SPIRIT REALTY CAPITAL, INC.
Form 10-Q
November 09, 2018

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

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
o 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

Spirit Realty Capital, Inc.	001-36004
Spirit Realty, L.P.	333-216815-01

SPIRIT REALTY CAPITAL, INC.
SPIRIT REALTY, L.P.
(Exact name of registrant as specified in its charter)

Spirit Realty Capital, Inc.	Maryland	20-1676382
Spirit Realty, L.P.	Delaware	20-1127940
	(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
	2727 North Harwood Street, Suite 300, Dallas, Texas 75201	(972) 476-1900
	(Address of principal executive offices; zip code)	(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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.
Spirit Realty Capital, Inc. Yes x No o Spirit Realty, L.P. Yes x No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Spirit Realty Capital, Inc. Yes x No o Spirit Realty, L.P. Yes x No o

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

Spirit Realty Capital, Inc.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Smaller reporting company o Emerging growth company o

Spirit Realty, L.P.

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Spirit Realty Capital, Inc. o Spirit Realty, L.P. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Spirit Realty Capital, Inc. Yes o No x Spirit Realty, L.P. Yes o No x

As of November 7, 2018, there were 428,476,552 shares of common stock, par value $0.01, of Spirit Realty Capital, Inc. outstanding.

Explanatory Note

This report combines the quarterly reports on Form 10-Q for the three and nine months ended ended September 30, 2018 of Spirit Realty Capital, Inc., a Maryland corporation, and Spirit Realty, L.P., a Delaware limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” or the “Company” refer to Spirit Realty Capital, Inc. together with its consolidated subsidiaries, including Spirit Realty, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to the “Operating Partnership” refer to Spirit Realty, L.P. together with its consolidated subsidiaries.

Spirit General OP Holdings, LLC ("OP Holdings") is the sole general partner of the Operating Partnership. The Company is a real estate investment trust ("REIT") and the sole member of OP Holdings, as well as the special limited partner of the Operating Partnership. As sole member of the general partner of our Operating Partnership, our Company has the full, exclusive and complete responsibility for our Operating Partnership’s day-to-day management and control.

We believe combining the quarterly reports on Form 10-Q of our Company and Operating Partnership into a single report results in the following benefits:

- enhancing investors’ understanding of our Company and Operating Partnership by enabling investors to view the business as a whole, reflective of how management views and operates the business;
- eliminating duplicative disclosure and providing a streamlined presentation as a substantial portion of the disclosures apply to both our Company and Operating Partnership; and
- creating time and cost efficiencies by preparing one combined report in lieu of two separate reports.

There are a few differences between our Company and Operating Partnership, which are reflected in the disclosures in this report. We believe it is important to understand these differences in the context of how we operate as an interrelated, consolidated company. Our Company is a REIT, the only material assets of which are the partnership interests in our Operating Partnership. As a result, our Company does not conduct business itself, other than acting as the sole member of the general partner of our Operating Partnership, issuing equity from time to time and guaranteeing certain debt of our Operating Partnership. Our Operating Partnership holds substantially all the assets of our Company. Our Company issued convertible notes and guarantees some of the debt of our Operating Partnership. See Note 4 to the consolidated financial statements included herein for further discussion. Our Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from the issuance of convertible notes and equity issuances by our Company, which are generally contributed to our Operating Partnership in exchange for partnership units of our Operating Partnership, our Operating Partnership generates the capital required by our Company’s business through our Operating Partnership’s operations or our Operating Partnership’s incurrence of indebtedness.

The presentation of stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of our Company and those of our Operating Partnership. The partnership units in our Operating Partnership are accounted for as partners’ capital in our Operating Partnership’s consolidated financial statements. There are no non-controlling interests in the Company or the Operating Partnership.

To help investors understand the significant differences between our Company and our Operating Partnership, this report presents the consolidated financial statements separately for our Company and our Operating Partnership. All other sections of this report, including “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk,” are presented together for our Company and our Operating Partnership.

In order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that our Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, or the Exchange Act, and 18 U.S.C. §1350, this report also includes separate “Item 4. Controls and Procedures” sections and separate Exhibit 31 and 32 certifications for each of our Company and our Operating Partnership.

SPIRIT REALTY CAPITAL, INC.
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GLOSSARY

2017 Tax Legislation	Tax Cuts and Jobs Act
2019 Notes	$402.5 million convertible notes of the Corporation due in 2019
2021 Notes	$345.0 million convertible notes of the Corporation due in 2021
AFFO	Adjusted Funds From Operations. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations
Amended Incentive Award Plan	Amended and Restated Spirit Realty Capital, Inc. and Spirit Realty, L.P. 2012 Incentive Award Plan
ASC	Accounting Standards Codification
Asset Management Agreement	Asset Management Agreement between Spirit Realty, L.P. and Spirit MTA REIT dated May 31, 2018
ASU	Accounting Standards Update
ATM Program	At the Market equity distribution program, pursuant to which the Company may offer and sell registered shares of common stock from time to time
CMBS	Commercial Mortgage-Backed Securities
Code	Internal Revenue Code of 1986, as amended
Collateral Pools	Pools of collateral assets that are pledged to the indenture trustee for the benefit of the noteholders and secure obligations of issuers under Master Trust 2013 and Master Trust 2014
Company	The Corporation and its consolidated subsidiaries
Contractual Rent	Monthly contractual cash rent and earned income from direct financing leases, excluding percentage rents, from our properties owned fee-simple or ground leased, recognized during the final month of the reporting period, adjusted to exclude amounts received from properties sold during that period and adjusted to include a full month of contractual rent for properties acquired during that period.
Convertible Notes	The 2019 Notes and 2021 Notes, together
Corporation	Spirit Realty Capital, Inc., a Maryland corporation
CPI	Consumer Price Index
Credit Agreement	Revolving credit facility agreement between the Operating Partnership and certain lenders dated March 31, 2015, as amended or otherwise modified from time to time
EBITDAre	EBITDAre is a non-GAAP financial measure and is computed in accordance with standards established by NAREIT. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FFO	Funds From Operations. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations
GAAP	Generally Accepted Accounting Principles in the United States
LIBOR	London Interbank Offered Rate
Master Trust 2013	The net-lease mortgage securitization trust established in December 2013
Master Trust 2014	The net-lease mortgage securitization trust established in 2005 and amended and restated in 2014
Master Trust Notes	Master Trust 2013 and Master Trust 2014 notes, together
Master Trust Release	Proceeds from the sale of assets securing the Master Trust Notes held in restricted accounts until a qualifying substitution is made or until used for principal reduction
Moody's	Moody's Investor Services

NAREIT	National Association of Real Estate Investment Trusts
OP Holdings	Spirit General OP Holdings, LLC
Operating Partnership	Spirit Realty, L.P., a Delaware limited partnership

Property Management and Servicing Agreement	Second amended and restated agreement governing the management services and special services provided to Master Trust 2014 by Spirit Realty, L.P., dated as of May 20, 2014, as amended, supplemented, amended and restated or otherwise modified
Real Estate Investment Value	The gross acquisition cost, including capitalized transaction costs, plus improvements and less impairments, if any
REIT	Real Estate Investment Trust
Revolving Credit Facility	$800.0 million unsecured credit facility pursuant to the Credit Agreement
S&P	Standard & Poor's Rating Services
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Unsecured Notes	$300 million aggregate principal amount of senior notes issued in August 2016
Series A Preferred Stock	6,900,000 shares of 6.000% Cumulative Redeemable Preferred Stock issued October 3, 2017, with a liquidation preference of $25.00 per share.
Shopko	Specialty Retail Shops Holding Corp. and certain of its affiliates
SMTA	Spirit MTA REIT, a Maryland real estate investment trust
Spin-Off	Creation of an independent, publicly traded REIT, SMTA, through our contribution of properties leased to Shopko, assets that collateralize Master Trust 2014 and other additional assets to SMTA followed by the distribution by us to our stockholders of all of the common shares of beneficial interest in SMTA.
SubREIT	Spirit MTA SubREIT, a wholly-owned subsidiary of SMTA
Term Loan	$420.0 million senior unsecured term facility pursuant to the Term Loan Agreement
Term Loan Agreement	Term loan agreement between the Operating Partnership and certain lenders dated November 3, 2015, as amended or otherwise modified from time to time
TSR	Total Stockholder Return
U.S.	United States
Vacant	Owned properties which are not economically yielding

Unless otherwise indicated or unless the context requires otherwise, all references to the "Company," "Spirit Realty Capital," "we," "us" or "our" refer to the Corporation and its consolidated subsidiaries, including the Operating Partnership. Unless otherwise indicated or unless the context requires otherwise, all references to the "Operating Partnership" refer to Spirit Realty, L.P. and its consolidated subsidiaries.

