

Section 1: 10-Q (10-Q)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2019
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number _____

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

001-36004
333-216815-01

SPIRIT REALTY CAPITAL, INC. SPIRIT REALTY, L.P.

(Exact name of registrant as specified in its charter)

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

Maryland
Delaware
(State or other jurisdiction of
incorporation or organization)

20-1676382
20-1127940
(I.R.S. Employer
Identification Number)

2727 North Harwood Street, Suite 300,
Dallas, Texas 75201
(Address of principal executive offices; zip code)

(972) 476-1900
(Registrant's telephone number, including area
code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.05 per share	SRC	New York Stock Exchange
6.000% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share	SRC-A	New York Stock Exchange

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 No

Spirit Realty, L.P. Yes No

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 No

Spirit Realty, L.P. Yes No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

Spirit Realty, L.P.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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.

Spirit Realty, L.P.

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 No

Spirit Realty, L.P. Yes No

As of November 1, 2019, there were 99,730,000 shares of common stock, par value \$0.05, 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 September 30, 2019 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.

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GLOSSARY

1031 Exchange	Tax-deferred like-kind exchange of properties held for business or investment purposes, pursuant to Section 1031 of the Code
2015 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
2015 Credit Facility	\$800.0 million unsecured credit facility pursuant to the 2015 Credit Agreement
2015 Term Loan	\$420.0 million senior unsecured term facility pursuant to the 2015 Term Loan Agreement
2015 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
2017 Tax Legislation	Tax Cuts and Jobs Act
2019 Credit Facility	\$800.0 million unsecured revolving credit facility pursuant to the 2019 Revolving Credit and Term Loan Agreement
2019 Facilities Agreements	2019 Revolving Credit and Term Loan Agreement and A-2 Term Loans
2019 Notes	\$402.5 million convertible notes of the Corporation due in 2019
2019 Revolving Credit and Term Loan Agreement	Revolving credit and term loan agreement between the Operating Partnership and certain lenders dated January 14, 2019, as amended or otherwise modified from time to time
2021 Notes	\$345.0 million convertible notes of the Corporation due in 2021
2026 Senior Unsecured Notes	\$300 million aggregate principal amount of senior notes issued in August 2016
2027 Senior Unsecured Notes	\$300 million aggregate principal amount of senior notes issued in September 2019
2029 Senior Unsecured Notes	\$400 million aggregate principal amount of senior notes issued in June 2019
2030 Senior Unsecured Notes	\$500 million aggregate principal amount of senior notes issued in September 2019
A-1 Term Loans	\$420.0 million unsecured term loan facility pursuant to the 2019 Revolving Credit and Term Loan Agreement
A-2 Term Loans	\$400.0 million unsecured term loan facility pursuant to a term loan agreement between the Operating Partnership and certain lenders dated January 14, 2019, as amended or otherwise modified from time to time
Adjusted Debt	Adjusted Debt is a non-GAAP financial measure. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations
Adjusted EBITDAre	Adjusted EBITDAre is a non-GAAP financial measure. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations
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, as amended
AOCL	Accumulated Other Comprehensive Loss
ASC	Accounting Standards Codification
Asset Management Agreement	Asset Management Agreement between Spirit Realty, L.P. and Spirit MTA REIT dated May 31, 2018 and subsequently assigned by Spirit Realty, L.P. to Spirit Realty AM Corporation on April 1, 2019
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
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. We use Contractual Rent when calculating certain metrics that are useful to evaluate portfolio credit, asset type, industry, and geographic diversity and to manage risk.
Convertible Notes	The 2019 Notes and 2021 Notes, together
Corporation	Spirit Realty Capital, Inc., a Maryland corporation
CPI	Consumer Price Index

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
Interim Management Agreement	Interim Management Agreement between Spirit Realty AM Corporation, a wholly-owned subsidiary of the Company, and Spirit MTA REIT dated June 2, 2019 and effective September 20, 2019
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
Occupancy	The number of economically yielding owned properties divided by total owned properties
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
S&P	S&P's Global Ratings
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Unsecured Notes	2026 Senior Unsecured Notes, 2027 Senior Unsecured Notes, 2029 Senior Unsecured Notes, and 2030 Senior Unsecured Notes, collectively
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
Spirit Property Ranking Model	A proprietary model used annually to rank properties across twelve factors and weightings consisting of both real estate quality scores and credit underwriting criteria, in order to benchmark property quality, identify asset recycling opportunities and to enhance acquisition or disposition decisions
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, 2019	December 31, 2018
Assets		
Investments:		
Real estate investments:		
Land and improvements	\$ 1,749,570	\$ 1,632,664
Buildings and improvements	3,531,945	3,125,053
Total real estate investments	5,281,515	4,757,717
Less: accumulated depreciation	(689,346)	(621,456)
	4,592,169	4,136,261
Loans receivable, net	36,570	47,044
Intangible lease assets, net	311,597	294,463
Real estate assets under direct financing leases, net	14,478	20,289
Real estate assets held for sale, net	5,518	18,203
Net investments	4,960,332	4,516,260
Cash and cash equivalents	358,440	14,493
Deferred costs and other assets, net	119,212	156,428
Investment in Master Trust 2014	—	33,535
Preferred equity investment in SMTA	—	150,000
Goodwill	225,600	225,600
Total assets	<u>\$ 5,663,584</u>	<u>\$ 5,096,316</u>
Liabilities and stockholders' equity		
Liabilities:		
Revolving credit facilities	\$ —	\$ 146,300
Term loans, net	—	419,560
Senior Unsecured Notes, net	1,483,491	295,767
Mortgages and notes payable, net	259,113	463,196
Convertible Notes, net	334,904	729,814
Total debt, net	2,077,508	2,054,637
Intangible lease liabilities, net	116,515	120,162
Accounts payable, accrued expenses and other liabilities	136,781	119,768
Total liabilities	2,330,804	2,294,567
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, 2019 and December 31, 2018	166,177	166,177
Common stock, \$0.05 par value, 175,000,000 shares authorized: 99,730,073 and 85,787,355 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	4,987	4,289
Capital in excess of common stock par value	5,544,170	4,995,697
Accumulated deficit	(2,370,392)	(2,357,255)
Accumulated other comprehensive loss	(12,162)	(7,159)
Total stockholders' equity	3,332,780	2,801,749
Total liabilities and stockholders' equity	<u>\$ 5,663,584</u>	<u>\$ 5,096,316</u>

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Rental income	\$ 109,511	\$ 100,827	\$ 320,084	\$ 300,570
Interest income on loans receivable	843	1,121	2,749	2,410
Earned income from direct financing leases	267	465	971	1,395
Related party fee income	54,795	6,750	68,971	8,969
Other income	1,531	481	2,510	2,298
Total revenues	166,947	109,644	395,285	315,642
Expenses:				
General and administrative	12,727	11,033	39,741	39,843
Termination of interest rate swaps	12,461	—	12,461	—
Property costs (including reimbursable)	4,407	5,172	13,968	15,529
Deal pursuit costs	330	26	574	143
Interest	24,675	24,784	76,462	71,385
Depreciation and amortization	43,907	40,379	126,598	121,015
Impairments	5,932	1,279	13,231	6,254
Total expenses	104,439	82,673	283,035	254,169
Other income:				
(Loss) gain on debt extinguishment	(5,580)	—	(11,473)	27,092
Gain on disposition of assets	32,254	436	70,760	827
Preferred dividend income from SMTA	3,302	3,750	10,802	5,000
Total other income	29,976	4,186	70,089	32,919
Income from continuing operations before income tax expense	92,484	31,157	182,339	94,392
Income tax expense	(11,190)	(135)	(11,730)	(475)
Income from continuing operations	81,294	31,022	170,609	93,917
Loss from discontinued operations	—	(966)	—	(15,979)
Net income	\$ 81,294	\$ 30,056	\$ 170,609	\$ 77,938
Dividends paid to preferred shareholders	(2,587)	(2,588)	(7,763)	(7,764)
Net income attributable to common stockholders	\$ 78,707	\$ 27,468	\$ 162,846	\$ 70,174
Net income per share attributable to common stockholders - basic:				
Continuing operations	\$ 0.87	\$ 0.33	\$ 1.85	\$ 0.98
Discontinued operations	—	(0.01)	—	(0.18)
Net income per share attributable to common stockholders - basic	\$ 0.87	\$ 0.32	\$ 1.85	\$ 0.80
Net income per share attributable to common stockholders - diluted:				
Continuing operations	\$ 0.87	\$ 0.33	\$ 1.85	\$ 0.98
Discontinued operations	—	(0.01)	—	(0.18)
Net income per share attributable to common stockholders - diluted	\$ 0.87	\$ 0.32	\$ 1.85	\$ 0.80
Weighted average shares of common stock outstanding:				
Basic	90,040,353	85,336,193	87,529,786	86,632,552
Diluted	90,396,797	85,578,507	87,784,477	86,788,140
Dividends declared per common share issued	\$ 0.6250	\$ 0.6250	\$ 1.8750	\$ 2.4250

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.
 Consolidated Statements of Comprehensive Income
(In Thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to common stockholders	\$ 78,707	\$ 27,468	\$ 162,846	\$ 70,174
Other comprehensive income (loss):				
Net reclassification of amounts (to) from AOCL	8,772	—	(5,003)	—
Total comprehensive income	<u>\$ 87,479</u>	<u>\$ 27,468</u>	<u>\$ 157,843</u>	<u>\$ 70,174</u>

See accompanying notes.

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

Nine Months Ended September 30, 2019

	Preferred Stock		Common Stock				AOCL	Total Stockholders' Equity
	Shares	Par Value and Capital in Excess of Par Value	Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit		
Balances, December 31, 2018	6,900,000	\$ 166,177	85,787,355	\$ 4,289	\$4,995,697	\$ (2,357,255)	\$ (7,159)	\$ 2,801,749
Net income	—	—	—	—	—	43,578	—	43,578
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders	—	—	—	—	—	40,990	—	40,990
Other comprehensive loss	—	—	—	—	—	—	(5,021)	(5,021)
Dividends declared on common stock	—	—	—	—	—	(54,254)	—	(54,254)
Tax withholdings related to net stock settlements	—	—	(17,800)	(1)	—	(703)	—	(704)
Issuance of shares of common stock, net	—	—	893,526	45	32,641	—	—	32,686
Other	—	—	—	—	(79)	—	—	(79)
Stock-based compensation, net	—	—	148,705	8	3,570	(309)	—	3,269
Balances, March 31, 2019	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>86,811,786</u>	<u>\$ 4,341</u>	<u>\$5,031,829</u>	<u>\$ (2,371,531)</u>	<u>\$ (12,180)</u>	<u>\$ 2,818,636</u>
Net income	—	—	—	—	—	45,737	—	45,737
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders	—	—	—	—	—	43,149	—	43,149
Other comprehensive loss	—	—	—	—	—	—	(8,754)	(8,754)
Dividends declared on common stock	—	—	—	—	—	(56,318)	—	(56,318)
Tax withholdings related to net stock settlements	—	—	(16,367)	(1)	—	(677)	—	(678)
Issuance of shares of common stock, net	—	—	3,292,102	165	129,685	—	—	129,850
Stock-based compensation, net	—	—	23,206	1	3,882	(308)	—	3,575
Balances, June 30, 2019	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>90,110,727</u>	<u>\$ 4,506</u>	<u>\$5,165,396</u>	<u>\$ (2,385,685)</u>	<u>\$ (20,934)</u>	<u>\$ 2,929,460</u>
Net income	—	—	—	—	—	81,294	—	81,294
Dividends declared on preferred stock	—	—	—	—	—	(2,587)	—	(2,587)
Net income available to common stockholders	—	—	—	—	—	78,707	—	78,707
Net reclassification of amounts from AOCL	—	—	—	—	—	—	8,772	8,772
Dividends declared on common stock	—	—	—	—	—	(62,322)	—	(62,322)
Tax withholdings related to net stock settlements	—	—	(24,229)	(1)	—	(1,157)	—	(1,158)
Issuance of shares of common stock, net	—	—	9,646,430	482	375,240	—	—	375,722
Stock-based compensation, net	—	—	(2,855)	—	3,534	65	—	3,599
Balances, September 30, 2019	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>99,730,073</u>	<u>\$ 4,987</u>	<u>\$5,544,170</u>	<u>\$ (2,370,392)</u>	<u>\$ (12,162)</u>	<u>\$ 3,332,780</u>

Nine Months Ended September 30, 2018

	Preferred Stock		Common Stock				AOCL	Total Stockholders' Equity
	Shares	Par Value and Capital in Excess of Par Value	Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit		
Balances, December 31, 2017	6,900,000	\$ 166,193	89,774,135	\$ 4,489	\$5,193,631	\$ (2,044,704)	\$ —	\$ 3,319,609
Net income	—	—	—	—	—	30,718	—	30,718
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders	—	—	—	—	—	28,130	—	28,130
Dividends declared on common stock	—	—	—	—	—	(78,581)	—	(78,581)
Tax withholdings related to net stock settlements	—	—	(12,188)	—	—	(484)	—	(484)
Repurchase of common shares	—	—	(2,632,210)	(132)	—	(103,910)	—	(104,042)
Stock-based compensation, net	—	—	183,081	9	4,357	(275)	—	4,091
Balances, March 31, 2018	<u>6,900,000</u>	<u>\$ 166,193</u>	<u>87,312,818</u>	<u>\$ 4,366</u>	<u>\$5,197,988</u>	<u>\$ (2,199,824)</u>	<u>\$ —</u>	<u>\$ 3,168,723</u>
Net income	—	—	—	—	—	17,164	—	17,164
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders	—	—	—	—	—	14,576	—	14,576
Dividends declared on common stock	—	—	—	—	—	(77,143)	—	(77,143)
Tax withholdings related to net stock settlements	—	—	(28,375)	(2)	—	(1,171)	—	(1,173)
Repurchase of common shares	—	—	(1,612,236)	(80)	—	(64,043)	—	(64,123)
SMTA dividend distribution	—	—	—	—	(216,005)	—	—	(216,005)
Stock-based compensation, net	—	—	42,306	2	4,736	(307)	—	4,431
Balances, June 30, 2018	<u>6,900,000</u>	<u>\$ 166,193</u>	<u>85,714,513</u>	<u>\$ 4,286</u>	<u>\$4,986,719</u>	<u>\$ (2,327,912)</u>	<u>\$ —</u>	<u>\$ 2,829,286</u>
Net income	—	—	—	—	—	30,056	—	30,056
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income available to common stockholders	—	—	—	—	—	27,468	—	27,468
Dividends declared on common stock	—	—	—	—	—	(53,546)	—	(53,546)
Tax withholdings related to net stock settlements	—	—	(16,509)	(1)	—	(689)	—	(690)
Issuance of preferred shares, net	—	(16)	—	—	—	—	—	(16)
Stock-based compensation, net	—	—	(1,743)	—	3,085	(229)	—	2,856
Balances, September 30, 2018	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>85,696,261</u>	<u>\$ 4,285</u>	<u>\$4,989,804</u>	<u>\$ (2,354,908)</u>	<u>\$ —</u>	<u>\$ 2,805,358</u>

See accompanying notes.

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

	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net income	\$ 170,609	\$ 77,938
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126,598	156,476
Impairments	13,231	17,197
Amortization of deferred financing costs	5,155	7,442
Amortization of debt discounts	5,805	10,888
Amortization of deferred losses on interest rate swaps	156	—
Loss on termination of interest rate swaps	12,461	—
Payment for termination of interest rate swaps	(24,843)	—
Stock-based compensation expense	10,995	12,189
Loss (gain) on debt extinguishment	11,473	(26,729)
Gain on dispositions of real estate and other assets	(70,760)	(553)
Non-cash revenue	(13,581)	(14,239)
Bad debt expense and other	184	1,596
Changes in operating assets and liabilities:		
Deferred costs and other assets, net	4,560	(5,681)
Accounts payable, accrued expenses and other liabilities	7,310	(2,712)
Net cash provided by operating activities	259,353	233,812
Investing activities		
Acquisitions of real estate	(719,081)	(242,491)
Capitalized real estate expenditures	(32,902)	(26,769)
Investments in loans receivable	—	(35,450)
Proceeds from redemption of preferred equity investment	150,000	—
Collections from investment in Master Trust 2014	33,535	—
Collections of principal on loans receivable and real estate assets under direct financing leases	9,303	25,858
Proceeds from dispositions of real estate and other assets, net	230,529	41,461
Net cash used in investing activities	(328,616)	(237,391)

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

	Nine Months Ended September 30,	
	2019	2018
Financing activities		
Borrowings under revolving credit facilities	744,700	737,800
Repayments under revolving credit facilities	(891,000)	(692,800)
Borrowings under mortgages and notes payable	—	104,247
Repayments under mortgages and notes payable	(198,645)	(167,671)
Borrowings under term loans	820,000	420,000
Repayments under term loans	(1,240,000)	—
Repayments under Convertible Notes	(402,500)	—
Borrowings under Senior Unsecured Notes	1,198,264	—
Debt extinguishment costs	(12,590)	(2,968)
Deferred financing costs	(20,230)	(1,417)
Cash, cash equivalents and restricted cash held by SMTA at Spin-Off	—	(73,081)
Sale of SubREIT preferred shares	—	5,000
Proceeds from issuance of common stock, net of offering costs	538,003	—
Repurchase of shares of common stock, including tax withholdings related to net stock settlements	(2,540)	(170,512)
Common stock dividends paid	(164,191)	(236,663)
Preferred stock dividends paid	(7,763)	(7,764)
Net cash provided by (used in) financing activities	361,508	(85,829)
Net increase (decrease) in cash, cash equivalents and restricted cash	292,245	(89,408)
Cash, cash equivalents and restricted cash, beginning of period	77,421	114,707
Cash, cash equivalents and restricted cash, end of period	<u>\$ 369,666</u>	<u>\$ 25,299</u>
Cash paid for interest	\$ 61,755	\$ 94,050
Cash paid for income taxes	\$ 1,121	\$ 1,133

	Nine Months Ended September 30,	
	2019	2018
Supplemental Disclosures of Non-Cash Activities:		
Distributions declared and unpaid	\$ 62,322	\$ 54,217
Relief of debt through sale or foreclosure of real estate properties	10,368	56,119
Net real estate and other collateral assets sold or surrendered to lender	654	28,271
Cash flow hedge changes in fair value	18,593	—
Accrued interest capitalized to principal ⁽¹⁾	251	1,719
Accrued market-based award dividend rights	847	811
Accrued capitalized costs	2,065	—
Accrued deferred financing costs	2,048	—
Financing provided in connection with disposition of assets	—	2,888
Right-of-use lease assets	6,143	—
Lease liabilities	6,143	—
Reclass of residual value from direct financing lease to operating lease	5,841	—
Investment in preferred shares	—	150,000
Non-cash distribution to SMTA, net	—	142,924

⁽¹⁾Accrued and overdue interest on certain CMBS notes that were intentionally placed in default.

See accompanying notes.

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

	September 30, 2019	December 31, 2018
Assets		
Investments:		
Real estate investments:		
Land and improvements	\$ 1,749,570	\$ 1,632,664
Buildings and improvements	3,531,945	3,125,053
Total real estate investments	5,281,515	4,757,717
Less: accumulated depreciation	(689,346)	(621,456)
	4,592,169	4,136,261
Loans receivable, net	36,570	47,044
Intangible lease assets, net	311,597	294,463
Real estate assets under direct financing leases, net	14,478	20,289
Real estate assets held for sale, net	5,518	18,203
Net investments	4,960,332	4,516,260
Cash and cash equivalents	358,440	14,493
Deferred costs and other assets, net	119,212	156,428
Investment in Master Trust 2014	—	33,535
Preferred equity investment in SMTA	—	150,000
Goodwill	225,600	225,600
Total assets	\$ 5,663,584	\$ 5,096,316
Liabilities and partners' capital		
Liabilities:		
Revolving credit facilities	\$ —	\$ 146,300
Term loans, net	—	419,560
Senior Unsecured Notes, net	1,483,491	295,767
Mortgages and notes payable, net	259,113	463,196
Notes payable to Spirit Realty Capital, Inc., net	334,904	729,814
Total debt, net	2,077,508	2,054,637
Intangible lease liabilities, net	116,515	120,162
Accounts payable, accrued expenses and other liabilities	136,781	119,768
Total liabilities	2,330,804	2,294,567
Commitments and contingencies (see Note 6)		
Partners' capital:		
Partnership units		
General partner's capital: 797,644 units issued and outstanding as of both September 30, 2019 and December 31, 2018	22,924	23,061
Limited partners' preferred capital: 6,900,000 units issued and outstanding as of both September 30, 2019 and December 31, 2018	166,177	166,177
Limited partners' capital: 98,932,429 and 84,989,711 units issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	3,143,679	2,612,511
Total partners' capital	3,332,780	2,801,749
Total liabilities and partners' capital	\$ 5,663,584	\$ 5,096,316

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Rental income	\$ 109,511	\$ 100,827	\$ 320,084	\$ 300,570
Interest income on loans receivable	843	1,121	2,749	2,410
Earned income from direct financing leases	267	465	971	1,395
Related party fee income	54,795	6,750	68,971	8,969
Other income	1,531	481	2,510	2,298
Total revenues	<u>166,947</u>	<u>109,644</u>	<u>395,285</u>	<u>315,642</u>
Expenses:				
General and administrative	12,727	11,033	39,741	39,843
Termination of interest rate swaps	12,461	—	12,461	—
Property costs (including reimbursable)	4,407	5,172	13,968	15,529
Deal pursuit costs	330	26	574	143
Interest	24,675	24,784	76,462	71,385
Depreciation and amortization	43,907	40,379	126,598	121,015
Impairments	5,932	1,279	13,231	6,254
Total expenses	<u>104,439</u>	<u>82,673</u>	<u>283,035</u>	<u>254,169</u>
Other income:				
(Loss) gain on debt extinguishment	(5,580)	—	(11,473)	27,092
Gain on disposition of assets	32,254	436	70,760	827
Preferred dividend income from SMTA	3,302	3,750	10,802	5,000
Total other income	<u>29,976</u>	<u>4,186</u>	<u>70,089</u>	<u>32,919</u>
Income from continuing operations before income tax expense	92,484	31,157	182,339	94,392
Income tax expense	(11,190)	(135)	(11,730)	(475)
Income from continuing operations	<u>81,294</u>	<u>31,022</u>	<u>170,609</u>	<u>93,917</u>
Loss from discontinued operations	<u>—</u>	<u>(966)</u>	<u>—</u>	<u>(15,979)</u>
Net income	<u>\$ 81,294</u>	<u>\$ 30,056</u>	<u>\$ 170,609</u>	<u>\$ 77,938</u>
Preferred distributions	(2,587)	(2,588)	(7,763)	(7,764)
Net income after preferred distributions	<u>\$ 78,707</u>	<u>\$ 27,468</u>	<u>\$ 162,846</u>	<u>\$ 70,174</u>
Net income attributable to the general partner:				
Continuing operations	\$ 703	\$ 313	\$ 1,477	\$ 789
Discontinued operations	—	(32)	—	(146)
Net income attributable to the general partner	<u>\$ 703</u>	<u>\$ 281</u>	<u>\$ 1,477</u>	<u>\$ 643</u>
Net income attributable to the limited partners:				
Continuing operations	\$ 78,004	\$ 28,121	\$ 161,369	\$ 85,364
Discontinued operations	—	(934)	—	(15,833)
Net income attributable to the limited partners	<u>\$ 78,004</u>	<u>\$ 27,187</u>	<u>\$ 161,369</u>	<u>\$ 69,531</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income per partnership unit - basic:				
Continuing operations	\$ 0.87	\$ 0.33	\$ 1.85	\$ 0.98
Discontinued operations	—	(0.01)	—	(0.18)
Net income per partnership unit - basic	\$ 0.87	\$ 0.32	\$ 1.85	\$ 0.80
Net income per partnership unit - diluted:				
Continuing operations	\$ 0.87	\$ 0.33	\$ 1.85	\$ 0.98
Discontinued operations	—	(0.01)	—	(0.18)
Net income per partnership unit - diluted	\$ 0.87	\$ 0.32	\$ 1.85	\$ 0.80
Weighted average partnership units outstanding:				
Basic	90,040,353	85,336,193	87,529,786	86,632,552
Diluted	90,396,797	85,578,507	87,784,477	86,788,140
Distributions declared per partnership unit issued	\$ 0.6250	\$ 0.6250	\$ 1.8750	\$ 2.4250

See accompanying notes.

SPIRIT REALTY, L.P.
 Consolidated Statements of Comprehensive Income
(In Thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income after preferred distributions	\$ 78,707	\$ 27,468	\$ 162,846	\$ 70,174
Other comprehensive income (loss):				
Net reclassification of amounts (to) from AOCL	8,772	—	(5,003)	—
Total comprehensive income	<u>\$ 87,479</u>	<u>\$ 27,468</u>	<u>\$ 157,843</u>	<u>\$ 70,174</u>

See accompanying notes.

