Dear Council Members,

This memorandum describes the proposed financing transaction between Topgolf USA El Segundo, LLC ("**Topgolf**") and Spirit Realty, L.P. ("**Spirit**"). To provide some brief background and describe the documents later referenced in this memorandum, ES Centercal, LLC ("**Centercal**"), as tenant, is currently leasing approximately 11 acres of land from the City of El Segundo (the "**City**"), as landlord, pursuant to the terms set forth in that certain Due Diligence and Recreation Ground Lease Agreement dated February 6, 2021, as amended by that certain First Amendment dated February 15, 2022 (collectively, the "**Master Lease**"), and Topgolf, as subtenant, is currently subleasing such leased premises from Centercal, as sublandlord, pursuant to the terms set forth in that certain Ground Sublease Agreement dated February 8, 2021 (the "**Sublease**"). Topgolf is serving as the operator of a Topgolf facility located on the leased premises (the "**Topgolf Facility**") pursuant to the terms of the Master Lease and the Sublease and is managing the golf course known as "The Lakes at El Segundo" (the "**Golf Course**") pursuant to the terms of that certain The Lakes at El Segundo Management Agreement dated February 6, 2021 by and between the City and Topgolf (the "**Management Agreement**"). Topgolf and Spirit are seeking City Council's approval of an assignment of Topgolf's tenant interest in the Sublease to Spirit (the "**Sublease Assignment**") and a second amendment to the Master Lease that would amend certain limited terms of the Master Lease ("**Second Amendment**") related to the Sublease Assignment.

I. Consent, Assignment, and Structure of Transaction.

Through the Sublease Assignment, Spirit will become the subtenant under the Sublease and provide financing to Topgolf by purchasing Topgolf's subtenant interest in the Sublease and simultaneously leasing the premises back to Topgolf. The Sublease Assignment benefits the City both by adding the support of Spirit's credit behind Topgolf's obligation to serve as operator of the Topgolf Facility and also by providing Topgolf with additional capital for the operation of the Topgolf Facility and management of the Golf Course. From an operational perspective and lease administration perspective, the Sublease Assignment will not change or modify Topgolf's current obligations to operate the Topgolf Facility in accordance with the terms of the Master Lease and the Sublease, or to manage the Golf Course in accordance with the terms of the Management Agreement. Following the Sublease Assignment, Topgolf's continued obligations to operate the Topgolf Facility and to perform all obligations of the "Operator" under the Master Lease will be set forth in a separate sub-sublease agreement between Spirit, as sub-sublandlord and Topgolf as sub-subtenant ("**Sub-Sublease**"), and Topgolf's obligations to manage the Golf Course will continue to be governed by the existing Management Agreement. Further, TG Holdings I, LLC, the guarantor of Topgolf's obligations under the Master Lease, will, in connection with the Sublease Assignment, execute a restated guaranty which reaffirms and acknowledges that TG Holdings I, LLC's obligations under that certain Guarantee Agreement dated February 6, 2021 continue to apply and will not change following the Sublease Assignment and execution of the Second Amendment. Topgolf and Spirit are requesting the City of El Segundo execute the City Estoppel Certificate and Consent ("**Consent**") which provides the City's approval of the Assignment and the Sub-Sublease.

The Consent contains largely the same provisions as the consent and estoppel document which was previously approved at the March 21, 2023 City Council Meeting, when Topgolf was planning to enter into the same type of transaction with a different financing partner, 42 Real Estate LLC (the "**Prior Transaction**"). The Consent contains one additional provision in paragraph 9 that is unique to the proposed transaction between Spirit and Topgolf. This provision clarifies that the Management Agreement will remain effective and does not need to be re-executed following the Sublease Assignment. The current language in the Master Lease contemplates that any subtenant (which would include Spirit once the Sublease Assignment takes effect) would execute a Golf Course Management Agreement. However, as the intent of the proposed transaction is for Spirit to merely be a financing party and for Topgolf to continue to operate the Topgolf Facility and manage the Golf Course following the Sublease Assignment, Topgolf will remain the party to the existing Management Agreement.

II. Second Amendment to Master Lease

In the Prior Transaction, the City Council approved a second amendment to the Master Lease, which (i) amended the initial term of the Master Lease to expire on the twentieth anniversary of the effective date that the Sublease is assigned and/or sub-sublease agreement is entered into between Topgolf and 42 Real Estate LLC; and (ii) made the effectiveness of the second amendment contingent on the Sublease Assignment occurring by a certain outside date. To compensate for the time added to the initial term of the Master Lease, the second amendment provides that a commensurate amount of time is subtracted from the term of the first extension term.

In connection with the proposed Sublease Assignment, Topgolf and Spirit are seeking City Council approval of the Second Amendment, which contains the same provisions as in the Prior Transaction together with two additional provisions required to protect Spirit's investment in the subleasehold property. These provisions: (a) clarify that the existing right in the Master Lease to enter into a direct lease with the City if the Master Lease terminates can be exercised by the subtenant (not just by Topgolf) and can be exercised if Centercal exercises its right to terminate the Master Lease ("**Direct Lease Provision**"); and (b) modify the definition of "Permitted Topgolf Transfer" to allow Spirit or its successor to assign the subtenant's interest in the Sublease to an entity that satisfies the financial requirements described in Section 18.1.4(i) and (ii) of the Master Lease, provided that the City affirmatively acknowledges that such requirements are met and either Topgolf or an operator that is approved by the City in accordance with the terms of the Master Lease, operates the Topgolf Facility ("**Permitted Transfer Provision**"). As stated above, TG Holdings I, LLC, will continue to guaranty the performance of Topgolf's obligations following execution of the Second Amendment.

Here is some additional detail on the mechanics and purpose of the Direct Lease Provision and the Permitted Transfer Provision.

A. *Direct Lease Provision*

The Direct Lease Provision is intended to grant Spirit, as subtenant, a right that is already available to Topgolf, as the current Subtenant, under the existing terms of the Master Lease. Under the terms of the Master Lease, Topgolf specifically, and not the Operator or the subtenant, has the right to enter into a direct lease with the City on the same terms as the Master Lease if the City terminates the Master Lease because Centercal has defaulted under the Master Lease. If the Master Lease is terminated, the Sublease and Sub-Sublease would automatically terminate along with it, and Spirit's investment would be wiped out along with the rental revenue it is receiving from Topgolf under the Sub-Sublease. To protect its investment, Spirit requires two clarifications to the Direct Lease Provision: (1) the right to enter into a Direct Lease would apply generally to any approved Subtenant (not only Topgolf), and (2) the right would be available if Centercal decided to terminate the Master Lease. These two clarifications do not change the economics of the Master Lease or expose the City to any additional risks.

B. *Permitted Transfer Provision*

As the proposed transaction between Topgolf and Spirit does not change Topgolf's obligations with respect to the Topgolf Facility, Spirit would like the flexibility, at a future time, to sell and assign its interest in the Sublease to another similar financing party while keeping the Sub-Sublease with Topgolf (or another approved Operator) in effect pursuant to agreed upon objective financial metrics. The Permitted Transfer Provision includes several safeguards that will provide the City with assurance that the Sublease will be assigned to a financially capable subtenant while also giving Spirit (or future subtenant) predictability and objective criteria for assigning its interest in the Sublease. Per the updated Permitted Transfer Provision language, Spirit may only assign or sell its interest in the Sublease to an entity that satisfies the financial criteria described in Section 18.1.4(i) and (ii) of the Master Lease that the City has affirmatively acknowledges meets such criteria. These financial criteria describe that a non-Special Purpose Entity must have $10,000,000 in net worth and net tangible assets and that a Special Purpose Entity must demonstrate to the reasonable satisfaction of the City, that it has the financial ability and fiscal resources to fulfill the monetary obligations of the Lessee under the Master Lease. Further, to effectuate such an assignment, the then current Subtenant must also demonstrate that the Topgolf Facility will continue to be operated by Topgolf or another approved Operator of the Topgolf Facility and Topgolf Holdings I, LLC must re-execute a guaranty in a form reasonably acceptable to both Topgolf Holdings I, LLC and the City.

A copy of the consolidated financial information for Spirit Realty Capital, Inc. has been provided to the City. Spirit Realty Capital, Inc.'s operations are generally carried out through Spirit Realty, L.P. and its subsidiaries.

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, 2023

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 001-36004

SPIRIT REALTY CAPITAL, INC.

(Exact name of registrant as specified in its charter)

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

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. 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). 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.

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. ☐

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

As of October 30, 2023, there were 141,331,218 shares of common stock, par value $0.05, of Spirit Realty Capital, Inc. outstanding.

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GLOSSARY

2019 Credit Facility	$800 million unsecured revolving credit facility, expanded to $1.2 billion in March 2022, pursuant to the 2019 Revolving Credit and Term Loan Agreement
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
2020 ATM Program	At-the-market equity distribution program established in November 2020, which was terminated upon entry into the 2021 ATM Program
2021 ATM Program	At-the-market equity distribution program established in November 2021, pursuant to which the Corporation may offer and sell registered shares of common stock from time to time
2022 Term Loans	$800.0 million senior unsecured term facility pursuant to the 2022 Term Loan Agreement
2022 Term Loan Agreement	Term loan agreement between the Operating Partnership and certain lenders dated August 22, 2022, as amended or otherwise modified from time to time
2023 Term Loans	$500.0 million senior unsecured term facility pursuant to the 2023 Term Loan Agreement
2023 Term Loan Agreement	Term loan agreement between the Operating Partnership and certain lenders dated November 17, 2022, as amended or otherwise modified from time to time
2026 Senior Notes	$300.0 million principal amount senior notes issued in August 2016
2027 Senior Notes	$300.0 million principal amount senior notes issued in September 2019
2028 Senior Notes	$450.0 million principal amount senior notes issued in March 2021
2029 Senior Notes	$400.0 million principal amount senior notes issued in June 2019
2030 Senior Notes	$500.0 million principal amount senior notes issued in September 2019
2031 Senior Notes	$450.0 million principal amount senior notes issued in August 2020
2032 Senior Notes	$350.0 million principal amount senior notes issued in March 2021
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 EBITDA*re*	Adjusted EBITDA*re* 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 is a non-GAAP financial measure. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations
Amended Incentive Award Plan	Second Amended and Restated Spirit Realty Capital, Inc. and Spirit Realty, L.P. 2012 Incentive Award Plan, as amended
Annualized Base Rent (ABR)	Represents Base Rent plus earned income from direct financing leases and deferred revenue from development deals for the final month of the reporting period. It is adjusted to reflect acquisitions and dispositions for that month as if such acquisitions and dispositions had occurred as of the beginning of the month. The total is then multiplied by 12. ABR is used when calculating certain metrics to evaluate portfolio credit and diversification and to manage risk.
AOCIL	Accumulated Other Comprehensive Income / (Loss)
ASU	Accounting Standards Update
Base Cash Rent	Represents Base Rent adjusted for contractual rental income abated, deemed not probable of collection, or recovered from prior period reserves
Base Rent	Represents contractual rental income for the period, prior to deferral or abatement agreements, and excluding contingent rents.
CMBS	Commercial Mortgage-Backed Securities
Code	Internal Revenue Code of 1986, as amended
Company	The Corporation and its consolidated subsidiaries
Corporation	Spirit Realty Capital, Inc., a Maryland corporation
CPI	Consumer Price Index
EBITDA*re*	EBITDA*re* is a non-GAAP financial measure. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations

Exchange Act	Securities Exchange Act of 1934, as amended
FFO	Funds From Operations is a non-GAAP financial measure. See definition in Management's Discussion and Analysis of Financial Condition and Results of Operations
GAAP	Generally Accepted Accounting Principles in the United States
LIBOR	London Interbank Offered Rate
NAREIT	National Association of Real Estate Investment Trusts
NYSE	New York Stock Exchange
OP Holdings	Spirit General OP Holdings, LLC
Operating Partnership	Spirit Realty, L.P., a Delaware limited partnership
REIT	Real estate investment trust
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Unsecured Notes	2026 Senior Notes, 2027 Senior Notes, 2028 Senior Notes, 2029 Senior Notes, 2030 Senior Notes, 2031 Senior Notes, and 2032 Senior 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
SOFR	Secured Overnight Financing Rate
TSR	Total Shareholder Return

Unless otherwise indicated or unless the context requires otherwise, all references to the "registrant, 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, 2023	December 31, 2022
Assets		
Investments:		
Real estate assets held for investment:		
Land and improvements	$ 2,742,072	$ 2,740,250
Buildings and improvements	6,081,378	5,892,117
Less: accumulated depreciation	(1,354,807)	(1,211,061)
Total real estate assets held for investment, net	7,468,643	7,421,306
Intangible lease assets, net	389,100	423,870
Real estate assets under direct financing leases, net	7,404	7,427
Real estate assets held for sale, net	61,545	49,148
Loans receivable, net	52,949	23,023
Total investments, net	7,979,641	7,924,774
Cash and cash equivalents	134,166	8,770
Deferred costs and other assets, net	310,801	313,722
Goodwill	225,600	225,600
Total assets	$ 8,650,208	$ 8,472,866
Liabilities and stockholders' equity		
Liabilities:		
Revolving credit facilities	$ —	$ 55,500
Term loans, net	1,090,198	792,309
Senior Unsecured Notes, net	2,725,505	2,722,514
Mortgages payable, net	4,545	4,986
Total debt, net	3,820,248	3,575,309
Intangible lease liabilities, net	106,814	118,077
Accounts payable, accrued expenses and other liabilities	230,353	218,164
Total liabilities	4,157,415	3,911,550
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, 2023 and December 31, 2022	166,177	166,177
Common stock, $0.05 par value, 350,000,000 shares authorized: 141,331,218 and 141,231,219 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	7,067	7,062
Capital in excess of common stock par value	7,300,728	7,285,629
Accumulated deficit	(3,036,475)	(2,931,640)
Accumulated other comprehensive income	55,296	34,088
Total stockholders' equity	4,492,793	4,561,316
Total liabilities and stockholders' equity	$ 8,650,208	$ 8,472,866

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,	
	2023	2022	2023	2022
Revenues:				
Rental income	$ 188,205	$ 180,296	$ 561,765	$ 520,930
Interest income on loans receivable	1,506	521	3,919	1,362
Earned income from direct financing leases	131	131	393	393
Other operating income	3,533	1,956	4,888	3,550
Total revenues	193,375	182,904	570,965	526,235
Expenses:				
General and administrative	14,062	14,313	45,016	42,408
Property costs (including reimbursable)	8,382	7,395	24,077	22,600
Deal pursuit costs	342	470	1,174	1,490
Interest	36,919	30,956	104,993	84,573
Depreciation and amortization	79,370	74,600	236,527	216,606
Impairments	19,258	1,571	36,052	11,096
Total expenses	158,333	129,305	447,839	378,773
Other income:				
Loss on debt extinguishment	—	—	—	(172)
Gain on disposition of assets	3,661	23,302	66,450	63,107
Other income	—	—	—	5,679
Total other income	3,661	23,302	66,450	68,614
Income before income tax expense	38,703	76,901	189,576	216,076
Income tax expense	(235)	(261)	(754)	(640)
Net income	38,468	76,640	188,822	215,436
Dividends paid to preferred shareholders	(2,587)	(2,587)	(7,763)	(7,763)
Net income attributable to common stockholders	$ 35,881	$ 74,053	$ 181,059	$ 207,673
Net income per share attributable to common stockholders:				
Basic	$ 0.25	$ 0.54	$ 1.28	$ 1.56
Diluted	$ 0.25	$ 0.54	$ 1.28	$ 1.56
Weighted average shares of common stock outstanding:				
Basic	141,124,401	136,314,369	141,094,907	132,835,210
Diluted	141,149,865	136,314,369	141,103,395	132,965,297
Dividends declared per common share issued	$ 0.6696	$ 0.6630	$ 1.9956	$ 1.9390

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,	
	2023	**2022**	**2023**	**2022**
Net income attributable to common stockholders	$ 35,881	$ 74,053	$ 181,059	$ 207,673
Other comprehensive income:				
Net reclassification of amounts from AOCIL	8,260	40,204	21,208	41,608
Total comprehensive income	$ 44,141	$ 114,257	$ 202,267	$ 249,281

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.

