American Realty Capital Trust, Inc.
Form 10-Q
August 15, 2011

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to __________

Commission file number: 333-145949

AMERICAN REALTY CAPITAL TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	71-1036989 (I.R.S. Employer Identification No.)
106 York Road Jenkintown, PA (Address of principal executive offices)	19046 (Zip Code)

(215) 887-2189
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨		Accelerated filer ¨
Non-accelerated filer x	(Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

The number of outstanding shares of the registrant’s common stock on July 31, 2011 was 175,729,649 shares.

AMERICAN REALTY CAPITAL TRUST, INC.

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AMERICAN REALTY CAPITAL TRUST, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Real estate investments, at cost:		
Land	$ 274,658	$ 142,401
Buildings, fixtures and improvements	1,155,088	631,999
Acquired intangible lease assets	199,641	108,193
Total real estate investments, at cost	1,629,387	882,593
Less accumulated depreciation and amortization	(57,864)	(32,777)
Total real estate investments, net	1,571,523	849,816
Cash and cash equivalents	276,984	31,985
Restricted cash	2,008	90
Receivable for sale of common stock	27,233	2,905
Other assets	19,112	9,144
Investment in joint venture with affiliate	11,575	11,945
Deferred financing costs, net	13,039	8,169
Total assets	$ 1,921,474	$ 914,054
LIABILITIES AND EQUITY		
Mortgage notes payable	$ 642,544	$ 372,755
Mortgage discount and premium, net	753	1,163
Long-term notes payable	—	12,790
Below-market lease liabilities, net	8,302	8,454
Derivatives, at fair value	5,117	5,214
Accounts payable and accrued expenses	11,798	3,638
Deferred rent and other liabilities	4,216	3,858
Distributions payable	7,626	3,518
Total liabilities	680,356	411,390
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value; 240,000,000 shares authorized, 149,753,261 and 61,824,238 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	1,498	618
Additional paid-in capital	1,314,281	529,740
Accumulated other comprehensive loss	(3,904)	(3,878)
Accumulated deficit	(92,934)	(46,464)
Total stockholders’ equity	1,218,941	480,016
Non-controlling interests	22,177	22,648
Total equity	1,241,118	502,664
Total liabilities and equity	$ 1,921,474	$ 914,054

The accompanying notes are an integral part of these financial statements.

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AMERICAN REALTY CAPITAL TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Rental income	$ 28,054	$ 9,382	$ 48,772	$ 16,810
Operating expense reimbursements	922	—	1,061	—
Total revenues	28,976	9,382	49,833	16,810
Expenses:				
Fees to affiliate	950	350	1,550	350
Acquisition and transaction related	10,691	640	17,823	981
Property expenses	911	—	1,124	—
General and administrative	932	340	1,457	562
Depreciation and amortization	15,244	4,721	25,187	8,506
Total operating expenses	28,728	6,051	47,141	10,399
Operating income	248	3,331	2,692	6,411
Other income (expenses):				
Interest expense	(9,489)	(4,093)	(16,235)	(7,755)
Gains (losses) on derivative instruments	6	(239)	148	(391)
Loss on disposition of property	—	—	(44)	—
Gains (losses) on sale to non-controlling interest holders, net of taxes	—	17	(102)	352
Income from joint venture with affiliate	25	—	49	—
Total other expenses	(9,458)	(4,315)	(16,184)	(7,794)
Net loss	(9,210)	(984)	(13,492)	(1,383)
Net (income) loss attributable to non-controlling interests	(307)	(8)	(545)	4
Net loss attributable to stockholders	$ (9,517)	$ (992)	$ (14,037)	$ (1,379)
Basic and diluted net loss per share	$ (0.09)	$ (0.04)	$ (0.16)	$ (0.07)

The accompanying notes are an integral part of these financial statements.

AMERICAN REALTY CAPITAL TRUST, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six Months Ended June 30, 2011
(Dollar amounts in thousands)
(Unaudited)

	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stock-holders' Equity	Non-controlling Interests	Total Equity
Balance, December 31, 2010	61,824,238	$ 618	$ 529,740	$ (3,878)	$ (46,464)	$ 480,016	$ 22,648	$ 502,664
Issuance of common stock	86,796,786	869	856,993	—	—	857,862	—	857,862
Offering costs, commissions and dealer manager fees	—	—	(82,481)	—	—	(82,481)	—	(82,481)
Common stock issued through distribution reinvestment plan	1,292,028	13	12,261	—	—	12,274	—	12,274
Distributions declared	—	—	—	—	(32,433)	(32,433)	—	(32,433)
Common stock redemptions	(196,516)	(2)	(2,957)	—	—	(2,959)	—	(2,959)
Issuance of restricted shares	36,725	—	—	—	—	—	—	—
Share based compensation	—	—	725	—	—	725	—	725
Distributions to non-controlling interest holders	—	—	—	—	—	—	(1,016)	(1,016)
Designated derivatives, fair value adjustment	—	—	—	(26)	—	(26)	—	(26)
Net income (loss)	—	—	—	—	(14,037)	(14,037)	545	(13,492)
Total comprehensive income (loss)	—	—	—	(26)	(14,037)	(14,063)	545	(13,518)
Balance, June 30, 2011	149,753,261	$ 1,498	$ 1,314,281	$ (3,904)	$ (92,934)	$ 1,218,941	$ 22,177	$ 1,241,118

The accompanying notes are an integral part of this financial statement.

AMERICAN REALTY CAPITAL TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities:		
Net loss	$ (13,492)	$ (1,383)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	19,949	6,842
Amortization of intangibles	5,238	1,664
Amortization of deferred financing costs	2,148	365
Amortization of mortgage discounts and premiums, net	(79)	—
Amortization of restricted stock grants	725	2
Accretion of below-market lease liability	(152)	(157)
Loss on disposition of property	44	—
(Gain) loss on derivative instruments	(148)	391
Gain on sales to non-controlling interest holders	—	(533)
Income from unconsolidated joint venture	(49)	—
Changes in assets and liabilities:		
Prepaid expenses and other assets	(7,733)	(2,603)
Accounts payable and accrued expenses	7,118	1,309
Deferred rent and other liabilities	358	470
Net cash provided by operating activities	13,927	6,367
Cash flows from investing activities:		
Investment in real estate and other assets	(717,054)	(182,184)
Distributions from joint venture investments	419	—
Proceeds from disposition of real estate and other assets	581	—
Net cash used in investing activities	(716,054)	(182,184)
Cash flows from financing activities:		
Proceeds from mortgage notes payable	243,852	76,687
Payments on mortgage notes payable	(4,814)	(14,643)
Payments on long-term notes payable	(12,790)	—
Payments on short-term bridge funds	—	(15,878)
Contributions from non-controlling interest holders	—	9,627
Distributions to non-controlling interest holders	(1,016)	(354)
Proceeds from issuance of common stock, net	751,053	131,425
Payments of financing costs	(9,273)	(1,526)
Distributions paid	(16,051)	(3,939)
Redemptions paid	(1,917)	(1,592)
Restricted cash	(1,918)	(21)
Net cash provided by financing activities	947,126	179,786
Net decrease in cash and cash equivalents	244,999	3,969
Cash and cash equivalents, beginning of period	31,985	5,010
Cash and cash equivalents, end of period	$ 276,984	$ 8,979
Supplemental Disclosures:		
Cash paid for interest	$13,534	$7,636

Cash paid for income taxes	144	383
Non-Cash Investing and Financing Activities:		
Common stock issued through distribution reinvestment plan	12,274	—
Mortgages assumed in real estate acquisitions	30,751	—

The accompanying notes are an integral part of these financial statements.