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

Nine Months Ended September 30, 2019

	Preferred Units		Common Units				Total Partnership Capital
	Limited Partners' Capital ⁽¹⁾		General Partner's Capital ⁽²⁾		Limited Partners' Capital ⁽¹⁾		
	Units	Amount	Units	Amount	Units	Amount	
Balances, December 31, 2018	6,900,000	\$ 166,177	797,644	\$ 23,061	84,989,711	\$2,612,511	\$ 2,801,749
Net income	—	—	—	380	—	43,198	43,578
Partnership distributions declared on preferred units	—	—	—	—	—	(2,588)	(2,588)
Net income after preferred distributions	—	—	—	380	—	40,610	40,990
Other comprehensive loss	—	—	—	(47)	—	(4,974)	(5,021)
Partnership distributions declared on common units	—	—	—	(504)	—	(53,750)	(54,254)
Tax withholdings related to net settlement of common units	—	—	—	—	(17,800)	(704)	(704)
Issuance of common units, net	—	—	—	—	893,526	32,686	32,686
Other	—	—	—	(1)	—	(78)	(79)
Stock-based compensation, net	—	—	—	—	148,705	3,269	3,269
Balances, March 31, 2019	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>797,644</u>	<u>\$ 22,889</u>	<u>86,014,142</u>	<u>\$2,629,570</u>	<u>\$ 2,818,636</u>
Net income	—	—	—	394	—	45,343	45,737
Partnership distributions declared on preferred units	—	—	—	—	—	(2,588)	(2,588)
Net income after preferred distributions	—	—	—	394	—	42,755	43,149
Other comprehensive loss	—	—	—	(80)	—	(8,674)	(8,754)
Partnership distributions declared on common units	—	—	—	(513)	—	(55,805)	(56,318)
Tax withholdings related to net settlement of common units	—	—	—	—	(16,367)	(678)	(678)
Issuance of common units, net	—	—	—	—	3,292,102	129,850	129,850
Stock-based compensation, net	—	—	—	—	23,206	3,575	3,575
Balances, June 30, 2019	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>797,644</u>	<u>\$ 22,690</u>	<u>89,313,083</u>	<u>\$2,740,593</u>	<u>\$ 2,929,460</u>
Net income	—	—	—	703	—	80,591	81,294
Partnership distributions declared on preferred units	—	—	—	—	—	(2,587)	(2,587)
Net income after preferred distributions	—	—	—	703	—	78,004	78,707
Net reclassification of amounts from AOCL	—	—	—	82	—	8,690	8,772
Partnership distributions declared on common units	—	—	—	(551)	—	(61,771)	(62,322)
Tax withholdings related to net settlement of common units	—	—	—	—	(24,229)	(1,158)	(1,158)
Issuance of common units, net	—	—	—	—	9,646,430	375,722	375,722
Stock-based compensation, net	—	—	—	—	(2,855)	3,599	3,599
Balances, September 30, 2019	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>797,644</u>	<u>\$ 22,924</u>	<u>98,932,429</u>	<u>\$3,143,679</u>	<u>\$ 3,332,780</u>

Nine Months Ended September 30, 2018

	Preferred Units		Common Units				Total Partnership Capital
	Limited Partners' Capital (1)		General Partner's Capital (2)		Limited Partners' Capital (1)		
	Units	Amount	Units	Amount	Units	Amount	
Balances, December 31, 2017	6,900,000	\$ 166,193	797,644	\$ 24,426	88,976,491	\$3,128,990	\$ 3,319,609
Net income	—	—	—	229	—	30,489	30,718
Partnership distributions declared on preferred units	—	—	—	—	—	(2,588)	(2,588)
Net income after preferred distributions	—	—	—	229	—	27,901	28,130
Partnership distributions declared on common units	—	—	—	(701)	—	(77,880)	(78,581)
Tax withholdings related to net settlement of common units	—	—	—	—	(12,188)	(484)	(484)
Repurchase of partnership units	—	—	—	—	(2,632,210)	(104,042)	(104,042)
Stock-based compensation, net	—	—	—	—	183,081	4,091	4,091
Balances, March 31, 2018	<u>6,900,000</u>	<u>\$ 166,193</u>	<u>797,644</u>	<u>\$ 23,954</u>	<u>86,515,174</u>	<u>\$2,978,576</u>	<u>\$ 3,168,723</u>
Net income	—	—	—	133	—	17,031	17,164
Partnership distributions declared on preferred units	—	—	—	—	—	(2,588)	(2,588)
Net income after preferred distributions	—	—	—	133	—	14,443	14,576
Partnership distributions declared on common units	—	—	—	(703)	—	(76,440)	(77,143)
Tax withholdings related to net settlement of common units	—	—	—	—	(28,375)	(1,173)	(1,173)
Repurchase of partnership units	—	—	—	—	(1,612,236)	(64,123)	(64,123)
SMTA dividend distribution	—	—	—	—	—	(216,005)	(216,005)
Stock-based compensation, net	—	—	—	—	42,306	4,431	4,431
Balances, June 30, 2018	<u>6,900,000</u>	<u>\$ 166,193</u>	<u>797,644</u>	<u>\$ 23,384</u>	<u>84,916,869</u>	<u>\$2,639,709</u>	<u>\$ 2,829,286</u>
Net income	—	—	—	281	—	29,775	30,056
Partnership distributions declared on preferred units	—	—	—	—	—	(2,588)	(2,588)
Net income after preferred distributions	—	—	—	281	—	27,187	27,468
Partnership distributions declared on common units	—	—	—	(514)	—	(53,032)	(53,546)
Tax withholdings related to net settlement of common units	—	—	—	—	(16,509)	(690)	(690)
Issuance of partnership units	—	(16)	—	—	—	—	(16)
Stock-based compensation, net	—	—	—	—	(1,743)	2,856	2,856
Balances, September 30, 2018	<u>6,900,000</u>	<u>\$ 166,177</u>	<u>797,644</u>	<u>\$ 23,151</u>	<u>84,898,617</u>	<u>\$2,616,030</u>	<u>\$ 2,805,358</u>

(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.

See accompanying notes.

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

	Nine Months Ended September 30,	
	2019	2018
Operating activities		
Net income	\$ 170,609	\$ 77,938
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126,598	156,476
Impairments	13,231	17,197
Amortization of deferred financing costs	5,155	7,442
Amortization of debt discounts	5,805	10,888
Amortization of deferred losses on interest rate swaps	156	—
Loss on termination of interest rate swaps	12,461	—
Payment for termination of interest rate swaps	(24,843)	—
Stock-based compensation expense	10,995	12,189
Loss (gain) on debt extinguishment	11,473	(26,729)
Gain on dispositions of real estate and other assets	(70,760)	(553)
Non-cash revenue	(13,581)	(14,239)
Bad debt expense and other	184	1,596
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Acquisitions of real estate	(719,081)	(242,491)
Capitalized real estate expenditures	(32,902)	(26,769)
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Proceeds from redemption of preferred equity investment	150,000	—
Collections from investment in Master Trust 2014	33,535	—
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Proceeds from dispositions of real estate and other assets, net	230,529	41,461
Net cash used in investing activities	(328,616)	(237,391)

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

	Nine Months Ended September 30,	
	2019	2018
Financing activities		
Borrowings under revolving credit facilities	744,700	737,800
Repayments under revolving credit facilities	(891,000)	(692,800)
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Repayments under mortgages and notes payable	(198,645)	(167,671)
Borrowings under term loans	820,000	420,000
Repayments under term loans	(1,240,000)	—
Repayments under Convertible Notes	(402,500)	—
Borrowings under Senior Unsecured Notes	1,198,264	—
Debt extinguishment costs	(12,590)	(2,968)
Deferred financing costs	(20,230)	(1,417)
Cash, cash equivalents and restricted cash held by SMTA at Spin-Off	—	(73,081)
Sale of SubREIT preferred shares	—	5,000
Proceeds from issuance of partnership units, net of offering costs	538,003	—
Repurchase of partnership units, including tax withholdings related to net settlement of common units	(2,540)	(170,512)
Common distributions paid	(164,191)	(236,663)
Preferred distributions paid	(7,763)	(7,764)
Net cash provided by (used in) financing activities	361,508	(85,829)
Net increase (decrease) in cash, cash equivalents and restricted cash	292,245	(89,408)
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Cash paid for interest	\$ 61,755	\$ 94,050
Cash paid for income taxes	\$ 1,121	\$ 1,133

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	2019	2018
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Distributions declared and unpaid	\$ 62,322	\$ 54,217
Relief of debt through sale or foreclosure of real estate properties	10,368	56,119
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Accrued interest capitalized to principal ⁽¹⁾	251	1,719
Accrued market-based award dividend rights	847	811
Accrued capitalized costs	2,065	—
Accrued deferred financing costs	2,048	—
Financing provided in connection with disposition of assets	—	2,888
Right-of-use lease assets	6,143	—
Lease liabilities	6,143	—
Reclass of residual value from direct financing lease to operating lease	5,841	—
Investment in preferred shares	—	150,000
Non-cash distribution to SMTA, net	—	142,924

⁽¹⁾Accrued and overdue interest on certain CMBS notes that were intentionally placed in default.

See accompanying notes.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.

Notes to Consolidated Financial Statements

September 30, 2019

(Unaudited)

Note 1. Organization

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 other 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"), the Company completed the spin-off (the "Spin-Off") of the assets that collateralized Master Trust 2014, properties leased to Shopko, and certain other assets into an independent, publicly traded REIT, Spirit MTA REIT ("SMTA"). For periods prior to the Spin-Off, the historical financial results of SMTA are reflected in our consolidated financial statements as discontinued operations.

The Company formed Spirit Realty AM Corporation ("SRAM"), a wholly-owned taxable REIT subsidiary on March 28, 2018. The Company transferred its Asset Management Agreement to SRAM on April 1, 2019. The Company allocates personnel and other general and administrative costs to SRAM for management services provided to SMTA, including the sale of Master Trust 2014 on September 20, 2019.

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, 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.

The Company also consolidates a variable interest entity ("VIE") when the Company is determined to be the primary beneficiary. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company's determination of the primary beneficiary of a VIE considers all relationships between the Company and the VIE, including management agreements and other contractual arrangements. The Company evaluated SMTA under ASC 810 *Consolidation* at time of Spin-Off and continues to evaluate quarterly thereafter. As a result of this analysis, the Company concluded that it no longer has variable interests in SMTA as of September 30, 2019. Control of SMTA is therefore evaluated under the voting interest model and does not require consolidation by the Company.

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.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.

Notes to Consolidated Financial Statements – (continued)

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(Unaudited)

These consolidated financial statements include certain special purpose entities that were formed 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, 2019 and December 31, 2018, net assets totaling \$0.45 billion and \$0.90 billion, respectively, were held, and net liabilities totaling \$0.28 billion and \$0.48 billion, respectively, were owed by these encumbered special purpose entities and are included in the accompanying consolidated balance sheets.

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 had a major effect on the Company's results and, therefore, SMTA 's operations qualify as discontinued operations. See Note 12 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.

Revenue Recognition

Rental Income: Cash and Straight-line Rent

The Company primarily leases real estate to its tenants under long-term, triple-net leases that are classified as operating leases. To evaluate lease classification, the Company assesses the terms and conditions of the lease to determine the appropriate lease term. For the majority of our operating leases at September 30, 2019, the lease includes one or more options to extend, typically for a period of five to ten years per renewal option. Excluding Walgreen Co., less than 1% of the Company's operating leases at September 30, 2019 include an option to terminate. Walgreen Co. leases are generally for fifty years or more with several five-year termination periods after an initial non-cancelable term. For less than 6% of operating leases at September 30, 2019, the lease includes an option to purchase, where the purchase option is generally determined based on fair market value of the underlying property. The Company does not include any of these options in its evaluation for lease classification purposes or for recognizing rental income unless the Company is reasonably certain the tenant will exercise the option.

Another component of lease classification which requires significant assumptions and judgment is the amount expected to be derived from the property at the end of the lease term. Generally, the Company assumes a value that is equal to net book value of the property at the date of the assessment, as the Company generally expects fair value to be equal to or greater than net book value. The Company seeks to protect residual value through its underwriting of acquisitions, incorporating the proprietary Spirit Property Ranking Model which is real estate centric. Once a property is acquired, the lessee is responsible for maintenance of the property, including insurance protecting any damage to the property. To further protect residual value, the Company supplements the tenant insurance policy with a master policy covering all properties owned by the Company. As an active manager, the Company will occasionally invest in capital improvements on properties, re-lease properties to new tenants or extend lease terms to protect residual value.

Some of the Company's leases provide for contingent rent based on a percentage of the tenant's gross sales. For contingent rentals that are based on a percentage of the tenant's gross sales, the Company recognizes contingent rental revenue when the change in the factor on which the contingent lease payment is based actually occurs.

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Notes to Consolidated Financial Statements – (continued)

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The Company's leases generally provide for rent escalations throughout the lease terms. For leases that have contingent rent escalators indexed to future changes in the CPI, they may adjust over a one-year period or over multiple-year periods. Typically, these CPI-based escalators increase rent at a multiple of any increase in the CPI over a specified period. Because of the volatility and uncertainty with respect to future changes in the CPI and the Company's inability to determine the extent to which any specific future change in the CPI is probable at each rent adjustment date during the entire term of these leases, increases in rental revenue from leases with this type of escalator are recognized when the changes in the rental rates have occurred.

For leases that provide for fixed contractual escalations, rental revenue is recognized on a straight-line basis to produce a constant periodic rent over the term of the lease. Accordingly, accrued rental revenue, calculated as the aggregate difference between the rental revenue recognized on a straight-line basis and scheduled rents, represents unbilled rent receivables that the Company will receive only if the tenants make all rent payments required through the expiration of the initial term of the leases.

Rental income is subject to an evaluation for collectability, which 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, as well as the tenant's payment history and financial condition. The Company records a provision for losses against rental income for amounts that are not probable of collection.

Rental Income: Tenant Reimbursement Revenue

Under a triple-net lease, the tenant is typically responsible for all improvements and is contractually obligated to pay all property operating expenses, such as real estate taxes, insurance premiums and repair and maintenance costs. Certain leases contain additional amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses, which are non-lease components. The Company has elected to combine all its non-lease components, which were determined to have the same pattern of transfer as the related operating lease component, into a single combined lease component. Tenant reimbursement revenue is variable and is recognized as revenue in the period in which the related expenses are incurred, with the related expense included in property costs (including reimbursable). Tenant reimbursements are recorded on a gross basis in instances when our tenants reimburse us for property costs which we incur. Tenant receivables are carried net of any allowances for amounts that are not probable of collection.

Rental Income: Intangible Amortization

Initial direct costs associated with the origination of a lease are deferred and amortized over the related lease term as an adjustment to rental revenue. In-place lease intangibles are amortized on a straight-line basis over the remaining initial term of the related lease and included in depreciation and amortization expense. Above-market lease intangibles are amortized over the remaining initial terms of the respective leases as a decrease in rental revenue. Below-market lease intangibles are amortized as an increase to rental revenue over the remaining initial term of the respective leases, but may be amortized over the renewal periods if the Company believes it is reasonably certain the tenant will exercise the renewal option. If the Company believes it is reasonably certain a lease will terminate early, the unamortized portion of any related lease intangible is immediately recognized in impairments in the Company's consolidated statements of operations.

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 provided for reserves for uncollectible amounts totaling \$3.7 million and \$4.9 million at September 30, 2019 and December 31, 2018, respectively, against accounts receivable balances of \$10.0 million and \$12.4 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 receivable balances related to the straight-line method of reporting rental revenue, the collectability is assessed in conjunction with the evaluation of rental income as described above. The Company has a reserve for losses of \$0.7 million and \$1.1 million at September 30, 2019 and December 31, 2018, respectively, against straight-line receivables of \$79.7 million and \$69.4 million, respectively. These receivables are recorded within deferred costs and other assets, net in the accompanying consolidated balance sheets.

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Notes to Consolidated Financial Statements – (continued)
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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, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents	\$ 358,440	\$ 14,493	\$ 7,578
Restricted cash:			
Collateral deposits ⁽¹⁾	469	351	423
Tenant improvements, repairs, and leasing commissions ⁽²⁾	10,431	9,093	8,898
Master Trust Release ⁽³⁾	—	7,412	7,410
1031 Exchange proceeds, net	—	45,042	—
Other ⁽⁴⁾	326	1,030	990
Total cash, cash equivalents and restricted cash	<u>\$ 369,666</u>	<u>\$ 77,421</u>	<u>\$ 25,299</u>

⁽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 the Master Trust 2013 notes, which were held on deposit until a qualifying substitution was made or the funds were applied as prepayment of principal. The Master Trust 2013 notes were extinguished in June 2019. See Note 4 for further detail.

⁽⁴⁾Funds held in lender-controlled accounts released after scheduled debt service requirements are met.

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.

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. 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. The Company transferred its Asset Management Agreement to SRAM, a wholly-owned taxable REIT subsidiary of Spirit on April 1, 2019. Accordingly, commencing from April 1, 2019, all of the asset management fees, including the termination fee income, were considered non-REIT activities and are subject to income tax.

The components of income taxes are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
US Federal Income Tax	\$ 10,402	\$ 51	\$ 10,500	\$ 64
State Income Tax	788	84	1,230	411
Total Income Tax	<u>\$ 11,190</u>	<u>\$ 135</u>	<u>\$ 11,730</u>	<u>\$ 475</u>

The federal income tax related to SRAM for the three and nine months ended September 30, 2019 is \$10.4 and \$10.5 million, respectively and the state income tax for both the three and nine months ended September 30, 2019 is \$0.7 million. Income tax expense for SRAM attributable to income before income taxes differs from the amounts computed by applying

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.

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the U.S. statutory federal income tax rate of 21% to income before income taxes. The difference between the statutory rate and reported amount for SRAM is caused by non-deductible expense executive compensation totaling \$0.7 million and the impact of state income taxes, net of federal income tax benefit totaling \$0.2 million. SRAM has no material deferred income taxes and liabilities as of September 30, 2019.

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.

New Accounting Pronouncements

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 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, and as such, the Company adopted ASU 2016-02 effective January 1, 2019. 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 as follows:

- The Company elected to use the package of practical expedients, which permits the Company to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) any initial direct costs for any existing leases as of the effective date.
- The Company elected to use the comparative period expedient, which permits the Company to recognize any cumulative adjustments as of the date of initial application and not record adjustments to prior reported periods. As a result of this election, bad debt expense is being presented in "rental income" on a prospective basis, compared to "property costs (including reimbursable)" for periods prior to January 1, 2019. There was no bad debt expense for the three months ended September 30, 2019 and there was \$0.3 million for the nine months ended September 30, 2019. The adoption of the lease standard did not result in a cumulative catch-up adjustment to opening equity.
- The Company elected to use the land easements expedient, which permits the Company to not reassess land easements for potential lease classification.
- The Company elected to use the components expedient, which permits the Company to not separate non-lease components from lease components if timing and pattern of transfer is the same. The Company elected this expedient for all lessee and lessor operating leases, where certain leases contain non-lease components related to tenant reimbursement, and concluded that the leasing component is the predominant component.
- The Company elected not to use the hindsight expedient, which would require the re-evaluation of the lease term on all leases using current facts and circumstances.

As a lessee, the Company recognized the right-of-use lease assets and lease liabilities for our operating leases of \$6.4 million and \$8.6 million, respectively, on January 1, 2019, which are included in deferred costs and other assets, net and accounts payable, accrued expenses and other liabilities, respectively, on the accompanying consolidated balance sheet. As a lessor, our recognition of rental income remained materially consistent with previous guidance, apart from expanded disclosure requirements. As such, the Company concludes that the overall impact of the ASU had no material impact on the Company's reported revenues, results of operations or financial position.

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. Per the subsequently issued ASU 2018-19, receivables arising from operating leases are not within the scope of ASU 2016-13. As such, the Company is currently evaluating the impact of this ASU on its consolidated financial statements, but does not expect its impact to be material.

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Note 3. Investments

As of September 30, 2019, the Company's gross investment in real estate properties and loans totaled approximately \$5.6 billion, representing investments in 1,666 properties, including 43 properties securing mortgage loans. The gross 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 48 states with Texas, at 12.2%, 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.

Owned Properties

During the nine months ended September 30, 2019, the Company had the following owned real estate activity, net of accumulated depreciation and amortization (dollars in thousands):

	Number of Properties			Dollar Amount of Investments		
	Held in Use	Held for Sale	Total	Held in Use	Held for Sale	Total
Gross balance, December 31, 2018	1,459	3	1,462	\$ 5,054,524	\$ 22,064	\$ 5,076,588
Acquisitions/improvements ⁽¹⁾⁽²⁾	195	—	195	753,076	—	753,076
Dispositions of real estate ⁽³⁾⁽⁴⁾	(11)	(23)	(34)	(61,285)	(134,699)	(195,984)
Transfers to Held for Sale	(25)	25	—	(126,883)	126,883	—
Transfers from Held for Sale	—	—	—	—	—	—
Impairments	—	—	—	(8,302)	(4,929)	(13,231)
Write-off of intangibles	—	—	—	(7,267)	(2,945)	(10,212)
Other	—	—	—	—	—	—
Gross balance, September 30, 2019	<u>1,618</u>	<u>5</u>	<u>1,623</u>	<u>5,603,863</u>	<u>6,374</u>	<u>5,610,237</u>
Accumulated depreciation				(689,346)	(778)	(690,124)
Accumulated amortization				(112,788)	(78)	(112,866)
Net balance, September 30, 2019 ⁽⁵⁾				<u>\$ 4,801,729</u>	<u>\$ 5,518</u>	<u>\$ 4,807,247</u>

⁽¹⁾Includes investments of \$30.2 million in revenue producing capitalized expenditures, as well as \$4.9 million of non-revenue producing capitalized expenditures during the nine months ended September 30, 2019.

⁽²⁾62 properties were acquired through sale-lease back transactions, representing \$418.5 million of investment, during the nine months ended September 30, 2019.

⁽³⁾For the nine months ended September 30, 2019, the total gain on disposal of assets for properties held in use and held for sale was \$38.8 million and \$32.0 million, respectively.

⁽⁴⁾Includes one deed-in-lieu property with a real estate investment of \$0.8 million that was transferred to the lender during the nine months ended September 30, 2019.

⁽⁵⁾Reconciliation of total owned investments to the accompanying consolidated balance sheet at September 30, 2019 is as follows:

Held in Use land and buildings, net of accumulated depreciation	\$ 4,592,169
Intangible lease assets, net	311,597
Real estate assets under direct financing leases, net	14,478
Real estate assets held for sale, net	5,518
Intangible lease liabilities, net	(116,515)
Net balance	<u>\$ 4,807,247</u>

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.
Notes to Consolidated Financial Statements – (continued)
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(Unaudited)

Operating Leases

As of September 30, 2019 and December 31, 2018, the Company held 1,621 and 1,458 properties under operating leases, respectively. The following table summarizes the components of rental income recognized on these operating leases in the accompanying consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Base cash rent	\$ 100,962	\$ 92,292	\$ 296,179	\$ 372,126
Variable cash rent (including reimbursables)	2,823	3,641	9,403	12,762
Straight-line rent, net of bad debt expense ⁽¹⁾	4,770	3,582	12,162	12,670
Amortization of above- and below- market lease intangibles, net ⁽²⁾	956	1,312	2,340	3,684
Total rental income	\$ 109,511	\$ 100,827	\$ 320,084	\$ 401,242

⁽¹⁾As a result of the Company's adoption of ASU 2016-02 on January 1, 2019, the Company reclassified bad debt expense to rental income on a prospective basis. See Note 2 for additional detail.

⁽²⁾Excludes amortization of in-place leases of \$7.2 million and \$7.0 million for the three months ended September 30, 2019 and 2018, respectively, and \$20.4 million and \$21.2 million for the nine months ended September 30, 2019 and 2018, respectively, which is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

Scheduled minimum future contractual rent to be received under the remaining non-cancelable term of these operating leases (including contractual fixed rent increases occurring on or after October 1, 2019) at September 30, 2019 are as follows (in thousands):

	September 30, 2019
Remainder of 2019	\$ 102,482
2020	406,783
2021	390,425
2022	371,402
2023	350,929
Thereafter	2,736,420
Total future minimum rentals	\$ 4,358,441

Because lease renewals are exercisable at the lessees' options, 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.

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

	September 30, 2019	December 31, 2018
In-place leases	\$ 402,902	\$ 381,143
Above-market leases	68,970	62,902
Less: accumulated amortization	(160,275)	(149,582)
Intangible lease assets, net	\$ 311,597	\$ 294,463
Below-market leases	\$ 164,001	\$ 167,527
Less: accumulated amortization	(47,486)	(47,365)
Intangible lease liabilities, net	\$ 116,515	\$ 120,162

SPiRiT REALTY CAPITAL, INC. and SPiRiT REALTY, L.P.
Notes to Consolidated Financial Statements – (continued)
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(Unaudited)

Direct Financing Leases

As of September 30, 2019 and December 31, 2018, the Company held two and four properties under direct financing leases, respectively, all of which were held in use. The components of real estate investments held under direct financing leases were as follows (in thousands):

	September 30, 2019	December 31, 2018
Minimum lease payments receivable	\$ 4,448	\$ 5,390
Estimated residual value of leased assets	14,256	20,097
Unearned income	(4,226)	(5,198)
Real estate assets under direct financing leases, net	<u>\$ 14,478</u>	<u>\$ 20,289</u>

Scheduled minimum future payments to be received under the remaining non-cancelable term of these direct financing leases at September 30, 2019 are as follows (in thousands):

	September 30, 2019
Remainder of 2019	\$ 280
2020	577
2021	527
2022	541
2023	554
Thereafter	1,969
Total future minimum rentals	<u>\$ 4,448</u>

Loans Receivable

The mortgage loans are secured by single-tenant commercial properties and generally have fixed interest rates over the term of the loans. There are two other notes receivable included within loans receivable as of September 30, 2019, of which one note totaling \$0.1 million is secured by tenant assets and stock and the other note, with a balance of \$1.9 million, is unsecured. During the nine months ended September 30, 2019, the Company had the following loan activity:

	Mortgage Loans		Other Notes	Total
	Properties	Investment	Investment	Investment
Principal, December 31, 2018	52	\$ 42,660	\$ 2,082	\$ 44,742
Acquisitions	—	—	—	—
Dispositions	—	—	—	—
Principal payments and payoffs	(9)	(9,220)	(83)	(9,303)
Allowance for loan losses	—	—	—	—
Principal, September 30, 2019	<u>43</u>	<u>\$ 33,440</u>	<u>\$ 1,999</u>	<u>\$ 35,439</u>

SPiRiT REALTY CAPITAL, INC. and SPiRiT REALTY, L.P.
Notes to Consolidated Financial Statements – (continued)
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(Unaudited)

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

	September 30, 2019	December 31, 2018
Mortgage loans - principal	\$ 33,440	\$ 42,660
Mortgage loans - premiums, net of amortization	1,308	2,527
Allowance for loan losses	—	—
Mortgage loans, net	34,748	45,187
Other notes receivable - principal	1,999	2,082
Other notes receivable - discounts, net of amortization	(177)	(225)
Allowance for loan losses	—	—
Other notes receivable, net	1,822	1,857
Total loans receivable, net	\$ 36,570	\$ 47,044

Impairments

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Real estate and intangible asset impairment	\$ 5,932	\$ 1,279	\$ 13,231	\$ 17,214
Recovery of loans receivable, previously impaired	—	—	—	(17)
Total impairment loss	\$ 5,932	\$ 1,279	\$ 13,231	\$ 17,197

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, 2019	December 31, 2018
			(in Years)	(In Thousands)	
Revolving credit facilities	6.40%	—	3.5	\$ —	\$ 146,300
Term loans	3.87%	—	—	—	420,000
Senior Unsecured Notes	3.74%	3.73%	8.9	1,500,000	300,000
Master Trust Notes	5.53%	—	—	—	167,854
CMBS	5.73%	5.35%	3.9	261,741	274,758
Related party notes payable	0.96%	—	—	—	27,890
Convertible Notes	5.18%	3.75%	1.6	345,000	747,500
Total debt	4.56%	3.93%	7.1	2,106,741	2,084,302
Debt discount, net				(10,664)	(14,733)
Deferred financing costs, net ⁽⁴⁾				(18,569)	(14,932)
Total debt, net				\$ 2,077,508	\$ 2,054,637

⁽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 nine months ended September 30, 2019 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, 2019.

⁽³⁾Represents the weighted average maturity based on the outstanding principal balance as of September 30, 2019.

⁽⁴⁾The Company records deferred financing costs for its revolving credit facilities in deferred costs and other assets, net on its consolidated balance sheets.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.

Notes to Consolidated Financial Statements – (continued)

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(Unaudited)

Revolving Credit Facilities

The Operating Partnership had access to an unsecured credit facility, the 2015 Credit Facility, which had a borrowing capacity of \$800.0 million at December 31, 2018. On January 14, 2019, the Operating Partnership entered into a new 2019 Revolving Credit and Term Loan Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and various lenders, comprised of the 2019 Credit Facility and the A-1 Term Loans. The 2019 Facilities Agreements replaced the existing 2015 Credit Agreement and 2015 Term Loan Agreement. The 2019 Credit Facility is comprised of \$800.0 million of aggregate revolving commitments with a maturity date of March 31, 2023 and includes two six-month extensions that can be exercised at the Company's option. The 2019 Revolving Credit and Term Loan Agreement includes an accordion feature providing for an additional \$400.0 million of revolving borrowing capacity, subject to satisfying certain requirements and obtaining additional lender commitments.