Consolidated Statements of Stockholders' Equity

(In Thousands, Except Share Data)

(Unaudited)

Nine Months Ended September 30, 2023	Preferred Stock		Common Stock					
	Shares	Par Value and Capital in Excess of Par Value	Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit	AOCIL	Total Stockholders' Equity
Balances, December 31, 2022	6,900,000	$ 166,177	141,231,219	$ 7,062	$ 7,285,629	$ (2,931,640)	$ 34,088	$ 4,561,316
Net income	—	—	—	—	—	96,173	—	96,173
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders		—		—	—	93,585	—	93,585
Other comprehensive loss	—	—	—	—	—	—	(10,586)	(10,586)
Dividends declared on common stock	—	—	—	—	—	(93,675)	—	(93,675)
Tax withholdings related to net stock settlements	—	—	(30,279)	(2)	—	(1,310)	—	(1,312)
Stock-based compensation, net	—	—	98,982	5	5,225	(659)	—	4,571
Balances, March 31, 2023	6,900,000	$ 166,177	141,299,922	$ 7,065	$ 7,290,854	$ (2,933,699)	$ 23,502	$ 4,553,899
Net income	—	—	—	—	—	54,181	—	54,181
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders		—		—	—	51,593	—	51,593
Other comprehensive income	—	—	—	—	—	—	23,534	23,534
Dividends declared on common stock	—	—	—	—	—	(93,700)	—	(93,700)
Tax withholdings related to net stock settlements	—	—	(3,825)	—	—	(145)	—	(145)
Stock-based compensation, net	—	—	35,261	2	4,968	311	—	5,281
Balances, June 30, 2023	6,900,000	$ 166,177	141,331,358	$ 7,067	$ 7,295,822	$ (2,975,640)	$ 47,036	$ 4,540,462
Net income	—	—	—	—	—	38,468	—	38,468
Dividends declared on preferred stock	—	—	—	—	—	(2,587)	—	(2,587)
Net income available to common stockholders		—		—	—	35,881	—	35,881
Other comprehensive income	—	—	—	—	—	—	8,260	8,260
Dividends declared on common stock	—	—	—	—	—	(94,635)	—	(94,635)
Stock-based compensation, net	—	—	(140)	—	4,906	(2,081)	—	2,825
Balances, September 30, 2023	6,900,000	$ 166,177	141,331,218	$ 7,067	$ 7,300,728	$ (3,036,475)	$ 55,296	$ 4,492,793

SPIRIT REALTY CAPITAL, INC.

Consolidated Statements of Stockholders' Equity

(In Thousands, Except Share Data)

(Unaudited)

Nine Months Ended September 30, 2022	Preferred Stock		Common Stock					
	Shares	Par Value and Capital in Excess of Par Value	Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit	AOCIL	Total Stockholders' Equity
Balances, December 31, 2021	6,900,000	$ 166,177	127,699,235	$ 6,385	$ 6,673,440	$ (2,840,356)	$ (5,847)	$ 3,999,799
Net income	—	—	—	—	—	56,056	—	56,056
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders		—		—	—	53,468	—	53,468
Other comprehensive income	—	—	—	—	—	—	702	702
Dividends declared on common stock	—	—	—	—	—	(85,688)	—	(85,688)
Tax withholdings related to net stock settlements	—	—	(39,028)	(2)	—	(6,408)	—	(6,410)
Issuance of shares of common stock, net	—	—	6,559,406	328	299,440	—	—	299,768
Stock-based compensation, net	—	—	86,888	4	4,021	(496)	—	3,529
Balances, March 31, 2022	6,900,000	$ 166,177	134,306,501	$ 6,715	$ 6,976,901	$ (2,879,480)	$ (5,145)	$ 4,265,168
Net income	—	—	—	—	—	82,740	—	82,740
Dividends declared on preferred stock	—	—	—	—	—	(2,588)	—	(2,588)
Net income attributable to common stockholders		—		—	—	80,152	—	80,152
Other comprehensive income	—	—	—	—	—	—	702	702
Dividends declared on common stock	—	—	—	—	—	(86,987)	—	(86,987)
Tax withholdings related to net stock settlements	—	—	(403)	—	—	(17)	—	(17)
Issuance of shares of common stock, net	—	—	1,999,996	100	89,864	—	—	89,964
Stock-based compensation, net	—	—	35,591	2	4,385	(498)	—	3,889
Balances, June 30, 2022	6,900,000	$ 166,177	136,341,685	$ 6,817	$ 7,071,150	$ (2,886,830)	$ (4,443)	$ 4,352,871
Net income	—	—	—	—	—	76,640	—	76,640
Dividends declared on preferred stock	—	—	—	—	—	(2,587)	—	(2,587)
Net income available to common stockholders		—		—	—	74,053	—	74,053
Other comprehensive income	—	—	—	—	—	—	40,204	40,204
Dividends declared on common stock	—	—	—	—	—	(92,595)	—	(92,595)
Issuance of shares of common stock, net	—	—	3,320,559	166	141,702	—	—	141,868
Stock-based compensation, net	—	—	(418)	—	4,393	(4)	—	4,389
Balances, September 30, 2022	6,900,000	$ 166,177	139,661,826	$ 6,983	$ 7,217,245	$ (2,905,376)	$ 35,761	$ 4,520,790

See accompanying notes.

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating activities		
Net income	$ 188,822	$ 215,436
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	236,527	216,606
Impairments	36,052	11,096
Amortization of deferred financing costs	5,944	3,637
Amortization of debt discounts, net	982	947
Amortization of deferred losses on interest rate swaps	2,106	2,106
Stock-based compensation expense	15,106	12,805
Loss on debt extinguishment	—	172
Gain on dispositions of real estate and other assets	(66,450)	(63,107)
Non-cash revenue	(26,894)	(30,165)
Other	32	10
Changes in operating assets and liabilities:		
Deferred costs and other assets, net	3,798	(1,683)
Accounts payable, accrued expenses and other liabilities	(22,477)	(28,975)
Net cash provided by operating activities	373,548	338,885
Investing activities		
Acquisitions of real estate	(419,765)	(1,118,290)
Capitalized real estate expenditures	(65,649)	(55,318)
Investments in loans receivable	(13,672)	(12,700)
Proceeds from dispositions of real estate and other assets	249,028	183,767
Net cash used in investing activities	(250,058)	(1,002,541)
Financing activities		
Borrowings under revolving credit facilities	424,000	1,267,800
Repayments under revolving credit facilities	(479,500)	(1,556,200)
Repayments under mortgages payable	(413)	(391)
Borrowings under term loans	300,000	800,000
Deferred financing costs	(269)	(17,028)
Proceeds from issuance of common stock, net of offering costs	—	531,565
Repurchase of shares of common stock, including tax withholdings related to net stock settlements	(1,457)	(6,427)
Common stock dividends paid	(281,020)	(255,870)
Preferred stock dividends paid	(7,763)	(7,763)
Net cash (used in) provided by financing activities	(46,422)	755,686
Net increase in cash, cash equivalents and restricted cash	77,068	92,030
Cash, cash equivalents and restricted cash, beginning of period	61,953	17,799
Cash, cash equivalents and restricted cash, end of period	$ 139,021	$ 109,829
Cash paid for interest, net of interest capitalized	$ 133,071	$ 99,575
Interest capitalized	1,005	741
Cash paid for income taxes	919	676

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

Supplemental Disclosures of Non-Cash Activities:	**Nine Months Ended September 30,**	
	2023	**2022**
Dividends declared and unpaid	$ 94,635	$ 92,595
Accrued capitalized costs	39,552	18,103
Accrued market-based award dividend rights	2,429	998
Derivative changes in fair value	19,104	39,502
Financing provided in connection with disposition of assets	33,000	—
Right-of-use assets	22,635	—
Right-of-use liabilities	22,635	—

See accompanying notes.

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 sustainable and attractive returns for stockholders by primarily investing in and managing a portfolio of single-tenant, operationally essential real estate throughout the United States that is generally leased on a long-term, triple-net basis to tenants operating retail, industrial and other property types. Single-tenant, operationally essential real estate 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's operations are generally carried out through Spirit Realty, L.P. (the "Operating Partnership") and its subsidiaries. Spirit General OP Holdings, LLC, one of the Corporation'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.

NOTE 2. SUMMARY OF SIGNIFICANT ACOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting, in accordance with GAAP. In the opinion of management, the consolidated financial statements include the normal, recurring adjustments necessary for 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, 2022.

Principles of Consolidation

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

The 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, 2023 and December 31, 2022, net assets totaling \$11.1 million and \$11.7 million, respectively, were held, and net liabilities totaling \$4.5 million and \$4.9 million, respectively, were owed by these encumbered special purpose entities and are included in the consolidated balance sheets.

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 reportable segment, which consists of net leasing operations.

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. Options to extend, terminate or purchase are not included in the evaluation for lease classification or for recognition of rental income unless the Company is reasonably certain the tenant will exercise the option. Evaluation of lease classification also requires an estimate of the real estate's residual value at the end of the lease term. For acquisitions, the Company uses the tangible value of the property at the date of acquisition. For lease modifications, the Company generally uses sales comparables or a direct capitalization approach to estimate residual value.

The Company's leases generally provide for rent escalations throughout the term of the lease. For leases with fixed escalators, rental income is recognized on a straight-line basis to produce a constant periodic rent over the term of the lease. Accordingly, the difference between rental income recognized on a straight-line basis and billed rents is recorded as rent receivables, which the Company will receive only if the tenant makes all rent payments required through the initial term of their lease. For leases with variable rent escalators, rental income typically increases at a multiple of any increase in the CPI over a specified period. Because of the volatility and uncertainty regarding 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, increases from variable rent escalators are recognized when the changes in the rental rates have occurred.

Some of the Company's leases also provide for contingent rent based on a percentage of the tenant's gross sales, which is recognized as rental income when the factor on which the contingent lease payment is based has occurred.

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 does not recognize 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 and certain other expenses, which are non-lease components. The Company 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 in the period in which the related expenses are incurred, with the related expenses included in property costs (including reimbursable) on the consolidated statements of operations. Tenant reimbursements are recorded on a gross basis in instances when our tenants reimburse us for property costs which we incur. Tenant receivables are reduced for amounts that are not probable of collection.

Rental Income: Intangible Amortization

Amortization of above- and below-market lease intangibles are included as a decrease and increase, respectively, to rental revenue and amortization of in-place lease intangibles is included in depreciation and amortization expense in the consolidated statements of operations. All lease intangibles are amortized on a straight-line basis over the term of the lease, which includes any renewal options the Company is reasonably certain the tenant will exercise. If the Company subsequently determines it is reasonably certain that the tenant will not exercise the renewal options, the unamortized portion of any related lease intangible is accelerated over the remaining initial term of the lease. If the Company believes a lease intangible balance is no longer recoverable, the unamortized portion is immediately recognized in impairments in the consolidated statements of operations.

Loans Receivable

Interest on loans receivable is recognized using the effective interest rate method. A loan is placed on non-accrual status when the loan has become 60 days past due, or earlier if management determines that full recovery of the contractually specified payments of principal and interest is doubtful. While on non-accrual status, interest income is recognized only when received. Delinquent loans receivable are written off against the allowance when all possible means of collection have been exhausted.

The Company evaluates its loans receivable balance, including accrued interest, for potential credit losses by analyzing the credit of the borrower, the remaining time to maturity of the loan, collateral value and quality (if any), and other relevant factors. Allowance for credit losses are recorded in impairments on the consolidated statement of operations.

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 instruments. Restricted cash is classified within deferred costs and other assets, net in the consolidated balance sheets. Cash, cash equivalents and restricted cash consisted of the following (in thousands):

	September 30, 2023	December 31, 2022	September 30, 2022
Cash and cash equivalents	$ 134,166	$ 8,770	$ 109,829
Restricted cash:			
1031 Exchange proceeds	4,210	53,183	—
Tenant security deposits	645	—	—
Total cash, cash equivalents and restricted cash	$ 139,021	$ 61,953	$ 109,829

Tenant Receivables

The Company reviews its rent and other tenant receivables for collectability on a regular basis, considering changes in factors such as the tenant's payment history, the tenant's financial condition, industry conditions in which the tenant operates and economic conditions in the geographic area in which the tenant operates. If a receivable is not probable of collection, a direct write-off of the receivable will be made. The Company had accounts receivable balances of $13.1 million and $18.2 million at September 30, 2023 and December 31, 2022, respectively, after the impact of $2.3 million and $3.2 million of receivables, respectively, that were deemed not probable of collection. These receivables are recorded within deferred cost and other assets, net in the consolidated balance sheets.

For receivable balances related to the straight-line method of recognizing rental income, the collectability is generally assessed in conjunction with the evaluation of rental income as described above. The Company had straight-line rent receivables of $185.2 million and $167.1 million at September 30, 2023 and December 31, 2022, respectively, after the impact of $1.0 million and $1.3 million of receivables, respectively, that were deemed not probable of collection. These receivables are recorded within deferred costs and other assets, net in the consolidated balance sheets.

Goodwill

Goodwill arises from business combinations as 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 annually or 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. The Company performs a qualitative assessment to determine if the quantitative impairment test is necessary. The quantitative impairment test, if deemed necessary, compares the fair value of each reporting unit with its carrying amount and impairment is recognized as the amount by which the carrying amount exceeds the reporting unit's fair value. No impairment was recorded for the periods presented.

Income Taxes

The Corporation has elected to be taxed as a REIT under the Code. As a REIT, the Corporation 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 the Company's assets, the amounts distributed to the Corporation's stockholders and the ownership of Corporation stock. Management believes the Corporation has qualified and will continue to qualify as a REIT and, therefore, no provision has been made for federal income taxes in the consolidated financial statements. Even if the Corporation 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 earned by any of the Company's taxable REIT subsidiaries, including from non-REIT activities, is subject to federal, state and local taxes. Taxable income from non-REIT activities managed through any of the Company's taxable REIT subsidiaries is subject to federal, state and local taxes, which are not material.

