

American Realty Capital Trust, Inc.
Form 10-Q
August 14, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 333-145949

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

Maryland
(State or other jurisdiction
of incorporation or organization)

71-1036989
(I.R.S. Employer Identification No.)

106 York Road
Jenkintown, PA
(Address of principal executive offices)

19046
(Zip Code)

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

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

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

Large accelerated filer

Accelerated filer "

Non-accelerated filer x (Do not check if a smaller reporting company)

Smaller reporting company "

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

The number of outstanding shares of the registrant's common stock on August 13, 2009 was 6,437,921 shares.

AMERICAN REALTY CAPITAL TRUST, INC.
INDEX

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements	
Consolidated Balance Sheets as of June 30, 2009 (Unaudited) and December 31, 2008	3
Consolidated Statements of Operations for the three months and six months ended June 30, 2009 and 2008 (Unaudited)	4
Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2009 (Unaudited)	5
Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008 (Unaudited)	6
Notes to Consolidated Financial Statements (Unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	31
PART II — OTHER INFORMATION	32
Item 1. Legal Proceedings	32
Item 1A. Risk Factors	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3. Defaults Upon Senior Securities	32
Item 4. Submission of Matters to a Vote of Security Holders	32
Item 4T. Controls and Procedures	32
Item 5. Other Information	32
Item 6. Exhibits	32
Signatures	33

PART I - Financial Information

Item 1. Financial Statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Real estate investments, at cost:		
Land	\$ 22,278,223	\$ 22,300,442
Buildings, fixtures and improvements	126,207,009	126,022,191
Acquired intangible lease assets	16,448,018	16,448,018
Total real estate investments, at cost	164,933,250	164,770,631
Less accumulated depreciation and amortization	(6,476,256)	(3,056,449)
Total real estate investments, net	158,456,994	161,714,182
Cash	3,429,763	886,868
Restricted cash	44,729	47,937
Prepaid expenses and other assets	2,481,878	302,472
Deferred financing costs, net	2,668,140	1,990,992
Total assets	\$ 167,081,504	\$ 164,942,451
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term bridge funds:		
Short-term bridge funds	\$ —	\$ 11,953,796
Related party bridge facility	3,053,172	8,477,163
Related party convertible bridge revolver	—	6,500,000
Short-term convertible redeemable preferred	—	3,995,000
Total short-term bridge funds	3,053,172	30,925,959
Mortgage notes payable	112,249,667	112,741,810
Long-term notes payable	13,000,000	1,089,500
Below-market lease liabilities, net	9,242,748	9,400,293
Derivatives, at fair value	2,583,274	4,232,865
Due to affiliates	—	2,223,144
Accounts payable and accrued expenses	784,974	1,687,932
Deferred rent and other liabilities	796,975	781,538
Distributions payable	217,476	69,263
Investor contributions held in escrow	30,824	30,824
Total liabilities	141,959,110	163,183,128
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—

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Common stock, \$.01 par value; 240,000,000 shares authorized, 4,332,141 and 1,276,814 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	43,321	12,768
Additional paid-in capital	34,274,297	9,219,901
Accumulated other comprehensive loss	(1,607,183)	(2,675,515)
Accumulated deficit	(7,588,041)	(4,797,831)
Total stockholders' equity	25,122,394	1,759,323
Total liabilities and stockholders' equity	\$ 167,081,504	\$ 164,942,451

The accompanying notes are an integral part of these financial statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June		Six Months Ended June	
	30,		30,	
	2009	2008	2009	2008
Revenues:				
Rental income	\$ 2,935,069	\$ 1,348,082	\$ 5,862,009	\$ 1,562,508
Expenses:				
Property management fees to affiliate	—	—	—	4,230
General and administrative	72,298	83,740	197,610	272,599
Depreciation and amortization	1,729,909	736,483	3,459,819	907,960
Total operating expenses	1,802,207	820,223	3,657,429	1,184,789
Operating income	1,132,862	527,859	2,204,580	377,719
Other income (expense):				
Interest expense	(2,318,504)	(1,180,260)	(4,770,129)	(1,371,970)
Interest income	510	1,216	4,979	1,216
Gains on derivative instruments	512,121	196,816	548,966	196,816
Total other expenses	(1,805,873)	(982,228)	(4,216,184)	(1,173,938)
Net loss	\$ (673,011)	\$ (454,369)	\$ (2,011,604)	\$ (796,219)
Basic and diluted weighted average common shares outstanding				
	3,151,715	860,102	2,343,796	497,057
Basic and diluted loss per share	\$ (0.21)	\$ (0.53)	\$ (0.86)	\$ (1.60)

The accompanying notes are an integral part of these financial statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2009
(Unaudited)

	Common Stock				Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit		
Balance, December 31, 2008	1,276,814	\$ 12,768	\$ 9,219,901	\$ (4,797,831)	\$ (2,675,515)	\$ 1,759,323
Issuance of common stock	3,030,568	30,306	30,065,308	—	—	30,095,614
Offering costs, commissions and dealer manager fees	—	—	(5,245,876)	—	—	(5,245,876)
Common stock issued through dividend reinvestment program	24,759	247	234,964	—	—	235,211
Distributions declared	—	—	—	(778,606)	—	(778,606)
Designated derivatives fair value adjustment	—	—	—	—	1,068,332	1,068,332
Net loss	—	—	—	(2,011,604)	—	(2,011,604)
Total comprehensive loss	—	—	—	—	—	(943,272)
Balance, June 30, 2009	4,332,141	\$ 43,321	\$ 34,274,297	\$ (7,588,041)	\$ (1,607,183)	\$ 25,122,394

The accompanying notes are an integral part of these financial statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (2,011,604)	\$ (796,219)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,764,275	760,540
Amortization of intangibles	695,544	147,420
Amortization of deferred finance costs	276,445	32,162
Accretion of below-market lease liability	(157,545)	-
Gains on derivative instruments	(548,966)	(196,816)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(2,219,418)	(125,004)
Accounts payable and accrued expenses	(935,251)	603,201
Due to affiliates	(2,223,144)	-
Deferred rent and other liabilities	15,437	501,040
Net cash (used in) provided by operating activities	(4,344,227)	926,324
Cash flows from investing activities:		
Investment in real estate and other assets	(162,619)	(39,917,898)
Net cash used in investing activities	(162,619)	(39,917,898)
Cash flows from financing activities:		
Proceeds on mortgage notes payable	-	28,407,500
Payments on mortgage notes payable	(492,143)	(72,426)
Payments on related party bridge facility	(5,423,991)	-
Proceeds on related party convertible bridge revolver	-	6,500,000
Payments on related party convertible bridge revolver	(6,500,000)	-
Payments on short-term bridge funds	(11,953,796)	-
Payments on short-term convertible redeemable preferred	(3,995,000)	-
Proceeds from long-term notes payable	11,910,500	-
Proceeds from issuance of common stock, net	24,849,738	5,621,789
Payments of deferred financing costs	(953,593)	(838,829)
Distributions paid	(395,182)	(57,291)
Restricted cash	3,208	(42,500)
Net cash provided by financing activities	7,049,741	39,518,243
Net increase in cash	2,542,895	526,669
Cash, beginning of period	886,868	—
Cash, end of period	\$ 3,429,763	\$ 526,669
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Debt assumed in real estate acquisitions	\$ —	\$ 41,918,796
Common share issuance in real estate acquisition	\$ —	\$ 2,609,971

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Investor contributions held in escrow	\$	—	\$	472,548
Non-cash acquisition costs	\$	—	\$	76,300
Cash paid for interest	\$	4,909,397	\$	970,481

The accompanying notes are an integral part of these financial statements

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

(Unaudited)

Note 1 — Organization

American Realty Capital Trust, Inc. (the “Company”), incorporated on August 17, 2007, is a newly formed Maryland corporation that qualified as a real estate investment trust (“REIT”) for federal income tax purposes during the taxable year ended December 31, 2008. On January 25, 2008, the Company commenced an initial public offering on a “best efforts” basis of up to 150,000,000 shares of common stock offered at a price of \$10.00 per share, subject to certain volume and other discounts, pursuant to a Registration Statement on Form S-11 filed with the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Offering”). The Registration Statement also covered up to 25,000,000 shares available pursuant to a distribution reinvestment plan (the “DRIP”) under which our stockholders may elect to have their distributions reinvested in additional shares of the Company’s common stock at the greater of \$9.50 per share or 95% of the estimated value of a share of common stock. The Company sold 20,000 shares to American Realty Capital II, LLC (the “Sponsor”) on August 17, 2007, at \$10.00 per share. As of June 30, 2009, the Company issued 4,332,141 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were \$42,050,937. As of June 30, 2009, the aggregate value of all share issuances and subscriptions outstanding was \$45,325,046 based on a per share value of \$10.00 (or \$9.50 for shares issued under the DRIP). This amount includes stock subscriptions of \$2,023,896 which are maintained at the Company’s third-party escrow agent, to be released when certain escrow requirements have been achieved.

Substantially all of the Company’s business is conducted through American Realty Capital Operating Partnership, L.P. (the “OP”), a Delaware limited partnership. The Company is the sole general partner of and owns a 99.01% partnership interest in the OP. American Realty Capital Advisors, LLC (the “Advisor”), the Company’s affiliated advisor, is the sole limited partner and owner of 0.99% (minority interest) of the partnership interests of the OP. In March 2008, the OP issued to the Company 20,000 Operating Partnership units in exchange for \$200,000. Additionally, in April 2008, the Advisor contributed \$2,000 to the Operating Partnership in exchange for a 0.99% limited partner interest in the Operating Partnership. The limited partner interests have the right to convert Operating Partnerships units into cash or, at the option of the Company, an equal number of common shares of the Company, as allowed by the limited partnership agreement. The remaining rights of the limited partner interests are limited, however, and do not include the ability to replace the general partner or to approve the sale, purchase or refinancing of the Operating Partnership’s assets.

The Company acquires and operates commercial properties. All such properties may be acquired and operated by the Company alone or jointly with another party. As of June 30, 2009, the Company owned 92 properties comprising approximately 713,000 square feet of freestanding, single tenant commercial space. As of June 30, 2009, these properties were 100% occupied. The following table lists tenants whose rental income represented greater than 10% of consolidated income for the six months ended June 30, 2009 and 2008:

	Six Months Ended June 30,	
	2009	2008
PNC Bank	32%	-%
Harleysville National Bank	27%	58%
Rockland Trust Company	22%	27%
Rite Aid	13%	-%

Federal Express (a)	-%	15%
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(a) Percentage for the six months ended June 30, 2009 was approximately 6%.

No other tenant represents more than 10% of the rental income for the periods presented.

The Company is managed by the Advisor and American Realty Capital Properties, LLC, which serves as the Company's property manager (the "Property Manager"). Realty Capital Securities, LLC (the "Dealer Manager"), an affiliate of the Sponsor, serves as the dealer manager of the Company's Offering. These related parties receive compensation and fees for services related to the Offering and for the investment and management of the Company's assets. These entities receive fees during the offering, acquisition, operational and liquidation stages. The compensation levels during the offering, acquisition and operational stages are discussed in Note 10 — Related Party Transactions and Arrangements.

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

REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or consolidated pursuant to the rules and regulations of the Securities and Exchange Commission. Management believes, however, that the disclosures are adequate to make the information presented not misleading. The unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2008. In management's opinion, all adjustments necessary to present fairly the consolidated financial position of the Company and the consolidated results of its operations and its cash flows, have been included in these consolidated interim financial statements. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

Basis of Accounting

The accompanying consolidated financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the OP. Substantially all of the Company's business activities are conducted through this subsidiary. The OP consolidates various special purpose entities which hold interests in real estate investments. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management makes significant estimates regarding revenue recognition, investments in real estate, purchase price allocations and derivative financial instruments and hedging activities, as applicable.

Real Estate Investments

The Company records acquired real estate at cost and makes assessments as to the useful lives of depreciable assets. The Company considers the period of future benefit of the asset to determine the appropriate useful lives. Depreciation is computed using the straightline method over the estimated useful lives of 40 years for buildings, five to ten years for building fixtures and improvements and the remaining lease term for acquired intangible lease assets.

Impairment of Long Lived Assets

The Company follows Statement of Financial Accounting Standards (“SFAS”) No.144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS No. 144”), which establishes a single accounting model for the impairment or disposal of long-lived assets. SFAS No.144 requires that the operations related to properties that have been sold or properties that are intended to be sold be presented as discontinued operations in the statement of operations for all periods presented, and properties intended to be sold to be designated as “held for sale” on the balance sheet.