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

SPIRIT REALTY CAPITAL, INC.
Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Data)
(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Investments:		
Real estate investments:		
Land and improvements	$ 1,629,509	$ 1,598,355
Buildings and improvements	3,100,749	2,989,451
Total real estate investments	4,730,258	4,587,806
Less: accumulated depreciation	(589,599)	(503,568)
	4,140,659	4,084,238
Loans receivable, net	52,001	78,466
Intangible lease assets, net	302,954	306,252
Real estate assets under direct financing leases, net	24,809	24,865
Real estate assets held for sale, net	43,601	20,469
Net investments	4,564,024	4,514,290
Cash and cash equivalents	7,578	8,792
Deferred costs and other assets, net	112,149	121,949
Investment in Master Trust 2014	33,558	—
Preferred equity investment in SMTA	150,000	—
Goodwill	225,600	225,600
Assets related to SMTA Spin-Off	—	2,392,880
Total assets	$ 5,092,909	$ 7,263,511
Liabilities and stockholders' equity		
Liabilities:		
Revolving Credit Facility	$ 157,000	$ 112,000
Term Loan, net	419,920	—
Senior Unsecured Notes, net	295,654	295,321
Mortgages and notes payable, net	465,433	589,644
Convertible Notes, net	726,261	715,881
Total debt, net	2,064,268	1,712,846
Intangible lease liabilities, net	123,613	130,574
Accounts payable, accrued expenses and other liabilities	99,670	131,642
Liabilities related to SMTA Spin-Off	—	1,968,840
Total liabilities	2,287,551	3,943,902
Commitments and contingencies (see Note 6)		
Stockholders' equity:		
Preferred stock and paid in capital, $0.01 par value, 20,000,000 shares authorized: 6,900,000 shares issued and outstanding at both September 30, 2018 and December 31, 2017	166,177	166,193
Common stock, $0.01 par value, 750,000,000 shares authorized: 428,478,845 and 448,868,269 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	4,285	4,489

Capital in excess of common stock par value	4,989,804	5,193,631
Accumulated deficit	(2,354,908)	(2,044,704)
Total stockholders’ equity	2,805,358	3,319,609
Total liabilities and stockholders’ equity	$ 5,092,909	$ 7,263,511

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.
Consolidated Statements of Operations and Comprehensive Income
(In Thousands, Except Share and Per Share Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rentals	$97,311	$103,523	$290,549	$307,822
Interest income on loans receivable	1,121	865	2,410	2,392
Earned income from direct financing leases	465	483	1,395	1,613
Tenant reimbursement income	3,516	3,270	10,021	10,922
Related party fee income	6,750	—	8,969	—
Other income	481	580	2,298	1,139
Total revenues	109,644	108,721	315,642	323,888
Expenses:				
General and administrative	11,033	12,712	39,843	46,789
Property costs (including reimbursable)	5,172	5,180	15,529	19,193
Real estate acquisition costs	26	177	143	851
Interest	24,784	29,948	71,385	85,805
Depreciation and amortization	40,379	43,318	121,015	130,634
Impairments	1,279	22,301	6,254	60,258
Total expenses	82,673	113,636	254,169	343,530
Income (loss) from continuing operations before other income and income tax expense	26,971	(4,915)	61,473	(19,642)
Other income:				
Gain on debt extinguishment	—	1,792	27,092	1,769
Gain on disposition of assets	436	10,089	827	21,986
Preferred dividend income from SMTA	3,750	—	5,000	—
Total other income	4,186	11,881	32,919	23,755
Income from continuing operations before income tax expense	31,157	6,966	94,392	4,113
Income tax expense	(135)	(144)	(475)	(421)
Income from continuing operations	31,022	6,822	93,917	3,692
(Loss) income from discontinued operations	(966)	(1,500)	(15,979)	37,665
Net income and total comprehensive income	$30,056	$5,322	$77,938	$41,357
Dividends paid to preferred stockholders	(2,588)	—	(7,764)	—
Net income attributable to common stockholders	$27,468	$5,322	$70,174	$41,357
Net income per share attributable to common stockholders - basic:				
Continuing operations	$0.06	$0.01	$0.20	$0.01
Discontinued operations	—	—	(0.04)	0.08
Net income per share attributable to common stockholders - basic	$0.06	$0.01	$0.16	$0.09
Net income per share attributable to common stockholders - diluted				
Continuing operations	$0.06	$0.01	$0.20	$0.01
Discontinued operations	—	—	(0.04)	0.08
Net income per share attributable to common stockholders - diluted	$0.06	$0.01	$0.16	$0.09

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SPIRIT REALTY CAPITAL, INC.
Consolidated Statements of Operations and Comprehensive Income
(In Thousands, Except Share and Per Share Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Weighted average shares of common stock outstanding:				
Basic	426,678,579	456,671,617	433,162,760	472,698,692
Diluted	427,890,152	456,671,617	433,940,701	472,698,692
Dividends declared per common share issued	$0.1250	$ 0.1800	$0.4850	$ 0.5400

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.
Consolidated Statement of Stockholders' Equity
(In Thousands, Except Share Data)
(Unaudited)

	Preferred Stock		Common Stock				
	Shares	Par Value and Capital in Excess of Par Value	Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit	Total Stockholders' Equity
Balances, December 31, 2017	6,900,000	$166,193	448,868,269	$4,489	$5,193,631	$(2,044,704)	$3,319,609
Net income	—	—	—	—	—	77,938	77,938
Dividends declared on preferred stock	—	—	—	—	—	(7,764)	(7,764)
Net income available to common stockholders		—		—	—	70,174	70,174
Dividends declared on common stock	—	—	—	—	—	(209,270)	(209,270)
Tax withholdings related to net stock settlements	—	—	(285,378)	(3)	—	(2,344)	(2,347)
Repurchase of common shares	—	—	(21,222,257)	(212)	—	(167,953)	(168,165)
SMTA dividend distribution	—	—	—	—	(216,005)	—	(216,005)
Issuance of preferred shares, net	—	(16)	—	—	—	—	(16)
Stock-based compensation, net	—	—	1,118,211	11	12,178	(811)	11,378
Balances, September 30, 2018	6,900,000	$166,177	428,478,845	$4,285	$4,989,804	$(2,354,908)	$2,805,358

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended September 30, 2018	2017
Operating activities		
Net income	$77,938	$41,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	156,476	192,887
Impairments	17,197	88,109
Amortization of deferred financing costs	7,442	7,274
Amortization of debt discounts	10,888	9,663
Stock-based compensation expense	12,189	13,778
Gain on debt extinguishment	(26,729)	(1,770)
Gain on dispositions of real estate and other assets	(553)	(40,197)
Non-cash revenue	(14,239)	(20,642)
Bad debt expense and other	1,596	4,902
Changes in operating assets and liabilities:		
Deferred costs and other assets, net	(5,681)	(1,684)
Accounts payable, accrued expenses and other liabilities	(2,712)	5,726
Net cash provided by operating activities	233,812	299,403
Investing activities		
Acquisitions of real estate	(242,491)	(278,470)
Capitalized real estate expenditures	(26,769)	(34,939)
Investments in notes receivable	(35,450)	(4,995)
Collections of principal on loans receivable and real estate assets under direct financing leases	25,858	7,817
Proceeds from dispositions of real estate and other assets, net	41,461	342,032
Net cash (used in) provided by investing activities	(237,391)	31,445

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	Nine Months Ended September 30,	
	2018	2017
Financing activities		
Borrowings under Revolving Credit Facility	737,800	781,200
Repayments under Revolving Credit Facility	(692,800)	(481,200)
Borrowings under mortgages and notes payable	104,247	—
Repayments under mortgages and notes payable	(167,671)	(76,403)
Borrowings under Term Loan	420,000	—
Debt extinguishment costs	(2,968)	—
Deferred financing costs	(1,417)	(192)
Cash, cash equivalents and restricted cash held by SMTA at Spin-Off	(73,081)	—
Sale of SubREIT preferred shares	5,000	—
Repurchase of shares of common stock	(170,512)	(225,748)
Preferred stock dividends paid	(7,764)	—
Common stock dividends paid	(236,663)	(257,112)
Net cash used in financing activities	(85,829)	(259,455)
Net (decrease) increase in cash, cash equivalents and restricted cash	(89,408)	71,393
Cash, cash equivalents and restricted cash, beginning of period	114,707	36,898
Cash, cash equivalents and restricted cash, end of period	$25,299	$108,291

See accompanying notes.

SPIRIT REALTY, L.P.
Consolidated Balance Sheets
(In Thousands, Except Unit and Per Unit Data)
(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Investments:		
Real estate investments:		
Land and improvements	$ 1,629,509	$ 1,598,355
Buildings and improvements	3,100,749	2,989,451
Total real estate investments	4,730,258	4,587,806
Less: accumulated depreciation	(589,599)	(503,568)
	4,140,659	4,084,238
Loans receivable, net	52,001	78,466
Intangible lease assets, net	302,954	306,252
Real estate assets under direct financing leases, net	24,809	24,865
Real estate assets held for sale, net	43,601	20,469
Net investments	4,564,024	4,514,290
Cash and cash equivalents	7,578	8,792
Deferred costs and other assets, net	112,149	121,949
Investment in Master Trust 2014	33,558	—
Preferred equity investment in SMTA	150,000	—
Goodwill	225,600	225,600
Assets related to SMTA Spin-Off	—	2,392,880
Total assets	$ 5,092,909	$ 7,263,511
Liabilities and partners' capital		
Liabilities:		
Revolving Credit Facility	$ 157,000	$ 112,000
Term Loan, net	419,920	—
Senior Unsecured Notes, net	295,654	295,321
Notes payable to Spirit Realty Capital, Inc., net	465,433	589,644
Convertible Notes, net	726,261	715,881
Total debt, net	2,064,268	1,712,846
Intangible lease liabilities, net	123,613	130,574
Accounts payable, accrued expenses and other liabilities	99,670	131,642
Liabilities related to SMTA Spin-Off	—	1,968,840
Total liabilities	2,287,551	3,943,902
Commitments and contingencies (see Note 6)		
Partners' capital:		
Partnership units		
General partner's capital: 3,988,218 units issued and outstanding as of both September 30, 2018 and December 31, 2017	23,151	24,426
Limited partners' preferred capital: 6,900,000 units issued and outstanding as of both September 30, 2018 and December 31, 2017	166,177	166,193
Limited partners' capital: 424,490,627 and 444,880,051 units issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	2,616,030	3,128,990

Total partners' capital	2,805,358	3,319,609
Total liabilities and partners' capital	$ 5,092,909	$ 7,263,511

See accompanying notes.