Earnings Per Share

The Company's unvested restricted common stock, which contains non-forfeitable rights to receive dividends, are considered participating securities requiring the two-class method of computing earnings per share. Under the two-class method, earnings per common share are computed by dividing the sum of distributed earnings to common stockholders and undistributed earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities based on their respective weighted average shares outstanding during the period.

Under the terms of the Amended Incentive Award Plan, restricted stock awards are not allocated losses, including undistributed losses as a result of dividends declared exceeding net income. The Company uses net income attributable to common shareholders to determine whether potential common shares are dilutive or anti-dilutive and undistributed net income (loss) to determine whether undistributed earnings are allocable to participating securities.

Forward Equity Sale Agreements

The Corporation may enter into forward sale agreements for the sale and issuance of shares of our common stock, either through an underwritten public offering or through the 2021 ATM Program. These agreements may be physically settled in stock, settled in cash, or net share settled at the Company's election. The Company evaluated the forward sale agreements and concluded they meet the conditions to be classified within stockholders' equity. Prior to settlement, a forward sale agreement will be reflected in the diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of the Corporation's common stock used in diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of the Corporation's common stock that would be issued upon full physical settlement of such forward sale agreement over the number of shares of the Corporation's common stock that could be purchased by the Company in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to settlement of a forward sale agreement, there will be no dilutive effect on the Company's earnings per share except during periods when the average market price of the Corporation's common stock is above the adjusted forward sale price. However, upon settlement of a forward sales agreement, if the Corporation elects to physically settle or net share settle such forward sale agreement, delivery of the Corporation's shares will result in dilution to the Company's earnings per share. We had no outstanding forward sales agreements as of September 30, 2023.

NOTE 3. INVESTMENTS

Owned Properties

As of September 30, 2023, the Company's gross investment in owned real estate properties totaled $9.4 billion. The gross investment, as adjusted for any impairment, is comprised of land, buildings, lease intangible assets, lease intangible liabilities, real estate assets held under direct financing leases and real estate assets held for sale. The portfolio is geographically dispersed throughout 49 states with Texas, at 15.7%, as the only state with a gross investment greater than 10.0% of the total gross investment of the Company's entire portfolio.

During the nine months ended September 30, 2023, the Company had the following real estate activity (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, 2022	2,098	17	2,115	$ 9,122,163	$ 61,581	$ 9,183,744
Acquisitions/improvements [1]	30	—	30	497,876	—	497,876
Dispositions of real estate [2]	(63)	(45)	(108)	(138,326)	(112,526)	(250,852)
Transfers to Held for Sale	(69)	69	—	(146,491)	146,491	—
Transfers from Held for Sale	2	(2)	—	3,675	(3,675)	—
Impairments [3]	—	—	—	(10,738)	(8,593)	(19,331)
Reset of gross balances [4]	—	—	—	(21,595)	(4,748)	(26,343)
Gross balance, September 30, 2023	1,998	39	2,037	9,306,564	78,530	9,385,094
Accumulated depreciation and amortization				(1,548,231)	(16,985)	(1,565,216)
Net balance, September 30, 2023 [5]				$ 7,758,333	$ 61,545	$ 7,819,878

[1] Includes investments of $66.2 million in revenue producing capitalized expenditures and $4.0 million of non-revenue producing capitalized expenditures during the nine months ended September 30, 2023.
[2] For the nine months ended September 30, 2023, the net gains on disposal of properties held in use and held for sale were $39.4 million and $27.1 million, respectively.
[3] Impairments on owned real estate is comprised of real estate and intangible asset/liability impairment.
[4] Represents write-off of gross investment balances against the related accumulated depreciation and amortization balances as a result of basis reset due to impairment or intangibles and tenant improvements which have been fully amortized.
[5] Reconciliation of total owned investments to the accompanying consolidated balance sheet at September 30, 2023 is as follows:

Real estate assets held for investment, net	$ 7,468,643
Intangible lease assets, net	389,100
Real estate assets under direct financing leases, net	7,404
Real estate assets held for sale, net	61,545
Intangible lease liabilities, net	(106,814)
Net balance	$ 7,819,878

Operating Leases

As of September 30, 2023 and 2022, the Company held 2,028 and 2,113 properties under operating leases, respectively. The following table summarizes the components of rental income recognized on these operating leases in the consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Base Cash Rent [1]	$ 173,569	$ 162,467	$ 516,486	$ 471,052
Variable cash rent (including reimbursables)	6,331	6,479	18,385	19,713
Straight-line rent, net of uncollectible reserve [2]	8,227	10,875	26,127	28,465
Amortization of above- and below- market lease intangibles, net [3]	78	475	767	1,700
Total rental income	$ 188,205	$ 180,296	$ 561,765	$ 520,930

[1] Includes net impact of amounts (reserved) of $(0.3) million and $(0.4) million for the three and nine months ended September 30, 2023, and $(0.6) million and $(0.5) million for the three and nine months ended September 30, 2022, respectively.
[2] Includes net impact of amounts (reserved)/recovered of $(2.1) million and $(4.1) million for the three and nine months ended September 30, 2023, respectively, and $1.2 million and $1.1 million for the three and nine months ended September 30, 2022, respectively.
[3] Excludes amortization of in-place leases of $10.7 million and $32.7 million for the three and nine months ended September 30, 2023, respectively, and $11.3 million and $32.6 million for the three and nine months ended September 30, 2022, respectively, which is included in depreciation and amortization expense in the consolidated statements of operations.

Lease renewal periods are exercisable at the lessees' option and, as such, minimum future rent only includes the remaining initial non-cancellable term of our operating leases. In addition, minimum future rent includes fixed rent escalations occurring on or after October 1, 2023, but does not include variable rent escalations, such as those based on CPI, or contingent rents.

Minimum future rent at September 30, 2023 is as follows (in thousands):

		September 30, 2023
Remainder of 2023	$	171,402
2024		686,874
2025		677,829
2026		653,584
2027		615,008
Thereafter		5,110,923
Total future minimum rentals	$	7,915,620

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

		September 30, 2023		December 31, 2022
In-place leases	$	536,730	$	559,962
Above-market leases		104,204		101,594
Less: accumulated amortization		(251,834)		(237,686)
Intangible lease assets, net	$	389,100	$	423,870
Below-market leases	$	165,224	$	179,187
Less: accumulated amortization		(58,410)		(61,110)
Intangible lease liabilities, net	$	106,814	$	118,077

Direct Financing Leases

As of September 30, 2023, the Company held one property under a direct financing lease, which was held in use. As of September 30, 2023, this property had $2.1 million in scheduled minimum future payments to be received under its remaining non-cancellable lease term. As of September 30, 2023, the Company had a reserve of $0.1 million against the investment balance of $7.5 million, which was initially recorded in 2020 as a result of the initial term of the direct financing lease extending until 2027.

Loans Receivable

During the first quarter of 2023, the Company provided fixed-rate seller financing in conjunction with the sale of four single-tenant properties for $33.0 million, for which the properties serve as collateral. The Company also provided additional funding for an existing construction loan, for which we issued $12.7 million during 2022 and increased the principal amount of the loan by $0.8 million during the three months ended March 31, 2023. The Company evaluated the collectability of these amounts receivable and recorded an allowance for loan losses of $0.5 million during the three months ended March 31, 2023 due to the borrowers' financials and performance metrics.

During the second quarter of 2023, the Company issued a fixed-rate, uncollateralized loan for $5.0 million. Additionally, the Company purchased $10.0 million of term loans for $7.9 million, with $2.1 million being recorded to allowance for loan losses at time of purchase. The Company evaluated the collectability of these amounts receivable and recorded an additional allowance for loan losses of $0.8 million for the three months ended June 30, 2023. The Company also recorded an additional allowance for loan losses of $0.1 million during the three months ended June 30, 2023 on an existing loan due to changes in the borrower's macroeconomic environment.

During the third quarter of 2023, the Company recorded an additional allowance for loan losses of $15.3 million on existing loans due to changes in the borrower's financial position.

The following table details our loans receivable activity (in thousands):

		Principal Balance		Allowance for Credit Loss		Total
December 31, 2022	$	23,700	$	(677)	$	23,023
Loans issued		48,750		(18,799)		29,951
Loan payments received		(25)		—		(25)
September 30, 2023	$	72,425	$	(19,476)	$	52,949

Impairments and Allowance for Credit Losses

The following table summarizes impairments and allowance for credit losses recognized in the consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Real estate asset impairment	$ 3,951	$ 1,632	$ 18,754	$ 10,535
Intangible net (liability)/asset impairment	(27)	(61)	577	434
Allowance for credit losses on loans receivable	15,334	—	16,721	127
Total impairment loss	$ 19,258	$ 1,571	$ 36,052	$ 11,096

NOTE 4. DEBT

The Company's debt is summarized below (dollars in thousands):

	Weighted Average Effective Interest Rates [1]	Weighted Average Stated Interest Rates [2]	Weighted Average Remaining Years to Maturity [3]	September 30, 2023	December 31, 2022
Debt:					
Revolving credit facilities	12.18%	—	2.5	$ —	$ 55,500
Term loans	4.01%	3.86%	2.8	1,100,000	800,000
Senior Unsecured Notes	3.42%	3.25%	5.7	2,750,000	2,750,000
Mortgages payable	4.89%	5.82%	7.3	4,410	4,825
Total debt	3.68%	3.42%	4.8	3,854,410	3,610,325
Debt discount, net				(8,573)	(9,556)
Deferred financing costs, net [4]				(25,589)	(25,460)
Total debt, net				$ 3,820,248	$ 3,575,309

[1] Includes amortization of debt discount/premium, amortization of deferred financing costs, facility fees, non-utilization fees and impact of cash flow hedges, where applicable, calculated for the nine months ended September 30, 2023 based on the average principal balance outstanding during the period.
[2] Based on the outstanding principal balance as of September 30, 2023. Term loans include the impact of cash flow hedges. Excluding the impact of cash flow hedges, the stated interest rate for the term loans was 6.31% as of September 30, 2023.
[3] Based on the outstanding principal balance as of September 30, 2023.
[4] Excludes deferred financing costs for the revolving credit facilities.

Deferred financing costs and offering discount/premium incurred in connection with entering into debt agreements are amortized to interest expense over the initial term of the respective agreement. Both deferred financing costs and offering discount/premium are recorded net against the principal debt balance on the consolidated balance sheets, except for deferred costs related to revolving credit facilities, which are recorded in deferred costs and other assets, net.

Revolving Credit Facilities

On January 14, 2019, the Operating Partnership entered into the 2019 Revolving Credit and Term Loan Agreement, which included the 2019 Credit Facility with a borrowing capacity of $800.0 million. On March 30, 2022, the Operating Partnership amended and restated the 2019 Revolving Credit and Term Loan Agreement, increasing the borrowing capacity of the 2019 Credit Facility to $1.2 billion. The borrowing capacity can be further increased to $1.7 billion through exercise of an accordion feature, subject to satisfying certain requirements. The 2019 Credit Facility has a maturity date of March 31, 2026 and includes two six-month extensions that can be exercised at the Company's option. Borrowings may be repaid, in whole or in part, at any time, without premium or penalty, but subject to applicable breakage fees, if any.

As of September 30, 2023, outstanding loans under the 2019 Credit Facility bore interest at a 1-month adjusted SOFR rate plus an applicable margin of 0.775% per annum and the aggregate revolving commitments incurred a facility fee of 0.150% per annum, in each case, based on the Operating Partnership's credit rating and leverage ratio (as defined in the agreement). Prior to March 30, 2022, outstanding loans under the 2019 Credit Facility bore interest at 1-month 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 connection with the amendment and restatement of the 2019 Credit Facility, the Company wrote off $0.2 million in deferred financing costs and incurred deferred financing costs of $8.6 million. The unamortized deferred financing costs were $6.0 million as of September 30, 2023, compared to $7.8 million as of December 31, 2022.

As of September 30, 2023, $1.2 billion of borrowing capacity was available under the 2019 Credit Facility and there were no outstanding letters of credit. The Operating Partnership's ability to borrow under the 2019 Credit Facility is subject to ongoing compliance with a number of customary financial and other affirmative and negative covenants, all of which the Company and the Operating Partnership were in compliance with as of September 30, 2023.

Term Loans

On August 22, 2022, the Operating Partnership entered into the 2022 Term Loan Agreement, which provides for borrowings in an aggregate amount of $800.0 million, comprised of a $300.0 million tranche which matures August 22, 2025 and a $500.0 million tranche which matures August 20, 2027. The 2022 Term Loan Agreement also includes an accordion feature to increase the available term loans by $200.0 million, subject to satisfying certain requirements. The Company incurred $8.4 million in deferred financing costs in connection with entering into the 2022 Term Loan Agreement, and the unamortized deferred financing costs were $6.2 million as of September 30, 2023, compared to $7.7 million as of December 31, 2022.

On November 17, 2022, the Operating Partnership entered into the 2023 Term Loan Agreement, which provides for $500.0 million of unsecured term loans with a maturity date of June 16, 2025. The 2023 Term Loan Agreement also includes an accordion feature to increase the available term loans by $100.0 million, subject to satisfying certain requirements. The Company incurred $4.3 million in deferred financing costs in connection with the $300.0 million drawn of the 2023 Term Loans, and the unamortized deferred financing costs were $3.6 million as of September 30, 2023. Borrowing capacity of $200.0 million was available under the 2023 Term Loan Agreements as of September 30, 2023, which may be drawn by December 29, 2023.

As of September 30, 2023, the 2022 Term Loans and 2023 Term Loans bore interest at a 1-month adjusted SOFR rate plus an applicable margin of 0.850% and 0.950% per annum, respectively, based on the Operating Partnership's credit rating. In conjunction with the Company's term loans, the Company entered into interest rate swaps as cash flow hedges (see Note 7).

In connection with the 2022 Term Loan Agreement and the 2023 Term Loan Agreement, the Company and Operating Partnership are subject to ongoing compliance with a number of customary financial and other affirmative and negative covenants, all of which the Company and the Operating Partnership were in compliance with as of September 30, 2023.

Senior Unsecured Notes

The Senior Unsecured Notes were issued by the Operating Partnership and are guaranteed by the Company. The following is a summary of the Senior Unsecured Notes outstanding (dollars in thousands):

	Maturity Date	Interest Payment Dates	Stated Interest Rate	September 30, 2023	December 31, 2022
2026 Senior Notes	September 15, 2026	March 15 and September 15	4.45%	$ 300,000	$ 300,000
2027 Senior Notes	January 15, 2027	January 15 and July 15	3.20%	300,000	300,000
2028 Senior Notes	March 15, 2028	March 15 and September 15	2.10%	450,000	450,000
2029 Senior Notes	July 15, 2029	January 15 and July 15	4.00%	400,000	400,000
2030 Senior Notes	January 15, 2030	January 15 and July 15	3.40%	500,000	500,000
2031 Senior Notes	February 15, 2031	February 15 and August 15	3.20%	450,000	450,000
2032 Senior Notes	February 15, 2032	February 15 and August 15	2.70%	350,000	350,000
Total Senior Unsecured Notes			3.25%	$ 2,750,000	$ 2,750,000

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 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. 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 Notes and 2028 Senior Notes) prior to their respective maturity dates, the redemption price will not include a make-whole premium.