When circumstances indicate the carrying value of a property may not be recoverable, the Company reviews the asset for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property’s use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists, due to the inability to recover the carrying value of a property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property for properties to be held and used. For properties held for sale, the impairment loss is the adjustment to fair value less estimated cost to dispose of the asset. These assessments have a direct impact on net income because recording an impairment loss results in an immediate negative adjustment to net income.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of real properties, it is the Company's policy to allocate the purchase price of properties to acquired tangible assets, consisting of land, building, fixtures and improvements, and identified intangible lease assets and liabilities, consisting of the value of above-market and below-market leases, as applicable, other value of in-place leases and value of tenant relationships, based in each case on their fair values. The Company utilizes independent appraisals and information management obtained on each property as a result of pre-acquisition due diligence, as well as subsequent marketing and leasing activities, as applicable, to determine the fair values of the tangible assets of an acquired property (which includes land and building), amongst other market data.

The fair values of above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (a) the contractual amounts to be paid pursuant to the in-place leases and (b) an estimate of fair market lease rates for the corresponding in-place leases, which is generally obtained from independent appraisals, measured over a period equal to the remaining non-cancelable term of the lease. The above-market and below-market lease values are capitalized as intangible lease assets or liabilities and amortized as an adjustment of rental income over the remaining terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements, and other direct costs and are estimated based on independent appraisals and management's consideration of current market costs to execute a similar lease. These direct costs are included in acquired intangible lease assets in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These intangibles will be included in intangible lease assets in the balance sheet and are amortized to expense over the remaining term of the respective leases.

The determination of the fair values of the assets and liabilities acquired requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. The use of inappropriate estimates would result in an incorrect assessment of the purchase price allocations, which could impact the amount of the Company's reported net income. Initial purchase price allocations are subject to change until all information is finalized, which is generally within one year of the acquisition date.

As of June 30, 2009 and December 31, 2008, acquired lease intangible assets consisted of above-market leases and in-place lease intangibles totaling \$16,448,018, with accumulated amortization of \$1,217,600 and \$522,056, as of June 30, 2009 and December 31, 2008, respectively. The estimated amortization expense for the years 2009, 2010, 2011, 2012 and 2013 will be approximately \$1,043,000, \$1,391,000, \$1,391,000, \$1,391,000 and \$1,391,000, respectively. In addition, below-market lease liabilities totaled \$9,426,551 with accumulated amortization of \$183,803 and \$26,258 as of June 30, 2009 and December 31, 2008, respectively. The estimated accretion to revenues for the years 2009, 2010, 2011, 2012 and 2013 will be approximately \$236,000, \$315,000, \$315,000, \$315,000, and \$315,000, respectively.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

Derivative Instruments

The Company may use derivative financial instruments to hedge all or a portion of the interest rate risk associated with its borrowings. Certain of the techniques used to hedge exposure to interest rate fluctuations may also be used to protect against declines in the market value of assets that result from general trends in debt markets. The principal objective of such agreements is to minimize the risks and/or costs associated with the Company's operating and financial structure as well as to hedge specific anticipated transactions.

SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133," ("SFAS No. 161"), amends and expands the disclosure requirements of SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities," ("SFAS No. 133") with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by SFAS No. 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting under SFAS No. 133.

Investor contributions held in Escrow

The Company is currently engaged in a public offering of its common stock. Included in investor contributions held in escrow on the accompanying balance sheets is \$30,824 of offering proceeds for which shares of common stock had not been issued as of June 30, 2009.

Revenue Recognition

Upon the acquisition of real estate, certain properties will have leases where minimum rent payments increase during the term of the lease. The Company will record rental revenue for the full term of each lease on a straightline basis.

When the Company acquires a property, the term of existing leases is considered to commence as of the acquisition date for the purposes of this calculation. Cost recoveries from tenants are included in tenant reimbursement income in the period the related costs are incurred, as applicable.

The Company's revenues, which are derived primarily from rental income, include rents that each tenant pays in accordance with the terms of each lease reported on a straight-line basis over the initial term of the lease. Since many of the leases provide for rental increases at specified intervals, straight-line basis accounting requires the Company to record a receivable, and include in revenues, unbilled rent receivables that the Company will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease. The Company defers the revenue related to lease payments received from tenants in advance of their due dates.

The Company continually reviews receivables related to rent and unbilled rent receivables and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectability of a receivable is in doubt, the Company will record an increase in the allowance for uncollectible accounts or record a direct write-off of the receivable in the consolidated statements of operations.

Organization, Offering, and Related Costs

Organization and offering costs (other than selling commissions and the dealer manager fee) of the Company may be paid by the Advisor, the Dealer Manager or their affiliates on behalf of the Company. Such organization and offering costs include all expenses to be paid by the Company in connection with the Offering, including but not limited to (i) legal, accounting, printing, mailing, and filing fees; (ii) escrow related fees; (iii) reimbursement of the Dealer Manager for amounts it may pay to reimburse the bona fide diligence expenses of broker-dealers; and (iv) reimbursement to the Advisor for the salaries of its employees and other costs in connection with preparing supplemental sales materials. Pursuant to the Advisory Agreement and the Dealer Manager Agreement, the Company is obligated to reimburse the Advisor or its affiliates, as applicable, for organization and offering costs paid by them on behalf of the Company, provided that the Advisor is obligated to reimburse the Company to the extent organization and offering costs (excluding selling commissions, the dealer manager fee and bonafide due diligence cost reimbursements) incurred by the Company in the Offering exceed 1.5% of gross offering proceeds. As a result, these costs are only a liability of the Company to the extent selling commissions, the dealer manager fee and other organization and offering costs do not exceed 15% of the gross proceeds of this Offering – See Note 10 – Related Party Transactions and Arrangements.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

(Unaudited)

Reportable Segments

The Financial Accounting Standards Board (“FASB”) issued SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” (“SFAS No. 131”), which establishes standards for reporting financial and descriptive information about an enterprise’s reportable segments. The Company determined that it has one reportable segment, with activities related to investing in real estate. The Company’s investments in real estate generate rental revenue and other income through the leasing of properties, which comprised 100% of our total consolidated revenues for the three and six-month periods ended June 30, 2009 and 2008. Although the Company’s investments in real estate will be geographically diversified throughout the United States, management evaluates operating performance on an individual property level. The Company’s properties have been aggregated into one reportable segment.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141(R)”). SFAS No. 141(R) expands the definition of a business combination and requires the fair value of the purchase price of an acquisition, including the issuance of equity securities, to be determined on the acquisition date. SFAS No. 141(R) also requires that all assets, liabilities, contingent considerations, and contingencies of an acquired business be recorded at fair value at the acquisition date. In addition, SFAS No. 141(R) requires that acquisition costs generally be expensed in the period incurred and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period to impact income tax expense. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008 with early adoption prohibited. The effective date for the Company is January 1, 2009. The adoption of SFAS No. 141(R) did not have a material effect on the Company’s results of operations and financial position.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51,” (“SFAS No. 160”), which requires companies to measure an acquisition of noncontrolling (minority) interest at fair value in the equity section of the acquiring entity’s balance sheet. The objective of SFAS No. 160 is to improve the comparability and transparency of financial data as well as to help prevent manipulation of earnings. The changes introduced by the new standards are likely to affect the planning and execution, as well as the accounting and disclosure, of merger transactions. The effective date to adopt SFAS No. 160 for the Company is January 1, 2009. The adoption of SFAS No. 160 did not have a material effect on its results of operations and financial position.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," an amendment of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 161"), requires entities to provide greater transparency about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. The statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 did not have a material effect on the Company's results of operations and financial position.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. 142-3, which amends the factors that must be considered in developing renewal or extension assumptions used to determine the useful life over which to amortize the cost of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets." The FSP requires an entity to consider its own assumptions about renewal or extension of the term of the arrangement, consistent with its expected use of the asset, and is an attempt to improve consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141, "Business Combinations." The FSP is effective for fiscal years beginning after December 15, 2008, and the guidance for determining the useful life of a recognized intangible asset must be applied prospectively to intangible assets acquired after the effective date. The adoption of the FSP did not have a significant impact on the Company's results of operations, financial condition or liquidity.

In June 2008, the FASB issued FSP Emerging Issues Task Force ("EITF") No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." Under the FSP, unvested share-based payment awards that contain rights to receive nonforfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. The adoption of the FSP did not have a material effect on the Company's results of operations and financial position.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"), which establishes accounting standards for recognition and disclosure of events that occur after the balance sheet date but before financial statements are issued. These standards are essentially similar to current accounting principles with few exceptions that do not result in a change in general practice. This SFAS is effective on a prospective basis for interim or annual financial periods ending after June 15, 2009. The Company adopted this pronouncement effective June 30, 2009. The required disclosures upon adoption of this statement can be found in Note 14.

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB Opinion No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments," ("FSP SFAS No. 107-1 and APB Opinion No. 28-1"). FSP SFAS No. 107-1 and APB Opinion No. 28-1 requires fair value disclosures for financial instruments that are not reflected in the Condensed Consolidated Balance Sheets at fair value. Prior to the issuance of FSP SFAS No. 107-1 and APB Opinion No. 28-1, the fair values of those assets and liabilities were disclosed only once each year. With the issuance of FSP SFAS No. 107-1 and APB Opinion No. 28-1, this information will be required to be disclosed on a quarterly basis, providing quantitative and qualitative information about fair value estimates for all financial instruments not measured in the Condensed Consolidated Balance Sheets at fair value. FSP SFAS No. 107-1 and APB Opinion No. 28-1 was adopted by the Company in the second quarter of 2009. The adoption of this staff position did not have a material impact on

the Company's results of operations or financial position.

In April 2009, the FASB issued FSP SFAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ("FSP SFAS No. 157-4"). FSP SFAS No. 157-4 clarifies the methodology used to determine fair value when there is no active market or where the price inputs being used represent distressed sales. FSP SFAS No. 157-4 also reaffirms the objective of fair value measurement, as stated in SFAS No. 157, "Fair Value Measurements," which is to reflect how much an asset would be sold for in an orderly transaction. It also reaffirms the need to use judgment to determine if a formerly active market has become inactive, as well as to determine fair values when markets have become inactive. FSP SFAS No. 157-4 was adopted by the Company in the second quarter of 2009. The adoption of this staff position did not have a material impact on the Company's results of operations or financial position.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("SFAS No. 168"). SFAS No. 168 requires that the FASB Accounting Standards Codification (the "Codification") become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Once the Codification is in effect, all of its content will carry the same level of authority, effectively superseding SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company expects that the adoption of SFAS 168 will not have a significant impact on its financial statements or disclosures.

In June 2009, the FASB issued Statement No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS 167"). SFAS 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS No. 167 will be applied prospectively and will be effective for interim and annual reporting periods ending after November 15, 2009. The adoption of this statement is not anticipated to have a material impact on the Company's consolidated financial statements.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

Note 3 — Real Estate Acquisitions

No real estate investments were acquired during the six months ended June 30, 2009. The following table represents the Company's real estate portfolio as of June 30, 2009:

Seller / Property Name	Acquisition Date	No. of Buildings	Square Feet	Remaining Lease Term (1)	Base Purchase Price (2)	Capitalization Rate (3)	Total Purchase Price (4)
Federal Express Distribution Center	March 2008	1	55,440	9.42	\$ 9,694,179	7.53%	10,207,674
Harleysville National Bank Portfolio	March 2008	15	177,774	13.51	40,976,218	7.48%	41,675,721
Rockland Trust Company Portfolio	May 2008	18	121,057	12.09	32,188,000	7.86%	33,117,419
PNC Bank (formally National City Bank)	Sept. & Oct. 2008	2	8,403	19.64	6,663,786	8.21%	6,853,419
Rite Aid Portfolio	September 2008	6	74,919	14.04	18,575,727	7.79%	18,839,392
PNC Bank Portfolio	November 2008	50	275,436	9.42	42,285,714	7.35%	44,813,074
Total		92	713,029	12.10	\$ 150,383,624	7.60%	155,506,699

(1) Remaining lease term as of June 30, 2009, in years. If the portfolio has multiple locations with varying lease expirations, the remaining lease term is calculated on a weighted-average basis.

(2) Contract purchase price excluding acquisition related costs.

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(3) Net operating income divided by base purchase price.

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(4) Base purchase price plus all acquisition related costs.

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(5) Annualized 2009 rental income less property operating expenses, as applicable.