As of September 30, 2019, the outstanding loans under the 2019 Credit Facility bore interest at LIBOR plus an applicable margin of 0.90% per annum and the aggregate revolving commitments incurred a facility fee of 0.20% per annum, in each case, based on the Operating Partnership's credit rating, which was upgraded to BBB by S&P in May 2019. Prior to the upgrade, the 2019 Credit Facility bore interest at LIBOR plus an applicable margin of 1.10% per annum and the aggregate revolving commitments incurred a facility fee of 0.25% per annum.

In connection with entering into the 2019 Credit Facility, the Company incurred costs of \$4.8 million. These deferred financing costs are being amortized to interest expense over the remaining initial term of the 2019 Credit Facility. The unamortized deferred financing costs relating to the 2019 Credit Facility were \$4.0 million as of September 30, 2019, compared to \$0.4 million relating to the 2015 Credit Facility as of December 31, 2018, and are recorded in deferred costs and other assets, net on the accompanying consolidated balance sheets.

As of September 30, 2019, the full \$800.0 million of borrowing capacity was available under the 2019 Credit Facility. No outstanding letters of credit existed under the agreement as of September 30, 2019. The Operating Partnership's ability to borrow under the 2019 Credit Facility is subject to ongoing compliance with a number of customary financial covenants and other customary affirmative and negative covenants. As of September 30, 2019, the Company and the Operating Partnership were in compliance with these financial covenants.

Term Loans

The Operating Partnership had an unsecured term loan facility, the 2015 Term Loan, which had a facility size of \$420.0 million and unamortized deferred financing costs of \$0.4 million as of December 31, 2018. Unamortized deferred financing costs are recorded net against the principal balance of term loans, net on the accompanying consolidated balance sheets.

As discussed above, on January 14, 2019, the Operating Partnership entered into a new 2019 Revolving Credit and Term Loan Agreement, comprised of the 2019 Credit Facility and the A-1 Term Loans, which replaced the existing 2015 Credit Agreement and 2015 Term Loan Agreement. The A-1 Term Loans had an aggregate borrowing amount of \$420.0 million with a maturity date of March 31, 2024. The Revolving Credit and Term Loan Agreement included an accordion feature providing for an additional \$200.0 million of term loans, subject to satisfying certain requirements and obtaining additional lender commitments.

In addition, on January 14, 2019, the Operating Partnership entered into new A-2 Term Loans with Bank of America, N.A. as administrative agent and various lenders, comprised of \$400.0 million of delayed draw term loans with a maturity date of March 31, 2022. The A-2 Term Loans included an accordion feature providing for an additional \$200.0 million of term loans, subject to satisfying certain requirements and obtaining additional lender commitments. The Company drew on the A-2 Term Loans to retire the 2.875% Convertible Notes upon their maturity in May 2019.

Subsequent to the credit rating upgrade in May 2019, the A-1 Term Loans and A-2 Term Loans bore interest at LIBOR plus an applicable margin of 1.00% per annum based on the Operating Partnership's credit rating. Prior to the credit rating upgrade, they bore interest at LIBOR plus an applicable margin of 1.25%. In addition, a ticking fee accrued on the unused portion of the commitments for the A-2 Term Loans at a rate of 0.20% until the earlier of July 12, 2019 and the termination of the commitments.

On September 16, 2019, in connection with the issuance of the 2027 Senior Unsecured Notes and 2030 Senior Unsecured Notes described below, the Company repaid the A-1 Term Loans and A-2 Term Loans in full and recognized a loss on debt extinguishment of \$5.3 million.

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Notes to Consolidated Financial Statements – (continued)

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Senior Unsecured Notes

On August 18, 2016, the Operating Partnership issued \$300.0 million aggregate principal amount of senior notes, which are guaranteed by the Company. The 2026 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 2026 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.

On June 27, 2019, the Operating Partnership issued \$400.0 million aggregate principal amount of senior notes, which are guaranteed by the Company. The 2029 Senior Unsecured Notes were issued at 99.274% of their principal face amount, resulting in net proceeds of \$395.9 million, after deducting the debt discount and transaction fees and expenses. The 2029 Senior Unsecured Notes accrue interest at a rate of 4.00% per annum, payable on January 15 and July 15 of each year, and mature on July 15, 2029.

On September 16, 2019, the Operating Partnership issued \$800.0 million aggregate principal amount of senior notes, comprised of the 2027 Senior Unsecured notes and 2030 Unsecured Notes, which are guaranteed by the Company. The \$300.0 million aggregate principal amount of 2027 Senior Unsecured Notes, were issued at 99.281% of their principal face amount, resulting in net proceeds of \$297.0 million, after deducting the debt discount and transaction fees and expenses. The 2027 Senior Unsecured Notes accrue interest at a rate of 3.200% per annum, payable on January 15 and July 15 of each year, and mature on January 15, 2027. The \$500.0 million aggregate principal amount of 2030 Senior Unsecured Notes, were issued at 99.120% of their principal face amount, resulting in net proceeds of \$494.2 million, after deducting the debt discount and transaction fees and expenses. The 2030 Senior Unsecured Notes accrue interest at a rate of 3.400% per annum, payable on January 15 and July 15 of each year, and mature on January 15, 2030.

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 respective 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 respective indenture. Notwithstanding the foregoing, if any of the Senior Unsecured Notes are redeemed three months or less (or two months or less in the case of the 2027 Senior Unsecured Notes) prior to their respective maturity dates, the redemption price will not include a make-whole premium.

In connection with the 2016 offering, the Operating Partnership incurred \$3.4 million in deferred financing costs and an offering discount of \$1.9 million. In connection with the June 2019 offering, the Operating Partnership incurred \$3.8 million in deferred financing costs and an offering discount of \$0.3 million. In connection with the September 2019 offering, the Operating Partnership incurred \$7.3 million in deferred financing costs and an offering discount of \$1.5 million. These amounts are being amortized to interest expense over the lives of the respective Senior Unsecured Notes. As of September 30, 2019 and December 31, 2018, the unamortized deferred financing costs were \$13.4 million and \$2.7 million, respectively, and the unamortized discount was \$3.1 million and \$1.5 million, respectively. Both the deferred financing costs and offering discount are 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 covenants. As of September 30, 2019, the Company and the Operating Partnership were in compliance with these financial covenants.

Master Trust Notes

Master Trust 2013 is an asset-backed securitization platform 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 June 20, 2019, the Company elected to retire the Master Trust 2013 notes, which had one series of notes outstanding, Series 2013-2 Class A, with a stated interest rate of 5.27%. These notes were issued by a single indirect wholly-owned subsidiary of the Company which is a bankruptcy-remote, special purpose entity, and were secured by 267 owned and financed properties at time of repayment. As a result of the early repayment, the properties securing the notes became unencumbered and the Company recognized a loss on debt extinguishment of \$15.0 million.

CMBS

As of September 30, 2019, indirect wholly-owned special purpose entity subsidiaries of the Company were borrowers under six fixed-rate non-recourse loans, which have been securitized into CMBS and are secured by the borrowers' respective

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leased properties and related assets. The stated interest rates of the loans as of September 30, 2019 ranged from 4.67% to 6.00%, with a weighted average stated interest rate of 5.35%. As of September 30, 2019, the loans were secured by 100 properties. As of September 30, 2019 and December 31, 2018, the unamortized deferred financing costs associated with these fixed-rate loans were \$2.7 million and \$3.2 million, respectively, and the unamortized net offering premium was \$0.1 million as of both periods. Both the deferred financing costs and offering premium 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.

Related Party Mortgage Loans Payable

Wholly-owned subsidiaries of the Company were the borrower on four mortgage loans payable to SMTA and secured by six single-tenant commercial properties. In total, these mortgage notes had outstanding principal of \$27.9 million at December 31, 2018, which is included in mortgages and notes payable, net on the consolidated balance sheets. These mortgage notes had a weighted average stated interest rate of 1.00% and were eligible for early repayment without penalty. In conjunction with SMTA's completed sale of Master Trust 2014, the Company repaid the four mortgage loans in full, extinguishing the related party mortgage loans payable with no gain or loss on debt extinguishment. Additionally, the Company sold three of the underlying properties for gross proceeds of \$55.0 million. See Note 11 for additional detail.

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. 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 2019 Notes matured on May 15, 2019 and were settled in cash. The 2021 Notes will mature on May 15, 2021 and interest is payable semiannually in arrears on May 15 and November 15 of each year.

The 2021 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 was 15.2727 shares of common stock per \$1,000 principal note (equivalent to an initial conversion price of \$65.48 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 2021 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 \$0.73026 per share. As of September 30, 2019, the conversion rate was 17.4458 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 2021 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, 2019 and December 31, 2018, the unamortized discount was \$7.7 million and \$13.3 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.

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, 2019 and December 31, 2018, the unamortized deferred financing costs relating to the Convertible Notes were \$2.4 million and \$4.3 million, respectively, and recorded net against the Convertible Notes principal balance on the accompanying consolidated balance sheets.

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Notes to Consolidated Financial Statements – (continued)
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Debt Extinguishment

During the nine months ended September 30, 2019, the Company extinguished a total of \$2.0 billion aggregate principal amount of indebtedness and recognized a total net loss on debt extinguishment of \$11.5 million, comprised of the following:

- repayment and termination of the A-1 Term Loans and A-2 Term Loans, resulting in a loss on debt extinguishment of \$5.3 million
- retirement of the Master Trust 2013 notes, resulting in a loss on debt extinguishment of \$15.0 million
- extinguishment of \$10.4 million principal amount of CMBS indebtedness on one defaulted loan, which was secured by one property and had a default interest rate of 9.85%, resulting in a gain on debt extinguishment of \$9.5 million
- termination of the 2015 Credit Agreement and 2015 Term Loan Agreement, resulting in loss on debt extinguishment of \$0.7 million

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 debt extinguished 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.

Debt Maturities

As of September 30, 2019, scheduled debt maturities, including balloon payments, were as follows (in thousands):

	Scheduled Principal	Balloon Payment	Total
Remainder of 2019	\$ 1,004	\$ —	\$ 1,004
2020	4,100	—	4,100
2021	4,365	345,000	349,365
2022	4,617	42,400	47,017
2023	3,074	197,912	200,986
Thereafter	4,269	1,500,000	1,504,269
Total	\$ 21,429	\$ 2,085,312	\$ 2,106,741

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,	
	2019	2018	2019	2018
Interest expense – revolving credit facilities ⁽¹⁾	\$ 473	\$ 1,933	\$ 4,449	\$ 6,134
Interest expense – term loans	5,779	2,677	15,448	2,677
Interest expense – Senior Unsecured Notes	8,446	3,338	15,299	10,013
Interest expense – mortgages and notes payable	3,637	6,183	15,168	62,370
Interest expense – Convertible Notes ⁽²⁾	3,234	6,127	14,010	18,382
Interest expense – interest rate swaps/other	421	—	972	—
Non-cash interest expense:				
Amortization of deferred financing costs	1,350	1,890	5,155	7,442
Amortization of net losses related to interest rate swaps	156	—	156	—
Amortization of debt discount, net	1,179	2,636	5,805	10,888
Total interest expense	\$ 24,675	\$ 24,784	\$ 76,462	\$ 117,906

⁽¹⁾Includes facility fees of approximately \$0.4 million and \$0.5 million for the three months ended September 30, 2019 and 2018, respectively, and \$1.6 million for both the nine months ended September 30, 2019 and 2018.

⁽²⁾Included in interest expense on the Operating Partnership's consolidated statements of operations are amounts paid to the Company by the Operating Partnership related to the notes payable to Spirit Realty Capital, Inc.

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Note 5. Stockholders' Equity and Partners' Capital

Common Stock

During the nine months ended September 30, 2019, portions of restricted common stock 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 approximately 58 thousand shares of common stock valued at \$2.5 million, solely to pay the associated statutory tax withholdings during the nine months ended September 30, 2019. In May 2019, the Company entered into forward sale agreements with certain financial institutions acting as forward purchasers in connection with an offering of 11.5 million shares of common stock at an initial gross offering price of \$41.00 per share, before underwriting discounts and offering expenses. The forward purchasers borrowed and sold an aggregate of 11.5 million shares of common stock in the offering. The Company did not receive any proceeds from the sale of its shares of common stock by the forward purchasers at the time of the offering. The forward sale price that the Company received upon physical settlement of the agreements was subject to adjustment for (i) a floating interest rate factor equal to a specified daily rate less a spread, (ii) the forward purchasers' stock borrowing costs and (iii) scheduled dividends during the term of the forward sale agreements. As of September 30, 2019, all 11.5 million of these shares had been settled, generating gross proceeds of \$471.5 million.

Preferred Stock

As of September 30, 2019, 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). For both the nine months ended September 30, 2019 and 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. The agreement provides for the offer and sale of shares of the Company's common stock, \$0.05 par value per share (the "common stock"), having an aggregate gross sales price of up to \$500.0 million through the agents, as its sales agents or, if applicable, as forward sellers for forward purchasers (as defined below), or directly to the agents acting as principals.

As of September 30, 2019, 2.4 million shares of the Company's common stock have been sold under the new ATM Program, of which 2.3 million were sold during the nine months ended September 30, 2019 at a weighted average price per share of \$39.19, generating \$91.4 million in gross proceeds. 1.8 million of these sales were through forward sales agreements, which were physically settled in shares. Aggregate gross proceeds capacity of \$404.9 million remained available under the program as of September 30, 2019.

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 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, 2019, 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.

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Dividends Declared

For the nine months ended September 30, 2019, 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				
February 28, 2019	\$ 0.375	March 15, 2019	\$ 2,588	March 29, 2019
May 30, 2019	\$ 0.375	June 14, 2019	\$ 2,588	June 28, 2019
August 13, 2019	\$ 0.375	September 13, 2019	\$ 2,587	September 30, 2019
Common Stock				
February 28, 2019	\$ 0.625	March 29, 2019	\$ 54,254	April 15, 2019
May 30, 2019	\$ 0.625	June 28, 2019	\$ 56,318	July 15, 2019
August 13, 2019	\$ 0.625	September 30, 2019	\$ 62,322	October 15, 2019

The Common Stock dividend declared on August 13, 2019 is included in accounts payable, accrued expenses and other liabilities in the consolidated balance sheets as of September 30, 2019.

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. The Company is contingently liable for \$5.7 million of debt owed by one of its former tenants until the maturity of the debt on March 15, 2022 and is indemnified by that former tenant for any payments the Company may be required to make on such debt. The Company has accrued the full \$5.7 million liability in accounts payable, accrued expenses and other liabilities in the consolidated balance sheets as of both September 30, 2019 and December 31, 2018.

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, 2019, no accruals have been made.

As of September 30, 2019, 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.

Purchase and Capital Improvement Commitments

As of September 30, 2019, the Company had commitments totaling \$75.0 million, of which \$38.1 million relates to future acquisitions, with the remainder to fund improvements on properties the Company currently owns. Commitments related to acquisitions contain standard cancellation clauses contingent on the results of due diligence. \$44.9 million of these commitments are expected to be funded during fiscal year 2019, with the remainder to be funded by 2021.

Lessee Contracts

The Company leases its corporate office space and certain office equipment, which are classified as operating leases. The Company's lease of its corporate office space has an initial term that expires on January 31, 2027 and is renewable at the Company's option for two additional periods of five years each after the initial term. The lease can be early terminated by the Company on July 31, 2023 for a fee based on rent at time of termination. The corporate office lease contains a variable lease cost related to the lease of parking spaces and a non-lease component related to the reimbursement of certain common area maintenance expenses, both of which are recognized as incurred.

The Company is also a lessee under four long-term, non-cancelable ground leases under which it is obligated to pay monthly rent as of September 30, 2019. For all four of the ground leases, rental expenses are reimbursed by unrelated third

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parties, and the corresponding rental revenue is recorded in rental income on the accompanying consolidated statements of operations. All leases are classified as operating leases and have a weighted average remaining lease term of 7.9 years.

The following table summarizes total rental expenses recognized on the accompanying consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Office Base Rental Expense	\$ 194	\$ 194	\$ 597	\$ 582
Office Variable Rental Expense	171	299	616	624
Total Office Rental Expense	\$ 365	\$ 493	\$ 1,213	\$ 1,206
Total Ground Lease Rental Expense	\$ 62	\$ 102	\$ 239	\$ 796

The Company's recorded lease liabilities under all of these operating leases as of September 30, 2019, based on minimum rental commitments less imputed interest, are as follows (in thousands):

	Ground Leases	Office Leases	Total
Remainder of 2019	\$ 63	\$ 249	\$ 312
2020	253	1,009	1,262
2021	250	1,024	1,274
2022	166	1,040	1,206
2023	142	1,055	1,197
Thereafter	675	3,349	4,024
Total	1,549	7,726	9,275
Less: imputed interest	(278)	(1,322)	(1,600)
Total operating lease liabilities	\$ 1,271	\$ 6,404	\$ 7,675

Imputed interest was calculated using a weighted-average discount rate of 4.26%. The discount rate is based on our estimated incremental borrowing rate, calculated as the treasury rate for the same period as the underlying lease term, plus a spread determined using factors including the Company's credit rating and REIT industry performance. The evaluation of the Company's right-of-use lease asset associated with the corporate office included the unamortized portion of a \$1.7 million cash lease incentive paid at inception of the lease. As of September 30, 2019, the Company had a right-of-use lease asset balance of \$5.6 million for these lessee contracts.

Note 7. Derivative and Hedging Activities

The Company uses interest rate derivative contracts to manage its exposure to changes in interest rates on its variable rate debt. These derivatives are considered cash flow hedges and are recorded on a gross basis at fair value. Assessments of hedge effectiveness are performed quarterly using either a qualitative or quantitative approach. The Company recognizes the entire change in the fair value in AOCL and the change is reflected as derivative changes in fair value in the supplemental disclosures of non-cash activities in the consolidated statement of cash flows. Amounts will subsequently be reclassified to income or expense when the hedged item affects earnings. The Company does not enter into derivative contracts for speculative or trading purposes. The Company does not have netting arrangements related to its derivatives.

The Company is exposed to credit risk in the event of non-performance by its derivative counterparties. The Company evaluates counterparty credit risk through monitoring the creditworthiness of counterparties, which includes review of debt ratings and financial performance. To mitigate credit risk, the Company enters into agreements with counterparties it considers credit-worthy, such as large financial institutions with favorable credit ratings.

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In December 2018, the Company entered into interest rate swap agreements. The following table summarizes the notional amount and fair value of these instruments (dollars in thousands), which are recorded in accounts payable, accrued expenses and other liabilities on the Company's consolidated balance sheets (dollars in thousands):

Derivatives Designated as Hedging Instruments	Notional Amount	Fixed Interest Rate	Effective Date	Maturity Date	Fair Value of Liability	
					September 30, 2019	December 31, 2018
Interest Rate Swap	\$ 200,000	2.8140%	02/01/19	02/01/24	\$ —	\$ 3,559
Interest Rate Swap	\$ 100,000	2.8174%	02/01/19	02/01/24	\$ —	\$ 1,801
Interest Rate Swap	\$ 100,000	2.8180%	02/01/19	02/01/24	\$ —	\$ 1,799
					\$ —	\$ 7,159

In three months ended September 30, 2019, the Company terminated its interest rate swaps and accelerated the reclassification of a loss of \$12.5 million from AOCL to Termination of interest rate swaps on the accompanying Consolidated Statements of Operations as a result of a portion of the hedged forecasted transactions becoming probable not to occur. Given that a proportion of the hedged transactions remained probable to occur, \$12.3 million of loss that has been deferred in other comprehensive loss will be amortized over the remaining initial term of the interest rate swaps through March 31, 2024.

The following table provides information about the amounts recorded in AOCL, as well as the loss recorded in operations, when reclassified out of AOCL, for the three and nine months ended September 30, 2019 (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Gross amount of loss recognized in AOCL on derivatives	\$ 4,267	\$ 18,593
Amount of loss reclassified from AOCL to termination of interest rate swaps	\$ (12,462)	\$ (12,462)
Amount of loss reclassified from AOCL to interest ⁽¹⁾	\$ (577)	\$ (1,128)

⁽¹⁾Interest expense for the three and nine months ended September 30, 2019 was \$24.7 million and \$76.5 million, respectively.

During the next 12 months, we estimate that approximately \$2.8 million will be reclassified as an increase to interest expense related to terminated hedges of existing floating-rate debt.

Note 8. Fair Value Measurements

Recurring Fair Value Measurements

The Company's liabilities that are required to be measured at fair value in the accompanying consolidated financial statements are summarized below. The following table sets forth the Company's financial liabilities that were accounted for at fair value on a recurring basis (in thousands):

Description	Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
September 30, 2019				
Derivatives:				
Interest rate swaps financial liabilities	\$ —	\$ —	\$ —	\$ —
December 31, 2018				
Derivatives:				
Interest rate swaps financial liabilities	\$ 7,159	\$ —	\$ 7,159	\$ —

The interest rate swaps are measured using a market approach, using prices obtained from a nationally recognized pricing service and pricing models with market observable inputs such as interest rates and volatilities. These measurements are classified as Level 2 of the fair value hierarchy.

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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, 2019 and December 31, 2018 (in thousands):

Description	Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
September 30, 2019				
Long-lived assets held and used	\$ 11,214	\$ —	\$ —	\$ 11,214
Long-lived assets held for sale	\$ 992	\$ —	\$ —	\$ 992
December 31, 2018				
Long-lived assets held and used	\$ 14,866	\$ —	\$ —	\$ 14,866
Long-lived assets held for sale	\$ 7,695	\$ —	\$ —	\$ 7,695

Real estate assets and their related intangible assets are evaluated for impairment based on certain indicators including, but not limited to: the asset being held for sale, vacant or non-operating, tenant bankruptcy or delinquency, and leases 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.

As of September 30, 2019 and December 31, 2018, 11 and eight long-lived assets held and used, respectively, were accounted for at fair value. For three of the held and used properties accounted for at fair value as of December 31, 2018, the buildings were fully impaired due to our non-payment on the related ground leases.

For four of the held and used property accounted for at fair value as of September 30, 2019, the Company estimated property fair value using price per square foot of comparable properties. The following tables provides information about the price per square foot of comparable properties input used:

By Asset Type	September 30, 2019			December 31, 2018		
	Range	Weighted Average	Square Footage	Range	Weighted Average	Square Footage
Retail	\$34.45 - \$740.74	\$ 76.17	74,891	\$ —	\$ —	—

For the remaining seven held and used property accounted for at fair value as of September 30, 2019 and the remaining five held and used properties accounted for at fair value as of December 31, 2018, the Company estimated property fair value using price per square foot based on a letter of intent, listing price or broker opinion of value. The following table provides information about the price per square foot based on a letter of intent, listing price and broker opinion of value used as inputs (price per square foot in dollars):

By Asset Type	September 30, 2019			December 31, 2018		
	Range	Weighted Average	Square Footage	Range	Weighted Average	Square Footage
Retail	\$28.51 - \$286.14	\$ 44.90	118,858	\$185.42 - \$638.72	\$ 507.11	27,302
Office	\$ 99.37	\$ 99.37	4,310	\$ 225.04	\$ 225.04	5,999

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.
Notes to Consolidated Financial Statements – (continued)
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As of September 30, 2019 and December 31, 2018, two and one long-lived assets held for sale were accounted for at fair value. 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):

By Asset Type	September 30, 2019			December 31, 2018		
	Range	Weighted Average	Square Footage	Range	Weighted Average	Square Footage
Retail	\$168.64 - \$223.60	\$ 197.41	5,025	\$ 126.73	\$ 126.73	63,128

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, 2019 and December 31, 2018. These estimates require management's judgment and may not be indicative of the future fair values of the assets and liabilities.

The estimated fair values of these financial instruments have been derived based on market quotes for identical or similar instruments in markets that are not active 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, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loans receivable, net	\$ 36,570	\$ 36,879	\$ 47,044	\$ 48,740
Investment in Master Trust 2014	—	—	33,535	33,811
Revolving credit facilities	—	—	146,300	146,731
Term loans, net ⁽¹⁾	—	—	419,560	424,670
Senior Unsecured Notes, net ⁽¹⁾	1,483,491	1,532,065	295,767	291,696
Mortgages and notes payable, net ⁽¹⁾	259,113	281,432	463,196	487,548
Convertible Notes, net ⁽¹⁾	334,904	354,826	729,814	740,330

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

Note 9. Incentive Award Plan

Restricted Shares of Common Stock

During the nine months ended September 30, 2019, the Company granted 173 thousand restricted shares under the Amended Incentive Award Plan to certain executive officers, members of the Board of Directors and employees. The Company recorded \$6.6 million in deferred compensation associated with these grants, which will be recognized in expense over the service period of the awards. As of September 30, 2019, there were approximately 322 thousand unvested restricted shares outstanding.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.
Notes to Consolidated Financial Statements – (continued)
September 30, 2019
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Market-Based Awards

During the nine months ended September 30, 2019, the Board of Directors, or committee thereof, approved target grants of 97 thousand market-based awards to executive officers of the Company. The performance period of these grants runs primarily through December 31, 2021. Potential shares of the Company's common stock that each participant is eligible to receive is based on the initial target number of shares granted, multiplied by a percentage range between 0% and 250%. Grant date fair value was calculated using the Monte Carlo simulation model, which incorporated stock price correlation, projected dividend yields and other variables over the time horizons matching the performance periods. Significant inputs for the calculation were expected volatility of the Company of 25.4% and expected volatility of the Company's peers, ranging from 15.3% to 30.8%. Stock-based compensation expense associated with unvested market-based awards is recognized on a straight-line basis over the minimum required service period, which is generally three years.

Approximately \$2.2 million and \$1.7 million in dividend rights have been accrued for non-vested market-based awards outstanding as of September 30, 2019 and December 31, 2018, respectively. For outstanding non-vested awards at September 30, 2019, 0.6 million shares would have been released based on the Company's TSR relative to the specified peer groups through that date.

Stock-based Compensation Expense

For the three months ended September 30, 2019 and 2018, the Company recognized \$3.5 million and \$3.1 million, respectively, in stock-based compensation expense, and for the nine months ended September 30, 2019 and 2018, the Company recognized \$11.0 million and \$12.2 million, respectively. These amounts are included in general and administrative expenses in the accompanying consolidated statements of operations.

As of September 30, 2019, the remaining unamortized stock-based compensation expense totaled \$15.9 million, including \$8.3 million related to restricted stock awards and \$7.6 million related to market-based awards. As of December 31, 2018, the unamortized stock-based compensation expense totaled \$15.5 million, including \$8.1 million related to restricted stock awards and \$7.4 million related to market-based awards. Amortization is recognized on a straight-line basis over the service period of each applicable award.