AMERICAN REALTY CAPITAL TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

Note 1 — Organization

American Realty Capital Trust, Inc. (the "Company"), incorporated on August 17, 2007, is a Maryland corporation that qualifies as a real estate investment trust ("REIT") for federal income tax purposes. On January 25, 2008, the Company commenced an initial public offering ("IPO") on a "best efforts" basis of up to 150.0 million shares of common stock offered at a price of $10.00 per share, subject to certain volume and other discounts, pursuant to a registration statement on Form S-11 (the "Registration Statement") filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended. The Registration Statement also covered up to 25.0 million shares available pursuant to a distribution reinvestment plan (the "DRIP") under which the Company's stockholders may elect to have their distributions reinvested in additional shares of the Company's common stock at the greater of $9.50 per share or 95% of the estimated value of a share of common stock.

On August 5, 2010, the Company filed a registration statement on Form S-11 to register 32.5 million shares of common stock in connection with a follow-on offering. The IPO was originally set to expire on January 25, 2011, three years after its effective date. However, as permitted by Rule 415 of the Securities Act, the Company was permitted to continue its IPO until July 25, 2011. On July 7, 2011, the Company had sold all of the 150.0 million shares that were registered under the IPO and as permitted, began to sell the remaining 25.0 million shares that were initially registered for the DRIP. On July 11, 2011, the Company withdrew the registration for the additional 32.5 million shares in connection with the follow-on offering. In addition, on July 15, 2011, the Company filed a registration statement on Form S-3 to register an additional 24.0 million shares to be used for the DRIP.

As of June 30, 2011, the Company had approximately 149.8 million shares of common stock outstanding including stock issued under the DRIP and restricted share plan. Total gross proceeds from these issuances were $1.5 billion. As of June 30, 2011, the aggregate value of all share issuances and subscriptions outstanding was $1.5 billion based on a per share value of $10.00 (or $9.50 for shares issued under the DRIP). As of June 30, 2011, approximately 0.5 million shares of common stock had been redeemed under the stock repurchase program at a value of $4.5 million and an additional 0.1 million shares with a redemption value of $1.4 million were accrued for redemption as of June 30, 2011. The Company is dependent upon the net proceeds from the offering to conduct its operations.

The Company has used and intends to use the proceeds from its IPO to acquire and manage a diverse portfolio of real estate properties consisting primarily of freestanding, single-tenant properties net leased to investment grade and other creditworthy tenants throughout the United States and Puerto Rico. The Company typically funds acquisitions with a combination of equity and debt and in certain cases may use only equity capital or fund a portion of the purchase price through investments from unaffiliated third parties. The Company expects to arrange long-term financing on both a secured and unsecured fixed rate basis. The Company intends to continue to grow existing relationships and develop new relationships throughout the various markets the Company serves, which is expected to lead to further acquisition opportunities.

As of June 30, 2011, the Company owned 368 properties with approximately 11.0 million square feet, 100% leased with a weighted average remaining lease term of 14.5 years. In constructing the portfolio, the Company is committed to diversification (industry, tenant and geography). As of June 30, 2011, rental revenues derived from investment grade tenants (rated BBB- or better by Standard & Poors) approximated 76.4%. The strategy encompasses receiving the majority of revenue from investment grade tenants as the Company further acquires properties and enters into (or assumes) long-term lease arrangements.

Substantially all of the Company’s business is conducted through American Realty Capital Operating Partnership, L.P. (the “OP”), a Delaware limited partnership. The Company is the sole general partner of and owns a 99.01% partnership interest in the OP. American Realty Capital Advisors, LLC, (the “Advisor”) is the sole limited partner and owner of 0.99% (non-controlling interest) of the partnership interests of the OP. The limited partner interests have the right to convert OP units into cash or, at the option of the Company, an equal number of common shares of the Company, as allowed by the limited partnership agreement.

The Company has no paid employees. The Company is managed by the Advisor and American Realty Capital Properties, LLC, which serves as its property manager (the “Property Manager”). The Advisor and the Property Manager are affiliated entities that receive compensation and fees for services related to the IPO and for the investment and management of the Company’s assets. These entities receive fees during the Company’s offering, acquisition, operational and liquidation stages. The compensation levels during the offering, acquisition and operational stages are discussed in Note 10 — Related Party Transactions and Arrangements.

AMERICAN REALTY CAPITAL TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

The Company’s stock is not currently listed on a national securities exchange. The Company may seek to list its stock for trading on a national securities exchange only if a majority of its independent directors believe listing would be in the best interest of its stockholders. The Company does not intend to list its shares at this time. The Company does not anticipate that there would be any market for its common stock until its shares are listed for trading. In the event it does not obtain listing prior to the tenth anniversary of the completion or termination of the offering, its charter requires that it either: (i) seek stockholder approval of an extension or amendment of this listing deadline; or (ii) seek stockholder approval to adopt a plan of liquidation of the corporation.

On May 27, 2011, the Company's board of directors engaged Goldman, Sachs & Co. as its financial advisor to assist it in evaluating strategic alternatives, including the possible sale of all or a portion of the Company, and a public listing on a traded exchange.

Note 2 — Summary of Significant Accounting Policies

The Company’s significant accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2010, which are included in the Company’s Form 10-K filed with the SEC on March 31, 2011. There have been no significant changes to these policies during 2011 other than the updates described below.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued guidance that expands the existing disclosure requirements for fair value measurements, primarily for Level 3 measurements, which are measurements based on unobservable inputs such as the Company’s own data. This guidance is largely consistent with current fair value measurement principles with few exceptions that do not result in a change in general practice. The guidance will be applied prospectively and will be effective for interim and annual reporting periods ending after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the Company’s financial position or results of operations.

In June 2011, the FASB issued guidance requiring entities to present items of net income and other comprehensive income either in one continuous statement – referred to as the statement of comprehensive income – or in two separate, but consecutive, statements of net income and other comprehensive income. The new guidance does not change which components of comprehensive income are recognized in net income or other comprehensive income, or when an item of other comprehensive income must be reclassified to net income. The guidance will be applied prospectively and will be effective for interim and annual reporting periods ending after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the Company’s financial position or results of operations but will change the location of the presentation of other comprehensive income to more closely associate the disclosure with net income.

