American Realty Capital Trust, Inc.
Form 10-K/A
May 11, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)
(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to __________

Commission file number: 001-35439

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

Maryland	71-1036989
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
405 Park Avenue, New York, New York	10022
(Address of principal executive offices)	(Zip Code)

(646) 937-6900
(Registrant's telephone number, including area code)

Name each exchange on which registered: NASDAQ Global Select Market
Securities registered pursuant to section 12(b) of the Act: Common Stock, $0.01 par value per share (Title of class)
Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, was $1.5 billion (which includes shares sold pursuant to the registrant's initial public offering of shares of its common stock and shares of common stock sold pursuant to the registrant's distribution reinvestment plan) based on a per share value of $10.00 (or $9.50 for shares issued under the distribution reinvestment plan). While there was no established public market for the registrant's shares of common stock, at such time, the registrant has completed its on-going initial public offering of its shares of common stock pursuant to its registration statement on Form S-11 (File No. 333-145949), which shares were being sold at $10.00 per share, with discounts available for certain categories of purchasers.

The number of outstanding shares of the registrant’s common stock on May 11, 2012 was 158,474,862 shares.

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EXPLANATORY NOTE

American Realty Capital Trust, Inc. (referred to herein as "us," "we," or the "Company") filed an Annual Report on Form 10-K for the year ended December 31, 2011 on February 16, 2012 (the "Original Filing"), pursuant to which it incorporated by reference into Part III thereof portions of its definitive Proxy Statement for its 2012 Annual Meeting of Stockholders (the "Proxy Statement") to be subsequently filed with the Securities and Exchange Commission (the "SEC"). The Company has determined to amend the Original Filing to include the Part III information in this Amendment No. 1 on Form 10-K/A (this "Amendment"), rather than incorporating it into the Original Filing by reference to the Proxy Statement. Accordingly, Part III of the Original Filing is hereby amended and restated in its entirety as set forth below. In addition, the Company is (i) adding a new risk factor not included in the Original Filing with respect to a term loan entered into by the Company on April 16, 2012 relating to the maturity of such term loan on October 16, 2012, (ii) updating certain other information to reflect events that occurred after the date of the Original Filing, (iii) correcting certain typographical errors made in the Original Filing, (iv) making changes as a result of certain comments received from the SEC on March 12, 2012 in connection with a Registration Statement on Form S-11 (No. 333-179533) that was filed by the Company with the SEC on February 15, 2012 and subsequently withdrawn on March 29, 2012, which comments are applicable to information contained in the Original Filing, (v) making certain updates related to the foregoing changes to the Original Filing, and (vi) including certain currently dated certifications in accordance with the rules of the SEC.

Except as set forth above, we have not modified or updated disclosures presented in the Original Filing to reflect events or developments that have occurred after the date of the Original Filing. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that have occurred or facts that have become known to us after the date of the Original Filing (other than as discussed above), and such forward-looking statements should be read in their historical context. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings made with the SEC subsequent to the filing of the Original Filing.

Forward-Looking Statements

Certain statements included in this Annual Report on Form 10-K/A are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of the Company 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," "should" or s 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.

Statements regarding the following subjects may be impacted by a number of risks and uncertainties which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements:

- our business and investment strategy;
- our ability to renew leases as they expire;
- the performance and economic condition of our tenants;

- our ability to make additional investments in a timely manner or on acceptable terms;
- current credit market conditions and our ability to obtain long-term financing for our property investments in a timely manner and on terms that are consistent with what we project when we invest in the property;

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- the effect of general market, real estate market, economic and political conditions, including the recent economic slowdown and dislocation in the global credit markets;
- our ability to make scheduled payments on our debt obligations;
- our ability to generate sufficient cash flows to make dividends to our stockholders;
- the degree and nature of our competition;
- the availability of qualified personnel;
- our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes (“REIT”);
- we may not derive the expected benefits from the Internalization (as defined below) or may not derive them in the expected amount of time; and
- other subjects referenced in this prospectus, including those set forth under the caption “Risk Factors.”

All forward-looking statements should be read in light of the risks identified in Part I, Item IA of this Annual Report on Form 10-K/A.

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PART I

Item 1A. Risk Factors.

Risks Related to our Business and Operations

Our investments are concentrated in the commercial real estate sector, and our business could be adversely affected by an economic downturn in that sector.

Our investments in real estate assets are concentrated in the commercial real estate sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included investments in other sectors of the real estate industry.

Our growth will partially depend upon our ability to successfully acquire future properties, and we may be unable to enter into and consummate property acquisitions on advantageous terms or our property acquisitions may not perform as we expect.

We acquire and intend to continue to acquire primarily freestanding, single tenant retail properties net leased primary to investment grade and other credit tenants. The acquisition of properties entails various risks, including the risks that our investments may not perform as we expect, that we may be unable to quickly and efficiently integrate our new acquisitions into our existing operations and that our cost estimates for bringing an acquired property up to market standards may prove inaccurate. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private institutional investment funds, including AR Capital, LLC ("ARC"), our sponsor, and its affiliates and other REITs and funds sponsored and/or advised by ARC or its affiliates, and these competitors may have greater financial resources than us and a greater ability to borrow funds to acquire properties. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be significantly elevated. In addition, we expect to finance future acquisitions through a combination of borrowings under our revolving credit facility, proceeds from equity and/or debt offerings by us or our operating partnership, American Realty Capital Operating Partnership, L.P. (the "Operating Partnership"), or its subsidiaries and proceeds from property contributions and divestitures which may not be available and which could adversely affect our cash flows. Any of the above risks could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

We may be unable to source off-market deal flow in the future.

A key component of our growth strategy is to continue to acquire additional commercial net leased real estate assets. Many of our acquisitions were acquired before they were widely marketed by real estate brokers, or “off-market.” Properties that are acquired off-market are typically more attractive to us as a purchaser because of the absence of a formal sales process, which could lead to higher prices. If we cannot obtain off-market deal flow in the future, our ability to locate and acquire additional properties at attractive prices could be adversely affected.

We will depend on key personnel, including William M. Kahane and Brian D. Jones, and the loss of services from key members of the management group or a limitation in their availability could adversely affect us.

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, William M. Kahane and Brian D. Jones, each of whom would be difficult to replace. While we are a party to employment contracts with Messrs. Kahane and Jones, they may nevertheless cease to provide services to us at any time. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain “key person” life insurance on any of our key personnel. We also believe that, as we expand, our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, investment, financing, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such skilled personnel.

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Our acquisition activities are largely dependent on external capital, and our operating results and financial condition could be adversely affected if we do not continue to have access to capital on favorable terms.

As a REIT, we must meet certain annual distribution requirements, which we expect generally to be satisfied by distributing substantially all of our net operating cash flow. Consequently, we are largely dependent on external capital to fund our acquisition activities. We had been accessing public equity capital through our prior continuous public offering on a "best efforts" basis (our "IPO"), the proceeds of which we have used to acquire properties. Our ability to access capital in this manner, or at all, is dependent upon a number of factors, including general market conditions and competition from other real estate companies. To the extent that capital is not available to acquire our target properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our common stock.

We rely on two major tenants, FedEx and Walgreens, for approximately 27% of our average annualized rent and therefore, are subject to tenant credit concentrations that make us more susceptible to adverse events with respect to those tenants.

Approximately 27% of our average annualized rent is expected to be derived from two major tenants:

- approximately 17% of our average annualized rent is expected to be derived from FedEx; and
- approximately 10% of our average annualized rent is expected to be derived from Walgreens.

Therefore, the financial failure of a major tenant is likely to have a material adverse effect on our results of operations and our financial condition. In addition, the value of our investment is historically driven by the credit quality of the underlying tenant, and an adverse change in a major tenant's financial condition or a decline in the credit rating of such tenant may result in a decline in the value of our investments and have a material adverse effect on our results from operations.

Actions of our joint venture partners could negatively impact our performance.

As of December 31, 2011, we owned approximately 1.8 million rentable square feet of our properties through several joint ventures, limited liability companies or partnerships with third parties. Our organizational documents do not limit the amount of available funds that we may invest in partnerships, limited liability companies or joint ventures, and we intend to continue to acquire properties through joint ventures, limited liability companies and partnerships with other persons or entities when warranted by the circumstances. Such partners may share certain approval rights over major decisions. Such investments may involve risks not otherwise present with other methods of investment in real estate, including, but not limited to:

- that our co-member, co-venturer or partner in an investment might become bankrupt, which would mean that we and any other remaining general partners, members or co-venturers would generally remain liable for the partnership's, limited liability company's or joint venture's liabilities;
- that such co-member, co-venturer or partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals;
- that such co-member, co-venturer or partner take action contrary to our instructions or requests or contrary to our policies or objectives, including our current policy with respect to maintaining our qualification as a REIT;
- that, if our partners fail to fund their share of any required capital contributions, we may be required to contribute such capital;

- that joint venture, limited liability company and partnership agreements often restrict the transfer of a co-venturer's, member's or partner's interest or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;
- that our relationships with our partners, co-members or co-venturers are contractual in nature and may be terminated or dissolved under the terms of the agreements and, in such event, we may not continue to own or operate the interests or assets underlying such relationship or may need to purchase such interests or assets at an above-market price to continue ownership;
- that disputes between us and our partners, co-members or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the applicable partnership, limited liability company or joint venture to additional risk; and
- that we may in certain circumstances be liable for the actions of our partners, co-members or co-venturers.

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We generally seek to maintain sufficient control of the related partnerships, limited liability companies and joint ventures to permit us to achieve our business objectives; however, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

If we invest in a limited partnership as a general partner we could be responsible for all liabilities of such partnership.

In some joint ventures or other investments we may make, if the entity in which we invest is a limited partnership, we may acquire all or a portion of our interest in such partnership as a general partner. As a general partner, we could be liable for all the liabilities of such partnership. Additionally, we may be required to take our interests in other investments as a non-managing general partner. Consequently, we would be potentially liable for all such liabilities without having the same rights of management or control over the operation of the partnership as the managing general partner or partners may have. Therefore, we may be held responsible for all of the liabilities of an entity in which we do not have full management rights or control, and our liability may far exceed the amount or value of the investment we initially made or then had in the partnership.

Our net income per share and FFO per share in the near term may decrease as a result of the Internalization.

While we no longer bear the external costs of the various fees and expenses previously paid to American Realty Capital Advisors, LLC (our "Former Advisor") as a result of becoming self-advised, net income per share and FFO per share in the near term may decrease as a result of the the internalization of management services previously provided by our Former Advisor and its affiliates (the "Internalization"), due to increased expenses related to being self-advised, including expenses for compensation and benefits of our officers and other employees, which previously were paid by our Former Advisor. Therefore, the exact amount of future fees that we would pay to our Advisor and its affiliates cannot reasonably be estimated. If the expenses we assume as a result of the Internalization are higher than we anticipate, our net income per share and FFO per share may be lower as a result of the Internalization than it otherwise would have been, potentially causing our net income per share and FFO per share to decrease.

We may become increasingly leveraged to the extent ARC or its affiliate earns a subordinated incentive listing fee in connection with the listing of our common stock on NASDAQ.

On March 1, 2012, our board of directors (the "Board or the "Board of Directors") approved a form of promissory note (the “Note”) that, if earned, may be issued by the Company to ARC in connection with the listing of the Company's common stock on the NASDAQ Stock Market (“NASDAQ”). The Note, if issued, will bear interest at the applicable federal rate established by the Internal Revenue Service on the date of issuance, payable quarterly in arrears. The principal amount of the Note will be an amount equal to 15.0% of the amount, if any, by which (a) the market value of the Company's common stock, based on the average market value of the shares issued and outstanding at listing over the 30 trading days beginning August 18, 2012, which is the 180th day after shares of the Company's common stock were first listed on NASDAQ plus distributions paid by the Company from and after May 21, 2008 and prior to such listing, exceeds (b) the sum of the total amount of capital raised from stockholders during our IPO and the amount of cash flow necessary to generate a 6.0% annual cumulative, non-compounded return to such stockholders through the date of listing. ARC has the right to require that the Company prepay the outstanding principal amount of the Note with the net cash proceeds from any asset sale by the Company or the Operating Partnership. The Note will mature on the third anniversary of the date it is issued, subject to ARC's right to convert any unpaid portion of the Note into shares of the Company's common stock on or after the maturity date. The number of shares of common stock that will be issued upon such conversion will be valued at the average market value of the Company's common stock over the 30 trading days beginning August 18, 2012. In the event that the fee is earned, which will likely occur only to the extent the market value of our common stock for this purpose exceeds $9.81 per share, we will incur additional leverage in an amount equal to the amount of the fee. By way of example, if the market value of our common stock for this purpose is $11.50 per share, such fee would equal $45.1 million and such fee would increase by approximately $6.7 million in respect of each $0.25 increase in the value of each share of our common stock above such $11.50 threshold. If such subordinated incentive listing fee is earned, any cash generated from property sales will be required to amortize such note until it is paid in full, therefore potentially reducing dividends to our stockholders. In addition, the Note, if issued, will impact our leverage ratio and our revolving credit facility which would negatively impact our borrowing capacity under such facility. Further, if ARC or its affiliate elects to convert at maturity any unpaid portion of the Note into shares of our common stock, the number of our shares that will be issued upon such conversion will be valued for this purpose at the average market value of our shares over the 30 trading days beginning 180 days after our shares are first listed. If such conversion occurs, our net income per share and FFO per share may decrease as a result of such conversion.

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In connection with the Internalization, we became exposed to risks to which we have not historically been exposed.

The Internalization exposed us to risks to which we had not historically been exposed. Excluding the effect of the eliminated asset management and other fees previously paid to our Former Advisor and its affiliates, our direct overhead, on a consolidated basis, will increase as a result of becoming self-advised. If we fail to raise and/or invest additional capital, or if the performance of our properties declines, we may not be able to cover this new overhead. Prior to the Internalization, the responsibility for such overhead was borne by our Former Advisor.

Prior to the Internalization, we did not have separate facilities, communications and information systems nor directly employ any employees. As a result of the Internalization, we now lease office space, pay for the costs of our communications and information systems and directly employ eleven persons who were associated with our Advisor or its affiliates. Our business is highly dependent on communications and information systems. Any failure or interruption of our systems could cause delays or other problems in our securities trading activities, which could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders. Additionally, as a direct employer, we will be subject to those potential liabilities that are commonly faced by employers, such as workers disability and compensation claims, potential labor disputes and other employee-related liabilities and grievances, and we will bear the costs of the establishment and maintenance of such plans.

We may be unable to pay or maintain distributions or increase distributions over time.

As a growing company, to date we have funded our monthly distributions to investors with available cash flows and, to a lesser extent, with proceeds from the issuance of common stock. There are many factors that can affect the availability and timing of cash distributions to stockholders. Distributions will be based principally on cash available from our operations, but we may be required to borrow funds, utilize proceeds from public and/or private offerings or sell assets to fund these distributions. The amount of cash available for distributions is affected by many factors, such as our ability to buy properties, rental income from these properties and our operating expense levels, compliance with applicable debt covenants, as well as many other variables. In addition, our Board of Directors, in its discretion, may retain any portion of such cash for working capital. Actual cash available for distributions may vary substantially from estimates. Additionally, our ability to make distributions may be limited by our revolving credit facility, pursuant to which our distributions may not exceed the greater of (i) 95% of our FFO and (ii) the amount of distributions required to be paid by us to qualify as a REIT. We cannot assure you that we will be able to pay or maintain our historic level of distributions or that distributions will increase over time. We cannot give any assurance that rents from the properties we acquire will increase or that future acquisitions of real properties or other investments will increase our cash available for distributions to stockholders. Our actual results may differ significantly from the assumptions used by our Board of Directors in establishing the distribution rate to stockholders. We may not have sufficient cash from operations to make a distribution required to qualify for or maintain our REIT status or to avoid corporate taxes by distributing 100% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP) determined without regard to the deduction for dividends paid and excluding net capital gain. We may pay distributions from unlimited amounts of any source, including borrowing funds, using proceeds from public and/or private offerings, issuing additional securities or selling assets. We have not established any limit on the amount of proceeds from public and/or private offerings that may be used to fund distributions, except in accordance with our organizational documents and Maryland law. Distributions from the proceeds of public and/or private offerings or from borrowings also could reduce the amount of capital we ultimately invest in properties and other permitted investments. This, in turn, could adversely impact our operations and the market price of our common stock.

We have owned our properties for a limited time.

As of December 31, 2011, we owned or controlled 482 operating properties in our portfolio comprising 15.5 million rentable square feet. All the properties have been under our management for less than four years, and we have owned 224 of the properties for less than one year. The properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential. We cannot assure you that the operating performance of the properties will not decline under our management.

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Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

Risks Related to Conflicts of Interest

We may compete with our affiliates for properties.

Although we became self-advised in connection with the Internalization, we are still subject to certain conflicts of interest. Certain of our affiliates, including ARC and its affiliates and other REITs and funds sponsored and/or advised by ARC or its affiliates, could seek to acquire properties that could satisfy our acquisition criteria. As such, we may encounter situations where we would be bidding against an affiliate or teaming with an affiliate for a joint bid.

Our Chief Executive Officer has competing demands on his time and attention.

William M. Kahane, our Chief Executive Officer, owns, directly or indirectly, substantial equity interests in ARC, the parent company of the sponsor and/or external advisor for each other REIT and fund sponsored and/or advised by ARC or its affiliates, and has similar ownership of, and serves as a manager for, other affiliates of ARC.

Our Chief Executive Officer and our Chairman of the Board have conflicts of interest resulting from their relationships with ARC.

William M. Kahane, our President, Chief Executive Officer and Director, and Nicholas S. Schorsch, our Chairman of the Board, each own, directly or indirectly, substantial equity interests in ARC and its affiliates, certain of which are companies that sponsor and/or advise other REITs and are entitled to receive fees and distributions in connection with such management, including asset management fees, acquisition fees, financing fees, disposition fees and incentive fees and distributions upon the sale or listing of such REITs. Additionally, Mr. Schorsch is the Chief Executive Officer and Chairman of the Board of eight other REITs, three of which invest in single tenant, freestanding commercial real estate, as we do. In addition, we expect Mr. Schorsch and ARC to form other REITs that will also invest in our target properties. Any of these relationships could result in various conflicts of interest and decisions that are not in the best interests of our stockholders.

We may invest in, or co-invest with, our affiliates.

We may invest in, or co-invest with, joint ventures or other programs sponsored by affiliates of two of our directors, Messrs. Kahane and Schorsch, including those pursuant to our joint ventures with other REITs sponsored by ARC. A majority of our disinterested directors, including a majority of our disinterested Independent Directors, must approve any such transaction and Messrs. Kahane and Schorsch will each abstain from voting as directors on any transactions we enter into with their affiliates. Management's recommendation to our Independent Directors may be affected by its relationship with one or more of the co-venturers and may be more beneficial to the other programs than to us. In addition, we may not seek to enforce the agreements relating to such transactions as vigorously as we otherwise might because of our desire to maintain our relationships with these directors.

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Our UPREIT structure may result in potential conflicts of interest.

We may issue additional common units of limited partnership interest in our Operating Partnership ("OP units") in the future in connection with the acquisition of additional properties. Persons holding OP units have the right to vote on certain amendments to the limited partnership agreement of our Operating Partnership, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Furthermore, circumstances may arise in the future when the interest of limited partners in our Operating Partnership may conflict with the interests of our stockholders. For example, the timing and terms of dispositions of properties held by our Operating Partnership may result in tax consequences to certain limited partners and not to our stockholders. In addition, an affiliate of Messrs. Schorsch and Kahane, that is a limited partner in our Operating Partnership, has a deficit repayment obligation of up to $10.0 million that is payable upon liquidation of our Operating Partnership to the extent of a deficit in such limited partner's capital account at such time. The existence of this repayment obligation could create a disincentive for Messrs. Schorsch and Kahane to enter into transactions that would result in a liquidation of our Operating Partnership.

We may have increased exposure to liabilities from litigation as a result of our Operating Partnership's participation in Section 1031 Exchange Programs.

An affiliate of ARC has developed Section 1031 Exchange Programs, which seek to facilitate real estate acquisitions for persons, or 1031 Participants, who seek to reinvest proceeds from a real estate sale and qualify that reinvestment for like-kind exchange treatment under Section 1031 of the Code. A Section 1031 Exchange Program may involve a private placement of co-tenancy interests in real estate. As of December 31, 2011, our Operating Partnership has engaged in six Section 1031 Exchange Programs, two of which are co-tenancy interests in real estate, raising aggregate proceeds of $15.2 million. There are significant tax and securities disclosure risks associated with these private placement offerings of co-tenancy interests to 1031 Participants. For example, in the event that the Internal Revenue Service, or the IRS, conducts an audit of the purchasers of co-tenancy interests and successfully challenges the qualification of the transaction as a like-kind exchange, purchasers of co-tenancy interests may file a lawsuit against the entity offering the co-tenancy interests and its sponsors. Any amounts we are required to expend for any such litigation claims may reduce the amount of funds available for distribution to you. In addition, disclosure of any such litigation may limit our future ability to raise additional capital through the sale of stock or borrowings and the market price of our common stock.

Ownership of co-tenancy interests involves risks not otherwise present with an investment in real estate, including, without limitation, the following:

- the risk that a co-tenant may at any time have economic or business interests or goals that are inconsistent with our business interests or goals;
- the risk that a co-tenant may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives; or
- the possibility that a co-tenant might become insolvent or bankrupt, which may be an event of default under mortgage loan financing documents, or allow the bankruptcy court to reject the tenants-in-common agreement or management agreement entered into by the co-tenants owning interests in the property.

Any of the above might subject a property to liabilities in excess of those contemplated and thus reduce what we could expect to receive from such property. In the event that our interests become adverse to those of the other co-tenants, we may not have the contractual right to purchase the co-tenancy interests from the other co-tenants. Even if we are given the opportunity to purchase such co-tenancy interests in the future, we cannot guarantee that we will have sufficient funds available at the time to purchase co-tenancy interests from the 1031 Participants. We might want to sell our co-tenancy interests in a given property at a time when the other cotenants in such property do not desire to sell their interests. Therefore, we may not be able to sell our interest in a property at the time we would like to sell. In addition, we anticipate that it will be much more difficult to find a willing buyer for our co-tenancy interests in a property than it would be to find a buyer for a property we owned entirely.

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General Real Estate Related Risks

Our operating performance and value are subject to risks associated with our real estate assets and with the real estate industry.

Our real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain events may decrease cash available for distributions, as well as the value of our properties. These events include, but are not limited to:

- adverse changes in international, national or local economic and demographic conditions such as the recent global economic downturn;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or tenant-favorable renewal options;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- inability to collect rent from tenants;
- competition from other real estate investors with significant capital, including other real estate operating companies, REITs and institutional investment funds;
- reductions in the level of demand for commercial space generally, and freestanding net leased properties specifically, and changes in the relative popularity of our properties;
- increases in the supply of freestanding single tenant properties;
- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of our properties, to obtain financing on favorable terms or at all;
- increases in expenses, including, but not limited to, insurance costs, labor costs, energy prices, real estate assessments and other taxes and costs of compliance with laws, regulations and governmental policies, all of which have an adverse impact on the rent a tenant may be willing to pay us in order to lease one or more of our properties; and
- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, governmental fiscal policies and the Americans with Disabilities Act of 1990.

In addition, periods of economic slowdown or recession, such as the recent global economic downturn, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases. If we cannot operate our properties to meet our financial expectations, our business, financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to make distributions to our stockholders could be materially and adversely affected. We cannot assure you that we will achieve our return objectives.

A potential change in U.S. accounting standards regarding operating leases may make the leasing of our properties less attractive to our potential tenants, which could reduce overall demand for our leasing services.

Under current authoritative accounting guidance for leases, a lease is classified by a tenant as a capital lease if the significant risks and rewards of ownership are considered to reside with the tenant. Under capital lease accounting for a tenant, both the leased asset and liability are reflected on their balance sheet. If the lease does not meet any of the criteria for a capital lease, the lease is considered an operating lease by the tenant, and the obligation does not appear on the tenant's balance sheet; rather, the contractual future minimum payment obligations are only disclosed in the footnotes thereto. Thus, entering into an operating lease can appear to enhance a tenant's balance sheet in comparison to direct ownership. The Financial Accounting Standards Board, or the FASB, and the International Accounting Standards Board, or the IASB, conducted a joint project to re-evaluate lease accounting. In August 2010, the FASB and the IASB jointly released exposure drafts of a proposed accounting model that would significantly change lease accounting. The final standards have yet to be released. Changes to the accounting guidance could affect both our accounting for leases as well as that of our current and potential tenants. These changes may affect how our real estate leasing business is conducted. For example, if the accounting standards regarding the financial statement classification of operating leases are revised, then companies may be less willing to enter into leases with us in general or desire to enter into leases with us with shorter terms because the apparent benefits to their balance sheets could be reduced or eliminated. This in turn could cause a delay in making our investments and make it more difficult for us to enter into leases on terms we find favorable.

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We may be unable to renew leases, lease vacant space or re-lease space as leases expire on favorable terms or at all, which could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution to our stockholders, per share trading price of our common stock and our ability to satisfy our debt service obligations.

Because we compete with a number of real estate operators in connection with the leasing of our properties, the possibility exists that one or more of our tenants will extend or renew its lease with us when the lease term expires on terms that are less favorable to us than the terms of the then-expiring lease, or that such tenant or tenants will not renew at all. Because we depend, in large part, on rental payments from our tenants, if one or more tenants renews its lease on terms less favorable to us, does not renew its lease or we do not re-lease a significant portion of the space made available, our financial condition, results of operations, cash flow, cash available for distribution to our stockholders, per share trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely affected.

We are dependent on single tenant leases for our revenue and, accordingly, lease terminations or tenant defaults could have a material adverse effect on our results of operations.

We focus, and expect to continue to focus, our investment activities on ownership of freestanding, single tenant commercial properties that are net leased to a single tenant. Therefore, the financial failure of, or other default in payment by, a single tenant under its lease is likely to cause a significant reduction in our operating cash flows from that property and a significant reduction in the value of the property, and could cause a significant reduction in our revenues. If a lease is terminated or defaulted on, we may experience difficulty or significant delay in re-leasing such property, or we may be unable to find a new tenant to re-lease the vacated space, which could result in us incurring a loss. The current weak economic conditions and the remnants of the credit crisis may put financial pressure on and increase the likelihood of the financial failure of, or other default in payment by, one or more of the tenants to whom we have exposure.

Our net leases may require us to pay property related expenses that are not the obligations of our tenants.

Under the terms of all of our net leases, in addition to satisfying their rent obligations, our tenants are responsible for the payment of real estate taxes, insurance and ordinary maintenance and repairs. However, under the provisions of future leases with our tenants, we may be required to pay some expenses, such as the costs of environmental liabilities, roof and structural repairs, insurance, certain non-structural repairs and maintenance. If our properties incur significant expenses that must be paid by us under the terms of our leases, our business, financial condition and results of operations will be adversely affected and the amount of cash available to meet expenses and to make distributions to holders of our common stock may be reduced.

A property that incurs a vacancy could be difficult to sell or re-lease.

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. Certain of our properties may be specifically suited to the particular needs of a tenant. We may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

We may not have funding for future tenant improvements.

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract one or more new tenants, we will be required to expend funds to construct new tenant improvements in the vacated space. We cannot assure you that we will have adequate sources of funding available to us for such purposes in the future.

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The fact that real estate investments are not as liquid as other types of assets may reduce economic returns to investors.

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. In addition, we intend to comply with the safe harbor rules relating to the number of properties that can be disposed of in a year, the tax bases and the costs of improvements made to these properties, and meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets may be restricted. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the market price of, our common stock.

Our investments in properties backed by below investment grade credits will have a greater risk of default.

As of December 31, 2011, 19.4% of our tenants (based on annualized rent from our properties) do not have an investment grade credit rating. We also may invest in other properties in the future where the underlying tenant's credit rating is below investment grade. These investments will have a greater risk of default and bankruptcy than investments in properties leased exclusively to investment grade tenants.

Our investments in properties where the underlying tenant does not have a publicly available credit rating will expose us to certain risks.

As of December 31, 2011, 9.0% of our tenants (based on annualized rent from our properties) do not have a publicly available credit rating. Additionally, if in the future we invest in additional properties where the underlying tenant does not have a publicly available credit rating, we will rely on our own estimates of the tenant's credit rating and usually subsequently obtain a private rating from a reputable credit rating agency to allow us to finance the property as we had planned. If our lender or a credit rating agency disagrees with our ratings estimates, or our ratings estimates are inaccurate, we may not be able to obtain our desired level of leverage and/or our financing costs may exceed those that we projected. This outcome could have an adverse impact on our returns on that asset and hence our operating results.

We would face potential adverse effects from tenant defaults, bankruptcies or insolvencies.