Note 10. Income Per Share and Partnership Unit

Income per share and unit has been computed using the two-class method, which is computed by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of shares of common stock outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both shares of common stock and participating securities based on the weighted average shares outstanding during the period. Classification of the Company's unvested restricted stock, which contain rights to receive non-forfeitable dividends, are deemed participating securities under the two-class method. Under the two-class method, earnings attributable to unvested restricted shares are deducted from income from continuing operations in the computation of net income attributable to common stockholders.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.

Notes to Consolidated Financial Statements – (continued)

September 30, 2019

(Unaudited)

The table below is a reconciliation of the numerator and denominator used in the computation of basic and diluted net income per share and unit computed using the two-class method (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Basic and diluted income:				
Income from continuing operations	\$ 81,294	\$ 31,022	\$ 170,609	\$ 93,917
Less: dividends paid to preferred stockholders	(2,587)	(2,588)	(7,763)	(7,764)
Less: income attributable to unvested restricted stock	(260)	(204)	(714)	(932)
Income used in basic and diluted income per share from continuing operations	78,447	28,230	162,132	85,221
Loss used in basic and diluted loss per share from discontinued operations	—	(966)	—	(15,979)
Net income attributable to common stockholders used in basic and diluted income per share	\$ 78,447	\$ 27,264	\$ 162,132	\$ 69,242
Basic weighted average shares of common stock outstanding:				
Weighted average shares of common stock outstanding	90,416,248	85,708,723	87,934,906	86,997,886
Less: Unvested weighted average shares of restricted stock	(375,895)	(372,530)	(405,120)	(365,334)
Weighted average shares of common stock outstanding used in basic income per share	90,040,353	85,336,193	87,529,786	86,632,552
Net income per share attributable to common stockholders - basic:				
Continuing operations	\$ 0.87	\$ 0.33	\$ 1.85	\$ 0.98
Discontinued operations	—	(0.01)	—	(0.18)
Net income per share attributable to common stockholders - basic	\$ 0.87	\$ 0.32	\$ 1.85	\$ 0.80
Dilutive weighted average shares of common stock outstanding: ⁽¹⁾				
Unvested market-based awards	356,444	242,302	254,691	155,588
Stock options	—	12	—	—
Weighted average shares of common stock outstanding used in diluted income per share	90,396,797	85,578,507	87,784,477	86,788,140
Net income per share attributable to common stockholders - diluted				
Continuing operations	\$ 0.87	\$ 0.33	\$ 1.85	\$ 0.98
Discontinued operations	—	(0.01)	—	(0.18)
Net income per share attributable to common stockholders - diluted	\$ 0.87	\$ 0.32	\$ 1.85	\$ 0.80
Potentially dilutive shares of common stock				
Unvested shares of restricted stock, less shares assumed repurchased at market	172,686	105,543	210,729	80,536

⁽¹⁾Assumes the most dilutive issuance of potentially issuable shares between the two-class and treasury stock method unless the result would be anti-dilutive.

The Company intends to satisfy its exchange obligation for the principal amount of the Convertible Notes to the note holders entirely in cash; therefore, the "if-converted" method does not apply and the treasury stock method is being used. For the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, the Company's average stock price was below the conversion price, resulting in zero potentially dilutive shares related to the conversion spread for all periods.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.

Notes to Consolidated Financial Statements – (continued)

September 30, 2019

(Unaudited)

Note 11. Related Party Transactions and Arrangements

Cost Sharing Arrangements

In conjunction with the Spin-Off, the Company and SMTA entered into certain agreements, including the Separation and Distribution Agreement, Tax Matters Agreement, Registration Rights Agreement and Insurance Sharing Agreement. These agreements provide a framework for the relationship between the Company and SMTA after the Spin-Off, by which Spirit may incur certain expenses on behalf of SMTA that must be reimbursed in a timely manner. These agreements, except for the Tax Matters Agreement, were terminated in conjunction with the termination of the Asset Management Agreement. In connection with these arrangements, the Company had \$1.6 million and \$0.1 million accrued receivable balances as of September 30, 2019 and December 31, 2018. Additionally, the Company had accrued payable balances of \$0.1 million and \$1.8 million as of September 30, 2019 and December 31, 2018, respectively, in connection with these arrangements.

Asset Management Agreement and Interim Management Agreement

In conjunction with the Spin-Off, the Company entered into the Asset Management Agreement pursuant to which the Operating Partnership will provide various services subject to the supervision of SMTA's Board of Trustees, including, but not limited to: (i) performing all of SMTA's day-to-day functions, (ii) sourcing, analyzing and executing on investments and dispositions, (iii) determining investment criteria, (iv) performing investment and liability management duties, including financing and hedging, and (v) performing financial and accounting management. On June 2, 2019, concurrently with SMTA's entry into an agreement to sell Master Trust 2014, the Company entered into a termination agreement of the Asset Management Agreement, which became effective on September 20, 2019. Pursuant to the termination agreement, SMTA paid the Company a termination fee of \$48.2 million and the Company waived its right to receive any promote as otherwise provided for under the Asset Management Agreement. On June 2, 2019, the Company and SMTA also entered into an Interim Management Agreement, which became effective September 20, 2019, and which provides that the Company is entitled to an annual management fee of \$1 million for the initial one-year term thereof and \$4 million per annum for any renewal term, in each case plus certain cost reimbursements. The Interim Management Agreement is terminable at any time by SMTA and may be terminated at any time after September 20, 2020 by the Company, in each case without payment of a termination fee. Asset management fees of \$4.4 million and \$14.4 million were earned during the three and nine months ended September 30, 2019, compared to \$5.0 million and \$6.7 million during the three and nine months ended September 30, 2018, and are included in related party fee income in the consolidated statements of operations. Also, under the terms of the Asset Management Agreement, the Company recognized related party fee income of \$0.5 million and \$0.9 million, which was fully offset by general and administrative expense, for other compensation awarded by SMTA to an employee of Spirit for the three and nine months ended September 30, 2019. As of September 30, 2019, the Company had accrued receivable balances of \$31 thousand related to the Interim Management Agreement, compared to accrued receivable balances of \$1.7 million as of December 31, 2018, related to the Asset Management Agreement.

Property Management and Servicing Agreement

Prior to September 20, 2019, the Operating Partnership provided property management services and special services for Master Trust 2014. The property management fees accrued daily at 0.25% per annum of the collateral value of the Master Trust 2014 collateral pool less any specially serviced assets, and the special servicing fees accrued daily at 0.75% per annum of the collateral value of any assets deemed to be specially serviced per the terms of the Property Management and Servicing Agreement. Management fees of \$1.3 million and \$4.3 million were earned during the three and nine months ended September 30, 2019, respectively, compared to \$1.6 million and \$2.1 million earned during the three and nine months ended September 30, 2018. Special servicing fees of \$0.4 million and \$1.2 million were earned during the three and nine months ended September 30, 2019 compared to \$190 thousand and \$242 thousand during both the three and nine months ended September 30, 2018. These fees are included in related party fee income in the consolidated statements of operations. As of December 31, 2018, the Company had an accrued receivable balance of \$0.5 million related to the Property Management and Servicing Agreement. In conjunction with SMTA's sale of Master Trust 2014 on September 20, 2019, the notes were retired, the Company's accrued receivable balance was paid in full and the Property Management and Servicing Agreement was terminated.

Related Party Loans Payable

Prior to September 20, 2019, wholly-owned subsidiaries of the Company were the borrower on four mortgage loans payable to SMTA and secured by six single-tenant commercial properties owned by the Company. These mortgage notes had an outstanding principal balance of \$27.9 million at December 31, 2018, which was included in mortgages and notes payable, net on the consolidated balance sheet. The notes incurred interest expense of \$58 thousand and \$0.2 million for the three

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.

Notes to Consolidated Financial Statements – (continued)

September 30, 2019

(Unaudited)

and nine months ended September 30, 2019, respectively, compared to \$72 thousand and \$96 thousand for the both the three and nine months ended September 30, 2018, respectively, which is included in interest expense in the consolidated statements of operations September 30, 2019. In conjunction with SMTA's sale of Master Trust 2014 on September 20, 2019, the Company repaid the related party loans in full.

Related Party Notes Receivable

In conjunction with the Master Trust 2014 Series 2017-1 notes issuance completed in December 2017, the Operating Partnership, as sponsor of the issuance, retained a 5.0% economic interest in the Master Trust 2014 Series 2017-1 notes as required by the risk retention rules issued under 17 CFR Part 246. The principal amount receivable under the notes was \$33.5 million as of December 31, 2018, which is reflected as Investment in Master Trust 2014 on the consolidated balance sheet. The notes generated interest income of \$0.3 million and \$1.1 million for the three and nine months ended September 30, 2019, respectively, compared to \$0.4 million and 0.5 million for the three and nine months ended September 30, 2018, which is included in interest income on loans receivable in the consolidated statements of operations. In conjunction with SMTA's sale of Master Trust 2014 on September 20, 2019, the Master Trust 2014 notes were redeemed, resulting in the Company receiving the full outstanding principal balance of \$33.5 million, plus an early repayment premium of \$0.9 million.

Investments in SMTA

In conjunction with the Spin-Off, SMTA issued to the Operating Partnership and one of its affiliates, both wholly-owned subsidiaries of Spirit, a total of 6.0 million shares of Series A preferred stock with an aggregate liquidation preference of \$150.0 million (the "SMTA Preferred Stock"). The SMTA Preferred Stock pays cash dividends at the rate of 10.0% per annum on the liquidation preference of \$25.00 per share (equivalent to \$0.625 per share on a quarterly basis and \$2.50 per share on an annual basis). Spirit recognized \$3.3 million and \$10.8 million in dividend income during the three and nine months ended September 30, 2019, respectively, compared to \$3.8 million and \$5.0 million for the three and nine months ended September 30, 2018, which is reflected as preferred dividend income from SMTA in the consolidated statements of operations. Preferred dividend income is recognized when dividends are declared. As of December 31, 2018, the Company had an accrued receivable balance of \$3.8 million related to the preferred dividends and a carrying value of \$150.0 million, which is reflected in the consolidated balance sheet and accounted for at cost, less impairments, if any. On September 20, 2019, in conjunction with SMTA's sale of Master Trust 2014, the SMTA Preferred Stock was repurchased by SMTA and all accrued but unpaid dividends were collected.

Note 12. 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, for periods prior to the Spin-Off, the historical financial results of SMTA are reflected in our consolidated financial statements as discontinued operations for all periods presented. The discontinued operations have been classified as loss from discontinued operations on the consolidated statement of operations for the three and nine months ended September 30, 2018. The consolidated statement of cash flows for the nine months ended September 30, 2018 and all other notes herein include the results of both continuing operations and discontinued operations.

SPIRIT REALTY CAPITAL, INC. and SPIRIT REALTY, L.P.
Notes to Consolidated Financial Statements – (continued)
September 30, 2019
(Unaudited)

The table below provides information about income and expenses related to the Company's discontinued operations reported in its consolidated statements of operations (in thousands):

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenues:		
Rental income	\$ —	\$ 100,672
Interest income on loans receivable	—	1,495
Other income	—	776
Total revenues	—	102,943
Expenses:		
General and administrative	—	707
Transaction costs	966	20,931
Property costs (including reimbursable)	—	3,268
Deal pursuit costs	—	339
Interest	—	46,521
Depreciation and amortization	—	35,461
Impairments	—	10,943
Total expenses	966	118,170
Other gain (loss):		
Loss on debt extinguishment	—	(363)
Gain (loss) on disposition of assets	—	(274)
Total other gain (loss)	—	(637)
Loss from discontinued operations before income tax expense	(966)	(15,864)
Income tax expense	—	(115)
Loss from discontinued operations	\$ (966)	\$ (15,979)

There were no discontinued operations included in the consolidated statement of operations or balance sheet presented herein for the three and nine months ended September 30, 2019 and as of September 30, 2019, respectively.

The table below provides information about operating and investing cash flows related to the Company's discontinued operations reported in its consolidated statements of cash flows (in thousands):

	Nine Months Ended September 30, 2018
Net cash provided by operating activities	\$ 36,924
Net cash used in investing activities	(31,452)

Continuing Involvement

Subsequent to the Spin-Off, the Company has continuing involvement with SMTA through related party agreements. See Note 11 for further detail. The Company had cash inflows from SMTA of \$271.2 million and cash outflows to SMTA of \$49.8 million for the nine months ended September 30, 2019. Subsequent to the Spin-Off, the Company had cash inflows from SMTA of \$13.0 million and cash outflows to SMTA of \$28.8 million for the nine months ended September 30, 2018.

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

Special Note Regarding Forward-looking Statements

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. When used in this quarterly report, the words "estimate," "anticipate," "expect," "believe," "intend," "may," "will," "should," "seek," "approximately" or "plan," or the negative of these words or similar words or phrases that are predictions of or indicate future events or trends and which do not relate solely to historical matters are intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions of management.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all).

The following risks and uncertainties, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- industry and economic conditions;
- volatility and uncertainty in the financial markets, including potential fluctuations in the CPI;
- our success in implementing our business strategy and our ability to identify, underwrite, finance, consummate, integrate and manage diversifying acquisitions or investments;
- the financial performance of our retail tenants and the demand for retail space, particularly with respect to challenges being experienced by general merchandise retailers;
- our ability to diversify our tenant base;
- the nature and extent of future competition;
- increases in our costs of borrowing as a result of changes in interest rates and other factors;
- our ability to access debt and equity capital markets;
- our ability to pay down, refinance, restructure and/or extend our indebtedness as it becomes due;
- our ability and willingness to renew our leases upon expiration and to reposition our properties on the same or better terms upon expiration in the event such properties are not renewed by tenants or we exercise our rights to replace existing tenants upon default;
- the impact of any financial, accounting, legal or regulatory issues or litigation that may affect us or our major tenants;
- our ability to manage our expanded operations;
- our ability and willingness to maintain our qualification as a REIT;
- our ability to manage and liquidate the remaining SMTA assets; and
- other risks inherent in the real estate business, including tenant defaults, potential liability relating to environmental matters, illiquidity of real estate investments and potential damages from natural disasters.

The factors included in this quarterly report, including the documents incorporated by reference, and documents we subsequently file with the SEC and incorporate by reference, are not exhaustive and additional factors could adversely affect our business and financial performance. Additional factors that may cause risks and uncertainties include those discussed in the sections entitled "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K. All forward-looking statements are based on information that was available, and speak only, to the date on which they were made. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by law.

Overview

Spirit Realty Capital, Inc. is a New York Stock Exchange listed company under the ticker symbol "SRC." We are a self-administered and self-managed REIT with in-house capabilities including acquisition, portfolio management, asset management, credit research, real estate research, legal, finance and accounting and capital markets. We primarily invest in single-tenant, operationally essential real estate assets throughout the U.S., which are generally acquired through strategic sale-leaseback transactions and subsequently leased on a long-term, triple-net basis to high quality tenants with business operations within retail, office, industrial and other property types. Single tenant, operationally essential real estate consists of properties that are generally free-standing, commercial real estate facilities where our tenants conduct activities that are essential to the generation of their sales and profits. In support of our primary business of owning and leasing real estate, we have also strategically originated or acquired long-term, commercial mortgages and other loans to provide a range of financing solutions to our tenants.

As of September 30, 2019, our owned real estate represented investments in 1,623 properties. Our properties are leased to 260 tenants across 48 states and 31 industries. As of September 30, 2019, our owned properties were approximately 99.6% occupied (based on the number of economically yielding properties). In addition, our investment in real estate includes commercial mortgage and other loans receivable primarily secured by 43 real estate properties or other related assets.

Our operations are carried out through the Operating Partnership. OP Holdings, one of our wholly-owned subsidiaries, is the sole general partner and owns approximately 1% of the Operating Partnership. We and one of our wholly-owned subsidiaries are the only limited partners, and together own the remaining 99% of the Operating Partnership. Although the Operating Partnership is wholly-owned by us, in the future, we may issue partnership interests in the Operating Partnership to third parties in exchange for property owned by such third parties. In general, any partnership interests in the Operating Partnership issued to third parties would be exchangeable for cash or, at our election, shares of our common stock at specified ratios set when such partnership interests in the Operating Partnership are issued.

We have elected to be taxed as a REIT for federal income tax purposes and believe we have been organized and have operated in a manner that allows us to qualify as a REIT for federal income tax purposes.

On May 31, 2018, we completed a Spin-Off of all of our interests in the assets that collateralize Master Trust 2014, our properties leased to Shopko, and certain other assets into an independent, publicly traded REIT, SMTA. Upon completion of the Spin-Off, our stockholders received a distribution of common shares of beneficial interest in SMTA, which was treated as a taxable distribution to them. For periods prior to the Spin-Off, the historical financial results of SMTA are reflected in our consolidated financial statements as discontinued operations. See Note 12 to the accompanying consolidated financial statements for further discussion.

In September 2019, SMTA sold the assets held in Master Trust 2014. In conjunction with this sale, the following occurred:

- Terminated our previous Asset Management Agreement and received a termination fee of approximately \$48.2 million (\$37.0 million net of tax);
- Received \$150.0 million for the repurchase of our preferred equity investment in SMTA;
- Redeemed the Investment in Master Trust 2014 notes (with an outstanding principal balance of \$33.5 million);
- Terminated the Property Management and Servicing Agreement for Master Trust 2014 in connection with the redemption of the Master Trust 2014 notes;
- Sold the fee interest in three of our properties to a subsidiary of SMTA and extinguished the related party mortgage loans payable; and
- Entered into an Interim Management Agreement with SMTA whereby:
 - we are entitled to receive \$1 million during the initial one-year term and \$4 million for any renewal one-year term, plus certain cost reimbursements, to manage and liquidate the remaining SMTA assets;
 - SMTA may terminate the agreement at any time and Spirit may terminate the agreement at any time after the initial one-year term, in each case without a termination fee.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base estimates on the best information available to us at the time, our experience and various other assumptions deemed reasonable under the circumstances. From time to time, we re-evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. A summary of our critical accounting policies is included in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018. We have not made any material changes to these policies during the periods covered by this quarterly report.

Results of Continuing Operations

Comparison of Three Months Ended September 30, 2019 to Three Months Ended September 30, 2018

(In Thousands)	Three Months Ended September 30,			
	2019	2018	Change	% Change
Revenues:				
Rental income	109,511	100,827	\$ 8,684	8.6%
Interest income on loans receivable	843	1,121	(278)	(24.8)%
Earned income from direct financing leases	267	465	(198)	(42.6)%
Related party fee income	54,795	6,750	48,045	NM
Other income	1,531	481	1,050	NM
Total revenues	166,947	109,644	57,303	52.3%
Expenses:				
General and administrative	12,727	11,033	1,694	15.4%
Termination of interest rate swaps	12,461	—	12,461	100.0%
Property costs (including reimbursable)	4,407	5,172	(765)	(14.8)%
Deal pursuit costs	330	26	304	NM
Interest	24,675	24,784	(109)	(0.4)%
Depreciation and amortization	43,907	40,379	3,528	8.7%
Impairments	5,932	1,279	4,653	NM
Total expenses	104,439	82,673	21,766	26.3%
Other income:				
Loss on debt extinguishment	(5,580)	—	(5,580)	(100.0)%
Gain on disposition of assets	32,254	436	31,818	NM
Preferred dividend income from SMTA	3,302	3,750	(448)	(11.9)%
Total other income	29,976	4,186	25,790	NM
Income from continuing operations before income tax expense	92,484	31,157	61,327	NM
Income tax expense	(11,190)	(135)	(11,055)	NM
Income from continuing operations	\$ 81,294	\$ 31,022	\$ 50,272	NM
Loss from discontinued operations	\$ —	\$ (966)	\$ 966	100.0%

NM - Percentages over 100% are not displayed.

REVENUES

Rental income

We were a net acquirer of income producing real estate over the trailing twelve-month period, resulting in an increase in our contractual cash rents between periods of 9.0%. Included in continuing operations for the trailing twelve months ended September 30, 2019 were acquisitions of 198 properties, with a Real Estate Investment Value of \$742.0 million, and dispositions of 45 properties, with a Real Estate Investment Value of \$239.6 million.

Also included in rental income are tenant reimbursements, where our tenants are obligated under the lease agreement to reimburse us for certain property costs we incur, and non-cash rental income. Tenant reimbursement income was \$2.8 million and \$3.6 million for the three months ended September 30, 2019 and 2018, respectively, and is driven by the tenant

reimbursable property costs described below. These amounts represent approximately 2.5% and 3.6% of rental income for the three months ended September 30, 2019 and 2018, respectively.

Finally, non-cash rental income primarily consists of straight-line rental revenue and amortization of above- and below-market lease intangibles. Additionally, as a result of adopting ASC 842 on January 1, 2019, bad debt expense is included in rental income on a prospective basis. Non-cash rental income, net of bad debt expense, for the three months ended September 30, 2019 was \$5.7 million, compared to non-cash rental income of \$4.9 million for the three months ended September 30, 2018. These amounts represent approximately 5.2% and 4.9% of total rental revenue for the three months ended September 30, 2019 and 2018, respectively.

Interest income on loans receivable

In conjunction with the Master Trust 2014 Series 2017-1 notes issuance completed in December 2017, the Operating Partnership, as sponsor of the issuance, retained a 5.0% economic interest in the Master Trust 2014 Series 2017-1 notes. Subsequent to the Spin-Off, this holding was reflected as Investment in Master Trust 2014 on the accompanying consolidated balance sheet. These notes were redeemed in the third quarter of 2019 in conjunction with SMTA's sale of Master Trust 2014. This redemption, along with the repayment of two other loans receivable during the trailing twelve months ended September 30, 2019, resulted in a decrease in cash interest income on loans receivable of \$0.2 million period-over-period.

Additionally, there was a decrease in cash and non-cash interest income on the remaining loans receivable of \$0.1 million period-over-period as a result of scheduled amortization of the loans.

Related party fee income

In conjunction with the Spin-Off, we entered into the Asset Management Agreement with SMTA pursuant to which we provided a management team responsible for implementing SMTA's business strategy and performing certain services for SMTA. Under this agreement, we recognized \$4.4 million of revenues during the three months ended September 30, 2019, compared to \$5.0 million in the comparative period. Additionally, under the terms of this agreement, we recognized \$0.5 million of stock compensation awarded by SMTA to an employee of Spirit for the three months ended September 30, 2019, which was fully offset by \$0.5 million in general and administrative expenses recognized. This agreement was terminated in conjunction with SMTA's sale of Master Trust 2014 on September 20, 2019, resulting in termination fee income of \$48.2 million. Also, in conjunction with the termination of the Asset Management Agreement, we entered into an Interim Management Agreement for an initial annual fee of \$1.0 million, under which we have agreed to manage and liquidate the remaining SMTA assets.

Additionally, we provided property management services and special services for Master Trust 2014, which was contributed to SMTA as part of the Spin-Off. As a result, for the three months ended September 30, 2019, we recognized \$1.7 million in revenue under the terms of the Property Management and Servicing Agreement, compared to \$1.8 million in the comparative period. This agreement was terminated in the third quarter of 2019 in conjunction with SMTA's sale of Master Trust 2014.

EXPENSES

General and administrative

Period-over-period general and administrative expenses increased, driven by an increase in compensation expenses of \$0.8 million, primarily as a result of \$0.5 million in stock compensation awarded by SMTA to an employee of Spirit (which was fully offset in related party fee income). Additionally, the change was driven by an increase in professional fees period-over-period of \$0.6 million, primarily as a result of increased legal and audit fees.

Termination of interest rate swaps

In September 2019, we repaid in full and terminated the A-1 Term Loans and A-2 Term Loans, which were repaid primarily with proceeds from the issuance of the 2027 Senior Unsecured Notes and 2030 Senior Unsecured Notes. In conjunction with the term loan payoff, we terminated the interest rate swaps, which were entered into as a hedge against our variable-rate debt, and incurred a termination fee of \$24.8 million. As we still hold variable rate debt through the 2019 Credit Facility, only \$12.5 million of the termination fee was expensed at termination, with the remainder to be amortized over the remaining initial term of the interest rate swaps.

Property costs (including reimbursable)

For the three months ended September 30, 2019, property costs were \$4.4 million (including \$3.6 million of tenant reimbursable expenses) compared to \$5.2 million (including \$4.0 million of tenant reimbursable expenses) for the same

period in 2018. As such, reimbursable property costs decreased period-over-period, primarily due to less property maintenance expenses. The decrease in non-reimbursable costs of \$0.4 million was driven primarily by a decrease in non-reimbursable property maintenance expenses and legal fees.

Interest

The decrease in interest expense was driven by the following:

- the maturity and repayment of the \$402.5 million aggregate principal amount of 2.875% Convertible 2019 Notes on May 15, 2019,
- the early repayment of the Master Trust 2013 notes on June 20, 2019,
- the extinguishment of \$10.4 million aggregate principal amount of CMBS indebtedness on one defaulted loan in the first quarter of 2019, which had a default interest rate of 9.85%,
- lower average borrowings outstanding in 2019 under the 2019 Credit Facility compared to the 2015 Credit Facility in the comparative period, and
- the reduction in the interest expense rate on the 2019 Credit Facility and A-1 Term Loans as a result of our ratings upgrade from S&P in May 2019.

These decreases were mostly offset by the issuance of the 2027 Senior Unsecured Notes, 2029 Senior Unsecured Notes and 2030 Senior Unsecured Notes during 2019. Additionally, the A-2 Term Loans were fully drawn at the beginning of the third quarter of 2019 until their repayment and termination in September 2019, whereas there was no comparable term loan in 2018.

The following table summarizes our interest expense on related borrowings:

(In Thousands)	Three Months Ended September 30,	
	2019	2018
Interest expense – Revolving credit facilities ⁽¹⁾	\$ 473	\$ 1,933
Interest expense – Term loans	5,779	2,677
Interest expense – Senior Unsecured Notes	8,446	3,338
Interest expense – mortgages and notes payable	3,637	6,183
Interest expense – Convertible Notes	3,234	6,127
Interest expense – interest rate swaps	421	—
Non-cash interest expense:		
Amortization of deferred financing costs	1,350	1,890
Amortization of net losses related to interest rate swaps	156	—
Amortization of debt discount, net	1,179	2,636
Total interest expense	\$ 24,675	\$ 24,784

⁽¹⁾Includes facility fees of approximately \$0.4 million and \$0.5 million for the three months ended September 30, 2019 and 2018, respectively.

Depreciation and amortization

While we were a net acquirer during the trailing twelve-month period of \$502.4 million of Real Estate Investment Value, depreciation and amortization increased to a lesser degree period-over-period as a result of timing of the acquisition/disposition activity, specifically with the majority of both the acquisitions and dispositions closing in the second and third quarters of 2019. The following table summarizes our depreciation and amortization expense:

(In Thousands)	Three Months Ended September 30,	
	2019	2018
Depreciation of real estate assets	\$ 36,525	\$ 33,236
Other depreciation	143	142
Amortization of lease intangibles	7,239	7,001
Total depreciation and amortization	\$ 43,907	\$ 40,379

Impairments

During the three months ended September 30, 2019, we recorded impairment losses of \$5.9 million. \$5.6 million of impairment was recorded on six underperforming properties held for use. The remaining impairment charges of \$0.3 million was recorded on Vacant properties, comprised of \$0.2 million on two Vacant properties held for sale and \$0.1 million on one Vacant property held for use.