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AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

Note 4 — Mortgage Notes Payable

The following table represents the mortgages outstanding as of June 30, 2009:

Property	Encumbered Properties	Outstanding Loan Amount	Effective Interest Rate	Interest Rate	Maturity
Federal Express Distribution Center	1	\$ 6,965,000	6.29 %	Fixed	September 2037
Harleysville National Bank Portfolio	15	31,000,000	6.59 %	(1) Fixed	January 2018
Rockland Trust Company Portfolio	18	23,880,175	4.92 %	(2) Variable	May 2013
PNC Bank (formally National City Bank)	2	4,447,953	4.89 %	(3) Variable	September 2013
Rite Aid Portfolio	6	12,808,265	6.97 %	Fixed	September 2017
PNC Bank Portfolio	50	33,148,274	5.25 %	(4) Variable	November 2013
Total	92	\$ 112,249,667			

- (1) - The effective interest rate resets at the end of year five to the then current 5-year Treasury rate plus 2.25%, but in no event will be less than 6.5%.
- (2) - The Company limited its interest rate exposure by entering into a rate lock agreement with a LIBOR floor and cap of 3.54% and 4.125% (initial year), respectively.
- (3) - The Company limited its interest rate exposure by entering into a rate lock agreement with a LIBOR floor and cap of 3.37% and 4.45% (initial year), respectively, for a notional contract amount of approximately \$4,115,000 and a fixed rate of 3.565% on a notional contract amount of approximately \$385,000.
- (4) - The Company limited its interest rate exposure by entering into a rate lock agreement that swapped the underlying variable rate for a fixed rate of 3.60%, plus a spread of 1.65%.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

The following table summarizes the scheduled aggregate principal repayments for the five years subsequent to June 30, 2009:

	Mortgage Notes
2009 (Remaining portion of year)	\$ 483,371
2010	1,012,332
2011	1,855,075
2012	1,991,443
2013	58,780,586
2014 and thereafter	48,126,860
Total	\$ 112,249,667

As of June 30, 2009, the Company was in compliance with the its debt covenants under the loan agreements.

Note 5 — Long-Term Notes Payable

As of June 30, 2009, the Company had issued \$13,000,000 of notes payable (the “Notes”) in a private placement pursuant to Rule 506 of Regulation D promulgated under the Securities Act. The proceeds of the private placement were used to repay the short-term bridge equity (see Note 8 – Bridge Equity).

The Notes bear interest at 9.0% annually, provided that the interest rate will be adjusted to 9.57% annually for Notes on which the Company does not incur a selling commission. The Company will pay interest-only monthly payments to subscribers of the Notes until the maturity on December 15, 2011. The Company has the right to extend the maturity date for two additional one-year periods.

The Company has the right to prepay the Notes in whole or in part any time following the first anniversary of the closing date. If repaid on or before the second anniversary of the closing date, the Company will pay 2% of the remaining amount due on the Notes as a prepayment premium. If repaid after the second anniversary of the closing date but before the third anniversary of the closing date, the Company will pay 1% of the remaining amount due on the Notes as a prepayment premium. The foregoing notwithstanding, the Company shall have the right to repay the amount due under the Notes in whole or in part without penalty within 360 days of the maturity date. The Company will not have the right to prepay the amount due under the notes during the two optional extension periods. The Notes are unsecured.

The Company is required to prepay the Notes out of any proceeds derived from the sale or refinancing of the PNC Bank properties after any required payments of the principal and interest due under the mortgage notes payable on those properties (see Note 4 – Mortgage Notes Payable). Such prepayment is subject to the prepayment premiums described above.

As of June 30, 2009, the Company was in compliance with all covenants included within the Note agreement.

Note 6 — Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 157, “Fair Value Measurements,” (“SFAS No. 157”) which did not have a material effect on the Company’s consolidated financial statements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The SFAS No. 157 framework for measuring fair value requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company determines fair value based on quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. This alternative approach also reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied volatilities. SFAS No. 157’s hierarchy defines three levels of inputs that may be used to measure fair value:

AMERICAN REALTY CAPITAL TRUST, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2009
 (Unaudited)

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

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

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

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of June 30, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following table presents information about the Company's assets (including derivatives that are presented net) measured at fair value on a recurring basis as of June 30, 2009, aggregated by the level in the fair value hierarchy within with those instruments fall:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of June 30, 2009
Total derivatives, net	\$	—\$ 2,583,274	\$	—\$ 2,583,274

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value. The fair value of short-term financial instruments such as cash, restricted cash, due to affiliates, related party bridge facility and accounts payable and accrued expenses approximates their carrying value on the consolidated balance sheet. In addition, the fair value of long term notes payable approximates carrying value on the consolidated balance sheets.

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The fair values of the Company's remaining financial instruments that are not reported at fair value on the consolidated Balance Sheets are reported below:

	Fair Value of Financial Instruments			
	June 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage notes payable	\$ 112,249,667	\$ 104,334,437	\$ 112,741,810	\$ 105,617,656

Note 7 — Derivative and Hedging Activities

Risk Management Objective of Using Derivatives

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

Cash Flow Hedges of Interest Rate Risk

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

During 2009, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2009, the Company recorded income (loss) of \$64 and a (\$311), respectively, related to hedge ineffectiveness in earnings.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next twelve months, the Company estimates that an additional \$1,055,502 will be reclassified as an increase to interest expense.

As of June 30, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional
Interest Rate Swaps	2	\$ 33,347,101
Interest Rate Collars	1	\$ 4,115,268

Non-Designated Hedges

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of SFAS 133. The Company has one interest rate collar contract outstanding, with an aggregate notional amount of \$23,901,052 at June 30, 2009, with an established ceiling and floor for the underlying variable rate at 4.125% and 3.54%, respectively. This contract was not able to be designated under SFAS No. 133 as it does not qualify for hedge accounting based on the results of the net written option test. As such, all changes in the fair value of the interest rate collar have been included in the Company's statement of operations for the three and six months ended June 30, 2009. For the three and six months ended June 30, 2009, the Company has recorded income of \$322,386 and \$179,550, respectively. For the three and six months ended June 30, 2008, the Company recorded a loss of \$196,816.

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of June 30, 2009:

	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS No. 133		
Interest Rate Products	Derivatives, at fair value	(\$1,515,754)
Derivatives not designated as hedging instruments under SFAS No. 133		
Interest Rate Products	Derivatives, at fair value	(\$1,067,520)

Tabular Disclosure of the Effect of Derivative Instruments on the Income Statement

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Operations for the three and six months ended June 30, 2009:

17

AMERICAN REALTY CAPITAL TRUST, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2009
 (Unaudited)

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	
	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Interest Rate Derivatives	\$708,810	\$483,073

Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009		Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Interest Expense	(\$300,348)	(\$585,258)	Gains (Losses) on Derivative Instruments	\$64	(\$311)

Derivatives Not Designated as Hedging Instruments Under SFAS No. 133

Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Interest expense	\$ (189,671)	\$ (369,727)
Gains (losses) on derivative instruments	512,057	549,277
Total	\$ 322,386	\$ 179,550

Credit-risk-related Contingent Features

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

The Company has agreements with several of its derivative counterparties that incorporate the loan covenant provisions of the Company's indebtedness with a lender affiliate of the derivative counterparty. Failure to comply with the loan covenant provisions would result in the Company being in default on any derivative instrument obligations covered by the agreement.

As of June 30, 2009, the fair value of derivatives in a net liability position, related to these agreements was \$2,583,274. As of June 30, 2009, the Company has not posted any collateral related to these agreements and was not in breach of any agreement provisions. If the Company had breached any of these provisions at June 30, 2009, it could have been required to settle its obligations under the agreements at their aggregate termination value of \$2,848,995.

Note 8 — Bridge Equity

During the year ended December 31, 2008, the OP entered into an agreement with the principals of the Advisor whereby the OP can make use of unsecured equity financing from the principals up to \$10.0 million from time to time as needed to provide short-term bridge equity relating to property acquisitions and for general working capital purposes. Such short-term bridge equity is expected to be satisfied within a six-month period and will accrue a yield at 8%. In November 2008, the board approved an extension of the satisfaction period of an additional six months. In connection with the acquisition of the Harleysville National Bank and the Rockland Trust Company portfolios, the Company obtained bridge equity of \$4.0 and \$2.5 million, respectively. In March 2008, the Agreement was modified to allow outstanding draws to be converted into common shares at \$9.00 per share at the Company's election. These funds were repaid in full during the three months ended June 30, 2009.

During the year ended December 31, 2008, the REIT entered into an unsecured bridge equity facility with a related party, American Realty Capital Equity Bridge, LLC ("ARC Bridge"), whereby the REIT can obtain up to \$10.0 million from time to time as needed to provide short-term equity financing relating to property acquisitions and for general working capital purposes - see Note 10 — Related-Party Transactions and Arrangements. During the six months ended June 30, 2009, the Company satisfied approximately \$5.4 million of unsecured bridge equity. Such repayments were funded by proceeds from the sale of the Company's common shares. The outstanding balance on the related party bridge equity facility was \$3,053,172 as of June 30, 2009.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

During the year ended December 31, 2008, the REIT obtained short-term bridge equity and short-term convertible redeemable preferred equity of approximately \$12.0 million and \$4.0 million, respectively, from an unrelated third party. The bridge equity bore fixed preferred yields of between 8.0% and 12.49% and was satisfied, during the first quarter of 2009, from proceeds received from the issuance of notes payable, an additional drawdown on the related party bridge revolver and proceeds from the Company's Offering. The short-term convertible redeemable preferred equity of approximately \$4.0 million bore a fixed preferred yield of 14.27% and was satisfied in May 2009, from proceeds received from the issuance of notes payable and proceeds from the Company's Offering. Such amounts were non-recourse.

Note 9 — Commitments and Contingencies

Litigation

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

Environmental Matters

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

Note 10 — Related-Party Transactions and Arrangements

Certain affiliates of the Company receive, and will continue to receive, fees and compensation in connection with the sale of the Company's common stock, and the acquisition, management and sale of the assets of the Company. The Dealer Manager receives, and will continue to receive, a selling commission of up to 7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. The Dealer Manager reallows, and intends to continue to reallow, 100% of commissions earned to participating broker-dealers. In addition, the Dealer Manager will receive up to 3.0% of the gross proceeds from the Offering, before reallowance to participating broker-dealers, as a dealer-manager fee. The Dealer Manager, in its sole discretion, may reallow all or a portion of its dealer-manager fee to such participating broker-dealers, based on such factors as the volume of shares sold by such participating broker-dealers and marketing support incurred as compared to those of other participating broker-dealers. No selling commissions or dealer-manager fees are paid to the Dealer Manager with respect to shares sold under the DRIP. During the three and six months ended June 30, 2009, the Company paid \$2,125,868, and \$2,831,880, respectively, to the Dealer Manager for commissions and dealer manager fees, of which \$150,479 and \$195,489, was reallowed to participating broker-dealers for the three and six months ended June 30, 2009, respectively. During the three and six months ended June 30, 2008, the Company paid \$37,206, and \$0, respectively, to the Dealer Manager for commissions and dealer manager fees, of which \$0 and was reallowed to participating broker-dealers.

All organization and offering expenses associated with the sale of the Company's common stock (excluding selling commissions and the dealer-manager fee) are paid for by the Advisor or its affiliates and are reimbursed by the

Company up to 1.5% of gross offering proceeds. The Advisor receives an acquisition and advisory fee of 1.0% of the contract purchase price of each acquired property and will be reimbursed for acquisition costs incurred in the process of acquiring properties, but not to exceed 0.5% of the contract purchase price. In no event will the total of all fees and acquisition expenses payable with respect to a particular property or investment exceed 4.0% of the contract purchase price. The Company reimbursed organization and offering expenses of \$2,090,817. Such amount includes \$1,410,714 of offering costs incurred by the affiliated Advisor and Dealer Manager that exceeds 1.5% of gross offering proceeds earned as of June 30, 2009. The Advisor is obligated to reimburse the Company to the extent organization and offering costs (excluding selling commissions, the dealer manager fee and bonafide due diligence cost reimbursements) incurred by the Company in the Offering exceed 1.5% of gross proceeds. During the three and six months ended June 30, 2008, the Company reimbursed \$0 and \$119,207 for organizational and offering expenses, respectively. The organizational and offering expenses reimbursed during the six months ended June 30, 2008 were subsequently refunded by the Advisor to improve the Company's overall working capital position. No acquisition related costs were reimbursed by the Company during the three and six months ended June 30, 2009. The Company incurred and paid acquisition advisory fees of \$321,880 and \$832,117 during the three and six months ended June 30, 2008, respectively.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

The Advisor receives a financing coordination fee equal to 1.0% of amounts borrowed under such financing arrangements. No finance coordination fees were incurred during the three and six months ended June 30, 2009. During the three and six months ended June 30, 2008, the Company incurred and paid finance coordination fees of \$244,125 and \$623,775, respectively, to its affiliated Advisor.