As of September 30, 2023 and December 31, 2022, the unamortized deferred financing costs were $15.8 million and $17.8 million, respectively, and the unamortized discount was $8.7 million and $9.7 million, respectively. 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 and other affirmative and negative covenants, all of which the Company and the Operating Partnership were in compliance with as of September 30, 2023.

Mortgages Payable

Indirect wholly-owned special purpose entity subsidiaries of the Company are borrowers under two fixed-rate non-recourse loans, which have been securitized into CMBS and are secured by the borrowers' respective leased properties and related assets. The stated interest rates as of September 30, 2023 for the loans were 5.80% and 6.00%, respectively. Each loan was secured by one property. There were no unamortized deferred financing costs as of either September 30, 2023 and December 31, 2022, and the unamortized net premium as of September 30, 2023 and December 31, 2022 was $0.1 million and $0.2 million, respectively.

Debt Extinguishment

The Company did not extinguish any debt during the nine months ended September 30, 2023. During the nine months ended September 30, 2022, the Company recognized a loss on debt extinguishment of $0.2 million as a result of the amendment and restatement of the 2019 Revolving Credit and Term Loan Agreement.

Debt Maturities

As of September 30, 2023, scheduled debt maturities, including balloon payments, were as follows (in thousands):

	Scheduled Principal	Balloon Payment	Total
Remainder of 2023	$ 141	$ —	$ 141
2024	590	—	590
2025	610	600,016	600,626
2026	469	300,000	300,469
2027	497	800,000	800,497
Thereafter	2,034	2,150,053	2,152,087
Total	$ 4,341	$ 3,850,069	$ 3,854,410

Interest Expense

The components of interest expense related to the Company's borrowings were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revolving credit facilities [(1)]	$ 612	$ 3,550	$ 4,237	$ 8,520
Term loans [(2)]	10,857	2,940	25,589	2,940
Senior Unsecured Notes	22,313	22,313	66,939	66,939
Mortgages payable	65	73	201	225
Non-cash:				
Amortization of deferred financing costs	2,325	1,475	5,944	3,637
Amortization of debt discount, net	330	318	982	947
Amortization of net losses related to interest rate swaps	702	702	2,106	2,106
Capitalized interest	(285)	(415)	(1,005)	(741)
Total interest expense	$ 36,919	$ 30,956	$ 104,993	$ 84,573

[(1)] Includes facility fees of approximately $0.6 million and $2.0 million for the three and nine months ended September 30, 2023, respectively, and $0.5 million and $1.4 million for the three and nine months ended September 30, 2022, respectively.
[(2)] Includes impact of cash flow hedge.

NOTE 5. STOCKHOLDERS' EQUITY

Common Stock

In January 2022, the Company entered into forward sale agreements in connection with an offering of 9.4 million shares of common stock at an initial public offering price of $47.60 per share, before underwriting discounts and offering expenses. All of these shares were settled during 2022, generating net proceeds of $427.7 million.

In November 2021, the Board of Directors approved a new $500.0 million ATM Program, and the Company terminated its 2020 ATM Program. The following details the activity under the 2021 ATM Program since its inception (in thousands):

2021 ATM	Forward Shares	Regular Shares	Total Shares	Net Proceeds on Issuances
Month ended 12/31/2021				
Shares sold	2,268	438	2,706	
Shares issued	(2,212)	(438)	(2,650)	$ 120,286
Unsettled shares sold as of 12/31/2021	56	—	56	
Year ended 12/31/2022				
Shares sold	2,434	1,525	3,959	
Shares issued	(2,490)	(1,525)	(4,015)	$ 167,850
Unsettled shares sold as of 12/31/2022	—	—	—	
Nine months ended 9/30/2023				
Shares sold	—	—	—	
Shares issued	—	—	—	$ —
Unsettled shares sold as of 9/30/2023	—	—	—	

As of September 30, 2023, approximately $208.7 million of capacity remained available under the 2021 ATM Program.

Preferred Stock

As of September 30, 2023, the Company had 6.9 million shares of Series A Preferred Stock outstanding, which pays cumulative cash dividends of 6.00% per annum on the liquidation preference of $25.00 per share (equivalent to $1.50 per share on an annual basis).

Dividends Declared

For the nine months ended September 30, 2023, the Company's Board of Directors declared the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Amount *(in thousands)*	Payment Date
Common Stock				
February 22, 2023	$ 0.6630	March 31, 2023	$ 93,675	April 14, 2023
May 3, 2023	$ 0.6630	June 30, 2023	$ 93,700	July 14, 2023
August 9, 2023	$ 0.6696	September 29, 2023	$ 94,635	October 13, 2023
Preferred Stock				
February 22, 2023	$ 0.3750	March 15, 2023	$ 2,588	March 31, 2023
May 3, 2023	$ 0.3750	June 15, 2023	$ 2,588	June 30, 2023
August 9, 2023	$ 0.3750	September 15, 2023	$ 2,587	September 29, 2023

The common stock dividend declared on August 9, 2023 is included in accounts payable, accrued expenses and other liabilities in the consolidated balance sheet as of September 30, 2023.

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 had fully accrued a $5.7 million contingent liability related to debt owed by a tenant in 2018, however no payments were made by the Company. Therefore, upon the debt's maturity on March 15, 2022, the Company reversed the $5.7 million accrual, which is reflected as other income in the consolidated statement of operations.

As of September 30, 2023, there were no outstanding claims or litigation against the Company that are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

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, 2023, no accruals have been made.

Purchase and Capital Improvement Commitments

As of September 30, 2023, the Company had commitments totaling $138.1 million, of which $12.2 million relates to future acquisitions and the remainder relates to improvements on properties the Company already owns. Acquisition commitments contain standard cancellation clauses contingent on the results of due diligence. $20.6 million of the Company's commitments are expected to be funded by the end of 2023, with the remainder to be funded by the end of 2025.

NOTE 7. DERIVATIVE AND HEDGING ACTIVITIES

The Company may use 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 AOCIL and the change is reflected as cash flow hedge changes in fair value in the supplemental disclosures of non-cash activities in the consolidated statements of cash flows. Amounts will subsequently be reclassified to earnings when the hedged item affects earnings. The Company does not enter into derivative contracts for speculative or trading purposes and does not have derivative netting arrangements.

The Company is exposed to credit risk in the event of non-performance by its derivative counterparties. The Company evaluates this risk through monitoring the creditworthiness of counterparties, which includes review of their 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.

In the third quarter of 2019, the Company terminated interest rate swaps which had been entered into in December 2018 and accelerated the reclassification of a loss of $12.5 million from AOCIL to termination of interest rate swaps as a result of a portion of the hedged forecasted transactions becoming probable not to occur. There were no events of default related to the interest rate swaps prior to their termination. Given that a portion of the hedged transactions remained probable to occur, $12.3 million of the loss was deferred in other comprehensive loss and is being amortized over the remaining initial term of the interest rate swaps, which ends January 31, 2024. As of September 30, 2023, the unamortized portion of loss in AOCIL related to terminated interest rate swaps was $0.9 million.

During the third quarter of 2022 and the first quarter of 2023, the Company entered into new interest rate swaps, which were designated as cash flow hedge instruments. Interest rate swaps that are in an asset position are recorded in deferred costs and other assets, net on the consolidated balance sheet, while interest rate swaps that are in a liability position are recorded in accounts payable, accrued expenses and other liabilities on the consolidated balance sheet. These instruments swap 1-month SOFR for a fixed payment. The following table summarizes the key terms and fair value of these instruments (in thousands):

Interest Rate Swap Notional Amount	Fixed Interest Rate	Effective Date	Maturity Date	Fair Value of Asset September 30, 2023
$ 300,000	2.501%	September 15, 2022	August 22, 2027	$ 20,340
$ 200,000	2.507%	September 15, 2022	August 22, 2027	13,478
$ 300,000	2.636%	September 15, 2022	August 22, 2025	12,403
$ 300,000	3.769%	June 15, 2023	June 15, 2025	6,090
$ 200,000	3.590%	December 15, 2023	June 15, 2025	3,921
				$ 56,232

The following table provides information about the amounts recorded in AOCIL, as well as any amounts reclassified to operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash flow hedge derivatives	$ 14,229	$ 39,606	$ 34,852	$ 39,606
Amount of gain reclassified from AOCIL to interest	(6,671)	(104)	(15,750)	(104)
Amount of loss reclassified from AOCIL to interest	702	702	2,106	2,106
Total	$ 8,260	$ 40,204	$ 21,208	$ 41,608

During the next 12 months, we estimate that approximately $0.9 million will be reclassified as an increase to interest expense related to terminated hedges of existing floating-rate debt and $28.8 million will be reclassified as a decrease to interest expense related to cash flow hedge derivatives.

NOTE 8. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The Company's 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. The Company's financial assets that were accounted for at fair value on a recurring basis were as follows (in thousands):

		Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Derivatives held at September 30, 2023				
Interest rate swap assets	$ 56,232	$ —	$ 56,232	$ —
Derivatives held at December 31, 2022				
Interest rate swap assets	$ 37,128	$ —	$ 37,128	$ —

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. 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, tenant bankruptcy or delinquency, and leases expiring in 60 days or less. The fair values of real estate and intangible assets were estimated using the following information, depending on availability, in order of preference: signed purchase and sale agreements ("PSA") or letters of intent ("LOI"); broker opinions of value ("BOV"); recently quoted bid or ask prices, or market prices for comparable properties; estimates of discounted cash flows, which consider, among other things, contractual and forecasted rental revenues, leasing assumptions, expenses based upon market conditions and capitalization rates; and expectations for the use of the real estate. The Company's assets that were accounted for at fair value on a nonrecurring basis as of their respective measurement dates were as follows (in thousands):

		Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Assets held at September 30, 2023				
Impaired at March 31, 2023	$ 2,526	$ —	$ —	$ 2,526
Impaired at June 30, 2023	$ 5,826	$ —	$ —	$ 5,826
Impaired at September 30, 2023	$ 29,932	$ —	$ —	$ 29,932
Assets held at December 31, 2022				
Impaired at June 30, 2022	$ 4,700	$ —	$ —	$ 4,700
Impaired at September 30, 2022	$ 4,094	$ —	$ —	$ 4,094
Impaired at December 31, 2022	$ 29,636	$ —	$ —	$ 29,636

As of September 30, 2023, the Company held 15 properties that were impaired during 2023. As of December 31, 2022, the Company held 18 properties that were impaired during 2022. The Company estimated property fair value using price per square foot from unobservable inputs. The unobservable inputs for these properties are as follows:

Unobservable Input	Asset Type	Property Count	Price Per Square Foot Range	Weighted Average Price Per Square Foot	Square Footage
September 30, 2023					
PSA, LOI or BOV	Retail	14	$37.74 - $782.66	$208.91	175,779
Comparable Properties	Medical	1	$91.23 - $107.52	$100.33	15,804
December 31, 2022					
PSA, LOI or BOV	Retail	12	$30.00 - $384.88	$93.60	223,225
PSA, LOI or BOV	Data Center	1	$24.94	$24.94	188,475
Comparable Properties	Retail	3	$26.05 - $197.15	$56.36	100,195
Comparable Properties	Office	2	$71.69 - $135.00	$98.97	73,000

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 consolidated balance sheets. In addition, 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 measurement date. 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 either based on (i) market quotes for identical or similar instruments in markets or (ii) discounted cash flow analyses using estimates of the amount and timing of future cash flows, market rates and credit spreads. The estimated fair values of the Senior Unsecured Notes are classified as Level 1 of the fair value of the hierarchy, and the remaining estimates are classified as Level 2. The following table discloses fair value information for these financial instruments (in thousands):

	September 30, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loans receivable, net[1]	$ 52,949	$ 51,747	$ 23,023	$ 23,462
2019 Credit Facility	—	—	55,500	55,502
Term loans, net [2]	1,090,198	1,100,705	792,309	802,363
Senior Unsecured Notes, net [2]	2,725,505	2,339,854	2,722,514	2,310,547
Mortgages payable, net [2]	4,545	4,229	4,986	4,685

[1] The carrying value of the loans receivable are net of an allowance for credit losses.

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

NOTE 9. INCENTIVE AWARD PLAN

Amended Incentive Award Plan

Pursuant to the Amended Incentive Award Plan, restricted share awards and market-based awards are granted to certain of the Company's officers, directors and other employees. The vesting of these awards results 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 shares of common stock valued at $1.5 million during the nine months ended September 30, 2023 solely to pay the associated statutory tax withholdings.

Restricted Share Awards

During the nine months ended September 30, 2023, the Company granted 139 thousand restricted shares under the Amended Incentive Award Plan to certain directors and employees and recorded $5.7 million in deferred compensation associated with these grants. Deferred compensation for restricted shares will be recognized in expense over the requisite service period, which is generally one to three years. As of September 30, 2023, there were approximately 207 thousand unvested restricted shares outstanding.

Market-Based Awards

During the nine months ended September 30, 2023, the Board of Directors, or committee thereof, approved target grants of 189 thousand market-based awards to executive officers of the Company. The performance period of these grants is generally three years. Potential shares of the Corporation'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 375%. Grant date fair value of the market-based awards was calculated using the Monte Carlo simulation model, which incorporated stock price volatility of the Company and each of the Company's peers and other variables over the time horizons matching the performance periods. Significant inputs for the calculation for the grants approved in the nine months ended September 30, 2023 were expected volatility of the Company of 36.3% and expected volatility of the Company's peers, ranging from 26.0% to 52.7%, with an average volatility of 34.0% and a risk-free interest rate of 3.72%. Expected volatility was determined using an equal weighting of implied volatility and historical volatility. The fair value of the market-based award per share of these grants was $74.30 as of the grant date.

Approximately $4.9 million and $2.5 million in dividend rights have been accrued as of September 30, 2023 and December 31, 2022, respectively. For outstanding non-vested awards at September 30, 2023, 0.8 million shares would have been released based on the Corporation's TSR relative to the specified peer groups through that date.

Stock-based Compensation Expense

Stock-based compensation is recognized on a straight-line basis over the minimum required service period of each award described above. The Company recorded stock-based compensation expense of $4.9 million and $15.1 million for the three and nine months ended September 30, 2023, respectively, and $4.4 million and $12.8 million for the three and nine months ended September 30, 2022, respectively. These amounts are included in general and administrative expenses in the consolidated statements of operations.