During the three months ended September 30, 2018, we recorded impairment losses of \$1.3 million. \$0.6 million of the impairment was recorded on a Vacant held for sale property. The remaining \$0.7 million of impairment was recorded on six underperforming held for use properties.

Loss on debt extinguishment

During the three months ended September 30, 2019, we recorded a loss on debt extinguishment of \$5.3 million as a result of terminating the A-1 Term Loans and A-2 Term Loans, which were repaid primarily with proceeds from the issuance of the 2027 Senior Unsecured Notes and 2030 Senior Unsecured Notes. Additionally, we recorded an additional \$0.3 million of loss on debt extinguishment on the retirement of the Master Trust 2013 notes, as a result of additional legal fees. During the three months ended September 30, 2018, we did not extinguish any debt.

Gain on disposition of assets

During the three months ended September 30, 2019, we disposed of nine properties and recorded net gains totaling \$32.3 million. There were \$32.3 million in net gains on the sale of eight active properties and a negligible gain on the sale of one Vacant property.

For the same period in 2018, we recorded net gains totaling \$0.4 million. This gain was primarily attributable to the receipt of \$0.4 million in insurance claim proceeds on a property sold in the second quarter of 2018. We also sold one Vacant property during the three months ended September 30, 2018, resulting in a gain of \$22.0 thousand.

Preferred dividend income from SMTA

As part of the Spin-Off of SMTA, SMTA issued to us 10% Series A preferred shares with an aggregate liquidation preference of \$150.0 million. For the three months ended September 30, 2019, we recognized preferred dividend income of \$3.3 million from these shares, compared to \$3.8 million for the three months ended September 30, 2018. In September 2019, in conjunction with SMTA's sale of Master Trust 2014, SMTA repurchased the preferred shares at their aggregate liquidation preference.

Income tax expense

Taxable income from non-REIT activities managed through any of the Company's taxable REIT subsidiaries is subject to federal, state, and local taxes. As such, income earned by a taxable wholly-owned subsidiary of Spirit pursuant to the Asset Management Agreement was considered non-REIT activity and subject to federal and state income tax. There was an increase in income tax expense period-over-period of \$11.1 million, primarily as a result of the taxable termination fee income of \$48.2 million recorded in the third quarter of 2019.

LOSS FROM DISCONTINUED OPERATIONS

Discontinued operations represent the activity related to the assets that were included in the Spin-Off. As such, there is no activity related to discontinued operations for the three months ended September 30, 2019.

Comparison of Nine Months Ended September 30, 2019 to Nine Months Ended September 30, 2018

(In Thousands)	Nine Months Ended September 30,			
	2019	2018	Change	% Change
Revenues:				
Rental income	320,084	300,570	\$ 19,514	6.5%
Interest income on loans receivable	2,749	2,410	339	14.1%
Earned income from direct financing leases	971	1,395	(424)	(30.4)%
Related party fee income	68,971	8,969	60,002	NM
Other income	2,510	2,298	212	9.2%
Total revenues	395,285	315,642	79,643	25.2%
Expenses:				
General and administrative	39,741	39,843	(102)	(0.3)%
Termination of interest rate swaps	12,461	—	12,461	100.0%
Property costs (including reimbursable)	13,968	15,529	(1,561)	(10.1)%
Deal pursuit costs	574	143	431	NM
Interest	76,462	71,385	5,077	7.1%
Depreciation and amortization	126,598	121,015	5,583	4.6%
Impairments	13,231	6,254	6,977	NM
Total expenses	283,035	254,169	28,866	11.4%
Other income:				
(Loss) gain on debt extinguishment	(11,473)	27,092	(38,565)	NM
Gain on disposition of assets	70,760	827	69,933	NM
Preferred dividend income from SMTA	10,802	5,000	5,802	NM
Total other income	70,089	32,919	37,170	NM
Income from continuing operations before income tax expense	182,339	94,392	87,947	93.2%
Income tax expense	(11,730)	(475)	(11,255)	NM
Income from continuing operations	\$ 170,609	\$ 93,917	\$ 76,692	81.7%
Loss from discontinued operations	\$ —	\$ (15,979)	\$ 15,979	100.0%

NM - Percentages over 100% are not displayed.

REVENUES

Rental income

We were a net acquirer of income producing real estate over the trailing twelve-month period, resulting in an increase in our contractual cash rents between periods of 8.0%. Included in continuing operations for the trailing twelve months ended September 30, 2019 were acquisitions of 198 properties, with a Real Estate Investment Value of \$742.0 million, and dispositions of 45 properties, with a Real Estate Investment Value of \$239.6 million.

Also included in rental income are tenant reimbursements, where our tenants are obligated under the lease agreement to reimburse us for certain property costs we incur, and non-cash rental income. Tenant reimbursement income was \$9.1 million and \$10.3 million for the nine months ended September 30, 2019 and 2018, respectively, and is driven by the tenant reimbursable property costs described below. These amounts represent approximately 2.8% and 3.4% of rental income for the nine months ended September 30, 2019 and 2018, respectively.

Finally, non-cash rental income primarily consists of straight-line rental revenue and amortization of above- and below-market lease intangibles. Additionally, as a result of adopting ASC 842 on January 1, 2019, bad debt expense is included in rental income on a prospective basis. Non-cash rental income, net of bad debt expense, for the nine months ended September 30, 2019 was \$14.5 million, compared to non-cash rental income of \$15.0 million for the nine months ended September 30, 2018. These amounts represent approximately 4.5% and 5.0% of total rental revenue for the nine months ended September 30, 2019 and 2018, respectively.

Interest income on loans receivable

In conjunction with the Master Trust 2014 Series 2017-1 notes issuance completed in December 2017, the Operating Partnership, as sponsor of the issuance, retained a 5.0% economic interest in the Master Trust 2014 Series 2017-1 notes. Subsequent to the Spin-Off, this holding was reflected as Investment in Master Trust 2014 on the accompanying consolidated balance sheet. These notes were redeemed in the third quarter of 2019 in conjunction with SMTA's sale of Master Trust 2014. This redemption, along with the repayment of six other loans receivable during the trailing 21 months ended September 30, 2019, resulted in a decrease in cash interest income on loans receivable of \$0.2 million period-over-period.

Additionally, there was a decrease in cash interest income on the remaining loans receivable of \$0.3 million period-over-period as a result of scheduled amortization of the loans. Finally, there was a period-over-period decrease to premium amortization of \$0.8 million, primarily as a result of the repayment of one mortgage loan collateralized by 26 properties in April 2018.

Related party fee income

In conjunction with the Spin-Off, we entered into the Asset Management Agreement with SMTA pursuant to which we provided a management team responsible for implementing SMTA's business strategy and performing certain services for SMTA. Under this agreement, we recognized \$14.4 million of revenues for the nine months ended September 30, 2019, compared to \$6.7 million in the comparative period. Additionally, under the terms of this agreement, we recognized \$0.9 million of stock compensation awarded by SMTA to an employee of Spirit for the nine months ended September 30, 2019, which was fully offset by \$0.9 million in general and administrative expenses. This agreement was terminated in conjunction with SMTA's sale of Master Trust 2014 on September 20, 2019, resulting in termination fee income of \$48.2 million. Also, in conjunction with the termination of the Asset Management Agreement, we entered into an Interim Management Agreement for an initial annual fee of \$1.0 million, under which we have agreed to manage and liquidate the remaining SMTA assets.

Additionally, we provided property management services and special services for Master Trust 2014, which was contributed to SMTA as part of the Spin-Off. As a result, for the nine months ended September 30, 2019, we recognized \$5.5 million in revenue under the terms of the Property Management and Servicing Agreement, compared to \$2.3 million in the comparative period. This agreement was terminated in the third quarter of 2019 in conjunction with SMTA's sale of Master Trust 2014.

EXPENSES

General and administrative

Period-over-period general and administrative expenses remained relatively flat. There was a decrease in compensation expenses of \$1.4 million, primarily due to severance costs following the departure of two executive officers recognized in the nine months ended September 30, 2018, and no comparable expense in the nine months ended September 30, 2019. This was partially offset by \$0.9 million in stock compensation awarded by SMTA to an employee of Spirit (which is fully offset in related party fee income).

The decrease in compensation expense was mostly offset by an increase in professional fees period-over-period of \$1.3 million, primarily as a result of increased legal and audit fees.

Termination of interest rate swaps

In September 2019, we repaid in full and terminated the A-1 Term Loans and A-2 Term Loans, which were repaid primarily with proceeds from the issuance of the 2027 Senior Unsecured Notes and 2030 Senior Unsecured Notes. In conjunction with the term loan payoff, we terminated the interest rate swaps, which were entered into as a hedge against our variable-rate debt, and incurred a termination fee of \$24.8 million. As we still hold variable rate debt through the 2019 Credit Facility, only \$12.5 million of the termination fee was expensed at termination, with the remainder to be amortized over the remaining initial term of the interest rate swaps.

Property costs (including reimbursable)

For the nine months ended September 30, 2019, property costs were \$14.0 million (including \$11.2 million of tenant reimbursable expenses) compared to \$15.5 million (including \$12.0 million of tenant reimbursable expenses) for the same period in 2018. As such, reimbursable property costs decreased period-over-period, primarily due to a decrease in reimbursable property taxes. The decrease in non-reimbursable property costs of \$0.7 million was primarily a result of reduced non-reimbursable insurance and legal expenses.

Interest

The increases in interest expense was driven by the issuance of the 2027 Senior Unsecured Notes, 2029 Senior Unsecured Notes and 2030 Senior Unsecured Notes during 2019. Additionally, the 2015 Term Loan was undrawn for the first half of 2018, whereas the A-1 Term Loans were fully drawn in 2019 until their repayment and termination in September 2019 and the A-2 Term Loans were fully drawn from May 2019 until their repayment and termination in September 2019.

These increases were partially offset by the following:

- the maturity and repayment of the \$402.5 million aggregate principal amount of 2.875% Convertible 2019 Notes on May 15, 2019,
- the early repayment of the Master Trust 2013 notes on June 20, 2019,
- the extinguishment of \$10.4 million aggregate principal amount of CMBS indebtedness on one defaulted loan in the first quarter of 2019, which had a default interest rate of 9.85%,
- lower average borrowings outstanding under the 2019 Credit Facility in 2019 compared to the 2015 Credit Facility in the comparative period, and
- the reduction in the interest expense rate on the 2019 Credit Facility and A-1 Term Loans as a result of our ratings upgrade from S&P in May 2019.

The following table summarizes our interest expense on related borrowings:

(In Thousands)	Nine Months Ended September 30,	
	2019	2018
Interest expense – Revolving credit facilities ⁽¹⁾	\$ 4,449	\$ 6,134
Interest expense – Term loans	15,448	2,677
Interest expense – Senior Unsecured Notes	15,299	10,013
Interest expense – mortgages and notes payable	15,168	20,379
Interest expense – Convertible Notes	14,010	18,382
Interest expense – interest rate swaps	972	—
Non-cash interest expense:		
Amortization of deferred financing costs	5,155	5,999
Amortization of net losses related to interest rate swaps	156	—
Amortization of debt discount, net	5,805	7,801
Total interest expense	\$ 76,462	\$ 71,385

⁽¹⁾Includes facility fees of approximately \$1.6 million for both the nine months ended September 30, 2019 and 2018.

Depreciation and amortization

While we were a net acquirer during the trailing twelve-month period of \$502.4 million of Real Estate Investment Value, depreciation and amortization increased to a lesser degree period-over-period as a result of timing of the acquisition/disposition activity, specifically with the majority of both the acquisitions and dispositions closing in the second and third quarters of 2019. The following table summarizes our depreciation and amortization expense:

(In Thousands)	Nine Months Ended September 30,	
	2019	2018
Depreciation of real estate assets	\$ 105,731	\$ 99,412
Other depreciation	426	425
Amortization of lease intangibles	20,441	21,178
Total depreciation and amortization	\$ 126,598	\$ 121,015

Impairments

During the nine months ended September 30, 2019, we recorded impairment losses of \$13.2 million. \$11.9 million of impairment was recorded on underperforming properties, comprised of \$8.1 million recorded on 11 underperforming properties held for use and \$3.8 million recorded on nine underperforming properties held for sale. \$1.5 million of the impairment was recorded on Vacant properties, comprised of \$0.3 million recorded on two Vacant held for use properties and \$1.2 million recorded on three Vacant held for sale properties. These impairment charges were partially offset by \$0.2 million of net impairment on lease intangible liabilities.

During the nine months ended September 30, 2018, we recorded impairment losses of \$6.3 million. \$1.9 million of the impairment was recorded on Vacant properties, comprised of \$1.3 million recorded on three Vacant held for use properties and \$0.6 million recorded on one Vacant held for sale property. The remaining \$4.4 million of impairment was recorded on underperforming properties, comprised of \$4.0 million recorded on 15 underperforming held for use properties and \$0.4 million recorded on two underperforming held for sale properties.

(Loss) gain on debt extinguishment

During the nine months ended September 30, 2019:

- We recorded a loss on debt extinguishment of \$15.0 million primarily as a result of early repayment penalties, when we retired the remaining Master Trust 2013 notes, which had \$158.5 million of aggregate principal outstanding and a stated interest rate of 5.27%.
- We recorded a gain on debt extinguishment of \$9.5 million as a result of extinguishing \$10.4 million aggregate principal amount of CMBS indebtedness on one defaulted loan, which was secured by one property.
- We recorded a loss on debt extinguishment of \$5.3 million as a result of terminating the A-1 Term Loans and A-2 Term Loans, which were repaid primarily with proceeds from the issuance of the 2027 Senior Unsecured Notes and 2030 Senior Unsecured Notes.
- We recorded a loss on debt extinguishment of \$0.7 million as a result of the termination of the 2015 Credit Agreement and 2015 Term Loan Agreement in conjunction with entering into the 2019 Revolving Credit and Term Loan Agreement.

During the nine months ended September 30, 2018, the Company extinguished \$56.2 million of mortgage debt related to six defaulted loans on six underperforming properties, resulting in a gain on debt extinguishment of \$27.9 million and sold our retained notes in Master Trust 2014 Series 2014-2 for a gain of \$0.5 million. These gains were partially offset by the extinguishment of \$127.3 million of Master Trust 2013 debt, which resulted in approximately \$1.3 million in losses on debt extinguishment.

Gain on disposition of assets

During the nine months ended September 30, 2019, we disposed of 34 properties and recorded net gains totaling \$70.8 million. There were \$69.6 million in net gains on the sale of 20 active properties and \$1.2 million in net gains on the sale of 11 Vacant properties. One property was returned to the lender in conjunction with CMBS debt extinguishment and two properties were leasehold interests that were surrendered to the lessors, which did not result in a gain/loss on disposition.

For the same period in 2018, we disposed of 18 properties and recorded net gains totaling \$0.8 million. There were \$1.7 million in net gains on the sale of nine active properties. These gains were partially offset by \$0.7 million in net losses on the sale of three Vacant properties and \$0.2 million in net other losses.

Preferred dividend income from SMTA

As part of the Spin-Off of SMTA, SMTA issued to us 10% Series A preferred shares with an aggregate liquidation preference of \$150.0 million. For the nine months ended September 30, 2019, we recognized preferred dividend income of \$10.8 million from these shares, compared to \$5.0 million for the nine months ended September 30, 2018. In September 2019, in conjunction with SMTA's sale of Master Trust 2014, SMTA repurchased the preferred shares at their aggregate liquidation preference.

Income tax expense

Taxable income from non-REIT activities managed through any of the Company's taxable REIT subsidiaries is subject to federal, state, and local taxes. As such, income earned by a taxable wholly-owned subsidiary of Spirit pursuant to the Asset Management Agreement was considered non-REIT activity and subject to federal and state income tax. There was an increase in income tax expense period-over-period of \$11.3 million, primarily as a result of the taxable termination fee income of \$48.2 million recorded in the third quarter of 2019.

LOSS FROM DISCONTINUED OPERATIONS

Discontinued operations represent the activity related to the assets that were included in the Spin-Off. As such, there is no activity related to discontinued operations for the nine months ended September 30, 2019.

Property Portfolio Information

PROPERTY PORTFOLIO DIVERSIFICATION

1,623
Owned Properties

99.6%
Occupancy

48
States

260
Tenants

31
Industries

Diversification By Tenant

Tenant concentration represents the tenant's contribution to Contractual Rent of our owned real estate properties as of September 30, 2019:

Tenant ⁽¹⁾	Number of Properties	Square Feet (in thousands)	Percent of Contractual Rent
Cajun Global LLC	170	243	3.1%
Walgreen Co.	36	533	2.8%
The Home Depot, Inc.	7	821	2.6%
Alimentation Couche-Tard, Inc.	77	232	2.6%
Dollar Tree, Inc.	106	929	2.3%
CVS Caremark Corporation	34	422	2.2%
At Home Group Inc.	11	1,347	2.1%
Life Time Fitness, Inc	5	588	2.1%
GPM Investments, LLC	103	269	2.1%
Party City Holdings Inc.	3	1,090	2.0%
Other	1,065	23,433	76.1%
Vacant	6	436	—
Total	1,623	30,343	100.0%

⁽¹⁾Tenants represent legal entities ultimately responsible for obligations under the lease agreements or affiliated entities. Other tenants may operate the same or similar business concepts or brands set forth above.

Diversification By Asset Type

Asset type concentration represents the type of asset's contribution to Contractual Rent within our owned real estate properties as of September 30, 2019:

Asset Type	Number of Properties	Total Square Feet (in thousands)	Percent of Contractual Rent
Retail	1,544	22,837	82.8%
Industrial	38	5,566	8.9%
Office	37	1,390	6.2%
Other	4	550	2.1%
Total	1,623	30,343	100.0%

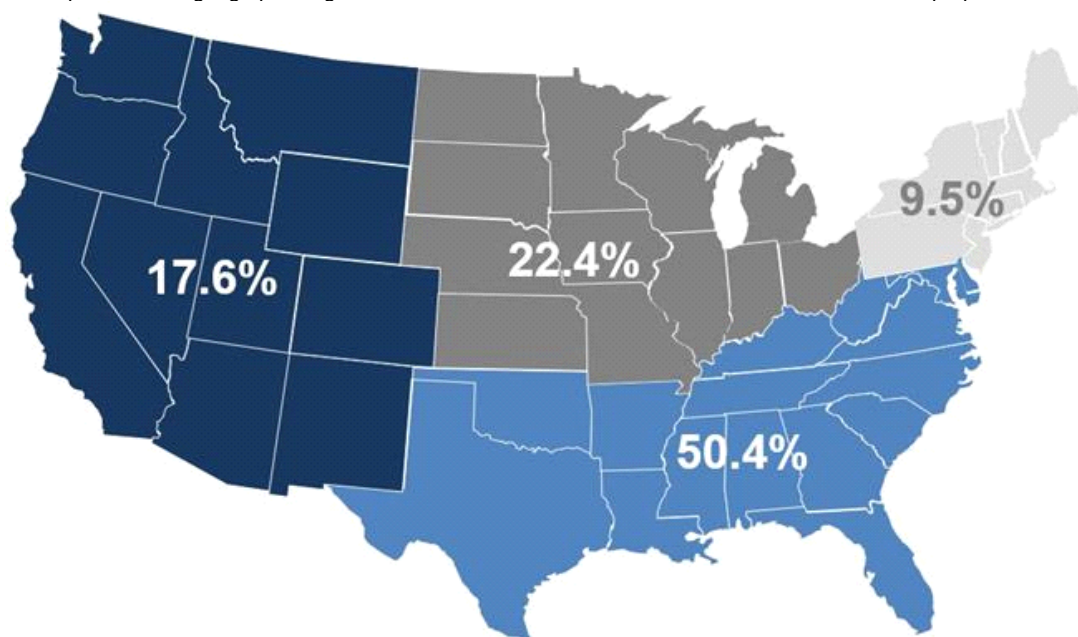
Diversification By Industry

Industry concentration represents the industry's contribution to Contractual Rent of our owned real estate properties as of September 30, 2019:

Tenant Industry	Number of Owned Properties	Total Square Feet (in thousands)	Percent of Contractual Rent
Convenience Stores	335	1,070	9.4%
Health and Fitness	42	2,201	7.8%
Restaurants - Quick Service	325	674	6.6%
Movie Theaters	33	1,708	6.3%
Drug Stores / Pharmacies	82	1,113	5.9%
Specialty Retail	63	2,706	5.8%
Restaurants - Casual Dining	110	788	5.5%
Home Furnishings	24	2,383	4.5%
Grocery	39	1,781	4.1%
Professional Services	7	1,036	3.9%
Home Improvement	14	1,653	3.9%
Entertainment	25	1,031	3.7%
Medical Office	36	621	3.6%
Car Washes	61	290	3.6%
Dollar Stores	162	1,498	3.5%
Manufacturing	17	2,081	2.7%
Automotive Service	60	466	2.2%
Warehouse Club and Supercenters	10	883	2.1%
Sporting Goods	13	667	1.8%
Building Materials	9	1,047	1.7%
Discount Department Stores	11	975	1.7%
Distribution	6	669	1.5%
Automotive Dealers	10	247	1.4%
Other	7	267	1.3%
Automotive Parts	53	376	1.3%
Education	31	319	1.0%
Office Supplies	16	351	0.9%
Apparel	5	507	0.9%
Pet Supplies & Service	4	159	0.6%
Consumer Electronics	4	188	0.5%
Discount Retailer	3	152	0.3%
Vacant	6	436	—
Total	1,623	30,343	100.0%

Diversification By Geography

Geographic concentration represents the geographic region's contribution to Contractual Rent of our owned real estate properties as of September 30, 2019:



Location	Number of Properties	Total Square Feet (in thousands)	Percent of Contractual Rent	Location (continued)	Number of Properties	Total Square Feet (in thousands)	Percent of Contractual Rent
Texas	248	3,618	11.5%	New Jersey	11	590	1.4%
Florida	109	1,422	7.4%	Arkansas	37	304	1.2%
Georgia	116	1,547	6.4%	Utah	17	262	1.2%
California	22	1,146	5.1%	Alaska	9	319	1.2%
Ohio	76	1,391	5.1%	New Hampshire	16	640	1.2%
Tennessee	92	1,417	4.2%	Idaho	15	269	1.0%
Illinois	38	1,302	3.8%	Kansas	15	333	0.9%
Michigan	78	1,133	3.4%	Connecticut	5	686	0.9%
New York	23	1,561	3.3%	Iowa	12	194	0.8%
Arizona	42	743	3.2%	Washington	7	114	0.6%
Missouri	56	952	2.9%	North Dakota	4	227	0.6%
Virginia	43	1,260	2.9%	Maine	25	71	0.5%
Maryland	9	714	2.8%	Oregon	4	144	0.5%
Alabama	89	604	2.7%	Montana	3	152	0.4%
Minnesota	26	943	2.6%	Massachusetts	2	131	0.4%
South Carolina	40	637	2.5%	Wisconsin	7	137	0.3%
Colorado	24	970	2.5%	Rhode Island	3	95	0.3%
North Carolina	51	883	2.3%	West Virginia	10	64	0.3%
New Mexico	27	545	1.8%	Nebraska	7	152	0.2%
Indiana	35	570	1.7%	Wyoming	1	35	0.1%
Mississippi	43	391	1.6%	U.S. V.I.	1	38	0.1%
Kentucky	33	428	1.6%	South Dakota	1	20	0.1%
Pennsylvania	20	488	1.5%	Delaware	1	5	0.1%
Oklahoma	47	415	1.5%	Vermont	1	1	*
Louisiana	22	280	1.4%				

* Less than 0.1%

Lease Expirations

The following table sets forth a summary schedule of expiration dates for leases in place as of September 30, 2019. The weighted average remaining non-cancelable initial term of our leases (based on Contractual Rent) was 9.9 years. The information set forth in the table assumes that tenants do not exercise renewal options and or any early termination rights:

Leases Expiring In:	Number of Properties	Total Square Feet (in thousands)	Contractual Rent Annualized (in thousands) ⁽¹⁾	Percent of Contractual Rent
Remainder of 2019	2	49	\$ 817	0.2%
2020	26	861	9,842	2.3%
2021	80	2,098	26,775	6.4%
2022	42	1,740	18,601	4.4%
2023	109	2,922	33,757	8.0%
2024	40	1,607	18,996	4.5%
2025	40	1,370	18,051	4.3%
2026	80	1,716	23,360	5.5%
2027	112	2,205	32,682	7.8%
2028	84	1,364	22,436	5.3%
2029 and thereafter	1,002	13,975	215,862	51.3%
Vacant	6	436	—	—
Total owned properties	1,623	30,343	\$ 421,179	100.0%

⁽¹⁾Contractual Rent for properties owned at September 30, 2019 multiplied by twelve.

Liquidity and Capital Resources

FORWARD EQUITY ISSUANCE

In May 2019, we entered into forward sale agreements with certain financial institutions acting as forward purchasers in connection with an offering of 11.5 million shares of common stock at an initial gross offering price of \$41.00 per share, before underwriting discounts and offering expenses. The forward purchasers borrowed and sold an aggregate of 11.5 million shares of common stock in the offering. The Company did not receive any proceeds from the sale of its shares of common stock by the forward purchasers at the time of the offering. The forward sale price that the Company received upon physical settlement of the agreements was subject to adjustment for (i) a floating interest rate factor equal to a specified daily rate less a spread, (ii) the forward purchasers' stock borrowing costs and (iii) scheduled dividends during the term of the forward sale agreements. As of September 30, 2019, we had settled all 11.5 million of these shares for gross proceeds of \$471.5 million.

ATM PROGRAM

In November 2016, the Board of Directors approved a \$500.0 million ATM Program. In February 2019, we updated the ATM Program, pursuant to which we may from time to time offer and sell shares of our common stock having an aggregate gross sales price of up to \$500.0 million through the agents, as our sales agents or, if applicable, as forward sellers, or directly to the agents acting as principals. Sales of shares of our common stock under the ATM Program may be made in sales deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act.

The ATM Program contemplates that, in addition to the issuance and sale by us of shares of our common stock to or through the agents, we may enter into separate forward sale agreements with one of the agents or one of their respective affiliates (in such capacity, each, a "forward purchaser" and, collectively, the "forward purchasers"). When we enter into a forward sale agreement with any forward purchaser, we expect that such forward purchaser will attempt to borrow from third parties and sell, through the relevant agent, acting as sales agent for such forward purchaser, shares of our common stock to hedge such forward purchaser's exposure under such forward sale agreement. We will not initially receive any proceeds from any sale of shares of our common stock borrowed by a forward purchaser and sold through a forward seller.

We currently expect to fully physically settle any forward sale agreement with the relevant forward purchaser on one or more dates specified by us on or prior to the maturity date of such forward sale agreement, in which case we expect to receive aggregate net cash proceeds at settlement equal to the number of shares specified in such forward sale agreement multiplied by the relevant forward price per share. However, subject to certain exceptions, we may also elect, in our sole discretion, to cash settle or net share settle all or any portion of our obligations under any forward sale agreement, in which case we may not receive any proceeds (in the case of cash settlement) or will not receive any proceeds (in the case of net

share settlement), and we may owe cash (in the case of cash settlement) or shares of our common stock (in the case of net share settlement) to the relevant forward purchaser.

