American Realty Capital Trust, Inc.
Form 10-Q
May 08, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 333-145949

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.)
106 York Road Jenkintown, PA	19046
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

The number of outstanding shares of the registrant's common stock on May 7, 2009 was 2,864,474 shares.

AMERICAN REALTY CAPITAL TRUST, INC.
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PART I - Financial Information

Item 1. Financial Statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Real estate investments, at cost:		
Land	$ 22,278,223	$ 22,300,442
Buildings, fixtures and improvements	126,207,009	126,022,191
Acquired intangible lease assets	16,448,018	16,448,018
Total real estate investments, at cost	164,933,250	164,770,631
Less accumulated depreciation and amortization	(4,766,354)	(3,056,449)
Total real estate investments, net	160,166,896	161,714,182
Cash	579,116	886,868
Restricted cash	27,432	47,937
Prepaid expenses and other assets	1,157,584	302,472
Deferred financing costs, net	2,560,501	1,990,992
Total assets	$ 164,491,529	$ 164,942,451
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term bridge equity funds:		
Short-term bridge funds	$ —	$ 11,953,796
Related party bridge facility	6,665,515	8,477,163
Related party convertible bridge revolver	4,749,480	6,500,000
Short-term convertible redeemable preferred	3,995,000	3,995,000
Total short-term bridge funds	15,409,995	30,925,959
Mortgage notes payable	112,487,533	112,741,810
Long-term notes payable	10,517,523	1,089,500
Below-market lease liabilities, net	9,321,520	9,400,293
Derivatives, at fair value	4,116,102	4,232,865
Due to affiliates	3,487,137	2,223,144
Accounts payable and accrued expenses	1,470,033	1,687,932
Deferred rent and other liabilities	752,713	781,538
Distributions payable	101,282	69,263
Investor contributions held in escrow	30,824	30,824
Total liabilities	157,694,662	163,183,128
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
	20,325	12,768

Common stock, $.01 par value; 240,000,000 shares authorized, 2,032,514 and 1,276,814 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively		
Additional paid-in capital	15,781,531	9,219,901
Accumulated other comprehensive income	(2,616,341)	(2,675,515)
Accumulated deficit	(6,388,648)	(4,797,831)
Total stockholder's equity	6,796,867	1,759,323
Total liabilities and stockholders’ equity	$ 164,491,529	$ 164,942,451

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Rental income	$ 2,926,940	$ 214,426
Expenses		
Property management fees to affiliate	—	4,262
General and administrative	125,312	188,827
Depreciation and amortization	1,729,910	171,477
Total operating expenses	1,855,222	364,566
Operating income (loss)	1,071,718	(150,140)
Other income (expenses)		
Interest expense	(2,451,625)	(191,710)
Interest income	4,469	—
Gains on derivative instruments	36,845	—
Total other expenses	(2,410,311)	(191,710)
Net loss	$ (1,338,593)	$ (341,850)
Basic and diluted weighted average common shares outstanding	1,526,901	134,013
Basic and diluted loss per share	$ (.88)	$ (2.55)

The accompanying notes are an integral part of these financial statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2009
(Unaudited)

	Common Stock					
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, December 31, 2008	1,276,814	$ 12,768	$ 9,219,901	$ (4,797,831)	$ (2,675,515)	$ 1,759,323
Issuance of common stock	747,833	7,478	7,429,644	—	—	7,437,122
Offering costs, commissions and dealer manager fees	—	—	(942,679)	—	—	(942,679)
Common stock issued through dividend reinvestment program	7,867	79	74,666	—	—	74,745
Distributions declared	—	—	—	(252,225)	—	(252,225)
Designated derivatives fair value adjustment	—	—	—	—	59,174	59,174
Net loss	—	—	—	(1,338,593)	—	(1,338,593)
Total comprehensive loss	—	—	—	—	—	(1,279,419)
Balance, March 31, 2009	2,032,514	$ 20,325	$ 15,781,532	$ (6,388,649)	$ (2,616,341)	$ 6,796,867