SPIRIT REALTY, L.P.
Consolidated Statements of Operations and Comprehensive Income
(In Thousands, Except Unit and Per Unit Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rentals	$97,311	$103,523	$290,549	$307,822
Interest income on loans receivable	1,121	865	2,410	2,392
Earned income from direct financing leases	465	483	1,395	1,613
Tenant reimbursement income	3,516	3,270	10,021	10,922
Related party fee income	6,750	—	8,969	—
Other income	481	580	2,298	1,139
Total revenues	109,644	108,721	315,642	323,888
Expenses:				
General and administrative	11,033	12,712	39,843	46,789
Property costs (including reimbursable)	5,172	5,180	15,529	19,193
Real estate acquisition costs	26	177	143	851
Interest	24,784	29,948	71,385	85,805
Depreciation and amortization	40,379	43,318	121,015	130,634
Impairments	1,279	22,301	6,254	60,258
Total expenses	82,673	113,636	254,169	343,530
Income (loss) from continuing operations before other income and income tax expense	26,971	(4,915)	61,473	(19,642)
Other income:				
Gain on debt extinguishment	—	1,792	27,092	1,769
Gain on disposition of assets	436	10,089	827	21,986
Preferred dividend income from SMTA	3,750	—	5,000	—
Total other income	4,186	11,881	32,919	23,755
Income from continuing operations before income tax expense	31,157	6,966	94,392	4,113
Income tax expense	(135)	(144)	(475)	(421)
Income from continuing operations	31,022	6,822	93,917	3,692
(Loss) income from discontinued operations	(966)	(1,500)	(15,979)	37,665
Net income and total comprehensive income	$30,056	$5,322	$77,938	$41,357
Preferred distributions	(2,588)	—	(7,764)	—
Net income after preferred distributions	$27,468	$5,322	$70,174	$41,357
Net income attributable to the general partner				
Continuing operations	$313	$56	$789	$29
Discontinued operations	(32)	(12)	(146)	315
Net income attributable to the general partner	$281	$44	$643	$344
Net income attributable to the limited partners				
Continuing operations	$28,121	$6,766	$85,364	$3,663
Discontinued operations	(934)	(1,488)	(15,833)	37,350
Net income attributable to the limited partners	$27,187	$5,278	$69,531	$41,013

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SPIRIT REALTY, L.P.
Consolidated Statements of Operations and Comprehensive Income
(In Thousands, Except Unit and Per Unit Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income per partnership unit - basic				
Continuing operations	$0.06	$ 0.01	$0.20	$ 0.01
Discontinued operations	—	—	(0.04)	0.08
Net income per partnership unit - basic	$0.06	$ 0.01	$0.16	$ 0.09
Net income per partnership unit - diluted				
Continuing operations	$0.06	$ 0.01	$0.20	$ 0.01
Discontinued operations	—	—	(0.04)	0.08
Net income per partnership unit - diluted	$0.06	$ 0.01	$0.16	$ 0.09
Weighted average partnership units outstanding:				
Basic	426,678,579	456,671,617	433,162,760	472,698,692
Diluted	427,890,152	456,671,617	433,940,701	472,698,692
Distributions declared per partnership unit issued	$0.1250	$ 0.1800	$0.4850	$ 0.5400

See accompanying notes.

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SPIRIT REALTY, L.P.
Consolidated Statements of Partners' Capital
(In Thousands, Except Unit Data)
(Unaudited)

	Preferred Units Limited Partners' Capital [1]		Common Units General Partner's Capital [2]		Limited Partners' Capital [1]		Total Partnership Capital
	Units	Amount	Units	Amount	Units	Amount	
Balances, December 31, 2017	6,900,000	$166,193	3,988,218	$24,426	444,880,051	$3,128,990	$3,319,609
Net income and total comprehensive income [3]	—	7,764	—	643	—	69,531	77,938
Partnership distributions declared on preferred units	—	(7,764)	—	—	—	—	(7,764)
Net income after preferred distributions		—		643		69,531	70,174
Partnership distributions declared on common units	—	—	—	(1,918)	—	(207,352)	(209,270)
Tax withholdings related to net partnership unit settlements	—	—	—	—	(285,378)	(2,347)	(2,347)
Repurchase of partnership units	—	—	—	—	(21,222,257)	(168,165)	(168,165)
SMTA dividend distribution	—	—	—	—	—	(216,005)	(216,005)
Issuance of preferred partnership units	—	(16)	—	—	—	—	(16)
Stock-based compensation, net	—	—	—	—	1,118,211	11,378	11,378
Balances, September 30, 2018	6,900,000	$166,177	3,988,218	$23,151	424,490,627	$2,616,030	$2,805,358

[1] Consists of limited partnership interests held by the Corporation and Spirit Notes Partner, LLC.
[2] Consists of general partnership interests held by OP Holdings.
[3] Net income and total comprehensive income is allocated first to the preferred unitholders, with income after the preferred distributions allocated to the common units on a pro rata basis.
See accompanying notes.

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SPIRIT REALTY, L.P.
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Operating activities		
Net income attributable to partners	$77,938	$41,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	156,476	192,887
Impairments	17,197	88,109
Amortization of deferred financing costs	7,442	7,274
Amortization of debt discounts	10,888	9,663
Stock-based compensation expense	12,189	13,778
Gain on debt extinguishment	(26,729)	(1,770)
Gain on dispositions of real estate and other assets	(553)	(40,197)
Non-cash revenue	(14,239)	(20,642)
Bad debt expense and other	1,596	4,902
Changes in operating assets and liabilities:		
Deferred costs and other assets, net	(5,681)	(1,684)
Accounts payable, accrued expenses and other liabilities	(2,712)	5,726
Net cash provided by operating activities	233,812	299,403
Investing activities		
Acquisitions of real estate	(242,491)	(278,470)
Capitalized real estate expenditures	(26,769)	(34,939)
Investments in notes receivable	(35,450)	(4,995)
Collections of principal on loans receivable and real estate assets under direct financing leases	25,858	7,817
Proceeds from dispositions of real estate and other assets, net	41,461	342,032
Net cash (used in) provided by investing activities	(237,391)	31,445

	Nine Months Ended September 30,	
	2018	2017
Financing activities		
Borrowings under Revolving Credit Facility	737,800	781,200
Repayments under Revolving Credit Facility	(692,800)	(481,200)
Borrowings under mortgages and notes payable	104,247	—
Repayments under mortgages and notes payable	(167,671)	(76,403)
Borrowings under Term Loan	420,000	—
Debt extinguishment costs	(2,968)	—
Deferred financing costs	(1,417)	(192)
Cash, cash equivalents and restricted cash held by SMTA at Spin-Off	(73,081)	—
Sale of SubREIT preferred shares	5,000	—
Repurchase of partnership units	(170,512)	(225,748)
Preferred distributions paid	(7,764)	—
Common distributions paid	(236,663)	(257,112)
Net cash used in financing activities	(85,829)	(259,455)
Net (decrease) increase in cash, cash equivalents and restricted cash	(89,408)	71,393
Cash, cash equivalents and restricted cash, beginning of period	114,707	36,898
Cash, cash equivalents and restricted cash, end of period	$25,299	$108,291

See accompanying notes.

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SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.
Notes to Consolidated Financial Statements
September 30, 2018
(Unaudited)

Note 1. Organization

Company Organization and Operations

Spirit Realty Capital, Inc. (the "Corporation" or "Spirit" or, with its consolidated subsidiaries, the "Company") operates as a self-administered and self-managed REIT that seeks to generate and deliver sustainable and attractive returns for stockholders by primarily investing in and managing a portfolio of single-tenant, operationally essential real estate throughout the U.S. that is generally leased on a long-term, triple-net basis to tenants operating within retail, office, industrial and data center property types. Single tenant, operationally essential real estate generally refers to free-standing, commercial real estate facilities where tenants conduct activities that are essential to the generation of their sales and profits.The Company began operations through a predecessor legal entity in 2003.

The Company's operations are generally carried out through Spirit Realty, L.P. (the "Operating Partnership") and its subsidiaries. Spirit General OP Holdings, LLC ("OP Holdings"), one of the Company's wholly-owned subsidiaries, is the sole general partner and owns approximately 1% of the Operating Partnership. The Corporation and a wholly-owned subsidiary ("Spirit Notes Partner, LLC") are the only limited partners and together own the remaining 99% of the Operating Partnership.

