership of its shares. NNN may also be required to make distributions to its stockholders when it does not have funds readily available for distribution or at times when NNN ~~’~~'s funds are otherwise needed to fund expenditures or debt service requirements. NNN generally will not be subject to federal income taxes on **taxable income** ~~amounts distributed to stockholders, so long as~~ it distributes ~~100 percent of~~ **to stockholders, providing** ~~its~~ - **it** ~~REIT taxable income and~~ meets certain other requirements for qualifying as a REIT. For each of the years in the three- year period ended December 31, ~~2022~~ **2023** , NNN believes it has qualified as a REIT. Notwithstanding NNN ~~’~~'s qualification for taxation as a REIT, NNN is subject to certain state and local income, franchise and excise taxes. The share ownership restrictions of the Code for REITs and the 9. 8 % share ownership limit in NNN ~~’~~'s charter may inhibit market activity in NNN ~~’~~'s shares of stock and restrict NNN ~~’~~'s business combination opportunities. In order to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, actually or constructively, more than 50 % in value of NNN ~~’~~'s issued and outstanding shares of stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns NNN ~~’~~'s shares of stock under this requirement. Additionally, at least 100 persons must beneficially own NNN ~~’~~'s shares of stock during at least 335 days of a taxable year for each taxable year, other than the first year for which a REIT election is made. To help ensure that NNN meets these tests, among other purposes, NNN ~~’~~'s charter restricts the acquisition and ownership of NNN ~~’~~'s shares of stock. NNN ~~’~~'s charter, with certain exceptions, authorizes NNN ~~’~~'s Board of Directors to take such actions as are necessary and desirable to preserve NNN ~~’~~'s qualification as a REIT while NNN so qualifies. Unless exempted by the Board of Directors, for so long as NNN qualifies as a REIT, NNN ~~’~~'s charter prohibits, among other limitations on ownership and transfer of shares of NNN ~~’~~'s stock, any person from beneficially or constructively owning (applying certain attribution rules under the Code) more than 9. 8 % in value of the aggregate of NNN ~~’~~'s outstanding shares of stock and more than 9. 8 % (in value or in number of shares, whichever is more restrictive) of any class or series of NNN ~~’~~'s shares of stock. The Board of Directors, in its sole discretion and upon receipt of certain representations and undertakings, may exempt a person (prospectively or retrospectively) from the ownership limits. However, the Board of Directors may not, among other limitations, grant an exemption from these ownership restrictions to any proposed transferee whose ownership, direct or indirect, in excess of the 9. 8 % ownership limit would result in the termination of NNN ~~’~~'s qualification as a REIT. These restrictions on transferability and ownership will not apply, however, if the Board of Directors determines that it is no longer in NNN ~~’~~'s best interest to continue to qualify as a REIT or that compliance with the restrictions is no longer required in order for NNN to continue to so qualify as a REIT. These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for NNN' s common stock or otherwise be in the best interest of NNN ~~’~~'s stockholders. Risks Related to – Governmental Laws and Regulations Costs of complying with changes in governmental laws and regulations may adversely affect NNN ~~’~~'s results of operations. NNN cannot predict what laws or regulations will be enacted in the future, how future laws or regulations will be administered or interpreted, or how future laws or regulations will affect NNN, its Properties or its tenants, including, but not limited to environmental laws and regulations. Compliance with new laws or regulations, or stricter interpretation of existing laws, may require NNN, its tenants, or consumers to incur significant expenditures, impose significant liability, restrict or prohibit business activities and could cause a material adverse effect on NNN ~~’~~'s results of operation. Non-compliance with Title III of the Americans with Disabilities Act of 1990 **and similar state and local laws** could have an adverse effect on NNN' s business and operating results. The Properties, as commercial facilities, are required to comply with the ADA. NNN' s tenants will typically have primary responsibility for complying with the ADA, but NNN may incur costs if the tenant does not comply. As of January ~~30~~ **31** , ~~2023~~ **2024** , NNN had not been notified by any governmental authority of, nor is NNN ~~’~~'s management aware of, any non- compliance with the ADA that NNN ~~’~~'s management believes would have a material adverse effect on its business, financial position or results of operations. General Risks NNN' s loss of key management personnel could adversely affect performance and the value of its securities. NNN is dependent on the efforts of its key management. ~~The~~ **As of January 31, 2024, the** executive team, department heads ~~,~~ and senior managers average over ~~21~~ **19** years of experience with