The Company pays its affiliated Property Manager fees for the management and leasing of the Company's properties. Such fees equal 2.0% of gross revenues from the Company's single tenant properties and 4.0% of the gross revenues from its multi-tenant properties, plus reimbursement of the Property Managers' costs of managing the properties. In the event that the Property Manager assists a tenant with tenant improvements, a separate fee may be charged to the tenant by the Property Manager at a fee not to exceed 5.0% of the cost of such tenant improvements. The Property Manager will be paid leasing commissions at prevailing market rates and may also receive a fee for the initial leasing of newly constructed properties, which generally would equal one month's rent. The aggregate of all property management and leasing fees paid to affiliates plus all payments to third parties will not exceed the amount that other nonaffiliated management and leasing companies generally charge for similar services in the same geographic location. The Property Manager may subcontract its duties for a fee that may be less than the fee provided for in the property management agreement. The Property Manager elected to waive its management fees for the three and six months ended June 30, 2009. During the three and six months ended June 30, 2008, the Company incurred property management fees of \$0 and \$4,230, respectively. The property management fees incurred during the six months ended June 30, 2008 were subsequently refunded by the Property Manager to improve the Company's working capital position.

The Company pays the Advisor an annualized asset management fee of up to 1.0% based on the aggregate contract purchase price of acquired real estate investments. The asset management fee is payable quarterly in advance on the first day of the month following the end of each calendar quarter end. Such advance fees cannot exceed estimated asset management fees for the subsequent two calendar quarterly periods. The Company incurred asset management fees of \$28,000 during the three months ended March 31, 2009, which were subsequently refunded by the Advisor to improve the Company's working capital position. The Advisor was entitled to asset management fees of \$771,143 and \$214,102 during the six months ended June 30, 2009 and 2008, respectively. These fees have been waived (not deferred) by the Advisor, contributing to the Company funding its distributions to shareholders entirely from cash generated from funds from operations. As of June 30, 2009, the Company paid the Advisor \$950,000 of asset management fees for the subsequent two quarterly periods. Such amount is included within prepaid expenses on the accompanying balance sheet.

If the Advisor or its affiliates provides a substantial amount of services, as determined by the Company's independent directors, in connection with the sale of property, the Company will pay the Advisor a brokerage commission not to exceed the lesser of one-half of a reasonable, customary and competitive real estate commission or 3.0% of the contract price for the property sold, inclusive of any commission paid to outside brokers provided, however, in no event may the real estate commissions paid to the Advisor, its affiliates or unaffiliated third-parties exceed 6% of the contract price. In addition, after investors have received a return of their net capital contributions and a 6.0% annual cumulative, non-compounded return, then the Advisor is entitled to receive 15.0% of remaining net sale proceeds. During the three and six months ended June 30, 2009 and 2008, the Company did not pay any fees or amounts to the Advisor relating to the sale of properties.

In the event the Company's common stock is listed in the future on a national securities exchange, a subordinated incentive listing fee equal to 15.0% of the amount by which the market value of the Company's outstanding stock plus all distributions paid by the Company prior to listing, exceeds the sum of the total amount of capital raised from investors plus an amount equal to a 6.0% annual cumulative, non-compounded return to investors will be paid to the Advisor.

In the event that the advisory agreement with the Advisor is terminated upon a change of control of the Company, by the Company without cause, or by the Advisor for good reason (as such terms may be defined in the definitive agreement memorializing the engagement of the Advisor by the Company), the Company shall pay the Advisor a termination fee not to exceed 15.0% of the amount, if any, by which the appraised value of the properties owned by the Company on the date of such termination, less amounts of all indebtedness secured by such properties exceeds the dollar amount equal to the sum of a 6.0% cumulative non-compound return on the Company's stockholders' net investment plus the amount of such investment.

The Company may reimburse the Advisor for all expenses it paid or incurred in connection with the services provided to the Company, subject to the limitation that the Company does not reimburse for any amount by which its operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of (i) 2.0% of average invested assets, or (ii) 25% of net income other than any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of assets for that period. The Company will not reimburse for personnel costs in connection with services for which the Advisor receives acquisition fees or real estate commissions. During the three and six months ended June 30, 2009 and 2008, the Company did not reimburse the Advisor for any such costs.

During the year ended December 31, 2008, the OP entered into an agreement with the principals of the Advisor whereby the OP can obtain up to \$10,000,000 of bridge equity from the principals from time to time as needed to provide short-term bridge equity relating to property acquisitions or for general working capital purposes. Such bridge equity needs to be satisfied within a six month period and will accrue a yield of 8%. In November 2008, the board approved an extension of the satisfaction period of an additional six months. In connection with the acquisition of the Harleysville National Bank and the Rockland Trust Company portfolios, the Company obtained bridge equity of \$4,000,000 and \$2,500,000 respectively. This bridge equity was repaid during the six months ended June 30, 2009. During the three and six months ended June 30, 2009, the Company incurred related party interest expense of \$81,130 and \$209,350, respectively. During the three and six months ended June 30, 2008, the Company incurred related party interest expense of \$112,658 and \$130,192, respectively. As of June 30, 2009, these balances had been paid in full.

During the year ended December 31, 2008, the REIT entered into an unsecured bridge equity facility with a related party, American Realty Capital Equity Bridge, LLC ("ARC Bridge"), whereby the REIT can obtain bridge equity of up to \$10,000,000 from time-to-time as needed to provide short-term bridge equity relating to property acquisitions and for general working capital purposes. ARC Bridge is a 50% joint venture between the Sponsor and an unrelated third party. Bridge equity investments from this facility accrue a yield at an annual rate of 30 day LIBOR plus 5% with a floor of 8%. This facility was used for two acquisitions during the year ended December 31, 2008. The bridge equity investments relating to the PNC bank locations (formerly National City Bank) and Rite Aid portfolio acquisitions were \$ 1,329,576 and \$5,335,939, respectively. These bridge equity investments are due one year from the investment date and can be satisfied at any time without penalty. During the six months ended June 30, 2009, the Company satisfied \$5,423,991 of outstanding draws under this facility. The related yield on such short-term bridge equity was 8.11% for both the PNC and Rite Aid acquisitions for the three and six months ended June 30, 2009, respectively. The Company incurred interest expense on these advances of \$112,808 and \$263,521 for the three and six month periods ended June 30, 2009. During the three and six months ended June 30, 2008, the Company incurred interest expense on these advances of \$112,658 and \$130,192, respectively. As of June 30, 2009, \$3,053,173 remained outstanding under this facility as well as \$10,177 of accrued interest payable.

AMERICAN REALTY CAPITAL TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

(Unaudited)

Note 11 — Economic Dependency

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

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

Note 12 — Independent Directors' Stock Option Plan

The Company has a stock option plan (the "Plan"), which authorizes the grant of nonqualified stock options to the Company's independent directors, subject to the absolute discretion of the board of directors and the applicable limitations of the Plan. The Company intends to grant options under the Plan to each qualifying director annually. The exercise price for all stock options granted under the Plan will be fixed at \$10.00 per share until the termination of our initial public offering, and thereafter the exercise price for stock options granted to our independent directors will be equal to the fair market value of a share on the last business day preceding the annual meeting of stockholders. As of June 30, 2009, the Company had granted options to purchase 18,000 shares at \$10.00 per share, each with a two year vesting period. A total of 1,000,000 shares have been authorized and reserved for issuance under the Plan. The Company accounts for the issuance of stock options under SFAS No. 123R, "Share-Based Payment," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including stock options related to the Plan, based on estimated fair values.

During the six months ended June 30, 2009, 9,000 options were granted, none were forfeited or exercised and 4,500 became vested. As of June 30, 2009, unvested options to purchase 13,500 shares at \$10.00 per share remained outstanding with a weighted average contractual remaining life of approximately 9.25 years. The total compensation charge relating to these option grants under SFAS No. 123R is immaterial.

Note 13 — Net Loss Per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted net loss per share computation for the three and six months ended June 30, 2009 and 2008:

Basic and Diluted Three Months Ended June 30, 2009	Basic and Diluted Three Months Ended June 30, 2008	Basic and Diluted Six Months Ended June 30, 2009	Basic and Diluted Six Months Ended June 30, 2008
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Net loss	\$ (673,011)	\$ (454,369)	\$ (2,011,604)	\$ (796,219)
Total weighted average common shares outstanding	3,151,715	860,102	2,343,796	497,057
Loss per share	\$ (0.21)	\$ (0.53)	\$ (0.86)	\$ (1.60)

21

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

Note 14 — Subsequent Events

Sale of Shares of Common Stock

The Company has evaluated subsequent events through the filing of this Form 10-Q on August 14, 2009, and determined that there have not been any events that have occurred that would require adjustments to or additional disclosures in the unaudited consolidated financial statements except for the following transactions:

On July 1, 2009 the Company broke escrow on approximately \$1.9 million of subscriptions from investors from Massachusetts and Pennsylvania, which were maintained at the Company's third-party escrow agent, Boston Private Bank & Trust Company, until the Company had sold at least \$45 million of shares of common stock.

As of August 13, 2009, the Company had issued 6,437,921 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were \$64,393,404. As of August 13, 2009, approximately \$1.19 billion (119 million shares) remained available for sale to the public under the Offering, exclusive of shares available under the DRIP.

Total capital raised to date is as follows:

Source of Capital	Inception to June 30, 2009	July 1 to August 13, 2009	Total
Common shares	\$ 42,050,937	\$ 22,342,467	\$ 64,393,404
Notes payable	13,000,000	-	13,000,000
Exchange proceeds (1)	-	2,830,000	2,830,000
Total	\$ 55,050,937	\$ 25,172,467	\$ 80,223,404

- (1) Includes amounts received by the Company in connection with transactions completed through its affiliate, American Realty Capital Exchange, LLC. Such transactions include joint ventures whereby unaffiliated third-party investors co-invested in investment properties that are majority owned and controlled by the Company.

Real Estate Acquisitions

FedEx Freight Facility – Houston, TX

On July 8, 2009, the REIT acquired a 152,640 square foot, newly constructed freight facility located in Houston, TX, net leased to FedEx Freight and guaranteed by FedEx Corporation (the "FedEx Facility"). The purchase price for the FedEx Facility is approximately \$31.7 million. The FedEx Facility is net leased to FedEx, pursuant to which FedEx is required to pay substantially all operating expenses (other than the costs to maintain and repair the roof and structure of the building) and capital expenditures in addition to base rent, simultaneously with the acquisition of the properties. The primary lease term is fifteen years, having commenced on October 16, 2008, and provides for up to two successive five-year extensions. Annual rent is approximately \$2.6 million for the first year of the initial lease term, and annual rent will increase by 8% every five years.

The purchase price is funded by a combination of short-term bridge financing and proceeds from the sale of common shares. The Company entered into a one-year bridge credit facility with a lender and received proceeds of approximately \$15.9 million. The credit facility bears interest at an annual rate of equal to 5.75%. The remaining portion of the purchase price was funded using available funds under the Company's related party bridge facilities and equity capital

Walgreens Location – Sealy, TX

On July 17, 2009, the REIT acquired a fee ownership interest in a 14,850 square foot Walgreens retail location net leased to Walgreens Co., located in Sealy, TX. The Walgreens location is net leased to Walgreens Co., pursuant to which Walgreens Co. is required to pay substantially all operating expenses (including all costs to maintain and repair the roof and structure of the building) and capital expenditures in addition to base rent, simultaneously with the acquisition of the properties. The primary lease term is twenty five years, having commenced June 18, 2007. Annual rent is \$310,000.

The purchase price, excluding transaction costs and fees, is approximately \$3.8 million and is comprised of a combination of mortgage financing, proceeds from the sale of common shares and funds received from an unaffiliated joint venture partner. The Company entered into a ten-year financing agreement and received proceeds of approximately \$1.6 million. The note agreement bears interest at an initial rate of 6.55%. Upon completion of this acquisition, the Company owns an approximate 56% interest in the asset, while the joint venture investor owns an approximate 44% interest.

Real Estate Investments and Mortgage Notes

Subsequent to the acquisitions highlighted above, the Company has total real estate investments of approximately \$191.0 million. These assets are encumbered by long-term mortgage notes totaling \$113.8 million, or aggregate first mortgage position leverage of 59.6%.

Bridge Equity

In July 2009, the Company repaid the remaining outstanding balance of \$3,053,172 outstanding under its related party bridge facility.

In connection with acquiring the FedEx Facility, the Company utilized availability under its related party bridge equity facilities to partially fund the purchase and has subsequently began repaying such advances. Outstanding short-term bridge equity advances as of August 12, 2009, total \$4,803,172.

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

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

Forward-Looking Statements

Certain statements included in this quarterly report on Form 10-Q are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of American Realty Capital Trust, Inc. and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends" or similar expressions. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law.