On May 31, 2018, (the "Distribution Date"), Spirit completed the previously announced spin-off (the "Spin-Off") of the assets that collateralize Master Trust 2014, properties leased to Shopko, and certain other assets into an independent, publicly traded REIT, Spirit MTA REIT ("SMTA"). Beginning in the second quarter of 2018, the historical financial results of SMTA are reflected in our consolidated financial statements as discontinued operations for all periods presented.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements of the Company and the Operating Partnership have been prepared pursuant to the rules and regulations of the SEC. In the opinion of management, the consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of the information required to be set forth therein. The results for interim periods are not necessarily indicative of the results for the entire year. Certain information and note disclosures, normally included in financial statements prepared in accordance with GAAP, have been condensed or omitted from these statements pursuant to SEC rules and regulations and, accordingly, these financial statements should be read in conjunction with the Company's audited consolidated financial statements as filed with the SEC in its Annual Report on Form 10-K for the year ended December 31, 2017 and its Current Report on Form 8-K dated September 20, 2018.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. The consolidated financial statements of the Operating Partnership include the accounts of the Operating Partnership and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

All expenses incurred by the Company have been allocated to the Operating Partnership in accordance with the Operating Partnership's first amended and restated agreement of limited partnership, which management determined to be a reasonable method of allocation. Therefore, expenses incurred would not be materially different if the Operating Partnership had operated as an unaffiliated entity.

The Company has formed multiple special purpose entities to acquire and hold real estate encumbered by indebtedness (see Note 4). Each special purpose entity is a separate legal entity and is the sole owner of its assets and responsible for its liabilities. The assets of these special purpose entities are not available to pay, or otherwise satisfy obligations to, the creditors of any affiliate or owner of another entity unless the special purpose entities have expressly agreed and are permitted to do so under their governing documents. As of September 30, 2018 and

December 31, 2017, net assets totaling $0.90 billion and $2.78 billion, respectively, were held, and net liabilities totaling $0.48 billion and $2.63 billion, respectively, were owed by these encumbered special purpose entities and are included in the accompanying consolidated balance sheets.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.
Notes to Consolidated Financial Statements - (continued)
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Discontinued Operations

A discontinued operation represents: (i) a component of an entity or group of components that has been disposed of or is classified as held for sale in a single transaction and represents a strategic shift that has or will have a major effect on the Company’s operations and financial results or (ii) an acquired business that is classified as held for sale on the date of acquisition. Examples of a strategic shift include disposing of: (i) a separate major line of business, (ii) a separate major geographic area of operations, or (iii) other major parts of the Company. The Company determined that the Spin-Off represented a strategic shift that has a major effect on the Company's results and, therefore, SMTA's operations qualify as discontinued operations. See Note 8 for further discussion on discontinued operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes its estimates are reasonable, actual results could differ from those estimates.

Segment Reporting

The Company views its operations as one segment, which consists of net leasing operations. The Company has no other reportable segments.

Allowance for Doubtful Accounts

The Company reviews its rent and other tenant receivables for collectability on a regular basis, taking into consideration changes in factors such as the tenant’s payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates, and economic conditions in the area in which the tenant operates. If the collectability of a receivable with respect to any tenant is in doubt, a provision for uncollectible amounts will be established or a direct write-off of the specific receivable will be made. The Company's reserves for uncollectible amounts totaled $4.2 million and $12.4 million as of September 30, 2018 and December 31, 2017, respectively, against accounts receivable balances of $14.7 million and $27.2 million, respectively. Receivables are recorded within deferred costs and other assets, net in the accompanying consolidated balance sheets. Receivables are written off against the reserves for uncollectible amounts when all possible means of collection have been exhausted. For rental revenues related to the straight-line method of reporting rental revenue, the collectability review includes management’s estimates of amounts that will not be realized based on an assessment of the risks inherent in the portfolio, considering historical experience. The Company established a reserve for losses of $0.5 million and $1.8 million as of September 30, 2018 and December 31, 2017, respectively, against straight-line rental revenue receivables of $66.4 million and $81.6 million, respectively. These receivables are recorded within deferred costs and other assets, net in the accompanying consolidated balance sheets.

Goodwill

Goodwill arises from business combinations and represents the excess of the cost of an acquired entity over the net fair value amounts that were assigned to the identifiable assets acquired and the liabilities assumed. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. No impairment was recorded for the periods presented.

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Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash and highly liquid investment securities with maturities at acquisition of three months or less. The Company invests cash primarily in money market funds of major financial institutions with fund investments consisting of highly-rated money market instruments and other short-term investments. Restricted cash is classified within deferred costs and other assets, net in the accompanying consolidated balance sheets. Cash, cash equivalents and restricted cash consisted of the following (in thousands):

	September 30, 2018	December 31, 2017	September 30, 2017
Cash and cash equivalents	$ 7,578	$ 8,798	$ 11,947
Restricted cash:			
Collateral deposits [(1)]	423	1,751	1,229
Tenant improvements, repairs, and leasing commissions [(2)]	8,898	8,257	7,988
Master Trust Release [(3)]	7,410	85,703	79,353
Liquidity reserve [(4)]	—	5,503	—
Other [(5)]	990	4,695	7,774
Total cash, cash equivalents and restricted cash	$ 25,299	$ 114,707	$ 108,291

[(1)] Funds held in lender controlled accounts generally used to meet future debt service or certain property operating expenses.

[(2)] Deposits held as additional collateral support by lenders to fund improvements, repairs and leasing commissions incurred to secure a new tenant.

[(3)] Proceeds from the sale of assets pledged as collateral under either Master Trust 2013 or Master Trust 2014, which are held on deposit until a qualifying substitution is made or the funds are applied as prepayment of principal.

[(4)] Liquidity reserve cash was placed on deposit for Master Trust 2014 and is held until there is a cashflow shortfall or upon achieving certain performance criteria, as defined in the agreements governing Master Trust 2014, or a liquidation of Master Trust 2014 occurs.

[(5)] Funds held in lender controlled accounts released after scheduled debt service requirements are met.

Income Taxes

The Company has elected to be taxed as a REIT under the Code. As a REIT, the Company generally will not be subject to federal income tax provided it continues to satisfy certain tests concerning the Company’s sources of income, the nature of its assets, the amounts distributed to its stockholders and the ownership of Company stock. Management believes the Company has qualified and will continue to qualify as a REIT and therefore, no provision has been made for federal income taxes in the accompanying consolidated financial statements. Even if the Company qualifies for taxation as a REIT, it may be subject to state and local income and franchise taxes, and to federal income tax and excise tax on its undistributed income. Taxable income from non-REIT activities managed through any of the Company's taxable REIT subsidiaries is subject to federal, state, and local taxes, which are not material.

The Operating Partnership is a partnership for federal income tax purposes. Partnerships are pass-through entities and are not subject to U.S. federal income taxes, therefore no provision has been made for federal income taxes in the accompanying financial statements. Although most states and cities where the Operating Partnership operates follow the U.S. federal income tax treatment, there are certain jurisdictions such as Texas, Tennessee and Ohio that impose income or franchise taxes on a partnership.

Franchise taxes are included in general and administrative expenses on the accompanying consolidated statements of operations and comprehensive income.

On May 31, 2018, the Company completed the Spin-Off of Spirit MTA REIT through a distribution of shares in SMTA to the Company’s shareholders. The distribution resulted in a deemed sale of assets and recognition of taxable gain by the Company, which is entitled to a dividends paid deduction equal to the value of the shares in SMTA that it distributed. The Company believes that its dividends paid deduction for 2018, including the value of the SMTA shares distributed, will equal or exceed its taxable income, including the gain recognized. As a result, the Company does not expect the distribution to result in current tax other than an immaterial amount of state and local tax which has been recognized in the accompanying financial statements.

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New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers: Topic 606. This new guidance establishes a principles-based approach for accounting for revenue from contracts with customers and is effective for annual reporting periods beginning after December 15, 2017, with early application permitted for annual reporting periods beginning after December 15, 2016. The Company adopted the new revenue recognition standard effective January 1, 2018 under the modified retrospective method, and elected to apply the standard only to contracts that were not completed as of the date of adoption (i.e. January 1, 2018). In evaluating the impact of this new standard, the Company identified that lease contracts covered by Leases (Topic 840) are excluded from the scope of this new guidance. As such, this ASU had no material impact on the Company's reported revenues, results of operations, financial position, cash flows and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting Leases (Topic 840). ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. Leases pursuant to which the Company is the lessee primarily consist of its corporate office, ground leases and equipment leases. The amendments in this ASU are effective for the fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. The Company has elected to use all of the practical expedients available for adoption of this ASU except for the hindsight expedient, which would require the re-evaluation of the lease term on all leases using current facts and circumstances. The Company has begun implementation of the ASU and is currently evaluating the overall impact of this ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which requires more timely recognition of credit losses associated with financial assets. ASU 2016-13 requires financial assets (or a group of financial assets) measured at an amortized cost basis to be presented at the net amount expected to be collected. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addresses specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and requires retrospective adoption unless it is impracticable to apply, in which case it is to be applied prospectively as of the earliest date practicable. The Company adopted ASU 2016-15 effective January 1, 2018 and has applied it retrospectively. As a result of adoption, debt prepayment and debt extinguishment costs, previously presented in operating activities, are now presented in financing activities in the consolidated statement of cash flows. There was no impact on the statements of cash flows for the Company for other types of transactions.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This guidance requires entities to include restricted cash and restricted cash equivalents within the cash and cash equivalents balances presented in the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, and the new guidance is to be applied retrospectively. The Company adopted ASU 2016-18 effective January 1, 2018 and applied it retrospectively. As a result, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows.