The bankruptcy of our tenants may adversely affect the income generated by our properties. If our tenant files for bankruptcy, we generally cannot evict the tenant solely because of such bankruptcy. In addition, a bankruptcy court could authorize a bankrupt tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid and future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and it is unlikely that a bankrupt tenant would pay in full amounts it owes us under the lease. Any shortfall resulting from the bankruptcy of one or more of our tenants could adversely affect our cash flow and results of operations.

Our properties may be subject to impairment charges.

We periodically evaluate our real estate investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, tenant performance and legal structure. For example, the early termination of, or default under, a lease by a tenant may lead to an impairment charge. Since our investment focus is on properties net leased to a single tenant, the financial failure of, or other default in payment by, a single tenant under its lease may result in a significant impairment loss. If we determine that an impairment has occurred, we would be required to make an adjustment to the net carrying value of the property, which could have a material adverse effect on our results of operations and FFO in the period in which the impairment charge is recorded.

We have greater exposure to operating costs when we invest in properties leased to the United States Government.

We invest in properties leased to the United States Government. Any leases with the United States Government generally will be typical GSA type leases. These leases do not provide that the United States Government is wholly responsible for operating costs of the property, but include an operating cost component within the rent we receive that increases annually by an agreed upon percentage based upon the CPI. Thus, we will have greater exposure to operating costs on our properties leased to the United States Government, if any, because if the operating costs of the property increase faster than the CPI, we will bear those excess costs.

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Adverse global market and economic conditions may adversely affect us and could cause us to recognize impairment charges or otherwise harm our performance.

Recent market and economic conditions have been challenging, with tighter credit conditions in 2008 through 2012. Continued concerns about the availability and cost of credit, the U.S. mortgage market, inflation, unemployment levels, geopolitical issues and declining equity and real estate markets have contributed to increased market volatility and diminished expectations for the U.S. economy. The commercial real estate sector in particular has been adversely affected by these market and economic conditions. These conditions may result in our tenants requesting rent reductions, declining to extend or renew leases upon expiration or renewing at lower rates. These conditions may force tenants, in some cases, to declare bankruptcy or vacate leased premises. We may be unable to re-lease vacated space at attractive rents or at all. We are unable to predict whether, or to what extent or for how long, these adverse market and economic conditions will persist. The continuation or intensification of these conditions may impede our ability to generate sufficient operating cash flow to pay expenses, maintain properties, make distributions and repay debt.

Difficult conditions in the commercial real estate markets may cause us to experience market losses related to our properties, and these conditions may not improve in the near future.

Our results of operations are materially affected by conditions in the real estate markets, the financial markets and the economy generally and may cause commercial real estate values, including the values of our properties, and market rental rates, including rental rates that we are able to charge upon a vacancy of a property, to decline significantly. Current economic and credit market conditions have contributed to increased volatility and diminished expectations for real estate markets, as well as adversely impacted inflation, energy costs, geopolitical issues and the availability and cost of credit, and will continue to do so going forward. The further deterioration of the real estate market may cause us to record losses on our assets, reduce the proceeds we receive upon sale or refinance of our assets or adversely impact our ability to lease our properties upon any lease expiration or following a tenant default. Declines in the market values of our properties may adversely affect our results of operations and credit availability, which may reduce earnings and, in turn, cash available for distributions to our stockholders. Current economic and credit market conditions may also cause one or more of the tenants to whom we have exposure to fail or default in their payment obligations, which could cause us to record material losses or a material reduction in our cash flows.

Terrorism and other factors affecting demand for our properties could harm our operating results.

The strength and profitability of our business depends on demand for and the value of our properties. Future terrorist attacks in the United States, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of terrorism or war could have a negative impact on our operations. Such terrorist attacks could have an adverse impact on our business even if they are not directed at our properties. In addition, the terrorist attacks of September 11, 2001 have substantially affected the availability and price of insurance coverage for certain types of damages or occurrences, and our insurance policies for terrorism include large deductibles and co-payments. The lack of sufficient insurance for these types of acts could expose us to significant losses and could have a negative impact on our operations.

Uninsured losses or losses in excess of our insurance coverage could adversely affect our financial condition and cash flows, and there can be no assurance as to future costs and the scope of coverage that may be available under insurance policies.

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy with policy specifications, limits and deductibles customarily carried for similar properties. In addition, we carry professional liability and directors' and officers' insurance. We have selected policy specifications and insured limits that we believe are appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Certain types of losses may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots or acts of war. Should an uninsured loss occur, we could lose both our investment in and anticipated profits and cash flow from a property. If any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. In addition, future lenders may require such insurance, and our failure to obtain such insurance could constitute a default under our loan agreements. In addition, we may reduce or discontinue terrorism, earthquake, flood or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, our business, financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to make distributions to our stockholders may be materially and adversely affected.

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If we or one or more of our tenants experiences a loss that is uninsured or which exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

If any of our insurance carriers become insolvent, we could be adversely affected.

We carry several different lines of insurance, placed with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier, and any outstanding claims would be at risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency could adversely affect our results of operations and cash flows.

Contingent or unknown liabilities could adversely affect our financial condition.

We have acquired, and may in the future acquire, properties, or may have previously owned properties, subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flows. Unknown liabilities with respect to entities or properties acquired might include:

- liabilities for clean-up or remediation of adverse environmental conditions;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax liabilities; and
- claims for indemnification by the general partners, officers and directors and others indemnified by the former owners of the properties.

Because we own real property, we are subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities.

Environmental laws regulate, and impose liability for, releases of hazardous or toxic substances into the environment. Under various provisions of these laws, an owner or operator of real estate, such as us, is or may be liable for costs related to soil or groundwater contamination on, in, or migrating to or from its property. In addition, persons who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the costs of cleaning up contamination at the disposal site. Such laws often impose liability regardless of whether the person knew of, or was responsible for, the presence of the hazardous or toxic substances that caused the contamination. The presence of, or contamination resulting from, any of these substances, or the failure to properly remediate them, may adversely affect our ability to sell or lease our property or to borrow using such property as collateral. In addition, persons exposed to hazardous or toxic substances may sue us for personal injury damages. For example, certain laws impose liability for release of or exposure to asbestos-containing materials and contamination from past operations or from off-site sources. As a result, in connection with our current or former ownership, operation, management and development of real properties, we may be potentially liable for investigation and cleanup costs, penalties, and damages under environmental laws.

Although all of our properties were, at the time we acquired them, subjected to preliminary environmental assessments, known as Phase I assessments, by independent environmental consultants that identify certain liabilities, Phase I assessments are limited in scope, and may not include or identify all potential environmental liabilities or risks associated with the property. Further, any environmental liabilities that arose since the date the studies were done would not be identified in the assessments. Unless required by applicable laws or regulations, we may not further investigate, remedy or ameliorate the liabilities disclosed in the Phase I assessments.

We cannot assure you that these or other environmental studies identified all potential environmental liabilities, or that we will not incur material environmental liabilities in the future. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

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Costs of complying with governmental laws and regulations may adversely affect our income and the cash available for any distributions.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Tenants' ability to operate and to generate income to pay their lease obligations may be affected by permitting and compliance obligations arising under such laws and regulations. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Leasing properties to tenants that engage in commercial activities will cause us to be subject to the risk of liabilities under environmental laws and regulations. In addition, the presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines or damages we must pay will reduce our ability to make distributions and may reduce the value of your investment.

In addition, changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur.

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act, including removing access barriers, then our cash flows and the amounts available for distributions to our stockholders may be adversely affected. Additionally, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that will affect our cash flows and results of operations.

We own several of our properties subject to ground leases that expose us to the loss of such properties upon breach or termination of the ground leases and may limit our ability to sell these properties.

We own several of our properties through leasehold interests in the land underlying the buildings and we may acquire additional buildings in the future that are subject to similar ground leases. As lessee under a ground lease, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Our ground leases contain certain provisions that may limit our ability to sell certain of our properties. In order to assign or transfer our rights and obligations under certain of our ground leases, we generally must obtain the consent of the landlord which, in turn, could adversely impact the price realized from any such sale.

We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions, which could adversely affect the return on your investment.

We expect to hold the various real properties in which we invest until such time as we decide that a sale or other disposition is appropriate given our investment objectives. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.

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Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct such defects or to make such improvements.
In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.

If we sell properties and provide financing to purchasers, defaults by the purchasers would adversely affect our cash flows.

If we decide to sell any of our properties, we presently intend to use our best efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to stockholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

We may acquire properties with “lock-out” provisions which may affect our ability to dispose of the properties or acquire properties that require us to maintain a certain minimum level of mortgage indebtedness, encumbering our properties, which may affect our ability to pay off such indebtedness and thereby limit the flexibility of our debt options.

We may acquire properties through contracts that could restrict our ability to dispose of the property for a period of time. These “lock-out” provisions could affect our ability to turn our investments into cash and could affect cash available for distributions to you. Lock-out provisions could also impair our ability to take actions during the lock-out period that would otherwise be in the best interest of our stockholders and, therefore, may have an adverse impact on the value of our common stock relative to the value that would result if the lock-out provisions did not exist. In addition, we may acquire properties through contracts that require us to maintain a certain level of mortgage indebtedness encumbering our properties for a period of time. These debt maintenance provisions would adversely affect our financing flexibility by restricting our ability to refinance such mortgage indebtedness on favorable terms or by prohibiting our inclusion of these properties in the borrowing base of our revolving credit facility.

Risks Related to Our Debt Financing

We have substantial amounts of indebtedness outstanding, which may affect our ability to make distributions, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations.

As of December 31, 2011, our aggregate outstanding indebtedness was approximately $684.0 million. We may incur significant additional debt for various purposes including, without limitation, the funding of future acquisitions, the payment of dividends, capital improvements and leasing commissions in connection with the repositioning of a property.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to make the distributions currently contemplated or necessary to maintain our REIT qualification and avoid corporate taxes because we did not distribute 100% of our REIT taxable income (which does not equal net income, as calculated in accordance with GAAP) determined without regard to the deduction for dividends paid and excluding net capital gain. Our substantial outstanding indebtedness, and the limitations imposed on us by our debt agreements, could have other significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on satisfactory terms, which could, among other things, adversely affect our ability to capitalize upon emerging acquisition opportunities or meet needs to fund capital improvements and leasing commissions;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations;
- certain of the property subsidiaries' loan documents may include restrictions on such subsidiary's ability to make distributions to us;
- we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under our hedge agreements, these agreements may not effectively hedge interest rate fluctuation risk, and, upon the expiration of any hedge agreements, we would be exposed to then-existing market rates of interest and future interest rate volatility;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases; and
- our default under any of our indebtedness with cross-default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our business, financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to make distributions to our stockholders could be materially and adversely affected. In addition, any foreclosure on our properties could create taxable income without accompanying cash proceeds, which could adversely affect our ability to meet the REIT distribution requirements imposed by the Code.

Our operating results and financial condition could be adversely affected if we are unable to make required payments on our debt.

Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur. We are subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest. There can be no assurance that we will be able to refinance any maturing indebtedness, that such refinancing would be on terms as favorable as the terms of the maturing indebtedness or that we will be able to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness. In particular, loans obtained to fund property acquisitions will generally be secured by mortgages or deeds in trust on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment, which in turn could cause the value of our common stock and distributions payable to stockholders to be reduced. Certain of our existing and future indebtedness is and may be cross-collateralized and, consequently, a default on this indebtedness could cause us to lose part or all of our investment in multiple properties.

Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.

As of December 31, 2011, our aggregate outstanding indebtedness was approximately $684.0 million, and we expect that we will incur additional indebtedness in the future. Interest we pay reduces our cash available for distributions. Certain of our debt issuances bear interest at variable rates and, as of December 31, 2011, we had $10.0 million of outstanding debt that is not fixed rate debt or fixed through the use of hedging instruments related to our revolving credit facility. If we incur variable rate debt, increases in interest rates raise our interest costs, which reduces our cash flows and our ability to make distributions to you. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected, and we may lose the property securing such indebtedness. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

We recently entered into a senior secured interim term loan that is maturing in the short-term, which loan we may not be able to refinance upon maturity.
On April 16, 2012, through our Operating Partnership, we entered into a term loan agreement led by Wells Fargo Bank, National Association (“Wells Fargo”) for a senior secured interim term loan in the amount of up to $200 million (the “Interim Loan”). The Interim Loan matures on October 16, 2012. On April 16, 2012, the Company drew down the full amount of the Interim Loan to prepay approximately $161.2 million of the Company's outstanding fixed rate mortgage indebtedness, related prepayment and other costs, and for general working capital purposes.

Although we intend to repay the Interim Loan at maturity with the proceeds from a future syndicated loan led by Wells Fargo, given current economic conditions, including, but not limited to, the current limitation on the availability of credit and related adverse conditions, in the global financial markets, we may not be able to refinance the Interim Loan on favorable terms, or at all. If we are not able to refinance the Interim Loan, we could face substantial liquidity problems and might be required to dispose of material assets to meet our debt service and other obligations with respect thereto. Certain agreements governing our indebtedness restrict our ability to dispose of assets and use the proceeds from any such dispositions. We cannot assure you we will be able to consummate those sales, or if we do, what the timing of the sales will be, whether the proceeds that we realize will be adequate to meet debt service obligations with respect to the Interim Loan when due or whether we would receive fair value for such assets. As a result, our business, financial condition, results of operations, cash flow, per share trading price of our common stock and ability to make distributions to our stockholders may be materially and adversely affected.

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Covenants in our credit agreements could limit our flexibility and adversely affect our financial condition.

The terms of our revolving credit facility and other indebtedness require, and the terms of loan documents entered into in the future likely will require, us to comply with a number of customary financial and other covenants, such as covenants with respect to consolidated leverage, net worth and unencumbered assets. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. As of December 31, 2011, we had $435.8 million of other non-recourse, secured loans which are cross-collateralized by multiple properties. If we default on any of these loans we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. In addition, our revolving credit facility contains certain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the revolving credit facility in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

Unless both Messrs. Schorsch and Kahane remain as members of our Board of Directors, we will be in default under our revolving credit facility and Interim Term Loan.

Our revolving credit facility and Interim Term Loan provide that we would be in default upon a change of control. A change of control is defined as, among other things, Messrs. Schorsch and Kahane ceasing to be members of our Board of Directors, without being replaced by a director acceptable to the lenders of such loans in their sole discretion, and without regard to such cessation resulting from death, disability, retirement or termination from their positions for cause of either Mr. Schorsch or Mr. Kahane. If such an event were to occur, we would be required to repay the indebtedness under the revolving credit facility and Interim Term Loan to avoid foreclosure on the equity interests of our property subsidiaries which secure these facilities. If the equity interests of any of our property subsidiaries are foreclosed upon, the amount of our distributable cash flows and our financial condition would be materially and adversely affected. Additionally, the presence of this provision in the credit agreement for our revolving credit facility and Interim Term Loan may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our financing arrangements involving balloon payment obligations may adversely affect our ability to make distributions.

Some of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance such debt when the loans come due or of being unable to refinance such debt on favorable terms. If interest rates are higher when we refinance such debt, our income could be reduced. We may be unable to refinance such debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us or could result in the foreclosure of such properties. If any of these events occur, our cash flows would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

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Our hedging strategies may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on your investment.

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. These instruments involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income tests. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. Moreover, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on your investment.

Risks Related to Our Corporate Structure

Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction.

Our charter contains a 9.8% ownership limit.

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% in value of the aggregate of our outstanding shares of stock and not more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of our shares of stock. Our Board of Directors, in its sole discretion, may (prospectively or retroactively) exempt, subject to the satisfaction of certain conditions, any person from the ownership limit. However, our Board of Directors may not grant an exemption from the ownership limit to any person whose ownership, direct or indirect, in excess of 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of our shares of stock would jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our Board of Directors determines that it is no longer in our best interests to continue to qualify as a REIT or that compliance is no longer required for REIT qualification. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

We could authorize and issue additional stock without stockholder approval.

Our Board of Directors could, without stockholder approval, issue authorized but unissued shares of our common stock or preferred stock and amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. In addition, our Board of Directors could, without stockholder approval, classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares. Our Board of Directors could establish a series of stock that could, depending on the terms of such series, delay, defer or prevent a transaction or change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Majority stockholder vote may discourage changes of control.

If declared advisable by our Board of Directors, our stockholders may take some actions, including approving amendments to our charter, by a vote of a majority of the shares outstanding and entitled to vote. If approved by the holders of a majority of shares, all actions taken would be binding on all of our stockholders. Some of these provisions may discourage or make it more difficult for another party to acquire control of us or to effect a change in our operations.

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Provisions of Maryland law may limit the ability of a third party to acquire control of our company.

Certain provisions of Maryland law may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under certain circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter would require the recommendation of our Board of Directors and impose supermajority appraisal rights and special stockholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the Maryland General Corporation Law, or MGCL, our Board of Directors has by resolution exempted business combinations between us and any person, provided that such business combination is first approved by our Board of Directors (including a majority of directors who are not affiliates or associates of such person). Consequently, the five-year prohibition and the super-majority vote requirements will not apply to such business combinations. As a result, any person described above may be able to enter into business combinations with us that may not be in the best interest of our stockholders without compliance by us with the super-majority vote requirements and other provisions of the statute. This resolution, however, may be altered or repealed in whole or in part at any time by our Board of Directors. If this resolution is repealed, or our Board of Directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, we may, by amendment to our bylaws, opt in to the control shares provisions of the MGCL in the future.
Additionally, Title 8, Subtitle 3 of the MGCL permits our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not currently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price.
Our charter, our bylaws, the limited partnership agreement of our Operating Partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our Board of Directors can take many actions without stockholder approval.

Our Board of Directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our Board of Directors can do the following:

- within the limits provided in our charter, prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in our best interests;

- issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then-current stockholders;
- amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series, without obtaining stockholder approval;
- classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;
- employ and compensate affiliates;
- direct our resources toward investments that do not ultimately appreciate over time;
- change creditworthiness standards with respect to third-party tenants; and
- determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving you, as a stockholder, the right to vote.

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We may change our investment and financing strategies and enter into new lines of business without stockholder consent, which may result in riskier investments than our current investments.

We may change our investment and financing strategies and enter into new lines of business at any time without the consent of our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this Annual Report on Form 10-K/A. A change in our investment strategy or our entry into new lines of business may increase our exposure to interest rate and other risks of real estate market fluctuations.

Our rights and the rights of our stockholders to recover claims against our officers and directors are limited, which could reduce your and our recovery against them if they cause us to incur losses.

Maryland law provides that a director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the corporation's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, subject to certain limitations set forth therein or under Maryland law, our charter provides that no director or officer will be liable to us or our stockholders for monetary damages and requires us to indemnify our directors and officers and permits us to indemnify our employees and agents. However, our charter provides that we may not indemnify a director for any loss or liability suffered by any of them or hold harmless such indemnitee for any loss or liability suffered by us unless: (1) the indemnitee determined, in good faith, that the course of conduct that caused the loss or liability was in our best interests, (2) the indemnitee was acting on behalf of or performing services for us, (3) the liability or loss was not the result of (A) negligence or misconduct, in the case of a director (other than an Independent Director), the advisor or an affiliate of the advisor, or (B) gross negligence or willful misconduct, in the case of an Independent Director, and (4) the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from our stockholders. Although our charter does not allow us to indemnify or hold harmless an indemnitee to a greater extent than permitted under Maryland law, we and our stockholders may have more limited rights against our directors, officers, employees and agents than might otherwise exist under common law, which could reduce your and our recovery against them. In addition, we may be obligated to fund the defense costs incurred by our directors, officers, employees and agents which would decrease the cash otherwise available for distribution to you.

We are a holding company with no direct operations. As a result, we will rely on funds received from our Operating Partnership to pay liabilities and dividends, our stockholders' claims will be structurally subordinated to all liabilities of our Operating Partnership and our stockholders will not have any voting rights with respect to our Operating Partnership's activities, including the issuance of additional OP units.

We are a holding company and will conduct all of our operations through our Operating Partnership. We do not have, apart from our ownership of our Operating Partnership, any independent operations. As a result, we will rely on distributions from our Operating Partnership to pay any dividends we might declare on shares of our common stock. We will also rely on distributions from our Operating Partnership to meet any of our obligations, including tax liability on taxable income allocated to us from our Operating Partnership (which might make distributions to the company not equal to the tax on such allocated taxable income).
In addition, because we are a holding company, stockholders' claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, claims of our stockholders will be satisfied only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

We will own approximately 99.99% of the OP units in our Operating Partnership. However, our Operating Partnership may issue additional OP units in the future. Such issuances could reduce our ownership percentage in our Operating

Partnership. Because our common stockholders will not directly own any OP units, they will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.

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The existence of a large number of outstanding shares and stockholders prior to completion of the Listing could negatively affect our stock price.

As of May 11, 2012, we had 158.5 million shares of common stock outstanding. All of these shares are freely tradable, although our affiliates are subject to certain volume limitations on trading under the federal securities laws. Neither we nor any third party have any control over the timing or volume of these sales. Prior to the Listing, our shares of common stock were not listed on any national exchange, and the ability of stockholders to liquidate their investments was limited. Subsequent to the Listing, a large volume of sales of these shares could decrease the prevailing market prices of our common stock and could impair our ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales are not affected, the mere perception of the possibility of these sales could depress the market price of our common stock and have a negative effect on our ability to raise capital in the future. In addition, anticipated downward pressure on our common stock price due to actual or anticipated sales of common stock from this market overhang could cause some institutions or individuals to engage in short sales of our common stock, which may itself cause the price of our stock to decline.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. Some of the factors that could negatively affect our stock price include:

•actual or anticipated variations in our quarterly operating results;
•changes in our earnings estimates or publication of research reports about us or the real estate industry;
•increases in market interest rates, which may lead purchasers of our stock to demand a higher yield;
•changes in market valuations of similar companies;
•adverse market reaction to any increased indebtedness we incur in the future;
•additions or departures of key personnel;
•actions by institutional stockholders;
•speculation in the press or investment community; and
•general market and economic conditions.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock or both. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their proportionate ownership.

The number of shares of our common stock available for future sale could adversely affect the market price of our common stock, and future sales by us of shares of our common stock or issuances by our Operating Partnership of OP units may be dilutive to existing stockholders.

Sales of substantial amounts of shares of our common stock in the public market, or upon exchange of OP units or exercise of any equity awards, or the perception that such sales might occur could adversely affect the market price of the shares of our common stock. The exchange of OP units for common stock, the vesting of any equity-based awards granted to certain directors, executive officers and other employees or us, the issuance of our common stock or OP units in connection with property, portfolio or business acquisitions and other issuances of our common stock or OP units could have an adverse effect on the market price of the shares of our common stock. The existence of restricted shares, as well as OP units that may be issued in the future, equity awards, and shares of our common stock reserved for issuance under our incentive plan or upon exchange of any such OP units and any related resales may adversely affect the market price of our common stock and the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future sales by us of shares of our common stock may be dilutive to existing stockholders.

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The market price of our common stock could be adversely affected by our level of cash distributions.

The market's perception of our growth potential and our current and potential future cash distributions, whether from operations, sales or refinancings, as well as the real estate market value of the underlying assets, may cause our common stock to trade at prices that differ from our net asset value per share. If we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and distributions likely would adversely affect the market price of our common stock.

If securities analysts do not publish research or reports about our business or if they downgrade our common stock or our sector, the price of our common stock could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our stock or our industry, or the stock of any of our competitors, the price of our common stock could decline. If one or more of these analysts ceases coverage of our company, we could lose attention in the market, which in turn could cause the price of our common stock to decline.

U.S. Federal Income Tax Risks

Our failure to remain qualified as a REIT would subject us to U.S. federal income tax and potentially state and local tax, and would adversely affect our operations and the market price of our common stock.

We have elected to be taxed as a REIT beginning with the tax year ending December 31, 2008 and intend to operate in a manner that would allow us to continue to qualify as a REIT. However, we may terminate our REIT qualification if our Board of Directors determines that not qualifying as a REIT is in our best interests, or inadvertently. Our qualification as a REIT depends upon our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. We currently intend to structure our activities in a manner designed to satisfy all requirements for qualification as a REIT. However, the REIT qualification requirements are extremely complex and interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited. Furthermore, any opinion of our counsel, including tax counsel, as to our eligibility to qualify or remain qualified as a REIT is not binding on the IRS and is not a guarantee that we will qualify, or continue to qualify, as a REIT. Accordingly, we cannot be certain that we will be successful in operating so we can qualify or remain qualified as a REIT. Our ability to satisfy the asset tests depends on our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income or quarterly asset requirements also depends on our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, if certain of our operations were to be recharacterized by the IRS, such recharacterization would jeopardize our ability to satisfy all the requirements for qualification as a REIT. Furthermore, future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to continue to qualify as a REIT for any taxable year and we do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT qualification. Losing our REIT qualification would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

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Even if we qualify as a REIT, in certain circumstances, we may incur tax liabilities that would reduce our cash available for distribution to you.

Even if we qualify and maintain our status as a REIT, we may be subject to U.S. federal, state and local income taxes. For example, net income from the sale of properties that are “dealer” properties sold by a REIT (a “prohibited transaction” under the Code) will be subject to a 100% tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs. We also may decide to retain net capital gain we earn from the sale or other disposition of our property and pay U.S. federal income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and thereon seek a refund of such tax. We also will be subject to corporate tax on any undistributed REIT taxable income. We also may be subject to state and local taxes on our income or property, including franchise, payroll and transfer taxes, either directly or at the level of our Operating Partnership or at the level of the other companies through which we indirectly own our assets, such as taxable REIT subsidiaries ("TRSs"), which are subject to full U.S. federal, state, local and foreign corporate-level income taxes. Any taxes we pay directly or indirectly will reduce our cash available for distribution to you.

To qualify as a REIT we must meet annual distribution requirements, which may force us to forgo otherwise attractive opportunities or borrow funds during unfavorable market conditions. This could delay or hinder our ability to meet our investment objectives and reduce your overall return.

In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gain. We will be subject to U.S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (a) 85% of our ordinary income, (b) 95% of our capital gain net income and (c) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. It is possible that we might not always be able to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings while we qualify as a REIT.

Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.

For so long as we qualify as a REIT, our ability to dispose of property during the first few years following acquisition may be restricted to a substantial extent as a result of our REIT qualification. Under applicable provisions of the Code regarding prohibited transactions by REITs, while we qualify as a REIT, we will be subject to a 100% penalty tax on any gain recognized on the sale or other disposition of any property (other than foreclosure property) that we own, directly or indirectly through any subsidiary entity, including our Operating Partnership that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. We intend to avoid the 100% prohibited transaction tax by (a) conducting activities that may otherwise be considered prohibited transactions through a TRS (but such TRS would incur corporate rate income taxes with respect to any income or gain recognized by it), (b) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or indirectly through any subsidiary, will be treated as a prohibited transaction or (c) structuring certain dispositions of our properties to comply with the requirements of the prohibited transaction safe harbor available under the Code for properties that, among other requirements, have been held for at least two years. Despite our present intention, no assurance can be given that any particular property we own, directly or through any subsidiary entity, including our Operating Partnership, but generally excluding any TRSs, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

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Our TRS and any future TRSs we form are subject to corporate-level taxes and our dealings with our TRS and any TRSs we form may be subject to 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 25% of the gross value of a REIT's assets may consist of stock or securities of one or more TRS. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross income from operations pursuant to management contracts. Accordingly, we may use TRSs generally to hold properties for sale in the ordinary course of a trade or business or to hold assets or conduct activities that we cannot conduct directly as a REIT. For example, our existing TRS owns American Realty Capital Properties, LLC (our "Former Property Manager"). A TRS will be subject to applicable U.S. federal, state, local and foreign income tax on its taxable income. In addition, the rules, which are applicable to us as a REIT, also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

If our Operating Partnership failed to qualify as a partnership or is not otherwise disregarded for U.S. federal income tax purposes, we would cease to qualify as a REIT.

We intend to maintain the status of our Operating Partnership as a partnership or a disregarded entity for U.S. federal income tax purposes. However, if the IRS were to successfully challenge the status of our Operating Partnership as a partnership or disregarded entity for such purposes, it would be taxable as a corporation. In such event, this would reduce the amount of distributions that our Operating Partnership could make to us. This also would also result in our failing to qualify as a REIT, and becoming subject to a corporate level tax on our income. This substantially would reduce our cash available to pay distributions and the yield on your investment. In addition, if any of the partnerships or limited liability companies through which our Operating Partnership owns its properties, in whole or in part, loses its characterization as a partnership and is otherwise not disregarded for U.S. federal income tax purposes, it would be subject to taxation as a corporation, thereby reducing distributions to the Operating Partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain our REIT qualification.

We may choose to make distributions in our own stock, in which case you may be required to pay U.S. federal income taxes in excess of the cash dividends you receive.