Following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- Neither we nor our Advisor have a prior operating history and our Advisor does not have any experience operating a public company. This inexperience makes our future performance difficult to predict.
- All of our executive officers are also officers, managers and/or holders of a direct or indirect controlling interest in our Advisor, our dealer manager and other affiliated entities. As a result, our executive officers, our Advisor and its affiliates face conflicts of interest, including significant conflicts created by our Advisor's compensation arrangements with us and other investors advised by American Realty Capital affiliates and conflicts in allocating time among us and these other investors. These conflicts could result in unanticipated actions.
- Because investment opportunities that are suitable for us may also be suitable for other American Realty Capital-advised investors, our Advisor and its affiliates face conflicts of interest relating to the purchase of properties and such conflicts may not be resolved in our favor, meaning that we could invest in less attractive properties, which could reduce the investment return to our stockholders.
- If we raise substantially less than the maximum offering in our ongoing initial public offering, we may not be able to invest in a diverse portfolio of real estate assets and the value of an investment in us may vary more widely with the performance of specific assets.
- While we are raising capital and investing the proceeds of our ongoing initial public offering, the high demand for the type of properties we desire to acquire may cause our distributions and the long-term returns of our investors to be lower than they otherwise would.
- We depend on tenants for our revenue, and, accordingly, our revenue is dependent upon the success and economic viability of our tenants.

- Increases in interest rates could increase the amount of our debt payments and limit our ability to pay distributions to our stockholders.

All forward-looking statements should be read in light of the risks identified in our Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC and the risks identified in this quarterly report.

Overview

We are a Maryland corporation that elected to be taxed as a real estate investment trust, or REIT, beginning with the taxable year ended December 31, 2008. On September 10, 2007, we filed a registration statement on Form S-11 with the SEC to offer a minimum of 750,000 shares and a maximum of 150,000,000 shares of common stock for sale to the public. The SEC declared the registration statement effective on January 25, 2008, at which time we launched our ongoing initial public offering. On March 11, 2008, we broke escrow in our ongoing initial public offering and then commenced our real estate operations. As of June 30, 2009, we issued 4,332,141 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were \$42,050,937. As of June 30, 2009, the aggregate value of all share issuances and subscriptions outstanding was \$45,325,046 based on a per share value of \$10.00 (or \$9.50 for shares issued under the DRIP). This amount includes stock subscriptions of \$2,023,896 which are maintained at our third-party escrow agent, to be released when certain escrow requirements have been achieved. As of June 30, 2009, we had not redeemed any shares sold in our ongoing initial public offering pursuant to our share repurchase program. We are dependent upon the net proceeds from the offering to conduct our proposed operations.

We intend to use the proceeds of our ongoing initial public offering to acquire and manage a diverse portfolio of real estate properties consisting primarily of freestanding, single-tenant properties net leased to investment grade and other creditworthy tenants throughout the United States and Puerto Rico. We plan to own substantially all of our assets and conduct our operations through our Operating Partnership, of which we are the sole general partner. We have no paid employees. Our advisor, American Realty Capital Advisors, LLC, conducts our operations and manages our portfolio of real estate investments.

We intend to continue our strategy of acquiring freestanding, single tenant properties through sale-leaseback and marketed transactions with in-place leases that have a minimum of ten years remaining under the primary term. Such leases generally include renewal options. We typically fund our acquisitions with a combination of equity and debt. We expect to arrange long-term financing on both a secured and unsecured fixed rate basis. We intend to continue to grow our existing relationships and develop new relationships throughout various markets we serve, which we expect will lead to further acquisition opportunities. We intend to have an overall leverage ratio as it relates to long-term secured mortgage financings of approximately 55% by the end of 2009. This goal is expected to be realized by using lower amounts of long-term debt in connection with acquiring future real estate investments. In certain cases, we may acquire properties using only equity capital. Additionally, we generally arrange for our mortgage note agreements to include monthly principal payments together with interest. This amortization results in lowering our overall mortgage notes balance on a continuous basis.

As of June 30, 2009, we owned 92 100% leased properties representing approximately 713,000 square feet, with a weighted average remaining lease term of 12.1 years. In constructing our portfolio, we are committed to diversification (industry, tenant and geography). As of June 30, 2009, rental revenues derived from investment grade tenants (rated BBB+ or better by Standards & Poor) approximated 90%. Our strategy encompasses receiving the majority of our revenue from investment grade tenants as we further acquire properties and enter into (or assume) long-term lease arrangements.

Real estate-related investments are higher-yield and higher-risk investments that our advisor will actively manage, if we elect to acquire such investments. The real estate-related investments in which we may invest include: (i) mortgage loans; (ii) equity securities such as common stocks, preferred stocks and convertible preferred securities of real estate companies; (iii) debt securities, such as mortgage-backed securities, commercial mortgages, mortgage loan participations and debt securities issued by other real estate companies; and (iv) certain types of illiquid securities, such as mezzanine loans and bridge loans. While we may invest in any of these real estate-related investments, our advisor, with the support of our Board of Trustees, has elected to suspend all activities relating to acquiring real estate-related investments for an indefinite period based on the current adverse climate affecting the capital markets. Since our inception, we have not acquired any real estate-related investments.

Significant Accounting Estimates and Critical Accounting Policies

Set forth below is a summary of the significant accounting estimates and critical accounting policies that management believes are important to the preparation of our consolidated financial statements. Certain of our accounting estimates are particularly important for an understanding of our financial position and results of operations and require the application of significant judgment by our management. As a result, these estimates are subject to a degree of uncertainty. These significant accounting estimates include:

Revenue Recognition

Our revenues, which are derived primarily from rental income, include rents that each tenant pays in accordance with the terms of each lease reported on a straightline basis over the initial term of the lease. Since many of our leases

provide for rental increases at specified intervals, straightline basis accounting requires us to record a receivable, and include in revenues, unbilled rent receivables that we will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease.

We continually review receivables related to rent and unbilled rent receivables and determine collectibility by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectibility of a receivable is in doubt, we record an increase in our allowance for uncollectible accounts or record a direct write-off of the receivable in our consolidated statements of operations.

Investments in Real Estate

Investments in real estate are recorded at cost. Improvements and replacements are capitalized when they extend the useful life of the asset. Costs of repairs and maintenance are expensed as incurred. Depreciation is computed using the straightline method over the estimated useful lives of up to 40 years for buildings and improvements, five to ten years for fixtures and improvements and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

We are required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to record on an annual basis with respect to our investments in real estate. These assessments have a direct impact on our net income because if we were to shorten the expected useful lives of our investments in real estate, we would depreciate these investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis.

We follow Statement of Financial Accounting Standards ("SFAS") No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") which established a single accounting model for the impairment or disposal of long-lived assets including discontinued operations. SFAS No.144 requires that the operations related to properties that have been sold or properties that are intended to be sold be presented as discontinued operations in the statement of operations for all periods presented, and properties intended to be sold to be designated as "held for sale" on the balance sheet.

Long-lived assets are carried at cost and evaluated for impairment when events or changes in circumstances indicate such an evaluation is warranted or when they are designated as held for sale. Valuation of real estate is considered a "critical accounting estimate" because the evaluation of impairment and the determination of fair values involve a number of management assumptions relating to future economic events that could materially affect the determination of the ultimate value, and therefore, the carrying amounts of our real estate. Additionally, decisions regarding when a property should be classified as held for sale are also highly subjective and require significant management judgment.

Events or changes in circumstances that could cause an evaluation for impairment include the following:

- a significant decrease in the market price of a long-lived asset;
- a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset; and
- a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset.

We review our portfolio on an on-going basis to evaluate the existence of any of the aforementioned events or changes in circumstances that would require us to test for recoverability. In general, our review of recoverability is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends and residual value expected, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. We are required to make subjective assessments as to whether there are impairments in the values of our investments in real estate. These assessments have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income.

Purchase Price Allocation

Pursuant to SFAS No. 141R, "Business Combinations" we follow the purchase method of accounting for all business combinations. As such, we recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions.

We allocate the purchase price of acquired properties to tangible and identifiable intangible assets acquired based on their respective fair values. Tangible assets include land, buildings, equipment and tenant improvements on an as-if vacant basis. We utilize various estimates, processes and information to determine the as-if vacant property value. Estimates of value are made using customary methods, including data from appraisals, comparable sales, discounted cash flow analysis and other methods. Identifiable intangible assets include amounts allocated to acquired leases for above- and below-market lease rates, the value of in-place leases, and the value of customer relationships.

Amounts allocated to land, buildings, equipment and fixtures are based on cost segregation studies performed by independent third-parties or on our analysis of comparable properties in our portfolio. Depreciation is computed using the straightline method over the estimated lives of 40 years for buildings, five to ten years for building equipment and fixtures, and the shorter of the useful life or the remaining lease term for tenant improvements.

Above-market and below-market in-place lease values for owned properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease.

The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values are amortized as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. The aggregate value of intangible assets related to in-place leases is primarily the difference between the property valued with existing in-place leases adjusted to market rental rates and the property valued as if vacant. Factors considered by us in our analysis of the in-place lease intangibles include an estimate of carrying costs during the expected lease-up period for each property, taking into account current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up period, which typically ranges from six to 18 months. We also estimate costs to execute similar leases including leasing commissions, legal and other related expenses.

The aggregate value of intangibles assets related to customer relationship is measured based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant. Characteristics considered by us in determining these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors.

The value of in-place leases is amortized to expense over the initial term of the respective leases, which range primarily from 2 to 20 years. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event does the amortization period for intangible assets exceed the remaining depreciable life of the building. If a tenant terminates its lease, the unamortized portion of the in-place lease value and customer relationship intangibles is charged to expense.

Derivative Instruments

We may use derivative financial instruments to hedge all or a portion of the interest rate risk associated with our borrowings. The principal objective of such agreements is to minimize the risks and/or costs associated with the Company's operating and financial structure as well as to hedge specific anticipated transactions.

SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133," ("SFAS No. 161") amends and expands the disclosure requirements of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by SFAS No. 133, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of its risk,

even though hedge accounting does not apply or we elect not to apply hedge accounting under SFAS No. 133.

In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our pre-acquisition due diligence, as well as subsequent marketing and leasing activities, in estimating the fair value of the tangible and intangible assets acquired and intangible liabilities assumed. The allocations presented in the accompanying consolidated balance sheets are substantially complete; however, there are certain items that we will finalize once we receive additional information. Accordingly, these allocations are subject to revision when final information is available, although we do not expect future revisions to have a significant impact on our financial position or results of operations.

Results of Operations

Comparison of the Three Months Ended June 30, 2009 and 2008

As of June 30, 2009, we owned 92 properties which are 100% leased, compared to 34 properties which were 100% leased at June 30, 2008, an increase of approximately 171%. Accordingly, our results of operations for the three months ended June 30, 2009 as compared to the three months ended June 30, 2008 reflect significant increases in most categories.

Rental Income

Rental income increased approximately \$1,587,000 to approximately \$2,935,000 for the three months ended June 30, 2009, compared to approximately \$1,348,000 for the three months ended June 30, 2008. The increase in rental income was driven by our acquisition of approximately \$70.0 million of net leased property during the last two quarters of 2008. These properties, acquired at an average 7.56% cap rate, are leased from 10 to 20 years to primarily investment grade tenants.

Property Management Fees to Affiliate

American Realty Capital Properties, LLC has elected to waive the property management fees for the three months ended June 30, 2009. Such fees represent amounts paid to our affiliated property manager, American Realty Capital Properties, LLC, to manage and lease our properties. Property management fees of approximately \$4,000 were incurred during the three months ended June 30, 2008. Our Property Manager elected to refund these fees subsequent to June 30, 2008 to improve our working capital.

General and Administrative Expenses

General and administrative expenses decreased 14% to approximately \$72,000 for the three months ended June 30, 2009, compared to approximately \$84,000 for the three months ended June 30, 2008. During the three months ended June 30, 2009, the Advisor reimbursed \$28,000 of asset management fees paid in the three months ended March 31, 2009. The majority of the general and administrative expenses for the three months ended June 30, 2009 included \$46,000 of amortized insurance expense relating to our directors' and officers' insurance policy, \$33,000 of board member compensation and \$16,000 of professional fees.

Depreciation and Amortization Expense

Depreciation and amortization expense increased approximately \$993,000 to approximately \$1,730,000 for the three months ended June 30, 2009, compared to approximately \$737,000 for the three months ended June 30, 2008. The increase in depreciation and amortization expense was the result of our acquisition of approximately \$70.0 million of real estate during the last two quarters of 2008. These properties were placed into service when acquired and were being depreciated for the full year to date. In contrast, the prior year number reflects the depreciation and amortization expense for a partial period as an acquisition of approximately \$33.0 million of real estate occurred during May 2008.

Interest Expense

Interest expense increased approximately \$1,139,000 to \$2,319,000 for the three months ended June 30, 2009, compared to approximately \$1,180,000 for the three months ended June 30, 2008. The increase in interest expense

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was the result of our purchase of 58 properties with a total value of approximately \$70.0 million. These properties were purchased using proceeds from our Offering and first mortgage debt. In addition, we used various sources of unsecured financing including drawing on various bridge equity lines and issuing long term notes payable. The average first mortgage debt balance for the three months ended June 30, 2009 and June 30, 2008 was \$112,368,600 and \$52,111,935, respectively. We view these unsecured financing sources as an efficient and accretive means to acquire properties in advance of raising equity capital.