Note 3. Investments

Real Estate Investments

As of September 30, 2018, the Company's gross investment in real estate properties and loans totaled approximately $5.1 billion, representing investments in 1,523 properties, including 53 properties securing mortgage loans. The gross

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investment is comprised of land, buildings, lease intangible assets and lease intangible liabilities, as adjusted for any impairment, and the carrying amount of loans receivable, real estate assets held under direct financing leases and real estate assets held for sale. The portfolio is geographically dispersed throughout 49 states with Texas, at 11.9%, as the only state with a Real Estate Investment Value greater than 10% of the Real Estate Investment Value of the Company's entire portfolio.

During the nine months ended September 30, 2018, the Company had the following real estate and loan activity, net of accumulated depreciation and amortization:

	Number of Properties			Dollar Amount of Investments		
	Owned	Financed	Total	Owned	Financed	Total
				(In Thousands)		
Gross balance, December 31, 2017	2,392	88	2,480	$7,823,058	$79,967	$7,903,025
Acquisitions/improvements [1]	18	2	20	269,260	37,888	307,148
Dispositions of real estate [2][3][4]	(41)	(5)	(46)	(83,338)	—	(83,338)
Principal payments and payoffs	—	(30)	(30)	—	(26,316)	(26,316)
Impairments	—	—	—	(17,197)	—	(17,197)
Write-off of gross lease intangibles	—	—	—	(50,505)	—	(50,505)
Loan premium amortization and other	—	—	—	(886)	(1,650)	(2,536)
Spin-off to SMTA	(899)	(2)	(901)	(2,855,052)	(37,888)	(2,892,940)
Gross balance, September 30, 2018	1,470	53	1,523	5,085,340	52,001	5,137,341
Accumulated depreciation and amortization				(696,930)	—	(696,930)
Net balance, September 30, 2018				$4,388,410	$52,001	$4,440,411

[1] Includes investments of $23.1 million in revenue producing capitalized expenditures, as well as $4.3 million of non-revenue producing capitalized expenditures as of September 30, 2018.
[2] The total accumulated depreciation and amortization associated with dispositions of real estate was $14.4 million as of September 30, 2018.
[3] For the nine months ended September 30, 2018, the total (loss) gain on disposal of assets for properties held in use and held for sale was $(2.6) million and $3.2 million, respectively.
[4] Includes six deed-in-lieu properties with a real estate investment of $28.5 million that were transferred to the lender during the nine months ended September 30, 2018.

Scheduled minimum future contractual rent to be received under the remaining non-cancelable term of the operating leases (including contractual fixed rent increases occurring on or after October 1, 2018) at September 30, 2018 (in thousands):

	September 30, 2018
Remainder of 2018	$ 95,355
2019	379,441
2020	373,089
2021	353,153
2022	330,083
Thereafter	2,473,691
Total future minimum rentals	$ 4,004,812

Because lease renewal periods are exercisable at the option of the lessee, the preceding table presents future minimum lease payments due during the initial lease term only. In addition, the future minimum rentals do not include any contingent rent based on a percentage of the lessees' gross sales or lease escalations based on future changes in the CPI or other stipulated reference rate.

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Loans Receivable

The following table details loans receivable, net of premiums, discounts and allowance for loan losses (in thousands):

	September 30, 2018	December 31, 2017
Mortgage loans - principal	$ 43,900	$ 69,963
Mortgage loans - premiums, net of amortization	2,954	5,038
Allowance for loan losses	—	(389)
Mortgages loans, net	46,854	74,612
Other notes receivable - principal	5,388	5,355
Other notes receivable - discounts, net of amortization	(241)	—
Allowance for loan losses	—	—
Other notes receivable, net	5,147	5,355
Total loans receivable, net	$ 52,001	$ 79,967

The mortgage loans are secured by single-tenant commercial properties and generally have fixed interest rates over the term of the loans. There are three other notes receivable included within loans receivable, as of September 30, 2018, of which two notes totaling $3.4 million are secured by tenant assets and stock and the remaining note, with a balance of $1.7 million, is unsecured. As of December 31, 2017, there were three other notes receivable included within loans receivable, of which one $3.5 million note was secured by tenant assets and stock and the other two were unsecured.

Lease Intangibles, Net

The following table details lease intangible assets and liabilities, net of accumulated amortization (in thousands):

	September 30, 2018	December 31, 2017
In-place leases	$ 385,936	$ 591,551
Above-market leases	62,822	89,640
Less: accumulated amortization	(145,804)	(271,288)
Intangible lease assets, net	$ 302,954	$ 409,903
Below-market leases	$ 168,485	$ 216,642
Less: accumulated amortization	(44,872)	(61,339)
Intangible lease liabilities, net	$ 123,613	$ 155,303

The amounts amortized as a net increase to rental revenue for capitalized above and below-market leases were $1.3 million and $1.5 million for the three months ended September 30, 2018 and 2017, respectively, and $4.2 million and $4.9 million for the nine months ended September 30, 2018 and 2017, respectively. The value of in place leases amortized and included in depreciation and amortization expense was $7.0 million and $10.8 million for the three months ended September 30, 2018 and 2017, respectively, and $25.7 million and $33.0 million for the nine months ended September 30, 2018 and 2017, respectively.

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Real Estate Assets Under Direct Financing Leases

The components of real estate investments held under direct financing leases were as follows (in thousands):

	September 30, 2018	December 31, 2017
Minimum lease payments receivable	$ 5,874	$ 7,325
Estimated residual value of leased assets	24,552	24,552
Unearned income	(5,617)	(7,012)
Real estate assets under direct financing leases, net	$ 24,809	$ 24,865

Real Estate Assets Held for Sale

The following table shows the activity in real estate assets held for sale for the nine months ended September 30, 2018 (dollars in thousands):

	Number of Properties	Carrying Value
Balance, December 31, 2017	15	$48,929
Transfers from real estate investments held and used	9	39,487
Sales	(6)	(10,257)
Transfers to real estate investments held in use	(7)	(25,715)
Transfers to SMTA	(5)	(7,853)
Impairments	—	(990)
Balance, September 30, 2018	6	$43,601

Impairments

The following table summarizes total impairment losses recognized on the accompanying consolidated statements of operations and comprehensive income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Real estate and intangible asset impairment	$1,113	$32,676	$16,737	$82,553
Write-off of lease intangibles, net	166	5,061	477	5,556
Recovery of loans receivable, previously impaired	—	—	(17)	—
Total impairment loss	$1,279	$37,737	$17,197	$88,109

Impairments for the three months ended September 30, 2018 and 2017, were comprised of $0.7 million and $32.9 million on properties classified as held and used, respectively, and $0.6 million and $4.8 million on properties classified as held for sale for the three months ended September 30, 2018 and 2017.

Impairments for the nine months ended September 30, 2018 and 2017, were comprised of $16.2 million and $65.5 million on properties classified as held and used, respectively, and $1.0 million and $22.6 million on properties classified as held for sale, respectively.

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Note 4. Debt

The debt of the Company and the Operating Partnership are the same, except for the presentation of the Convertible Notes which were issued by the Company. Subsequently, an intercompany note between the Company and the Operating Partnership was executed with terms identical to those of the Convertible Notes. Therefore, in the consolidated balance sheet of the Operating Partnership, the amounts related to the Convertible Notes are reflected as notes payable to Spirit Realty Capital, Inc., net. The Company's debt is summarized below:

	Weighted Average Effective Interest Rates [(1)]		Weighted Average Stated Rates [(2)]		Weighted Average Maturity [(3)]	September 30, 2018		December 31, 2017	
					(in Years)	(In Thousands)			
Revolving Credit Facility	5.42	%	3.37	%	0.5	$157,000		$112,000	
Term Loan	3.78	%	3.57	%	0.1	420,000		—	
Master Trust Notes	5.89	%	5.27	%	5.2	169,012		2,248,504	
CMBS	5.90	%	5.51	%	4.7	275,460		332,647	
Related Party Notes Payable	1.00	%	1.00	%	9.5	28,630		—	
Convertible Notes	5.31	%	3.28	%	1.5	747,500		747,500	
Senior Unsecured Notes	4.60	%	4.45	%	8.0	300,000		300,000	
Total debt	5.04	%	3.93	%	2.9	2,097,602		3,740,651	
Debt discount, net						(17,406	)	(61,399	)
Deferred financing costs, net [(4)]						(15,928	)	(39,572	)
Total debt, net						$2,064,268		$3,639,680	

[(1)] The effective interest rates include amortization of debt discount/premium, amortization of deferred financing costs, facility fees, and non-utilization fees, where applicable, calculated for the three months ended September 30, 2018 and based on the average principal balance outstanding during the period.

[(2)] Represents the weighted average stated interest rate based on the outstanding principal balance as of September 30, 2018.

[(3)] Represents the weighted average maturity based on the outstanding principal balance as of September 30, 2018.

[(4)] The Company records deferred financing costs for its Revolving Credit Facility in deferred costs and other assets, net on its consolidated balance sheets.