NNN. Competition for senior management personnel can be intense and NNN may not be able to retain its key management. Although NNN believes qualified replacements could be found for any departures of key management, the loss of their services could adversely affect NNN' s performance and the value of its securities. NNN ~~’~~'s failure to maintain effective internal control over financial reporting could have a material adverse effect on its business, operating results and the market value of NNN' s securities. Section 404 of the Sarbanes- Oxley Act of 2002 requires annual management assessments of the effectiveness of the Company ~~’~~'s internal control over financial reporting. If NNN fails to maintain the adequacy of its internal control over financial reporting, as such standards may be modified, supplemented or amended from time to time, NNN may not be able to ensure that it can conclude on an ongoing basis that it has effective internal control over financial reporting in accordance with Section 404 of the Sarbanes- Oxley Act of 2002. Moreover, effective internal control over financial reporting, particularly those related to revenue recognition, are necessary for NNN to produce reliable financial reports and to maintain its qualification as a REIT and are important in helping to prevent financial fraud. If NNN cannot provide reliable financial reports or prevent fraud, its business and operating results could be harmed, REIT qualification could be jeopardized, investors could lose confidence in the Company ~~’~~'s reported financial information, the company' s access to capital could be impaired, and the trading price of NNN ~~’~~'s shares could drop significantly. An epidemic or pandemic (such as the outbreak and worldwide spread of **a novel strain of coronavirus, and its variants ("** COVID- 19 **")**), and the measures that international, federal, state and local governments, agencies, law enforcement and / or health authorities implement to address it, may precipitate or materially exacerbate one or more of the other risks, and may significantly disrupt NNN' s tenants' ability to operate their businesses and / or pay rent to NNN or prevent NNN from operating its business in the ordinary course for an extended period. An epidemic or pandemic could have a material and adverse effect on or cause disruption to NNN's business or financial condition, results of operations, cash flows and the market value and trading price of NNN' s securities due to, among other factors: • A complete or partial closure of, or other operational issues with, NNN's Property Portfolio as a result of government or tenant action; • The declines in or instability of the economy or financial markets may result in a recession or negatively impact consumer discretionary spending, which could adversely affect retailers and consumers; • The reduction of economic activity may severely impact NNN's tenants' business operations, financial condition, liquidity and access to capital resources and may cause one or more of NNN's tenants to be unable to meet their obligations to NNN in full, or at all, to default on their lease, or to otherwise seek modifications of such obligations; • The inability to access debt and equity capital on favorable terms, if at all, or a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect NNN's access to capital necessary to fund business operations, pursue acquisition and development opportunities, refinance existing debt, reduce NNN's ability to make cash distributions to its stockholders and increase NNN's future interest expense; • A general decline in business activity and demand for real estate transactions would adversely affect NNN's ability to successfully execute investment strategies or expand the Property Portfolio; • A significant reduction in NNN's cash flows could impact NNN's ability to continue paying cash dividends to NNN ~~common and preferred~~ stockholders at expected levels or at all; • The financial impact could negatively affect NNN's future compliance with financial and other covenants of NNN's Credit Facility and other debt instruments, and the failure to comply with such covenants could result in a default that accelerates the payment of such debt; and • The potential negative impact on the health of NNN's associates or Board of Directors, particularly if a significant number are impacted, or the impact of government actions or restrictions, including stay-at- home orders, restricting access to NNN' s headquarters located in Orlando, Florida, could result in a deterioration in NNN's ability to ensure business continuity during a disruption. A prolonged continuation of or repeated temporary business closures, reduced capacity at businesses or other social- distancing practices, and quarantine orders may adversely impact NNN' s tenants' ability to generate sufficient revenues to meet financial obligations, and could force tenants to default on their leases, or result in the bankruptcy of tenants, which would diminish the rental revenue NNN receives under its leases. Additionally, an increase in the number of vacant properties would increase NNN' s real estate expenses, including expenses associated with ongoing