AMERICAN REALTY CAPITAL TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

Note 3 — Real Estate Investments

The following table presents the allocation of the assets acquired and liabilities assumed during the periods presented (amounts in thousands):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Real estate investments, at cost:				
Land	$ 58,826	$ 18,822	$ 132,350	$ 29,899
Buildings, fixtures and improvements	250,039	69,502	523,616	128,542
Total tangible assets	308,865	88,324	655,966	158,441
Acquired intangibles:				
In-place leases	45,943	12,422	91,508	23,743
Mortgage assumed	(18,321)	—	(30,751)	—
Mortgage discount, net	—	—	331	—
Total assets acquired, net	$ 336,487	$ 100,746	$ 717,054	$ 182,184
Number of properties purchased	50	21	110	41

AMERICAN REALTY CAPITAL TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

The Company acquires and operates commercial properties. All such properties may be acquired and operated by the Company alone or jointly with another party. As of June 30, 2011, all of the properties the Company owned were 100% occupied. The Company acquired and disposed of the following properties during the six months ended June 30, 2011 (dollar amounts in thousands other than annualized average rental income per square foot):

Property	Acquisition/ Disposal Date	No. of Buildings	Square Feet	Ownership Percentage	Remaining Lease Term (1)	Base Purchase Price (2)		Capitalizati Rate (3)
Portfolio as of December 31, 2010:		259	5,310,215	various	15.2	$	879,215	8.4
Acquisitions for the six months ended June 30, 2011:								
Lowes (6)	January 2011	1	141,393	100%	15.1		10,018	6.74
Citizens	January 2011	2	14,307	100%	7.6		3,811	9.1
QuickTrip	January 2011	1	4,555	100%	12.7		3,330	8.74
Dillons	January 2011	1	56,451	100%	8.3		5,075	7.80
Wawa	January 2011	2	12,433	100%	15.9		17,209	7.00
Walgreens VIII	January 2011	9	122,963	100%	23.6		54,569	6.80
DaVita Dialysis II	February 2011	4	23,154	100%	10.9		8,013	8.90
CVS III	February 2011	1	13,338	100%	25.6		5,199	7.2
Citigroup, Inc.	February 2011	1	64,036	100%	14.3		27,275	7.00
Coats & Clark	February 2011	1	401,512	100%	9.5		9,523	9.84
Walgreens IX	February 2011	1	13,569	100%	22.4		5,460	7.34
Express Scripts	March 2011	2	416,141	100%	7.9		51,281	9.02
DaVita Dialysis III	March 2011	1	18,185	100%	11.9		6,565	7.72
Dollar General V	March 2011	6	55,363	100%	14.6		5,195	8.84
Wal-Mart	March 2011	1	183,442	100%	7.8		12,633	7.1
Kohl's	March 2011	1	88,408	100%	14.6		10,182	7.1
Texas Instruments	March 2011	1	125,000	100%	9.4		32,000	7.88
Sam's Club (6)	March 2011	1	141,583	100%	14.2		12,821	6.64

CVS IV	March 2011	1	13,225	100%	23.6	5,330	7.9
Walgreens X	March 2011	2	27,760	100%	19.1	9,000	7.46
CVS V	March 2011	1	12,900	100%	22.6	5,759	7.29
Provident Bank	March 2011	1	2,950	100%	22.6	2,589	9.1
Dillons II	March 2011	1	63,858	100%	10.3	6,420	7.49
FedEx X	March & May 2011	2	204,157	100%	14.1	32,200	7.98
~3M	March 2011	1	650,760	100%	9.8	44,800	7.3
Bojangles	March 2011	13	47,865	100%	11.9	24,789	8.8
Tractor Supply II	March 2011	2	38,194	100%	14.8	5,103	9.09
Dollar General VI	April 2011	2	18,428	100%	14.9	1,856	9.00
Dollar General VII	April 2011	2	18,340	100%	14.8	2,093	8.98
O'Reilly Auto II	April 2011	1	8,154	100%	11.6	1,894	8.92
Walgreens XI	April 2011	1	14,550	100%	24.0	4,993	7.3
DaVita Dialysis IV	April 2011	1	6,020	100%	8.4	2,061	8.88
Whirlpool	April 2011	1	750,000	100%	9.8	19,837	8.10
Wrangler	April 2011	1	316,800	100%	9.5	17,286	8.20
Walgreens XII	April 2011	1	13,605	100%	22.6	4,380	8.20
7-Eleven	May 2011	1	3,074	100%	9.4	2,950	8.24
BSFS III	May 2011	1	7,864	100%	14.5	2,661	8.5
Kohls II	May 2011	1	64,250	100%	19.6	6,398	7.50
National Tire & Battery	May 2011	3	33,920	100%	14.3	5,921	8.10
CVS VI	May 2011	1	13,224	100%	23.7	9,110	7.2
BSFS IV	May 2011	3	22,904	100%	13.4	8,539	8.60
FedEx XI	May 2011	1	125,502	100%	10.7	39,000	7.94
Pep Boys	May 2011	3	60,140	100%	12.1	12,951	8.68
Tops Market	May 2011	1	57,833	100%	11.7	10,956	7.6

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AMERICAN REALTY CAPITAL TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

Property	Acquisition/ Disposal Date	No. of Buildings	Square Feet	Ownership Percentage	Remaining Lease Term (1)		Base Purchase Price (2)	Capitalization Rate (3)	Annualized Rental Income (4)
7-Eleven II	May 2011	1	2,940	100%	9.5		2,105	7.55%	159
General Electric	May 2011	1	484,348	100%	7.8		23,688	7.62%	1,806
Wal-Mart II	May 2011	1	151,925	100%	7.6		12,415	8.01%	995
USPS	May 2011	1	39,297	100%	13.8		7,260	6.79%	493
Walgreens XIII	May 2011	2	27,195	100%	17.1		9,819	7.25%	712
Walgreens XIV	June 2011	1	14,820	100%	21.9		3,986	7.15%	285
Mrs. Bairds	June 2011	2	30,120	100%	8.2		3,169	8.36%	265
Walgreens XV	June 2011	1	14,480	100%	21.9		4,912	7.13%	350
O'Reilly's III	June 2011	1	8,160	100%	11.8		2,000	8.70%	174
FedEx XII	June 2011	1	182,326	100%	11.8		35,000	7.79%	2,726
Walgreens XVI	June 2011	6	52,400	100%	22.7		51,160	6.63%	3,392
VA Clinic	June 2011	1	10,768	100%	9.6		3,190	11.66%	372
BSFS V	June 2011	1	159,797	100%	10.8		9,040	8.53%	771
Tractor Supply IV	June 2011	1	19,097	100%	11.9		1,750	13.94%	244
O'Reilly's IV	June 2011	2	16,000	100%	11.7		3,724	8.75%	326
Trader Joe's	June 2011	1	31,920	100%	10.5		5,550	12.16%	675
Disposition for the six months ended June 30, 2011:									
PNC	January 2011	(1)	(1,992)	100%	(7.9)		(680)	6.91%	(47)
Total		368	11,045,926		14.5	$	1,626,338	8.08%	$ 131,377
Annualized average		$	11.89						

rental
income per
square foot

(1) Remaining lease term as of June 30, 2011, in years. If the portfolio has multiple locations with varying lease expirations, remaining lease term is calculated on a weighted-average basis. Total remaining lease term is an average of the remaining lease term of the total portfolio.