In connection with our qualification as a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, we may make distributions that are payable in cash and/or shares of our common stock (which could account for up to 80% of the aggregate amount of such distributions) at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, U.S. stockholders may be required to pay income taxes with respect to such distributions in excess of the cash portion of the distribution received. Accordingly, U.S. stockholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the stock that it receives as part of the distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our common stock.

Various tax aspects of such a taxable cash/stock distribution are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

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The taxation of distributions to our stockholders can be complex; however, distributions that we make to our stockholders generally will be taxable as ordinary income.

Distributions that we make to our taxable stockholders out of current and accumulated earnings and profits (and not designated as capital gain dividends, or, for tax years beginning before January 1, 2013, qualified dividend income) generally will be taxable as ordinary income. However, a portion of our distributions may (1) be designated by us as capital gain dividends generally taxable as long-term capital gain to the extent that they are attributable to net capital gain recognized by us, (2) be designated by us, for taxable years beginning before January 1, 2013, as qualified dividend income generally to the extent they are attributable to dividends we receive from our TRSs, or (3) constitute a return of capital generally to the extent that they exceed our accumulated earnings and profits as determined for U.S. federal income tax purposes. A return of capital is not taxable, but has the effect of reducing the basis of a stockholder's investment in our common stock.

Dividends payable by REITs generally do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to qualified dividend income payable to U.S. stockholders that are individuals, trusts and estates has been reduced to 15% for tax years beginning before January 1, 2013. Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock. Tax rates could be changed in future legislation.

If we were considered to actually or constructively pay a “preferential dividend” to certain of our stockholders, our status as a REIT could be adversely affected.

In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order for distributions to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be “preferential dividends.” A dividend is not a preferential dividend if the distribution is pro rata among all outstanding shares of stock within a particular class, and in accordance with the preferences among different classes of stock as set forth in our organizational documents. Currently, there is uncertainty as to the IRS's position regarding whether certain arrangements that REITs have with their stockholders could give rise to the inadvertent payment of a preferential dividend (e.g., the pricing methodology for stock purchased under a distribution reinvestment plan inadvertently causing a greater than 5% discount on the price of such stock purchased). While we believe that our operations have been structured in such a manner that we will not be treated as inadvertently paying preferential dividends, there is no de minimis exception with respect to preferential dividends. Therefore, if the IRS were to take the position that we inadvertently paid a preferential dividend, we may be deemed either to (a) have distributed less than 100% of our REIT taxable income and be subject to tax on the undistributed portion, or (b) have distributed less than 90% of our REIT taxable income and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure.

Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets, if properly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in a TRS generally will not provide any tax benefit, except for being carried forward against future taxable income of such TRS.

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Complying with REIT requirements may force us to forgo and/or liquidate otherwise attractive investment opportunities.

To qualify as a REIT, we must ensure that we meet the REIT gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of mortgage-related securities. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total securities can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate assets from our portfolio or not make otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

The ability of our Board of Directors to revoke our REIT qualification without stockholder approval may subject us to U.S. federal income tax and reduce distributions to our stockholders.

Our charter provides that our Board of Directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. We have elected to be treated as a REIT commencing with our taxable year ended December 31, 2008; however, we may terminate our REIT election if we determine that qualifying as a REIT is no longer in our best interests. If we cease to be a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders and on the market price of our common stock.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the market price of our common stock.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of U.S. federal income tax laws applicable to investments similar to an investment in shares of our common stock. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. You are urged to consult with your tax advisor with respect to the impact of recent legislation on your investment in our shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares. You also should note that our counsel's tax opinion is based upon existing law, applicable as of the date of its opinion, all of which will be subject to change, either prospectively or retroactively.

Although REITs generally receive better tax treatment than entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a corporation. As a result, our charter provides our Board of Directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a regular corporation, without the vote of our stockholders. Our Board of Directors has fiduciary duties to us and our stockholders and could only cause such changes in our tax treatment if it determines in good faith that such changes are in the best interest of our stockholders.

The share ownership restrictions of the Code for REITs and the 9.8% share ownership limit in our charter may inhibit market activity in our shares of stock and restrict our business combination opportunities.

In order to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, actually or constructively, more than 50% in value of our outstanding shares of stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns our shares of stock under this requirement. Additionally, at least 100 persons must beneficially own our shares of stock during at least 335 days of a taxable year for each taxable year after, other than the first year for which a REIT election is made. To help insure that we meet these tests, among other purposes, our charter restricts the acquisition and ownership of our shares of stock.

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Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT while we so qualify. Unless exempted by our Board of Directors, for so long as we qualify as a REIT, our charter prohibits, among other limitations on ownership and transfer of shares of our stock, any person from beneficially or constructively owning (applying certain attribution rules under the Code) more than 9.8% in value of the aggregate of our outstanding shares of stock and more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of our shares of stock. Our Board of Directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of the 9.8% ownership limit would result in the termination of our qualification as a REIT. These restrictions on transferability and ownership will not apply, however, if our Board of Directors determines that it is no longer in our best interest to continue to qualify as a REIT or that compliance with the restrictions is no longer required in order for us to continue to so qualify as a REIT.

These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of the stockholders.

Non-U.S. stockholders will be subject to U.S. federal withholding tax and may be subject to U.S. federal income tax on distributions received from us and upon the disposition of our shares.

Subject to certain exceptions, distributions received from us will be treated as dividends of ordinary income to the extent of our current or accumulated earnings and profits. Such dividends ordinarily will be subject to U.S. withholding tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as “effectively connected” with the conduct by the non-U.S. stockholder of a U.S. trade or business. Pursuant to the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, capital gain distributions attributable to sales or exchanges of “U.S. real property interests,” or USRPIs, generally will be taxed to a non-U.S. stockholder as if such gain were effectively connected with a U.S. trade or business. However, a capital gain dividend will not be treated as effectively connected income if (a) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the United States; and (b) the non-U.S. stockholder does not own more than 5% of the class of our stock at any time during the one year period ending on the date the distribution is received. We anticipate that our shares will be “regularly traded” on an established securities market for the foreseeable future, although, no assurance can be given that this will be the case.

Gain recognized by a non-U.S. stockholder upon the sale or exchange of our common stock generally will not be subject to U.S. federal income taxation unless such stock constitutes a USRPI under FIRPTA. Our common stock will not constitute a USRPI so long as we are a “domestically-controlled qualified investment entity.” A domestically-controlled qualified investment entity includes a REIT if at all times during a specified testing period, less than 50% in value of such REIT's stock is held directly or indirectly by non-U.S. stockholders. We believe, but cannot assure you, that we will be a domestically-controlled qualified investment entity.

Even if we do not qualify as a domestically-controlled qualified investment entity at the time a non-U.S. stockholder sells or exchanges our common stock, gain arising from such a sale or exchange would not be subject to U.S. taxation under FIRPTA as a sale of a USRPI if: (a) our common stock is “regularly traded,” as defined by applicable Treasury regulations, on an established securities market, and (b) such non-U.S. stockholder owned, actually and constructively, 5% or less of our common stock at any time during the five-year period ending on the date of the sale. We encourage you to consult your tax advisor to determine the tax consequences applicable to you if you are a non-U.S. stockholder.

Potential characterization of distributions or gain on sale may be treated as unrelated business taxable income to tax-exempt investors.

If (a) we are a “pension-held REIT,” (b) a tax-exempt stockholder has incurred (or is deemed to have incurred) debt to purchase or hold our common stock, or (c) a holder of common stock is a certain type of tax-exempt stockholder, dividends on, and gains recognized on the sale of, common stock by such tax-exempt stockholder may be subject to U.S. federal income tax as unrelated business taxable income under the Code.

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Item 2. Properties.

As of December 31, 2011, we owned 482 properties located in 42 states and Puerto Rico. All of these properties are freestanding, single-tenant properties, 100% leased with a weighted average remaining lease term of 13.5 years as of December 31, 2011. In the aggregate, these properties represent 15.5 million rentable square feet.

The following table presents certain additional information about the properties we own at December 31, 2011 (dollar amounts in thousands):

Property	Acquisition Date	No. of Buildings	Square Feet	Ownership Percentage		Remaining Lease Term[(1)]	Base Purchase Price[(2)]	Capitalization Rate[(3)]		Annualized Rental Income/NOI[(4)]	Annualized Rental Income/NOI per Square Foot
FedEx	Mar. 2008	1	55,440	51	%	6.9	$9,694	7.53	%	$ 730	$ 13.17
First Niagara	Mar. 2008	15	177,774	100	%	11.0	40,976	7.71	%	3,161	17.78
Rockland Trust	May 2008	18	121,057	100	%	9.6	32,188	7.86	%	2,530	20.90
PNC Bank [(5)]	Sep. & Oct. 2008	2	8,403	59	%	17.1	6,664	8.21	%	547	65.10
Rite Aid	Sep. 2008	6	74,919	100	%	11.5	18,576	7.79	%	1,447	19.31
PNC	Nov. 2008	48	264,196	100	%	6.9	40,925	7.36	%	3,013	11.40
FedEx II	Jul. 2009	1	152,640	100	%	11.8	31,692	8.84	%	2,803	18.36
Walgreens	Jul. 2009	1	14,820	56	%	20.5	3,818	8.12	%	310	20.92
CVS [(6) (7)]	Sep. 2009 & Sep. 2010	10	131,105	86	%	22.2	44,371	8.37	%	3,713	28.32
CVS II	Nov. 2009	15	198,729	100	%	22.5	59,788	8.48	%	5,071	25.52
Home Depot	Dec. 2009	1	465,600	100	%	18.0	23,532	9.31	%	2,192	4.71
BSFS	Dec. 2009 & Jan. 2010	6	57,336	100	%	12.4	15,041	9.24	%	1,390	24.24
Advance Auto	Dec. 2009	1	7,000	100	%	9.9	1,730	9.25	%	160	22.86
Fresenius	Jan. 2010	2	140,000	100	%	10.6	12,183	9.51	%	1,159	8.28
Reckitt Benckiser	Feb. 2010	1	574,106	85	%	10.1	31,100	8.58	%	2,668	4.65
Jack in the Box	Feb. 2010 & Apr. 2010	5	12,253	100	%	18.2	9,755	8.01	%	781	63.74
BSFS II [(8)]	Feb. & Mar. 2010	12	93,599	74	%	12.0	25,902	8.88	%	2,299	24.56
FedEx III	Apr. 2010	1	118,796	85	%	9.5	33,500	9.21	%	3,087	25.99
Jared Jewelry	May 2010	3	19,534	90	%	17.1	5,342	12.71	%	679	34.76
Walgreens II	May 2010	1	14,820	100	%	21.3	5,593	8.10	%	453	30.57
IHOP	May 2010	1	5,172	100	%	14.3	2,398	8.38	%	201	38.86
Advance Auto II	Jun. 2010	3	19,253	100	%	11.5	3,583	8.60	%	308	16.00
Royal Ahold - Super Stop & Shop	Jun. 2010	1	59,032	100	%	11.2	23,350	8.33	%	1,946	32.97
IHOP II	Jun. 2010	1	4,139	100	%	10.3	2,255	9.05	%	204	49.29
IHOP III	Jun. 2010	1	5,111	100	%	19.6	3,254	9.31	%	303	59.28
Jared Jewelry II	Jun. 2010	1	6,157	100	%	15.1	1,589	13.15	%	209	33.95
Jack in the Box II	Jun. 2010	6	14,975	100	%	18.5	11,150	8.00	%	892	59.57

Walgreens III	Jun. 2010	1	13,386	100	%	22.4	4,968	7.75	%	385	28.76
Dollar General	Jul. 2010	1	8,988	100	%	12.9	1,200	9.83	%	118	13.13
Tractor Supply	Jul. & Aug. 2010	4	76,038	100	%	13.4	10,892	8.98	%	978	12.86
Advance Auto III	Jul. 2010	3	19,752	100	%	11.6	4,287	8.35	%	358	18.12
CSAA/CVS	Aug. 2010	1	15,214	100	%	21.1	4,859	7.24	%	352	23.14
CSAA/First Fifth Bank (9)	Aug. 2010	2	8,252	100	%	16.2	6,199	8.39	%	520	63.02
CSAA/Walgreens	Aug. 2010	5	84,263	100	%	21.1	26,864	7.30	%	1,961	23.27
CSAA/Chase Bank (9)	Aug. 2010	2	8,030	100	%	25.3	6,496	9.30	%	604	75.22
CSAA/Home Depot (9)	Sep. 2010	1	107,965	100	%	16.1	8,720	7.12	%	621	5.75
IHOP IV	Sep. 2010	19	87,009	100	%	12.9	30,000	9.44	%	2,833	32.56
O’Reilly Auto	Sep. 2010	1	9,500	100	%	8.2	2,450	8.73	%	214	22.53
Walgreens IV	Sep. 2010	1	14,477	100	%	23.3	6,439	7.75	%	499	34.47
Walgreens V	Sep. 2010	1	13,580	100	%	22.1	4,767	7.95	%	379	27.91
Kum & Go	Sep. 2010	14	67,310	100	%	13.3	22,515	9.21	%	2,074	30.81
FedEx IV	Sep. 2010	1	43,762	100	%	8.6	3,576	8.28	%	296	6.76

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Property	Acquisition Date	No. of Buildings	Square Feet	Ownership Percentage		Remaining Lease Term(1)	Base Purchase Price(2)	Capitalization Rate(3)		Annualized Rental Income/NOI(4)	Annualized Rental Income/NOI per Square Foot
Auto Zone	Sep. 2010	4	28,880	100	%	14.6	10,228	8.40	%	859	29.74
Brown Shoe	Oct. 2010	1	351,723	91	%	18.1	23,849	9.89	%	2,358	6.71
Payless	Oct. 2010	1	801,651	91	%	13.4	44,924	9.37	%	4,211	5.25
Saint Joseph’s Mercy Medical	Oct. 2010	3	46,706	100	%	12.2	9,838	7.79	%	766	16.40
Advance Auto IV	Nov. 2010	1	6,124	100	%	13.8	1,270	8.35	%	106	17.31
Kum and Go II	Nov. 2010	2	8,008	100	%	18.9	2,895	9.50	%	275	34.34
Tractor Supply II	Nov. 2010 & Mar. 2011	3	57,368	100	%	14.1	7,491	9.09	%	681	11.87
FedEx V	Nov. 2010	1	29,410	100	%	8.7	2,800	8.29	%	232	7.89
Walgreens VI	Dec. 2010	7	102,930	100	%	22.4	40,071	7.00	%	2,805	27.25
FedEx VI	Dec. 2010	1	142,160	100	%	12	28,600	7.92	%	2,264	15.93
Dollar General II	Dec. 2010	1	9,100	100	%	13.5	1,281	8.98	%	115	12.64
FedEx VII	Dec. 2010	1	101,350	100	%	12.6	18,800	7.41	%	1,393	13.74
FedEx VIII	Dec. 2010	4	116,689	100	%	6.6	10,891	8.20	%	893	7.65
BB&T	Dec. 2010	1	3,635	100	%	8	3,781	7.88	%	298	81.98
Walgreens VII	Dec. 2010	1	14,490	100	%	11.3	2,950	8.85	%	261	18.01
FedEx IX	Dec. 2010	1	64,556	100	%	8.4	6,012	8.28	%	498	7.71
Dollar General III	Dec. 2010	3	27,128	100	%	13.8	2,867	8.72	%	250	9.22
Tractor Supply III	Dec. 2010	1	18,860	100	%	13.3	4,825	8.87	%	428	22.69
DaVita Dialysis	Dec. 2010	1	12,990	100	%	7.6	2,848	8.15	%	232	17.86
Dollar General	Dec. 2010	1	9,167	100	%	13.5	1,236	8.98	%	111	12.11
Lowes (9)	Jan. 2011	1	141,393	100	%	15.1	10,018	6.74	%	675	4.77
Citizens	Jan. 2011	2	14,307	100	%	7.6	3,811	9.11	%	347	24.25
QuikTrip	Jan. 2011	1	4,555	100	%	12.7	3,330	8.74	%	291	63.89
Dillons	Jan. 2011	1	56,451	100	%	8.3	5,075	7.80	%	396	7.01
Wawa	Jan. 2011	2	12,433	100	%	15.9	17,209	7.00	%	1,205	96.92
Walgreens VIII	Jan. 2011	9	122,963	100	%	23.6	54,569	6.86	%	3,742	30.43
DaVita Dialysis II	Feb. 2011	4	23,154	100	%	10.9	8,013	8.90	%	713	30.79
CVS III	Feb. 2011	1	13,338	100	%	25.6	5,199	7.25	%	377	28.27
Citigroup, Inc.	Feb. 2011	1	64,036	100	%	14.3	27,275	7.00	%	1,910	29.83
Coats & Clark	Feb. 2011	1	401,512	100	%	9.5	9,523	9.84	%	937	2.33
Walgreens IX	Feb. 2011	1	13,569	100	%	22.4	5,460	7.34	%	401	29.55
Express Scripts	Mar. 2011	2	416,141	100	%	7.9	51,281	9.02	%	4,623	11.11
DaVita Dialysis III	Mar. 2011	1	18,185	100	%	11.9	6,565	7.72	%	507	27.88
Dollar General V	Mar. 2011	6	55,363	100	%	14.6	5,195	8.84	%	459	8.29
Wal-Mart	Mar. 2011	1	183,442	100	%	7.8	12,633	7.15	%	903	4.92
Kohl's	Mar. 2011	1	88,408	100	%	14.6	10,182	7.15	%	728	8.23
Texas Instruments	Mar. 2011	1	125,000	100	%	9.4	32,000	7.88	%	2,522	20.18
Sam's Club (9)	Mar. 2011	1	141,583	100	%	14.2	12,821	6.64	%	851	6.01
CVS IV	Mar. 2011	1	13,225	100	%	23.6	5,330	7.95	%	424	32.06
Walgreens X	Mar. 2011	2	27,760	100	%	19.1	9,000	7.46	%	671	24.17
CVS V	Mar. 2011	1	12,900	100	%	22.6	5,759	7.29	%	420	32.56

Provident Bank	Mar. 2011	1	2,950	100	%	22.6	2,589	9.15	%	237	80.34
Dillons II	Mar. 2011	1	63,858	100	%	10.3	6,420	7.49	%	481	7.53
FedEx X	Mar. & May 2011	2	204,157	100	%	14.1	32,200	7.98	%	2,570	12.59
3M	Mar. 2011	1	650,760	100	%	9.8	44,800	7.35	%	3,294	5.06
Bojangles	Mar. 2011	13	47,865	100	%	11.9	24,789	8.85	%	2,193	45.82
Dollar General VI	Apr. 2011	2	18,428	100	%	14.9	1,856	9.00	%	167	9.06
Dollar General VII	Apr. 2011	2	18,340	100	%	14.8	2,093	8.98	%	188	10.25
O'Reilly Auto II	Apr. 2011	1	8,154	100	%	11.6	1,894	8.92	%	169	20.73
Walgreens XI	Apr. 2011	1	14,550	100	%	24.0	4,993	7.35	%	367	25.22
DaVita Dialysis IV	Apr. 2011	1	6,020	100	%	8.4	2,061	8.88	%	183	30.40
Whirlpool	Apr. 2011	1	750,000	100	%	9.8	19,837	8.10	%	1,606	2.14
Wrangler	Apr. 2011	1	316,800	100	%	9.5	17,286	8.20	%	1,417	4.47

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Property	Acquisition Date	No. of Buildings	Square Feet	Ownership Percentage		Remaining Lease Term(1)	Base Purchase Price(2)	Capitalization Rate(3)		Annualized Rental Income/NOI(4)	Annualized Rental Income/NOI per Square Foot
Walgreens XII	Apr. 2011	1	13,605	100	%	22.6	4,380	8.20	%	359	26.39
7-Eleven	May 2011	1	3,074	100	%	9.4	2,950	8.24	%	243	79.05
BSFS III	May 2011	1	7,864	100	%	14.5	2,661	8.53	%	227	28.87
Kohls II	May 2011	1	64,250	100	%	19.6	6,398	7.50	%	480	7.47
National Tire & Battery	May 2011	3	33,920	100	%	14.3	5,921	8.16	%	483	14.24
CVS VI	May 2011	1	13,224	100	%	23.7	9,110	7.21	%	657	49.68
BSFS IV	May 2011	3	22,904	100	%	13.4	8,539	8.60	%	734	32.05
FedEx XI	May 2011	1	125,502	100	%	10.7	39,000	7.94	%	3,095	24.66
Pep Boys	May 2011	3	60,140	100	%	12.1	12,951	8.68	%	1,124	18.69
Royal Ahold - Tops Market	May 2011	1	57,833	100	%	11.7	10,956	7.61	%	834	14.42
7-Eleven II	May 2011	1	2,940	100	%	9.5	2,105	7.55	%	159	54.08
General Electric	May 2011	1	484,348	100	%	7.8	23,688	7.62	%	1,806	3.73
Wal-Mart II	May 2011	1	151,925	100	%	7.6	12,415	8.01	%	995	6.55
GSA - USPS	May 2011	1	39,297	100	%	13.8	7,260	6.79	%	493	12.55
Walgreens XIII	May 2011	2	27,195	100	%	17.1	9,819	7.25	%	712	26.18
Walgreens XIV	Jun. 2011	1	14,820	100	%	21.9	3,986	7.15	%	285	19.23
Mrs. Bairds	Jun. 2011	2	30,120	100	%	8.2	3,169	8.36	%	265	8.80
Walgreens XV	Jun. 2011	1	14,480	100	%	21.9	4,912	7.13	%	350	24.17
O'Reilly's III	Jun. 2011	1	8,160	100	%	11.8	2,000	8.70	%	174	21.32
FedEx XII	Jun. 2011	1	182,326	100	%	11.8	35,000	7.79	%	2,726	14.95
Walgreens XVI	Jun. 2011	6	52,400	100	%	22.7	51,160	6.63	%	3,392	64.73
GSA - VA Clinic (10)	Jun. 2011	1	10,768	100	%	9.6	3,190	8.31	%	265	24.61
BSFS V	Jun. 2011	1	159,797	100	%	10.8	9,040	8.53	%	771	4.82
Tractor Supply IV	Jun. 2011	1	19,097	100	%	11.9	1,750	13.94	%	244	12.78
O'Reilly's IV	Jun. 2011	2	16,000	100	%	11.7	3,724	8.75	%	326	20.38
Trader Joe's	Jun. 2011	1	31,920	100	%	10.5	5,550	12.16	%	675	21.15
Dollar General VIII	Jul. & Aug. 2011	3	27,152	100	%	14.8	2,850	8.74	%	249	9.17
Dollar General IX	Jul. 2011	1	9,348	100	%	14.8	885	9.04	%	80	8.56
GSA I (10)	Jul. 2011	1	10,784	100	%	7.4	6,025	8.28	%	499	46.27
Lockheed Martin	Jul. 2011	1	102,466	100	%	8.3	13,048	8.05	%	1,050	10.25
FedEx XIII	Jul. 2011	4	274,602	100	%	8.3	27,615	7.96	%	2,199	8.01
GSA II (10)	Aug. 2011	1	10,803	100	%	9.0	4,546	7.81	%	355	32.86
Dollar General X	Aug. & Sep. 2011	6	55,200	100	%	14.8	5,418	8.84	%	479	8.68
PetSmart	Aug. 2011	1	1,000,375	100	%	10.8	48,648	7.55	%	3,672	3.67
GSA III (11)	Aug. 2011	1	11,190	100	%	14.8	4,355	7.94	%	346	30.92
Verizon	Aug. 2011	1	40,000	100	%	10.2	12,600	8.27	%	1,042	26.05
CVS VI	Aug. 2011	1	11,945	100	%	17.4	2,805	7.45	%	209	17.50
Renal Advantage	Aug. 2011	9	74,457	100	%	11.8	19,010	9.65	%	1,834	24.63

GSA IV (10)	Aug. 2011	1	23,485	100	%	9.6	7,424	8.45	%	627	26.70
Lowes II	Aug. 2011	1	135,197	100	%	9.4	15,000	7.33	%	1,099	8.13
GSA V (10)	Aug. 2011	1	64,455	100	%	7.3	7,250	8.08	%	586	9.09
CVS VII	Sep. 2011	1	10,885	100	%	10.4	2,820	8.19	%	231	21.22
Sealy	Sep. 2011	1	257,000	100	%	12.2	17,944	8.95	%	1,606	6.25
GSA VI (10)	Sep. 2011	1	34,285	100	%	14.8	8,590	8.07	%	693	20.21
GSA VII (10)	Sep. 2011	1	25,508	100	%	14.8	6,642	8.60	%	571	22.39
GSA VIII (10)	Oct. 2011	1	29,150	100	%	9.3	4,775	8.06	%	385	13.21
GSA IX (10)	Oct. 2011	1	17,626	100	%	9.8	6,750	8.22	%	555	31.49
GSA X (10)	Oct. 2011	1	43,596	100	%	11.8	13,000	7.75	%	1,007	23.10
Reliant Rehab	Oct. 2011	1	65,141	100	%	18.8	32,300	10.28	%	3,322	51.00
ConAgra	Oct. 2011	1	65,000	100	%	13.6	20,000	8.24	%	1,648	25.35
GSA XI (10)	Oct. 2011	1	30,762	100	%	14.5	9,000	7.99	%	719	23.37
Dollar General XI	Oct. 2011	2	18,225	100	%	14.7	1,926	8.31	%	160	8.78
Dollar General XII	Oct., Nov. & Dec. 2011	42	387,104	100	%	14.4	43,004	8.23	%	3,539	9.14

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Property	Acquisition Date	No. of Buildings	Square Feet	Ownership Percentage		Remaining Lease Term[(1)]	Base Purchase Price[(2)]	Capitalization Rate[(3)]		Annualized Rental Income/NOI[(4)]	Annualized Rental Income/NOI per Square Foot
Whirlpool II	Nov. 2011	1	700,350	100	%	9.8	23,148	7.50	%	1,736	2.48
Dollar General XIII	Nov. 2011	1	9,234	100	%	14.7	932	8.80	%	82	8.88
Fed Ex XIV	Nov. 2011	1	81,612	100	%	10.3	4,592	9.49	%	436	5.34
Fed Ex XV	Nov. 2011	1	252,505	100	%	15	56,000	7.49	%	4,194	16.61
Fed Ex XVI	Nov. 2011	1	194,262	100	%	10	20,000	7.60	%	1,520	7.82
AutoZone II	Nov. 2011	1	6,816	100	%	14.4	1,325	7.62	%	101	14.82
Aaron's	Dec. 2011	18	214,739	100	%	10.8	25,806	7.41	%	2,184	10.17
GSA XII [(10)]	Dec. 2011	1	67,217	100	%	7.3	9,520	8.81	%	839	12.48
Danfoss	Dec. 2011	1	99,823	100	%	9.8	7,487	8.78	%	657	6.58
DaVita Dialysis V	Dec. 2011	1	6,502	100	%	10.9	3,360	9.14	%	307	47.22
Sub-total		482	15,514,727			13.5	2,110,738	8.16	%	$ 172,150	$ 11.10
Other investments [(11)]		—	—			—	29,625	—		—	—
		482	15,514,727			13.5	$2,140,363	8.16	%	$ 172,150	$ 11.10

(1) Remaining lease term as of December 31, 2011, in years. If the portfolio has multiple locations with varying lease expirations, remaining lease term is calculated on a weighted-average basis. Total remaining lease term is an average of the remaining lease term of the total portfolio.

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

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

(4) Annualized rental income/NOI for net leases is rental income projected for 2012 on a straight-line basis for properties held as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable. For modified gross leased properties amount is rental income on a straight-line basis as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable, plus operating expense reimbursement revenue less property operating expenses.

(5) Ownership percentage is 51% of one property and 65% of one property.

(6) Ownership percentage is 51% of three properties and 100% of the remaining seven properties.

(7) Includes the September 2010 purchase of a parcel of land with a ground lease which contains a previously purchased CVS pharmacy.

(8) Ownership percentage is 51% of six properties and 100% of the remaining six properties.

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

(10) Lease on the property is a modified gross lease. As such, annualized rental income/NOI for this property is rental income on a straight-line basis as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable, plus operating expense reimbursement revenue less property operating expenses.

(11) Includes a $12.0 million investment in a joint venture and a $17.6 million investment in the common stock of certain publicly traded real estate investment trusts.