The following is a summary of remaining unamortized stock-based compensation expense (in thousands):

	September 30, 2023	December 31, 2022
Restricted share awards	$ 5,700	$ 4,727
Market-based awards	18,625	15,165
Total unamortized stock-based compensation expense	$ 24,325	$ 19,892

NOTE 10. INCOME PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	$ 38,468	$ 76,640	$ 188,822	$ 215,436
Less: dividends paid to preferred stockholders	(2,587)	(2,587)	(7,763)	(7,763)
Less: dividends and income attributable to unvested restricted stock	(138)	(142)	(412)	(412)
Net income attributable to common stockholders used in basic and diluted income per share	$ 35,743	$ 73,911	$ 180,647	$ 207,261
Weighted average shares of common stock outstanding	141,331,332	136,530,530	141,317,480	133,058,487
Less: unvested weighted average shares of restricted stock	(206,931)	(216,161)	(222,573)	(223,277)
Basic weighted average shares of common stock outstanding	141,124,401	136,314,369	141,094,907	132,835,210
Plus: unvested market-based awards	25,464	—	8,488	130,087
Diluted weighted average shares of common stock outstanding (1)	141,149,865	136,314,369	141,103,395	132,965,297
Net income per share attributable to common stockholders - basic	$ 0.25	$ 0.54	$ 1.28	$ 1.56
Net income per share attributable to common stockholders - diluted	$ 0.25	$ 0.54	$ 1.28	$ 1.56
Potentially dilutive shares of common stock related to:				
Unvested restricted share awards	42,806	51,338	61,354	65,060

(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.

NOTE 11. SUBSEQUENT EVENTS

On October 29, 2023, Spirit entered into an Agreement and Plan of Merger (the "Merger Agreement") with Realty Income Corporation, a Maryland corporation ("Realty Income"), and Saints MD Subsidiary, Inc., a Maryland corporation and wholly owned subsidiary of Realty Income ("Merger Sub"). Pursuant to the terms and conditions of the Merger Agreement, upon the closing, Spirit will be merged with and into Merger Sub, with Merger Sub continuing as the surviving corporation (the "Merger").

Pursuant to the terms and subject to the conditions of the Merger Agreement, at the date and time the Merger becomes effective, (i) each share of Spirit common stock, par value of $0.05 per share (the "Spirit Common Stock") will automatically be converted into 0.762 of a newly issued share of common stock (the "Exchange Ratio"), par value of $0.01 per share, of Realty Income (the "Realty Income Common Stock"), and cash in lieu of fractional shares, and (ii) each outstanding share of Spirit's 6.000% Series A Cumulative Redeemable Preferred Stock, par value of $0.01 per share (the "Spirit Series A Preferred Stock"), will be converted into the right to receive one share of newly issued Realty Income 6.000% Series A Cumulative Redeemable Preferred Stock, having substantially the same terms as the Spirit Series A Preferred Stock.

During the period between the signing of the Merger Agreement and the consummation of the Merger, Spirit is permitted to declare and pay regular quarterly cash dividends with respect to shares of Spirit Common Stock and Spirit Series A Preferred Stock.

The Merger Agreement contains customary representations, warranties and covenants by each party. The Merger is subject to certain conditions which are set forth in the Merger Agreement, including the approval of Spirit's shareholders. The boards of directors of the Company and Realty Income have approved the Merger Agreement. The Merger is expected to close during the first quarter of 2024.

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, Section 21E of the Exchange Act, the Private Securities Litigation Reform Act of 1995 and other federal securities laws. 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 global and local 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;
- decreased rental rates or increasing vacancy rates;
- 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;
- potential losses that may not be covered by insurance;
- information security and data privacy breaches;
- our ability to manage our expanded operations;
- our ability and willingness to maintain our qualification as a REIT;
- the impact on our business and those of our tenants from epidemics, pandemics or other outbreaks of illness, disease or virus; 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 Annual Report on Form 10-K for the year ended December 31, 2022 and this report and subsequent filings with the SEC. 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 an internally-managed net-lease REIT with in-house functions including acquisitions, credit research, asset management, portfolio management, real estate research, legal, finance and accounting. We invest primarily in single-tenant, operationally essential real estate assets throughout the United States, which are subsequently leased on a long-term, triple-net basis to high quality tenants with operations in retail, industrial and certain other industries. As a REIT, we are required to, among other things, annually distribute at least 90% of our taxable income (excluding net capital gains) to our stockholders. We aim to achieve this objective through consistent quarterly dividends supported by the cash flows generated by our leasing operations, which we look to continue to grow over time.

As of September 30, 2023, we owned a highly diversified portfolio of 2,037 properties operated by 338 tenants and with in-place Annualized Base Rent of $690.1 million. See "Property Portfolio Information" for further information on our portfolio diversification.

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. As of September 30, 2023, our assets, liabilities, and results of operations are materially the same as those of the Operating Partnership.

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.

Shares of our common stock are traded on the NYSE under the symbol "SRC."

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, 2022. We have not made any material changes to these policies during the periods covered by this quarterly report.

Supplemental Guarantor Disclosures

Subsidiary issuers of obligations guaranteed by the parent are not required to provide separate financial statements, provided that the parent guarantee is "full and unconditional," the subsidiary obligor is consolidated into the parent company's consolidated financial statements and, subject to certain exceptions as set forth below, the alternative disclosure required by Rule 13-01 is provided, which includes narrative disclosure and summarized financial information.

The Company and the Operating Partnership have filed a registration statement on Form S-3 with the SEC registering, among other securities, debt securities of the Operating Partnership, which will be fully and unconditionally guaranteed by the Company. As of September 30, 2023, the Senior Unsecured Notes were outstanding. The obligations of the Operating Partnership to pay principal, premiums, if any, and interest on the Senior Unsecured Notes are guaranteed on a senior, full and unconditional basis by the Company. The Operating Partnership is consolidated into the Company's financial statements. Accordingly, separate consolidated financial statements of the Operating Partnership are not presented.

In accordance with SEC rules, the Company has excluded summarized financial information for the Company and the Operating Partnership because the assets, liabilities and results of operations of the Company and the Operating Partnership (other than unencumbered assets held in subsidiaries of the Operating Partnership and the related results of operations thereof) are not materially different than the corresponding amounts in the Company's consolidated financial statements, and management believes such summarized financial information would be repetitive and would not provide incremental value to investors.

Liquidity and Capital Resources

ATM PROGRAM

In November 2021, the Board of Directors approved a $500.0 million 2021 ATM Program, and we terminated the 2020 ATM Program. Sales of shares of our common stock under the 2021 ATM Program may be made in sales deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act. The 2021 ATM Program contemplates that, in addition to the issuance and sale by us of shares of our common stock to or through agents, we may enter into separate forward sale agreements with an agent or one of their respective affiliates (in such capacity, each, a "forward purchaser"). When we enter into a forward sale agreement, we expect that the forward purchaser will attempt to borrow from third parties and sell, through a forward seller, shares of our common stock to hedge the forward purchaser's exposure under the 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 generally expect to fully physically settle any forward sale agreement with the respective 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. The forward sale price that we receive upon physical settlement of the agreements is 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. 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, 2023, 6.7 million shares of our common stock have been sold under the 2021 ATM Program, of which 4.7 million of these shares were sold through forward sale agreements. None of these shares were sold during the nine months ended September 30, 2023. There were no open forward contracts and approximately $208.7 million of capacity remained available under the 2021 ATM Program as of September 30, 2023.

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 2023 Term Loans and, if market conditions warrant, issuances of equity securities, including shares of our common stock under our 2021 ATM program. As of September 30, 2023, available liquidity was comprised of $134.2 million in cash and cash equivalents, $4.2 million in 1031 Exchange proceeds, $1.2 billion of borrowing capacity under the 2019 Credit Facility and $200.0 million of availability under the delayed-draw 2023 Term Loans.

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, particularly as uncertainty related to rising interest rates, rising inflation rates, economic outlook, geopolitical events (including the military conflict between Russia and Ukraine and in the Gaza Strip) and other factors have contributed and may continue to contribute to significant volatility and negative pressure in financial markets. 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

On March 30, 2022, we amended and restated the 2019 Revolving Credit and Term Loan Agreement. As of September 30, 2023, the aggregate gross commitment under the 2019 Credit Facility was $1.2 billion, which may be increased up to $1.7 billion by exercising an accordion feature, subject to satisfying certain requirements. The 2019 Credit Facility has a maturity of March 31, 2026 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 of September 30, 2023, there were no subsidiaries that met this requirement.

As of September 30, 2023, the 2019 Credit Facility bore interest at a 1-month adjusted SOFR rate plus 0.775% and incurred a facility fee of 0.150% per annum, in each case, based on the Operating Partnership's credit rating and leverage ratio (as defined in the agreement). As of September 30, 2023, there were no borrowings or letters of credit outstanding.

Term Loans

On August 22, 2022, we entered into the 2022 Term Loan Agreement which provides for borrowings in an aggregate amount of $800.0 million comprised of a $300.0 million tranche with a maturity date of August 22, 2025 and a $500.0 million tranche with a maturity date of August 20, 2027. Borrowings may be increased up to $1.0 billion by exercising an accordion feature, subject to satisfying certain requirements. The full borrowing capacity of $800.0 million was drawn as of September 30, 2023.

On November 17, 2022, we entered into the 2023 Term Loan Agreement, which provides for $500.0 million of unsecured term loans with a maturity date of June 16, 2025. Borrowings may be increased up to $600.0 million by exercising an accordion feature, subject to satisfying certain requirements. As of September 30, 2023, $300.0 million was drawn and capacity of $200.0 million was available, which may be drawn by December 29, 2023.

Term loan borrowings may be repaid without premium or penalty. As of September 30, 2023, the 2022 Term Loans and 2023 Term Loans bore interest at a 1-month adjusted SOFR rate plus a margin of 0.850% and 0.950% per annum, respectively, based on the Operating Partnership's credit rating. In conjunction with entering into the 2022 Term Loans, we entered into interest rate swaps to swap 1-month SOFR for a weighted average fixed rate of 2.55%. In conjunction with entering into the 2023 Term Loans, we entered into interest rate swaps to swap 1-month SOFR for a weighted average fixed rate of 3.70%.

Senior Unsecured Notes

As of September 30, 2023, we had the following Senior Unsecured Notes outstanding (dollars in thousands):

	Maturity Date	Interest Payment Dates	Stated Interest Rate	September 30, 2023
2026 Senior Notes	September 15, 2026	March 15 and September 15	4.45%	$ 300,000
2027 Senior Notes	January 15, 2027	January 15 and July 15	3.20%	300,000
2028 Senior Notes	March 15, 2028	March 15 and September 15	2.10%	450,000
2029 Senior Notes	July 15, 2029	January 15 and July 15	4.00%	400,000
2030 Senior Notes	January 15, 2030	January 15 and July 15	3.40%	500,000
2031 Senior Notes	February 15, 2031	February 15 and August 15	3.20%	450,000
2032 Senior Notes	February 15, 2032	February 15 and August 15	2.70%	350,000
Total Senior Unsecured Notes			**3.25%**	**$ 2,750,000**

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 Notes and 2028 Senior Notes) prior to their respective maturity dates, the redemption price will not include a make-whole premium.

Mortgages payable

The obligors of our property level debt are special purpose entities that hold the real estate and other collateral securing the indebtedness. Each special purpose entity is a bankruptcy remote separate legal entity and is the sole owner of its assets and solely responsible for its liabilities other than typical non-recurring covenants. As of September 30, 2023, we had two fixed-rate CMBS loans, each secured by a single property. One loan, with principal outstanding of $4.0 million, matures in August 2031 and incurs interest at 5.80%. The other loan, with principal outstanding of $0.4 million, matures in December 2025 and incurs interest at 6.00%. Both loans are partially amortizing and require a balloon payment at maturity.

DEBT MATURITIES

Future principal payments due on our various types of debt outstanding as of September 30, 2023 are as follows (in thousands):

	Total	Remainder of 2023	2024	2025	2026	2027	Thereafter
2019 Credit Facility	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Term loans	1,100,000	—	—	600,000	—	500,000	—
Senior Unsecured Notes	2,750,000	—	—	—	300,000	300,000	2,150,000
Mortgages payable	4,410	141	590	626	469	497	2,087
	$ 3,854,410	**$ 141**	**$ 590**	**$ 600,626**	**$ 300,469**	**$ 800,497**	**$ 2,152,087**

CONTRACTUAL OBLIGATIONS

There were no material changes during the nine months ended September 30, 2023 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, 2022, 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.

CASH FLOWS

The following table presents a summary of our cash flows for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change
Net cash provided by operating activities	$ 373,548	$ 338,885	$ 34,663
Net cash used in investing activities	(250,058)	(1,002,541)	752,483
Net cash (used in) provided by financing activities	(46,422)	755,686	(802,108)
Net increase in cash, cash equivalents and restricted cash	**$ 77,068**	**$ 92,030**	**$ (14,962)**

Substantially all of our operating cash flows are generated by our investment portfolio and are primarily dependent upon the rental rates specified in our leases, the collectability of rent and the level of our property and general and administrative costs. The increase in net cash provided by operating activities was driven by a $45.6 million net increase in cash rental revenue, largely as a result of the net acquisition of higher priced assets over the trailing twelve month period. Additionally, there was an increase in cash interest received of $19.8 million, driven by interest rate swaps entered into in conjunction with entering into the 2022 Term Loans and 2023 Term Loans. The primary offset to this increase was an increase in cash interest paid of $33.5 million driven by increased interest rates and changes within our debt structure. See Management's Discussion and Analysis of Financial Condition: Results of Operations for further discussion on our rental income and interest expenses.

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. Changes related to our investing activity were as follows:

- We acquired 30 properties during the nine months ended September 30, 2023 compared to 148 during the nine months ended September 30, 2022, driving the decrease in investing cash outflows of $687.2 million.
- We sold 108 properties during the nine months ended September 30, 2023 compared to 33 during the nine months ended September 30, 2022, which resulted in an increase in investing cash inflows of $65.3 million.

Our investment activity is generally funded through cash provided by operations, proceeds from dispositions, proceeds from stock issuances, and proceeds from long-term debt issuances. Changes related to our sources of funding were as follows:

- We issued 11.9 million shares in 2022 compared to none in 2023, resulting in a decrease in proceeds of $531.6 million.
- We had a net decrease in cash provided by financing debt activity of $250.4 million. This decrease was driven by draws of $800.0 million under the 2022 Term Loans as compared to draws of $300.0 million under the 2023 Term Loans, partially offset by a decrease in net payments under the 2019 Credit Facility of $232.9 million year-over-year.
- There was an increase in dividends paid to equity owners of $25.2 million year-over-year, driven by an increase in shares outstanding and an increase in our quarterly dividend rate starting in the third quarter of 2022.

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. 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, 2017 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.