(2) Contract purchase price excluding acquisition and transaction-related costs. Acquisition and transaction-related costs include legal costs, acquisition fees paid to the Advisor and closing costs on the property.

(3) Annualized rental income on a straight-line basis divided by base purchase price. Total capitalization rate is an average of the capitalization rate of the total portfolio.

(4) Annualized rental income for the property portfolio on a straight-line basis as of June 30, 2011, which includes the effect of tenant concessions such as free rent, as applicable.

(5) Includes a $12.0 million investment in a joint venture.

(6) Property is a parcel of land with a ground lease which contains a building that will be conveyed to the Company at the end of the ground lease. Square footage and number of buildings refers to the building that is constructed on the parcel of land.

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Future Lease Payments

The following table presents future minimum base rental cash payments due to the Company subsequent to June 30, 2011. These amounts exclude contingent rentals that may be collected from certain tenants based on provisions related to sales thresholds and increases in annual rent based on exceeding certain economic indexes among other items (amounts in thousands):

Year	Future Minimum Base Rent Payments
July 1, 2011 to December 31, 2011	$ 62,322
2012	125,470
2013	126,446
2014	128,452
2015	129,952
Thereafter	1,311,441
Total	$ 1,884,083

The following table lists tenants whose annualized rental income on a straight-line basis represented greater than 10% of consolidated annualized income as of June 30, 2011 and 2010:

	2011	2010
FedEx	16%	16%
Walgreens	13%	—
CVS	8%	20%

No other tenant represented more than 10% of the annualized rental income for the periods presented. The termination, delinquency or non-renewal of one of the above tenants may have a material adverse effect on revenues.

Note 4 — Revolving Credit Facilities

At June 30, 2011 and December 31, 2010, the Company had available a $10.0 million revolving line of credit unsecured bridge facility with an affiliated entity. There were no amounts outstanding under this facility at June 30, 2011 or December 31, 2010. There are no unused borrowing fees associated with this facility.

In July 2010, the Company obtained a secured revolving credit facility with Capital One, N.A. (“Capital One”) for an aggregate maximum principal amount of $30.0 million. The proceeds of loans made under the credit agreement may be used to finance the acquisition of net leased, investment or non-investment grade occupied properties. The initial term of the credit agreement is 30 months, which may be extended by 12 months, subject to satisfaction of certain conditions, including payment of an extension fee.

Any loan made under the Capital One credit agreement shall bear floating interest at per annum rates equal to either one month London Interbank Offered Rate (“LIBOR”) plus 3.25% or three month LIBOR plus 3.25%, at the Company’s option. In the event of a default, Capital One has the right to terminate its obligations under the credit agreement, including the funding of future loans, and to accelerate the payment on any unpaid principal amount of all outstanding loans. The line of credit requires a fee of 0.25% on the unused balance.

In August 2010, the Company obtained a secured revolving credit facility with U.S. Bank, N.A. (“U.S. Bank”) for an aggregate maximum principal amount of $20.0 million, which subsequently increased to $30.0 million. The proceeds of loans made under the credit agreement may be used to finance the acquisition of net leased, investment or non-investment grade occupied properties. The initial term of the credit agreement is 24 months, with a one-time extension option of 12 months, subject to satisfaction of certain conditions, including payment of an extension fee.

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Any loan made under the U.S. Bank credit agreement shall bear floating interest at a per annum rate equal to one month LIBOR plus 3.25%. In the event of a default, U.S. Bank has the right to suspend the funding of future loans and to accelerate the payment on any unpaid principal amount of the outstanding loans. The line of credit requires a fee of 0.25% on the unused balance.

The Company must collateralize the Capital One and U.S. Bank lines of credit with certain of its properties in addition to meeting certain minimum cash deposit requirements. The Company has drawn on these lines of credit from time to time to finance the purchase price of acquisitions on a short-term basis. There are no amounts outstanding on these lines of credit as of June 30, 2011 or December 31, 2010.

Note 5 — Mortgage Notes Payable

The Company's mortgage notes payable consist of the following (dollar amounts in thousands):

	Encumbered Properties	Outstanding Loan Amount	Weighted Average Effective Interest Rate (1)	Weighted Average Maturity (2)
June 30, 2011	269	$ 642,544	5.35%	5.08
December 31, 2010	196	$ 372,755	5.73%	6.15

(1) Mortgage notes payable are fixed rate mortgages or mortgages with rates that are fixed through the use of interest rate hedging instruments. Effective interest rates range from 4.09% to 6.97% at June 30, 2011 and 4.36% to 6.97% at December 31, 2010.

(2) Weighted average remaining years until maturity as of the periods presented.

The following table summarizes the scheduled aggregate principal repayments subsequent to June 30, 2011 (amounts in thousands):

Year	Total
July 1, 2011 to December 31, 2011	$ 4,900
2012	3,970
2013	59,910
2014	34,513
2015	120,625
Thereafter	418,626
Total	$ 642,544

The Company's sources of recourse financing generally require financial covenants, including restrictions on corporate guarantees, the maintenance of certain financial ratios (such as specified debt to equity and debt service coverage ratios) as well as the maintenance of a minimum net worth. As of June 30, 2011, the Company was in compliance with the debt covenants under the mortgage loan agreements.

Note 6 — Long-Term Notes Payable

As of December 31, 2010, the Company had $12.8 million of outstanding long-term notes payable (the “Notes”) from a private placement pursuant to Rule 506 of Regulation D promulgated under the Securities Act. The proceeds of the private placement were used to repay outstanding short-term bridge equity fund draws.

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The Notes bore interest at 9.0% annually, provided that the interest rate would be adjusted to 9.57% annually for Notes on which the Company did not incur a selling commission. The Company paid interest-only monthly payments to subscribers of the Notes. The balances of the Notes were repaid in full in May 2011. In connection with this payoff, $0.7 million of unamortized deferred financing costs were charged to interest expense.