Our interest expense in future periods will vary based on our level of future borrowings, which will depend on the level of proceeds raised in the Offering, the cost of borrowings, and the opportunity to acquire real estate assets which meet our investment objectives.

Other Income

Gains on derivative instruments increased approximately \$315,000 to \$512,000 for the three months ended June 30, 2009, compared to approximately \$197,000 for the three months ended June 30, 2008. These gains are related to marking our derivative instruments to market.

Comparison of the Six Months Ended June 30, 2009 and 2008

As of June 30, 2009, we owned 92 properties which are 100% leased, compared to 34 properties which were 100% leased at June 30, 2008, an increase of approximately 171%. Accordingly, our results of operations for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008 reflect significant increases in most categories.

Rental Income

Rental income increased approximately \$4,300,000 to approximately \$5,862,000 for the six months ended June 30, 2009, compared to approximately \$1,562,000 for the six months ended June 30, 2008. The increase in rental income was driven by our acquisition of approximately \$70.0 million of net leased property during the last two quarters of 2008. These properties, acquired at an average 7.56% cap rate, are leased from 10 to 20 years to primarily investment grade tenants.

Property Management Fees to Affiliate

American Realty Capital Properties, LLC has elected to waive the property management fees for the six months ended June 30, 2009. Such fees represent amounts paid to our affiliated property manager, American Realty Capital Properties, LLC, to manage and lease our properties. Property management fees of approximately \$4,000 were incurred during the six months ended June 30, 2008. Our Property Manager elected to refund these fees subsequent to June 30, 2008 to improve our working capital.

General and Administrative Expenses

General and administrative expenses decreased 28% to approximately \$198,000 for the six months ended June 30, 2009, compared to approximately \$273,000 for the six months ended June 30, 2008. General and administrative expenses for the six months ended June 30, 2009 consisted primarily of \$96,000 of amortized insurance expense relating to our directors' and officers' insurance policy, \$52,000 of board member compensation and \$21,000 of professional fees.

Depreciation and Amortization Expense

Depreciation and amortization expense increased approximately \$2,552,000 to approximately \$3,460,000 for the six months ended June 30, 2009, compared to approximately \$908,000 for the six months ended June 30, 2008. The increase in depreciation and amortization expense was the result of our acquisition of approximately \$70.0 million of real estate during the last two quarters of 2008. These properties were placed into service when acquired and were being depreciated for the full year-to-date. In contrast, the prior year number reflects the depreciation and amortization expense for a partial period as our first acquisition occurred during March of 2008.

Interest Expense

Interest expense increased approximately \$3,398,000 to \$4,770,000 for the six months ended June 30, 2009, compared to approximately \$1,372,000 for the six months ended June 30, 2008. The increase in interest expense was the result of our purchase of 58 properties with a total value of approximately \$70.0 million. These properties were purchased using proceeds from our Offering and first mortgage debt. In addition, we used various sources of unsecured financing including drawing on various bridge equity lines and issuing long term notes payable. The average first mortgage debt balance for the six months ended June 30, 2009 and June 30, 2008 was \$112,493,003 and \$34,741,290, respectively. We view these unsecured financing sources as an efficient and accretive means to acquire properties in advance of raising equity capital.

Our interest expense in future periods will vary based on our level of future borrowings, which will depend on the level of proceeds raised in the Offering, the cost of borrowings, and the opportunity to acquire real estate assets which meet our investment objectives.

Other Income

Gains on derivative instruments increased approximately \$352,000 to \$549,000 for the six months ended June 30, 2009, compared to approximately \$197,000 for the six months ended June 30, 2008. These gains are related to marking our derivative instruments to market.

Funds From Operations

We consider funds from operations (“FFO”) a useful indicator of the performance of a REIT. Because FFO calculations exclude such factors as depreciation and amortization of real estate assets and gains or losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), they facilitate comparisons of operating performance between periods and between other REITs in our peer group. Accounting for real estate assets in accordance with generally accepted accounting principles in the United States (“GAAP”) implicitly assumes that the value of real estate assets diminishes predictability over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our peers and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities. Other REITs may not define FFO in accordance with the current National Association of Real Estate Investment Trust’s (“NAREIT”) definition (as we do) or may interpret the current NAREIT definition differently than we do. Consequently, our presentation of FFO may not be comparable to other similarly titled measures presented by other REITs.

FFO is a non-GAAP financial measure and does not represent net income as defined by GAAP. FFO does not represent cash flows from operations as defined by U.S. GAAP, it is not indicative of cash available to fund all cash flow needs and liquidity, including our ability to pay distributions and should not be considered as an alternative to net income, as determined in accordance with U.S. GAAP, for purposes of evaluating our operating performance.

FFO is presented in the following table for the period ended as indicated:

	Three Months Ended June 30,		Six Months Ended June 30,
	2009	2008	2009
Net Loss	(673,011)	(454,369)	(2,011,604)
Add:			
Depreciation of real estate assets	1,362,131	616,517	2,724,263
Amortization of intangible lease assets	268,999	119,966	537,998
Mark-to market adjustment (1)	(523,669)	(196,816)	(581,259)
FFO	\$ 434,450	\$ 85,298	\$ 669,398
Distributions paid (2)(3)	\$ 410,188	\$ 79,899	\$ 630,393
FFO coverage ratio	105.9%	106.8%	106.2%
FFO payout ratio	94.4%	93.7%	94.2%

(1) - the Company excludes non-cash mark-to-market adjustments relating to its hedging activities from its FFO calculation.

(2) - includes shares issued under the DRIP.

(3) - FFO is not applicable for the six months ended June 30, 2008, as the first distribution was paid during the three months ended June 30, 2008.

Cash Flows for the Six Months Ended June 30, 2009

During the six months ended June 30, 2009, net cash used in operating activities was approximately \$4,344,227. The level of cash flows provided by (used in) operating activities is affected by both the timing of interest payments and amount of borrowings outstanding during the period. It is also affected by the receipt of scheduled rent payments and disbursement of deposits required in connection with property acquisitions. Prepaid expenses and other assets increased by approximately \$2,219,000 principally resulting from the acquisition \$636,000 of non-real estate investment furniture and fixtures and the prepayment of \$950,000 of asset management fees during the six months ended June 30, 2009. Accounts payable and accrued expenses decreased by approximately \$935,000, the majority of which relates to professional fees, accrued interest and finance coordination fees. Finally due to affiliates decreased approximately \$2,233,000 during the six months ended June 30, 2009.

Net cash used in investing activities during the six months ended June 30, 2009 was approximately \$163,000, relating to prior period acquisition related costs.

Net cash provided by financing activities totaled approximately \$7,050,000 during the six months ended June 30, 2009. Such amount consisted primarily of net proceeds from other notes payable and issuance of common stock of approximately \$11,911,000 and \$24,850,000, respectively. These amounts were offset by the satisfaction of our short-term bridge funds, related party bridge facility, related party convertible bride revolver and short-term convertible redeemable preferred of approximately \$11,954,000, approximately \$5,424,000, \$6,500,000 and \$3,995,000, respectively. During the period, we issued 3,030,568 shares of common stock which generated approximately \$30,096,000 of gross proceeds, reduced by approximately \$5,246,000 of related offering costs and commissions. Net cash of approximately \$395,000 was used for shareholder dividends. Net cash was increased by approximately \$3,000 related to a decrease in restricted cash.

Cash paid for interest during the six months ended June 30, 2009 was approximately \$4.9 million.

Cash Flows for the Six Months June 30, 2008

During the six months ended June 30, 2008, net cash provided by operating activities was approximately \$926,000. The level of cash flows provided by operating activities is affected by both the timing of interest payments and amount of borrowings outstanding during the period. It is also affected by the receipt of scheduled rent payments and disbursement of deposits required in connection with property acquisitions. Prepaid expenses and other assets increased by approximately \$125,000 principally resulting from payments relating to annual Board of Trustee retainers and the partial funding of our Directors' and Officers' insurance policy. This amount is offset by the increase in accounts payable and accrued expenses of approximately \$603,000, the majority of which relates to professional fees, accrued interest and finance coordination fees, as well as an increase in deferred rent and liabilities of approximately \$501,000, primarily representing rent payments received in advance of the respective due date.

Net cash used in investing activities during the six months ended June 30, 2008 totaled approximately \$39,918,000 relating to investment properties acquired during the period.

Net cash provided by financing activities totaled approximately \$39,918,000 during the six months ended June 30, 2008. Such amount consisted primarily of net proceeds from notes payable and our related party credit facility of approximately \$28,335,000 and \$6,500,000, respectively. During the period, we issued 1,012,652 shares of common stock which generated approximately \$6,522,000 of gross proceeds, reduced by approximately \$900,000 of related offering costs and commissions. Net cash was reduced by approximately \$43,000 related to restricted cash.

Liquidity and Capital Resources

We expect to continue to raise capital through the sale of our common stock and to utilize the net proceeds from the sale of our common stock and proceeds from secured financings to complete future property acquisitions and satisfy outstanding short-term bridge equity amounts. As of June 30, 2009, we issued 4,332,141 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were \$42,050,937. As of June 30, 2009, the aggregate value of all share issuances and subscriptions outstanding was \$45,325,046 based on a per share value of \$10.00 (or \$9.50 for shares issued under the DRIP). This amount includes stock subscriptions of \$2,023,896 which are maintained at our third-party escrow agent, to be released when certain escrow requirements have been achieved.

In addition, we expect to continue to raise capital through the issuance of unsecured notes payable. Proceeds from such issuances will augment the capital being raised through the sale of common stock. We believe our notes programs offer an efficient and cost effective source of funds. The term of these notes will generally be between three and five years. Total gross proceeds from note issuances for the quarter ended June 30, 2009 totaled \$2,483,000.

The amount of distributions payable to our stockholders is determined by our board of directors and is dependent on a number of factors, including funds available for distribution, financial condition, capital expenditure requirements, as applicable and annual distribution requirements needed to qualify and maintain our status as a REIT under the Code. Operating cash flows are expected to increase as additional properties are acquired in our investment portfolio.

Our principal demands for funds will continue to be for property acquisitions, either directly or through investment interests, for the payment of operating expenses and distributions, satisfaction of bridge equity and for the payment of interest on our outstanding indebtedness and other investments. Generally, cash needs for items other than property acquisitions are expected to be met from operations, and cash needs for property acquisitions are expected to be met from the public offering of our shares. However, there may be a delay between the sale of our shares and our purchase of properties, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our operations. Our Advisor evaluates potential acquisitions of real estate and real estate related assets and engages in negotiations with sellers and borrowers on our behalf. Investors should be aware that after a purchase contract is executed that contains specific terms, the property will not be purchased until the successful completion of due diligence and negotiation of final binding agreements. During this period, we may decide to temporarily invest any unused proceeds from the Offering in certain investments that could yield lower returns than the properties. These lower returns may affect our ability to make distributions.

We expect to meet our future short-term operating liquidity requirements through net cash provided by our current property operations and the operations of properties to be acquired in the future. Management also expects that our properties will generate sufficient cash flow to cover operating expenses and the payment of a monthly distribution. Other potential future sources of capital include proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of properties, undistributed funds from operations, and savings realized from our affiliates potentially waiving certain fees and expense reimbursements.

On February 25, 2008, our board of directors declared a distribution for each monthly period commencing 30 days subsequent to acquiring our initial portfolio of real estate investments, payable in cash on the 2nd day following each month end to stockholders of record at the close of business each day during the applicable period. We acquired our initial real estate investment on March 5, 2008. Accordingly, our daily dividend commenced accruing on April 5, 2008. The REIT's initial distribution payment was paid to stockholders on May 21, 2008, representing dividends accrued from April 5, 2008 through April 30, 2008. Subsequently, we modified the payment date to the 2nd day following each month end to stockholders of record at the close of business each day during the applicable period. The distribution is calculated based on stockholders of record each day during the applicable period at a rate of \$0.00178082191 per day, and equals a daily amount that, if paid each day for a 365-day period, would equal a 6.5% annualized rate based on the share price of \$10.00. On November 5, 2008, the board of directors approved an increase in our annual cash distribution from \$.65 to \$.67 per share. Based on a \$10.00 share price, this 20 basis point increase, effective January 2, 2009, results in an annualized distribution rate of 6.7%. During the three and six months ended June 30, 2009, distributions paid totaled \$410,188 and \$630,393, respectively. These amounts include \$160,466 and \$235,211 of common shares issued under the dividend reinvestment plan for the three and six months ended June 30, 2009, respectively. As of June 30, 2009, cash used to pay our distributions was entirely generated from funds received from operating activities and fee waivers from our Advisor. Our distributions have not been paid from any other sources. We have continued to pay distributions to our shareholders each month since our initial dividend payment.