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The following table details the industry distribution of our portfolio as of December 31, 2011 (dollars in thousands):

Industry	No. of Buildings	Square Feet	Square Foot %	Annualized Rental Income/NOI[(1)]	Annualized Rental Income/NOI %
Aerospace	1	102,466	0.7 %	$1,050	0.6 %
Auto Retail	18	129,639	0.8 %	2,775	1.6 %
Auto Services	29	435,560	2.8 %	7,028	4.1 %
Consumer Goods	3	95,120	0.6 %	1,913	1.1 %
Consumer Products	2	1,224,866	7.9 %	5,962	3.5 %
Discount Retail	76	1,282,385	8.3 %	9,954	5.8 %
Financial Services	1	64,036	0.4 %	1,910	1.1 %
Freight	23	2,139,769	13.8 %	28,936	16.8 %
Gas/Convenience	21	98,320	0.6 %	4,247	2.5 %
Government Services	14	418,926	2.7 %	7,940	4.6 %
Healthcare	25	809,296	5.2 %	13,646	7.9 %
Home Maintenance	4	850,155	5.5 %	4,587	2.7 %
Manufacturing	7	3,009,833	19.4 %	9,765	5.7 %
Pharmacy	80	1,069,592	6.9 %	30,233	17.6 %
Restaurant	46	176,524	1.2 %	7,407	4.3 %
Retail Banking	91	608,604	3.9 %	11,257	6.5 %
Specialty Retail	34	2,565,542	16.5 %	15,644	9.1 %
Supermarket	5	269,094	1.7 %	4,332	2.5 %
Technology	1	125,000	0.8 %	2,522	1.4 %
Telecommunications	1	40,000	0.3 %	1,042	0.6 %
	482	15,514,727	100.0 %	$172,150	100.0 %

(1) Annualized rental income/NOI for net leases is rental income projected for 2012 on a straight-line basis for properties held as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable. For modified gross leased properties amount is rental income on a straight-line basis as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable, plus operating expense reimbursement revenue less property operating expenses.

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The following table details the geographic distribution of our portfolio as of December 31, 2011 (dollars in thousands):

State/Possession	Number of Properties	Square Feet	Square Foot %		Annualized Rental Income/NOI[(1)]	Annualized Rental Income %	
ALABAMA	16	158,371	1.0	%	$2,395	1.4	%
ARIZONA	5	368,773	2.4	%	5,334	3.1	%
ARKANSAS	6	397,520	2.5	%	2,629	1.5	%
CALIFORNIA	10	727,032	4.7	%	9,118	5.3	%
COLORADO	4	88,987	0.6	%	1,060	0.6	%
FLORIDA	18	184,064	1.2	%	4,607	2.7	%
GEORGIA	21	949,259	6.1	%	7,516	4.4	%
IDAHO	2	16,788	0.1	%	447	0.2	%
ILLINOIS	20	1,948,422	12.5	%	11,583	6.7	%
INDIANA	4	50,908	0.3	%	1,394	0.8	%
IOWA	7	801,572	5.2	%	2,709	1.6	%
KANSAS	9	636,671	4.1	%	4,046	2.3	%
KENTUCKY	9	322,254	2.1	%	5,143	3	%
LOUISIANA	21	191,274	1.2	%	2,856	1.7	%
MAINE	2	45,145	0.3	%	1,013	0.6	%
MARYLAND	2	165,502	1.1	%	4,137	2.4	%
MASSACHUSETTS	19	127,214	0.8	%	2,738	1.6	%
MICHIGAN	26	437,277	2.8	%	4,824	2.8	%
MINNESOTA	4	117,675	0.8	%	1,524	0.9	%
MISSISSIPPI	5	51,469	0.3	%	1,107	0.6	%
MISSOURI	27	667,634	4.3	%	9,422	5.5	%
NEBRASKA	4	157,286	1.0	%	2,528	1.5	%
NEVADA	2	32,335	0.2	%	636	0.4	%
NEW HAMPSHIRE	1	45,968	0.3	%	595	0.3	%
NEW JERSEY	33	181,753	1.2	%	2,757	1.6	%
NEW MEXICO	2	12,154	0.1	%	316	0.2	%
NEW YORK	33	1,046,461	6.7	%	20,872	12.1	%
NORTH CAROLINA	14	119,216	0.8	%	3,217	1.9	%
NORTH DAKOTA	1	29,410	0.2	%	231	0.1	%
OHIO	24	1,983,397	12.8	%	12,276	7.1	%
OKLAHOMA	7	70,067	0.4	%	1,434	0.8	%
OREGON	3	10,678	0.1	%	388	0.2	%
PENNSYLVANIA	42	610,190	3.9	%	8,899	5.2	%
PUERTO RICO	4	28,880	0.2	%	859	0.5	%
SOUTH CAROLINA	11	135,678	0.9	%	3,629	2.1	%
SOUTH DAKOTA	1	43,762	0.3	%	296	0.2	%
TENNESSEE	8	213,262	1.4	%	2,370	1.4	%
TEXAS	39	1,000,987	6.5	%	16,096	9.3	%
UTAH	2	578,286	3.7	%	2,855	1.7	%
VIRGINIA	6	51,513	0.3	%	1,695	1	%

WASHINGTON	2	79,021	0.5	%	724	0.4	%
WEST VIRGINIA	4	138,400	0.9	%	1,842	1.1	%
WISCONSIN	2	492,212	3.2	%	2,033	1.2	%
	482	15,514,727	100.0	%	$172,150	100.0	%

(1) Annualized rental income/NOI for net leases is rental income projected for 2012 on a straight-line basis for properties held as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable. For modified gross leased properties amount is rental income on a straight-line basis as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable, plus operating expense reimbursement revenue less property operating expenses.

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The following table presents future minimum base rental cash payments due us over the next ten years. These amounts exclude contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to sales thresholds and increases in annual rent based on exceeding certain economic indexes among other items (amounts in thousands):

	Future Minimum Base Rent Payments
2012	$ 167,731
2013	169,049
2014	171,379
2015	172,379
2016	172,385
2017	173,403
2018	172,731
2019	160,037
2020	154,256
2021	138,487
Thereafter	686,711
	$ 2,338,548

The following table lists the tenant whose square footage represented greater than 10% of total portfolio square footage as of December 31, 2011:

Tenant	Industry	Number of Properties Occupied by Tenant	Square Feet	Square Feet as a % of Total Portfolio	Lease Expiration	Average Remaining Lease Term(1)	Renewal Options	Annualized Rental Income/NOI(2)	Annualized Rental Income/NOI Per Square Foot
FedEx	Freight	23	2,139,769	13.8 %	May 2018 - Mar. 2028	10.2	0 to 4 five year options	$ 28,936	$ 13.52

(1) Remaining lease term in years as of December 31, 2011. The tenant has multiple leases with varying lease expirations, remaining lease term is calculated on a weighted-average basis.

(2) Annualized rental income/NOI for net leases is rental income projected for 2012 on a straight-line basis for properties held as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable.

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Future Lease Expirations Table

The following is a summary of lease expirations for the next ten years at the properties we own as of December 31, 2011 (dollar amounts in thousands):

Year of Expiration	Number of Leases Expiring[(1)]	Annualized Rental Income/NOI[(2)]	Percent of Portfolio Annualized Rental Income/NOI Expiring	Leased Rentable Square Feet	Percent of Portfolio Rentable Square Feet Expiring
2012	—	$—	— %	—	— %
2013	—	—	— %	—	— %
2014	2	160	0.1 %	9,841	0.1 %
2015	—	—	— %	—	— %
2016	3	482	0.3 %	27,675	0.2 %
2017	1	179	0.1 %	12,613	0.1 %
2018	67	11,180	6.5 %	997,148	6.4 %
2019	14	7,765	4.5 %	1,123,013	7.2 %
2020	14	8,845	5.1 %	1,253,713	8.1 %
2021	23	19,543	11.4 %	3,029,841	19.5 %
Total	124	$48,154	28.0 %	6,453,844	41.6 %

(1) The 124 leases listed above are with the following tenants: FedEx, Rockland Trust, Rite Aid, PNC Bank, Advanced Auto, IHOP, O'Reilly Auto, Kum & Go, BB&T, DaVita Dialysis, Citizens Bank, Dillons, Coats & Clark, Express Scripts, Wal-Mart, Texas Instruments, 3M, Bojangles, Whirlpool, Wrangler, 7-Eleven, General Electric, Mrs. Baird's, Trader Joe's, U.S. Government, Lockheed Martin, Verizon, Renal Advantage, Lowe's, and Danfoss.

(2) Annualized rental income/NOI for net leases is rental income projected for 2012 on a straight-line basis for properties held as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable. For modified gross leased properties amount is rental income on a straight-line basis as of December 31, 2011, which includes the effect of tenant concessions such as free rent, as applicable, plus operating expense reimbursement revenue less property operating expenses.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Pursuant to our IPO, which closed in July 2011, we sold shares of our common stock to the public at a price of $10.00 per share and at $9.50 per share pursuant to our distribution reinvestment plan. On March 1, 2012, the Company listed its common stock on NASDAQ under the symbol "ARCT" (the "Listing").

Holders

As of May 10, 2012, we had 158.5 million shares of common stock outstanding held by a total of approximately 37,000 stockholders.

Distributions

We have elected to qualify as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2008. As a REIT, we are required to distribute at least 90% of our REIT taxable income to our stockholders annually. Our distributions are paid on a monthly basis as directed by our Board of Directors. Monthly cash distributions are paid based on daily record and distribution declaration dates so our investors will be entitled to be paid distributions beginning on the day that they are admitted as stockholders. All distributions are recorded as a reduction of stockholders' equity. From a tax perspective, 100%, 99.2% and 100% of the amounts distributed by us during the years ended December 31, 2011, 2010 and 2009, respectively, represent a return of capital. Accordingly, such distributions are deferred for the purpose of being subject to income tax. During the years ended December 31, 2011, 2010 and 2009, distributions totaled $86.6 million, $20.7 million and $3.2 million, respectively, inclusive of $39.1 million, $9.3 million and $1.3 million shares of common stock issued under the DRIP, respectively. As of December 31, 2011, cash used to pay our distributions is generated from cash received from operating activities (as reported on a GAAP basis). We have paid distributions to our stockholders each month since our initial distribution payment. Distribution payments are dependent on the availability of funds. Our Board of Directors may reduce the amount of distributions paid or suspend distribution payments at any time and therefore distribution payments are not assured.

The following is a chart of quarterly distributions declared and paid during the years ended December 31, 2011 and 2010 and to the date of this Annual Report of Form 10-K/A (in thousands):

	Total Distributions Paid	Total Distributions Paid in Cash	Total Distributions Paid Through the DRIP
2012:			
1st Quarter, 2012	$33,714	$24,125	$9,589
2nd Quarter, 2012	9,244	9,244	—
	$42,958	$33,369	$9,589
2011:			
1st Quarter, 2011	$11,129	$6,225	$4,904
2nd Quarter, 2011	16,703	9,333	7,370
3rd Quarter, 2011	28,000	15,270	12,730
4th Quarter, 2011	30,765	16,696	14,069
Total 2011	$86,597	$47,524	$39,073

2010:			
1st Quarter, 2011 [1]	$3,228	$1,821	$1,407
2nd Quarter, 2011	3,845	2,119	1,726
3rd Quarter, 2011	5,680	3,096	2,584
4th Quarter, 2011	7,976	4,375	3,601
Total 2011	$20,729	$11,411	$9,318

(1)Includes the special distribution paid on January 19, 2010 to stockholders of record as of December 31, 2009.

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We, our Board of Directors and our Former Advisor have shared a similar philosophy with respect to paying distributions. Distributions should principally be derived from cash flows generated from real estate operations. In order to improve our operating cash flows and our ability to pay distributions from operating cash flows, our Former Advisor, a related party agreed to waive certain fees including asset management and property management fees. The Company owed the Former Advisor an annualized asset management fee of up to 1.0% based on the aggregate contract purchase price of all properties. During the years ended December 31, 2011and 2010 the Company paid asset management fees to the Former Advisor of $5.6 million and $1.4 million, respectively. The Former Advisor has elected to waive the remainder of its asset management fee through December 31, 2011. Such fees waived during the years ended December 31, 2011and 2010 were $9.7 million and $4.0 million, respectively. The fees that were waived relating to the activity during 2011 and 2010 are not deferrals and accordingly, will not be paid by the Company. Because the Former Advisor waived certain fees that we owed, cash flow from operations that would have been paid to the Former Advisor was available to pay distributions to our stockholders.

In connection with the Internalization, terminated the advisory agreement with our Former Advisor, without payment or penalty in connection with such termination (other than the prepayment of $3.6 million in respect of the 60 day notice period (constituting 1.00% per annum (prorated for 60 days) of our average unadjusted book value of our real estate assets)).

On March 1, 2012, the Board approved the Note, which, if earned, may be issued by the Company to ARC in connection with the listing of the Company's common stock on NASDAQ. The Note, if issued, will bear interest at the applicable federal rate established by the Internal Revenue Service on the date of issuance, payable quarterly in arrears. The principal amount of the Note will be an amount equal to 15.0% of the amount, if any, by which (a) the market value of the Company's common stock, based on the average market value of the shares issued and outstanding at listing over the 30 trading days beginning August 18, 2012, which is the 180th day after shares of the Company's common stock were first listed on NASDAQ plus distributions paid by the Company from and after May 21, 2008 and prior to such listing, exceeds (b) the sum of the total amount of capital raised from stockholders during the Company's IPO and the amount of cash flow necessary to generate a 6.0% annual cumulative, non-compounded return to such stockholders through the date of listing. ARC has the right to require that the Company prepay the outstanding principal amount of the Note with the net cash proceeds from any asset sale by the Company or the Operating Partnership. The Note will mature on the third anniversary of the date it is issued, subject to ARC's right to convert any unpaid portion of the Note into shares of the Company's common stock on or after the maturity date. The number of shares of the Company's common stock that will be issued upon such conversion will be valued at the average market value of the Company's common stock over the 30 trading days beginning August 18, 2012.

Share-Based Compensation Plans

Stock Option Plan

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

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. During the years ended December 31, 2011, 2010 and 2009, no options were forfeited or were exercised, and 9,000, 9,000 and 0 shares became vested, respectively. As of December 31, 2011 and 2010, unvested options to purchase 9,000 and 18,000 shares, respectively, at $10.00 per share remained outstanding with a weighted average contractual remaining life of 7.3 and 8.3 years, respectively. The total compensation charge relating to these option grants was immaterial.

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Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)
Equity Compensation Plans approved by security holders	27,000	$ 10.00	973,000
Equity Compensation Plans not approved by security holders	1,509,000	N/A	891,000
Total	1,536,000	$ 10.00	1,864,000

Restricted Share Plan

In January 2010, the Board of Directors adopted our Restricted Share Plan. The Restricted Share Plan provides for the automatic grant of 3,000 restricted shares of common stock to each of the independent directors, without any further action by the Board of Directors or the stockholders, on the date of each annual stockholder's meeting. Restricted stock issued to independent directors will vest over a five-year period following the first anniversary of the date of grant in increments of 20% annually. The Restricted Share Plan provides us with the ability to grant awards of restricted shares to our directors, officers and employees, employees of entities that provide services to us, directors of entities that provide services to us, certain of our consultants or to entities that provide services to us. The total number shares of common stock reserved for issuance under the Restricted Share Plan is equal to 18,480,000, or 7.7%, of our authorized shares of common stock.

Restricted share awards entitle the recipient to common stock under terms that provide for vesting over a specified period of time or upon attainment of pre-established performance objectives. Such awards would typically be forfeited with respect to the unvested shares upon the termination of the recipient's employment or other relationship with us. Restricted shares may not, in general, be sold or otherwise transferred until restrictions are removed and the shares have vested. Holders of restricted shares may receive cash distributions prior to the time that the restrictions on the restricted shares have lapsed. Any distributions payable in common stock will be subject to the same restrictions as the underlying restricted shares. As of December 31, 2011, 9,000 shares had been issued to independent directors under the Restricted Share Plan at a fair value of $10.00 per share. The fair value of the shares will be expensed ratably over the five-year vesting period. For the year ended December 31, 2011, expense of $11,250 was recorded for the director restricted shares.

In June 2010, our independent directors approved and authorized the issuance of up to 1,500,000 restricted shares of common stock to our Former Advisor equaling 1% of the shares registered in connection with our IPO (excluding shares of common stock registered for issuance pursuant to the distribution reinvestment plan), subject to certain terms and conditions. On September 13, 2010, our Former Advisor granted 1,400,000 restricted shares to key executives. Of the total restricted shares granted, 50% vest over a five year period commencing with the two year anniversary of the grant date and remaining 50% vest only to the extent our net asset value plus distributions paid to stockholders equals 106% of the original selling price of our common stock. For the year ended December 31, 2011, $420,000 of expense was recorded for these restricted shares. All of the shares granted under the Restricted Share Plan prior to March 1, 2012 vested upon the Listing.

Use of Proceeds from Sales of Registered Securities and Unregistered Sales of Equity Securities

On January 25, 2008, our registration statement on Form S-11 (File No. 333-145949) with respect to our IPO, covering a public offering of up to 150.0 million shares of common stock, initially at $10.00 per share, for an aggregate offering price of up to $1.5 billion, was declared effective under the Securities Act. The IPO commenced on January 25, 2008.

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

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For the years ended December 31, 2011, 2010 and 2009, including shares sold through our distribution reinvestment plan, we had sold 116.9 million, 46.7 million and 13.4 million shares for gross offering proceeds of $1.2 billion, $461.9 million and $132.9 million, respectively. At December 31, 2011, 2010 and 2009, we had incurred selling commissions, dealer manager fees and other organization and offering costs in the amounts set forth below. The Dealer Manager reallowed all of the selling commissions and a portion of the Dealer Manager fees to participating broker-dealers.

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

	Year Ended December 31,		
	2011	2010	2009
Total commissions paid to Dealer Manager	$114,803	$40,990	$12,277
Less:			
Commissions to participating broker dealers	(65,377)	(27,393)	(8,403)
Reallowance to participating broker dealers	(10,048)	(3,642)	(911)
Net to affiliated Dealer Manager[(1)]	$39,378	$9,955	$2,963

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

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

	Year Ended December 31,		
	2011	2010	2009
Organizational and offering expense reimbursements	$5,949	$4,378	$5,617

Through December 31, 2011, the net offering proceeds to us from our IPO, after deducting the total expenses paid as described above, were $1.5 billion including net offering proceeds from our distribution reinvestment plan of $49.9 million and the effect of common stock redemptions of $13.5 million. We have used the net proceeds from our IPO to purchase or fund $2.2 billion of real estate investments, including acquisition fees and closing costs.

During the years ended December 31, 2011, 2010 and 2009, we did not sell any equity securities that were not registered under the Securities Act.

Share Repurchase Program

Our Board of Directors had adopted a share repurchase program (“SRP”) that enabled our stockholders to sell their shares to us in limited circumstances. Our SRP permitted investors to sell their shares back to us after they have held them for at least one year, subject to the significant conditions and limitations described below.

We terminated the SRP as of March 1, 2012.
In order to provide stockholders with the benefit of interim liquidity, stockholders who had held their shares for at least one year and who had purchased their shares from us or received the shares through a non-cash transaction, not in the secondary market, could have presented all or a portion consisting of the holder’s shares to us for repurchase at any time in accordance with the procedures outlined below. At that time, we could have, subject to the conditions and limitations described below, redeemed the shares presented for repurchase for cash to the extent that we had sufficient funds available to us to fund such repurchase. We did not pay to our Board of Directors our Former Advisor or its affiliates any fees to complete any transactions under our SRP.

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During the term of the IPO and any subsequent public offering of our shares, the purchase price per share depended on the length of time investors had held such shares as follows: after one year from the purchase date — 96.25% of the amount they had actually paid for each share; and after two years from the purchase date — 97.75% of the amount they had actually paid for each share; and after three years from the purchase date — 100% of the amount they had actually paid for each share; (in each case, as adjusted for any stock distributions, combinations, splits, recapitalizations and the like with respect to our common stock). At any time we were engaged in an offering of shares, the per share price for shares purchased under our repurchase plan was always equal to or lower than the applicable per share offering price. Thereafter, the per share purchase price was based on the greater of $10.00 or the then-current net asset value of the shares as determined by our Board of Directors (as adjusted for any stock distributions, combinations, splits, recapitalizations and the like with respect to our common stock). Our Board of Directors announced any purchase price adjustment and the time period of its effectiveness as a part of its regular communications with our stockholders. Our Board of Directors used the following criteria for determining the net asset value of the shares: value of our assets (estimated market value) less the estimated market value of our liabilities, divided by the number of shares. The Board, with advice from the Former Advisor, (i) made internal valuations of the market value of its assets based upon the current capitalization rates of similar properties in the market, recent transactions for similar properties acquired by the Company and any extensions, cancellations, modifications or other material events affecting the leases, changes in rents or other circumstances related to such properties, (ii) reviewed internal appraisals prepared by the Former Advisor following standard commercial real estate appraisal practice and (iii) every three years or earlier, in rotation had all of the properties appraised by an external appraiser. Upon the death or disability of a stockholder, upon request, we waived the one-year holding requirement. Shares repurchased in connection with the death or disability of a stockholder were repurchased at a purchase price equal to the price actually paid for the shares during the IPO, or if not engaged in the IPO, the per share purchase price will be based on the greater of $10.00 or the then-current net asset value of the shares as determined by our Board of Directors (as adjusted for any stock distributions, combinations, splits, recapitalizations and the like with respect to our common stock). In addition, we waived the holding period in the event of a stockholder's bankruptcy or other exigent circumstances.

On November 12, 2008, our Board of Directors modified the SRP to fund purchases under the SRP, not only from the DRIP, but also from operating funds of the Company. Accordingly, purchases under the SRP, subject to the terms of the SRP, were able to be funded from the proceeds from the sale of shares under the DRIP, from proceeds of the sale of shares in a public offering, and with other available allocated operating funds. However, purchases under the SRP were limited in any calendar year to 5% of the weighted average number of shares outstanding during the prior year.

We redeemed our shares on the last business day of the month following the end of each quarter. Requests for repurchases must be received on or prior to the end of the quarter in order for us to repurchase the shares as of the end of the next month. Investors were able to withdraw their requests to have their shares repurchased at any time prior to the last day of the applicable quarter. Shares presented for repurchase continued to earn daily distributions up to and including the repurchase date.

If we were able to purchase all shares presented for repurchase in any quarter, based upon insufficient cash available and the limit on the number of shares we may redeem during any calendar year, we would attempt to honor repurchase requests on a pro rata basis; provided, however, that we may give priority to the redemption of a deceased or disabled stockholder's shares. We treated the unsatisfied portion of the repurchase request as a request for repurchase the following quarter. At such time, investors could then (1) withdraw their request for repurchase at any time prior to the last day of the new quarter or (2) without instructions to withdraw their request we would honor their request at such time, if, any, when sufficient funds become available. Such pending requests would generally be honored on a pro rata basis. We determined whether we had sufficient funds available as soon as practicable after the end of each quarter, but in any event prior to the applicable payment date. In addition the Board of Directors could reject a request for redemption at any time.

Our Board of Directors could have chosen to amend, suspend or terminate our SRP upon 30 day notice at any time. Additionally, we discontinued sales under the DRIP on March 1, 2012 in conjunction with the Listing. Because the repurchase of shares was partially funded with the net proceeds we received from the sale of shares under the DRIP, the discontinuance or termination of the DRIP could have adversely affect our ability to purchase shares under the SRP. We would have notified investors of such developments: (i) in the annual or quarterly reports mentioned above, or (ii) by means of a separate mailing to investors, accompanied by disclosure in a current or periodic report under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). During the IPO, we would have also include this information in a prospectus supplement or post-effective amendment to the registration statement, as then required under federal securities laws.

The shares we purchased under our SRP would be canceled and returned to the status of authorized but unissued shares. We did not intend to resell such shares to the public unless such resale was first registered with the SEC under the Securities Act and under appropriate state securities laws or otherwise conducted in compliance with such laws.

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The following table summarizes our stock repurchase program activity cumulatively to date as of December 31, 2011. The value of redemptions did not exceed distribution reinvestment elections by stockholders (dollars in thousands except for cost per share):

	Redemption Requests and Shares Redeemed		
Year Ended December 31,	Shares	Value	Average Cost per share
2009	3,000	$29	$9.65
2010	299,528	2,933	9.79
2011	1,070,950	10,511	9.81
Cumulative redemptions as of December 31, 2011[(1)]	1,373,478	13,473	$9.81
Value of shares issued through DRIP		49,828	
Excess		$36,355	

(1) Cumulative share redemptions include 0.3 million shares with a value of $2.8 million which have been approved for redemption as of December 31, 2011, and were paid to stockholders in January 2012.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our accompanying financial statements. The following information contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, actual results may differ materially from those expressed or implied by the forward-looking statements. Please see “Forward-Looking Statements” above for a description of these risks and uncertainties.

Overview

We are a Maryland corporation, incorporated on August 17, 2007, that has elected to be taxed as a REIT beginning with the taxable year ended December 31, 2008. As a REIT, we generally are not subject to corporate-level income taxes. To maintain our REIT status, we are required, among other requirements, to distribute annually at least 90% of our “REIT taxable income,” as defined by the Internal Revenue Code of 1986, as amended (the “Code”), to our stockholders. If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax on our taxable income at regular corporate tax rates.

We were formed to acquire a diversified portfolio of commercial real estate, primarily freestanding single tenant properties net leased to creditworthy tenants on a long-term basis. In January 2008, we commenced our IPO, subject to certain volume and other discounts. In March 2008, we commenced real estate operations. Our IPO closed in July 2011 and we operated as a non-traded REIT through February 29, 2012.

Effective as of March 1, 2012, we internalized the management services previously provided to us by the American Realty Capital Advisors, LLC (the"Former Advisor"), and as a result, we became a self-administered real estate investment trust ("REIT") managed full time by our own management team (the"Internalization"). Concurrent with the Internalization, we completed the listing of our common stock on the NASDAQ Global Select Market ("NASDAQ") under the symbol "ARCT" (the "Listing").

To provide for an orderly transition in conjunction with the Internalization and Listing, we and American Realty Capital Operating Partnership, LP (the "OP") entered into an agreement, effective as of March 1, 2012, with our Former Advisor, a wholly-owned subsidiary of ARC that managed our day-to-day business and affairs prior to the Internalization, to terminate the Advisory Agreement and provide for certain transitional services by our Former Advisor to us.

In connection with the Listing, we offered to purchase up to $220.0 million in shares of common stock from our stockholders, pursuant to a modified "Dutch Auction" cash tender offer (the "Tender Offer"). On March 1, 2012 we

successfully completed the Tender Offer having accepted for purchase 20.95 million shares of our common stock at a purchase price of $10.50 per share, for an aggregate cost of $220.0 million, excluding fees and expenses relating to the Tender Offer.
Substantially all of our business is conducted through the OP. We are the sole general partner of the OP and own a 99.99% partnership interest in the OP. Our Former Advisor is the sole limited partner of the OP and owns 0.01% partnership interest (non-controlling interest) in the OP. The limited partner interests have the right to convert OP units into cash or, at our option, a corresponding number of shares of common stock, as allowed by the limited partnership agreement of the OP.

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As of December 31, 2011, we had 178.0 million shares of common stock outstanding including shares issued under the DRIP and the restricted share plan. Total gross proceeds from these issuances were $1.8 billion, including shares issued pursuant to the DRIP. As of December 31, 2011, the aggregate value of all share issuances and subscriptions outstanding was $1.8 billion based on a per share value of $10.00 (or $9.50 for shares issued under the DRIP). As of December 31, 2011, 1.4 million shares of common stock had been redeemed under our stock repurchase program at a value of $13.5 million. Of that amount, 0.3 million shares with a redemption value of $2.8 million were accrued for redemption at December 31, 2011, and subsequently paid to stockholders in January 2012.

We have used the proceeds of our IPO to acquire 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 typically fund our acquisitions with a combination of equity and debt and in certain cases we may use only equity capital or we may fund a portion of the purchase price of an acquisition through investments from third parties. 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 the various markets we serve, which we expect will lead to further acquisition opportunities. As of December 31, 2011, our leverage ratio was 31.7%, or 30.1% including cash and cash equivalents of $33.3 million. Our Company began the process to garner a corporate credit rating and received its first rating from a major rating agency in late-2010. By early-2011, the Company secured a second corporate credit rating from another major rating agency. The Company intends to focus on improving its balance sheet and performance metrics in keeping with the rating agencies methodologies. We intend to maintain leverage, coverage and other levels consistent with our existing ratings and to seek to have our ratings increased when appropriate.

As of December 31, 2011, we owned 482 properties with 15.5 million square feet, 100% leased with a weighted average remaining lease term of 13.5 years. In constructing our portfolio, we are committed to diversification (industry, tenant and geography). As of December 31, 2011, rental revenues derived from investment grade tenants, as rated by major rating agencies, represented 71.6% of annualized rental income projected for 2012 on a straight-line basis for properties held as of December 31, 2011. Our strategy encompasses receiving the majority of our revenue from investment grade tenants.

Real estate-related investments are higher-yield and higher-risk investments than real properties, 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 Board of Directors has elected to suspend all activities relating to acquiring real estate-related investments, except for selected investments in common stock of publicly traded companies, 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, other than investments in common stock of other REITs.