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net loss	$ (1,338,593)	$ (341,850)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,382,138	144,023
Amortization of intangibles	347,772	27,454
Amortization of deferred finance costs	138,269	3,138
Accretion of below-market lease liability	(78,773)	-
Gains on derivative instruments	(36,844)	-
Changes in assets and liabilities:		
Prepaid expenses and other assets	(875,118)	(1,023,770)
Accounts payable and accrued expenses	(238,644)	837,363
Due to affiliated entity	(486,527)	-
Deferred rent and other liabilities	(28,825)	308,890
Net cash used in operating activities	(1,215,145)	(44,752)
Cash flows from investing activities:		
Investment in real estate and other assets	(162,618)	(2,543,774)
Net cash used in investing activities	(162,618)	(2,543,774)
Cash flows from financing activities:		
Payments on mortgage notes payable	(254,277)	-
Payments on related party bridge facility	(5,765,444)	-
Payments on short-term bridge funds	(8,000,000)	-
Proceeds from long-term notes payable	9,428,023	-
Proceeds from issuance of common stock, net	6,494,443	3,118,402
Payments of deferred financing costs	(707,778)	-
Distributions paid	(145,461)	-
Restricted cash	20,505	-
Net cash provided by financing activities	1,070,011	3,118,402
Net increase (decrease) in cash	(307,752)	529,876
Cash, beginning of period	886,868	—
Cash, end of period	$ 579,116	$ 529,876
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Debt assumed in real estate acquisitions	$ —	$ 45,918,796
Common share issuance in real estate acquisition	$ —	$ 1,621,205
Investor contributions held in escrow	$ —	$ 1,461,315
Non-cash acquisition costs	$ —	$ 306,797
Cash paid for interest	$ 2,468,289	$ —

The accompanying notes are an integral part of these financial statements

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AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

Note 1 — Organization

American Realty Capital Trust, Inc. (the "Company"), incorporated on August 17, 2007, is a newly formed Maryland corporation that qualified as a real estate investment trust ("REIT") for federal income tax purposes during the taxable year ended December 31, 2008. On January 25, 2008, the Company commenced an initial public offering on a "best efforts" basis of up to 150,000,000 shares of common stock offered at a price of $10.00 per share, subject to certain volume and other discounts, pursuant to a Registration Statement on Form S-11 filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Offering"). The Registration Statement also covered up to 25,000,000 shares available pursuant to a distribution reinvestment plan (the "DRIP") under which our stockholders may elect to have their distributions reinvested in additional shares of the Company's common stock at the greater of $9.50 per share or 95% of the estimated value of a share of common stock. The Company sold 20,000 shares to American Realty Capital II, LLC (the "Sponsor") on August 17, 2007, at $10.00 per share. As of March 31, 2009, the Company issued 2,032,514 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were $19,229,978. As of March 31, 2009, the aggregate value of all share issuances and subscriptions outstanding was $21,997,084 based on a per share value of $10.00 (or $9.50 for shares issued under the DRIP). This amount includes stock subscriptions of $1,683,755 which are maintained at the Company's third-party escrow agent, to be released when certain escrow requirements have been achieved.

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

The Company acquires and operates commercial properties. All such properties may be acquired and operated by the Company alone or jointly with another party. As of March 31, 2009, the Company owned 92 properties comprising approximately 713,000 square feet of freestanding, single tenant commercial space. As of March 31, 2009, these properties were 100% occupied. Rental income from Harleysville National Bank, Rockland Trust Company, Rite Aid and PNC Bank, or their respective affiliates, represented the following percentages of total rental income for the three months ended March 31, 2009:

	Three Months Ended March 31,	
	2009	2008
PNC Bank	32%	-%
Harleysville National Bank	27%	75%

Rockland Trust Company	22%	-%
Rite Aid	13%	-%
Federal Express (a)	-%	25%

(a) Percentage for the 3 months ended March 31, 2009 was approximately 6%.

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

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

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

REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting

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

Principles of Consolidation and Basis of Presentation

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

Use of Estimates

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

Real Estate Investments

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

Impairment of Long Lived Assets

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

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

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

Allocation of Purchase Price of Acquired Assets

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

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

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

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

As of March 31, 2009 and 2008, acquired lease intangible assets consisted of above market leases and in-place lease intangibles totaling $16,448,018 and $0, respectively with accumulated amortization of $869,828 and $0, respectively. The estimated amortization expense for the years 2009, 2010, 2011, 2012 and 2013 will be approximately $1,043,000, $1,391,000, $1,391,000 and $1,391,000, respectively. In addition, below market lease liabilities totaled $9,426,551 and $0 with accumulated amortization of $105,031 and $0 as of March 31, 2009 and 2008, respectively. The estimated accretion income for the years 2009, 2010, 2011, 2012 and 2013 will be approximately $236,000, $315,000, $315,000, $315,000, and $315,000, respectively.

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AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

Derivative Instruments

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

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

As required by SFAS 133, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting under SFAS 133.