Revolving Credit Facility

The Company has access to an unsecured credit facility, the Revolving Credit Facility, which matures on March 31, 2019 (extendable at the Operating Partnership's option to March 31, 2020, subject to satisfaction of certain requirements) and includes an accordion feature to increase the committed facility size up to $1.0 billion, subject to satisfying certain requirements and obtaining additional lender commitments. The Operating Partnership may voluntarily prepay the Revolving Credit Facility, in whole or in part, at any time without premium or penalty, but subject to applicable LIBOR breakage fees, if any.

Borrowings bear interest at 1-Month LIBOR plus 0.875% to 1.55% per annum and require a facility fee in an amount equal to the aggregate revolving credit commitments (whether or not utilized) multiplied by a rate equal to 0.125% to 0.30% per annum. As of September 30, 2018, the Revolving Credit Facility bore interest at 1-Month LIBOR plus 1.25% and incurred a facility fee of 0.25% per annum.

In connection with placement and use of the Revolving Credit Facility, the Company has incurred costs of $4.8 million. These deferred financing costs are being amortized to interest expense over the remaining initial term of the Revolving Credit Facility. The unamortized deferred financing costs relating to the Revolving Credit Facility were

$0.7 million and $1.6 million as of September 30, 2018 and December 31, 2017, respectively, and recorded in deferred costs and other assets, net on the accompanying consolidated balance sheets.

As of September 30, 2018, $157.0 million was outstanding and $643.0 million of borrowing capacity was available under the Revolving Credit Facility. The Operating Partnership's ability to borrow under the Revolving Credit Facility is subject to ongoing compliance with a number of customary financial covenants and other customary affirmative and

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negative covenants. As of September 30, 2018, the Company and the Operating Partnership were in compliance with these financial covenants.

Term Loan

On November 3, 2015, the Company entered into a Term Loan Agreement with an initial maturity date of November 2, 2018, which may be extended at the Company's option pursuant to two one-year extension options, subject to the satisfaction of certain conditions and payment of an extension fee. In addition, an accordion feature allows the facility to be increased from $420.0 million up to $600.0 million, subject to obtaining additional lender commitments. Borrowings may be repaid without premium or penalty, and may be re-borrowed within 30 days up to the then available loan commitment and subject to occurrence limitations within any twelve-month period. The Company elected to exercise its option to extend the Term Loan, see Note 13 for further discussion.

The Term Loan Agreement provides that outstanding borrowings bear interest at 1-Month LIBOR plus 0.90% to 1.75% per annum, depending on the Company's credit ratings. As of September 30, 2018, the Term Loan bore interest at 1-Month LIBOR plus 1.35%.

As a result of entering into the Term Loan, the Company incurred origination costs of $2.4 million. These deferred financing costs are being amortized to interest expense over the remaining initial term of the Term Loan. As of September 30, 2018 and December 31, 2017, the unamortized deferred financing costs relating to the Term Loan were $0.1 million and $0.7 million, respectively, and were recorded net against the principal balance of mortgages and notes payable as of September 30, 2018 and December 31, 2017, on the accompanying consolidated balance sheets.

As of September 30, 2018, the Term Loan had a $420.0 million outstanding balance and no available borrowing capacity. The Operating Partnership's ability to borrow under the Term Loan is subject to ongoing compliance with a number of customary financial covenants and other customary affirmative and negative covenants. The Corporation has unconditionally guaranteed all obligations of the Operating Partnership under the Term Loan Agreement. As of September 30, 2018, the Corporation and the Operating Partnership were in compliance with these financial covenants.

Senior Unsecured Notes

On August 18, 2016, the Operating Partnership completed a private placement of $300.0 million aggregate principal amount of senior notes, which are guaranteed by the Company. The Senior Unsecured Notes were issued at 99.378% of their principal face amount, resulting in net proceeds of $296.2 million, after deducting transaction fees and expenses. The Senior Unsecured Notes accrue interest at a rate of 4.45% per annum, payable on March 15 and September 15 of each year, and mature on September 15, 2026. The Company filed a registration statement with the SEC to exchange the private Senior Unsecured Notes for registered Senior Unsecured Notes with substantially identical terms, which became effective on April 14, 2017. All $300.0 million aggregate principal amount of private Senior Unsecured Notes were tendered in the exchange for registered Senior Unsecured Notes.

The Senior Unsecured Notes are redeemable in whole at any time or in part from time to time, at the Operating Partnership's option, at a redemption price equal to the sum of: an amount equal to 100% of the principal amount of the Senior Unsecured Notes to be redeemed plus accrued and unpaid interest and liquidated damages, if any, up to, but not including, the redemption date; and a make-whole premium calculated in accordance with the indenture. Notwithstanding the foregoing, if any of the Senior Unsecured Notes are redeemed on or after June 15, 2026 (three months prior to the maturity date of the Senior Unsecured Notes), the redemption price will not include a make-whole premium.

In connection with the offering, the Operating Partnership incurred $3.4 million in deferred financing costs and an offering discount of $1.9 million. These amounts are being amortized to interest expense over the life of the Senior Unsecured Notes. As of September 30, 2018 and December 31, 2017, the unamortized deferred financing costs relating to the Senior Unsecured Notes were $2.8 million and $3.0 million, respectively, and the unamortized discount was $1.5 million and $1.7 million, respectively, with both the deferred financing costs and offering discount recorded

net against the Senior Unsecured Notes principal balance on the accompanying consolidated balance sheets.
In connection with the issuance of the Senior Unsecured Notes, the Company and Operating Partnership are subject to ongoing compliance with a number of customary financial covenants and other customary affirmative and negative

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covenants. As of September 30, 2018, the Company and the Operating Partnership were in compliance with these financial covenants.

Master Trust Notes

Master Trust 2013 and Master Trust 2014 are asset-backed securitization platforms through which the Company has raised capital through the issuance of non-recourse net-lease mortgage notes collateralized by commercial real estate, net-leases and mortgage loans.

On January 23, 2018, the Company re-priced a private offering of the Master Trust 2014 Series 2017-1 notes with $674.2 million aggregate principal amount. As a result, the interest rate on the Class B Notes was reduced from 6.35% to 5.49%, while the other terms of the Class B Notes remained unchanged. The terms of the Class A Notes were unaffected by the repricing. In connection with the re-pricing, the Company received $8.2 million in additional proceeds, that reduced the discount on the underlying debt.

On February 2, 2018, the Operating Partnership sold its holding of Master Trust 2014 Series 2014-2 notes with a principal balance of $11.6 million to a third-party. This transaction resulted in an increase in the Company's mortgages and notes payable, net balance as shown in the balance sheet.

On May 21, 2018, the Company retired $123.1 million of Master Trust 2013 Series 2013-1 Class A notes. There was no make-whole payment associated with the redemption of these notes. During the nine months ended September 30, 2018 there were $15.2 million in prepayments on Master Trust 2013 Series 2013-2 Class A notes with $934 thousand in associated make-whole payments.

On May 31, 2018, in conjunction with the Spin-Off, the Company contributed Master Trust 2014, which is included in liabilities related to SMTA Spin-Off in our December 31, 2017 consolidated balance sheet.

The Master Trust Notes are summarized below:

	Stated Rate	Maturity	September 30, 2018	December 31, 2017
		(in Years)	(in Thousands)	
Series 2014-1 Class A2			$—	$ 252,437
Series 2014-2			—	222,683
Series 2014-3			—	311,336
Series 2014-4 Class A1			—	150,000
Series 2014-4 Class A2			—	358,664
Series 2017-1 Class A			—	515,280
Series 2017-1 Class B			—	125,400
Total Master Trust 2014 notes			—	1,935,800
Series 2013-1 Class A			—	125,000
Series 2013-2 Class A	5.3 %	5.2	169,012	187,704
Total Master Trust 2013 notes	5.3 %	5.2	169,012	312,704
Debt discount, net			—	(36,188)
Deferred financing costs, net			(4,389)	(24,010)
Total Master Trust Notes, net			$164,623	$ 2,188,306

As of September 30, 2018, the Master Trust 2013 notes were secured by 269 owned and financed properties issued by a single indirect wholly-owned subsidiary of the Company which is a bankruptcy-remote, special purpose entity.

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CMBS

As of September 30, 2018, indirect wholly-owned special purpose entity subsidiaries of the Company were borrowers under six fixed-rate non-recourse loans, excluding one loan in default, which have been securitized into CMBS and are secured by the borrowers' respective leased properties and related assets. The stated interest rates of the loans as of September 30, 2018, excluding the defaulted loan, ranged from 4.67% to 6.00% with a weighted average stated interest rate of 5.35%. As of September 30, 2018, the non-defaulted loans were secured by 100 properties. As of September 30, 2018 and December 31, 2017, the unamortized deferred financing costs associated with these fixed-rate loans were $3.4 million and $3.9 million, respectively, and the unamortized net offering discount was $0.1 million as of both periods. Both the deferred financing costs and offering discount were recorded net against the principal balance of the mortgages and notes payable on the accompanying consolidated balance sheets and are being amortized to interest expense over the term of the respective loans.

As of September 30, 2018, a certain borrower remained in default under the loan agreement relating to one CMBS fixed-rate loan, where one property securing the respective loan was no longer generating sufficient revenue to pay the scheduled debt service. The default interest rate on this loan was 9.85%. The defaulted borrower is a bankruptcy remote special purpose entity and the sole owner of the collateral securing the loan obligation. As of September 30, 2018, the aggregate principal balance under the defaulted loan was $9.9 million, which includes $3.1 million of interest capitalized to the principal balance.