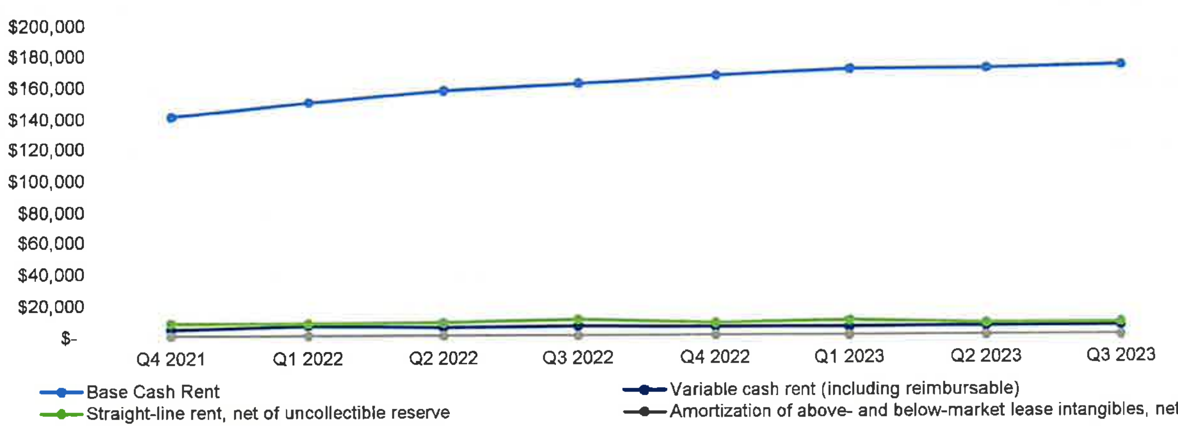
Results of Operations

Comparison of the three and nine months ended September 30, 2023 to the three and nine months ended September 30, 2022

(In Thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Increase / (Decrease) Three Months	Increase / (Decrease) Nine Months
Revenues:						
Rental income	$ 188,205	$ 180,296	$ 561,765	$ 520,930	$ 7,909	$ 40,835
Interest income on loans receivable	1,506	521	3,919	1,362	985	2,557
Earned income from direct financing leases	131	131	393	393	—	—
Other operating income	3,533	1,956	4,888	3,550	1,577	1,338
Total revenues	**193,375**	**182,904**	**570,965**	**526,235**	**10,471**	**44,730**
Expenses:						
General and administrative	14,062	14,313	45,016	42,408	(251)	2,608
Property costs (including reimbursable)	8,382	7,395	24,077	22,600	987	1,477
Deal pursuit costs	342	470	1,174	1,490	(128)	(316)
Interest	36,919	30,956	104,993	84,573	5,963	20,420
Depreciation and amortization	79,370	74,600	236,527	216,606	4,770	19,921
Impairments	19,258	1,571	36,052	11,096	17,687	24,956
Total expenses	**158,333**	**129,305**	**447,839**	**378,773**	**29,028**	**69,066**
Other income:						
Loss on debt extinguishment	—	—	—	(172)	—	172
Gain on disposition of assets	3,661	23,302	66,450	63,107	(19,641)	3,343
Other income	—	—	—	5,679	—	(5,679)
Total other income	**3,661**	**23,302**	**66,450**	**68,614**	**(19,641)**	**(2,164)**
Income before income tax expense	**38,703**	**76,901**	**189,576**	**216,076**	**(38,198)**	**(26,500)**
Income tax expense	(235)	(261)	(754)	(640)	26	(114)
Net income	**$ 38,468**	**$ 76,640**	**$ 188,822**	**$ 215,436**	**$ (38,172)**	**$ (26,614)**

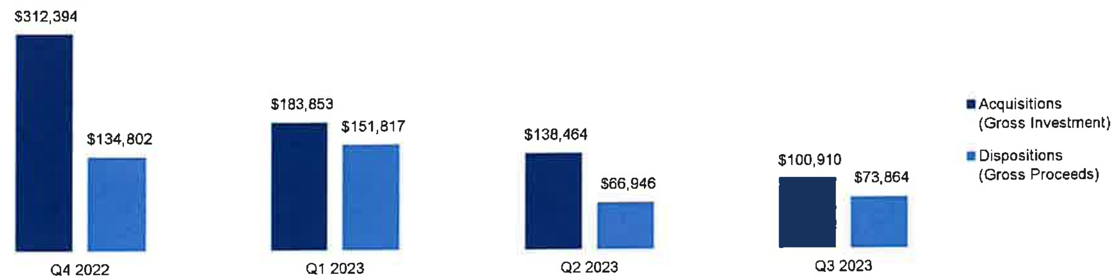
Changes related to operating properties

The components of rental income are summarized below (in thousands):



Base Cash Rent; Depreciation and amortization

The increase in Base Cash Rent, the largest component of rental income, was driven by the net acquisition of higher priced assets, which also was the driver for the increase in depreciation and amortization. We acquired 54 properties during the trailing twelve months ended September 30, 2023, with a total of $54.1 million of annual in-place rent. During the same period, we disposed of 135 properties, of which 37 were vacant and the remaining 98 had annual in-place rents of $23.4 million. Our acquisitions and dispositions for the trailing twelve months ended September 30, 2023 is summarized below (in thousands):



We have had minimal tenant credit issues during the comparative periods. We recognized net reserves of $0.3 million and $0.4 million during the three and nine months ended September 30, 2023. During the three and nine months ended September 30, 2022, we recognized net reserves of $0.6 million and $0.5 million, respectively.

Variable cash rent; Property costs (including reimbursable)

Variable cash rent is primarily comprised of tenant reimbursements, where our tenants are obligated under the lease agreement to reimburse us for certain property costs we incur, less reimbursements we deem not probable of collection.

For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, total variable cash rent (including reimbursable) decreased primarily due to fewer reimbursable property taxes from acquisitions over the comparative period. Although there was a decrease in reimbursable property costs, total property costs (including reimbursable) increased, driven by an increase in non-reimbursable legal fees and property taxes recorded over the comparative period due to an increase in tenant credit issues.

For the three months ended September 30, 2023 compared to the three months ended September 30, 2022, total variable cash rent (including reimbursable) remained relatively flat, while total property costs (including reimbursable) increased. Reimbursable property costs remained relatively flat, while non-reimbursable property costs increased primarily due to an increase in non-reimbursable legal fees and property taxes recorded over the comparative period due to an increase in tenant credit issues.

The components of variable cash rent and property costs are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Increase / (Decrease)	
	2023	2022	2023	2022	Three Months	Nine Months
Tenant reimbursable income, net of uncollectable reserve	$ 5,072	$ 5,159	$ 15,202	$ 16,242	$ (87)	$ (1,040)
Other variable cash rent	1,259	1,320	3,183	3,471	(61)	(288)
Total variable cash rent (including reimbursable)	**$ 6,331**	**$ 6,479**	**$ 18,385**	**$ 19,713**	**$ (148)**	**$ (1,328)**
Reimbursable property costs	$ 5,070	$ 5,166	$ 15,204	$ 17,132	$ (96)	$ (1,928)
Non-reimbursable property costs	3,312	2,229	8,873	5,468	1,083	3,405
Total property costs (including reimbursable)	**$ 8,382**	**$ 7,395**	**$ 24,077**	**$ 22,600**	**$ 987**	**$ 1,477**

Straight-line rent, net of uncollectible reserve; Amortization of above- and below- market lease intangibles, net

Non-cash rental income consists of straight-line rental revenue and amortization of above- and below-market lease intangibles, less amounts we deem not probable of collection. Straight-line rental revenue decreased for both comparative periods, driven by $2.1 million and $4.1 million of reserves for straight-line rental revenue recognized during the three and nine months ended September 30, 2023, respectively, primarily driven by tenant bankruptcies. Additionally, we recognized net recoveries of $1.2 million and $1.1 million for the three and nine months ended September 30, 2022, further driving the decrease in straight-line rental revenue over the comparative periods.

Impairments

The increase in impairments for both comparative periods was driven by an increase in held for sale properties, which is a result of an increased focus on accretive capital recycling. We recorded impairment as follows (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Count:	Impairment:	Count:	Impairment:	Count:	Impairment:	Count:	Impairment:
Underperforming properties	13	$ 3,840	6	$ 1,571	26	$ 16,059	8	$ 10,155
Vacant properties	2	84	—	—	5	3,272	1	814
Total		**$ 3,924**		**$ 1,571**		**$ 19,331**		**$ 10,969**

Additionally, in accordance with ASU 2016-13, we recognize an allowance for credit loss when we issue a loan. We recorded a $0.1 million allowance upon issuing a loan receivable in the first quarter of 2022. During the first quarter of 2023, we issued a loan receivable and funded an add-on to an existing loan, for which we recorded a total allowance of $0.5 million. In the second quarter of 2023, we recorded a total allowance of $0.8 million upon the issuance of a loan receivable and the purchase of term loans. In the third quarter of 2023, we recorded an additional allowance for loan losses of $15.3 million on existing loans due to changes in the borrower's financial position.

Gain on disposition of assets

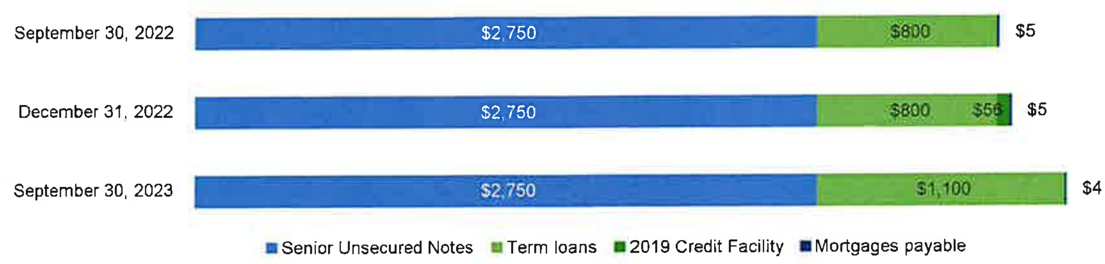
For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, net gains on disposition of assets increased due to an increase in disposition volume, specifically of occupied properties as a result of an increased focus on accretive capital recycling. This increase was partially offset by an increase in losses on disposition of assets during the three months ended September 30, 2023, primarily due to vacant assets sold. We recognized net gains on disposition of assets as follows (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Count:	Net Gain / (Loss):	Count:	Net Gain / (Loss):	Count:	Net Gain / (Loss):	Count:	Net Gain / (Loss):
Occupied properties sold	20	$ 8,622	10	23,027	77	$ 71,812	21	$ 60,394
Vacant properties sold	19	(6,418)	1	372	31	(7,201)	12	2,359
Other		1,457		(97)		1,839		354
Total		**$ 3,661**		**$ 23,302**		**$ 66,450**		**$ 63,107**

Changes related to debt

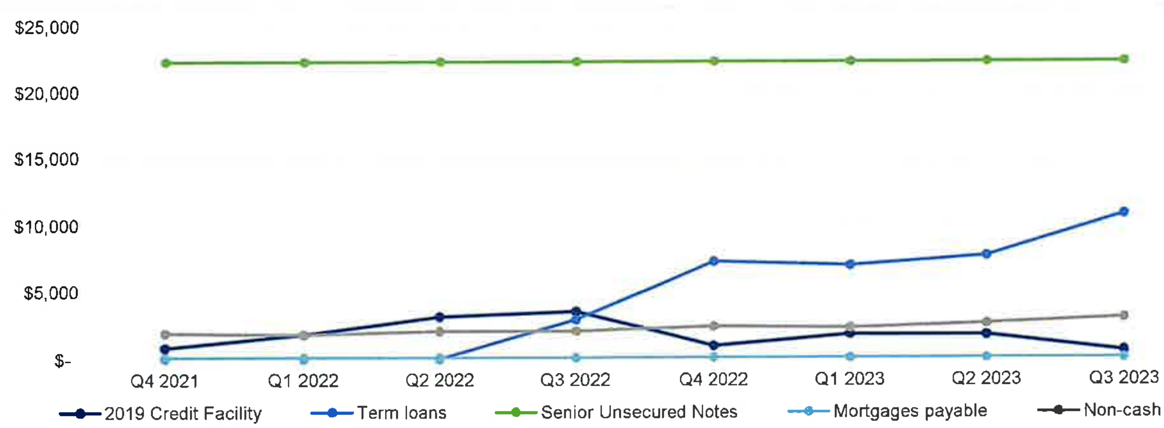
Interest expense; Loss on debt extinguishment

Our debt outstanding is summarized below (in thousands):



In March 2022, we amended and restated the 2019 Revolving Credit and Term Loan Agreement, resulting in a loss of $0.2 million on the partial debt extinguishment. In August 2022, we entered into the 2022 Term Loans, comprised of a $300.0 million tranche which matures in 2025 and a $500.0 million tranche which matures in 2027. In November 2022, we entered into the 2023 Term Loan Agreement for $500.0 million of 2.5-year delayed-draw term loans, of which $300.0 million was drawn in June 2023 and the remainder is available to draw until December 29, 2023. In conjunction with entering into the 2022 Term Loans and the 2023 Term Loans, we entered into interest rate swaps to swap the variable rate for a fixed rate.

Our weighted average stated interest rate increased from 3.36% at September 30, 2022 to 3.42% at September 30, 2023 primarily as a result of entering into the 2023 Term Loans. The components of interest expense are summarized below (in thousands):



Changes related to general and administrative expenses

For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, there was an increase in general and administrative expenses primarily driven by an increase of $3.1 million in compensation expenses. Compensation expenses increased due to increases in non-cash compensation, primarily due to a higher grant date fair value for the 2023 market-based awards granted in the first quarter of 2023 compared to the fair value of the 2020 market-based awards which expired unvested, as well as internal promotions.

Changes related to other income

We were contingently liable for $5.7 million of debt owed by one of our former tenants, which we fully reserved in 2018 due to the tenant filing for bankruptcy. No payments were made in relation to this contingent liability and, as the underlying debt had a maturity of March 15, 2022, we reversed our reserve in the first quarter of 2022.

Property Portfolio Information

2,037	99.6%	49	338	37
Properties	Occupancy	States	Tenants	Tenant Industries

Diversification By Tenant

The following is a summary of tenant concentration for our owned real estate properties as of September 30, 2023:

Tenant Concept [(1)]	Number of Properties	Total Square Feet (in thousands)	Percent of ABR
Life Time Fitness	13	1,474	4.3 %
Invited Clubs	21	1,005	3.1 %
BJ's Wholesale Club	11	1,233	2.3 %
At Home	16	1,861	2.1 %
Dave & Buster's / Main Event	15	807	1.9 %
Church's Chicken	160	231	1.9 %
Dollar Tree / Family Dollar	133	1,230	1.9 %
Circle K / Clean Freak	75	240	1.8 %
Home Depot	8	946	1.7 %
GPM	105	296	1.5 %
Other[(2)]	1,472	51,896	77.5 %
Vacant	8	355	—
Total	**2,037**	**61,574**	**100.0 %**

[(1)] Tenant concentration represents concentration by the legal entities ultimately responsible for obligations under the lease agreements or affiliated entities. Concentration is shown by tenant concept, which represents the brand or trade name under which the tenant operates. Other tenants may operate under the same or similar brand or trade name.
[(2)] No tenants within other individually account for greater than 1.5% of ABR.