Note 7 — Fair Value of Financial Instruments

The Company determines fair value based on quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. This alternative approach also reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The guidance defines three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 — Unobservable inputs that reflect the entity's own assumptions about the assumptions that market participants would use in the pricing of the asset or liability and are consequently not based on market activity, but rather through particular valuation techniques.

The determination of where an asset or liability falls in the hierarchy requires significant judgment and considers factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company evaluates its hierarchy disclosures each quarter and depending on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter. However, the Company expects that changes in classifications between levels will be rare.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of June 30, 2011 and December 31, 2010, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The valuation of derivative instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and implied volatilities. In addition, credit valuation adjustments, are incorporated into the fair values to account for the Company's potential nonperformance risk and the performance risk of the counterparties.

The following table presents information about the Company's assets (including derivatives that are presented net) measured at fair value on a recurring basis as of June 30, 2011 and December 31, 2010, aggregated by the level in the fair value hierarchy within which those instruments fall (amounts in thousands):

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
June 30, 2011:				
Total derivatives, net	$ —	$ 5,117	$ —	$ 5,117
December 31, 2010:				
Total derivatives, net	$ —	$ 5,214	$ —	$ 5,214

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The Company is required to disclose the fair value of financial instruments for which it is practicable to estimate that value. The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, other receivables, accounts payable and distributions payable approximates their carrying value on the consolidated balance sheet due to their short-term nature. The fair value of mortgage notes payable are obtained by calculating the present value at current market rates.

The fair values of the Company's financial instruments that are not reported at fair value on the consolidated balance sheet are reported below (amounts in thousands):

	Carrying Amount at June 30, 2011	Fair Value at June 30, 2011	Carrying Amount at December 31, 2010	Fair Value at December 31, 2010
Mortgage notes payable (1)	$ 643,297	$ 653,419	$ 373,918	$ 388,984
Other long-term notes payable	$ —	$ —	$ 12,790	$ 12,790

(1) Carrying amount includes premiums and discounts on mortgage notes payable.

Note 8 — Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with its borrowings. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure as well as to hedge specific anticipated transactions. The Company does not intend to utilize derivatives for speculative or other purposes other than interest rate risk management. The use of derivative financial instruments carries certain risks, including the risk that the counterparties to these contractual arrangements are not able to perform under the agreements. To mitigate this risk, the Company only enters into derivative financial instruments with counterparties with high credit ratings and with major financial institutions with which the Company and its affiliates may also have other financial relationships. The Company does not anticipate that any of the counterparties will fail to meet their obligations.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and collars as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate collars designated as cash flow hedges involve the receipt of variable-rate amounts if interest rates rise above the cap strike rate on the contract and payments of variable-rate amounts if interest rates fall below the floor strike rate on the contract.

Derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next twelve months, the Company estimates that an additional $2.0 million will be reclassified from other comprehensive income as an increase to interest expense.

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As of June 30, 2011, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollar amounts in thousands):

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Swaps	4	$ 63,069
Interest Rate Collars	1	4,115

As of December 31, 2010, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollar amounts in thousands):

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Swaps	4	$ 63,532
Interest Rate Collars	1	4,115

Non-Designated Hedges

Derivatives not designated as hedges are not speculative. These derivatives are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements to be classified as hedging instruments. The Company has one interest rate collar contract outstanding, with an aggregate notional amount of $22.9 and $23.2 million at June 30, 2011 and December 31, 2010, respectively, with an established ceiling and floor for the underlying variable rate at 4.125% and 3.54%, respectively. This contract was not able to be designated as a hedging instrument as it does not qualify for hedge accounting based on the results of the net written option test. As such, all changes in the fair value of the interest rate collar have been included in the Company's statements of operations for the six months ended June 30, 2011 and 2010.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the balance sheets as of June 30, 2011 and December 31, 2010 (amounts in thousands):

	Balance Sheet Location	June 30, 2011	December 31, 2010
Derivatives designated as hedging instruments:			
Interest Rate Products	Derivatives, at fair value	$ (3,906)	$ (3,828)
Derivatives not designated as hedging instruments:			
Interest Rate Products	Derivatives, at fair value	$ (1,211)	$ (1,386)

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Derivatives in Cash Flow Hedging Relationships

The table below details the location in the financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for the three and six months ended June 30, 2011 and 2010 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Amount of loss recognized in accumulated other comprehensive income as interest rate derivatives (effective portion)	$ (1,250)	$ (2,256)	$ (1,095)	$ (3,400)
Amount of loss reclassified from accumulated other comprehensive income into income as interest expense (effective portion)	$ (522)	$ (516)	$ (1,069)	$ (940)
Amount of gain (loss) recognized in income on derivative as loss on derivative instruments (ineffective portion and amount excluded from effectiveness testing)	$ 10	$ —	$ (63)	$ —

Derivatives Not Designated as Hedging Instruments

The table below details the amount and location in the financial statements of the gain or loss recognized on derivatives not designated as hedging instruments for the three and six months ended June 30, 2011 and 2010 (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Location of Gain or (Loss) Recognized in Income on Derivative:				
Gains (losses) on derivative instruments	$ 6	$ (239)	$ 148	$ (391)
Total	$ 6	$ (239)	$ 148	$ (391)

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

As of June 30, 2011, the fair value of derivatives in a net liability position related to these agreements was $5.1 million. As of June 30, 2011, the Company has not posted any collateral related to these agreements and was not in breach of any agreement provisions. If the Company had breached any of these provisions, it could have been required to settle its obligations under the agreements at their aggregate termination value of $5.5 million at June 30, 2011.

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Note 9 — Commitments and Contingencies

Litigation

In the ordinary course of business, the Company may become subject to litigation or claims. There are no material legal proceedings pending or known to be contemplated against the Company.

Environmental Matters

In connection with the ownership and operation of real estate, the Company may potentially be liable for costs and damages related to environmental matters. The Company has not been notified by any governmental authority of any non-compliance, liability or other claim, and the Company is not aware of any other environmental condition that it believes will have a material adverse effect on the consolidated results of operations.

Guarantee of the Debt of Others

In conjunction with entering into a joint venture agreement with an affiliated entity where the Company invested $12.0 million for an ownership percentage of five retail condominium units, the Company agreed to provide a guarantee on a mortgage note payable obtained from a third party in connection with the property acquisition. The guarantee will be in place until the affiliated entity achieves a net worth of $40.0 million. At June 30, 2011, the balance of the mortgage note payable was $21.3 million. The net worth of the affiliated company at June 30, 2011 was $31.7 million. The leverage ratio on the property, defined as mortgage note payable balance divided by the purchase price of the property, was 62.6% as of June 30, 2011. In addition, the properties are leased on a long-term basis which fully cover debt service requirements. Therefore the Company believes that it is unlikely that it would be required to make payments on behalf of the affiliated entity under this arrangement and therefore the fair value of the guarantee is not material. The Company anticipates the net worth threshold to be achieved by the affiliated entity by the end of the third quarter of 2011.