Related Party Mortgage Loans Payable

Wholly-owned subsidiaries of Spirit are the borrower on four mortgage loans payable held by SMTA and secured by six single-tenant commercial properties. In total, these mortgage notes had outstanding principal of $28.6 million at September 30, 2018, which is included in mortgages and notes payable, net on the consolidated balance sheets. As of September 30, 2018, these mortgage notes have a weighted average stated interest rate of 1.00%, a weighted average term of 9.5 years and are eligible for early repayment without penalty.

Convertible Notes

In May 2014, the Company issued $402.5 million aggregate principal amount of 2.875% convertible notes due in 2019 and $345.0 million aggregate principal amount of 3.75% convertible notes due in 2021. Interest on the Convertible Notes is payable semiannually in arrears on May 15 and November 15 of each year. The 2019 Notes will mature on May 15, 2019 and the 2021 Notes will mature on May 15, 2021. Proceeds from the issuance were contributed to the Operating Partnership and are recorded as a note payable to Spirit Realty Capital, Inc. on the consolidated balance sheets of the Operating Partnership.

The Convertible Notes are convertible only during certain periods and, subject to certain circumstances, into cash, shares of the Company's common stock, or a combination thereof. The initial conversion rate applicable to each series is 76.3636 per $1,000 principal note (equivalent to an initial conversion price of $13.10 per share of common stock, representing a 22.5% premium above the public offering price of the common stock offered concurrently at the time the Convertible Notes were issued). The conversion rate is subject to adjustment for certain anti-dilution events, including special distributions and regular quarterly cash dividends exceeding a current threshold of $0.14605 per share. As of September 30, 2018, the conversion rate was 86.9923 per $1,000 principal note, which reflects the adjustment from the SMTA dividend distribution related to the Spin-Off, in addition to the other regular dividends declared during the life of the Convertible Notes. Earlier conversion may be triggered if shares of the Company's common stock trade higher than the established thresholds, if the Convertible Notes trade below established thresholds, or certain corporate events occur.

In connection with the issuance of the Convertible Notes, the Company recorded a discount of $56.7 million, which represents the estimated value of the embedded conversion feature for each of the Convertible Notes. The discount is being amortized to interest expense using the effective interest method over the term of each of the 2019 Notes and 2021 Notes. As of September 30, 2018 and December 31, 2017, the unamortized discount was $16.0 million and

$23.7 million, respectively. The discount is shown net against the aggregate outstanding principal balance of the Convertible Notes on the accompanying consolidated balance sheets. The equity component of the conversion feature is recorded in capital in excess of par value in the accompanying consolidated balance sheets, net of financing transaction costs.

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In connection with the offering, the Company also incurred $19.6 million in deferred financing costs. This amount has been allocated on a pro-rata basis to each of the Convertible Notes and is being amortized to interest expense over the term of each note. As of September 30, 2018 and December 31, 2017, the unamortized deferred financing costs relating to the Convertible Notes were $5.3 million and $8.0 million, respectively, and recorded net against the Convertible Notes principal balance on the accompanying consolidated balance sheets.

Debt Extinguishment

During the nine months ended September 30, 2018, the Company extinguished a total of $179.3 million aggregate principal amount of indebtedness, including the retirement of $123.1 million of Master Trust 2013 Series 2013-1 Class A notes and $56.2 million of CMBS debt. The extinguishments had a weighted average contractual interest rate of 5.69%. As a result of these transactions, the Company recognized a net gain on debt extinguishment of approximately $26.7 million.

During the nine months ended September 30, 2017, the Company extinguished a total of $101.0 million aggregate principal amount of mortgage indebtedness with a weighted average contractual interest rate of 5.84%. As a result of these transactions, the Company recognized a net gain on debt extinguishment of approximately $1.8 million.

Debt Maturities

As of September 30, 2018, scheduled debt maturities of the Company’s Revolving Credit Facility, Term Loan, Senior Unsecured Notes, Master Trust 2013, CMBS, Convertible Notes and Related Party Notes Payable, including balloon payments, are as follows (in thousands):

	Scheduled Principal	Balloon Payment	Total
Remainder of 2018 (1)	$ 2,848	$429,869	$432,717
2019 (2)	11,672	559,500	571,172
2020	12,163	—	12,163
2021	12,737	345,000	357,737
2022	13,315	42,400	55,715
Thereafter	28,504	639,594	668,098
Total	$ 81,239	$2,016,363	$2,097,602

(1) The balloon payment balance in 2018 includes $9.9 million, of which $3.1 million is capitalized interest, for the acceleration of principal payable following an event of default under one non-recourse CMBS loan with a stated maturity in 2018 and the original maturity of the $420.0 million Term Loan. See Note 13 Subsequent Events for details relating to the extension of the Term Loan.

(2) 2019 includes the Revolving Credit Facility, which is extendible for one year at the borrower's option.

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Interest Expense
The following table is a summary of the components of interest expense related to the Company's borrowings (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest expense – Revolving Credit Facility[1]	$1,933	$3,075	$6,134	$5,632
Interest expense – Term Loan	2,677	2,768	2,677	7,525
Interest expense – Senior Unsecured Notes	3,338	3,337	10,013	10,013
Interest expense – mortgages and notes payable	6,183	27,563	62,370	83,640
Interest expense – Convertible Notes[2]	6,127	6,127	18,382	18,382
Non-cash interest expense:				
Amortization of deferred financing costs	1,890	2,451	7,442	7,274
Amortization of debt discount, net	2,636	3,359	10,888	9,663
Total interest expense	$24,784	$48,680	$117,906	$142,129

(1) Includes facility fees of approximately $0.5 million for both of the three month periods ended September 30, 2018 and 2017, and $1.6 million for both of the nine month periods ended September 30, 2018 and 2017.
(2) Included in interest expense on the Operating Partnership's consolidated statements of operations and comprehensive income are amounts paid to the Company by the Operating Partnership related to the notes payable to Spirit Realty Capital, Inc.

Note 5. Stockholders’ Equity and Partners' Capital
Common Stock
During the nine months ended September 30, 2018, portions of awards of restricted common stock and performance share awards granted to certain of the Company's officers and other employees vested. The vesting of these awards, granted pursuant to the Amended Incentive Award Plan, resulted in federal and state income tax liabilities for the recipients. As permitted by the terms of the Amended Incentive Award Plan and the award grants, certain executive officers and employees elected to surrender 0.3 million shares of common stock valued at $2.3 million, solely to pay the associated statutory tax withholdings during the nine months ended September 30, 2018. The surrendered shares are included in repurchase of shares of common stock on the consolidated statements of cash flows.
Preferred Stock
As of September 30, 2018, the Company had 6.9 million shares of 6.00% Series A Preferred Stock outstanding. The Series A Preferred Stock pays cumulative cash dividends at the rate of 6.00% per annum on the liquidation preference of $25.00 per share (equivalent to $0.375 per share on a quarterly basis and $1.50 per share on an annual basis). During the nine months ended September 30, 2018, the Company paid $7.8 million in Series A Preferred Stock dividends.
ATM Program
In November 2016, the Company's Board of Directors approved a new ATM Program and the Company terminated its existing program. As of September 30, 2018, no shares of the Company's common stock had been sold under the new ATM Program and $500.0 million in gross proceeds capacity remained available.
Stock Repurchase Programs
In May 2018, the Company's Board of Directors approved a new stock repurchase program, which authorizes the Company to repurchase up to $250.0 million of its common stock. These purchases can be made in the open market or through private transactions from time to time over the 18-month time period following authorization, depending on prevailing market conditions and applicable legal and regulatory requirements. Purchase activity will be dependent on

various factors, including the Company's capital position, operating results, funds generated by asset sales, dividends that may be required by those sales, and investment options that may be available, including acquiring new properties

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or retiring debt. The stock repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended at any time at the Company's discretion. As of September 30, 2018, no shares of the Company's common stock had been repurchased under the new program and the full $250.0 million in gross repurchase capacity remained available.

In August 2017, the Company's Board of Directors approved a stock repurchase program, which authorized the Company to repurchase up to $250.0 million of its common stock during the 18-month time period following authorization. During the nine months ended September 30, 2018, prior to the SMTA Spin-Off, 21.2 million shares of the Company's common stock were repurchased in open market transactions under this stock repurchase program at a weighted average price of $7.90 per share, and no additional capacity remains under this stock repurchase program. Fees associated with the repurchase of $0.5 million are included in accumulated deficit.

Dividends Declared

For the nine months ended September 30, 2018, the Company's Board of Directors declared the following preferred and common stock dividends:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in thousands)	Payment Date
Preferred Stock				
March 5, 2018	$ 0.375	March 15, 2018	$ 2,588	March 30, 2018
May 29, 2018	$ 0.375	June 15, 2018	$ 2,588	June 29, 2018
August 27, 2018	$ 0.375	September 14, 2018	$ 2,588	September 28, 2018
Common Stock				
March 5, 2018	$ 0.180	March 30, 2018	$ 78,581	April 13, 2018
May 29, 2018	$ 0.180	June 29, 2018	$ 77,143	July 13, 2018
August 27, 2018	$ 0.125	September 28, 2018	$ 53,560	October 15, 2018

The Common Stock dividend declared on August 27, 2018 was paid on October 15, 2018 and is included in accounts payable, accrued expenses and other liabilities as of September 30, 2018.