The payment terms of our loan obligations vary. In general, principal and interest is payable monthly with all unpaid principal and interest due at maturity. Certain of our mortgage loans have initial payments of interest only but require principal repayment in subsequent years. Our loan agreements stipulate that we comply with specific reporting and financial covenants. As of June 30, 2009, we were in compliance with the debt covenants under our loan agreements.

Our Advisor may, with approval from our independent board of directors, seek to borrow short-term bridge equity that, combined with secured mortgage financing, exceeds our targeted leverage ratio. Such short-term bridge equity may be derived from the \$10.0 million revolving bridge equity facility established between principals of the Advisor

and the O.P. or the \$10.0 million related party bridge facility established between ARC Bridge and the REIT as described in Note 10 of our financial statements — Related-Party Transactions and Arrangements. In addition, short-term bridge equity may be obtained from third-parties on a case-by-case basis as acquisition opportunities present themselves simultaneous with our capital raising efforts. We view the use of short-term bridge equity as an efficient and accretive means of acquiring real estate in advance of raising equity capital. Accordingly, we can take advantage of buying opportunities as we expand our fund raising activities. As additional equity capital is obtained in connection with our offering, these short-term bridge equity investments will be satisfied. As of June 30, 2009, we had \$3.1 million outstanding under our related party bridge equity facility. Excluding such short-term bridge equity and other notes payable, our leverage ratio approximated 72% (secured mortgage notes payable as a percentage of total real estate investments, at cost) as of June 30, 2009.

It is our expectation to continue to use availability under our revolving related party credit facilities. The use of these funds is an efficient and accretive means of acquiring real estate investments while we continue to raise equity capital through our continuous Offering. We attempt to time our acquisitions appropriately as we negotiate with sellers, seek long-term mortgage financings and receive proceeds from the issuance of our common shares. Our revolving bridge facilities afford us an opportunity to acquire high quality properties that meet our core strategy while we are furthering our efforts with respect to raising equity capital. Since December 31, 2008, excluding the approximately \$15,900,000 of non-related party bridge equity borrowings repaid, approximately \$11,900,000 of outstanding advances under our revolving related party facilities was satisfied.

As of June 30, 2009, we had cash of approximately \$3,430,000, which we expect to be used primarily to satisfy short-term bridge funds, pay operating expenses and pay stockholder distributions. In addition, the approximate \$3.5 million of debt and other contractual obligations coming due during the remainder of 2009 will be paid with proceeds from our Offering.

Contractual Obligations

The following is a summary of our contractual obligations as of June 30, 2009:

Principal Payments Due During the Years Ending December 31

Contractual Obligations (1)	Total	2009	2010	2011	2012	2013	Thereafter
Mortgage notes payable	\$ 112,249,667	\$ 483,371	\$ 1,012,332	\$ 1,855,075	\$ 1,991,443	\$ 58,780,586	\$ 48,126,860
Short-term bridge equity	—	—	—	—	—	—	—
Short-term convertible redeemable preferred equity	—	—	—	—	—	—	—
Related party bridge revolver	—	—	—	—	—	—	—
Long-term notes payable	13,000,000	—	—	13,000,000	—	—	—
Short-term bridge equity facility	—	—	—	—	—	—	—
Related party bridge equity facility	3,053,172	3,053,172	—	—	—	—	—
Purchase obligations (2)	—	—	—	—	—	—	—
	\$ 128,302,839	\$ 3,536,543	\$ 1,012,332	\$ 14,855,075	\$ 1,991,443	\$ 58,780,586	\$ 48,126,860

Interest Payments Due During the Years Ending December 31

Contractual Obligations (1)	Total	2009	2010	2011	2012	2013	Thereafter
Mortgage notes payable	\$ 48,074,986	\$ 3,284,779	\$ 6,497,883	\$ 6,393,343	\$ 6,294,819	\$ 5,167,855	\$ 20,436,307
Short-term bridge equity	—	—	—	—	—	—	—
Short-term convertible redeemable preferred equity	—	—	—	—	—	—	—

Related party bridge revolver	—	—	—	—	—	—	—
Long-term notes payable	2,842,952	592,416	1,175,173	1,075,364	—	—	—
Short-term bridge equity facility	—	—	—	—	—	—	—
Related party bridge equity facility	4,071	4,071	—	—	—	—	—
	\$ 50,922,009	\$ 3,881,266	\$ 7,673,056	\$ 7,468,707	\$ 6,294,819	\$ 5,167,855	\$ 20,436,307

- (1) Amounts include principal payments only. We incurred interest expense of approximately \$4,494,000, excluding amortization of deferred financing costs, during the six months ended June 30, 2009, and expect to incur interest in future periods on outstanding debt obligations.
- (2) We were not contractually obligated to acquire any real estate investments as of quarter end.

Election as a REIT

We are qualified and have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code commencing with our taxable year ended December 31, 2008. We generally are not be subject to federal corporate income tax to the extent we distribute our REIT taxable income to our stockholders, and so long as we distribute at least 90% of our REIT taxable income. REITs are subject to a number of other organizational and operational requirements. We may be subject to certain state and local taxes on our income and property, and federal income and excise taxes on our undistributed income.

Inflation

Some of our leases contain provisions designed to mitigate the adverse impact of inflation. These provisions generally increase rental rates during the terms of the leases either at fixed rates or indexed escalations (based on the Consumer Price Index or other measures). We may be adversely impacted by inflation on the leases that do not contain indexed escalation provisions. In addition, our net leases require the tenant to pay its allocable share of operating expenses, including common area maintenance costs, real estate taxes and insurance. This may reduce our exposure to increases in costs and operating expenses resulting from inflation.

Related-Party Transactions and Agreements

We have entered into agreements with American Realty Capital II, LLC and its wholly-owned affiliates, whereby we pay certain fees or reimbursements to our Advisor or its affiliates for acquisition fees and expenses, organization and offering costs, sales commissions, dealer manager fees, asset and property management fees and reimbursement of operating costs. See Note 10 to our consolidated financial statements included in this report for a discussion of the various related-party transactions, agreements and fees.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate changes primarily as a result of long-term mortgage financing used to partially fund the acquisition of real estate investments. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we may borrow at fixed rates or variable rates with the lowest margins available and in some cases, the ability to convert variable rates to fixed rates. With regard to variable rate financing, we will assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. At June 30, 2009, our interest rate exposure was mitigated by various hedging instruments - See Note 6 and Note 7.

We do not have any foreign operations and thus we are not exposed to foreign currency fluctuations.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

As of the end of the period covered by this Quarterly Report on Form 10-Q, we are not a party to, and none of our properties are subject to, any material pending legal proceedings.

Item 1A. Risk Factors

There have been no material changes from the risk factors set forth in our Annual Report on Form 10-K for year ended December 31, 2008.

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

Share Redemption Program

Our board of directors has adopted a share repurchase program that enables our stockholders to sell their shares to us in limited circumstances. In order to provide stockholders with the benefit of interim liquidity, stockholders who have held their shares for at least one year and who purchased their shares from us or received the shares through a non-cash transaction, not in the secondary market, may present all or a portion of the holder's shares to us for repurchase. At that time, we may, subject to the conditions and limitations, redeem the shares presented for repurchase for cash to the extent that we have sufficient funds available to us to fund such repurchase. Upon the death or disability of a stockholder, upon request, we will waive the one-year holding requirement. Shares repurchased in connection with the death or disability of a stockholder will be repurchased at a purchase price equal to the price actually paid for the shares during the offering, or if not engaged in the offering, the current net asset value of the shares if higher. During any calendar year, the number of shares we will repurchase will be limited in any calendar year to 5% of the weighted average number of shares outstanding during the prior year; provided, however, that shares subject to a repurchase requested upon the death or disability of a stockholder will not be subject to this cap. The cash available for repurchase of our shares is funded by our Distribution Reinvestment Plan, as well as from proceeds of the sale of shares in a public offering, and with other available allocated operating funds.

No shares were redeemed under this program during the quarter ended June 30, 2009.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 4T. Controls and Procedures

In accordance with Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e)

and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q and determined that the disclosure controls and procedures are effective.

No change occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended June 30, 2009 that has materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

Item 5. Other Information

None

Item 6. Exhibits

The exhibits listed on the Exhibit Index (following the signatures section of this report) are included, or incorporated by reference, in this quarterly report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

American Realty Capital Trust, Inc.

By: /s/ Nicholas S. Schorsch

Nicholas S. Schorsch
Chief Executive Officer (Principal Executive Officer)

By: /s/ Brian S. Block

Brian S. Block
Executive Vice President, Chief Financial Officer
(Principal Accounting Officer)

Date: August 14, 2009

EXHIBIT INDEX

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (and are numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Description
31.1	Certification of the Principal Executive Officer of the Company pursuant to Securities Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Principal Financial Officer of the Company pursuant to Securities Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32	Written statements of the Principal Executive Officer and Principal Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

34

family:Times New Roman">Net deferred taxes \$ \$

A valuation allowance against deferred tax assets is required if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized. The Company is in the development stage and realization of the deferred tax assets is not considered more likely than not. As a result, the Company has recorded a valuation allowance for the net deferred tax asset.

Since inception of the Company on January 17, 2002, the Company has generated tax net operating losses of approximately \$81 million, expiring in 2022 through 2033. The tax loss carry-forwards of the Company may be subject to limitation by Section 382 of the Internal Revenue Code with respect to the amount utilizable each year. This limitation reduces the Company's ability to utilize net operating loss carry-forwards. The amount of the limitation has

not been quantified by the Company. In addition, the Company acquired certain net operating losses in its acquisition of Valley Pharmaceuticals, Inc. (Note 2). However, the amount of these net operating losses has not been determined and even if recorded, the amount would be fully reserved.

The Company has determined that there are no uncertain tax positions as of December 31, 2013 or 2012 and does not expect any significant change within the next year.

9. 401(K) Profit Sharing Plan

In January 2007, the Company established the Provectus Pharmaceuticals, Inc. Cash Balance Defined Benefit Plan and Trust (the Plan), effective January 1, 2007, for the exclusive benefit of its four employees and their beneficiaries. In September 2010, the Company terminated the Cash Balance Defined Benefit Plan and Trust (the Plan) for its employees. There was an immaterial settlement charge that was not recorded after the termination of the Plan. The Company transferred approximately

Table of Contents

\$1,353,000 in assets from the Plan to the 401(K) Profit Sharing Plan of the Company which was formed in the three months ended September 30, 2010. Company contributions to the 401(K) Profit Sharing Plan are discretionary. Contributions made by the Company in 2010 totaled approximately \$497,000 and include the amounts originally contributed to the Plan in 2010. Contributions made by the Company in 2011 totaled approximately \$130,000. Contributions made by the Company in 2012 totaled approximately \$132,000 and were included in other accrued expenses. Contributions made by the Company in 2013 totaled approximately \$226,000.

10. Fair Value of Financial Instruments

The FASB's authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The fair value of derivative instruments is determined by management with the assistance of an independent third party valuation specialist. The warrant liability is a derivative instrument and is classified as Level 3. The Company used the Monte-Carlo Simulation model to estimate the fair value of the warrants except for the Series B Warrants. Significant assumptions used at December 31, 2013 for the 2010 warrants include a weighted average term of 1.2 years, a 5% probability that the warrant exercise price would be reset, a volatility range between 66.5% and 69.5% and a risk free interest rate range between 0.13% and 0.38%. Significant assumptions used at December 31, 2012 for the 2010 warrants include a weighted average term of 2.2 years, a 5% probability that the warrant exercise price would be reset, a volatility range between 58.9% and 63.4% and a risk free interest rate range between 0.25% and 0.36%. Significant assumptions used at December 31, 2013 for the 2011 Series A and C Warrants include a weighted average term of 2.0 years, a 5% probability that the warrant exercise price would be further reset, volatility of 64.7% and a risk free interest rate range between 0.38% and 0.78%. Significant assumptions used at December 31, 2012 for the 2011 Series A and C Warrants include a weighted average term of 3.0 years, a 5% probability that the warrant exercise price would be reset, a volatility range between 58.9% and 63.4% and a risk free interest rate range between 0.25% and 0.36%. As of December 31, 2011, there was no warrant liability for the Series B Warrants because they had all been exercised. Significant assumptions used at December 31, 2013 for the 2013 warrants include a weighted average term of 4.1 years, a 5% probability that the warrant exercise price would be reset, volatility of 67.2% and a risk free interest rate range between 0.78% and 1.78%.