maintenance and repairs, utilities, ~~property~~ **real estate** taxes **and assessments** , and property and liability insurance. The rapid development and fluidity of an epidemic or pandemic precludes any prediction as to the ultimate adverse impact on NNN. Nevertheless, an epidemic or pandemic would present a material uncertainty and risk with respect to NNN's performance, business or financial condition, results of operations and cash flows. While NNN' s leases generally do not allow tenants to withhold rent if the tenants are not operating on its Properties, some tenants may pay rent under protest, not pay rent at all, request rent deferrals, and assert legal or equitable claims in the courts that such tenants are not obligated to pay rent while closed or while operating at reduced capacity, because of an epidemic or pandemic. While NNN believes such claims would be without merit it has no assurances on how courts would rule on such claims, if any. Acts of violence, terrorist attacks or war may affect NNN' s ~~properties~~ **Properties** , the markets in which NNN operates and NNN's results of operations. Terrorist attacks or other domestic acts of violence may negatively affect NNN's operations. There can be no assurance that there will not be attacks against businesses within the United States. These attacks may directly or indirectly impact NNN's physical facilities or the businesses or the financial condition of its tenants, developers, borrowers, lenders or financial institutions with which NNN has a relationship. The United States is engaged in armed conflict, which could have an impact on these parties. The consequences of armed conflict are unpredictable, and NNN may not be able to foresee events that could have an adverse effect on its business or be insured for such. More generally, any of these events or threats of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economies. They also could result in, or cause a deepening of, economic recession in the United States or abroad. Any of these occurrences could have an adverse impact on NNN's financial condition or results of operations. Changes in accounting pronouncements could adversely impact NNN's or NNN's tenants' reported financial performance. Accounting policies and methods are fundamental to how NNN records and reports its financial condition and results of operations. From time to time the Financial Accounting Standards Board (" FASB ") and the Commission, who create and interpret appropriate accounting standards, may change the financial accounting and reporting standards or their interpretation and application of these standards that govern the preparation of NNN's financial statements. These changes could have a material impact on NNN's reported financial condition and results of operations. In some cases, NNN could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements. Similarly, these changes could have a material impact on NNN's tenants' reported financial condition or results of operations and affect their preferences regarding leasing real estate. The market value of NNN's equity and debt securities is subject to various factors that may cause significant fluctuations or volatility. As with other publicly traded securities, the market price of NNN's equity and debt securities depends on various factors, which may change from time- to- time and / or may be unrelated to NNN's financial condition, operating performance or prospects that may cause significant fluctuations or volatility in such prices. These factors, among others, include: • general economic and financial market conditions, • level and trend of interest rates, • changes in government fiscal, monetary, regulatory, or taxation policies, • NNN's ability to access the capital markets to raise additional capital, • the issuance of additional equity or debt securities, • changes in NNN's funds from operations or earnings estimates, • changes in NNN's debt ratings or analyst ratings, • NNN's financial condition and performance, • market perception of NNN compared to other REITs, and • market perception of REITs compared to other investment sectors. Even if NNN remains qualified as a REIT, NNN faces other tax liabilities that reduce operating results and cash flow. Even if NNN remains qualified for taxation as a REIT, NNN is subject to certain federal, state and local taxes on its income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes. Any increase of these taxes would decrease earnings and cash available for distribution to stockholders. In addition, in order to meet certain REIT qualification requirements, NNN may elect to own some of its assets in a TRS. Adverse legislative or regulatory tax changes could reduce NNN's earnings and cash flow and the market value of NNN's securities. At any time, the federal and state tax laws or the administrative interpretations of those laws may change. Any such changes may have current and retroactive effects, and could adversely affect NNN or its stockholders. Legislation could cause shares in non- REIT entities to be a more attractive investment to individual investors than shares in REITs, and could have an adverse effect on the value of NNN's securities.