Note 10 — Related Party Transactions and Arrangements

Fees Paid in Connection with Common Stock Offering

The Company's affiliated Dealer Manager receives selling commissions of 7% of the gross offering proceeds from the sale of the Company's common stock (as well as sales of long-term notes and exchange transactions) before reallowance of commissions earned by participating broker-dealers. The Dealer Manager re-allows 100% of commissions earned to participating broker-dealers. In addition, the Dealer Manager receives dealer manager fees of 3% of the gross offering proceeds before reallowance to participating broker-dealers. The Dealer Manager may re-allow all or a portion of its dealer manager fee to participating broker-dealers. No selling commissions or dealer-manager fees are paid to the Dealer Manager with respect to shares sold under the DRIP.

The following table details the results of such activities related to the Dealer Manager (amounts in thousands):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Total commissions paid to Dealer Manager	$ 54,388	$ 8,981	$ 76,460	$ 14,338
Less:				
Commissions to participating broker dealers	(36,493)	(6,039)	(51,182)	(9,804)
Reallowance to participating broker dealers	(5,241)	(649)	(7,407)	(1,254)
Net to affiliated Dealer Manager (1)	$ 12,654	$ 2,293	$ 17,871	$ 3,280

(1) The Dealer Manager is responsible for commission payments due to its employees as well as its general overhead and various selling related expenses.

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The Company will reimburse the Advisor up to 1.5% of its gross offering proceeds. The following table details the results of such activities related to organizational and offering costs reimbursed to the Advisor (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Organizational and offering expense reimbursements	$ 1,509	$ 1,175	$ 2,799	$ 2,278

At June 30, 2011 and December 31, 2010, the Company had a payable to the Dealer Manager and the Advisor of $2.0 million and $0.4 million, respectively, for commissions and reimbursements of expenses. At June 30, 2011, the Company had accrued all organizational and offering costs that the Advisor had incurred on behalf of the Company.

Fees Paid in Connection With the Operations of the Company

The Advisor receives an acquisition fee of 1.0% of the contract purchase price of each acquired property and is reimbursed for acquisition costs incurred in the process of acquiring properties, expected to approximate 0.5% of the contract purchase price. In no event will the total of all acquisition and advisory fees and acquisition expenses payable with respect to a particular investment exceed 4% of the contract purchase price.

The Company will pay the Advisor a yearly fee of up to 1% of the contract purchase price of each property based on assets held by the Company on the measurement date, adjusted for appropriate closing dates for individual property acquisitions. On June 7, 2011, the Company and the Advisor agreed to modify the timing of the payment of asset management fees by the Company to the Advisor such that the Company shall pay to the Advisor asset management fees on a current basis, and shall no longer pre-pay those fees, as was allowed under the previous agreement. In addition, such asset management fees shall be payable, at the discretion of the Company’s board subject to the Advisor’s approval, on a prospective basis, in cash, common stock or restricted stock grants, or any combination thereof. See Note 12 – Share-Based Compensation for additional information of limitations on the issuance of restricted shares to the Advisor.

For the management and leasing of its properties, the Company will pay to an affiliate of its Advisor a property management fee of (a) 2% of gross revenues from its single tenant properties and (b) 4% of gross revenues from its multi-tenant properties, plus, in each case, market-based leasing commissions applicable to the geographic location of the property. The Company also will reimburse the affiliate costs of managing the properties. The affiliate may also receive a fee for the initial leasing of newly constructed properties, which would generally equal one month’s rent. In the unlikely event that the affiliate assists a tenant with tenant improvements, a separate fee may be charged to, and payable by the Company. This fee will not exceed 5% of the cost of the tenant improvements. The aggregate of all property management and leasing fees paid to its affiliates plus all payments to third parties for such fees will not exceed the amount that other nonaffiliated management and leasing companies generally charge for similar services in the same geographic location as determined by a survey of brokers and agents in such area. No such fees were incurred or paid for the three or six months ended June 30, 2011 or 2010.

The Company may reimburse its Advisor's costs of providing administrative services, subject to the limitation that it will not reimburse its Advisor for any amount by which its operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of (a) 2% of average invested assets, or (b) 25% of net income other than any additions to reserves for depreciation, bad debt or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Additionally, the Company will not reimburse the Advisor for personnel costs in connection with services for which the Advisor receives acquisition fees or real estate commissions. No such fees were incurred or paid for the three or six months ended June 30, 2011 or 2010.

If the Company's Advisor provides services in connection with the origination or refinancing of any debt that the Company obtains, and uses to acquire properties or to make other permitted investments, or that is assumed, directly or indirectly, in connection with the acquisition of properties, the Company will pay the Advisor a financing coordination fee equal to 1% of the amount available and/or outstanding under such financing, subject to certain limitations.

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The following tables detail amounts paid and reimbursed to affiliates as well as amounts contractually due to the Advisor which were forgiven in connection with the operations related services described above (amounts in thousands):

	Three Months Ended June 30,			
	2011		2010	
	Paid	Forgiven	Paid	Forgiven
One-time fees:				
Acquisition fees and related cost reimbursements	$ 5,474	$ —	$ 987	$ —
Financing coordination fees and related cost reimbursements	860	—	350	—
Other expense reimbursements	1,902	—	—	—
On-going fees:				
Asset management fees (1)	950	2,486	350	772
Property management and leasing fees	—	529	—	175
Total operational fees and reimbursements	$ 9,186	$ 3,015	$ 1,687	$ 947

	Six Months Ended June 30,			
	2011		2010	
	Paid	Forgiven	Paid	Forgiven
One-time fees:				
Acquisition fees and related cost reimbursements	$ 11,209	$ —	$ 1,785	$ —
Financing coordination fees and related cost reimbursements	2,720	—	767	—
Other expense reimbursements	2,381	—	—	—
On-going fees:				
Asset management fees (1)	1,550	4,350	350	1,663
Property management and leasing fees	—	918	—	314
Total operational fees and reimbursements	$ 17,860	$ 5,268	$ 2,902	$ 1,977

(1) The Company's board of directors, subject to the Advisor's approval, on a prospective basis, may elect to pay an equivalent amount of the cash fees forgiven in unvested performance based restricted shares. The Company will record expense for such shares, if the board of directors approves the issuance.

$8.1 million and $4.4 million of asset management fees were prepaid to the Advisor as of June 30, 2011 and December 31, 2010, respectively. On June 7, 2011, the Company and the Advisor agreed to modify the timing of the payment of asset management fees by the Company to the Advisor such that the Company shall pay to the Advisor asset management fees on a current basis, and shall no longer pre-pay those fees, as was allowed under the previous agreement.