The warrant liability measured at fair value on a recurring basis is as follows:

	Total	Level 1	Level 2	Level 3
Derivative instruments:				

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Warrant liability at December 31, 2013	\$ 12,866,572	\$	\$	\$ 12,866,572
Warrant liability at December 31, 2012	\$ 1,299,570	\$	\$	\$ 1,299,570

A reconciliation of the warranty liability measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from January 1, 2012 to December 31, 2013 follows:

Balance at January 1, 2012	\$ 3,067,488
Issuance of warrants	
Net gain included in earnings	(1,767,918)
Exercise of warrants	
Balance at December 31, 2012	\$ 1,299,570
Balance at January 1, 2013	\$ 1,299,570
Issuance of warrants	1,297,950
Net loss included in earnings	14,671,130
Exercise of warrants	(4,402,078)
Balance at December 31, 2013	\$ 12,866,572

F-39

Table of Contents

11. Litigation

Except as described below, we are not involved in any legal proceedings nor are we party to any pending claims that we believe could reasonably be expected to have a material adverse effect on our business, financial condition, or results of operations.

On January 2, 2013, Glenn Kleba (the Plaintiff) derivatively on behalf of the Company, filed a shareholder derivative complaint in the Circuit Court for the State of Tennessee, Knox County (the Court), against H. Craig Dees, Timothy C. Scott, Eric A. Wachter, and Peter R. Culpepper (collectively, the Executives), Stuart Fuchs, Kelly M. McMasters, and Alfred E. Smith, IV (collectively, together with the Executives, the Individual Defendants), and against the Company as a nominal defendant (the Shareholder Derivative Lawsuit). The Shareholder Derivative Lawsuit alleges (i) breach of fiduciary duties, (ii) waste of corporate assets, and (iii) unjust enrichment, all three claims based on the Plaintiff's allegations that the defendants authorized and/or accepted stock option awards in violation of the terms of the Company's 2002 Stock Plan (the Plan) by issuing stock options in excess of the amounts authorized under the Plan and delegated to defendant H. Craig Dees the sole authority to grant himself and the other Executives cash bonuses that the Plaintiff alleges to be excessive.

In April 2013, the Company's Board of Directors established a special litigation committee to investigate the allegations of the Shareholder Derivative Complaint and make a determination as to how the matter should be resolved. The special litigation committee conducted its investigation, and proceedings in the case were stayed pending the conclusion of the committee's investigation. The Company has established a reserve of \$100,000 for potential liabilities because such is the amount of the self-insured retention of its insurance policy.

On March 6, 2014, the Company filed a Joint Notice of Settlement (the Settlement) in the Shareholder Derivative Lawsuit. In addition to the Company, the parties to the Settlement are the Plaintiff and the Individual Defendants. By entering into the Settlement, the settling parties have resolved the derivative claims to their mutual satisfaction. The Individual Defendants have not admitted the validity of any claims or allegations and the Plaintiff has not admitted that any claims or allegations lack merit or foundation. By the terms of the Settlement, (i) the Executives each agreed (A) to re-pay to the Company \$2.24 Million of the cash bonuses they received in 2010 and 2011, which amount equals 70% of such bonuses or an estimate of the after-tax net proceeds to each Executive; provided, however, that subject to certain terms and conditions set forth in the term sheet, which sets forth the terms and conditions of the Settlement (the Term Sheet), the Executives are entitled to a 2:1 credit such that total actual repayment may be \$1.12 Million each; (B) to reimburse the Company for 25% of the actual costs incurred by the Company as a result of the Shareholder Derivative Lawsuit; and (C) to grant to the Company a first priority security interest in 1,000,000 shares of the Company's common stock owned by each such Executive to serve as collateral for the amounts due to the Company under the Term Sheet; (ii) Drs. Dees and Scott and Mr. Culpepper agreed to retain incentive stock options for 100,000 shares but shall forfeit 50% of the nonqualified stock options granted to each such Executive in both 2010 and 2011. The Term Sheet also requires that each of the Executives enter into new employment agreements with the Company and that the Company adhere to certain corporate governance principles and processes in the future. Under the Settlement, Messrs. Fuchs and Smith and Dr. McMasters have the option to either (A) pay the Company \$25,000 cash or (B) forfeit options to purchase 50,000 shares of the Company's common stock. The Company, the Plaintiff and the Individual Defendants will release each other from any and all claims related to the Shareholder Derivative Lawsuit, as well as dismiss the Shareholder Derivative Lawsuit with prejudice upon the Company and the Individual Defendants entering into a formal settlement agreement.

The Settlement remains subject to approval by the Court after notice to the Company's shareholders and a settlement hearing. The hearing on the terms of the proposed settlement will be held to determine whether: (1) the terms and conditions of the settlement provided for in the Settlement are fair, reasonable and adequate and in the best interest of

the Company and its shareholders, (2) the judgment, as provided for in the Settlement, should be entered, and (3) the request of Plaintiff's counsel for an award of attorneys' fees and reimbursement of expenses should be granted.

12. Subsequent Events

The Company has evaluated subsequent events through the date of the filing of these financial statements. As discussed in Note 11, on March 6, 2014 the Company filed a Joint Notice of Settlement in the Shareholder Derivative Lawsuit. The Company has received \$2,672,363 thus far in 2014 due to warrant exercises and \$538,586 was received thus far in 2014 due to stock option exercises.

13. Selected Quarterly Financial Data (Unaudited)

The following tables present a summary of quarterly results of operations for 2013 and 2012:

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
(in thousands, except per share data)				
Consolidated Statement of Operations Data:				
Total revenues	\$	\$	\$	\$
Total operating loss	(3,247)	(3,287)	(3,650)	(2,844)
Other income (expense), net	(923)	909	(903)	(13,754)
Net loss	(4,170)	(2,378)	(4,553)	(16,598)
Dividends on preferred stock	(1,077)	(72)	(38)	
Net loss applicable to common stockholders	\$ (5,247)	\$ (2,450)	\$ (4,591)	\$ (16,598)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.02)	\$ (0.03)	\$ (0.11)
Weighted average number of common shares outstanding - basic and diluted	120,702	127,115	131,574	148,314

	Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
(in thousands, except per share data)				
Consolidated Statement of Operations Data:				
Total revenues	\$	\$	\$	\$
Total operating loss	(4,205)	(4,285)	(3,594)	(2,253)
Other income (expense), net	(263)	453	1,247	332
Net loss	(4,468)	(3,833)	(2,347)	(1,921)
Dividends on preferred stock	(50)	(51)	(44)	(38)
	\$ (4,518)	\$ (3,884)	\$ (2,391)	\$ (1,959)

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Net loss applicable to common
stockholders

Basic and diluted loss per common share	\$ (0.04)	\$ (0.03)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding basic and diluted	110,775	112,267	113,167	115,948

F-40

Table of Contents**EXHIBIT INDEX**

Exhibit No.	Description
3.1	Certificate of Incorporation of Provectus Biopharmaceuticals, Inc. (the Company)
3.2	Certificate of Designation for the Company s 8% Convertible Preferred Stock
3.3	Certificate of Designation for the Company s Series A 8% Convertible Preferred Stock
3.4	Bylaws of the Company
4.1	Specimen certificate for the Company s common shares, \$.001 par value per share (incorporated by reference to Exhibit 4.1 of the Company s annual report on Form 10-KSB filed with the SEC on April 15, 2003).
4.2	Form of Series A Warrant issued to each of the purchasers identified on the signature pages of the Securities Purchase Agreement dated as of January 13, 2011 (incorporated by reference to Exhibit 4.1 of the Company s current report on Form 8-K filed with the SEC on January 13, 2011).
4.3	Form of Series B Warrant issued to each of the purchasers identified on the signature pages of the Securities Purchase Agreement dated as of January 13, 2011 (incorporated by reference to Exhibit 4.2 of the Company s current report on Form 8-K filed with the SEC on January 13, 2011).
4.4	Form of Series C Warrant issued to each of the purchasers identified on the signature pages of the Securities Purchase Agreement dated as of January 13, 2011 (incorporated by reference to Exhibit 4.3 of the Company s current report on Form 8-K filed with the SEC on January 13, 2011).
4.5	Form of Warrant issued to Lincoln Park Capital, LLC (incorporated by reference to Exhibit 4.1 of the Company s current report on Form 8-K filed with the SEC on December 23, 2010).
4.6	Form of Warrant issued to investors in connection with the offering of the Company s 8% Convertible Preferred Stock (incorporated by reference to Exhibit 10.2 of the Company s current report on Form 8-K filed on March 12, 2010).
4.7	Form of Warrant issued to investors in connection with the offering of the Company s Series A 8% Convertible Preferred Stock (incorporated by reference to Exhibit 10.2 of the Company s current report on Form 8-K filed on February 28, 2013).
10.1*	Amended and Restated 2012 Stock Plan (incorporated herein by reference to Appendix A of the Company s definitive proxy statement filed on April 30, 2012).
10.2*	Confidentiality, Inventions and Non-competition Agreement dated as of November 26, 2002 between the Company and H. Craig Dees (incorporated by reference to Exhibit 10.8 of the Company s annual report on Form 10-KSB filed on April 15, 2003).
10.3*	Confidentiality, Inventions and Non-competition Agreement dated as of November 26, 2002 between the Company and Timothy C. Scott (incorporated by reference to Exhibit 10.9 of the Company s annual report on Form 10-KSB filed on April 15, 2003).
10.4*	

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Confidentiality, Inventions and Non-competition Agreement dated as of November 26, 2002, between the Company and Eric A. Wachter (incorporated by reference to Exhibit 10.10 of the Company's annual report on Form 10-KSB filed on April 15, 2003).

- 10.5 Material Transfer Agreement dated as of July 31, 2003 between Schering-Plough Animal Health Corporation and the Company (incorporated by reference to Exhibit 10.15 of the Company's quarterly report on Form 10-QSB filed on August 14, 2003).
- 10.6 Securities Purchase Agreement dated as of January 13, 2011, by and between the Company and the purchasers identified on the signature pages thereto (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on January 13, 2011).
- 10.7 Purchase Agreement dated as of July 22, 2013, by and between the Company and Alpha Capital Anstalt (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on July 26, 2013).

F-41

Table of Contents

10.8	Registration Rights Agreement dated as of December 22, 2010, by and between the Company and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.2 of the Company's current report on Form 8-K filed on December 23, 2010).
10.9	Form of Securities Purchase Agreement by and among the Company and the investors set forth on the signature pages affixed thereto used in connection with the offering of the 8% Convertible Preferred Stock and related warrants (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on March 12, 2010).
10.10	Form of Registration Rights Agreement by and among the Company and the stockholders set forth on the signature pages affixed thereto used in connection with the offering of the 8% Convertible Preferred Stock and related warrants (incorporated by reference to Exhibit 10.3 of the Company's current report on Form 8-K filed on March 12, 2010).
10.11	Form of Securities Purchase Agreement by and among the Company and the investors set forth on the signature pages affixed thereto used in connection with the offering of the Series A 8% Convertible Preferred Stock and related warrants (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on February 28, 2013).
10.12	Form of Registration Rights Agreement by and among the Company and the stockholders set forth on the signature pages affixed thereto used in connection with the offering of the Series A 8% Convertible Preferred Stock and related warrants (incorporated by reference to Exhibit 10.3 of the Company's current report on Form 8-K filed on February 28, 2013).
10.13*	Executive Employment Agreement by and between the Company and H. Craig Dees, Ph.D., dated July 1, 2013.
10.14*	Executive Employment Agreement by and between the Company and Eric Wachter, Ph.D., dated July 1, 2013.
10.15*	Executive Employment Agreement by and between the Company and Timothy C. Scott, Ph.D., dated July 1, 2013.
10.16*	Executive Employment Agreement by and between the Company and Peter Culpepper, dated July 1, 2013.
14	Code of Ethics (incorporated by reference to Exhibit 14 of the Company's annual report on Form 10-K filed on March 16, 2011).
21	Subsidiaries of the Company (incorporated by reference to Exhibit 21 of the Company's annual report on Form 10-K filed on March 16, 2011).
23	Consent of Independent Registered Public Accounting Firm
31.1	Certification of CEO pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of CFO pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934.
32	Certification Pursuant to 18 U.S.C. Section 1350.
101	The following financial information from Provectus Biopharmaceuticals, Inc.'s Annual Report on Form 10-K for the period ended December 31, 2013, filed with the SEC on March 13, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheet as of December 31, 2013 and December 31, 2012; (ii) the Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011, and cumulative amounts from January 17, 2002

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(Inception) through December 31, 2013; (iii) the Consolidated Statements of Equity for the years ended December 31, 2013, 2012 and 2011; (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, and cumulative amounts from January 17, 2002 (Inception) through December 31, 2013; and (v) Notes to Consolidated Financial Statements.**

Filed herewith.

* Indicates a management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.