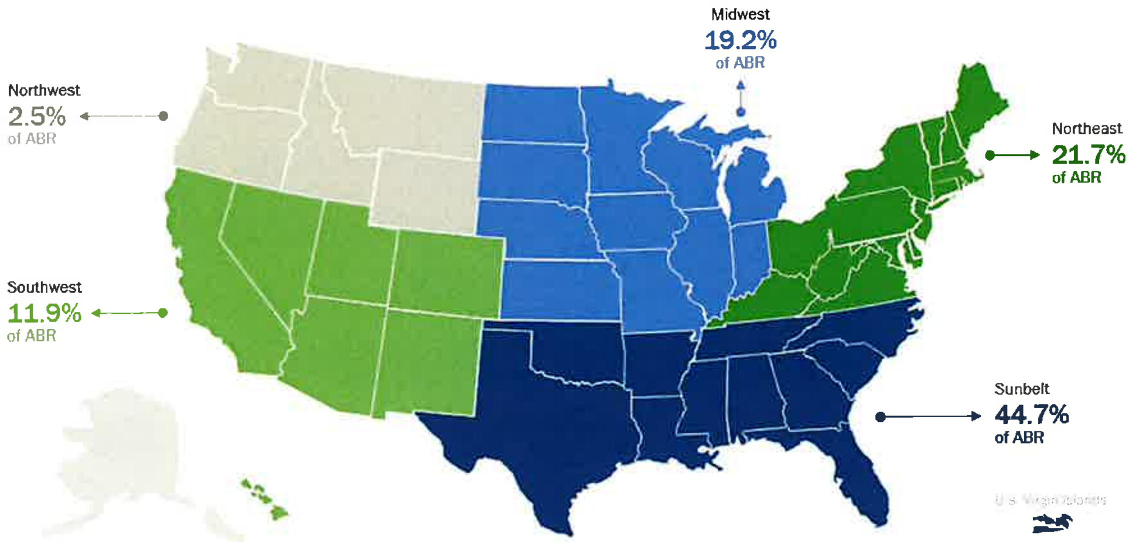
Lease Expirations

As of September 30, 2023, the weighted average remaining non-cancellable initial term of our leases (based on ABR) was 10.2 years. The following is a summary of lease expirations for our owned real estate as of September 30, 2023, assuming that tenants do not exercise any renewal options or early termination rights:

Leases Expiring In:	Number of Properties	Total Square Feet (in thousands)	ABR (in thousands)	Percent of ABR
Remainder of 2023	4	123	$ 1,473	0.2 %
2024	32	1,012	11,516	1.7 %
2025	51	2,388	21,315	3.1 %
2026	111	4,756	42,564	6.2 %
2027	146	4,146	55,712	8.1 %
2028	182	4,115	54,052	7.8 %
2029	323	3,283	47,436	6.9 %
2030	64	2,490	23,734	3.4 %
2031	76	3,670	36,066	5.2 %
2032	157	3,809	37,134	5.4 %
Thereafter	883	31,427	359,075	52.0 %
Vacant	8	355	—	—
Total owned properties	**2,037**	**61,574**	**$ 690,077**	**100.0 %**

Diversification By Geography

The following is a summary of geographic concentration for our owned real estate properties as of September 30, 2023:



Location	Number of Properties	Total Square Feet (in thousands)	Percent of ABR	Location (continued)	Number of Properties	Total Square Feet (in thousands)	Percent of ABR
Texas	299	7,961	15.3 %	Kentucky	47	623	1.6 %
Florida	151	2,792	6.6 %	Massachusetts	9	900	1.5 %
Ohio	100	5,620	6.5 %	Louisiana	26	653	1.2 %
Georgia	143	2,825	5.9 %	Arkansas	47	690	1.1 %
Michigan	97	2,854	4.3 %	Kansas	20	959	0.9 %
Tennessee	115	2,509	3.8 %	Alaska	9	319	0.8 %
California	30	1,634	3.7 %	New Hampshire	17	654	0.8 %
Indiana	43	4,134	3.3 %	New Jersey	13	466	0.7 %
Illinois	53	1,313	2.9 %	Connecticut	7	910	0.7 %
North Carolina	77	1,816	2.7 %	Idaho	13	219	0.6 %
Arizona	44	946	2.5 %	Iowa	11	1,300	0.6 %
Colorado	32	1,256	2.5 %	Washington	8	151	0.5 %
South Carolina	69	1,168	2.4 %	Maine	28	103	0.4 %
Missouri	66	1,437	2.4 %	West Virginia	12	198	0.4 %
Alabama	94	1,446	2.4 %	Nebraska	8	207	0.3 %
New York	33	1,694	2.3 %	Rhode Island	4	152	0.3 %
Maryland	11	1,358	2.3 %	North Dakota	4	110	0.3 %
Minnesota	30	1,241	2.2 %	Montana	3	152	0.3 %
Virginia	44	1,519	2.2 %	Delaware	1	123	0.3 %
Wisconsin	21	1,805	1.8 %	Oregon	3	104	0.2 %
Pennsylvania	32	1,199	1.7 %	South Dakota	2	30	0.2 %
Oklahoma	55	1,116	1.6 %	Wyoming	1	35	0.1 %
New Mexico	33	795	1.6 %	U.S. Virgin Islands	1	38	0.1 %
Mississippi	51	993	1.6 %	Nevada	1	12	*
Utah	18	1,033	1.6 %	Vermont	1	2	*

** Less than 0.1%*

Diversification By Asset Type and Tenant Industry

The following is a summary of asset type concentration, the industry of the underlying tenant operations for our retail properties and the underlying property use for our non-retail properties as of September 30, 2023:

Asset Type	Tenant Industry / Underlying Use	Number of Properties	Total Square Feet (in thousands)	Percent of ABR
Retail		**1,710**	**29,002**	**64.5 %**
	Health & Fitness	51	3,118	7.6 %
	Convenience Stores	284	918	5.0 %
	Car Washes	110	525	4.6 %
	Quick Service Restaurants	317	691	4.3 %
	Casual Dining	115	833	4.2 %
	Entertainment	31	1,402	3.4 %
	Movie Theaters	31	1,601	3.4 %
	Dollar Stores	217	2,058	3.0 %
	Home Improvement	35	2,114	3.0 %
	Drug Stores	70	898	2.9 %
	Supercenters & Clubs	17	1,864	2.7 %
	Automotive Services	120	917	2.7 %
	Home Décor	21	2,436	2.5 %
	Dealerships	30	938	2.3 %
	Home Furnishings	27	1,245	2.0 %
	Sporting Goods	20	1,154	1.9 %
	Department Stores	18	1,619	1.8 %
	Grocery	30	1,424	1.7 %
	Other	26	875	1.5 %
	Early Education	41	450	1.4 %
	Specialty Retail	31	669	1.1 %
	Automotive Parts	53	373	0.8 %
	Discount Retail	4	341	0.4 %
	Pet Supplies & Service	4	201	0.3 %
	Vacant	7	338	—
Non-Retail		**327**	**32,572**	**35.5 %**
	Distribution	140	14,270	11.6 %
	Manufacturing	80	12,762	11.3 %
	Industrial Outdoor Storage	31	2,058	3.1 %
	Country Club	21	1,005	3.1 %
	Office	8	1,136	2.9 %
	Medical	29	416	1.6 %
	Flex	14	511	0.8 %
	Data Center	2	275	0.6 %
	Hotel	1	122	0.5 %
	Vacant	1	17	—
Total		**2,037**	**61,574**	**100.0 %**

Off-Balance Sheet Arrangements

As of September 30, 2023, we did not have any material off-balance sheet arrangements.

New Accounting Pronouncements

None.

Non-GAAP Financial Measures

FFO: *FFO is calculated in accordance with the standards established by NAREIT as 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. By excluding amounts which do not relate to or are not indicative of operating performance, we believe FFO provides a performance measure that captures trends in occupancy rates, rental rates and operating costs when compared year-over-year. 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 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.*

AFFO: *AFFO is an operating performance measure 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, such as net gains (losses) on debt extinguishment, deal pursuit costs, costs related to the COVID-19 pandemic, income associated with expiration of a contingent liability related to a guarantee of a former tenant's debt and certain non-cash items. These certain non-cash items include certain non-cash interest expenses (comprised of amortization of deferred financing costs, amortization of net debt discount/premium, and amortization of interest rate swap losses), non-cash revenues (comprised of straight-line rents net of bad debt expense, amortization of lease intangibles, and amortization of net premium/discount on loans receivable), and non-cash compensation expense.*

Other equity REITs may not calculate FFO and AFFO as we do, and, accordingly, our FFO and AFFO may not be comparable to such other equity REITs' FFO and AFFO. FFO and AFFO do not represent cash generated from operating activities determined in accordance with GAAP, are 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 and deferred financing costs and reduced by cash and cash equivalents and 1031 Exchange proceeds. 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.*

EBITDA*re*: *EBITDAre is computed in accordance with the standards established by NAREIT as net income (loss) (computed in accordance with GAAP), excluding interest expense, income tax expense, depreciation and amortization, net (gains) losses from property dispositions, and impairment charges.*

Adjusted EBITDA*re*: *Adjusted EBITDAre represents EBITDAre as adjusted for revenue producing acquisitions, capital expenditures and dispositions for the quarter (as if such acquisitions and dispositions had occurred as of the beginning of the quarter), construction rent collected, not yet recognized in earnings, and for other certain items that we believe are not indicative of our core operating performance. These other certain items include deal pursuit costs, net (gains) losses on debt extinguishment, costs related to the COVID-19 pandemic, and non-cash compensation. We believe that excluding these items, which are not key drivers of our investment decisions and may cause short-term fluctuations in net income (loss), provides a useful supplemental measure to investors 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 EBITDA*re*: *Annualized Adjusted EBITDAre is calculated as Adjusted EBITDAre, adjusted for straight-line rent related to prior periods, including amounts deemed not probable of collection (recoveries), and 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 EBITDA*re*: *Adjusted Debt to Annualized Adjusted EBITDAre is used 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. 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

(In thousands, except per share data)	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
Net income attributable to common stockholders	**$**	**35,881**	**$**	**74,053**	**$**	**181,059**	**$**	**207,673**
Portfolio depreciation and amortization		79,223		74,455		236,091		216,175
Portfolio impairments		19,258		1,571		36,052		11,096
Gain on disposition of assets		(3,661)		(23,302)		(66,450)		(63,107)
FFO attributable to common stockholders	**$**	**130,701**	**$**	**126,777**	**$**	**386,752**	**$**	**371,837**
Loss on debt extinguishment		—		—		—		172
Deal pursuit costs		342		470		1,174		1,490
Non-cash interest expense, excluding capitalized interest		3,357		2,495		9,032		6,690
Straight-line rent, net of uncollectible reserve		(8,227)		(10,875)		(26,127)		(28,465)
Other amortization and non-cash charges		(78)		(475)		(767)		(1,700)
Non-cash compensation expense		4,906		4,393		15,106		12,805
Costs related to COVID-19 [(1)]		—		—		—		6
Other income		—		—		—		(5,679)
AFFO attributable to common stockholders	**$**	**131,001**	**$**	**122,785**	**$**	**385,170**	**$**	**357,156**
Net income per share of common stock - Diluted	$	0.25	$	0.54	$	1.28	$	1.56
FFO per share of common stock - Diluted [(2)]	$	0.92	$	0.93	$	2.74	$	2.79
AFFO per share of common stock - Diluted [(2)]	$	0.93	$	0.90	$	2.73	$	2.68
Weighted average shares of common stock outstanding - Diluted		141,149,865		136,314,369		141,103,395		132,965,297

(1) Costs related to COVID-19 are included in general and administrative expense and primarily relate to legal fees for executing rent deferral or abatement agreements.

(2) Dividends paid and undistributed earnings allocated, if any, to unvested restricted stockholders are deducted from FFO and AFFO for the computation of the per share amounts. The following amounts were deducted:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
FFO	$0.2 million	$0.2 million	$0.6 million	$0.6 million
AFFO	$0.2 million	$0.2 million	$0.6 million	$0.6 million

Adjusted Debt, Adjusted EBITDAre and Annualized Adjusted EBITDAre

(In thousands)	September 30, 2023	September 30, 2022
2019 Credit Facility	$ —	$ —
Term loans, net	1,090,198	791,791
Senior Unsecured Notes, net	2,725,505	2,721,534
Mortgages payable, net	4,545	5,130
Total debt, net	3,820,248	3,518,455
Unamortized debt discount, net	8,573	9,877
Unamortized deferred financing costs	25,589	26,627
Cash and cash equivalents	(134,166)	(109,829)
1031 Exchange proceeds	(4,210)	—
Adjusted Debt	**$ 3,716,034**	**$ 3,445,130**

(In thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Net income	**$ 38,468**	**$ 76,640**
Interest	36,919	30,956
Depreciation and amortization	79,370	74,600
Income tax expense	235	261
Gain on disposition of assets	(3,661)	(23,302)
Portfolio impairments	19,258	1,571
EBITDAre	**$ 170,589**	**$ 160,726**
Adjustments to revenue producing acquisitions and dispositions	777	2,657
Construction rent collected, not yet recognized in earnings	—	193
Deal pursuit costs	342	470
Non-cash compensation expense	4,906	4,393
Adjusted EBITDAre	**$ 176,614**	**$ 168,439**
Adjustments related to straight-line rent [(1)]	1,356	(1,058)
Other adjustments for Annualized EBITDAre [(2)]	(915)	(1,120)
Annualized Adjusted EBITDAre	**$ 708,220**	**$ 665,044**
Total Debt, Net / Annualized Net Income [(3)]	**24.8 x**	**11.5 x**
Adjusted Debt / Annualized Adjusted EBITDAre	**5.2 x**	**5.2 x**

(1) Adjustment for the three months ended September 30, 2023 relates to current period amounts deemed not probable of collection related to straight-line rent recognized in prior periods. Adjustment for the three months ended September 30, 2022 relates to current period net recoveries related to prior period straight-line rent deemed not probable of collection.

(2) Adjustment for the three months ended September 30, 2023 is comprised of current period recoveries related to prior period rent deemed not probable of collection, prior period rent and prior period property costs recognized in the current period, and certain other income where annualization would not be appropriate. For the same period in 2022, the adjustment is comprised of current period recoveries related to prior period rent deemed not probable of collection, prior period rent and rent deemed not probable of collection, prior period property costs and certain other income where annualization would not be appropriate.

(3) Represents net income for the three months ended September 30, 2023 and 2022, respectively, annualized.

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 our tenants' financial condition, influence our performance more than inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. As described above, we generally enter into leases that provide for payments of 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 our properties 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.

As of September 30, 2023, our assets were primarily leased on a long-term, triple-net basis with contractual rent increases during the term of the lease. As of September 30, 2023, $2.8 billion of our indebtedness outstanding was fixed-rate, consisting of our Senior Unsecured Notes and mortgages payable, with a weighted average stated interest rate of 3.25%, excluding amortization of deferred financing costs and debt discounts/premiums. $1.1 billion of our indebtedness as of September 30, 2023 was variable-rate borrowings outstanding under our 2022 Term Loans and 2023 Term Loans, which bear interest at 1-month adjusted SOFR plus an applicable margin of 0.850% and 0.950% per annum, respectively. However, in conjunction with the term loans, we entered into interest rate swaps to swap 1-month SOFR, resulting in an effective weighted average fixed rate of 3.86%.

The were no outstanding borrowings under our variable-rate 2019 Credit Facility as of September 30, 2023. However, there continues to be uncertainty in market and economic conditions, including the possibility of additional measures that could be taken by the Federal Reserve and other government agencies related to concerns over inflation risk, which could result in continued increases in market interest rates and, thus, increased interest expenses on any future borrowings under our 2019 Credit Facility.