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 straight-line basis over the initial term of the lease. Since many of our leases provide for rental increases at specified intervals, straight-line 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 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, 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.

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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 straight-line method over the estimated useful lives of up to forty years for buildings and improvements, fifteen years for land 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 are required to present the operations related to properties that have been sold or properties that are intended to be sold as discontinued operations in the statement of operations for all periods presented. Properties that are intended to be sold are 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

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, land improvements, buildings, fixtures 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 acquire leases for above- and below-market lease rates, the value of in-place leases and the value of customer relationships, as applicable.

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Amounts allocated to land, land improvements, buildings, improvements and fixtures are based on cost segregation studies performed by independent third-parties or on our analysis of comparable properties in our portfolio.

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 eighteen months. We also estimate costs to execute similar leases including leasing commissions, legal and other related expenses.

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 intangibles are amortized as a decrease to rental income over the remaining term of the lease. The capitalized below-market lease values will be amortized as an increase to rental income over the remaining term and any fixed rate renewal periods provided within the respective leases. In determining the amortization period for below-market lease intangibles, we initially will consider, and evaluate on a quarterly basis, the likelihood that a lessee will execute the renewal option. The likelihood that a lessee will execute the renewal option is determined 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.

The aggregate value of intangibles assets related to customer relationships, as applicable, 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 5 to 30 years. The value of customer relationship intangibles, as applicable, 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.

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.

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 our operating and financial structure as well as to hedge specific anticipated transactions.

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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 is 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 risk, even though hedge accounting does not apply or we elect not to apply hedge accounting.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are described in Note 2 —Summary of Significant Accounting Policies to our consolidated financial statements.

Results of Operations

As of December 31, 2011, we owned 482 properties which were 100% leased, compared to 259 properties at December 31, 2010. Accordingly, our results of operations for the year ended December 31, 2011, as compared to the year ended December 31, 2010, reflect significant increases in most categories.

Comparison of Year Ended December 31, 2011 to Year Ended December 31, 2010

Rental Income

Rental income increased $80.1 million to $124.9 million for the year ended December 31, 2011, compared to $44.8 million for the year ended December 31, 2010. The increase in rental income was driven by our acquisition of $1.2 billion of net leased properties subsequent to December 31, 2010, with total square footage of 10.2 million square feet. These properties, acquired at an average 8.0% capitalization rate, defined as annualized rental income on a straight-line basis divided by base purchase price, are leased from 5 to 30 years primarily to investment grade tenants. All properties were 100% leased in both periods. Annualized average rental income per square foot was $11.10 at December 31, 2011 compared to $13.76 at December 31, 2010.

During the years ended December 31, 2011 and 2010, we experienced no property vacancy, tenant turnover, lease renegotiations or major capital expenditures. In addition, until 2011 all of the properties we owned were leased on a net basis where tenants were responsible for operating expenses. Cash same store rents on the 126 properties we owned for the full period for both years increased $0.2 million or 1% for the year ended December 31, 2011 from the year ended December 31, 2010. The increase was due to contractual rental increases as specified in the properties leases.

Operating Expense Reimbursements

Operating expense reimbursements were $4.3 million for the year ended December 31, 2011. Operating expense reimbursements represent reimbursements for taxes, property maintenance and other charges contractually due from tenants per their respective lease agreements. There were no property operating expense reimbursements for the year ended December 31, 2010. Until 2011 all of the properties we owned were leased on a net basis where tenants were responsible for operating expenses.

Acquisition and Transaction Related Costs

Acquisition and transaction related costs increased $17.5 million to $30.0 million for the year ended December 31, 2011, compared to $12.5 million for the years ended December 31, 2010. The increase in acquisition and transaction related costs was driven by our increase in acquisition related activity during 2011 as compared to 2010.

Property Expenses

Property expenses were $5.3 million for the year ended December 31, 2011 and are mainly real estate taxes, ground lease rent, insurance and repairs and maintenance expenses. There were no property expenses for the year ended December 31, 2010.

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Fees to Affiliate

Asset Management Fee:

Prior to the Internalization, our Former Advisor was entitled to fees for the management of our day-to-day operations and our properties, as well as fees for purchases and sales of properties. The Former Advisor was paid $5.6 million and $1.4 million for the years ended December 31, 2011 and 2010, respectively, and had elected to waive $9.7 million and $4.0 million of asset management fees for the years ended December 31, 2011 and 2010, respectively. On June 7, 2011, the agreement with the Former Advisor was amended such that now our Board of Directors, subject to the Former Advisor’s approval, on a prospective basis, could have elected to pay an amount equivalent to the waived fees in performance based restricted shares. The Board of Directors did not make such election prior to the termination of the advisory agreement as described below and therefore additional performance based restricted shares will not be issued.

In connection with the Internalization, we terminated the advisory agreement with our Former Advisor subject to a 60 day notice period (subject to our right to extend this agreement for three consecutive one month periods), without payment or penalty in connection with such termination (other than the prepayment of $3.6 million in respect of the 60 day notice period (constituting 1.00% per annum (prorated for 60 days) of our average unadjusted book value of our real estate assets)).

On March 1, 2012, the Board approved the Note, which, if earned, may be issued by the Company to ARC in connection with the listing of the Company's common stock on NASDAQ. The Note, if issued, will bear interest at the applicable federal rate established by the Internal Revenue Service on the date of issuance, payable quarterly in arrears. The principal amount of the Note will be an amount equal to 15.0% of the amount, if any, by which (a) the market value of the Company's common stock, based on the average market value of the shares issued and outstanding at listing over the 30 trading days beginning August 18, 2012, which is the 180th day after shares of the Company's common stock were first listed on NASDAQ plus distributions paid by the Company from and after May 21, 2008 and prior to such listing, exceeds (b) the sum of the total amount of capital raised from stockholders during the Company's IPO and the amount of cash flow necessary to generate a 6.0% annual cumulative, non-compounded return to such stockholders through the date of listing. ARC has the right to require that the Company prepay the outstanding principal amount of the Note with the net cash proceeds from any asset sale by the Company or the Operating Partnership. The Note will mature on the third anniversary of the date it is issued, subject to ARC's right to convert any unpaid portion of the Note into shares of the Company's common stock on or after the maturity date. The number of shares of the Company's common stock that will be issued upon such conversion will be valued at the average market value of the Company's common stock over the 30 trading days beginning August 18, 2012.

Property Management Fee:

Prior to the Internalization, our Former Property Manager had elected to waive the property management fees payable to it for the years ended December 31, 2011 and 2010 in order to improve our working capital. Such fees represent amounts that, had they not been waived, would have been paid to our Former Property Manager to manage and lease our properties. For the years ended December 31, 2011 and 2010, we would have incurred property management fees of $2.4 million and $0.8 million, respectively, had the fees not been waived.

General and Administrative Expenses

General and administrative expenses increased $2.8 million to $4.2 million for the year ended December 31, 2011, compared to $1.4 million for the year ended December 31, 2010. The increase in general and administrative expenses primarily related to increases in restricted stock amortization expense of $1.0 million and professional fees of $0.8 million to support our larger real estate portfolio.

Depreciation and Amortization Expense

Depreciation and amortization expense increased $47.2 million to $68.9 million for the year ended December 31, 2011, compared to $21.7 million for the year ended December 31, 2010. The increase in depreciation and amortization expense was the result of our acquisition of real estate subsequent to December 31, 2010. These properties were placed into service when acquired and are being depreciated for the period held.

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Interest Expense

Interest expense increased $19.3 million to $37.4 million for the year ended December 31, 2011, compared to $18.1 million for the year ended December 31, 2010. The increase in interest expense was mainly the result of a higher debt balance due to the financing of a portion of our property acquisitions. The average first mortgage debt balance for the years ended December 31, 2011 and 2010 was $574.1 million and $263.1 million, respectively. The increase in the average mortgage debt balance was partially offset by a decrease in the average interest rate on debt to 5.27% at December 31, 2011 from 5.73% at December 31, 2010. We view these secured financing sources as an efficient and accretive means to acquire properties.

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

Other Income, Net

Other income was $0.8 million for the years ended December 31, 2011 and 2010. Other income is mainly comprised of interest earned on cash and cash equivalents and distribution income.

Equity in Income of Unconsolidated Joint Venture

Equity in income of unconsolidated joint venture was $0.1 million for the year ended December 31, 2011. This income represents our share of the profit and loss in a joint venture real estate investment with an affiliated entity. Income from unconsolidated joint venture was immaterial for the year ended December 31, 2010.

Unrealized Loss on Derivative Instruments

Unrealized loss on the fair value of derivative instruments was $2.5 million for the year ended December 31, 2011 compared to a loss of $0.3 million for the year ended December 31, 2010. These unrealized losses are related to marking our derivative instruments to fair value.

Gain (Loss) on Disposition of Property

Loss on the disposition of property of $44,000 for the year ended December 31, 2011 was realized from the sale of a property leased to PNC Bank in January 2011. Gain on the disposition of property of $0.1 million for the year ended December 31, 2010 was realized from the sale of a property leased to PNC Bank in September 2010.

Comparison of Year Ended December 31, 2010 to Year Ended December 31, 2009

As of December 31, 2010, we owned 259 properties which are 100% leased, compared to 126 properties which were 100% leased at December 31, 2009. Accordingly, our results of operations for the year ended December 31, 2010 as compared to the year ended December 31, 2009 reflect significant increases in most categories.

Rental Income

Rental income increased $29.8 million to $44.8 million for the year ended December 31, 2010, compared to $15.0 million for the year ended December 31, 2009. The increase in rental income was driven by our acquisition of $537.5 million of net leased properties during 2010 with total square footage of 3.6 million an increase of 211.8% from the square footage we held at December 31, 2009. These properties, acquired at an average 8.55% capitalization rate, defined as annualized rental income on a straight-line basis divided by base purchase price, are leased from 4 to 25 years primarily to investment grade tenants.

Acquisition and Transaction Related Costs

Acquisition and transaction related costs increased $12.0 million to $12.5 million for the year ended December 31, 2010, compared to $0.5 million for the year ended December 31, 2009. The increase in acquisition and transaction related costs was driven by our acquisition of $537.5 million of net leased properties during 2010, compared to the acquisition of $173.8 million of net leased properties during 2009.

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Fees to Affiliate

Asset Management Fee:

Prior to the Internalization, our Former Advisor was entitled to fees for the management of our day-to-day operations and our properties, as well as fees for purchases and sales of properties. The Former Advisor has elected to waive all but $1.4 million and $0.1 million of asset management fees for the years ended December 31, 2010 and 2009, respectively. For the years ended December 31, 2010 and 2009, we would have incurred additional asset management fees of $4.0 million and $1.8 million, respectively, had they not been waived.

Property Management Fee:

Prior to the Internalization, our Former affiliated Property Manager had elected to waive the property management fees payable to it for the years ended December 31, 2010 and 2009 in order to improve our working capital. Such fees represent amounts that, had they not been waived, would have been paid to our Former Property Manager to manage and lease our properties. For the years ended December 31, 2010 and 2009, we would have incurred property management fees of $0.8 million and $0.3 million, respectively, had the fees not been waived.

General and Administrative Expenses

General and administrative expenses increased $0.9 million or 180.0% to $1.4 million for the year ended December 31, 2010, compared to $0.5 million for the year ended December 31, 2009. The majority of the general and administrative expenses for the year ended December 31, 2010 included $0.3 million of amortized insurance expense relating to our directors' and officers' insurance policy, $0.4 million of Board member compensation and $0.4 million of professional fees. The increase from the year ended December 31, 2009 is mainly due to increases in professional fees and other expenses to support our larger real estate portfolio.

Depreciation and Amortization Expense

Depreciation and amortization expense increased $13.4 million, or 161.4%, to $21.7 million for the year ended December 31, 2010, compared to $8.3 million for the year ended December 31, 2009. The increase in depreciation and amortization expense was the result of our acquisition of real estate during 2010 and a full year of depreciation and amortization for real estate acquired during the year ended December 31, 2009. These properties were placed into service when acquired and are being depreciated for the period held.

Interest Expense

Interest expense increased $7.7 million, or 74.0% to $18.1 million for the year ended December 31, 2010, compared to $10.4 million for the year ended December 31, 2009. The increase in interest expense was mainly the result of a higher debt balance due to the financing of a portion of our property acquisitions. The average first mortgage debt balance for the years ended December 31, 2010 and 2009 was $263.1 million and $136.5 million, respectively, an increase of 92.7%. We view these secured financing sources as an efficient and accretive means to acquire properties.

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 offerings, the cost of borrowings, and the opportunity to acquire real estate assets which meet our investment objectives.

Other Income, Net

Other income for the year ended December 31, 2010 was $0.8 million compared to $51,000 for the year ended December 31, 2009. Other income in 2010 was primarily related to $0.5 million of excess proceeds received over the amortized costs of the property sold in joint venture and other agreements with third parties net of related federal and state income tax effects, $0.1 million of fees collected related to an investment in a joint venture with an affiliate, and $0.1 million of fees collected for early lease terminations and interest income on cash deposits. Other income in 2009 was related to interest income on cash deposits.

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Unrealized Loss on Derivative Instruments

Loss in the fair value of derivative instruments was $0.3 million for the year ended December 31, 2010 compared to a gain of $0.5 million for the year ended December 31, 2009. These losses are related to marking our derivative instruments to fair value.

Gain (loss) on Disposition of Property

Gains on the disposition of property of $0.1 million for the year ended December 31, 2010, were realized from the sale of a property leased to PNC Bank in September 2010.

Cash Flows for the Year Ended December 31, 2011

During the year ended December 31, 2011, net cash provided by operating activities was $49.5 million. The level of cash flows provided by operating activities is affected by acquisition and transaction costs incurred and the timing of interest payments and amount of borrowings outstanding during the period. It is also affected by the receipt of scheduled rent payments. Net cash provided by operating activities primarily relates to net loss adjusted for non-cash items of $53.0 million as well as an increase in accounts payable and accrued expenses of $5.6 million and an increase in deferred rent of $2.8 million due to the timing of the receipt of rental payments, partially offset by an increase in prepaid expenses and other assets of $11.8 million, principally resulting from an increase in accounts receivable for straight-line rent of $6.6 million during the year ended December 31, 2011.

Net cash used in investing activities during the year ended December 31, 2011 was $1.2 billion. Cash used in investing activities was principally related to $1.2 billion for acquisitions, $17.6 million for investment securities purchased, and $0.4 million for capital expenditures, partially offset by $0.8 million of distributions received from an unconsolidated joint venture and $0.6 million of proceeds from the disposition of real estate during the year ended December 31, 2011.

Net cash provided by financing activities totaled $1.2 billion during the year ended December 31, 2011. Cash provided by financing activities in 2011 was used for property acquisitions. Cash provided by financing activities primarily relates to proceeds from the issuance of our common stock of $992.3 million, net proceeds from mortgage notes payable after the effect of principal repayments of $243.8 million, and proceeds from revolving credit facilities of $10.0 million, partially offset by distributions to common stockholders of $48.5 million, payments of financing costs of $16.8 million, payments for common stock redemptions of $8.1 million, the repayment of long-term notes payable of $12.8 million, increases in restricted cash of $2.6 million and distributions to non-controlling interest holders of $2.0 million.

Cash paid for interest during the year ended December 31, 2011 was $32.2 million.

Cash Flows for the Year Ended December 31, 2010

During the year ended December 31, 2010, net cash provided by operating activities was $9.9 million. 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. Net cash provided by operating activities primarily relates to net loss adjusted for non-cash items of $12.7 million as well as the increase in deferred rent and other liabilities of $2.7 million and accounts payable and accrued expenses of $2.1 million, partially offset by an increase in prepaid expenses and other assets of $7.6 million principally resulting from the prepayment of $4.4 million of asset management, and straight line rent adjustments of $2.1 million incurred during the year ended December 31, 2010.

Net cash used in investing activities during the year ended December 31, 2010, was $555.1 million was principally related to $543.9 million for acquisitions completed in 2010, $12.0 million invested in a joint venture with an affiliate, partially offset by $0.8 million from dispositions of real estate.

Net cash provided by financing activities totaled $572.2 million during the year ended December 31, 2010. Cash provided by financing activities in 2010 was used for property acquisitions. Cash provided by financing activities were mainly due to proceeds from the issuance of our common stock of $400.9 million, the net proceeds from mortgage notes payable of $217.8 million and contributions from non-controlling interest holders of $21.0 million, partially offset by the repayment of short-term bridge funds and notes payable of $15.9 million and $28.9 million, respectively, distributions to common stockholders of $11.6 million, payments of deferred financing costs of $6.8 million, payments for common stock redemptions of $3.0 million and distributions to non-controlling interest holders of $1.1 million.

Cash paid for interest during the year ended December 31, 2010 was $16.3 million.

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Cash Flows for the Year Ended December 31, 2009

For the year ended December 31, 2009, net cash used in operating activities was $2.5 million. The level of cash flows used in or 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. Net cash used in operating activities was mainly due to net losses adjusted for non-cash items of $3.8 million, offset by increases in prepaid expenses of $4.2 due to the advance payment of asset management fees to our affiliate and an increase in unbilled rent receivables recorded in accordance with straight-line basis accounting, as well as the repayment of due to affiliates of $2.2 million, and a decrease in accounts payable and accrued expenses of $0.2 million. These decreases in cash were partially offset by an increase in deferred rent and other liabilities of $0.4 million, primarily representing rent payments received in advance of the respective due date.

Net cash used in investing activities during the year December 31, 2009 totaled $173.8 million. Net cash used in investing activities related to investment properties acquired during the period.

Net cash provided by financing activities totaled $180.4 million during the year ended December 31, 2009. Cash provided by financing activities in 2009 was used for property acquisitions. Increases in 2009 were mainly due to proceeds from the issuance of our common stock of $112.1 million and net proceeds from debt financing arrangements of $67.9 million. These amounts were partially offset by distributions paid of $1.9 million and payments of deferred offering costs of $1.1 million.

Cash paid for interest during the year ended December 31, 2009 was $10.2 million.

Liquidity and Capital Resources

On March 1, 2012, we successfully listed our common stock on NASDAQ under the symbol “ARCT.”

Our principal demands for funds will continue to be for property acquisitions, either directly or through investment interests, for the payment of operating expenses, distributions to our investors, and for the payment of principal and interest on our outstanding indebtedness. Generally, cash needs for property acquisitions will be met through proceeds from the sale of common stock through public and/or private offerings, mortgage financings and financings with our revolving credit facility. We may also from time to time enter into other agreements with third parties whereby third parties will make equity investments in specific properties or groups of properties that we acquire.

We expect to meet our future short-term operating liquidity requirements through a combination of net cash provided by our current property operations and the operations of properties to be acquired in the future. Management expects that our properties will generate sufficient cash flow to cover all operating expenses and the payment of a monthly distribution. The majority of our long-term, triple net leases contain contractual rent escalations during the primary term of the lease. Other potential future sources of capital include proceeds from secured or unsecured financings from banks or other lenders, proceeds from public or private offerings, proceeds from the sale of properties and undistributed funds from operations.

As of December 31, 2011, we had issued 178.0 million shares of common stock. Total gross proceeds from these issuances were $1.8 billion. As of December 31, 2011, the aggregate value of all share issuances and subscriptions outstanding was $1.8 billion based on a per share value of $10.00 (or $9.50 for shares issued under the Distribution Reinvestment Plan, or "DRIP"). As of December 31, 2011, we had $33.3 million of cash and cash equivalents and $17.3 million of marketable securities on hand. We became fully deployed in investment properties by the end of

January 2012, other than cash and cash equivalents and marketable securities, which are reserved for working capital and general liquidity purposes. With the stabilization of the investment portfolio, we expect to significantly increase the amount of cash flow generated from operating activities in future periods. Such increased cash flow will positively impact the amount of funds available for distributions.

As of December 31, 2011, there were no additional shares available for issuance under the IPO registration statement excluding shares available to be issued under the DRIP.

Effective March 1, 2012, the SRP and DRIP were terminated.

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The following table summarizes our stock repurchase program activity cumulatively to date as of December 31, 2011. The value of redemptions did not exceed distribution reinvestment elections by stockholders (dollars in thousands except for cost per share):

	Redemption Requests and Shares Redeemed		
Year Ended December 31,	Shares	Value	Average Cost per share
2009	3,000	$29	$9.65
2010	299,528	2,933	9.79
2011	1,070,950	10,511	9.81
Cumulative redemptions as of December 31, 2011[1]	1,373,478	13,473	$9.81
Value of shares issued through DRIP		49,828	
Excess		$36,355	

(1) Redemptions include 0.3 million shares with a value of $2.8 million which have been approved for redemption as of December 31, 2011, and were paid to stockholders in January 2012.

Acquisitions

Generally, cash needs for property acquisitions will be met through proceeds from the sale of common stock through public and private offerings, mortgage financings, financings with our revolving credit facility or other loan arrangements. We may also from time to time enter into other agreements with third parties whereby third parties will make equity investments in specific properties or groups of properties that we acquire. 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 cash and cash equivalents in certain investments that could yield lower returns than the properties. These lower returns may affect our ability to make distributions.

Funds from Operations and Adjusted Funds from Operations

Due to certain unique operating characteristics of real estate companies, as discussed below, the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"), an industry trade group, has promulgated a measure known as funds from operations ("FFO"), which we believe to be an appropriate supplemental measure to reflect the operating performance of a REIT. The use of FFO is recommended by the REIT industry as a supplemental performance measure. FFO is not equivalent to our net income or loss as determined under accounting principals generally accepted in the United States of America ("GAAP").

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revised in February 2004 (the "White Paper"). The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property but including asset impairment writedowns, plus depreciation and amortization, after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO. Our FFO calculation complies with NAREIT's policy described above.

The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time, especially if such assets are not adequately maintained or repaired and renovated as required by relevant circumstances and/or is requested or required by lessees for operational purposes in order to maintain the value disclosed. We believe that, since real estate values historically rise and fall with market conditions, including inflation, interest rates, the business cycle, unemployment and consumer spending, presentations of operating results for a REIT using historical accounting for depreciation may be less informative. Historical accounting for real estate involves the use of GAAP. Any other method of accounting for real estate such as the fair value method cannot be construed to be any more accurate or relevant than the comparable methodologies of real estate valuation found in GAAP. Nevertheless, we believe that the use of FFO, which excludes the impact of real estate related depreciation and amortization, provides a more complete understanding of our performance to investors and to management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income. However, FFO and adjusted funds from operations ("AFFO"), as described below, should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. The method utilized to evaluate the value and performance of real estate under GAAP should be construed as a more relevant measure of operational performance and considered more prominently than the non-GAAP FFO and AFFO measures and the adjustments to GAAP in calculating FFO and AFFO.

We consider funds from operations, or FFO, and FFO, as adjusted to exclude acquisition-related fees and expenses, or AFFO, useful indicators 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 GAAP implicitly assumes that the value of real estate assets diminishes predictably 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.

Additionally, we believe that AFFO, by excluding acquisition-related fees and expenses, provides information consistent with management's analysis of the operating performance of the properties. By providing AFFO, we believe we are presenting useful information that assists investors and analysts to better assess the sustainability of our operating performance. Further, we believe AFFO is useful in comparing the sustainability of our operating performance with the sustainability of the operating performance of other real estate companies, including exchange-traded and non-traded REITs.

As a result, we believe that the use of FFO and AFFO, 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.

FFO and AFFO are non-GAAP financial measures and do not represent net income as defined by GAAP. FFO and AFFO do not represent cash flows from operations as defined by GAAP, are 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 alternatives to net income, as determined in accordance with GAAP, for purposes of evaluating our operating performance. Other REITs may not define FFO in accordance with the current National Association of Real Estate Investment Trusts, or NAREIT, definition (as we do) or may interpret the current NAREIT definition differently than we do and/or calculate AFFO differently than we do. Consequently, our presentation of FFO and AFFO may not be comparable to other similarly titled measures presented by other REITs.

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The below table reflects the items deducted or added to net income (loss) in our calculation of FFO and AFFO for the year ended December 31, 2011 (in thousands). Items are presented net of non-controlling interest portions where applicable.

	Three Months Ended				
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	Total
Net loss (in accordance with GAAP)	$(4,520)	$(9,517)	$(5,661)	$(5,378)	$(25,076)
Loss on disposition of property	44	—	—	—	44
Other non-cash losses	102	—	—	—	102
Depreciation and amortization	9,711	15,007	19,591	23,688	67,997
FFO	5,337	5,490	13,930	18,310	43,067
Acquisition fees and expenses	7,132	10,688	5,554	6,628	30,002
Amortization of above-market lease assets and liabilities	(76)	(76)	(76)	(76)	(304)
Non-cash mark-to-market adjustments	(142)	(6)	3,114	(427)	2,539
Non-cash amortization of restricted stock	355	370	375	377	1,477
Non-recurring losses from extinguishment of debt	—	720	—	703	1,423
AFFO	$12,606	$17,186	$22,897	$25,515	$78,204

Distributions

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 available to pay distributions are expected to increase as additional properties are acquired in our investment portfolio.

The distribution is calculated based on stockholders of record each day during the applicable period at a rate that, if paid each day for a 365-day period, would equal a specified annualized rate based on a share price of $10.00. As of December 31, 2011 our annualized distribution rate was 7.0%.

During the year ended December 31, 2011, distributions paid totaled $86.6 million, inclusive of $39.1 million of common shares issued under the DRIP, and excluding $1.0 million paid on unvested restricted stock grants. Distribution payments are dependent on the availability of funds. Our Board of Directors may reduce the amount of distributions paid or suspend distribution payments at any time and therefore distribution payments are not assured.

We, our Board of Directors and Former Advisor have shared a similar philosophy with respect to paying our distributions. The distributions should principally be derived from cash flows generated from real estate operations. During the years ended December 31, 2011, 2010, 2009 and 2008, approximately 94%, 85%, 57%, and 100%, respectively, of the amounts distributed by us were paid from cash flow from operations, with the balance coming from debt financing or proceeds from our IPO. In order to improve our operating cash flows and our ability to pay distributions from operating cash flows, our Former Advisor, a related party, agreed to waive certain fees including asset management and property management fees. For the year ended December 31, 2011, we incurred asset management fees to the Former Advisor of $5.6 million. The Former Advisor has elected to waive the remainder of its asset management fee and its entire property management fee, and will determine if a portion or all of such fees will be waived in subsequent periods on a quarter-to-quarter basis. Such fees waived during the year ended December 31, 2011 were $9.7 million and $2.4 million, respectively. The fees that were waived relating to the activity during 2011 are not deferrals and accordingly, will not be paid. Because the Former Advisor waived certain fees that we owed, cash flow from operations that would have been paid to the Former Advisor was available to pay distributions to our stockholders. In connection with the Internalization, we plan to agree with the Former Advisor that the Former Advisor will not receive the following fees permitted to be paid to it under our charter: a disposition fee on the sale of a property; incentive fees (other than the subordinated incentive listing fee, as described below); acquisition fees; and termination fees. Neither us nor the Operating Partnership will pay any termination fee to the Former Advisor, the Former Property Manager, AR Capital, LLC or any of their respective affiliates in connection the internalization.

In connection with the Internalization, we will terminate the advisory agreement with our advisor, without payment or penalty in connection with such termination (other than the prepayment of $3.6 million in respect of the 60 day notice period (constituting 1.00% per annum (prorated for 60 days) of our average unadjusted book value of our real estate assets)).

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On March 1, 2012, the Board approved the Note, which, if earned, may be issued by the Company to ARC in connection with the listing of the Company's common stock on NASDAQ. The Note, if issued, will bear interest at the applicable federal rate established by the Internal Revenue Service on the date of issuance, payable quarterly in arrears. The principal amount of the Note will be an amount equal to 15.0% of the amount, if any, by which (a) the market value of the Company's common stock, based on the average market value of the shares issued and outstanding at listing over the 30 trading days beginning August 18, 2012, which is the 180th day after shares of the Company's common stock were first listed on NASDAQ plus distributions paid by the Company from and after May 21, 2008 and prior to such listing, exceeds (b) the sum of the total amount of capital raised from stockholders during the Company's IPO and the amount of cash flow necessary to generate a 6.0% annual cumulative, non-compounded return to such stockholders through the date of listing. ARC has the right to require that the Company prepay the outstanding principal amount of the Note with the net cash proceeds from any asset sale by the Company or the Operating Partnership. The Note will mature on the third anniversary of the date it is issued, subject to ARC's right to convert any unpaid portion of the Note into shares of the Company's common stock on or after the maturity date. The number of shares of the Company's common stock that will be issued upon such conversion will be valued at the average market value of the Company's common stock over the 30 trading days beginning August 18, 2012.