Investor contributions held in Escrow

The Company is currently engaged in a public offering of its common stock. Included in investor contributions held in escrow on the accompanying balance sheets is $30,824 of offering proceeds for which shares of common stock had not been issued as of March 31, 2009.

Revenue Recognition

Upon the acquisition of real estate, certain properties will have leases where minimum rent payments increase during the term of the lease. The Company will record rental revenue for the full term of each lease on a straightline basis. When the Company acquires a property, the term of existing leases is considered to commence as of the acquisition

date for the purposes of this calculation. In accordance with Staff Accounting Bulletin No. 104, “Revenue Recognition in Financial Statements,” the Company will defer the recognition of contingent rental income, such as percentage rents, until the specific target that triggers the contingent rental income is achieved. Cost recoveries from tenants are included in tenant reimbursement income in the period the related costs are incurred, as applicable.

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

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

Organization, Offering, and Related Costs

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

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

Reportable Segments

The Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," ("SFAS No. 131"), which establishes standards for reporting financial and descriptive information about an enterprise's reportable segments. The Company determined that it has one reportable segment, with activities related to investing in real estate. The Company's investments in real estate generate rental revenue and other income through the leasing of properties, which comprised 100% of our total consolidated revenues for the three-month period ended March 31, 2009. Although the Company's investments in real estate will be geographically diversified throughout the United States, management evaluates operating performance on an individual property level. The Company's properties have been aggregated into one reportable segment.

Recent Accounting Pronouncements

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

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

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

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

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

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

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Note 3 — Real Estate Acquisitions

No real estate acquisitions were concluded during the three months ended March 31, 2009.

The following table represents the Company's real estate portfolio as of March 31, 2009:

eller / Property Name	Acquisition Date	No. of Buildings	Square Feet	Remaining Lease Term (1)	Base Purchase Price (2)	Capitalization Rate (3)	Total Purchase Price (4)	Net Operati Income (5
ederal Express istribution Center	March 2008	1	55,440	9.67	$ 9,694,179	7.53%	10,207,674	$ 730,06
arleysville National ank Portfolio	March 2008	15	177,774	13.76	40,976,218	7.48%	41,675,721	3,063,91
ockland Trust ompany Portfolio	May 2008	18	121,057	12.34	32,188,000	7.86%	33,117,419	2,529,66
NC Bank (formally ational City Bank)	Sept. & Oct. 2008	2	8,403	19.89	6,663,786	8.21%	6,853,419	546,94
ite Aid Portfolio	September 2008	6	74,919	14.29	18,575,727	7.79%	18,839,392	1,446,84
NC Bank Portfolio	November 2008	50	275,436	9.67	42,285,714	7.35%	44,813,074	3,107,75
otal		92	713,029	12.35	$ 150,383,624	7.60%	155,506,699	$ 11,425,18

(1) - Remaining lease term as of March 31, 2009, in years. If the portfolio has multiple locations with varying lease expirations, the remaining lease term is calculated on a weighted-average basis.

(2) - Contract purchase price excluding acquisition related costs.

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

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

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

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Note 4 — Mortgage Notes Payable

The following table represents the mortgages outstanding as of March 31, 2009:

Property	Encumbered Properties		Outstanding Loan Amount	Effective Interest Rate		Interest Rate	Maturity
Federal Express Distribution Center	1	$	6,965,000	6.29 %		Fixed	September 2037
Harleysville National Bank Portfolio	15		31,000,000	6.59 %	(1)	Fixed	January 2018
Rockland Trust Company Portfolio	18		23,993,280	4.92 %	(2)	Variable	May 2013
PNC Bank (formally National City Bank)	2		4,465,302	4.89 %	(3)	Variable	September 2013
Rite Aid Portfolio	6		12,808,265	6.97 %		Fixed	September 2017
PNC Bank Portfolio	50		33,255,686	5.25 %	(4)	Variable	November 2013
Total	92	$	112,487,533				

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

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The following table summarizes the scheduled aggregate principal repayments for the five years subsequent to March 31, 2009:

	Mortgage Notes
2009	$ 721,237
2010	1,012,332
2011	1,855,075
2012	1,991,443
2013	58,780,586
2014 and thereafter	48,126,860
Total	$ 112,487,533

As of March 31, 2009, the Company was in compliance with the debt covenants under the loan agreements.

Note 5 — Long-Term Notes Payable

As of March 31, 2009, the Company had issued $10,517,523 of a possible $13,000,000 of notes payable (the “Notes”) in a private placement pursuant to Rule 506 of Regulation D promulgated under the Securities Act. The initial $8,000,000 of proceeds was used to repay the short-term bridge equity (see Note 8 – Bridge Equity).