Fees Paid in Connection with the Liquidation or Listing of the Company's Real Estate Assets

The Company will pay a brokerage commission on the sale of property, not to exceed the lesser of one-half of reasonable, customary and competitive real estate commission or 3% of the contract price for property sold (inclusive of any commission paid to outside brokers), in each case, payable to the Advisor if the Advisor or its affiliates, as determined by a majority of the independent directors, provided a substantial amount of services in connection with the sale.

The Company will pay a subordinated participation in the net proceeds of the sale of real estate assets of 15% of remaining net proceeds after return of capital contributions plus payment to investors of a 6% cumulative, non-compounded return on the capital contributed by investors. The Company cannot assure that it will provide this 6% return but the Advisor will not be entitled to the subordinated participation in net sale proceeds unless its investors have received a 6% cumulative non-compounded return on their capital contributions. No such fees were incurred or paid for the three or six months ended June 30, 2011 or 2010.

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The Company will pay a subordinated incentive listing fee of 15% of the amount by which the adjusted market value of real estate assets plus distributions exceeds the aggregate capital contributed by investors plus an amount equal to a 6% cumulative, non-compounded annual return to investors. The Company cannot assure that it will provide this 6% return but the Advisor will not be entitled to the subordinated incentive listing fee unless its investors have received a 6% cumulative non-compounded return on their capital contributions. No such fees were incurred or paid for the three or six months ended June 30, 2011 or 2010.

The following table details amounts paid to affiliates in connection with the sale of property (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Real estate commissions	$ —	$ —	$ 19	$ —

Financing

The OP entered into an agreement with the principals of the Advisor whereby the OP can obtain up to $10.0 million of bridge equity from the principals from time to time as needed to provide short-term bridge equity for property acquisitions or for general working capital purposes. Such bridge equity advances need to be satisfied within a one year period and will accrue a yield of 8%. There were no amounts outstanding under this facility as of June 30, 2011 and December 31, 2010. There was no interest expense for this facility during the three or six months ended June 30, 2011 or 2010.

Joint Venture Investment

In December 2010, the Company entered into a joint venture agreement with an affiliate and an unrelated third party investor to invest in a portfolio of five retail condominium units. The Company’s initial investment in this joint venture was $12.0 million and a 1.0% fee was paid to the Company by the affiliate. The recorded book basis of the investment will be adjusted by distributions of the profit and loss of the investment properties in accordance with the joint venture agreement. For the three and six months ended June 30, 2011, the Company’s share of the net profit and loss on the property was $25,000 and $49,000, respectively. In addition, the Company received cash distributions of $0.2 and $0.4 million for the three and six months ended June 30, 2011, respectively. No fees were paid to the Advisor in connection with this agreement.

Note 11 — Economic Dependency

Under various agreements, the Company has engaged or will engage the Advisor and its affiliates to provide certain services that are essential to the Company, including asset management services, supervision of the management and leasing of properties owned by the Company, asset acquisition and disposition decisions, the sale of shares of the Company’s common stock available for issue, as well as other administrative responsibilities for the Company including accounting services and investor relations.

As a result of these relationships, the Company is dependent upon the Advisor and its affiliates. In the event that these companies were unable to provide the Company with the respective services, the Company would be required to find alternative providers of these services.

Note 12 — Share-Based Compensation

Stock Option Plan

The Company has a stock option plan (the “Plan”), which authorizes the grant of nonqualified stock options to the Company’s independent directors, subject to the absolute discretion of the board of directors and the applicable limitations of the Plan. The exercise price for all stock options granted under the Plan will be fixed at $10.00 per share until the termination of the Company’s IPO, and thereafter the exercise price for stock options granted to its independent directors will be equal to the fair market value of a share on the last business day preceding the annual meeting of stockholders. As of June 30, 2011 and December 31, 2010, the Company had granted options to purchase 27,000 shares at $10.00 per share, each with a two year vesting period and an expiration of 10 years. A total of 1.0 million shares have been authorized and reserved for issuance under the Plan.

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. During the three and six months ended June 30, 2011, no options were forfeited or were exercised and 9,000 shares became vested. During the three and six months ended June 30, 2010, no shares were forfeited, exercised or vested. As of June 30, 2011 and December 31, 2010, unvested options to purchase 9,000 shares at $10.00 per share remained outstanding with a weighted average contractual remaining life of 7.8 and 8.3 years, respectively. The total compensation charge relating to these option grants is immaterial.

Restricted Share Plan

On January 22, 2010, the Board of Directors adopted an employee and director incentive restricted share plan (the "RSP"). The RSP provides for the automatic grant of 3,000 restricted shares of common stock to each of the independent directors, without any further action by the Company's board of directors or the stockholders, on the date of each annual stockholder's meeting. Restricted stock issued to independent directors will vest over a five-year period following the first anniversary of the date of grant in increments of 20% annually. The employee and director incentive restricted share plan provides the Company with the ability to grant awards of restricted shares to the Company's directors, officers and employees (if the Company ever has employees), employees of the Advisor and its affiliates, employees of entities that provide services to the Company, directors of the Advisor or of entities that provide services to the Company, certain of its consultants and certain consultants to the Advisor and its affiliates or to entities that provide services to the Company. The total number of common shares reserved for issuance under the RSP is equal to 1.0% of its authorized shares.

In April 2011, the Board of Directors approved the modification of the RSP to provide that, for as long as the Company remains a non-traded REIT, the aggregate value of the asset management fees paid by the Company over the life of the offering plus the value of all restricted shares issued by the Company pursuant to its RSP cannot exceed 1% of the contract purchase price of all the properties based on assets held by the Company on the measurement date, adjusted for appropriate closing dates for individual property acquisitions. For purposes of this calculation, the value of the restricted stock granted to the Advisor and its employees will be the value of the Company's common stock on the date of such grant.

Restricted share awards entitle the recipient to common shares from the Company under terms that provide for vesting over a specified period of time or upon attainment of pre-established performance objectives. Shares issued under the RSP vest immediately upon a change of control of the Company or sale of the Company's assets. Such awards would typically be forfeited with respect to the unvested shares upon the termination of the recipient's employment or other relationship with the Company. Restricted shares may not, in general, be sold or otherwise transferred until restrictions are removed and the shares have vested. Holders of restricted shares may receive cash distributions prior to the time that the restrictions on the restricted shares have lapsed. Any distributions payable in common shares shall be subject to the same restrictions as the underlying restricted shares. As of June 30, 2011 and December 31, 2010, 18,000 and 9,000 shares, respectively, had been issued to independent directors under this plan at a fair value of $10.00 per share. The fair value of the shares will be expensed ratably over the five-year vesting period.

In June 2010, the Company's independent directors approved and authorized the issuance of up to 1.5 million common restricted shares to the Advisor equaling 1% of authorized shares under the primary offering, subject to certain terms and conditions. As of June 30, 2011 and December 31, 2010, the Advisor had granted 1.5 million and 1.4 million restricted shares, respectively, to key executives and management. Of the total shares granted, 50% vest over a five year period commencing with the two year anniversary of the grant date and the remaining 50% vest only to the extent the Company's net asset value plus distributions paid to stockholders equals 106% of the original selling price of the Company's common stock.