The following table shows the sources for the payment of distributions to common stockholders for the year ended December 31, 2011 (dollars in thousands):

	Three Months Ended March 31, 2011			Three Months Ended June 30, 2011			Three Months Ended September 30, 2011			Three Months Ended December 31, 2011			Total		
	Distribution	Percentage of Distribution		Distribution	Percentage of Distribution		Distribution	Percentage of Distribution		Distribution	Percentage of Distribution		Distribution	Percentage of Distribution	
Distributions:															
Distributions in cash	$6,225			$9,333			$15,270			$16,696			$47,524		
Distributions reinvested (1)	4,904			7,370			12,730			14,069			39,073		
Total distributions	$11,129			$16,703			$28,000			$30,765			$86,597		
Source of distributions:															
Cash flows provided by operations (2)	$3,430	31	%	$9,333	56	%	$15,270	55	%	$16,696	54	%	$44,729	52	%
Proceeds from issuance of common stock	2,795	25	%	—	—		—	—		—	—		2,795	3	%
Common stock issued under DRIP	4,904	44	%	7,370	44	%	12,730	46	%	14,069	46	%	39,073	45	%
Total sources of distributions	$11,129	100	%	$16,703	100	%	$28,000	100	%	$30,765	100	%	$86,597	100	%
Cash flows provided by operations	$3,430			$10,502			$29,575			$6,018			$49,525		

(GAAP basis) [3]					
Net loss (in accordance with GAAP)	$(4,521)	$(9,518)	$(5,661)	$(5,376)	$(25,076)

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(1) Distributions reinvested pursuant to the DRIP, which do not impact our cash flows.

(2) Distributions paid from cash provided by operations are derived from cash flows from operations (GAAP basis) for the year ended December 31, 2011.

(3) Includes the impact of expensing acquisition and related transaction costs as incurred of $30.0 million for the year ended December 31, 2011.

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Dilution

Our net tangible book value per share is a mechanical calculation using amounts from our balance sheet, and is calculated as (1) total book value of our assets less the net value of intangible assets, (2) minus total liabilities less the net value of intangible liabilities, (3) divided by the total number of shares of common and preferred stock outstanding. It assumes that the value of real estate, and real estate related assets and liabilities, diminish predictably over time as shown through the depreciation and amortization of real estate investments. Real estate values have historically risen or fallen with market conditions. Net tangible book value is used generally as a conservative measure of net worth that we do not believe reflects our estimated value per share. It is not intended to reflect the value of our assets upon an orderly liquidation in accordance with our investment objectives. Our net tangible book value reflects dilution in the value of our common and preferred stock from the issue price as a result of (i) operating losses, which reflect accumulated depreciation and amortization of real estate investments, (ii) the funding of distributions from sources other than our cash flow from operations, and (iii) fees paid in connection with IPO, including commissions, dealer manager fees and other offering costs. As of December 31, 2011, our net tangible book value per share was $6.50. The offering price of shares under our IPO (ignoring purchase price discounts for certain categories of purchasers) at December 31, 2011 was $10.00.

Our IPO offering price was not established on an independent basis and bears no relationship to the net value of our assets. Further, even without depreciation in the value of our assets, the other factors described above with respect to the dilution in the value of our common stock are likely to cause our offering price to be higher than the amount you would receive per share if we were to liquidate at this time.

Loan Obligations

The payment terms of our loan obligations vary. In general, only interest amounts are payable monthly with all unpaid principal and interest due at maturity. Some of our loan agreements stipulate that we comply with specific reporting and financial covenants mainly related to debt coverage ratios and loan to value ratios. Each loan that has these requirements has specific ratio thresholds that must be met. As of December 31, 2011, we were in compliance with the debt covenants under our loan agreements.

We began the process to garner a corporate credit rating and received our first rating from a major rating agency in late-2010. By early-2011, we secured a second corporate credit rating from another major rating agency. We intend to focus on improving our balance sheet and performance metrics in keeping with the rating agencies methodologies. We intend to maintain leverage, coverage and other levels consistent with our existing ratings and to seek to have our ratings increased when appropriate.

As of December 31, 2011, we had non-recourse mortgage indebtedness secured by real estate of $674.0 million. As of December 31, 2011, our leverage ratio was 31.7% (defined as mortgage indebtedness divided by real estate investments, at cost)or 30.1% including cash and cash equivalents of $33.3 million. Our debt to earnings before interest taxes, depreciation and amortization ("EBITDA") ratio was 8.4:1. Our mortgage indebtedness bore a weighted average interest rate of 5.27% per annum and had a weighted average maturity of 5.2 years. We may in the future incur additional mortgage debt on the properties we currently own or use long-term non-recourse financing to acquire additional properties in the future.

We may, with approval from our independent Board of Directors, seek to borrow short-term capital that, combined with secured mortgage financing, exceeds our targeted leverage ratio. Such short-term borrowings 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 borrowings 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, these short-term borrowings will be repaid.

As of December 31, 2011, we have an unused short-term equity line available to us from a related party entity that allows us to draw a maximum of $10.0 million. As of December 31, 2011, there was no amount outstanding on this revolving credit facility.

We have a $230.0 million revolving credit facility with RBS Citizens. The facility matures on August 17, 2014. The facility bears interest at the rate of (i) LIBOR with respect to Eurodollar rate loans plus a margin 205 to 285 basis points, depending on our leverage ratio; and (ii) the greater of the federal funds rate plus 1.0% and the interest rate publicly announced by RBS Citizens as its ''prime rate'' or ''base rate'' at such time with respect to base rate loans plus a margin of 125 to 175 basis points depending on our leverage ratio. The facility contains various covenants, including financial covenants with respect to consolidated leverage, net worth, fixed charge coverage, variable debt ratio, recourse debt to total asset value and secured debt to total asset value. As of December 31, 2011, we were in compliance with all of these covenants. As of December 31, 2011, there was $10.0 million outstanding on this facility, which has been repaid as of January 31, 2012.

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Contractual Obligations

The following is a summary of our contractual obligations as of December 31, 2011 (in thousands):

	Total	2012	2013 – 2014	2015 – 2016	Thereafter
Principal payments due on mortgage notes payable	$673,978	$3,308	$92,945	$403,575	$174,150
Interest payments due on mortgage notes payable	$186,279	$35,576	$66,570	$41,473	$42,660
Principal payments due on revolving credit facility [(1)]	$10,000	$10,000	$—	$—	$—
Interest payments due on revolving credit facility [(1)]	$6	$6	$—	$—	$—

[(1)] Although the maturity of the revolving credit facility is in 2014, the principal and interest due on the revolving credit facility was subsequently paid in January 2012.

Election as a REIT

We elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2008. If we continue to qualify for taxation as a REIT, we generally will 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. Even if we qualify for taxation as a REIT, 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. We believe we are organized and operating in such a manner as to qualify to be taxed as a REIT for the taxable year ended December 31, 2011.

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 ARC and its wholly-owned affiliates, whereby we pay certain fees or reimbursements to our Former 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 11 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 have or 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 that are material to investors.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.
Our Directors

The table set forth below lists the names and ages of each of the directors as of the date of this Annual Report on Form 10-K/A and the position and office that each director currently holds with the Company:

Name	Age	Position
William M. Kahane	64	President, Chief Executive Officer and Director
Nicholas S. Schorsch	51	Chairman of the Board of Directors
Leslie D. Michelson	61	Independent Director
William G. Stanley	56	Independent Director
Robert H. Burns	82	Independent Director

Business Experience of Directors

Nicholas S. Schorsch

Nicholas S. Schorsch has served as the chairman of the Board of Directors of our Company since August 2007. Mr. Schorsch served as the chief executive officer of our Company, our Former Advisor and Former Property Manager from our formation in August 2007 until March 2012. Since October 2009, Mr. Schorsch has also served as chairman of the Board and chief executive officer of American Realty Capital New York Recovery REIT, Inc. ("NYRR"). Since November 2009, he served as the chief executive officer of the property manager and advisor of NYRR. Mr. Schorsch has been the chief executive officer of the Phillips Edison - ARC Shopping Center REIT, Inc. ("PE-ARC") advisor since its formation in December 2009. Mr. Schorsch has been the chairman and chief executive officer of American Realty Capital - Retail Centers of America, Inc. ("ARC RCA") and the chief executive officer of ARC RCA's advisor since their formation in July and May 2010, respectively. Mr. Schorsch has been the chairman and chief executive officer of American Realty Capital Healthcare Trust Inc. ("ARC HT") and the chief executive officer of the ARC HT advisor and property manager since their formation in August 2010. Mr. Schorsch has been the chairman and chief executive officer of American Realty Capital Daily Net Asset Value Trust, Inc. (" ARC DNAV") and the chief executive officer of the advisor and property manager of ARC DNAV since their formation in September 2010. Mr. Schorsch has served as the chairman and chief executive officer of American Realty Capital Trust III, Inc. ("ARCT III") and the chief executive officer of its advisor and property manager since their formation in October 2010. Mr. Schorsch has also been the chairman and chief executive officer of American Realty Capital Properties, Inc. ("ARCP") since its formation in December 2010, and the chief executive officer of its advisor since its formation in November 2010. Mr. Schorsch also has been the chairman and chief executive officer of American Realty Capital Global Daily Net Asset Value Trust, Inc. ("ARC Global DNAV") and the chief executive officer of the ARC Global DNAV advisor and the ARC Global DNAV property manager since their formation in July 2011, July 2011 and January 2012, respectively. Mr. Schorsch also has been the chairman and chief executive officer of American Realty Capital Trust IV, Inc. ("ARCT IV"), the ARCT IV advisor and the ARCT IV property manager since their formation in February 2012. Mr. Schorsch also has been the interested director and chief executive officer of Business Development Corporation of America, Inc. ("BDCA") since its formation in May 2010.

Prior to his current position with our Company, from September 2006 to July 2007, Mr. Schorsch was chief executive officer of an affiliate, American Realty Capital, a real estate investment firm. Mr. Schorsch founded and formerly served as president, chief executive officer and vice chairman of American Financial Realty Trust ("AFRT") from its inception as a REIT in September 2002 until August 2006. AFRT was a publicly traded REIT that invested exclusively in offices, operation centers, bank branches, and other operating real estate assets that are net leased to tenants in the financial service industry, such as banks and insurance companies.

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From 1995 to September 2002, Mr. Schorsch served as chief executive officer and president of American Financial Resource Group (“AFRG”), AFRT's predecessor, a private equity firm founded for the purpose of acquiring operating companies and other assets in a number of industries. Through AFRG and its successor corporation, AFRT, Mr. Schorsch executed in excess of 1,000 acquisitions acquiring businesses and real estate property with transactional value of approximately $5.0 billion. In 2003, Mr. Schorsch received an Entrepreneur of the Year award from Ernst & Young LLP. Prior to AFRG, Mr. Schorsch served as president of Thermal Reduction, a non-ferrous metal product manufacturing business. He successfully built the business through mergers and acquisitions and ultimately sold his interests to Corrpro (NYSE) in 1994. Mr. Schorsch attended Drexel University.

We believe that Mr. Schorsch's current experience as chairman and chief executive officer, as applicable, of NYRR, ARC RCA, ARC HT, ARC DNAV, ARCP, ARCT III, BDCA, ARC Global DNAV and ARCT IV and his previous experience as president, chief executive officer and vice chairman of AFRT, and his significant real estate acquisition experience make him well qualified to serve as our chairman of the Board.

William M. Kahane

Mr. Kahane has served as an executive officer of our Company, our Former Advisor and our Former Property Manager from their formation in August 2007 and a director of our Company since its formation August 2007. He was appointed as the chief executive officer of our Company in March 2012 following the Company's internalization of the management services previously provided to it by our Former Advisor and its affiliates (the “Internalization). He has been active in the structuring and financial management of commercial real estate investments for over 35 years. William M. Kahane has served as a director of ARC RCA since its formation in July 2010 and, until March 2012, he served as president and chief operating officer of ARC RCA and the ARC RCA advisor from their formation in July 2010 and May 2010, respectively. Mr. Kahane also has been a director of PE-ARC and the president, chief operating officer and treasurer of the PE-ARC advisor since their formation in December 2009. Mr. Kahane also served as a an executive officer of ARCT III, the ARCT III advisor and the ARCT III property manager from their formation in October 2010 until March 2012. Mr. Kahane currently serves as a director of ARC HT since its formation in August 2010 and also served as an executive officer of ARC HT, the ARC HT advisor and the ARC HT property manager from their formation in August 2010 until March 2012. Mr. Kahane served as a director and executive officer of ARC DNAV and an executive officer of the ARC DNAV advisor and the ARC DNAV property manager from their formation in September 2010 until March 2012. Mr. Kahane has served as a director of NYRR since their formation in October 2009 and served as the president and treasurer of NYRR from October 2009 until March 2012 and the NYRR advisor and NYRR property manager from their respective formations in November 2009 until March 2012. Mr. Kahane served as a director and executive officer of ARCP and an executive officer of the ARCP advisor from their formation in December 2010 and November 2010, respectively, until March 2012. Mr. Kahane also has been an interested director of BDCA from their formation in May 2010 and, until March 2012, was chief operating officer. Mr. Kahane served as president of BDCA from their formation in May 2010 until March 2012. Mr. Kahane has served as a member of the investment committee of Aetos Capital Asia Advisors, a $3 billion series of opportunistic funds focusing on assets primarily in Japan and China, since 2008.
Mr. Kahane began his career as a real estate lawyer practicing in the public and private sectors from 1974 - 1979. From 1981 - 1992, Mr. Kahane worked at Morgan Stanley & Co., specializing in real estate, becoming a managing director in 1989. In 1992, Mr. Kahane left Morgan Stanley to establish a real estate advisory and asset sales business known as Milestone Partners which continues to operate and of which Mr. Kahane is currently the chairman. Mr. Kahane worked very closely with Mr. Schorsch while a trustee at AFRT (April 2003 to August 2006), during which time Mr. Kahane served as chairman of the finance committee of AFRT's board of trustees. Mr. Kahane has been a managing director of GF Capital Management & Advisors LLC, a New York-based merchant banking firm, where he has directed the firm's real estate investments since 2001. GF Capital offers comprehensive wealth management services through its subsidiary TAG Associates LLC, a leading multi-client family office and portfolio management services company with approximately $5 billion of assets under management. Mr. Kahane also was on the board of

directors of Catellus Development Corp., a NYSE growth-oriented real estate development company, where he served as chairman. Mr. Kahane received a B.A. from Occidental College, a J.D. from the University of California, Los Angeles Law School and an MBA from Stanford University's Graduate School of Business. We believe that Mr. Kahane's current experience as a director of ARC RCA, PE-ARC, ARC HT, NYRR and BDCA, his prior experience as an executive officer of ARC-RCA, ARC HT, ARC DNAV, NYRR, BDCA, ARCT III and ARCP, his prior experience as chairman of the board of Catellus Development Corp. and his significant investment banking experience in real estate make him well qualified to serve as a member of our Board of Directors.

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Leslie D. Michelson

Leslie D. Michelson was appointed as an independent director of our Company on January 22, 2008. Mr. Michelson also has served as an independent director of BDCA and ARC HT since January 2011. Mr. Michelson was appointed as an independent director of ARC RCA in March 2012. Mr. Michelson served as an independent director of DNAV from August 2011 until February 2012 and as an independent director of NYRR from October 2009 until August 2011. Mr. Michelson has served as the chairman and chief executive officer of Private Health Management, a retainer-based primary care medical practice management company since April 2007. Mr. Michelson served as vice chairman and chief executive officer of the Prostate Cancer Foundation, the world's largest private source of prostate cancer research funding, from April 2002 until December 2006 and currently serves on its board of directors. Mr. Michelson served on the board of directors of Catellus Development Corp. from 1997 until 2004 when the company was sold to ProLogis. Mr. Michelson was a member of the Audit Committee of the board of directors for 5 years and served at various times as the chairman of the Audit Committee and the Compensation Committee. From April 2001 to April 2002, he was an investor in, and served as an advisor or director of, a portfolio of entrepreneurial healthcare, technology and real estate companies. From March 2000 to August 2001, he served as chief executive officer and as a director of Acurian, Inc., an Internet company that accelerates clinical trials for new prescription drugs. From 1999 to March 2000, Mr. Michelson served as an adviser of Saybrook Capital, LLC, an investment bank specializing in the real estate and health care industries. From June 1998 to February 1999, Mr. Michelson served as chairman and co-chief executive officer of Protocare, Inc., a manager of clinical trials for the pharmaceutical industry and disease management firm. From 1988 to 1998, he served as chairman and chief executive officer of Value Health Sciences, Inc., an applied health services research firm he co-founded. Mr. Michelson has been a director of Nastech Pharmaceutical Company Inc., a NASDAQ-traded biotechnology company focused on innovative drug delivery technology, from 2004 to 2008, of Highlands Acquisition Company, an AMEX-traded special purpose acquisition company, from 2007 to 2009, and of G&L Realty Corp., a NYSE-traded medical office building REIT from 1995 to 2001, and of Landmark Imaging, a privately held diagnostic imaging and treatment company from 2007 to 2010. Also since June 2004 and through the present, he has been and is a director and vice chairman of ALS-TDI, a philanthropy dedicated to curing Amyotrophic Lateral Sclerosis (ALS), commonly known as Lou Gehrig's disease. Mr. Michelson received his B.A. from The Johns Hopkins University in 1973 and a J.D. from Yale Law School in 1976.

We believe that Mr. Michelson's current experience as a director of ARC RCA, BDCA and ARC HT, his previous experience as a member of the board of directors of Catellus Development Corp. and his legal education make him well qualified to serve as a member of our Board of Directors.

William G. Stanley

William G. Stanley was appointed as an independent director of our Company on January 22, 2008. Mr. Stanley has also served as an independent director of NYRR since October 2009, BDCA since January 2011 and ARC RCA since February 2011. Mr. Stanley is the founder and managing member of Stanley Laman Securities, LLC, a FINRA member broker-dealer, since 2004, and the founder and president of The Stanley-Laman Group, Ltd ("SLG"), a registered investment advisor for high net worth clients since 1997. Mr. Stanley serves on the Advisory Board of Highland Capital's, High Cap Group. Highland Capital is a wholly owned subsidiary of National Financial Partners (NYSE:NFP). The Stanley-Laman Group has two separate groups within the organization, the Planning Group and the Investment Management Group. The Planning Group represents high worth families and family offices specializing in business continuity and estate planning using propriety computer models and tax planning techniques that have been researched, applied and refined over 30 years. SLG represents some of the wealthiest families in the world and has recently expanded its planning practice to international client matters. The Investment Management Group manages portfolios using proprietary trading and security selection techniques along with a global economic research. SLG acts as a separate account manager for other financial advisors nationally through Charles Schwab's Institutional Separate Account Manager Platform. Mr. Stanley has earned designations as a Chartered Financial Consultant, Chartered Life

Underwriter, and received his Masters Degree in Financial Services from the American College in 1997. Mr. Stanley served as an auditor for General Electric Capital from 1977 to 1979 and as a registered representative for Capital Analysts, Inc. of Radnor, Pennsylvania, a national investment advisory firm that specialized in sophisticated planning for high net worth individuals from 1979 to 1991. Mr. Stanley received a B.A. from Concord University and a Masters of Financial Services from The American College. He has also received the following designations: Chartered Life Underwriter from The American College; Chartered Financial Consultant from The American College.

We believe that Mr. Stanley's current experience as a director of NYRR, BDCA and ARC RCA as well as his significant background in finance makes him well qualified to serve on our Board of Directors.

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Robert H. Burns

Robert H. Burns was appointed as an independent director of our Company on January 22, 2008. Mr. Burns has also served as an independent director of NYRR since October 2009 and ARCT III from January 2011 to March 2012. Mr. Burns was appointed as an independent director of ARC HT in March 2012. Mr. Burns is a hotel industry veteran with an international reputation and over thirty years of hotel, real estate, food and beverage and retail experience. He founded and built the luxurious Regent International Hotels brand, which he sold in 1992. From 1970 to 1992, Mr. Burns served as chairman and chief executive officer of Regent International Hotels, where he was personally involved in all strategic and major operating decisions. Mr. Burns and his team of professionals performed site selection, obtained land use and zoning approvals, performed all property due diligence, financed each project by raising both equity and arranging debt, oversaw planning, design and construction of each hotel property, and managed each asset. Each Regent hotel typically contained a significant food and beverage element and high-end retail component, frequently including luxury goods such as clothing, jewelry, as well as retail shops. In fact, Mr. Burns is extremely familiar with the retail landscape as his flagship hotel in Hong Kong was part of a mixed-use complex anchored by a major enclosed shopping center connected to the Regent Hong Kong. Mr. Burns opened the first Regent hotel in Honolulu, Hawaii, in 1970. From 1970 to 1979, the company opened and managed a number of prominent hotels, but gained truly international recognition in 1980 with the opening of The Regent Hong Kong, which brought a new dimension in amenities and service to hotels in the city and attracted attention throughout the world. In all, Mr. Burns developed over 18 major hotel projects including the Four Seasons Hotel in New York City, the Beverly Wilshire Hotel in Beverly Hills, the Four Seasons Hotel in Milan, Italy, and the Four Seasons Hotel in Bali, Indonesia. Mr. Burns currently serves as chairman of Barings' Chrysalis Emerging Markets Fund, a position he has held since 1991, and as a director of Barings' Asia Pacific Fund, a position he has held since 1986. Additionally, he has been a member of the executive committee of the board of directors of Jazz at Lincoln Center in New York City since 2000. He also chairs the Robert H. Burns Foundation which he founded in 1992. The Robert H. Burns Foundation funds the education of Asian students at American schools. Mr. Burns frequently lectures at Stanford Business School. Mr. Burns served as a faculty member at the University of Hawaii from 1963 to 1994 and as president of the Hawaii Hotel Association from 1968 to 1970. Mr. Burns began his career in Sheraton's Executive Training Program in 1958, and advanced within Sheraton and then within Westin Hotels from 1962 to 1963. He later spent eight years with Hilton International Hotels from 1963 to 1970. Mr. Burns graduated from the School of Hotel Management at Michigan State University in 1958 and the University of Michigan's Graduate School of Business in 1960 after serving three years in the U.S. Army in Korea. For the past five years Mr. Burns has devoted his time to owning and operating Villa Feltrinelli on Lago di Garda, in Northern Italy, a small, luxury hotel, and working on developing hotel projects in Asia, focusing on Vietnam and China.

We believe that Mr. Burns' current experience as a director of NYRR and ARC HT, his previous experience as a director of ARCT III and his experience as a real estate developer for over 40 years, during which he developed over eighteen 18 major hotel projects, make him well qualified to serve as a member of our Board of Directors.
Information About the Board of Directors and its Committees

The Board of Directors ultimately is responsible for the management and control of our business and operations.

The Board of Directors held a total of 47 meetings during the fiscal year ended December 31, 2011 and took action by written consent on 33 occasions. Each incumbent director attended at least 75% of (1) the total number of meetings of the Board of Directors and (2) the total number of meetings of all committees of our Board of Directors on which the director served (during the periods that he or she served), in each case during the fiscal year ended December 31, 2011.

The Board of Directors has approved and organized an audit committee, a nominating and corporate governance committee, a compensation committee, and a conflicts committee.

Leadership Structure of the Board of Directors

Nicholas S. Schorsch serves as our chairman of the Board and William M. Kahane serves as our president and chief executive officer. As chief executive officer, Mr. Kahane is responsible for the daily operations of the Company and implementing the Company's business strategy. The Board of Directors may modify this structure to best address the Company's circumstances for the benefit of its stockholders when appropriate.

Although each of Leslie D. Michelson, William G. Stanley and Robert H. Burns are independent directors, the Board has not appointed a lead independent director at this time. Leslie D. Michelson serves as the audit committee's financial expert. Additionally, as members of the Board of Directors are elected annually, the Board believes that its existing corporate governance practices ensure appropriate management accountability to the Company's stockholders.

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Oversight of Risk Management

The Board of Directors and its committees have an active role in overseeing the management of risks applicable to the Company. The entire Board is actively involved in overseeing risk management for the Company through its approval of all property acquisitions, assumptions of debt and its oversight of the Company's executive officers and, prior to the Internalization, the Former Advisor. The audit committee oversees management of accounting, financial, legal and regulatory risks. The nominating and corporate governance committee manages risks associated with independence of the members of the Board. The conflicts committee is responsible for reviewing and approving all transactions with affiliated parties and resolving other conflicts of interest between the Company and its subsidiaries, on the one hand, and ARC, or any executives or directors, or their respective affiliates, on the other hand.

Audit Committee

The Board of Directors established an audit committee in January 2008. During 2011, the audit committee met four times. The charter of the audit is available to any shareholder who sends a request to American Realty Capital Trust, Inc., 405 Park Avenue, New York, NY 10022. The Audit Committee Charter is also available on the Company's website at http://www.arctreit.com by clicking on “Amended and Restated Audit Committee Charter”. Our Audit Committee consists of Messrs. Leslie D. Michelson, William G. Stanley and Robert H. Burns, each of whom is “independent” within the meaning of the applicable (i) provisions set forth in the Charter and (ii) requirements set forth in the Exchange Act and the applicable SEC rules. Mr. Michelson is the chair of the audit committee and the Board has determined that Mr. Michelson is qualified as an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K and the rules and regulations of the SEC.

Each of the audit committee members is an independent director and “financially literate” under the meaning of the applicable rules of NASDAQ, as well as under the meaning of the applicable (i) provisions set forth in the Charter and (ii) requirements set forth in the Exchange Act and the applicable SEC rules.

The audit committee assists our Board of Directors in overseeing:

- our financial reporting, auditing and internal control activities, including the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the independent auditor's qualifications and independence; and
- the performance of our internal audit function and independent auditor.

The audit committee is also responsible for engaging our independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

During the fiscal year ended December 31, 2011, all of the members of the audit committee voted to approve the filing of the Company's Annual and Quarterly Reports.

The audit committee's report on our financial statements for the fiscal year ended December 31, 2011 is discussed below under the heading “Audit Committee Report.”

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Nominating and Corporate Governance Committee

The Company has a standing nominating and corporate governance committee currently composed of all members of the Board. Mr. Michelson is the chair of our nominating and corporate governance committee. During 2011, the nominating and corporate governance committee met once. The Board adopted a Charter for the Nominating and Corporate Governance Committee in January 2008 which was amended and restated in February 2012. The nominating and corporate governance committee charter is available on the Company's website at http://www.arctreit.com by clicking on "Amended and Restated Nominating and Corporate Governance Committee Charter." We have not adopted a specific policy regarding the consideration of director nominees recommended to our nominating and corporate governance committee by stockholders. The nominating and corporate governance committee is responsible for the following:

- providing counsel to the Board of Directors with respect to the organization, function and composition of the Board of Directors and its committees;
- overseeing the self-evaluation of the Board of Directors and the Board of Director's evaluation of management;
- periodically reviewing and, if appropriate, recommending to the Board of Directors changes to, our corporate governance policies and procedures; and
- identifying and recommending to the Board of Directors potential director candidates for nomination.

Compensation Committee

The Board of Directors established a compensation committee on February 20, 2012. The compensation committee is comprised of Leslie D. Michelson, William G. Stanley and Robert H. Burns, each of whom is an independent director. Mr. Michelson is the chair of our compensation committee. The charter of the compensation committee is available to any shareholder who sends a request to American Realty Capital Properties, Inc., 405 Park Avenue, 15th Floor, New York, NY 10022. The compensation committee charter is also available on the Company's website at http://www.arctreit.com by clicking on "Compensation Committee Charter." In addition, all of the members of our compensation committee are "non-employee directors" within the meaning of the rules of Section 16 of the Exchange Act and "outside directors" for purposes of Section 162(m) the Code. During 2011, the compensation committee met once.The principal functions of the compensation committee are to:

- approve and evaluate all compensation plans, policies and programs as they affect the Company's executive officers;
- review and oversee management's annual process, if any, for evaluating the performance of our senior officers and review and approve on an annual basis the remuneration of our senior officers;
- oversee our equity incentive plans, including, without limitation, the issuance of stock options, restricted shares of common stock, restricted stock units, dividend equivalent shares and other equity-based awards;
- assist the Board of Directors and the chairman in overseeing the development of executive succession plans; and
- determine from time to time the remuneration for our non-executive directors.

Conflicts Committee

The Company has a standing conflicts committee which consists of Leslie D. Michelson, William G. Stanley and Robert H. Burns, each of whom is an independent director. Mr. Michelson is the chair of our conflicts committee. The Board adopted a charter of the conflicts committee in January 2008. The charter of the conflicts committee is available on the Company's website at http://www.arctreit.com by clicking on "Conflicts Committee Charter."

The primary purpose of the conflicts committee is to approve transactions, and resolve other conflicts of interest, between the Company and its subsidiaries, on the one hand, and ARC or any executives or directors, or their respective affiliates, on the other hand. The conflicts committee is responsible for reviewing and approving all transactions with affiliated parties, all purchase or leases of properties from or sales or leases to an affiliate, and reviewing and approving all agreements and amendments to agreements between the Company and affiliates, including ARC and its subsidiaries.