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

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

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

As of March 31, 2009, the Company was in compliance with all covenants included within the Note agreement.

Note 6 — Fair Value of Financial Instruments

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

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

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

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

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of March 31, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following table presents information about the Company's assets (including derivatives that are presented net) measured at fair value on a recurring basis as of March 31, 2009, aggregated by the level in the fair value hierarchy within with those instruments fall:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of March 31, 2009
Total derivatives, net	$ —	$ 4,116,102	$ —	$ 4,116,102

Note 7 — Derivative and Hedging Activities

Risk Management Objective of Using Derivatives

The Company may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with its borrowings. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating

and financial structure as well as to hedge specific anticipated transactions. The Company does not intend to utilize derivatives for speculative or others purposes other than interest rate risk management. The use of derivative financial instruments carries certain risks, including the risk that the counterparties to these contractual arrangements are not able to perform under the agreements. To mitigate this risk, the Company only enters into derivative financial instruments with counterparties with high credit ratings and with major financial institutions with which the Company and its affiliates may also have other financial relationships. The Company does not anticipate that any of the counterparties will fail to meet their obligations.

Cash Flow Hedges of Interest Rate Risk

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

During 2009, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three months ended March 31, 2009, the Company recorded a $375 loss related to hedge ineffectiveness in earnings.

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Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next twelve months, the Company estimates that an additional $972,289 will be reclassified as an increase to interest expense.

As of March 31, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional
Interest Rate Swaps	2	$ 33,471,544
Interest Rate Collars	1	$ 4,115,268

Non-designated Hedges

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of SFAS 133. The Company has one interest rate collar contract outstanding, with an aggregate notional amount of $24,014,157 at March 31, 2009, with an established ceiling and floor for the underlying variable rate at 4.125% and 3.54%, respectively. This contract was not able to be designated under SFAS No. 133 as it does not qualify for hedge accounting based on the results of the net written option test. As such, all changes in the fair value of the interest rate collar have been included in the Company's statement of operations for the three months ended March 31, 2009. For the three months ended March 31, 2009, the Company has recorded a loss of $142,837.

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

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of March 31, 2009:

	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133		
Interest Rate Products	Derivatives, at fair value	($2,536,524)
Derivatives not designated as hedging instruments under SFAS 133		
Interest Rate Products	Derivatives, at fair value	($1,579,578)

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

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statement of Operations for the three months ended March 31, 2009.

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Derivatives in SFAS 133 Cash Flow Hedging Relationships

Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
($204,991)	Interest expense	($264,165)	Gains (losses) on derivative instruments	($375)

Derivatives Not Designated as Hedging Instruments Under SFAS 133

Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Interest expense	(180,057)
Gains (losses) on derivative instruments	37,220
Total	$ (142,837)

Credit-risk-related Contingent Features

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

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

As of March 31, 2009, the fair value of derivatives in a net liability position, excludes any adjustment for nonperformance risk, related to these agreements was $4,116,102. As of March 31, 2009, the Company has not posted any collateral related to these agreements and was not in breach of any agreement provisions. If the Company had breached any of these provisions at March 31, 2009, it could have been required to settle its obligations under the agreements at their termination value of $4,116,102.

Note 8 — Bridge Equity

During the year ended December 31, 2008, the OP entered into an agreement with the principals of the Advisor whereby the OP can make use of unsecured equity financing from the principals up to $10.0 million from time to time as needed to provide short-term bridge equity relating to property acquisitions and for general working capital purposes. Such short-term bridge equity is expected to be satisfied within a six-month period and will accrue a yield at approximately 8%. In November 2008, the board approved an extension of the satisfaction period of an additional six months. In connection with the acquisition of the Harleysville National Bank and the Rockland Trust Company portfolios, the Company obtained bridge equity of $4.0 and $2.5 million respectively, accruing a preferred yield of 8.0% and can be paid off without penalty. In March 2008, the Agreement was modified to allow outstanding draws to be converted into common shares at $9.00 per share at the Company’s election.

During the year ended December 31, 2008, the REIT entered into an unsecured bridge equity facility with a related party, American Realty Capital Bridge, LLC (“ARC Bridge”), whereby the REIT can obtain up to $10.0 million from time to time as needed to provide short-term equity financing relating to property acquisitions and for general working capital purposes - see Note 10 — Related-Party Transactions and Arrangements. During the three months ended March 31, 2009 the Company satisfied approximately $1.8 million of unsecured bridge equity. Such amount was funded by proceeds from the sale of the Company’s shares.