As of September 30, 2019, 2.4 million shares of our common stock have been sold under the ATM Program. 2.3 million of this activity occurred during the nine months ended September 30, 2019 for gross proceeds of \$91.4 million. 1.8 million of the sales were sold by forward purchasers through agents under the ATM Program and pursuant to forward sales agreements for gross proceeds of \$70.4 million based on the initial forward price. There were no open forward contracts under the ATM Program as of September 30, 2019 and capacity of \$404.9 million remained available under the program.

SHARE REPURCHASE PROGRAM

In May 2018, our Board of Directors approved a stock repurchase program, which authorizes the repurchase of up to \$250.0 million of our 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. Purchase activity will be dependent on various factors, including our 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 or retiring debt. The stock repurchase program does not obligate us to repurchase any specific number of shares and may be suspended at any time at our discretion. We intend to fund any repurchases with new proceeds from asset sales, cash flows from operations, existing cash on the balance sheet and other sources, including debt. As of September 30, 2019, no shares have been repurchased under this new program.

SHORT-TERM LIQUIDITY AND CAPITAL RESOURCES

On a short-term basis, our principal demands for funds will be for operating expenses, acquisitions, distributions to stockholders and payment of interest and principal on current and any future debt financings. We expect to fund these demands primarily through cash provided by operating activities, borrowings under the 2019 Credit Facility, and, when market conditions warrant, issuances of equity securities, including shares of our common stock under our ATM program. As of September 30, 2019, available liquidity was comprised of \$800.0 million of borrowing capacity under the 2019 Credit Facility, \$11.2 million in restricted cash and restricted cash equivalents and \$358.4 million in cash and cash equivalents. We also had capacity of \$404.9 million available under our ATM Program as of September 30, 2019.

LONG-TERM LIQUIDITY AND CAPITAL RESOURCES

We plan to meet our long-term capital needs, including long-term financing of property acquisitions, by issuing registered debt or equity securities, by obtaining asset level financing and by issuing fixed-rate secured or unsecured notes and bonds. In the future, some of our property acquisitions could be made by issuing partnership interests of our Operating Partnership in exchange for property owned by third parties. These partnership interests would be exchangeable for cash or, at our election, shares of our common stock.

We continually evaluate financing alternatives and believe that we can obtain financing on reasonable terms. However, we cannot be sure that we will have access to the capital markets at times and on terms that are acceptable to us. We expect that our primary uses of capital will be for property and other asset acquisitions, the payment of tenant improvements, operating expenses, debt service payments and distributions to our stockholders.

DESCRIPTION OF CERTAIN DEBT

The following descriptions of debt should be read in conjunction with Note 4 to the consolidated financial statements herein.

2019 Credit Facility

As of September 30, 2019, the aggregate gross commitment under the 2019 Credit Facility was \$800.0 million, which may be increased up to \$1.2 billion by exercising an accordion feature, subject to satisfying certain requirements and obtaining additional lender commitments. The 2019 Credit Facility has a maturity of March 31, 2023 and includes two six-month extensions that can be exercised at our option.

We may voluntarily prepay the 2019 Credit Facility, in whole or in part, at any time without premium or penalty. Payment of the 2019 Credit Facility is unconditionally guaranteed by the Company and material subsidiaries that meet certain conditions (as defined in the 2019 Facilities Agreements). As of September 30, 2019, there were no subsidiaries that met this requirement.

As of September 30, 2019, the 2019 Credit Facility bore interest at 1-Month LIBOR plus 0.90%, with no borrowings outstanding, and a ratings-based facility fee in the amount of 0.20% per annum. As of September 30, 2019, there were no letters of credit outstanding.

A-1 Term Loans and A-2 Term Loans

The A-1 Term Loans had a borrowing capacity of \$420.0 million with a maturity date of March 31, 2024. The A-2 Term Loans had a borrowing capacity of \$400.0 million with a maturity date of March 31, 2022. The borrowing capacity of both the A-1 Term Loans and A-2 Term Loans included an accordion feature, up to \$620.0 million and \$600.0 million, respectively, both subject to obtaining additional lender commitments. Subsequent to the credit rating upgrade in May 2019, the A-1 Term Loans and A-2 Term Loans bore interest at a rate of LIBOR plus 1.00% per annum. On September 16, 2019, we used the proceeds from the issuance of the 2027 Senior Unsecured Notes and 2030 Senior Unsecured Notes described below to repay and terminate the A-1 Term Loans and A-2 Term Loans.

Senior Unsecured Notes

The 2026 Senior Unsecured Notes of the Operating Partnership have an aggregate principal amount of \$300.0 million and are guaranteed by the Company. The 2026 Senior Unsecured Notes accrue interest at a rate of 4.45% per year, payable on March 15 and September 15 with a final maturity date of September 15, 2026.

In June 2019, the Operating Partnership issued \$400 million aggregate principal of notes, which are guaranteed by the Company, resulting in net proceeds of \$395.9 million. The 2029 Senior Unsecured Notes accrue interest at a rate of 4.00% per year, payable on January 15 and July 15 of each year, with a final maturity date of July 15, 2029.

In September 2019, the Operating Partnership issued \$800 million aggregate principal of notes, comprised of the 2027 Senior Unsecured Notes and the 2030 Senior Unsecured Notes, which are guaranteed by the Company. The issuance of \$300 million aggregate principal amount of 2027 Senior Unsecured Notes resulted in net proceeds of \$297.0 million and the 2027 Senior Unsecured Notes accrue interest at a rate of 3.200% per annum, payable on January 15 and July 15 of each year, with a final maturity date of January 15, 2027. The issuance of \$500 million aggregate principal amount of 2030 Senior Unsecured Notes resulted in net proceeds of \$494.2 million and the 2030 Senior Unsecured Notes accrue interest at a rate of 3.400% per annum, payable on January 15 and July 15 of each year, and mature on January 15, 2030.

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 respective 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 respective indenture. Notwithstanding the foregoing, if any of the Senior Unsecured Notes are redeemed three months or less (or two months or less in the case of the 2027 Senior Unsecured Notes) prior to their respective maturity dates, the redemption price will not include a make-whole premium.

Master Trust 2013

Master Trust 2013 was an asset-backed securitization platform through which we raised capital by issuing non-recourse net lease mortgage notes collateralized by commercial real estate, net leases and mortgage loans. The commercial real estate was managed by the Company in our capacity as property manager. In June 2019, the Company retired the Master Trust 2013 notes, which had one series of notes outstanding, Series 2013-2 Class A, with a stated interest rate of 5.27%. These notes were issued by a single indirect wholly-owned subsidiary of the Company which is a bankruptcy-remote, special purpose entity, and were secured by 267 owned and financed properties at time of repayment.

CMBS

As of September 30, 2019, we had six fixed-rate CMBS loans with \$261.7 million of aggregate outstanding principal, a weighted-average contractual interest rate of 5.35% and a weighted-average maturity of 3.9 years. Approximately 73% of this debt is partially amortizing and requires a balloon payment at maturity. The following table shows the scheduled principal repayments, including amortization, of the CMBS fixed-rate loans as of September 30, 2019 (dollars in thousands):

Year of Maturity	Number of Loans	Number of Properties	Stated Interest Rate Range	Weighted Average Stated Rate	Scheduled Principal	Balloon	Total
Remainder of 2019	—	—	—%	—%	\$ 1,004	\$ —	\$ 1,004
2020	—	—	—%	—%	4,100	—	4,100
2021	—	—	—%	—%	4,365	—	4,365
2022	1	12	4.67%	4.67%	4,617	42,400	47,017
2023	3	86	5.23% - 5.50%	5.46%	3,074	197,912	200,986
Thereafter	2	2	5.80% - 6.00%	5.83%	4,269	—	4,269
Total	6	100		5.35%	\$ 21,429	\$ 240,312	\$ 261,741

Related Party Mortgage Loans Payable

Wholly-owned subsidiaries of Spirit were the borrower on four mortgage loans payable held by SMTA and secured by six single-tenant properties. In conjunction with SMTA's sale of Master Trust 2014 on September 20, 2019, we repaid the four mortgage loans in full, extinguishing the related party mortgage loans payable.

Convertible Notes

The Convertible Notes were comprised of two series of notes: (i) \$402.5 million aggregate principal amount of 2.875% convertible notes which matured on May 15, 2019 and (ii) \$345.0 million aggregate principal amount of 3.75% convertible notes maturing on May 15, 2021. We retired the 2019 Notes in cash by drawing on the A-2 Term Loans. Interest on the 2021 Notes is payable semiannually in arrears on May 15 and November 15 of each year. As of September 30, 2019, the carrying amount of the 2021 Notes was \$334.9 million, net of discounts (primarily consisting of the value of the embedded conversion feature) and unamortized deferred financing costs.

Holders may convert the 2021 Notes prior to November 15, 2020 only under specific circumstances: (1) if the closing price of our common stock for each of at last 20 trading days (whether or not consecutive) during the last 30 consecutive trading days in the quarter is greater than or equal to 130% of the conversion price for the Convertible Notes; (2) during the five business day period after any 10 consecutive trading day period in which the trading price per \$1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last closing price of our common stock and the conversion rate for the Convertible Notes; (3) if we call any or all of the Convertible Notes for redemption prior to the redemption date; or (4) upon the occurrence of specified corporate events as described in the Convertible Notes prospectus supplement. On or after November 15, 2020, until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2021 Notes, holders may convert the 2021 Notes at any time, regardless of the foregoing circumstances. Upon conversion, we will pay or deliver cash, shares of common stock or a combination of cash and shares of common stock, at our election.

The conversion rate is subject to adjustment for some events, including dividends paid in excess of threshold amounts stipulated in the agreement, but will not be adjusted for any accrued and unpaid interest. As of September 30, 2019, the conversion rate was 17.4458 per \$1,000 principal note. If we undergo a fundamental change (as defined in the 2021 Notes' supplemental indenture), holders may require us to repurchase all or any portion of their notes at a repurchase price equal to 100% of the principal amount of such notes to be repurchased, plus accrued and unpaid interest.

DEBT MATURITIES

Future principal payments due on our various types of debt outstanding as of September 30, 2019 (in thousands):

	Total	Remainder of 2019	2020	2021	2022	2023	Thereafter
2019 Credit Facility	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Term loans	—	—	—	—	—	—	—
Senior Unsecured Notes	1,500,000	—	—	—	—	—	1,500,000
CMBS	261,741	1,004	4,100	4,365	47,017	200,986	4,269
Related party notes payable	—	—	—	—	—	—	—
Convertible Notes	345,000	—	—	345,000	—	—	—
	\$ 2,106,741	\$ 1,004	\$ 4,100	\$ 349,365	\$ 47,017	\$ 200,986	\$ 1,504,269

CONTRACTUAL OBLIGATIONS

As discussed above, during the nine months ended September 30, 2019:

- We drew on the A-2 Term Loans to pay the 2019 Notes in cash at their maturity in May 2019.
- We elected to extinguish the Master Trust 2013 notes in June 2019.
- We issued the 2029 Senior Unsecured Notes in June 2019.
- We issued the 2027 Senior Unsecured Notes and the 2030 Senior Unsecured Notes in September 2019 and used the proceeds, along with capacity under the 2019 Credit Facility, to repay and terminate the A-1 Term Loans and A-2 Term Loans.
- We repaid the four related party mortgage loans in full in September 2019.

There were no other material changes outside the ordinary course of business to the information regarding specified contractual obligations contained in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC.

We may enter into commitments to purchase goods and services in connection with the operations of our properties. Those commitments generally have terms of one-year or less and reflect expenditure levels comparable to our historical expenditures.

DISTRIBUTION POLICY

Distributions from our current or accumulated earnings are generally classified as ordinary income, whereas distributions in excess of our current and accumulated earnings, to the extent of a stockholder's federal income tax basis in our common stock, are generally characterized as a return of capital. Under the 2017 Tax Legislation, U.S. stockholders that are individuals, trusts and estates generally may deduct up to 20% of the ordinary dividends (e.g., dividends not designated as capital gain dividends or qualified dividend income) received from a REIT for taxable years beginning after December 31, 2018 and before January 1, 2026. Distributions in excess of a stockholder's federal income tax basis in our common stock are generally characterized as capital gain.

We are required to distribute 90% of our taxable income (subject to certain adjustments and excluding net capital gains) on an annual basis to maintain qualification as a REIT for federal income tax purposes and are required to pay federal income tax at regular corporate rates to the extent we distribute less than 100% of our taxable income (including capital gains).

We intend to make distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay corporate-level federal income and excise taxes.

Any distributions will be at the sole discretion of our Board of Directors, and their form, timing and amount, if any, will depend upon a number of factors, including our actual and projected results of operations, FFO, liquidity, cash flows and financial condition, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements, applicable laws and such other factors as our Board of Directors deems relevant.

Cash Flows

The following table presents a summary of our cash flows for the nine months ended September 30, 2019 and September 30, 2018, respectively (in thousands):

	Nine Months Ended September 30,		
	2019	2018	Change
Net cash provided by operating activities	\$ 259,353	\$ 233,812	\$ 25,541
Net cash used in investing activities	(328,616)	(237,391)	(91,225)
Net cash provided by (used in) financing activities	361,508	(85,829)	447,337
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 292,245	\$ (89,408)	\$ 381,653

As of September 30, 2019, we had \$369.7 million of cash, cash equivalents and restricted cash as compared to \$77.4 million as of December 31, 2018 and \$25.3 million as of September 30, 2018.

Operating Activities

Our cash flows from operating activities are primarily dependent upon the occupancy level of our portfolio, the rental rates specified in our leases, the collectability of rent and the level of our operating expenses and other general and administrative costs.

The increase in net cash provided by operating activities was primarily attributable to:

- an increase in related party fee revenue received of \$62.1 million, which was primarily attributed to the \$48.2 million termination fee received in connection with the termination of the Asset Management Agreement as a result of the sale of MTA,
- a decrease in cash interest paid of \$32.3 million,
- a decrease in transaction costs of \$20.8 million,
- an increase in preferred dividends received from SMTA of \$9.6 million,
- a decrease in property costs of \$4.8 million,

- a decrease in compensation and benefit costs of \$2.3 million primarily due to severance costs following the departure of two executive officers during the prior period. This decrease is partially offset by \$0.9 million of stock compensation awarded by SMTA to an SRC employee which is fully offset in related party fee income.

This increase was partially offset by:

- a net decrease in cash rental revenue and interest on loans receivable of \$79.2 million, which was primarily attributable to a decrease of \$100.1 million in cash rental revenue directly related to results of the Spin-Off included in prior period operating activities, partially offset by \$20.9 million increase in cash rental revenue due primarily to acquisitions, and
- termination fee costs of \$24.8 million paid for termination of interest rate swaps.

Investing Activities

Cash used in investing activities is generally used to fund property acquisitions, for investments in loans receivable and for capital expenditures. Cash provided by investing activities generally relates to the disposition of real estate and other assets.

Net cash used in investing activities during the nine months ended September 30, 2019 included \$719.1 million for the acquisition of 195 properties and \$32.9 million of capitalized real estate expenditures. These outflows were partially offset by \$230.5 million in net proceeds from the disposition of 34 properties, \$150 million in proceeds from redemption of preferred equity investment in SMTA, and \$42.8 million in collections of principal on loans receivable.

During the same period in 2018, net cash used in investing activities consisted of \$242.5 million for the acquisition of 14 properties, and \$26.8 million of capitalized real estate expenditures, and \$35.5 million for investments in loans receivable. These outflows were partially offset by \$41.5 million in proceeds from the disposition of 18 properties and \$25.9 million in collections of principal on loans receivable.

Financing Activities

Generally, our net cash provided by or used in financing activities is impacted by our borrowings under our revolving credit facilities and term loans, issuances of net-lease mortgage notes, common stock and debt offerings and repurchases and dividend payments on our common and preferred stock.

Net cash provided by financing activities during the nine months ended September 30, 2019 was primarily attributable to borrowings of \$1,198.3 million under senior unsecured notes and net proceeds from the issuance of common stock of \$538.0 million. These amounts were partially offset by the net repayment of \$420 million of Term Loans, payment of dividends to equity owners of \$172.0 million, repayment of \$198.6 million on mortgages and notes payable, net repayments of \$146.3 million on our revolving credit facilities, repayment of \$402.5 million on convertible notes, deferred financing costs of \$20.2 million, debt extinguishment costs of \$12.6 million and common stock share repurchases for employee tax withholdings totaling \$2.5 million.

During the same period in 2018, net cash used in financing activities was primarily attributable to common stock share repurchases totaling \$170.5 million, payment of dividends to equity owners of \$244.4 million, the transfer of \$73.1 million in cash, cash equivalents and restricted cash to SMTA in conjunction with the Spin-Off and the net repayment of \$63.4 million on mortgages and notes payable. These amounts were partially offset by net borrowings of \$465.0 million under our Revolving Credit Facility and Term Loans.

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any material off-balance sheet arrangements.

New Accounting Pronouncements

See Note 2 to the consolidated financial statements herein.

Non-GAAP Financial Measures

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (NAREIT). FFO represents net income (loss) attributable to common stockholders (computed in accordance with GAAP), excluding real estate-related depreciation and amortization, impairment charges and net (gains) losses from property dispositions. FFO is a supplemental non-GAAP financial measure. We use FFO as a supplemental performance measure because we believe that FFO is beneficial to investors as a starting point in measuring our operational

performance. Specifically, in excluding real estate-related depreciation and amortization, gains and losses from property dispositions and impairment charges, which do not relate to or are not indicative of operating performance, FFO provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of equity REITs, FFO will be used by investors as a basis to compare our operating performance with that of other equity REITs. However, because FFO excludes depreciation and amortization and does not capture the changes in the value of our properties that result from use or market conditions, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. In addition, other equity REITs may not calculate FFO as we do, and, accordingly, our FFO may not be comparable to such other equity REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income (loss) attributable to common stockholders (computed in accordance with GAAP) as a measure of our performance.

AFFO is a non-GAAP financial measure of operating performance used by many companies in the REIT industry. We adjust FFO to eliminate the impact of certain items that we believe are not indicative of our core operating performance, including restructuring and divestiture costs, other general and administrative costs associated with relocation of the Company's headquarters, transactions costs associated with our Spin-Off, default interest and fees on non-recourse mortgage indebtedness, debt extinguishment gains (losses), costs associated with termination of interest rate swaps, transaction costs incurred in connection with the acquisition of real estate investments subject to existing leases, costs associated with performing on a guarantee of a former tenant's debt, and certain non-cash items. These certain non-cash items include non-cash revenues (comprised of straight-line rents, amortization of above- and below-market rent on our leases, amortization of lease incentives, amortization of net premium (discount) on loans receivable, bad debt expense and amortization of capitalized lease transaction costs), non-cash interest expense (comprised of amortization of deferred financing costs and amortization of net debt discount/premium) and non-cash compensation expense (stock-based compensation expense). In addition, other equity REITs may not calculate AFFO as we do, and, accordingly, our AFFO may not be comparable to such other equity REITs' AFFO. AFFO does not represent cash generated from operating activities determined in accordance with GAAP, is not necessarily indicative of cash available to fund cash needs and should only be considered a supplement, and not an alternative, to net income (loss) attributable to common stockholders (computed in accordance with GAAP) as a performance measure.

Adjusted Debt

Adjusted Debt represents interest bearing debt (reported in accordance with GAAP) adjusted to exclude unamortized debt discount/premium, deferred financing costs, and reduced by cash and cash equivalents and cash reserves on deposit with lenders as additional security. By excluding these amounts, the result provides an estimate of the contractual amount of borrowed capital to be repaid, net of cash available to repay it. We believe this calculation constitutes a beneficial supplemental non-GAAP financial disclosure to investors in understanding our financial condition.

EBITDAre

EBITDAre is a non-GAAP financial measure and is computed in accordance with standards established by NAREIT. EBITDAre is defined as net income (loss) (computed in accordance with GAAP), plus interest expense, plus income tax expense (if any), plus depreciation and amortization, plus (minus) losses and gains on the disposition of depreciated property, plus impairment write-downs of depreciated property and investments in unconsolidated real estate ventures, plus adjustments to reflect the Company's share of EBITDAre of unconsolidated real estate ventures.

Adjusted EBITDAre

Adjusted EBITDAre represents EBITDAre as adjusted for transaction costs, revenue producing acquisitions and dispositions for the quarter as if such acquisitions and dispositions had occurred as of the beginning of the quarter, severance charges, deal pursuit costs, and debt extinguishment gains (losses). We focus our business plans to enable us to sustain increasing shareholder value. Accordingly, we believe that excluding these items, which are not key drivers of our investment decisions and may cause short-term fluctuations in net income, provides a useful supplemental measure to investors and analysts in assessing the net earnings contribution of our real estate portfolio. Because these measures do not represent net income (loss) that is computed in accordance with GAAP, they should only be considered a supplement, and not an alternative, to net income (loss) (computed in accordance with GAAP) as a performance measure.

Annualized Adjusted EBITDAre

Annualized Adjusted EBITDAre is calculated as Adjusted EBITDAre for the quarter, adjusted for items where annualization would not be appropriate, multiplied by four. Our computation of Adjusted EBITDAre and Annualized Adjusted EBITDAre may differ from the methodology used by other equity REITs to calculate these measures and, therefore, may not be comparable to such other REITs.

Adjusted Debt to Annualized Adjusted EBITDAre

Adjusted Debt to Annualized Adjusted EBITDAre is a supplemental non-GAAP financial measure we use to evaluate the level of borrowed capital being used to increase the potential return of our real estate investments, and a proxy for a measure we believe is used by many lenders and ratings agencies to evaluate our ability to repay and service our debt obligations over time. We believe the ratio is a beneficial disclosure to investors as a supplemental means of evaluating our ability to meet obligations senior to those of our equity holders. Our computation of this ratio may differ from the methodology used by other equity REITs, and, therefore, may not be comparable to such other REITs.

FFO and AFFO

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to common stockholders	\$ 78,707	\$ 27,468	\$ 162,846	\$ 70,174
Add / (less):				
Portfolio depreciation and amortization	43,764	40,237	126,171	156,051
Portfolio impairments	5,932	1,279	13,231	17,197
Gain on disposition of assets	(32,254)	(436)	(70,760)	(553)
FFO attributable to common stockholders	\$ 96,149	\$ 68,548	\$ 231,488	\$ 242,869
Add / (less):				
Loss (gain) on debt extinguishment	5,580	—	11,473	(26,729)
Deal pursuit costs	330	26	574	482
Transaction costs	—	966	—	20,931
Non-cash interest expense	2,685	4,526	11,116	18,330
Accrued interest and fees on defaulted loans	—	286	285	1,137
Straight-line rent, net of related bad debt expense	(4,770)	(3,582)	(12,162)	(12,226)
Other amortization and non-cash charges	(574)	(892)	(1,169)	(1,586)
Non-cash compensation expense	3,534	3,084	10,995	12,189
Termination of interest rate swaps	12,461	—	12,461	—
AFFO attributable to common stockholders	\$ 115,395	\$ 72,962	\$ 265,061	\$ 255,397
Net income per share of common stock - Diluted ⁽¹⁾	\$ 0.87	\$ 0.32	\$ 1.85	\$ 0.80
FFO per share of common stock - Diluted ⁽¹⁾	\$ 1.06	\$ 0.80	\$ 2.63	\$ 2.80
AFFO per share of common stock - Diluted ⁽¹⁾	\$ 1.27	\$ 0.85	\$ 3.01	\$ 2.94
AFFO per share of common stock, excluding AM termination fee income, net of tax ⁽²⁾	\$ 0.87	\$ 0.85	\$ 2.59	\$ 2.94
Weighted average shares of common stock outstanding:				
Diluted	90,396,797	85,578,507	87,784,477	86,788,140

⁽¹⁾ For the three months ended September 30, 2019, undistributed earnings allocated to unvested restricted stockholders of \$0.3 million and \$0.4 million are deducted from FFO and AFFO, respectively, attributable to common stockholders in the computation of per share amounts. For the nine months ended September 30, 2019, undistributed earnings allocated to unvested restricted stockholders of \$1.0 million and \$1.1 million are deducted from FFO and AFFO, respectively, attributable to common stockholders in the computation of per share amounts. For the three months ended September 30, 2018, undistributed earnings allocated to unvested restricted stockholders of \$0.3 million are deducted from both FFO and AFFO attributable to common stockholders in the computation of per share amounts. For the nine months ended September 30, 2018, undistributed earnings allocated to unvested restricted stockholders of \$1.1 million are deducted from both FFO and AFFO attributable to common stockholders in the computation of per share amounts.

⁽²⁾ AFFO attributable to common stockholders for the three and nine months ended September 30, 2019, excluding \$48.2 million of termination fee income, net of \$11.2 million in income tax expense. The termination fee was received in conjunction with SMTA's sale of Master Trust 2014 in September 2019 and termination of the Asset Management Agreement on September 20, 2019. On September 20, 2019, the Company entered into the Interim Management Agreement with SMTA. AFFO attributable to common stockholders has not been adjusted to exclude the following:

- asset management fees of \$4.4 million and \$14.4 million earned during the three and nine months ended September 30, 2019, respectively;
- property management and servicing fees of \$1.7 million and \$5.5 million earned during the three and nine months ended September 30, 2019, respectively;
- preferred dividend income from SMTA of \$3.3 million and \$10.8 million earned during the three and nine months ended September 30, 2019, respectively;
- interest income on related party notes receivable of \$0.3 million and \$1.1 million earned during the three and nine months ended September 30, 2019, respectively, and an early repayment premium of \$0.9 million earned during the three and nine months ended September 30, 2019; and
- interest expense on related party loans payable of \$58 thousand and \$0.2 million incurred during the three and nine months ended September 30, 2019, respectively.

Adjusted Debt, Adjusted EBITDAre and Annualized Adjusted EBITDAre

<i>(Dollars in thousands)</i>	September 30,	
	2019	2018
Revolving credit facilities	\$ —	\$ 157,000
Term loans	—	419,920
Senior Unsecured Notes, net	1,483,491	295,654
Mortgages and notes payable, net	259,113	465,433
Convertible Notes, net	334,904	726,261
Total debt, net	2,077,508	2,064,268
Add / (less):		
Unamortized debt discount, net	10,664	17,406
Unamortized deferred financing costs	18,569	15,928
Cash and cash equivalents	(358,440)	(7,578)
Restricted cash balances held for the benefit of lenders	(11,226)	(17,721)
Adjusted Debt	\$ 1,737,075	\$ 2,072,303

<i>(Dollars in thousands)</i>	Three Months Ended September 30,	
	2019	2018
Net income	\$ 81,294	\$ 30,056
Add / (less):		
Interest	24,675	24,784
Depreciation and amortization	43,907	40,379
Income tax expense	11,190	135
Realized gains on sales of real estate assets	(32,254)	(436)
Impairments on real estate assets	5,932	1,279
EBITDAre	\$ 134,744	\$ 96,197
Add /(less):		
Adjustments to revenue producing acquisitions and dispositions ⁽¹⁾	3,599	2,617
Transaction costs	—	966
Deal pursuit costs	330	26
Loss on debt extinguishment	5,580	—
Termination of interest rate swaps	12,461	—
Termination of Asset Management Agreement	(48,156)	—
Adjusted EBITDAre	\$ 108,558	\$ 99,806
Other adjustments for Annualized EBITDAre ⁽²⁾	(244)	—
Annualized Adjusted EBITDAre ⁽³⁾	\$ 433,256	\$ 399,224
Adjusted Debt / Annualized Adjusted EBITDAre	4.0x	5.2x

⁽¹⁾Revenue producing acquisitions and dispositions were adjusted as if such acquisitions and dispositions had occurred at the beginning of the quarter.