Compensation expense for restricted shares of $0.4 million and $0.7 million was recorded for the three and six months ended June 30, 2011, respectively. There were no restricted shares outstanding for the three or six months ended June 30, 2010.

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June 30, 2011
(Unaudited)

Note 13 — Net Loss Per Share

The following is a summary of the basic and diluted net loss per share computation for the three and six months ended June 30, 2011 and 2010 (in thousands, except share and per share amounts):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net loss attributable to stockholders	$ (9,517)	$ (992)	$ (14,037)	$ (1,379)
Less: distributions paid on unvested restricted stock	(253)	—	(495)	—
	$ (9,770)	$ (992)	$ (14,532)	$ (1,379)
Weighted average common shares outstanding	110,777,070	25,164,559	91,864,174	21,130,867
Net loss per share, basic and diluted	$ (0.09)	$ (0.04)	$ (0.16)	$ (0.07)

As of June 30, 2011, 27,000 stock options and 1.5 million unvested restricted shares were outstanding and as of June 30, 2010, 27,000 stock options were outstanding. These items were not included in the calculation of diluted earnings per share since the inclusion is anti-dilutive.

Note 14 — Non-controlling Interests

The Company has investment arrangements with unaffiliated third parties whereby the investor receives an ownership interest in the property and is entitled to receive a proportionate share of the net operating cash flow derived from the property. Upon disposition of the property, the investor will receive a proportionate share of the net proceeds from the sale of the property. The investor has no recourse to any other assets of the Company. Due to the nature of the Company's involvement with each of the arrangements described below and the significance of its investment in relation to the investment of the other interest holders, the Company has determined that it is the primary beneficiary in each of these arrangements and therefore the entities related to these arrangements are consolidated within the Company's financial statements.

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(Unaudited)

The following table describes the activity related to investment arrangements with unaffiliated third parties (dollars in thousands):

					As of June 30, 2011		Distributions			
Property/ Portfolio Name	No. of Buildings	Investment Date	Net Investment Amount	Third Party Ownership Percentage	Total Assets Subject to Investment Agreement	Total Liabilities Subject to Investment Agreement	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Walgreens	1	Jul. 2009	$ 1,068	44.0%	$ 3,545	$ 1,550	$ (20)	$ (20)	$ (40)	$ (40)
FedEx/PNC Bank	2	Jul. 2009 to Jan. 2010	2,002	49.0%	11,571	8,935	(42)	(42)	(83)	(83)
PNC Bank	1	Sep. 2009	444	35.2%	3,387	2,328	(9)	(9)	(17)	(17)
CVS	3	Jan. 2010 to Mar. 2010	2,577	49.0%	10,873	6,709	(49)	(30)	(98)	(80)
Rickett Benckiser	1	Feb. 2010	2,400	14.6%	29,112	14,795	(53)	—	(104)	—
FedEx III	1	Apr. 2010	3,000	15.4%	31,956	15,000	(64)	—	(127)	—
BSFS	6	Jun. 2010 to Sep. 2010	6,468	49.0%	12,239	—	(128)	—	(256)	—
Brown Shoe/Payless	2	Oct. 2010	6,000	9.0%	66,729	28,000	(136)	—	(269)	—
Jared Jewelry	1	May 2010	500	24.9%	1,616	—	(10)	—	(22)	—
Total	18		$ 24,459		$ 171,028	$ 77,317	$ (511)	$ (101)	$ (1,016)	$ (220)

Note 15 — Subsequent Events

The Company has evaluated subsequent events through the filing of this Form 10-Q, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements except for the following:

Completion of Property Acquisitions

The following table presents certain information about the properties that the Company acquired from July 1, 2011 to August 5, 2011 (dollar amounts in thousands):

	No. of Buildings	Square Feet	Base Purchase Price (1)
Total portfolio – June 30, 2011	368	11,045,926	$ 1,626,338
Acquisitions	9	415,718	53,017
Total portfolio – August 5, 2011	377	11,461,644	$ 1,679,355

(1) Contract purchase price, excluding acquisition and transaction related costs.

The acquisitions made subsequent to June 30, 2011 were made in the normal course of business and none were individually significant to the total portfolio.

AMERICAN REALTY CAPITAL TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Sales of Common Stock

As of August 5, 2011, the Company had issued 176.2 million shares of common stock, including restricted shares and shares issued under the DRIP. Total gross proceeds from these issuances were $1.7 billion. As of August 5, 2011, the aggregate value of all share issuances was $1.8 billion based on a per share value of $10.00 (or $9.50 per share for shares issued under the DRIP).

Total capital raised to date is as follows (amounts in thousands):

Source of Capital (1)	Inception to June 30, 2011	July 1 to August 5, 2011	Total
Common shares	$ 1,472,211	$ 259,955	$ 1,732,166
Exchange proceeds (2)	24,459	—	24,459
	$ 1,496,670	$ 259,955	$ 1,756,625

(1) Excludes an aggregate of $13.0 million of notes payable which have been repaid from proceeds received from the IPO.

(2) Includes amounts received by the Company in connection with transactions completed through its affiliate, American Realty Capital Exchange, LLC.

As of July 25, 2011, the Company's IPO closed. All shares registered under the primary offering and 22.2 million shares available under the DRIP were allocated to the primary offering and sold. On July 15, 2011, 24.0 million shares were registered on Form S-3 (file No. 333-175589). These shares will be used for the DRIP.

Offering Costs

The following table presents cumulative offering costs incurred as of July 31, 2011 for our IPO (dollars in thousands):

	Actual Offering as of July 31, 2011 (including DRIP) Amount	Percent
Gross Offering Proceeds	$1,727,789	100.00 %
Less Public Offering Expenses:		
Selling Commissions and Dealer Manger Fee	151,582	8.77 %
Organization and Offering Expenses	24,866	1.44 %

Amount Available for Investment	$1,551,341	89.79 %

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying financial statements of American Realty Capital Trust, Inc. and the notes thereto. As used herein, the terms “we,” “our” and “us” refer to American Realty Capital Trust, Inc., a Maryland corporation, and, as required by context, American Realty Capital Operating Partnership, L.P., a Delaware limited partnership, which we refer to as the “OP” and to their subsidiaries. American Realty Capital Trust, Inc. is externally managed by American Realty Capital Advisors, LLC (a Delaware limited liability company) (the “Advisor”).

Forward-Looking Statements

Certain statements included in this quarterly report on Form 10-Q are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of American Realty Capital Trust, Inc. and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as “may,” “will,” “seeks,” “anticipates,” “believes,” “estimates,” “expects,” “plans,” “inter or similar expressions. Actual results may differ materially from th