Note 6. Commitments and Contingencies

The Company is periodically subject to claims or litigation in the ordinary course of business, including claims generated from business conducted by tenants on real estate owned by the Company. In these instances, the Company is typically indemnified by the tenant against any losses that might be suffered, and the Company and/or the tenant are typically insured against such claims.

In 2015, Haggen Holdings, LLC and a number of its affiliates, including Haggen Operations Holdings, LLC ("Haggen"), filed petitions for bankruptcy. At the time of the filing, Haggen leased 20 properties from a subsidiary of the Company under a master lease. The Company and Haggen restructured the master lease in an initial settlement agreement with approved claims of $21.0 million. In 2016, the Company entered into a second settlement agreement with both Haggen and Albertsons, LLC for $3.4 million and $3.0 million, respectively. To date, the Company has collected $5.5 million of the total claims and there is no guaranty that the remaining claims of $21.9 million will be paid or otherwise satisfied in full.

As of September 30, 2018, there were no outstanding claims against the Company that are expected to have a material adverse effect on the Company’s financial position, results of operations or cash flows.

As of September 30, 2018, the Company had commitments totaling $64.7 million, of which $27.4 million relates to future acquisitions, with the majority of the remainder to fund revenue generating improvements on properties the Company currently owns. Commitments related to acquisitions contain standard cancellation clauses contingent on the results of due diligence. The Company expects to fund these commitments by the end of fiscal year 2019. In addition, the Company is contingently liable for $5.7 million of debt owed by one of its former tenants and is indemnified by that former tenant for any payments the Company may be required to make on such debt.

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The Company estimates future costs for known environmental remediation requirements when it is probable that the Company has incurred a liability and the related costs can be reasonably estimated. The Company considers various factors when estimating its environmental liabilities, and adjustments are made when additional information becomes available that affects the estimated costs to study or remediate any environmental issues. When only a wide range of estimated amounts can be reasonably established and no other amount within the range is better than another, the low end of the range is recorded in the consolidated financial statements. As of September 30, 2018, no accruals have been made.

Note 7. Fair Value Measurements
Nonrecurring Fair Value Measurements
Fair value measurement of an asset on a nonrecurring basis occurs when events or changes in circumstances related to an asset indicate that the carrying amount of the asset is no longer recoverable. The following table sets forth the Company's assets that were accounted for at fair value on a nonrecurring basis as of September 30, 2018 and December 31, 2017 (in thousands):

		Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
September 30, 2018				
Long-lived assets held and used	$ 13,516	$ —	$ —	$ 13,516
Long-lived assets held for sale	$ 7,695	$ —	$ —	$ 7,695
December 31, 2017				
Long-lived assets held and used	$ 28,312	$ —	$ —	$ 28,312
Long-lived assets held for sale	$ 42,142	$ —	$ —	$ 42,142

Real estate and the related intangible assets are evaluated for impairment based on certain indicators including, but not limited to: the asset being held for sale, vacant, non-operating or the lease on the asset expiring in 60 days or less. The fair values of impaired real estate and intangible assets were determined by using the following information, depending on availability, in order of preference: signed purchase and sale agreements or letters of intent; recently quoted bid or ask prices, or market prices for comparable properties; estimates of cash flow, which consider, among other things, contractual and forecasted rental revenues, leasing assumptions, and expenses based upon market conditions; and expectations for the use of the real estate. Based on these inputs, the Company determined that its valuation of the impaired real estate and intangible assets falls within Level 3 of the fair value hierarchy.
During the nine months ended September 30, 2018 and for the year ended December 31, 2017, we determined that six and 18 long-lived assets held and used, respectively, were impaired. For three of the held and used properties impaired during the nine months ended September 30, 2018, the buildings were fully impaired due to our non-payment on the related ground leases.
For 17 of the held and used properties impaired during the year ended December 31, 2017, the Company estimated property fair value using price per square foot of comparable properties. The following table provides information about the price per square foot of comparable properties used as inputs (price per square foot in dollars):

	September 30, 2018			December 31, 2017		
Description	Range	Weighted Average	Square Footage	Range	Weighted Average	Square Footage
Long-lived assets held and used by asset type						
Retail	$—	$	——	$13.66 - $305.05	$ 55.68	364,940
Industrial	$—	$	——	$3.30 - $8.56	$ 5.35	370,824

Office	$—	$	——	$24.82 - $244.86	$ 40.14	161,346

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For the remaining three held and used properties impaired during the nine months ended September 30, 2018 and remaining one held and used property impaired during the year ended December 31, 2017, the Company estimated property fair value using price per square foot based on a listing price or a broker opinion of value. The following table provides information about the price per square foot based on a listing price and broker opinion of value used as inputs (price per square foot in dollars):

	September 30, 2018			December 31, 2017		
Description	Range	Weighted Average	Square Footage	Range	Weighted Average	Square Footage
Long-lived assets held and used by asset type						
Retail	$185.42 - $638.72	$ 573.56	21,759	$88.89	$ 88.89	22,500
Office	$225.04	$ 225.04	5,999	$—	$ —	—

For the nine months ended September 30, 2018 and year ended December 31, 2017, we determined that one and eight long-lived assets held for sale, respectively, were impaired. The Company estimated fair value of held for sale properties using price per square foot from the signed purchase and sale agreements as follows (price per square foot in dollars):

	September 30, 2018			December 31, 2017		
Description	Range	Weighted Average	Square Footage	Range	Weighted Average	Square Footage
Long-lived assets held for sale by asset type						
Retail	$126.73	$ 126.73	63,128	$55.30 - $346.23	$ 230.52	150,376
Industrial	$—	$ —	—	$24.02 - $54.21	$ 37.09	223,747

Estimated Fair Value of Financial Instruments

Financial assets and liabilities for which the carrying values approximate their fair values include cash and cash equivalents, restricted cash and escrow deposits, and accounts receivable and payable. Generally, these assets and liabilities are short-term in duration and are recorded at cost, which approximates fair value, on the accompanying consolidated balance sheets.

In addition to the disclosures for assets and liabilities required to be measured at fair value at the balance sheet date, companies are required to disclose the estimated fair values of all financial instruments, even if they are not carried at their fair values. The fair values of financial instruments are estimates based upon market conditions and perceived risks at September 30, 2018 and December 31, 2017. These estimates require management's judgment and may not be indicative of the future fair values of the assets and liabilities.

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The estimated fair values of the following financial instruments have been derived based on market quotes for comparable instruments or discounted cash flow analyses using estimates of the amount and timing of future cash flows, market rates and credit spreads. These measurements are classified as Level 2 of the fair value hierarchy. The following table discloses fair value information for these financial instruments (in thousands):

	September 30, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loans receivable, net	$52,001	$ 53,561	$79,967	$ 82,886
Investment in Master Trust 2014	33,558	33,307	—	—
Revolving Credit Facility	157,000	157,957	112,000	111,997
Term Loan, net[(1)]	419,920	420,473	—	—
Senior Unsecured Notes, net[(1)]	295,654	287,667	295,321	299,049
Mortgages and notes payable, net[(1)]	465,433	484,629	2,516,478	2,657,599
Convertible Notes, net[(1)]	726,261	751,928	715,881	761,440

[(1)] The carrying value of the debt instruments are net of unamortized deferred financing costs and certain debt discounts/premiums.

Note 8. Discontinued Operations

On May 31, 2018, the Company completed the Spin-Off of SMTA by means of a pro rata distribution of one share of SMTA common stock for every ten shares of Spirit common stock held by each of Spirit's stockholders of record as of May 18, 2018. The Company determined that the Spin-Off represented a strategic shift that has a major effect on the Company's results and, therefore, SMTA's operations qualify as discontinued operations. Accordingly, beginning in the second quarter of 2018, the historical financial results of SMTA are reflected in our consolidated financial statements as discontinued operations for all periods presented.

The assets and liabilities related to discontinued operations are separately classified on the consolidated balance sheets as of December 31, 2017, and the operations have been classified as (loss) income from discontinued operations on the consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2018 and 2017. The consolidated statements of cash flows and all other notes herein include the results of both continuing operations and discontinued operations.

Goodwill was allocated to SMTA based on the fair value of SMTA relative to the total fair value of the Company, resulting in a reduction in goodwill of the Company of $28.7 million as a result of the Spin-Off. This reduction in the Company's goodwill is reflected in the SMTA dividend distribution in the accompanying consolidated statement of stockholders' equity and consolidated statement of partners' capital.

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The table below summarizes the Company's assets and liabilities related to discontinued operations reported in its consolidated balance sheet.

	December 31, 2017
(in thousands)	
Assets	
Investments:	
Real estate investments:	
Land and improvements	$ 990,575
Buildings and improvements	1,702,926
Total real estate investments	2,693,501
Less: accumulated depreciation	(572,075)
	2,121,426
Loans receivable, net	1,501
Intangible lease assets, net	103,651
Real estate assets held for sale, net	28,460
Net investments	2,255,038
Cash and cash equivalents	6
Deferred costs and other assets, net	109,096
Goodwill	28,740
Total assets of discontinued operations	$ 2,392,880
Liabilities	
Mortgages and notes payable, net	$ 1,926,834
Intangible lease liabilities, net	24,729
Accounts payable, accrued expenses and other liabilities	17,277
Total liabilities of discontinued operations	$ 1,968,840