⁽²⁾Adjustments for which annualization would not be appropriate are composed of certain non-recurring other income.

⁽³⁾Annualized Adjusted EBITDAre has not been adjusted to exclude the following:

- asset management fees of \$4.4 million and \$14.4 million earned during the three and nine months ended September 30, 2019, respectively;
- property management and servicing fees of \$1.7 million and \$5.5 million earned during the three and nine months ended September 30, 2019, respectively;
- preferred dividend income from SMTA of \$3.3 million and \$10.8 million earned during the three and nine months ended September 30, 2019, respectively;
- interest income on related party notes receivable of \$0.3 million and \$1.1 million earned during the three and nine months ended September 30, 2019, respectively, and an early repayment premium of \$0.9 million earned during the three and nine months ended September 30, 2019; and
- interest expense on related party loans payable of \$58 thousand and \$0.2 million incurred during the three and nine months ended September 30, 2019, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to financial market risks, including interest rate risk. Interest rates and other factors, such as occupancy, rental rates and the financial condition of our tenants, influence our performance more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. As described in Item 2, we generally offer leases that provide for payments of base rent with scheduled increases and, to a lesser extent, contingent rent based on a percentage of the tenant's gross sales to help mitigate the effect of inflation. Because the properties in our portfolio are generally leased to tenants under triple-net leases, our exposure to rising property operating costs due to inflation is mitigated.

Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and global economic and political conditions, which are beyond our control. Our operating results depend heavily on the difference between the revenue from our assets and the interest expense incurred on our borrowings. We may incur additional variable rate debt in the future, including amounts that we may borrow under our 2019 Credit Facility. In addition, decreases in interest rates may lead to additional competition for the acquisition of real estate due to a reduction in desirable alternative income-producing investments, which may lead to a decrease in the yields on real estate we have targeted for acquisition. In such circumstances, if we are not able to offset the decrease in yields by obtaining lower interest costs on our borrowings, our results of operations will be adversely affected. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to acquire real estate with rental rates high enough to offset the increase in interest rates on our borrowings.

In the event interest rates rise significantly or there is an economic downturn, defaults may increase and result in credit losses, which may adversely affect our liquidity and operating results. In a decreasing interest rate environment, borrowers are generally more likely to prepay their loans in order to obtain financing at lower interest rates. However, the vast majority of our mortgage notes payable have prepayment clauses that make refinancing during a decreasing interest rate environment uneconomical. Investments in our mortgage loans receivable also have significant prepayment protection in the form of yield maintenance provisions, which provide us with substantial yield protection in a decreasing interest rate environment with respect to this portion of our investment portfolio.

As of September 30, 2019, our assets were primarily long-term, fixed-rate leases (though most have scheduled rental increases during the terms of the leases). As of September 30, 2019, all \$2.1 billion of our indebtedness outstanding was fixed-rate, consisting of our Senior Unsecured Notes, mortgages and notes payable and Convertible Notes, with a weighted average stated interest rate of 4.05%, excluding amortization of deferred financing costs and debt discounts/premiums. As of September 30, 2019, none of our indebtedness was variable-rate, as our 2019 Credit Facility was undrawn.

The estimated fair values of our debt instruments have been derived based on market quotes for comparable instruments or discounted cash flow analysis using estimates of the amount and timing of future cash flows, market rates and credit spreads. The debt instrument balances as of September 30, 2019 are as follows (in thousands):

	Carrying Value	Estimated Fair Value
2019 Credit Facility	\$ —	\$ —
Senior Unsecured Notes, net ⁽¹⁾	1,483,491	1,532,065
Mortgages and notes payable, net ⁽¹⁾	259,113	281,432
Convertible Notes, net ⁽¹⁾	334,904	354,826

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

Item 4. Controls and Procedures

SPIRIT REALTY CAPITAL, INC.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of Spirit Realty Capital, Inc.'s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness as of September 30, 2019 of the design and operation of Spirit Realty Capital, Inc.'s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting

There were no changes to Spirit Realty Capital, Inc.'s internal control over financial reporting (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that occurred during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, Spirit Realty Capital, Inc.'s internal control over financial reporting.

SPIRIT REALTY, L.P.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of Spirit Realty, L.P.'s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness as of September 30, 2019 of the design and operation of Spirit Realty, L.P.'s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting

There were no changes to Spirit Realty, L.P.'s internal control over financial reporting (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that occurred during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, Spirit Realty, L.P.'s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

From time-to-time, we may be subject to certain claims and lawsuits in the ordinary course of business, the outcome of which cannot be determined at this time. We are not currently a party as plaintiff or defendant to any legal proceedings that we believe to be material or that individually or in the aggregate would be expected to have a material effect on our business, financial condition or results of operations if determined adversely to us.

Item 1A. Risk Factors.

There have been no material changes to the risk factors as disclosed in Part I, Item 1A. Risk Factors in our most recent Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
3.1	Articles of Restatement of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Registration Statement on Form S-3 on November 8, 2013 and incorporated herein by reference.
3.2	Articles of Amendment of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Form 8-K on May 13, 2014 and incorporated herein by reference.
3.3	Articles Supplementary of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on March 3, 2017 and incorporated herein by reference.
3.4	Fifth Amended and Restated Bylaws of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Form 8-K on August 15, 2017 and incorporated herein by reference.
3.5	Second Amended and Restated Agreement of Limited Partnership of Spirit Realty, L.P. filed as Exhibit 3.1 to the Operating Partnership's Form 8-K on October 3, 2017 and incorporated herein by reference.
3.6	Articles Supplementary designating Spirit Realty Capital, Inc.'s 6.000% Series A Cumulative Redeemable Preferred Stock filed as Exhibit 3.4 to the Company's Registration Statement on Form 8-A on October 2, 2017 and incorporated herein by reference.
3.7	Certificate of Limited Partnership of Spirit Realty, L.P. dated September 25, 2012, filed as Exhibit 4.5 to the Company's Form S-4 on March 20, 2017 and incorporated herein by reference.
3.8	Articles of Amendment of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Form 8-K on April 29, 2019 and incorporated herein by reference.
101.*	Interim Management Agreement between Spirit Realty AM Corporation and Spirit MTA REIT, dated June 2, 2019.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Spirit Realty Capital, Inc.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Spirit Realty Capital, Inc.
31.3*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Spirit Realty, L.P.
31.4*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Spirit Realty, L.P.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Spirit Realty Capital, Inc.
32.2*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Spirit Realty, L.P.
101.INS*	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104.1*	Cover Page Interactive Data File - The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

SPIRIT REALTY CAPITAL, INC.

(Registrant)

By: /s/ Prakash J. Parag

Name: Prakash J. Parag

Title: Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

SPIRIT REALTY, L.P.

(Registrant)

By: Spirit General OP Holdings, LLC, as general
partner of Spirit Realty, L.P.

/s/ Prakash J. Parag

Prakash J. Parag

Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Date: November 5, 2019

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Section 2: EX-10.1 (EX-10.1 INTERIM MANAGEMENT AGREEMENT)

Exhibit 10.1

Execution Version

INTERIM MANAGEMENT AGREEMENT

dated as of June 2, 2019

between

SPIRIT MTA REIT

and

SPIRIT REALTY AM CORPORATION

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INTERIM MANAGEMENT AGREEMENT

THIS INTERIM MANAGEMENT AGREEMENT (this "Agreement") is made as of June 2, 2019 by and between Spirit MTA REIT, a Maryland real estate investment trust (the "Company"), and Spirit Realty AM Corporation, a Delaware corporation (together with its permitted assignees, the "Manager").

WHEREAS, the Company was spun-off from Spirit Realty Capital, Inc. pursuant to that certain Separation and Distribution Agreement, dated as of May 21, 2018 (the "SMTA Spin-Off");

WHEREAS, in connection with the SMTA Spin-Off, the Company and Spirit Realty, L.P. a Delaware limited partnership ("SRLP"), as manager, entered into that certain Asset Management Agreement, dated May 31, 2018 (the "Asset Management Agreement"), pursuant to which SRLP, as manager, agreed to provide certain management and other services to the Company;

WHEREAS, pursuant to the Assignment and Acceptance Agreement, dated April 1, 2019, SRLP assigned all of its rights and obligations under the Asset Management Agreement to Manager, however, SRLP continued to be liable to the Company for all errors and omissions of Manager;

WHEREAS, pursuant to that certain Equity Purchase Agreement, dated as of the date hereof (the "Purchase Agreement"), by and among the Company, SMTA Financing JV, LLC, an indirect wholly owned subsidiary of the Company, and Hospitality Properties Trust ("Buyer"), Buyer will, among other things, acquire all of the limited liability company interests of Banner NewCo LCC ("Newco"), a newly created direct subsidiary of Seller which, immediately prior to the closing of the transactions contemplated by the Purchase Agreement, will own all of the outstanding equity interests of each of the Acquired Companies (as defined in the Purchase Agreement);

WHEREAS, the Company and the Manager have entered into that certain Termination Agreement dated as of the date hereof, pursuant to which the Asset Management Agreement will terminate effective on the date of closing of the transactions contemplated by the Purchase Agreement (the "Purchase Agreement Closing Date");

WHEREAS, following the Purchase Agreement Closing Date the Company intends to wind-down its affairs and to liquidate its assets (the "Wind-Down");

WHEREAS, the Company desires to avail itself of the experience, sources of information, advice, assistance and certain facilities of, or available to, the Manager and to have the Manager undertake the duties and responsibilities hereinafter set forth, on behalf of the Company, as provided in this Agreement effective as of the Purchase Agreement Closing Date in connection with the Wind-Down; and

WHEREAS, the Manager is willing to render such services on the terms and conditions hereinafter set forth.

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL AGREEMENTS HEREIN SET FORTH, THE PARTIES HERETO AGREE AS FOLLOWS:

SECTION 1. DEFINITIONS.

The following terms have the meanings assigned to them:

“AAA” has the meaning set forth in Section 21 of this Agreement.

“Affiliate” means, with respect to any Person, (i) any other Person directly or indirectly controlling, controlled by, or under common control with such Person, (ii) any executive officer, general partner or managing member of such Person, (iii) any member of the board of directors or board of managers (or bodies performing similar functions) of such Person, and (iv) any legal entity for which such Person acts as an executive officer, general partner or managing member. For purposes of this Agreement, the Company shall not be considered an Affiliate of the Manager.

“Agreement” means this Interim Management Agreement, as amended from time to time.

“Appellate Rules” has the meaning set forth in Section 21 of this Agreement.

“Asset Management Agreement” has the meaning set forth in the preamble to this Agreement.

“Award” has the meaning set forth in Section 21 of this Agreement.

“Board of Trustees” means the board of trustees (or similar governing body) of the Company.

“Buyer” has the meaning set forth in the preamble to this Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Common Share” means a common share of beneficial interest, par value \$0.01 per share, of the Company now or hereafter authorized as common voting shares of the Company.

“Company” has the meaning set forth in the preamble to this Agreement.

“Company Account” has the meaning set forth in Section 5 of this Agreement.

“Company Dedicated Executive” has the meaning set forth in Section 3 of this Agreement.

“Company Indemnified Party” has the meaning set forth in Section 10 of this Agreement.

“Disputes” has the meaning set forth in Section 21 of this Agreement.

“Effective Termination Date” means the effective date of termination of this Agreement pursuant to Section 12.

“Excess Funds” has the meaning set forth in Section 2(i) of this Agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Governing Instruments” means, with regard to any entity, the declaration of trust and bylaws in the case of a real estate investment trust, the articles of incorporation and bylaws in the case of a corporation, the certificate of limited partnership (if applicable) and the partnership agreement in the case of a general or limited partnership, the articles of formation and the operating agreement in the case of a limited liability company, or, in each case, comparable governing documents.

“Indemnified Party” has the meaning set forth in Section 10 of this Agreement.

“Independent Trustees” means the members of the Board of Trustees who are not officers or employees of the Manager, and who are otherwise “independent” in accordance with the Company’s Governing Instruments and the rules of the NYSE or such other securities exchange on which the Common Shares are listed.

“Investment Manual” means the investment manual approved by the Board of Trustees, as the same may amended, restated, modified, supplemented or waived pursuant to the approval of a majority of the entire Board of Trustees from time to time (which must include a majority of the Independent Trustees).

“Investments” means the investments of the Company.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“License Term” has the meaning set forth in Section 22 of this Agreement.

“Licensed Name” has the meaning set forth in Section 22 of this Agreement.

“Losses” has the meaning set forth in Section 10 of this Agreement.

“Management Fee” has the meaning set forth in Section 8(a) of this Agreement.

“Manager” has the meaning set forth in the preamble to this Agreement.

“Newco” has the meaning set forth in the preamble to this Agreement.

“NYSE” means the New York Stock Exchange.

“Original Term” has the meaning set forth in Section 12(a) of this Agreement.

“Person” means any natural person, corporation, partnership, association, limited liability company, estate, trust, joint venture, any federal, state, county or municipal government or any bureau, department or agency thereof or any other legal entity and any fiduciary acting in such capacity on behalf of the foregoing.

“REIT” means a real estate investment trust under the Code.

“Renewal Term” has the meaning set forth in Section 12(a) of this Agreement.

“Rules” has the meaning set forth in Section 21 of this Agreement.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“SMTA Spin-Off” has the meaning set forth in the preamble to this Agreement.

“Subsidiary” means any subsidiary of the Company and any partnership, the general partner of which is the Company or any subsidiary of the Company and any limited liability company, the managing member of which is the Company or any subsidiary of the Company.

“Wind-Down” has the meaning set forth in the preamble to this Agreement.

SECTION 2. APPOINTMENT AND DUTIES OF THE MANAGER.

(a) Effective as of the Purchase Agreement Closing Date, the Company hereby appoints the Manager to manage the assets of the Company and the Wind-Down, subject to the further terms and conditions set forth in this Agreement, and the Manager hereby agrees to use its commercially reasonable efforts to perform each of the duties set forth herein. The appointment of the Manager shall be exclusive to the Manager, except to the extent that the Manager elects, pursuant to the terms and conditions of this Agreement, to cause the duties of the Manager hereunder to be provided by third parties.

(b) The Manager, in its capacity as manager of the assets, shall manage the day-to-day affairs of the Company (and all subsidiaries and joint ventures of the Company) and the Wind-Down, at all times will be subject to the supervision, direction and management of the Board of Trustees and will have only such functions and authority as the Company may delegate to it. The Company hereby reserves to a majority of the independent Trustees on the Board of Trustees the following powers:

- (i) the authority to determine or change the direction of the Company at any time and in the sole discretion of the Board of Trustees, including without limitation the structure, terms, timing and other matters related to the Wind-Down;
- (ii) the approval or disapproval of prospective dispositions of Investments;
- (iii) the approval of the terms of loan documents for any Company financings;
- (iv) the approval of the Company’s annual budget (it being understood that the Manager will submit such budget in advance to the Board of Trustees for review and approval, and will provide quarterly updates of performance against the annual budget to the Board of Trustees);
- (v) the approval of the retention of the Company’s registered public accountants;
- (vi) the approval of any material transaction between the Company and the Manager and its Affiliates, other than transactions pursuant to this Agreement and other transactions in effect as of the Purchase Agreement Closing Date;
- (vii) the issuance of equity or debt securities by the Company;
- (viii) the grant of equity incentive awards by the Company;
- (ix) the entry into joint ventures by the Company or its Subsidiaries;
- (x) the approval of entry into any (A) merger, consolidation, reorganization, or business combination of the Company, (B) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (C) a termination, dissolution or liquidation of the Company; and
- (xi) such other matters as may be determined by the Board of Trustees from time to time.

(c) Effective as of the Purchase Agreement Closing Date, the Company, subject to Section 2(b) hereby delegates the following functions and authority to the Manager. Subject to Section 2(b), the Manager will be responsible for managing the assets, the day-to-day affairs and the Wind-Down of the Company and will perform (or cause to be performed) such services and activities relating to the assets, operations and Wind-Down of the Company as may be appropriate, including, without limitation:

(i) sourcing, investigating and evaluating dispositions of Investments, subject to and consistent with the Investment Manual, and making recommendations with respect thereto to the Board of Trustees, where applicable;

(ii) subject to and consistent with the Investment Manual, conducting negotiations with brokers, sellers and purchasers, and their respective agents and representatives, investment bankers and owners of privately and publicly held real estate or related assets, regarding the sale or other disposition of any Investments;

(iii) managing and monitoring the operating performance of Investments and providing periodic reports to the Board of Trustees, including comparative information with respect to such operating performance and budgeted or projected operating results;

(iv) engaging and supervising independent contractors that provide services relating to the Company, the Investments or the Wind-Down, including, but not limited to, investment banking, legal or regulatory advisory, tax advisory, accounting advisory, securities brokerage, property management/operations, property condition, real estate and leasing advisory and brokerage, and other financial and consulting services reasonably necessary for Manager to perform its duties hereunder (it being understood that the Board of Trustees and its Audit Committee shall retain authority to determine the Company's independent public accountant and that the Independent Trustees and any committee of the Board of Trustees shall retain the authority to hire its or their own attorneys or other advisors);

(v) subject to any required approval of the Board of Trustees, negotiating on behalf of the Company, the terms of loan documents for any Company financings;

(vi) enforcing, monitoring and managing compliance with loan documents to which the Company is a party on behalf of the Company;

(vii) coordinating and managing operations of any joint venture or co-investment interests held by the Company and conducting all matters with the joint venture or co-investment partners;

(viii) coordinating and supervising all property managers, tenant operators, leasing agents and developers for the administration, leasing, management and/or development of any of the Investments;

(ix) providing executive and administrative personnel, office space and office services required in rendering services to the Company;

(x) administering bookkeeping and accounting functions as are required for the management, affairs and Wind-Down of the Company, contracting for audits and preparing or causing to be prepared such periodic reports and filings as may be required by any governmental authority in connection with the ordinary conduct of the Company's affairs, and otherwise advising and assisting the Company with its compliance with applicable legal and regulatory requirements, including, without

limitation, periodic reports, returns or statements required under the Exchange Act, the Code and any regulations or rulings thereunder, the securities and tax statutes of any jurisdiction in which the Company is obligated to file such reports, or the rules and regulations promulgated under any of the foregoing;

(xi) advising and assisting in the preparation and filing of all proxies and other forms or documents filed with the SEC pursuant to the Securities Act or any state securities regulators (it being understood that the Company shall be responsible for the content of any and all of its SEC filings or state regulatory filings, and that Manager shall not be held liable for any costs or liabilities arising out of any misstatements or omissions in the Company's SEC filings, state regulatory filings or other filings referred to in this subparagraph, whether or not material (except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of Manager's duties under this Agreement);

(xii) causing the Company to retain qualified accountants and legal counsel, as applicable, to assist in developing appropriate accounting procedures, compliance procedures and testing systems with respect to financial reporting obligations and compliance with the provisions of the Code applicable to REITs (until such time that the Board of Trustees determines that the Company should no longer qualify as a REIT) (it being understood that the Board of Trustees and its Audit Committee shall retain authority to determine the Company's independent public accountant and that the Independent Trustees and any Committee of the Board of Trustees shall retain the authority to hire its or their own attorneys or other advisors);

(xiii) taking all necessary actions to enable the Company to make required tax filings and reports, including soliciting shareholders for required information to the extent required by the provisions of the Code applicable to REITs (until such time that the Board of Trustees determines that the Company should no longer qualify as a REIT);

(xiv) counseling the Company regarding the maintenance of its status as a REIT and monitoring compliance with the various REIT qualification tests and other rules set out in the Code and Treasury Regulations thereunder (until such time that the Board of Trustees determines that the Company should no longer qualify as a REIT);

(xv) counseling the Company regarding the maintenance of its exemption from the Investment Company Act and monitoring compliance with the requirements for maintaining an exemption from the Investment Company Act;

(xvi) counseling the Company in connection with policy decisions to be made by the Board of Trustees;

(xvii) evaluating and recommending to the Board of Trustees modifications to any hedging strategies in effect as of the Purchase Agreement Closing Date and engaging in hedging activities;

(xviii) communicating with the Company's investors and analysts as required to satisfy reporting or other requirements of any governing body or exchange on which the Company's securities are traded and to maintain effective relations with such investors;

(xix) investing and re-investing any moneys and securities of the Company (including investing in short-term Investments pending investment in Investments, payment of fees, costs and expenses, or payments of dividends or distributions to shareholders and partners of the Company) and advising the Company as to its capital structure, including as relates to the Wind-Down;

(xx) causing the Company to qualify to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xxi) handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which the Company may be involved or to which the Company may be subject arising out of the Company's day-to-day operations, subject to such limitations or parameters as may be imposed from time to time by the Board of Trustees;

(xxii) using commercially reasonable efforts to cause expenses incurred by or on behalf of the Company to be within any expense guidelines set by the Board of Trustees from time to time;

(xxiii) performing such other services as may be required from time to time for management and other activities relating to the assets of the Company and the Wind-Down as the Board of Trustees and Manager shall agree from time to time; and

(xxiv) using commercially reasonable efforts to cause the Company to comply with all applicable laws and regulations in all material respects, subject to the Company providing appropriate, necessary and timely funding of capital.

The independent Trustees on the Board of Trustees have dispositive power in the event of any conflict between the Board of Trustees and the Manager with respect to the functions and authority delegated to the Manager above.

Without limiting the foregoing, the Manager will perform portfolio management services on behalf of the Company with respect to the Investments and the Wind-Down. Such services will include, but not be limited to, consulting with the Company on the sale or other disposition of the Company's assets; the collection of information and the submission of reports pertaining to the Company's assets, interest rates and general economic conditions; periodic review and evaluation of the performance of the Company's portfolio of assets; acting as liaison between the Company and banking, mortgage banking, investment banking and other parties with respect to the sale or other disposition of assets; and other customary functions related to portfolio management. Additionally, the Manager will perform monitoring services on behalf of the Company with respect to any services provided by third parties, which the Manager determines are material to the performance of the business.

(d) Subject to Section 2(b) above, the Manager may enter into agreements with other parties in connection with its duties hereunder.

(e) The Manager may retain, for and on behalf, and at the sole cost and expense, of the Company, such services of accountants, legal counsel, tax counsel, appraisers, insurers, brokers or business developers, transfer agents, registrars, developers, investment banks, financial advisors, underwriters, banks and other lenders and others as the Manager deems necessary or advisable in connection with the management, operations and Wind-Down of the Company. Notwithstanding anything contained herein to the contrary, the Manager shall have the right to cause any such services to be rendered by its employees or Affiliates (which, for the avoidance of doubt, includes any employees, consultants or agents of any Affiliate of the Manager).

(f) As frequently as the Manager may deem necessary or advisable, or at the direction of the Board of Trustees, the Manager shall, at the sole cost and expense of the Company, prepare, or cause to be prepared, with respect to any Investment (i) an appraisal prepared by an independent real estate

appraiser; (ii) reports and information on the Company's affairs and asset performance; and (iii) other information reasonably requested by the Company.

(g) The Manager shall prepare, or cause to be prepared, at the sole cost and expense of the Company, all reports, financial or otherwise, with respect to the Company required by the Board of Trustees in order for the Company to comply with its Governing Instruments or any other materials required to be filed with any governmental body or agency, as well as all materials and data necessary to complete such reports and other materials including, without limitation, an annual audit of the Company's books of account by a nationally recognized independent accounting firm (unless the Board of Trustees determines that such an audit is not necessary or advisable).

(h) The Manager shall prepare regular reports for the Board of Trustees to enable the Board of Trustees to review the Company's assets and performance and compliance with the Investment Manual and any policies approved by the Board of Trustees.

(i) Notwithstanding anything contained in this Agreement to the contrary, the Manager shall not be required to expend money ("Excess Funds") in excess of that contained in any applicable Company Account or otherwise made available by the Company to be expended by the Manager hereunder.

(j) In performing its duties under this Section 2, the Manager shall be entitled to rely reasonably on qualified experts hired by the Manager.

SECTION 3. DEVOTION OF TIME; ADDITIONAL ACTIVITIES.

(a) The Manager will provide a management team, including a dedicated individual who shall serve as the chief executive officer and chief financial officer of the Company (the "Company Dedicated Executive") (unless otherwise determined by the Board of Trustees), to provide the management services hereunder. The members of such team shall devote such of their time to the management of the Company as is reasonably necessary and appropriate.

(b) Except to the extent set forth in clause (a) above, nothing herein shall prevent the Manager or any of its Affiliates or any of the officers and employees of any of the foregoing from engaging in other businesses or from rendering services of any kind to any other person or entity, including investment in, or advisory service to others investing in, any type of real estate or real estate related investment, including investments which meet the principal investment objectives of the Company. The Company recognizes that it is not entitled to preferential treatment in receiving information, recommendations and other services from the Manager. The Manager shall act in good faith to endeavor to identify to the Independent Trustees any conflicts that may arise among the Company, the Manager and/or any other person or entity on whose behalf the Manager may be engaged.

(c) Managers, members, officers, employees and agents of the Manager or Affiliates of the Manager may serve as trustees, officers, employees, agents, nominees or signatories for the Company or any Subsidiary, to the extent permitted by the Governing Instruments of the Company or any such Subsidiary, as from time to time amended, or by any resolutions duly adopted by the Board of Trustees pursuant to the Company's Governing Instruments. When executing documents or otherwise acting in such capacities for the Company, such persons shall use their respective titles in the Company.

SECTION 4. AGENCY.

The Manager shall act as agent of the Company in the sale and disposal of Investments, disbursing and collecting the Company's funds, paying the debts and fulfilling the obligations of the Company, supervising the performance of professionals engaged by or on behalf of the Company and handling, prosecuting and settling any claims of or against the Company, the Board of Trustees, holders of the Company's securities or the Company's representatives or properties.

SECTION 5. BANK ACCOUNTS.

The Manager may establish and maintain one or more bank accounts in the name of the Company or any Subsidiary (any such account, a "Company Account"), and may collect and deposit funds into any such Company Account or Company Accounts, and disburse funds from any such Company Account or Company Accounts; and the Manager shall from time to time render appropriate accountings of such collections and payments to the Board of Trustees and, upon request, to the auditors of the Company or any Subsidiary.

SECTION 6. RECORDS; CONFIDENTIALITY.

The Manager shall maintain appropriate books of accounts and records relating to services performed under this Agreement, and such books of account and records shall be accessible for inspection by representatives of the Company at any time during normal business hours upon reasonable advance notice to the Manager.