The conflicts committee reviews our policies and reports to confirm that they are being followed by us and are in the best interests of our stockholders.

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Certain of the factors considered by the conflicts committee are set forth in the financial statements (including the notes thereto) and Management's Discussion and Analysis of Financial Condition and Results of Operations above. The conflicts committee reviewed the material transactions between ARC, our Former Advisor and their respective affiliates, on the one hand, and us, on the other hand, which occurred during the fiscal year ended December 31, 2011. The conflicts committee has determined that all our transactions and relationships with ARC, Former Advisor and their respective affiliates during the fiscal year ended December 31, 2011 were fair and were approved in accordance with the policies referenced in “Certain Relationships and Related Transactions” below.

Director Independence

The Board of Directors has considered the independence of each director in accordance with the elements of independence set forth in the listing standards of NASDAQ. Based upon information solicited from each nominee, the Board of Directors has affirmatively determined that Leslie D. Michelson, William G. Stanley and Robert H. Burns have no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and are “independent” within the meaning of NASDAQ's director independence standards. There are no familial relationships between any of our directors and executive officers.

Our Executive Officers

The table set forth below lists the names and ages of each of the executive officers as of the date of this Annual Report on Form 10-K/A and the position and office that each executive officer currently holds with the Company:

Name	Age	Principal Occupation and Positions Held
William M. Kahane	64	President, Chief Executive Officer and Director
Brian D. Jones	43	Chief Financial Officer and Treasurer
Susan E. Manning	52	Chief Accounting Officer and Secretary

Please see the section entitled “Business Experience of Directors” on page 56 for biographical information about Mr. Kahane.

Business Experience of Executive Officers

Brian D. Jones

Brian D. Jones was appointed as the chief financial officer and treasurer of our Company in March 2012. Mr. Jones, 43, has also served as senior vice president, managing director and head of Investment Banking at Realty Capital Securities, LLC and ARC from September 2010 through February 2012. Prior to joining Realty Capital Securities, LLC and ARC, Mr. Jones was a director in the real estate investment banking group at Robert W. Baird & Co. from February 2008 through August 2010. From January 2005 through November 2007, Mr. Jones was an executive director in the real estate investment banking group at Morgan Stanley & Co. Prior to that, Mr. Jones worked in the real estate investment banking group at RBC Capital Markets from February 2004 through February 2005. From October 1997 through February 2001, Mr. Jones worked in the real estate investment banking group at PaineWebber. He also founded in February 2001 and operated through February 2004 an independent financial consulting firm focused on strategic advisory and private capital raising for real estate investment firms. From September 1990 to October 1997, Mr. Jones worked in the real estate tax advisory group at Coopers & Lybrand, LLP, where he was a manager focused on REIT and partnership tax structuring. Mr. Jones is responsible for the accounting, finance and reporting functions at the Company. He has more than 17 years of experience advising public and private real estate companies and executing a broad range of complex strategic and capital markets transactions, including approximately $9 billon of capital markets transactions, $10 billion of real estate acquisitions and dispositions and $35 billion of corporate mergers and acquisitions. Mr. Jones is a Certified Public Accountant, licensed in California since

1993, and is a member of CSCPA, ULI and NAREIT. Mr. Jones also has Series 7, 24 and 63 licenses. Mr. Jones received a B.S. with honors in Agricultural and Managerial Economics from the University of California at Davis and an M.S. in Taxation from Golden State University.

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Susan E. Manning

Susan E. Manning, 52, was appointed as the chief accounting officer and secretary in March 2012. She has also served as our Controller from September 2009, served as the Controller of Business Development Corporation of America from its inception in May 2010 through February 2012, served as the Controller of American Realty Capital Trust III, Inc. from its inception in October 2010 through February 2012, served as the Controller of American Realty Capital Properties, Inc. from its inception in December 2010 through February 2012, and served as the Controller of American Realty Capital New York Recovery REIT, Inc. from its inception in October 2009 to September 2010. Prior to joining ARC and its affiliates, from March 2006 to May 2009, Ms. Manning was the Controller at Luminent Mortgage Capital, Inc., a mortgage REIT with a $10.0 billion investment portfolio. From May 2003 to February 2006, Ms. Manning was a vice president at MBNA Corp., a credit card issuer with over $62 billion in assets where she coordinated accounting and reporting with the company's international subsidiaries. From September 1998 to May 2003, Ms. Manning was a vice president at American Business Financial Services, a publicly traded mortgage company where she was responsible for financial reporting and accounting policy. From September 1990 to September 1998, Ms. Manning was an audit manager for Ernst and Young, LLP. Ms. Manning is a Certified Public Accountant and has an M.B.A. from Saint Joseph's University.

CODE OF ETHICS

The Board of Directors has adopted a code of business conduct and ethics effective as of February 20, 2012 (the "Code of Ethics") that applies to our officers, directors and employees of the Company or its subsidiaries. Among other matters, the Code of Ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code.

The Code of Ethics is available on the Company's website at http://www.arctreit.com by clicking on "Code of Ethics." You may also obtain a copy of the Code of Ethics without charge by writing to our secretary at: American Realty Capital Trust, Inc., 405 Park Avenue, New York, NY 10022, Attention: Susan E. Manning. A waiver of the Code of Ethics may be granted only by the Board of Directors or the appropriate committee of the Board of Directors and will be promptly disclosed to the extent required by law or NASDAQ regulation.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the executive officers and directors of the Company, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us and written representations that no other reports were required during the fiscal year ended December 31, 2011, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were timely satisfied, except the following: (i) Form 4/A's filed for each of Robert H. Burns, William G. Stanley and Leslie D. Michelson on March 1, 2012.

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Item 11. Executive Compensation.

The following table sets forth information regarding compensation of our directors during the fiscal year ended December 31, 2011:

Name	Fees paid in cash	Stock Awards	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total Compensation ($)
Nicholas S. Schorsch (1)	$—	$—	$—	$—	$—	$ —	$—
William M. Kahane (1)	—	—	—	—	—	—	—
Leslie D. Michelson(2)	$128,862	30,000	—	—	—	—	158,962
William G. Stanley(3)	—	154,362	—	—	—	—	154,362
Robert H. Burns(4)	—	118,362	—	—	—	—	118,362

(1) Mr. Schorsch, who was an executive of the Company until the Internalization, and Kahane, who is currently an executive of the Company, each received no additional compensation for serving as directors.
(2) Mr. Michelson earned fees in the amount of $103,167 for services as a director during the fiscal year ended December 31, 2011. The payment of $128,862 represents $86,667 and $41,195 for services during the years ended December 31, 2011 and 2010, respectively.
(3) Mr. Stanley earned fees in the amount of $99,417 for his services as a director during the fiscal year ended December 31, 2011 of which $124,362 was paid in stock as of December 31, 2011, representing $82,917 and $40,195 for services rendered during the years ended December 31, 2011 and 2010, respectively.
(4) Mr. Burns earned fees in the amount of $62,917 for his services as a director during the fiscal year ended December 31, 2011 of which $88,362 was paid in stock as of December 31, 2011, representing $56,167 and $30,945 for services rendered during the years ended December 31, 2011 and 2010, respectively.

Prior to the Internalization, our independent directors each earned a retainer of $30,000 per year, plus $2,000 for each Board or Board committee meeting the director attended in person ($2,500 for attendance by the chairperson of the audit committee at each meeting of the audit committee) and $1,500 for each meeting the director attended by telephone and $750 per transaction reviewed and voted upon via electronic Board meeting up to a maximum of $2,250 for three or more transactions reviewed and voted upon per meeting. If there was a meeting of the Board and one or more committees in a single day, the fees were limited to $2,500 per day ($3,000 for the chairperson of the audit committee if there is a meeting of such committee). Our Board also may approve the acquisition of real property and other related investments valued at $20,000,000 or less, and in which any portfolio of properties is valued in the aggregate of $75,000,000, via electronic Board meetings whereby the directors cast their votes in favor or against a proposed acquisition via email.

Effective upon the Internalization, based on the recommendations of FTI Consulting, our Board of Directors approved an increase in the annual retainer paid to our independent directors to $65,000 per year (pro rated for 2012), payable

50% in cash and 50% in restricted stock that will vest based upon the period that the independent director is elected or appointed to serve (i.e., in the event the independent director is elected or appointed to serve a three year term, the vesting period will be three years). In addition, our independent directors will continue to earn attendance fees, and will earn additional annual cash retainers (pro rated for 2012), each as described below.

Mr. Michelson will receive an annual retainer of $15,000 for serving as chair of the audit committee and each other member of the audit committee will receive an annual retainer of $7,500. Mr. Michelson will also receive annual retainers of $10,000 for serving as chair of each of the compensation committee and $7,500 for serving as chair of the nominating and corporate governance committee. Members of the compensation committee and the nominating and corporate governance committee will receive annual retainers of $5,000 and $4,000, respectively.

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Separate from the annual compensation payable to our independent directors, in order to ensure that our independent directors have a meaningful ownership stake in us and that their interests are aligned with those of our stockholders, our independent directors each received a one-time award of $50,000 of restricted shares of our common stock and nonqualified stock options to purchase shares of our common stock, in each case vesting annually over a 5-year period. Following the consummation of our Internalization, our independent directors will continue to receive an annual award of 3,000 stock options as described below, but will no longer be entitled to receive annual grants of restricted stock as described below.
All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of our Board of Directors.
We have reserved 1,000,000 shares of common stock for future issuance upon the exercise of stock options that may be granted to our independent directors pursuant to our Stock Option Plan. During the fiscal year ended December 31, 2011, we granted 27,000 shares at $10.00 per share, each with a two year vesting period and an expiration of 10 years. Additionally, our Restricted Share Plan, adopted in January 2010, provides for the automatic grant of 3,000 restricted shares of common stock to each of our independent directors, without any further action by our Board of Directors or the stockholders on the date of initial election to the Board and on the date of each annual stockholder's meeting. The Restricted Share Plan was approved for amendment by the Board in February 2012. The restricted shares vest in five equal installments at 20% per annum following the first anniversary of the grant date. The total number of restricted shares of common stock that may be issued under the Restricted Share Plan, as amended in February 2012, is 18,480,000 or 7.7% of our authorized shares. Prior to March 31, 2012, 18,000 shares were granted to independent directors and 1.5 million shares were issued to the Former Advisor under the Restricted Share Plan. Upon the listing of the Company's common stock on March 1, 2012, all unvested restricted shares that had previously been granted became fully vested. For the three months ended March 31, 2012, the Company recognized $12.9 million of share based compensation expense for the vesting of shares that took place upon the Listing, and $0.3 million was recognized in general and administrative expenses related to the scheduled vesting of shares. If a director is also an employee of the Company or its affiliates, we do not pay compensation for services rendered as a director.

Stock Option Plan
In January 2008, our Stock Option Plan was approved by our Board of Directors and stockholders. Pursuant to our Stock Option Plan, our independent directors are eligible to receive annual nondiscretionary awards of nonqualified stock options. The Stock Option Plan is designed to enhance our profitability and value for the benefit of our stockholders by enabling us to offer independent directors stock-based incentives, thereby creating a means to raise the level of equity ownership by such individuals in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and our stockholders.

We have authorized and reserved 1,000,000 shares of our common stock for issuance under our Stock Option Plan. The Board of Directors may make appropriate adjustments to the number of shares available for awards and the terms of outstanding awards under our stock option plan to reflect any change in our capital structure or business, stock dividend, stock split, recapitalization, reorganization, merger, consolidation or sale of all or substantially all of our assets.

Our Stock Option Plan provides for the automatic grant of a nonqualified stock option to each of our independent directors, without any further action by our Board of Directors or the stockholders, to purchase 3,000 shares of our common stock on the date of each annual stockholder's meeting. The exercise price for all stock options granted under our Stock Option Plan will be equal to the fair market value of a share on the last business day preceding the annual meeting of stockholders. The term of each such option will be 10 years. Options granted to non-employee directors will vest and become exercisable on the second anniversary of the date of grant, provided that the independent director is a director on the Board of Directors on that date.

Notwithstanding any other provisions of our stock option plan to the contrary, no stock option issued pursuant thereto may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code of 1986, as amended. The total number of options granted will not exceed 10% of the total outstanding shares at the time of grant. During the year December 31, 2011, vested options to purchase 18,000 shares at $10.00 per share and unvested options to purchase 9,000 shares at $10.00 per share remained outstanding with a weighted average contractual remaining life of approximately 7.3 years.

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Restricted Share Plan
In January 2010, the Board of Directors adopted our Restricted Share Plan. The Board approved amendments to the Restricted Share Plan in February 2012. The Restricted Share Plan provides for the automatic grant of 3,000 restricted shares of common stock to each of the independent directors, without any further action by the Board of Directors or the stockholders, on the date of each annual stockholder's meeting. Restricted stock issued to independent directors will vest over a five-year period following the first anniversary of the date of grant in increments of 20% annually. The Restricted Share Plan provides us with the ability to grant awards of restricted shares to our directors, officers and employees, employees of entities that provide services to us, directors of entities that provide services to us, certain of our consultants or to entities that provide services to us. The total number of common shares reserved for issuance under the Restricted Share Plan is equal to 7.7% of our authorized shares of common stock, or 18,480,000 shares.

Restricted share awards entitle the recipient to common stock under terms that provide for vesting over a specified period of time or upon attainment of pre-established performance objectives. Such awards would typically be forfeited with respect to the unvested shares upon the termination of the recipient's employment or other relationship with us. Restricted shares may not, in general, be sold or otherwise transferred until restrictions are removed and the shares have vested. Holders of restricted shares may receive cash distributions prior to the time that the restrictions on the restricted shares have lapsed. Any distributions payable in common stock will be subject to the same restrictions as the underlying restricted shares. As of December 31, 2011, 9,000 shares had been issued to independent directors under the Restricted Share Plan at a fair value of $10.00 per share. The fair value of the shares will be expensed ratably over the five-year vesting period. For the year ended December 31, 2011, expense of $11,250 was recorded for the director restricted shares.

In June 2010, our independent directors approved and authorized the issuance of up to 1,500,000 restricted shares of common stock to our Former Advisor equaling 1% of the shares registered in connection with our IPO (excluding shares of common stock registered for issuance pursuant to the distribution reinvestment plan), subject to certain terms and conditions. On September 13, 2010, our Former Advisor granted 1,400,000 restricted shares to key executives. Of the total restricted shares granted, 50% vest over a five year period commencing with the two year anniversary of the grant date and remaining 50% vest only to the extent our net asset value plus distributions paid to stockholders equals 106% of the original selling price of our common stock. For the year ended December 31, 2011, $420,000 of expense was recorded for these restricted shares. All of the shares granted under the Restricted Share Plan prior to March 1, 2012 vested upon the Company's listing on the NASDAQ on such date.

Compensation Discussion and Analysis

On March 1, 2012, the consummated the Internalization concurrently with the listing of its common stock on NASDAQ. The Former Advisor was wholly-owned by ARC which is majority-owned and controlled by Nicholas S. Schorsch, the Company's chairman of the Board of Directors and William M. Kahane, the Company's chief executive officer, president and director. Prior to our Internalization, we had no employees and our day-to-day management functions were performed by our Former Advisor and its affiliates. As a result of the Internalization, we became a self-administered and self-advised REIT with paid employees, including our named executive officers (“NEOs”), who consist of William M. Kahane, our president and chief executive officer, and Brian D. Jones, our chief financial officer and treasurer. See “Certain Relationships and Related Transactions, and Director Independence” below for a discussion of fees and expenses payable to our Former Advisor and its affiliates.

The Board of Directors expects to align the interests of the executive officers with the interests of the Company and our stockholders on both a long and short-term basis in the form of cash salaries, grants of stock options, restricted shares of common stock, restricted stock units, dividend equivalent rights and/or other equity-based awards under the Total compensation is paid to management as discussed below.

We seek to attract and retain executives who can help the Company continue our track record of profitability, growth and total return to stockholders. To better align the interests of our executives with those of our stockholders in a pay-for-performance setting, most of each executive's total compensation is variable through a combination of cash bonus and long-term equity awards. Total compensation to be paid to our NEOs is discussed below.

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Executive Compensation Beginning in 2012

Employment Agreements

In March 2012, the Company entered into employment agreements (the “Employment Agreements”) with each of the NEO's. The Employment Agreements provide for three-year terms that will automatically renew for additional one-year periods unless either party provides 60 days notice of non-renewal prior to the end of the then current term. Under his Employment Agreement, Mr. Kahane will serve as the Chief Executive Officer and President of the Company and report directly to the Board. Under his Employment Agreement, Mr. Jones will serve as Executive Vice President, Chief Financial Officer and Treasurer of the Company and report to the Chief Executive Officer of the Company and the Board. Mr. Kahane's Employment Agreement provides for a base salary of $1.00 per year and Mr. Jones' Employment Agreement provides for a base salary of $325,000 per year. In addition, Mr. Jones will be entitled to a discretionary annual bonus in an amount up to his then current base salary (“Annual Cash Bonus”). The Employment Agreements provide that the Company will purchase life insurance policies on the lives of the executives to be owned by the executives, with the premiums paid by the Company, in the amount of $15.0 million for Mr. Kahane and $1.0 million for Mr. Jones. In addition, the Company will pay for annual physical exams for the executives, maintain, at its cost, supplemental renewable long-term disability insurance as agreed to between the Company and the executives, and, solely for Mr. Kahane, pay for or reimburse him for up to $35,000 per year for costs incurred by him in connection with tax preparation and financial planning assistance.

The Employment Agreements provide that in the event of the executive's termination due to death, disability, without cause (as defined in the Employment Agreements), or, solely with respect to Mr. Kahane, upon a non-renewal of his Employment Agreement or his resignation for good reason (as defined in his Employment Agreement), the executive will be entitled to receive:

Subject to his execution of a release, any earned and unpaid base salary, amounts earned but unpaid under the Annual Plan and OPP Agreement (as defined and described below) (collectively, the “Incentive Plans”), expenses up to the date of termination (including pay in lieu of accrued, but unused vacation), and, solely in the case of Mr. Jones, any portion of his Annual Cash Bonus earned but unpaid for the prior year and pro rata portion of his Annual Cash Bonus for the year of termination.

To the extent not vested, full vesting of all restricted stock, stock options and awards held under the Incentive Plans.

A pro rated grant of any award the executive would have received under the Incentive Plans had he remained employed (solely in the case of Mr. Kahane, the foregoing will apply in the event of termination for any reason).

Continued participation, at the Company's cost, in the Company's healthcare, dental, vision, prescription drug, and in the case of Mr. Jones, disability plans in which the executive participated prior to termination for a period of 18 months following termination (the “Severance Period”), to the extent permitted or otherwise practicable under such plans. To the extent not permitted or otherwise practicable, the Company will take such actions as may be necessary to provide the executive with comparable benefits (without additional cost to the executive). If the executive engages in regular employment after termination, then any benefits received by him which are similar in nature to any of the forgoing plans will relieve the Company of it obligation to provide such comparable benefit to the extent of benefits so received.

During the Severance Period, the Company will also continue to pay the premium payments on the life insurance policies described above.

In the event of a change in control (as defined in the Employment Agreements), the executives will become 100% vested in any equity awards and will vest in any outstanding awards under the Incentive Plans. In addition, if Mr. Jones does not accept employment with ARC or its affiliate within six months following a change in control of the Company, he will be entitled to a lump sum payment equal to his then current annual base salary.

In addition, the Employment Agreements provide for restrictions on use of confidential information, and for a period of 12 months following termination for any reason other than by the Company without cause, or in the case of Mr. Kahane, non-renewal of his Employment Agreement by the Company, as a result of a change in control or for good reason, restrictions on solicitation and competition.

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Annual Incentive Compensation Plan

In March 2012, the compensation committee adopted the Company's Annual Incentive Compensation Plan (the "Annual Plan"). The Annual Plan is intended to be fair, reasonable and balanced and reflect a "best-of-class" program for our executive officers, including our NEOs, to motivate and reward them for performance while closely aligning their interests with those of our stockholders. Participants under the Annual Plan will be eligible to earn annual performance-based bonus awards from a pool established by the compensation committee upon initial adoption of the Annual Plan and for each subsequent fiscal year. The annual pool will be funded via both a discretionary component and a formulaic component. Funding of the discretionary component will be subject to the annual approval of the compensation committee based upon an assessment of corporate and individual performance relative to certain performance criteria and objectives to be determined by the Board. For each year, the maximum size of the annual pool will be calculated as the sum of:

- Discretionary Component: an amount equal to up to a percentage of the Company's stockholder's book equity for the year (0.5% of the Company's stockholder's book equity on March 1, 2012 for fiscal 2012); and
- Formulaic Component: an amount equal to a percentage (determined by the compensation committee) of any excess annualized FFO in excess of an annual percentage return on the Company's stockholder's book equity (an amount equal to 20.0% of the Company's annualized FFO in excess of 6.0% of its market capitalization as of March 1, 2012 for fiscal 2012).

Any annual award payable to a participant from an annual pool may be divided into the following three separate incentive compensation components, with payment in each case conditioned on the participant's continued employment or service through the applicable payment date:

- an annual cash bonus paid the following year after completion of the year-end audit;
- a deferred cash bonus paid 1/3 on December 31 of each of the first, second and third calendar years following the year for which the annual award was earned; and
- a long-term equity bonus in the form of restricted shares of common stock to the extent available for issuance under the Company's equity incentive plans, paid the following year after completion of the year-end audit and vesting 1/3 on December 31 of each of the first, second and third calendar years following the year for which the annual award was earned, subject to the Participant's continued employment or service through each vesting date.

To the extent restricted shares of common stock are not available for issuance under the Company's equity incentive plans, the equity bonus will be paid as a deferred cash bonus.

For fiscal 2012, the compensation committee approved an allocation of 35% of the annual pool for Mr. Kahane which if earned will be payable as follows: 50% as a cash bonus; 25% as a deferred cash bonus; and 25% as restricted shares of common stock. As of the date of this Proxy Statement, it is anticipated that the compensation committee also will approve an allocation from the fiscal 2012 annual pool for Mr. Jones.

In the event of a termination of employment without cause (as defined in the Annual Plan), the Company's failure to renew the participant's service agreement at the expiration of its term, by the participant for good reason (solely to the extent provided and defined in the participant's service agreement), or the participant's death or disability, the participant will be entitled to: a pro rated cash bonus, deferred bonus (paid in the year following termination) and equity bonus for the year of termination. In addition, the participant will be paid any unpaid cash bonus and equity bonus for the prior year and will be entitled to accelerate vesting of any deferred bonus for a prior year and the amount of such bonus will be paid on the 60^{th} day following termination. Any equity bonus for the year of termination will be paid in fully vested shares of the common stock to the extent available for issuance under the Company's equity incentive plans, and if not available, the participant will receive a cash lump sum equal to the value of the stock, payable within ten days after the Company has received its approved audited financial statements for such year. Further, any restricted shares of common stock previously granted under the Annual Plan will become fully vested on the termination date.

In the event of a change in control (as defined in the Annual Plan), unless otherwise provided in the participant's bonus award notice, the plan year will end as of the change of control and the participant will be eligible to receive cash bonuses, deferred bonuses and equity bonuses as equitably adjusted in accordance with the Annual Plan to reflect the shortened plan year. In addition, the participants will be entitled to accelerated vesting of any deferred bonus and restricted shares of common stock granted for a prior year, and any unpaid equity bonus will vest and be paid in cash.

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Outperformance Award Agreements

In March 2012, the compensation committee approved the general terms and forms of the Company's 2012 Outperformance Award Agreements (“OPP Agreements”) to be entered into with our executive officers, including our NEOs. This kind of arrangement is common in the REIT industry and provides our executive officers, including our NEOs, with long-term opportunities through which the participants will be able to potentially earn additional compensation only upon the attainment of stockholder value creation targets, thereby creating a direct alignment between the interests of the participants and our stockholders and ensuring that the participants are incentivized to maintain a long-term approach in our management.

Under the OPP Agreements, the NEOs will be eligible to earn performance-based bonus awards equal to a percentage of a pool that will be funded up to a maximum award opportunity (the “OPP Cap”) equal to 5% of the Company's equity market capitalization on March 1, 2012, as adjusted within 30-60 days following the completion of the Company's tender offer that was announced on March 1, 2012 (the “Initial Market Cap”). Subject to the OPP Cap, the pool will equal an amount to be determined based on the Company's achievement of total return to stockholders, including both share price appreciation and common stock distributions (“Total Return”), for the three-year performance period consisting of March 1, 2012 through February 28, 2015 (the “Performance Period”); each 12 month period during the Performance Period (each an “Annual Period”) and the initial 24 month period of the Performance Period (the “Interim Period”), as follows:

Dollar Amount of Pool	Performance Period Hurdle	Annual Period Hurdle	Interim Period Hurdle
Absolute Component: 4% of any excess Total Return attained above an absolute hurdle measured over the Performance Period as follows:	21%	7%	14%
Relative Component: 4% of any excess Total Return attained above the Total Return for the performance period of the Peer Group*, subject to a ratable sliding scale factor as follows potentially reducing the amount calculated under the relative component based on achievement of cumulative Total Return measured from the beginning of such period:			
· 100% of the relative component amount will be earned if the following cumulative Total Return is achieved:	18%	6%	12%
· 50% of the relative component amount will be earned if cumulative Total Return achieved is:	—%	—%	—%
· 0% of the relative component amount will be earned if cumulative Total Return achieved is less than:	—%	—%	—%
· a percentage from 50% to 100% of the relative component amount calculated by linear interpolation will be earned if the cumulative Total Return achieved is between:	0% - 18%	0% - 6%	0%- 12%

*The “Peer Group” is comprised of the following companies: CapLease, Inc.; Entertainment Properties Trust, Inc.; Getty Realty Corporation; Lexington Realty Trust; National Retail Properties, Inc.; and Realty Income Corporation.

The sliding scale factor above is intended to further ensure that the interests of participants with OPP Agreements are aligned with our investors.

Unless otherwise specifically provided in the NEO's service agreement: (i) in the event of the NEO's termination without cause (as defined in the OPP Agreements) or failure by the Company to renew the NEO's service agreement, or by the NEO for good reason (solely to the extent provided and defined in the NEO's service agreement) (a “Qualified Termination”), on or prior to February 28, 2015, the NEO's award will be calculated as of the end of the next Annual Period and as of February 28, 2015 and the NEO will be entitled to the higher amount which will be fully vested; (ii) in the event of the NEO's termination due to death or disability on or prior to February 28, 2015, the NEO's award will be calculated as of the end of the next Annual Period and any earned amount will be fully vested; and (iii) in the event of a Qualified Termination or termination due to death or disability after February 28, 2015, any earned amounts will be fully vested.

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In the event of a resignation by the NEO due to an un-consented substantial adverse change in the NEO's employment or service as described in the OPP Agreements following a change in control (as defined in the OPP Agreements) on or prior to February 28, 2015, the NEO's award will be calculated as of the end of the next Annual Period and as of February 28, 2015 and the NEO will be entitled to the higher amount which will be fully vested. Any amount earned prior to such resignation will be fully vested as of the change in control.
Following the Performance Period, the final aggregate pool will be calculated, subject to the OPP Cap. The compensation committee has approved an allocation of 35% of the pool to Mr. Kahane. The actual value of the maximum amount that may be earned by Mr. Kahane will be determined following the final determination of the Initial Market Cap and the OPP Cap. As of the date of this Proxy Statement, it is anticipated that the compensation committee also will approve an allocation from the pool for Mr. Jones.
Any amounts earned under the OPP Agreements will be issued in the form of LTIP Units, which represent interests in the Operating Partnership that are structured as a profits interest in the Operating Partnership. Subject to the NEO's continued employment or service through each vesting date, 25% of any LTIP Units earned will vest on February 28, 2015, 25% on February 28, 2016 and 50% on February 28, 2017. The NEO will be entitled to receive distributions relating to his LTIP Units to the extent provided for in the Amended and Restated Partnership Agreement. This vesting period is intended to create, in the aggregate, up to a five-year retention period with respect to the participants in our outperformance program.

Other Benefits
Effective upon the consummation of our Internalization, our executive officers, including our NEOs, became eligible to participate in company-sponsored benefit programs made broadly available to all of our salaried employees.

Compensation Risks
The compensation committee, with assistance from its independent compensation consultant, reviewed the elements of executive and non-executive compensation to determine whether they encourage excessive risk-taking and concluded that:

- significant weighting towards long-term incentive compensation discourages short-term risk-taking;
- performance goals are set to avoid creating incentives for excessive risk-taking and their achievement does not automatically entitle management to formulaic cash bonuses or equity awards, which are at the discretion of the compensation committee; and
- vesting schedules for restricted stock, LTIP units and non-qualified stock options cause management to have a significant amount of unvested awards at any given time.