The estimated fair values of our Senior Unsecured Notes have been derived based on quoted prices in active markets, while the estimated fair values of the remaining debt instruments have been derived based on 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, 2023 are as follows (in thousands):

	Carrying Value	Estimated Fair Value
2019 Credit Facility	$ —	$ —
Term loans, net [1]	1,090,198	1,100,705
Senior Unsecured Notes, net [1]	2,725,505	2,339,854
Mortgages payable, net [1]	4,545	4,229

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness as of September 30, 2023 of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our 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 our 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, 2023 that have materially affected, or are reasonably likely to materially affect, our 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 Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

During the three months ended September 30, 2023, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. As of September 30, 2023, there were no "Rule 10b5-1 trading arrangements" or "non-Rule 10b5-1 trading arrangements" in place.

Item 6. Exhibits.

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated October 29, 2023, by and among Spirit Realty Capital, Inc., Realty Income Corporation, and Saints MD Subsidiary, Inc., filed as Exhibit 2.1 to the Company's Current Report on Form 8-K on October 30, 2023 and incorporated herein by reference.
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 Current Report on 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 Current Report on Form 8-K on August 15, 2017 and incorporated herein by reference.
3.5	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.
3.6	Articles of Amendment of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on December 12, 2018 and incorporated herein by reference.
3.7	Articles of Amendment of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on April 29, 2019 and incorporated herein by reference.
3.8	Articles of Amendment of Spirit Realty Capital, Inc. filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on November 18, 2021 and incorporated herein by reference.
22.1*	List of Issuers of Guaranteed Securities as of September 30, 2023.
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.
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.
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)*

Date: November 2, 2023

Exhibit 22.1

List of Issuers of Guaranteed Securities

As of September 30, 2023, the following subsidiary was the issuer of the Senior Unsecured Notes guaranteed by Spirit Realty Capital, Inc.:

Name of Subsidiary	Jurisdiction of Organization
Spirit Realty, L.P.	Delaware

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 2, 2023

/s/ Jackson Hsieh
Jackson Hsieh
President and Chief Executive Officer

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 2, 2023

/s/ Michael Hughes
Michael Hughes
Executive Vice President and
Chief Financial Officer

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, 2023 (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 2, 2023

/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, 2023 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.

Realty Income to Acquire Spirit Realty Capital in $9.3 Billion Transaction

10.30.2023

- Over 2.5% Accretion to Annualized AFFO per Share in All Stock, Leverage-Neutral Transaction

- Complementary Real Estate Portfolio Enhances Size, Scale and Diversification to Expand Runway for Future Growth

- No Reliance on Capital Markets to Complete Transaction; Realty Income to Assume Existing Debt with Low In-Place Rates

SAN DIEGO and DALLAS, Oct. 30, 2023 /PRNewswire/ – Realty Income Corporation (Realty Income, NYSE: O), The Monthly Dividend Company®, and Spirit Realty Capital, Inc. (Spirit, NYSE: SRC), announced today that the two companies have entered into a definitive merger agreement by which Realty Income will acquire Spirit in an all-stock transaction valued at an enterprise value of approximately $9.3 billion. The leverage-neutral transaction is expected to deliver over 2.5% accretion to Realty Income's annualized Adjusted Funds from Operations (AFFO) per share. Additionally, no new external capital is expected to be required to finance the transaction. The merger, once completed, will result in an enterprise value of approximately $63 billion for the combined company, enhancing Realty Income's size, scale, and diversification to expand its runway for future growth.

REALTY INCOME

The Monthly Dividend Company®

Under the terms of the merger agreement, Spirit shareholders will receive 0.762 newly-issued Realty Income common shares for each Spirit common share they own. At closing, this will result in Realty Income and Spirit shareholders owning approximately 87% and 13%, respectively, of the combined company. The merger is subject to customary closing conditions, including the approval of Spirit shareholders, and is expected to close during the first quarter of 2024. Additionally, from the date of the merger agreement through the closing of the transaction, Spirit may declare and pay regular, quarterly cash dividends to holders of its common stock and to holders of its preferred stock. No approval of Realty Income shareholders will be required in connection with the merger.

"The merger with Spirit is yet another example of how our size, scale, and unique platform value continue to create substantial value for our shareholders," said Sumit Roy, President and Chief Executive Officer of Realty Income. "We expect that this transaction will create immediate and meaningful earnings accretion, while enhancing the diversification and depth of our high-quality real estate portfolio. Spirit's assets are highly complementary to our existing portfolio, extending our investments in industries that have proven to generate durable cash flows over several economic cycles. We also believe this merger will strengthen our longstanding relationships with existing clients and allow us to curate new ones with partners whose growth ambitions can accelerate alongside Realty Income. Moreover, our technology and infrastructure investments following the VEREIT merger in 2021 have amplified our efficiency in integrating assets and augmented our capabilities in maximizing the value of our properties."

Jackson Hsieh, President and Chief Executive Officer of Spirit Realty said, "Since the board appointed me CEO in 2017, our leadership team and dedicated associates have effectuated numerous accomplishments, including improved tenant quality and asset diversification, implementation of advanced analytical tools and processes, and an excellent balance sheet with well-laddered maturities and below-market fixed debt costs. This transaction is the culmination of these accomplishments, and merging with Realty Income offers Spirit's shareholders immediate value by providing a more competitive cost of capital, an A-rated balance sheet, broader tenant diversification, and the ability to leverage economies of scale."

Investment Rationale

- Significant anticipated AFFO per share accretion on a leverage-neutral basis with meaningful cost synergies. Relative to its standalone annualized AFFO per share run rate, Realty Income estimates the transaction to be over 2.5% accretive while maintaining a combined leverage ratio of approximately 5.5x (based on Net Debt and Preferred Equity / Annualized Adjusted EBITDAre as of June 30, 2023). As of June 30, 2023, Realty Income and Spirit maintained leverage ratios of 5.4x and 5.5x, respectively. The estimated earnings accretion assumes approximately $50 million of annualized G&A synergies (or approximately $30 million of annualized G&A synergies excluding stock-based compensation).
- Complementary real estate portfolio improves diversification and enhances runway for future growth. The combined portfolio is expected to result in reduced rent concentration for nine of Realty Income's current top 10 industries and 18 of its current top 20 clients, while increasing the combined portfolio's annualized contractual rent from $3.8 billion to $4.5 billion. Convenience stores are expected to remain the combined company's largest industry, at 10.2% of annualized contractual rent for the combined portfolio as of June 30, 2023, compared to 11.1% of annualized contractual rent of Realty Income on a standalone basis. The Industrial property type is expected to represent 15.1% of annualized contractual rent for the combined portfolio, compared to 13.1% of annualized contractual rent of Realty Income on a standalone basis. The enhanced size, scale, and diversification of the portfolio further positions Realty Income as the real estate partner of choice for large net lease transactions, particularly given the current interest rate environment.
- Public capital not expected to be required to finance transaction, low in-place rates on existing debt. Earnings accretion is supported by approximately $4.1 billion of existing Spirit debt at a weighted average interest rate of 3.48% and weighted average term to maturity of approximately 4.9 years. In addition, Realty Income intends to assume approximately $173 million of Spirit's outstanding Series A Preferred Stock at an annual cash dividend of 6.0%, which is redeemable at par and is expected to remain publicly traded on the New York Stock Exchange.
- Prudent investment underwriting bolstered by proprietary credit research and predictive analytics platform. Realty Income's longstanding investment track record over multiple decades is supported by historical outcomes, insights and data analytics gleaned from its net lease real estate portfolio. We believe our comprehensive and conservative underwriting approach positions the investment to retain potentially meaningful earnings and value upside over the long-term.
- Preserves quality of key credit metrics for best-in-class balance sheet. Realty Income remains one of only eight U.S. REITs with at least two A3 / A- credit ratings by Moody's and S&P and is committed to maintaining its conservative credit metrics while executing on its growth strategy. In addition to the transaction resulting in leverage neutrality, Realty Income is expected to maintain or improve several key credit metrics as a result of this transaction, including with respect to fixed charge coverage, unsecured assets / unsecured debt, secured debt / gross assets and total debt / gross assets.
- Benefits of scale extends to capital markets as Realty Income solidifies position as one of the largest real estate companies in the S&P 500. Pro forma for the merger, Realty Income expects to remain in the top 200 of the S&P 500 index and become the 4th largest REIT in the index, by enterprise value, with a total enterprise value of approximately $63 billion. Further, after giving effect to the merger agreement's fixed exchange ratio and the company's current 3-month average daily trading volume, the resulting Realty Income stock is expected to trade approximately $300 million of value on a daily basis. We believe the company's highly liquid share currency and increasing representation in key benchmark equity indices will create natural demand for the stock and provide Realty Income with meaningful flexibility to continue to effectively and efficiently access the capital markets.

Advisors

Wells Fargo is serving as sole financial advisor and Latham & Watkins is acting as legal advisor to Realty Income.

J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC are serving as financial advisors and Wachtell, Lipton, Rosen & Katz is acting as legal advisor to Spirit.

Webcast and Conference Call Information

Realty Income and Spirit will conduct a joint conference call for investors and analysts on October 30, 2023 at 8:00 am ET to discuss the transaction.

To access the conference call, dial (833) 816-1264 (United States) or (412) 317-5632 (International). When prompted, ask to join into the Realty Income call.

A live webcast will be available in listen-only mode by clicking on the webcast link on Realty Income or Spirit's home page or in the investors section at www.realtyincome.com or www.spiritrealty.com. A replay of the conference call webcast will be available approximately one hour after the conclusion of the live broadcast. No access code is required for this replay.

Investor Presentation

An investor presentation regarding the transaction will be available in the investors section of each company's website.

About Realty Income

Realty Income, The Monthly Dividend Company®, is an S&P 500 company and member of the S&P 500 Dividend Aristocrats® index. We invest in people and places to deliver dependable monthly dividends that increase over time. The company is structured as a REIT, and its monthly dividends are supported by the cash flow from over 13,100 real estate properties primarily owned under long-term net lease agreements with commercial clients. To date, the company has declared 640 consecutive common stock monthly dividends throughout its 54-year operating history and increased the dividend 122 times since Realty Income's public listing in 1994 (NYSE: O). Additional information about the company can be obtained from the corporate website at www.realtyincome.com.

About Spirit Realty

Spirit Realty Capital, Inc. (NYSE: SRC) is a premier net-lease REIT that primarily invests in single-tenant, operationally essential real estate assets, subject to long-term leases. As of June 30, 2023, our diverse portfolio consisted of 2,064 retail, industrial and other properties across 49 states, which were leased to 345 tenants operating in 37 industries. As of June 30, 2023, our properties were approximately 99.8% occupied. More information about Spirit Realty Capital can be found on the investor relations page of the Company's website at www.spiritrealty.com.

Cautionary Note Regarding Forward-Looking Statements

This communication may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements can be identified by the use of words and phrases such as "preliminary," "expect," "plan," "will," "estimate," "project," "intend," "believe," "guidance," "approximately," "anticipate," "may," "should," "seek," or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate to historical matters but are meant to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions of management. These forward-looking statements are subject to known and unknown risks and uncertainties that you should not rely on as predictions of future events. Forward-looking statements depend on assumptions, data and/or methods which may be incorrect or imprecise, and Realty Income Corporation ("Realty Income") and/or Spirit Realty Capital, Inc. ("Spirit") may not be able to realize them. Neither Realty Income nor Spirit guarantee that the 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: Realty Income's or Spirit's continued qualification as a REIT under the Internal Revenue Code of 1986, as amended; general domestic and foreign business, industry, economic, or financial conditions; competition; fluctuating interest and currency rates; inflation, including potential fluctuations in the Consumer Price Index, access to debt and equity capital markets and other sources of funding, and fluctuations in the available terms thereof; continued volatility and uncertainty in the credit markets and broader financial markets; other risks inherent in the real estate business, including client defaults under leases, increased client bankruptcies, potential liability relating to environmental matters, illiquidity of real estate investments, re-leasing uncertainties, and potential damages from natural disasters; competition, impairments in the value of real estate assets; changes in domestic and foreign income tax laws and rates; Realty Income's or Spirit's success in implementing its business strategy and its ability to identify, underwrite, finance, consummate, integrate and manage diversified acquisitions or investments; the impact of any financial, accounting, legal or regulatory issues or litigation that may affect Realty Income or Spirit or their major tenants, respectively; risks that the proposed transaction (the "Transaction") between Realty Income and Spirit disrupts current plans and operations; the outcome of any legal proceedings related to the Transaction; the ability of Realty Income and Spirit to consummate the Transaction on a timely basis or at all; the impacts of the announcement or consummation of the Transaction on business relationships of Realty Income or Spirit; the satisfaction of the conditions precedent to consummation of the Transaction; the anticipated cost related to the Transactions; and the ability for the combined company to realize the anticipated synergies, or at all.

These risks, as well as other risks related to the Transaction, will be included in the registration statement on Form S-4 and proxy statement/prospectus that will be filed with the Securities and Exchange Commission ("SEC") in connection with the proposed transaction. While the list of factors presented here is, and the list of factors to be presented in the registration statement on Form S-4 are, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. For additional information about other factors that could cause actual results to differ materially from those described in the forward-looking statements, please refer to Spirit's and Realty Income's respective periodic reports and other filings with the SEC, including the risk factors identified in Realty Income's and Spirit's most recent Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. The forward-looking statements included in this communication are made only as of the date hereof. Neither Realty Income nor Spirit undertakes any obligation to update any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

Additional Information about the Proposed Transactions and Where to Find It

In connection with the proposed transaction, Realty Income intends to file with the SEC a registration statement on Form S-4 that will include a proxy statement of Spirit that also constitutes a prospectus of Realty Income. Each of Spirit and Realty Income may also file other relevant documents with the SEC regarding the proposed transaction. This document is not a substitute for the proxy statement/prospectus or registration statement or any other document that Spirit or Realty Income may file with the SEC. The definitive proxy statement/prospectus (if and when available) will be mailed to stockholders of Spirit. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT MAY BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of the registration statement and proxy statement/prospectus (if and when available) and other documents containing important information about Spirit, Realty Income and the proposed transaction, once such documents are filed with the SEC, through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with the SEC by Realty Income will be available free of charge on Realty Income' website at www.realtyincome.com/investors or by contacting Realty Income' Investor Relations department at 858-284-5000. Copies of the documents filed with the SEC by Spirit will be available free of charge on Spirit' website at investors.spiritrealty.com or by contacting Spirit's Investor Relations department by mail at Investor Relations, 2727 North Harwood Street, Suite 300, Dallas, TX.

Participants in the Solicitation

Realty Income, Spirit and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information about the directors and executive officers of Realty Income, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Realty Income's proxy statement for its 2023 Annual Meeting of Stockholders, which was filed with the SEC on March 31, 2023, and Realty Income's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on February 22, 2023. Information about the directors and executive officers of Spirit, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Spirit's proxy statement for its 2023 Annual Meeting of Stockholders, which was filed with the SEC on March 23, 2023, and Spirit's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on February 28, 2023. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the proposed transaction when such materials become available. Investors should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. You may obtain free copies of these documents from Spirit or Realty Income using the sources indicated above.

No Offer or Solicitation

This communication and the information contained herein is not intended to and shall not constitute an offer to buy or sell or the solicitation of an offer to buy or sell any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made, except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

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