The Manager shall keep confidential any and all non-public information obtained in connection with the services rendered under this Agreement and shall not disclose any such information to any person, except to (i) its Affiliates, members, officers, directors, employees, agents, representatives or advisors who have a need to know such information in order to carry out their duties to the Company and who have a duty to the Manager or to the Company to keep such information confidential, (ii) appraisers, financing sources and others in the ordinary course of the Manager's business for the purpose of rendering services hereunder, provided that such persons agree to keep such information confidential, (iii) in connection with any governmental or regulatory requests of the Manager and any of its Affiliates, (v) as required by applicable law or regulation, including any applicable disclosure requirements applicable to the Manager and its Affiliates under securities or blue sky laws or stock exchange listing requirements, or (vi) with the prior written consent of the Board of Trustees.

SECTION 7. OBLIGATIONS OF MANAGER; RESTRICTIONS.

(a) The Manager shall take such action as it deems necessary or appropriate with regard to the protection of the Investments.

(b) The Manager shall refrain from any action that, in its sole judgment made in good faith, (i) is not in compliance with the Investment Manual, (ii) can reasonably be expected to result in the loss of the Company's status as a REIT under the Code (until such time that the Board of Trustees determines that the Company should no longer qualify as a REIT) or (iii) would violate any law, rule or regulation of any governmental body or agency having jurisdiction over the Company or any Subsidiary that would materially adversely affect the Company or that would otherwise not be permitted by such entity's Governing Instruments. If the Manager is ordered to take any such action by the Board of Trustees, the Manager shall promptly notify the Board of Trustees of the Manager's judgment that such action would

adversely affect such status or violate any such law, rule or regulation or the Governing Instruments. Notwithstanding the foregoing, the Manager and its Affiliates, officers and employees shall not be liable to the Company or any Subsidiary, the Board of Trustees, or the Company's or any Subsidiary's shareholders or partners for any act or omission by the Manager, its Affiliates, officers or employees except as provided in Section 10.

(c) Either the Manager or its sole stockholder, SRLP, shall at all times during the term of this Agreement maintain a tangible net worth equal to or greater than \$1,000,000.

SECTION 8. COMPENSATION.

(a) The Company shall pay Manager a management fee ("Management Fee") equal to \$1.0 million per annum for the Original Term, and \$4.0 million per annum for each Renewal Term, in each case payable in equal monthly installments, in arrears, on the tenth day of each calendar month beginning with the first calendar month after the Purchase Agreement Closing Date. In the event that the Purchase Agreement Closing Date is a date other than the first day of a calendar month, or this Agreement terminates on a date other than the last day of a calendar month, the installment of the Management Fee payable for that month shall be prorated for the actual number of days that this Agreement is effective in that calendar month.

(b) To incentivize employees, officers, consultants, non-employee trustees, Affiliates or representatives of the Manager to achieve the goals and business objectives of the Company as established by the Board of Trustees, in addition to the Management Fee set forth above, the Board of Trustees will have the authority to make recommendations of annual equity awards to the Manager or its affiliates or directly to employees, officers, consultants, non-employee trustees, Affiliates or representatives of the Manager (other than the Company Dedicated Executive), based on the achievement by the Company of certain financial or other objectives established by the Board of Trustees; provided that, no equity awards by the Company to employees or officers of the Manager (other than the Company Dedicated Executive) shall be made without the Manager's prior written consent. The Company, at its option, may choose to issue such compensation in the form of equity awards in the Company.

SECTION 9. EXPENSES.

(a) ***Expenses of the Manager.*** Except as otherwise expressly provided herein or approved by majority vote of the Independent Trustees or the Audit Committee of the Board, the Manager shall bear the following expenses incurred in connection with the performance of its duties under this Agreement:

(i) employment expenses of the Company Dedicated Executive (except as set forth in Section 9(b)(i)) and other personnel employed by the Manager, including, but not limited to, salaries, wages, payroll taxes and the cost of employee benefit plans;

(ii) fees and travel and other expenses of officers and employees of the Manager, except for (A) fees and travel and other expenses of such persons incurred while performing services on behalf of the Company (provided that, if such fees and travel and other expenses are incurred while providing services on behalf of both the Company and its affiliates and Spirit Realty Capital, Inc. and its affiliates, the Manager shall have the authority to reasonably allocate such fees and travel and other expenses between the entities), and (B) fees and travel and other expenses of such persons who are trustees or officers of the Company incurred in their capacities as trustees or officers of the Company;

(iii) rent, telephone, utilities, office furniture, equipment and machinery (including computers, to the extent utilized) and other office expenses of the Manager, except to the extent such expenses relate solely to an office maintained by the Company separate from the office of the Manager; and

(iv) miscellaneous administrative expenses relating to performance by the Manager of its obligations hereunder.

(b) **Expenses of the Company.** Except as expressly otherwise provided in this Agreement, the Company shall pay all of its and its Subsidiaries' expenses, and, without limiting the generality of the foregoing, it is specifically agreed that the following expenses of the Company and its Subsidiaries shall be paid by the Company or its Subsidiaries and shall not be paid by the Manager:

(i) the base salary of the Company Dedicated Executive (at the level in effect as of the date hereof, as may be modified with the approval of the Board of Trustees) and subject to the approval of the Compensation Committee of the Board of Trustees, the cash and equity incentive compensation of the Company Dedicated Executive;

(ii) the cost of borrowed money;

(iii) taxes on income and taxes and assessments on real and personal property, if any, and all other taxes applicable to the Company or its Subsidiaries;

(iv) legal, auditing, accounting, underwriting, brokerage, listing, reporting, registration and other fees, and printing, engraving and other expenses and taxes incurred in connection with the issuance, distribution, transfer, trading, registration and listing of the Company's or any of its Subsidiaries securities on the stock exchange, including transfer agent's, registrar's and indenture trustee's fees and charges;

(v) expenses of organizing, restructuring, reorganizing or liquidating the Company or any of its Subsidiaries, including the Wind-Down, or of revising, amending, converting or modifying the Company's or any of its Subsidiaries' organizational documents;

(vi) fees and travel and other expenses paid to members of the Board of Trustees and officers of the Company or those of individuals in similar positions with any of its Subsidiaries in their capacities as such (but not in their capacities as officers or employees of the Manager) and fees and travel and other expenses paid to advisors, contractors, mortgage servicers, consultants, and other agents and independent contractors employed by or on behalf of the Company and its Subsidiaries;

(vii) expenses directly connected with the investigation, disposition or ownership of real estate interests or other property (including third party property diligence costs, appraisal reporting, the costs of foreclosure, insurance premiums, legal services, brokerage and sales commissions, maintenance, repair, improvement and local management of property), other than expenses with respect thereto of employees of the Manager, to the extent that such expenses are to be borne by the Manager pursuant to Section 9(a) above;

(viii) all insurance costs incurred in connection with the Company and its Subsidiaries (including officer and trustee liability insurance) or in connection with any officer and trustee indemnity agreement to which the Company or any of its Subsidiaries is a party;

(ix) expenses connected with payments of dividends or interest or contributions in cash or any other form made or caused to be made by the Trustees to holders of securities of the Company or any of its Subsidiaries;

(x) all expenses connected with communications to holders of securities of the Company or its Subsidiaries and other bookkeeping and clerical work necessary to maintaining relations with holders of securities, including the cost of any transfer agent, the cost of preparing, printing, posting, distributing and mailing certificates for securities and proxy solicitation materials and reports to holders of the Company's or its Subsidiaries' securities;

(xi) legal, accounting and auditing fees and expenses in addition to those described in subsection (iii) above;

(xii) filing and recording fees for regulatory or governmental filings, approvals and notices to the extent not otherwise covered by any of the foregoing items of this Section 9(b);

(xiii) expenses relating to any office or office facilities maintained by the Company or its Subsidiaries separate from the office of the Manager;

(xiv) software licensing fees and other fees and costs associated with proprietary software and programs used separately by the Company;

(xv) the costs and expenses of all equity award or compensation plans or arrangements established by the Company or any of its Subsidiaries, including the value of awards made by the Company or any of its Subsidiaries to the Manager or its employees, if any, and payment of any employment or withholding taxes in connection therewith; and

(xvi) all other costs and expenses of the Company and its Subsidiaries, other than those to be specifically borne by the Manager pursuant to Section 9(a) above.

(c) Notwithstanding the foregoing, nothing in this Agreement shall be deemed to amend or modify any separate property management agreement between the parties and their Affiliates.

SECTION 10. LIMITS OF MANAGER RESPONSIBILITY; INDEMNIFICATION.

(a) The Manager assumes no responsibility under this Agreement other than to render the services called for under this Agreement in good faith and shall not be responsible for any action of the Board of Trustees in following or declining to follow any advice or recommendations of the Manager, including as set forth in Section 7(b). The Manager, its members, managers, officers and employees will not be liable to the Company or any Subsidiary, to the Board of Trustees, or the Company's or any Subsidiary's shareholders or partners for any acts or omissions by the Manager, its Affiliates, members, managers, officers or employees, pursuant to or in accordance with this Agreement, except by reason of acts constituting bad faith, willful misconduct or gross negligence. The Company shall, to the full extent lawful, reimburse, indemnify and hold the Manager, its Affiliates, members, managers, officers and employees, sub-advisers and each other Person, if any, controlling the Manager (each, an "Indemnified Party"), harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) (collectively, "Losses") in respect of or arising from any acts or omissions of such Indemnified Party made in good faith in the performance of the

Manager's duties under this Agreement and not constituting such Indemnified Party's bad faith, willful misconduct or gross negligence.

(b) The Manager shall, to the full extent lawful, reimburse, indemnify and hold the Company, its shareholders, trustees, officers and employees and each other Person, if any, controlling the Company (each, a "Company Indemnified Party"), harmless of and from any and all Losses in respect of or arising from any acts or omissions of the Manager constituting bad faith, willful misconduct or gross negligence.

SECTION 11. NO JOINT VENTURE.

Nothing in this Agreement shall be construed to make the Company and the Manager partners or joint venturers or impose any liability as such on either of them.

SECTION 12. TERM; TERMINATION.

(a) *Term.* Unless terminated in accordance with Section 12(b) or 12(c), this Agreement shall be in effect until the date that is one year after the date hereof (the "Original Term"). At the expiration of the Original Term, this Agreement shall be deemed renewed automatically each year for an additional one-year period (each, a "Renewal Term"), unless terminated pursuant to Section 12(b) or Section 12(c).

(b) *Termination by Company.* The Company may terminate this Agreement at any time upon 30 days' prior written notice to the Manager informing it of the Company's intention to terminate this Agreement, provided that such termination has been approved by a majority of the independent Trustees of the Board of Trustees.

(c) *Termination by Manager.* The Manager may terminate this Agreement (i) at any time upon 180 days' prior written notice to the Company informing it of the Manager's intention to terminate this Agreement (provided that no such notice may be delivered prior to the date that is 180 days after the Purchase Agreement Closing Date), and (ii) at any time upon 60 days' prior written notice to the Company in the event that the Company shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period.

SECTION 13. [Reserved].

SECTION 14. [Reserved].

SECTION 15. ASSIGNMENT.

(a) Except as set forth in Section 15(b), this Agreement may not be assigned in whole or in part by the Manager, unless such assignment is consented to in writing by the Company with the consent of a majority of the Independent Trustees; provided, however, that no such consent shall be required in the case of an assignment by the Manager to an entity whose business and operations are managed or supervised by Spirit Realty Capital, Inc. Any such permitted assignment shall bind the assignee under this Agreement in the same manner as the Manager is bound. The Manager shall continue to be liable to the Company for all errors or omissions of any assignee that is managed or supervised by Spirit Realty Capital, Inc. The Manager shall not be liable for errors or omissions of any other successor

manager arising from and after any such assignment. In the case of any assignment, the assignee shall execute and deliver to the Company a counterpart of this Agreement naming such assignee as Manager. This Agreement shall not be assigned (whether by merger, consolidation, transfer of assets or other operation of law) by the Company without the prior written consent of the Manager, except that the Company may assign this Agreement to a liquidating trust or other newly-formed entity established to hold the Company's assets in connection with a Wind-Down.

(b) Notwithstanding any provision of this Agreement, the Manager may subcontract and assign any or all of its responsibilities under Section 2 to any of its Affiliates in accordance with the terms of this Agreement, and the Company hereby consents to any such assignment and subcontracting. In addition, provided that the Manager provides prior written notice to the Company for informational purposes only, nothing contained in this Agreement shall preclude any pledge, hypothecation or other transfer of any amounts payable to the Manager under this Agreement.

SECTION 16. ACTION UPON TERMINATION.

(a) From and after the Effective Termination Date, the Manager shall not be entitled to compensation for further services under this Agreement, but shall be paid all compensation accruing to the date of termination. On the Effective Termination Date or as promptly thereafter as practicable, the Manager shall forthwith:

(i) after deducting any accrued compensation and reimbursement for its expenses to which it is then entitled, pay over to the Company or a Subsidiary all money collected and held for the account of the Company or a Subsidiary pursuant to this Agreement;

(ii) deliver to the Board of Trustees a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board of Trustees with respect to the Company or a Subsidiary; and

(iii) deliver to the Board of Trustees all property and documents of the Company or any Subsidiary then in the custody of the Manager; provided, however, that the Manager may retain copies of all such information.

(b) Upon termination of this Agreement pursuant to Section 12, on the Effective Termination Date or as promptly thereafter as practicable, the Company shall forthwith:

(i) pay over to the Manager all compensation accruing to the date of termination; and

(ii) reimburse the Manager for all its expenses to which it is then entitled.

(c) Section 9 and Section 10 shall survive the termination of this Agreement.

SECTION 17. RELEASE OF MONEY OR OTHER PROPERTY UPON WRITTEN REQUEST.

The Manager agrees that any money or other property of the Company or a Subsidiary thereof held by the Manager under this Agreement shall be held by the Manager as custodian for the Company or such Subsidiary, and the Manager's records shall be appropriately marked clearly to reflect the ownership of such money or other property by the Company or such Subsidiary. Upon the receipt by the Manager of a

written request signed by a duly authorized officer of the Company or a majority of the Independent Trustees requesting the Manager to release to the Company or any Subsidiary any money or other property then held by the Manager for the account of the Company or any Subsidiary under this Agreement, the Manager shall release such money or other property to the Company or any Subsidiary within a reasonable period of time, but in no event later than 10 days following such request. The Manager shall not be liable to the Company, any Subsidiary, the Independent Trustees, or the Company's or a Subsidiary's shareholders or partners for any acts performed, or omissions to act, by the Company or any Subsidiary in connection with the money or other property released to the Company or any Subsidiary in accordance with the first sentence of this Section 17.

SECTION 18. NOTICES.

Unless expressly provided otherwise in this Agreement, all notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received when delivered against receipt or upon actual receipt of (i) personal delivery, (ii) delivery by reputable overnight courier, (iii) delivery by facsimile transmission or email against answerback, (iv) delivery by registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

- (a) If to the Company:

Spirit MTA REIT
c/o Spirit Realty Capital, Inc.
2727 North Harwood Street
Suite 300, Dallas, Texas 75201
Attention: General Counsel

- (b) If to the Manager:

Spirit Realty AM Corporation
2727 North Harwood Street
Suite 300, Dallas, Texas 75201
Attention: General Counsel

Either party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 18 for the giving of notice.

SECTION 19. BINDING NATURE OF AGREEMENT; SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns as provided in this Agreement.

SECTION 20. ENTIRE AGREEMENT.

This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter of this Agreement. The express terms of this Agreement control and

supersede any course of performance and/or usage of the trade inconsistent with any of the terms of this Agreement. This Agreement may not be modified or amended other than by an agreement in writing executed by both parties.

SECTION 21. **ARBITRATION.**

(a) Any disputes, claims or controversies arising out of or relating to this Agreement, the provision of services by the Manager pursuant to this Agreement or the transactions contemplated hereby, including any disputes, claims or controversies brought by or on behalf of the Company or the Manager or any holder of equity interests (which, for purposes of this Section 21, shall mean any holder of record or any beneficial owner of equity interests or any former holder of record or beneficial owner of equity interests) of the Company or the Manager, either on his, her or its own behalf, on behalf of the Company or the Manager or on behalf of any series or class of equity interests of the Company or Manager or holders of any equity interests of the Company or the Manager against the Company or the Manager or any of their respective trustees, directors, members, officers, managers (including the Manager or its successor), agents or employees, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, including this arbitration agreement or the governing documents of the Company or the Manager (all of which are referred to as “Disputes”), or relating in any way to such a Dispute or Disputes shall, on the demand of any party to such Dispute or Disputes, be resolved through binding and final arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (“AAA”) then in effect, except as those Rules may be modified in this Section 21. For the avoidance of doubt, and not as a limitation, Disputes are intended to include derivative actions against the trustees, directors, officers or managers of the Company or the Manager and class actions by a holder of equity interests against those individuals or entities and the Company or the Manager. For the avoidance of doubt, a Dispute shall include a Dispute made derivatively on behalf of one party against another party. For purposes of this Section 21, the term “equity interest” shall mean, (i) in respect of the Company, shares of beneficial interest of the Company, and (ii) in respect of the Manager, “membership interest” in the Manager as defined in the Delaware Limited Partnership Act.

(b) There shall be three (3) arbitrators. If there are only two (2) parties to the Dispute, each party shall select one (1) arbitrator within fifteen (15) days after receipt by respondent of a copy of the demand for arbitration. The arbitrators may be affiliated or interested persons of the parties. If there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, shall each select, by the vote of a majority of the claimants or the respondents, as the case may be, one (1) arbitrator within fifteen (15) days after receipt of the demand for arbitration. The arbitrators may be affiliated or interested persons of the claimants or the respondents, as the case may be. If either a claimant (or all claimants) or a respondent (or all respondents) fail(s) to timely select an arbitrator then the party (or parties) who has selected an arbitrator may request AAA to provide a list of three (3) proposed arbitrators in accordance with the Rules (each of whom shall be neutral, impartial and unaffiliated with any party) and the party (or parties) that failed to timely appoint an arbitrator shall have ten (10) days from the date AAA provides the list to select one (1) of the three (3) arbitrators proposed by AAA. If the party (or parties) fail(s) to select the second (2nd) arbitrator by that time, the party (or parties) who have appointed the first (1st) arbitrator shall then have ten (10) days to select one (1) of the three (3) arbitrators proposed by AAA to be the second (2nd) arbitrator; and, if he/they should fail to select the second (2nd) arbitrator by such time, AAA shall select, within fifteen (15) days thereafter, one (1) of the three (3) arbitrators it had proposed as the second (2nd) arbitrator. The two (2) arbitrators so appointed shall jointly appoint the third (3rd) and presiding arbitrator (who shall be neutral, impartial and unaffiliated with any

party) within fifteen (15) days of the appointment of the second (2nd) arbitrator. If the third (3rd) arbitrator has not been appointed within the time limit specified herein, then AAA shall provide a list of proposed arbitrators in accordance with the Rules, and the arbitrator shall be appointed by AAA in accordance with a listing, striking and ranking procedure, with each party having a limited number of strikes, excluding strikes for cause.

(c) The place of arbitration shall be Dallas, Texas, unless otherwise agreed by the parties.

(d) There shall be only limited documentary discovery of documents directly related to the issues in dispute, as may be ordered by the arbitrators. For the avoidance of doubt, it is intended that there shall be no depositions and no other discovery other than limited documentary discovery as described in the preceding sentence.

(e) In rendering an award or decision (the "Award"), the arbitrators shall be required to follow the laws of the State of Maryland. Any arbitration proceedings or award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The Award shall be in writing and shall state the findings of fact and conclusions of law on which it is based. Any monetary award shall be made and payable in U.S. dollars free of any tax, deduction or offset. Subject to Section 21(g), each party against which the Award assesses a monetary obligation shall pay that obligation on or before the thirtieth (30th) day following the date of the Award or such other date as the Award may provide.

(f) Except to the extent expressly provided by this Agreement or as otherwise agreed by the parties thereto, each party involved in a Dispute shall bear its own costs and expenses (including attorneys' fees), and the arbitrators shall not render an award that would include shifting of any such costs or expenses (including attorneys' fees) or, in a derivative case or class action, award any portion of the Company's or the Manager's, as applicable, award to the claimant or the claimant's attorneys. Each party (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand, respectively) shall bear the costs and expenses of its (or their) selected arbitrator and the parties (or, if there are more than two (2) parties to the Dispute, all claimants, on the one hand, and all respondents, on the other hand) shall equally bear the costs and expenses of the third (3rd) appointed arbitrator.

(g) Notwithstanding any language to the contrary in this Agreement, the Award, including but not limited to, any interim Award, may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules ("Appellate Rules"). The Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of receipt of the Award by filing a notice of appeal with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof. For the avoidance of doubt, and despite any contrary provision of the Appellate Rules, this Section 21 (g) shall apply to any appeal pursuant to this Section and the appeal tribunal shall not render an award that would include shifting of any costs or expenses (including attorneys' fees) of any party.

(h) Following the expiration of the time for filing the notice of appeal, or the conclusion of the appeal process set forth in Section 21(g), the Award shall be final and binding upon the parties thereto and shall be the sole and exclusive remedy between those parties relating to the Dispute, including any claims, counterclaims, issues or accounting presented to the arbitrators. Judgment upon the Award may be entered in any court having jurisdiction. To the fullest extent permitted by law, no application or

appeal to any court of competent jurisdiction may be made in connection with any question of law arising in the course of arbitration or with respect to any award made except for actions relating to enforcement of this agreement to arbitrate or any arbitral award issued hereunder and except for actions seeking interim or other provisional relief in aid of arbitration proceedings in any court of competent jurisdiction.

(i) This Section 21 is intended to benefit and be enforceable by the Company, the Manager and their respective holders of equity interests, trustees, directors, officers, managers (including the Manager or its successor), agents or employees, and their respective successors and assigns and shall be binding upon the Company, the Manager and their respective holders of equity interests, and be in addition to, and not in substitution for, any other rights to indemnification or contribution that such individuals or entities may have by contract or otherwise.

SECTION 22. NAME LICENSE.

The Manager hereby grants to the Company and its Affiliates a personal, royalty-free, non-exclusive, non-sublicensable, and non-transferable right and license during the License Term (as defined below) to use, display and reproduce the name "Spirit" ("Licensed Name") in connection with the operation of their respective businesses, including in the corporate names of the Company and its Affiliates. The "License Term" shall mean the period commencing on the date of this Agreement and continuing until 90 days after the Effective Date of Termination of this Agreement. For the avoidance of doubt, the license grant herein is non-exclusive and accordingly the Manager and its Affiliates hereby retain the right to continue using the Licensed Name and to license or transfer any rights the Manager and its Affiliates may have in the Licensed Name to third parties, and the Company and its Affiliates will not take any action to challenge the Manager and its Affiliates rights in the Licensed Name. The Company and its Affiliates acknowledge that certain goodwill and reputation may be associated with the Licensed Name and agree to use the Licensed Name only in a manner that maintains and promotes such goodwill and reputation, and any use in contravention of the foregoing shall be deemed a material breach of this Agreement. The Company and its Affiliates shall cooperate with Manager and its Affiliates in facilitating the Manager's control of the nature and quality of the products, services and other uses of the Licensed Name, including providing Manager, upon Manager's written request, with samples of any public facing materials produced by or on behalf of the Company and its Affiliates that bear the Licensed Name. Upon the expiration of the License Term, (i) the license grant set forth in this Section 22 will terminate, (ii) the Company and its Affiliates will cease all use of the Licensed Name and destroy, or at Manager's election transfer to Manager, all public facing materials in the Company and its Affiliates' possession or control containing the Licensed Names, and (iii) the Company and its Affiliates will immediately change their corporate names to no longer contain the word "Spirit" or any derivation thereof.

SECTION 23. CONTROLLING LAW.

This Agreement and all questions relating to its validity, interpretation, performance and enforcement shall be governed by and construed, interpreted and enforced in accordance with the laws of the State of New York, notwithstanding any New York or other conflict-of-law provisions to the contrary.

SECTION 24. INDULGENCES, NOT WAIVERS.

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with

respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

SECTION 25. TITLES NOT TO AFFECT INTERPRETATION.

The titles of paragraphs and subparagraphs contained in this Agreement are for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation of this Agreement.

SECTION 26. EXECUTION IN COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts of this Agreement, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

SECTION 27. PROVISIONS SEPARABLE.

The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

SECTION 28. NULL AND VOID.

In the event that the Purchase Agreement is terminated without the closing thereunder occurring, this Interim Management Agreement shall be null and void and of no further force and effect.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

COMPANY:

Spirit MTA REIT,
a Maryland real estate trust

By: _____

Name:

Title:

MANAGER:

Spirit Realty AM Corporation
a Delaware Corporation

By: _____

Name:

Title:

[Signature page to Interim Management Agreement]

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Section 3: EX-31.1 (EX-31.1)

Exhibit 31.1

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jackson Hsieh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spirit Realty Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ Jackson Hsieh
Jackson Hsieh

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Section 4: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Hughes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spirit Realty Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ Michael Hughes

Michael Hughes
Executive Vice President and
Chief Financial Officer

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Section 5: EX-31.3 (EX-31.3)

Exhibit 31.3

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jackson Hsieh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spirit Realty, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to

provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ Jackson Hsieh

Name: Jackson Hsieh

Title: President and Chief Executive Officer

Spirit Realty Capital, Inc., in its capacity as sole member of Spirit General Holdings, LLC, as sole general partner and on behalf of Spirit Realty, L.P.

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Section 6: EX-31.4 (EX-31.4)

Exhibit 31.4

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Hughes, certify that:

- 1.I have reviewed this Quarterly Report on Form 10-Q of Spirit Realty, L.P.;
- 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ Michael Hughes

Name: Michael Hughes

Title: Chief Financial Officer and Executive Vice President

Spirit Realty Capital, Inc., in its capacity as sole member of Spirit General Holdings, LLC, as sole general partner and on behalf of Spirit Realty, L.P.

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Section 7: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C 1350)**

Each of the undersigned officers of Spirit Realty Capital, Inc. (the "Company") hereby certifies, for purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2019

/s/ Jackson Hsieh

Jackson Hsieh
President and Chief Executive Officer

/s/ Michael Hughes

Michael Hughes
Executive Vice President and
Chief Financial Officer

The foregoing certification is being furnished with the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 8: EX-32.2 (EX-32.2)

Exhibit 32.2

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C 1350)**

Each of the undersigned officers of Spirit General OP Holdings, LLC, the general partner of Spirit Realty, L.P. (the "Company"), hereby certifies, for purposes of Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2019

/s/ Jackson Hsieh

Name: Jackson Hsieh
Title: President and Chief Executive Officer
Spirit Realty Capital, Inc., in its capacity as sole member of Spirit General Holdings, LLC, as sole general partner and on behalf of Spirit Realty, L.P.

/s/ Michael Hughes

Name: Michael Hughes
Title: Chief Financial Officer and Executive Vice President
Spirit Realty Capital, Inc., in its capacity as sole member of Spirit General Holdings, LLC, as sole general partner and on behalf of Spirit Realty, L.P.

The foregoing certification is being furnished with the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2019 pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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