The compensation committee focuses primarily on the compensation of NEOs because risk-related decisions depend predominantly on their judgment. The compensation committee believes that risks arising from our policies and practices for compensating employees are not reasonably likely to have a material adverse effect on the Company. As described in “Compensation Discussion and Analysis,” the compensation committee endeavors to put in place for management incentives that cultivate a level of risk-taking behavior consistent with our business strategies and relies to a significant extent on subjective considerations to temper the potential for formulae or objective factors to influence risk-taking.

Tax and Accounting Implications
Our compensation committee may consider the tax treatment of compensation paid to our executive officers while simultaneously seeking to provide our executives with appropriate rewards for their performance. Under Code Section 162(m), we may not deduct compensation of more than $1.0 million paid to any “covered employee” unless the compensation is paid pursuant to a plan which is performance related, nondiscretionary and has been approved by our stockholders. To the extent that such compensation paid to our executive officers is subject to and does not qualify for deduction under Code Section 162(m), our compensation committee is prepared to exceed the limit on deductibility under Code Section 162(m) to the extent necessary to ensure our executive officers are compensated in a manner

consistent with our best interests and those of our stockholders. In order to maintain our REIT qualification and to generally not be subject to U.S. federal income and excise tax, we have distributed and intend to continue to distribute all or substantially all of our net taxable income each year to holders of our common stock. The loss of a deduction pursuant to Code Section 162(m) would effectively increase our net taxable income and the amount that we would need to distribute in order to generally not be subject to U.S. federal income or excise tax.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information regarding the beneficial ownership of shares of our Company's common stock as of April 19, 2012 by:

- each person known by the Company to be the beneficial owner of more than 5% of its outstanding shares of common stock based solely upon the amounts and percentages contained in the public filings of such persons;
- each of the Company's officers and directors; and
- all of the Company's officers and directors as a group.

Name of Beneficial Owner [1]	Common Stock Beneficially Owned Number of Shares of Common Stock [2]	Percentage of Class
AR Capital, LLC [3]	20,000	*
Nicholas S. Schorsch, Chairman of the Board	993,240	*
William M. Kahane, President, Chief Executive Officer and Director	261,451	*
Susan E. Manning, Chief Accounting Officer and Secretary	5,000	*
Brian D. Jones, Chief Financial Officer and Treasurer	11,450	*
Leslie D. Michelson, Independent Director [4]	23,046	*
William G. Stanley, Independent Director [5]	91,219	*
Robert H. Burns, Independent Director [6]	88,730	*
All directors and executive officers as a group (seven persons)	1,489,215[7]	*

* Less than 1%.

(1) The business address of each individual or entity listed in the table is 405 Park Avenue, New York, New York 10022.

(2) Based on 158,474,862 shares of common stock outstanding as of April 19, 2012. In accordance with SEC rules, each listed person's beneficial ownership includes all shares of our common stock the person actually owns beneficially or of record, all shares of our common stock over which the person has or shares voting or dispositive control and all shares the person has the right to acquire within 60 days (such as shares of restricted common stock which are scheduled to vest within 60 days).

(3) ARC is directly or indirectly owned by Nicholas S. Schorsch, William M. Kahane, Peter M. Budko, Brian S. Block and Edward M. Weil, Jr. and controlled by Nicholas S. Schorsch and William M. Kahane.

(4) Shares owned by Mr. Michelson include options to purchase 9,000 shares of common stock, 6,550 shares issued for Board related services in lieu of cash consideration, 1,496 shares issued under the Distribution Reinvestment Plan and 6,000 restricted shares of common stock which vested upon the Company's listing of its common stock on NASDAQ.

(5) Shares owned by Mr. Stanley include options to purchase 9,000 shares of common stock, 20,451 shares issued for Board related services in lieu of cash consideration, 11,323 shares issued under the Distribution Reinvestment Plan, 44,444 shares purchased by Mr. Stanley and 6,000 restricted shares of common stock which vested upon the

Company's listing of its common stock on NASDAQ.

(6) Shares owned by Mr. Burns include options to purchase 9,000 shares of common stock, 16,451 shares issued for Board-related services in lieu of cash consideration, 12,835 shares issued under the Distribution Reinvestment Plan, 44,444 shares purchased by Mr. Burns and 6,000 restricted shares of common stock which vested upon the Company's listing of its common stock on NASDAQ.

(7) Includes 20,000 shares held by ARC. See footnote 3.

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Item 13. Certain Relationships and Related Transactions, and Director Independence.

Internalization

On March 1, 2012, the Company consummated the Internalization, pursuant to which the Company internalized the management services previously provided to it by ARC and its affiliates, including our Former Advisor (as defined below) and our Former Property Manager (as defined below). ARC is majority-owned and controlled by Nicholas S. Schorsch, the Company's chairman of the Board of Directors and William M. Kahane, the Company's chief executive officer, president and director. In connection with the Internalization, the Company entered into the following agreements:

Asset Purchase Agreement for Furniture, Fixtures, Equipment and Other Assets

Effective as of March 1, 2012, the Company, in its capacity as the general partner of the Operating Partnership, entered into an Asset Purchase and Sale Agreement (the “Asset Purchase Agreement”) with ARC. Pursuant to the Asset Purchase Agreement, ARC sold to the Operating Partnership certain furniture, fixtures, equipment and other assets used by the Company and the Operating Partnership in their business and operations for an aggregate purchase price of $7,338,000.00, which includes the reimbursement of certain costs and expenses incurred by ARC.

Our Former Advisor

Amendment and Acknowledgment of Termination of Amended and Restated Advisory Agreement

From our inception through our Internalization, our day-to-day operations were managed by our Former Advisor, a wholly-owned subsidiary of ARC under the supervision of the Board of Directors, pursuant to the terms and conditions of that certain Amended and Restated Advisory Agreement, dated June 2, 2010 (the “Advisory Agreement”).

Effective as of March 1, 2012, the Company and the Operating Partnership entered into an Amendment and Acknowledgement of Termination of Amended and Restated Advisory Agreement (the “Amendment and Acknowledgement of Termination”) with our Former Advisor. Pursuant to the Amendment and Acknowledgement of Termination, the Company and the Operating Partnership provided the Former Advisor with notice of termination of the Advisory Agreement, effective as of 5:00 p.m. Eastern Time, on April 30, 2012 (the “Termination Date”), in accordance with the terms thereof. In respect of the period from March 1, 2012 through and including the Termination Date, the Company paid the Former Advisor an asset management fee in the amount of $3,600,000 (for two months, based on 0.083% of the contract purchase price of all the owned, directly or indirectly, by the Company or the Operating Partnership at the end of the immediately preceding month). Additionally, the Amendment and Acknowledgement of Termination amended the Advisory Agreement to provide that the Company shall have the right, in its sole and absolute discretion, to extend the Termination Date for up to three (3) consecutive one-month periods (each such one-month period, an “Extension Period”) by providing prior written notice to the Former Advisor at least five (5) business days prior to the then applicable Termination Date, and in respect of each Extension Period, the Company shall pay to our Former Advisor, in advance on or prior to the first day of each Extension Period, an additional asset management fee in the amount of 0.083% of the contract purchase price of all the properties owned, directly or indirectly, by the Company or the Operating Partnership, at the end of the immediately preceding month. The parties to the Amendment and Acknowledgment of Termination also agreed that the amounts described herein are the only amounts payable by the Company or the Operating Partnership pursuant to the Advisory Agreement, as amended, following March 1, 2012 and that neither the Former Advisor nor any of its affiliates shall be entitled to any other fees or amounts that are otherwise payable by the Company or the Operating Partnership pursuant to the Advisory Agreement following March 1, 2012; provided, however, that the Former Advisor or its affiliates will not be prohibited from earning the subordinated incentive fee to the extent it is entitled to do so under the Company's

Charter.

Prior to the Internalization, our Former Advisor and its affiliates were paid certain acquisition, financing, asset management and other fees in connection with services provided to us and were entitled to reimbursement for certain expenses, including certain expenses relating to our IPO.

Pursuant to the Advisory Agreement, we had agreed to pay to our Former Advisor an asset management fee equal to 1% of the gross purchase price of our assets. We also agreed to pay to our Former Advisor 1.0% of the gross purchase price of each property or asset that we had acquired, as an acquisition fee, along with reimbursement of acquisition expenses. We also paid to our Former Advisor a financing coordination fee equal to 1.0% of the amount available under any debt financing that we had obtained and used for the acquisition of properties and other investments. Total acquisition and finance coordination fees incurred for the year ended December 31, 2011 were approximately $20.8 million and $4.8 million, respectively. Asset management fees of $5.6 million were incurred for the year ended December 31, 2011. Our Former Advisor elected to waive (not defer) $9.7 million of asset management fees during the fiscal year ended December 31, 2011.

There were no outstanding payables to our Former Advisor or its affiliates as of December 31, 2011. The total compensation paid to our Former Advisor during 2011, exclusive of reimbursements, was approximately $22.6 million.

Our Former Dealer Manager

The dealer manager for our IPO was Realty Capital Securities, LLC (our “Former Dealer Manager”), a wholly-owned subsidiary of ARC, pursuant to the terms of a dealer manager agreement. We had agreed to pay our Former Dealer Manager 7% of the gross offering proceeds from our IPO, except that no selling commissions were to be paid on shares sold under our distribution reinvestment plan. Additionally, we agreed to pay to our Former Dealer Manager a dealer manager fee equal to 3% of the gross offering proceeds sold in our IPO through broker-dealers. This agreement terminated in accordance with its terms at the closing of our IPO on July 18, 2011.

The total fees and commissions paid to our Former Dealer Manager during 2011 were approximately $114.8 million. As of December 31, 2011, substantially all of the sales commissions payable to our Former Dealer Manager were re-allowed to broker-dealers that participated in our IPO and our Operating Partnership's prior private placement.

Our Former Property Manager

From our inception through our Internalization, our properties were managed by our Former Property Manager under the supervision of our Board of Directors, pursuant to the terms and conditions of a property management agreement with our Former Property Manager. Our Former Property Manager also conducted the leasing and management of the Company's real estate properties. We did not pay any property management or other fees due to our Former Property Manager pursuant to the property management agreement.

Effective as of March 1, 2012, the Company's indirectly wholly-owned subsidiary, ARCT TRS Corp. (the “TRS”), entered into a Securities Purchase and Sale Agreement (the “Securities Purchase Agreement”) with ARC. Pursuant to the Securities Purchase Agreement, ARC sold to the TRS all of the issued and outstanding membership interests in our Former Property Manager for an aggregate purchase price of $10.00 and our Former Property Manager agreed to waive any fees payable by us under the property management agreement.

Form of Incentive Listing Fee Note

On March 1, 2012, the Board approved the Note which, if earned, may be issued by the Company to ARC in connection with the listing of the common stock on NASDAQ. The Note, if issued, will bear interest at the applicable federal rate established by the Internal Revenue Service on the date of issuance, payable quarterly in arrears. The principal amount of the Note will be an amount equal to 15.0% of the amount, if any, by which (a) the market value of the common stock, based on the average market value of the shares of common stock issued and outstanding at listing over the 30 trading days beginning August 18, 2012, which is the 180th day after shares of the common stock were first listed on NASDAQ plus distributions paid by the Company from and after May 21, 2008 and prior to such listing, exceeds (b) the sum of the total amount of capital raised from stockholders during the Company's IPO and the amount of cash flow necessary to generate a 6.0% annual cumulative, non-compounded return to such stockholders through the date of listing. ARC has the right to require that the Company prepay the outstanding principal amount of the Note with the net cash proceeds from any asset sale by the Company or the Operating Partnership. The Note will mature on the third anniversary of the date it is issued, subject to ARC's right to convert any unpaid portion of the Note into shares of the common stock on or after the maturity date. The number of shares that will be issued upon such conversion will be valued at the average market value of the common stock over the 30 trading days beginning August 18, 2012.

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Item 14. Principal Accounting Fees and Services.

Fees

Aggregate fees for professional services rendered by Grant Thornton for the years ended December 31, 2011 and 2010 were as follows: $293,642 and $239,275, respectively.

Audit Fees

Audit fees billed were $293,642 and $239,275 for the fiscal years ended December 31, 2011 and December 31, 2010, respectively. The fees were for professional services rendered for audits of the Company's annual consolidated financial statements and for reviews of the Company's annual and quarterly reports.

Audit Related Fees

There were no audit related fees billed for the fiscal years ended December 31, 2011 and December 31, 2010.

Tax Fees

There were no tax fees billed for the fiscal years ended December 31, 2011 and 2010.

All Other Fees

There were no other fees billed for the fiscal years ended December 31, 2011 or December 31, 2010.

Pre-Approval Fees Policy

The audit committee has approved a policy concerning the pre-approval of audit and non-audit services to be provided by Grant Thornton, our independent registered public accounting firm. The policy requires that all services provided by Grant Thornton to us, including audit services, audit-related services, tax services and other services, must be pre-approved by the audit committee. In some cases, pre-approval is provided by the full audit committee for up to a year, and relates to a particular category or group of services and is subject to a particular budget. In other cases, specific pre-approval is required.

In considering the nature of the services provided by the independent auditor, the audit committee determined that such services are compatible with the provision of independent audit services. The audit committee discussed these services with the independent auditor and the Company's management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the related requirements of the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants. All services rendered by Grant Thornton were pre-approved by the audit committee.

The audit committee approved all audit and non-audit services provided to us by Grant Thornton during the 2011 and 2010 fiscal years.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Financial Statement Schedules

See the Index to Consolidated Financial Statements at page F-1 of this report.
The following financial statement schedule is included herein at page F-34 of this report:

Schedule III — Real Estate and Accumulated Depreciation

(b) Exhibits
EXHIBIT INDEX

The following documents are filed as part of this annual report:

Exhibit No.	Description
1.1	Form of Dealer Manager Agreement by and between American Realty Capital Trust, Inc. and Realty Capital Securities, LLC(2)
1.2	Form of Soliciting Dealers Agreement by and between Realty Capital Securities, LLC and the Soliciting Dealers(2)
3.1	Amended and Restated Charter of American Realty Capital Trust, Inc.(3)
3.2	Articles of Amendment of American Realty Capital Trust, Inc.(5)
3.3	Bylaws of American Realty Capital Trust, Inc.(1)
4.1	Agreement of Limited Partnership of American Realty Capital Operating Partnership, L.P.(3)
4.2	First Amendment to Agreement of Limited Partnership of American Realty Capital Operating Partnership, L.P.(7)
4.3	Specimen Certificate for the Shares is not applicable because the Registrant's Board of Directors has authorized the issuance of Shares without stock certificates.
5.1	Opinion of Proskauer Rose LLP(4)
5.2	Opinion of Venable LLP(4)
8.1	Opinion of Proskauer Rose LLP (Tax Matters)(4)
10.1	Amended and Restated Escrow Agreement by and among American Realty Capital Trust, Inc., Boston Private Bank & Trust Company and Realty Capital Securities, LLC(8)
10.2	Form of Advisory Agreement by and among American Realty Capital Trust, Inc., American Realty Capital Operating Partnership, L.P. and American Realty Capital Advisers, LLC(2)
10.3	Form of Management Agreement, by and among American Realty Capital Trust, Inc., American Realty Capital Operating Partnership, L.P. and American Realty Capital Properties, LLC(1)
10.4	First Amendment to Management Agreement(7)
10.5	Second Amendment to Management Agreement(7)
10.6	Third Amendment to Management Agreement(10)
10.7	Fourth Amendment to Management Agreement(10)
10.8	Fifth Amendment to Management Agreement(10)
10.9	Sixth Amendment to Management Agreement(11)
10.10	Seventh Amendment to Management Agreement(11)
10.11	Eighth Amendment to Management Agreement(11)
10.12	Ninth Amendment to Management Agreement(11)
10.13	Tenth Amendment to Management Agreement(11)

10.14	Eleventh Amendment to Management Agreement(17)
10.15	Twelfth Amendment to Management Agreement(17)
10.16	Company's Stock Option Plan(7)

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Exhibit No.	Description
10.17	Company's Amended and Restated Restricted Share Plan*
10.18	Agreement of Assignment of Partnership Interests between American Realty Capital Operating Partnership, L.P. and American Realty Capital LLC, William M. Kahane, Nicholas S. Schorsch, Lou Davis and Peter and Maria Wirth dated March 5, 2008(6)
10.19	Agreement of Assignment of Partnership Interests between American Realty Capital Operating Partnership, L.P. and Nicholas S. Schorsch dated March 12, 2008(6)
10.20	Limited Liability Company Agreement of American Realty Capital Equity Bridge, LLC dated August 20, 2008(8)
10.21	Agreement for Transfer of Membership Interest between ARC Growth Fund I, LLC, and American Realty Capital Operating Partnership, L.P., dated September 16, 2008. (Transfer to the Operating Partnership of an indirect interest in National City portfolio. Amends exhibit previously filed as exhibit 10.8 to the Post-Effective Amendment No. 2 to Form S-11, dated September 3, 2008.)(10)
10.22	Agreement for Transfer of Membership Interests between ARC Growth Fund I, LLC, and American Realty Capital Operating Partnership, L.P., dated September 16, 2008. (Transfer to the Operating Partnership of an indirect interest in National City portfolio. Amends exhibit previously filed as exhibit 10.8 to the Post-Effective Amendment No. 2 to Form S-11, dated September 3, 2008.)(10)
10.23	Agreement of Assignment of Membership Interests by and among Milestone Partners Limited, and American Realty Capital Holdings, LLC, and American Realty Capital Operating Partnership, L.P., dated September 29, 2008(10)
10.24	Consent to Transfer Agreement among ARC RACADOH001, LLC, ARC RACAROH001, LLC, ARC RAELPOH001, LLC, ARC RALISOH001, LLC, ARC RACARPA001, LP, ARC RAPITPA001, LP, American Realty Capital Holdings, LLC, Milestone Partners Limited, American Realty Capital Operating Partnership, L.P., and Wells Fargo Bank, N.A., dates September 29, 2008.(10)
10.25	Amended and Restated Advisory Agreement Among American Realty Capital Trust, Inc., American Realty Capital Operating Partnership, L.P. and American Realty Capital Advisors, LLC dated as of June 2, 2010.(13)
10.26	Promissory Note dated as of July 27, 2010 between American Realty Capital Operating Partnership, L.P. and Capital One, N.A.(14)
10.27	Credit Agreement dated as of July 27, 2010 between American Realty Capital Operating Partnership, L.P. and Capital One, N.A.(14)
10.28	First Amendment to Credit Agreement dated as of February 28, 2012 between American Realty Capital Operating Partnership, L.P., American Realty Capital Trust, Inc. and RBS Citizens, N.A. (19)
10.29	Second Amendment to Credit Agreement, dated April 16, 2012, by and among American Realty Capital Operating Partnership, LP, American Realty Capital Trust, Inc., RBS Citizens, N.A., and the lenders party thereto (18)
10.30	Term Loan Agreement, dated April 16, 2012, by and among American Realty Capital Operating Partnership, LP, American Realty Capital Trust, Inc. and Wells Fargo Bank, National Association (18)
10.31	Note, dated April 16, 2012, issued by American Realty Capital Operating Partnership, LP in favor of Wells Fargo Bank, National Association (18)
10.32	Parent Guaranty Agreement, dated April 16, 2012, between American Realty Capital Trust, Inc. and Wells Fargo Bank, National Association (18)
10.33	Subsidiary Guaranty Agreement, dated April 16, 2012, between Wells Fargo Bank, National Association and the subsidiaries of American Realty Capital Operating Partnership, LP party thereto

	(18)
10.34	Amended and Restated Note dated as of February 28, 2012 between American Realty Capital Operating Partnership, L.P., American Realty Capital Trust, Inc. and Capital One, National Bank (19)
10.35	Note dated as of February 28, 2012 between American Realty Capital Operating Partnership, L.P., American Realty Capital Trust, Inc. and Raymond James Bank, N.A. (19)
10.36	Amended and Restated Note dated as of February 28, 2012 between American Realty Capital Operating Partnership, L.P., American Realty Capital Trust, Inc. and RBS Citizens Bank (19)
23.1	Consent from Grant Thornton LLP*
31.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a)*
31.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a)*
32.1	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350)*

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* Filed herewith.

(1) Incorporated by reference to an exhibit to Amendment No. 1 to Registrant's Registration Statement on Form S-11 (File No. 333-145949) filed on November 20, 2007.
(1) Incorporated by reference to an exhibit to Amendment No. 3 to Registrant's Registration Statement on Form S-11 (File No. 333-145949) filed on January 16, 2008.
(2) Incorporated by reference to an exhibit to Amendment No. 4 to Registrant's Registration Statement on Form S-11 (File No. 333-145949) filed on January 22, 2008.
(3) Incorporated by reference to an exhibit to Amendment No. 5 to Registrant's Registration Statement on Form S-11 (File No. 333-145949) filed on January 24, 2008.
(4) Incorporated by reference to an exhibit to Registrant's Current Report on Form 8-K filed on March 4, 2008.
(5) Incorporated by reference to an exhibit to Registrant's Quarterly Report on Form 10-Q filed on May 14, 2008.
(6) Incorporated by reference to an exhibit to Registrant's Pre-Effective Amendment No. 1 to Post Effective Amendment No. 1 to Form S-11 (File No. 333-145949) filed on June 3, 2008.
(7) Incorporated by reference to an exhibit to Registrant's Pre-Effective Amendment No. 1 to Post Effective Amendment No. 2 to Form S-11 (File No. 333-145949) filed on September 3, 2008.
(8) Incorporated by reference to an exhibit to Registrant's Quarterly Report on Form 10-Q filed on November 13, 2008.
(9) Incorporated by reference to an exhibit to Registrant's Pre-Effective Amendment No. 2 to Post Effective Amendment No. 3 to Form S-11 (File No. 333-145949) filed on February 18, 2009.
(10) Incorporated by reference to an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on March 18, 2010.
(11) Incorporated by reference to an exhibit to Registrant's Pre-Effective Amendment No. 1 to Post-Effective Amendment No. 8 to Form S-11 (File No. 333-145949) filed on April 22, 2010
(12) Incorporated by reference to an exhibit to Registrant's Current Report on Form 8-K filed on June 3, 2010.
(13) Incorporated by reference to an exhibit to Registrant's Current Report on Form 8-K filed on August 2, 2010.
(14) Incorporated by reference to an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed on March 31, 2011.
(15) Incorporated by reference to an exhibit to Registrant's Current Report on Form 8-K filed on August 19, 2011.
(16) Incorporated by reference to an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed on February 15, 2012.
(17) Incorporated by reference to an exhibit to Registrant's Current Report on Form 8-K filed on April 18, 2012.
(18) Incorporated by reference to an exhibit to Registrant's Current Report on Form 8-K filed on March 1, 2012.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 11th day of May, 2012.

AMERICAN REALTY CAPITAL TRUST, INC.
By:
/s/ WILLIAM M. KAHANE

WILLIAM M. KAHANE
CHIEF EXECUTIVE OFFICER, PRESIDENT AND DIRECTOR

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this annual report on Form 10-K/A has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Capacity	Date
/s/ Nicholas S. Schorsch Nicholas S. Schorsch	Chairman of the Board of Directors	May 11, 2012
/s/ William M. Kahane William M. Kahane	Chief Executive Officer, President and Director (and Principal Executive Officer)	May 11, 2012
/s/ Brian D. Jones Brian D. Jones	Chief Financial Officer and Treasurer (Principal Financial Officer)	May 11, 2012
/s/ Susan E. Manning Susan E. Manning	Chief Accounting Officer and Secretary (Principal Accounting Officer)	May 11, 2012
/s/ Robert H. Burns Robert H. Burns	Independent Director	May 11, 2012
/s/ Leslie D. Michelson Leslie D. Michelson	Independent Director	May 11, 2012
/s/ William G. Stanley William G. Stanley	Independent Director	May 11, 2012

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
American Realty Capital Trust, Inc.

We have audited the accompanying consolidated balance sheets of American Realty Capital Trust, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2011. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Realty Capital Trust, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
February 15, 2012

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AMERICAN REALTY CAPITAL TRUST, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2011	December 31, 2010
ASSETS		
Real estate investments, at cost:		
Land	$325,458	$142,401
Buildings, fixtures and improvements	1,528,962	631,999
Acquired intangible lease assets	271,751	108,193
Total real estate investments, at cost	2,126,171	882,593
Less accumulated depreciation and amortization	(101,576)	(32,777)
Total real estate investments, net	2,024,595	849,816
Cash and cash equivalents	33,329	31,985
Investment securities, at fair value	17,275	—
Restricted cash	2,728	90
Investment in unconsolidated joint venture	11,201	11,945
Prepaid expenses and other assets	27,564	12,049
Deferred costs, net	13,883	8,169
Total assets	$2,130,575	$914,054
LIABILITIES AND EQUITY		
Mortgage notes payable	$673,978	$372,755
Mortgage discount and premium, net	679	1,163
Long-term notes payable	—	12,790
Revolving credit facility	10,000	—
Below-market lease liabilities, net	8,150	8,454
Derivatives, at fair value	8,602	5,214
Accounts payable and accrued expenses	11,706	3,638
Deferred rent and other liabilities	6,619	3,858
Distributions payable	10,637	3,518
Total liabilities	730,371	411,390
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value; 240,000,000 shares authorized, 177,963,413 and 61,824,238 shares issued and outstanding at December 31, 2011 and 2010, respectively	1,780	618
Additional paid-in capital	1,548,009	529,740
Accumulated other comprehensive loss	(5,053)	(3,878)
Accumulated deficit	(166,265)	(46,464)
Total stockholders' equity	1,378,471	480,016
Non-controlling interests	21,733	22,648
Total equity	1,400,204	502,664
Total liabilities and equity	$2,130,575	$914,054

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

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AMERICAN REALTY CAPITAL TRUST, INC.

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

	Year Ended December 31, 2011	2010	2009
Revenues:			
Rental income	$124,851	$44,773	$14,964
Operating expense reimbursements	4,269	—	—
Total revenues	129,120	44,773	14,964
Operating expenses:			
Acquisition and transaction related	30,005	12,471	506
Property operating	5,297	—	—
Asset management fees to affiliate	5,572	1,350	145
General and administrative	4,167	1,444	507
Depreciation and amortization	68,940	21,654	8,315
Total operating expenses	113,981	36,919	9,473
Operating income	15,139	7,854	5,491
Other income (expenses):			
Interest expense	(37,373)	(18,109)	(10,352)
Equity in income of unconsolidated joint venture	96	—	—
Other income, net	766	765	51
Unrealized loss on derivative instruments	(2,539)	(305)	495
Gain (loss) on disposition of property	(44)	143	—
Total other expenses	(39,094)	(17,506)	(9,806)
Net loss	(23,955)	(9,652)	(4,315)
Net (income) loss attributable to non-controlling interests	(1,121)	(181)	49
Net loss attributable to stockholders	$(25,076)	$(9,833)	$(4,266)
Basic and diluted net loss attributable to stockholders per share	$(0.20)	$(0.31)	$(0.74)

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

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Years Ended December 31, 2011, 2010, and 2009
(Dollar amounts in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stock-holders' Equity	Non-controlling Interests	Total Equity
	Number of Shares	Par Value						
Balance, January 01, 2009	1,276,814	$ 13	$ 9,220	$ (2,676)	$ (4,798)	$ 1,759	$ —	$ 1,759
Issuance of common stock	13,259,941	133	131,478	—	—	131,611	—	131,611
Offering costs, commissions and dealer manager fees	—	—	(19,478)	—	—	(19,478)	—	(19,478)
Common stock issued through distribution reinvestment plan	135,482	1	1,286	—	—	1,287	—	1,287
Distributions declared	—	—	—	—	(4,605)	(4,605)	—	(4,605)
Contributions from non-controlling interests	—	—	—	—	—	—	3,458	3,458
Distributions to non-controlling interest holders	—	—	—	—	—	—	(100)	(100)
Designated derivatives, fair value adjustment	—	—	—	939	—	939	—	939
Net loss	—	—	—	—	(4,266)	(4,266)	(49)	(4,315)
Total comprehensive income (loss)	—	—	—	—	—	(3,327)	(49)	(3,376)
Balance, December 31, 2009	14,672,237	147	122,506	(1,737)	(13,669)	107,247	3,309	110,556
Issuance of common stock	45,724,124	457	452,158	—	—	452,615	—	452,615
Offering costs, commissions and dealer manager fees	—	—	(51,699)	—	—	(51,699)	—	(51,699)
Common stock issued through distribution reinvestment plan	980,906	10	9,309	—	—	9,319	—	9,319
Distributions declared	—	—	—	—	(22,962)	(22,962)	—	(22,962)
Common stock redemptions	(262,029)	(3)	(2,958)	—	—	(2,961)	—	(2,961)
Share based compensation	709,000	7	(7					