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

Note 9 — Commitments and Contingencies

Litigation

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

Environmental Matters

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

Note 10 — Related-Party Transactions and Arrangements

Certain affiliates of the Company receive, and will continue to receive, fees and compensation in connection with the sale of the Company's common stock, and the acquisition, management and sale of the assets of the Company. The Dealer Manager receives, and will continue to receive, a selling commission of up to 7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. The Dealer Manager reallows, and intends to continue to reallow, 100% of commissions earned to participating broker-dealers. In addition, the Dealer Manager will receive up to 3.0% of the gross proceeds from the Offering, before reallowance to participating broker-dealers, as a dealer-manager fee. The Dealer Manager, in its sole discretion, may reallow all or a portion of its dealer-manager fee to such participating broker-dealers, based on such factors as the volume of shares sold by such participating broker-dealers and marketing support incurred as compared to those of other participating broker-dealers. No selling commissions or dealer-manager fees are paid to the Dealer Manager in respect of shares sold under the DRIP. During the three months ended March 31, 2009 and 2008, the Company paid $706,012 and $0, respectively, to the Dealer Manager for commissions and dealer manager fees, of which $45,010 was reallowed to participating broker-dealers.

All organization and offering expenses associated with the sale of the Company's common stock (excluding selling commissions and the dealer-manager fee) are paid for by the Advisor or its affiliates and are reimbursed by the Company up to 1.5% of gross offering proceeds. The Advisor receives an acquisition and advisory fee of 1.0% of the contract purchase price of each acquired property and will be reimbursed for acquisition costs incurred in the process of acquiring properties, but not to exceed 0.5% of the contract purchase price. In no event will the total of all fees and acquisition expenses payable with respect to a particular property or investment exceed 4.0% of the contract purchase price. During the three months ended March 31, 2009 and 2008, the Company reimbursed the Advisor $0 and

$119,207 for organizational and offering expenses. The organizational and offering expenses paid during the three months ended March 31, 2008 were subsequently refunded by the Advisor to improve the Company's overall working capital position. The Advisor has elected to waive its reimbursement for organizational and offering costs for the three months ended March 31, 2009. No acquisition costs were incurred or paid during the three months ended March 31, 2009 and 2008. The company incurred and paid acquisition advisory fees of $0 and $510,237, during the three months ended March 31, 2009 and 2008, respectively.

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The Advisor receives a financing coordination fee equal to 1.0% of the amount available under such financing. During the three months ended March 31, 2009 and 2008, the Company incurred finance coordination fees of $0 and $379,650, respectively, payable to its affiliated Advisor.

The Company pays its affiliated Property Manager fees for the management and leasing of the Company's properties. Such fees equal 2.0% of gross revenues from the Company's single tenant properties and 4.0% of the gross revenues from its multi-tenant properties, plus reimbursement of the Property Managers' costs of managing the properties. In the event that the Property Manager assists a tenant with tenant improvements, a separate fee may be charged to the tenant by the Property Manager at a fee not to exceed 5.0% of the cost of such tenant improvements. The Property Manager will be paid leasing commissions at prevailing market rates and may also receive a fee for the initial leasing of newly constructed properties, which generally would equal one month's rent. The aggregate of all property management and leasing fees paid to affiliates plus all payments to third parties will not exceed the amount that other nonaffiliated management and leasing companies generally charge for similar services in the same geographic location. The Property Manager may subcontract its duties for a fee that may be less than the fee provided for in the property management agreement. During the three months ended March 31, 2009 and 2008, the Company paid the Property Manager $0 and $4,230 for property management fees, respectively. The Property Manager has elected to waive its management fee for the three months ended March 31, 2009.

The Company pays the Advisor an annualized asset management fee of 1.0% based on the aggregate contract purchase price of all properties. The asset management fee is payable quarterly in advance on the first day of the month following the end of each calendar quarter end. The Company incurred asset management fees of $28,000 and $0 during the three months ended March 31, 2009 and 2008, respectively. The Company was entitled to $383,441 of asset management fees during the quarter. The difference, $355,441, was waived (not deferred) by the Advisor in order for the Company to fund its distributions to shareholders fully from funds from operations. These fees remained unpaid as of March 31, 2009 and were included in due to affiliates in the accompanying balance sheets.

If the Advisor or its affiliates provides a substantial amount of services, as determined by the Company's independent directors, in connection with the sale of property, the Company will pay the Advisor a brokerage commission not to exceed the lesser of one-half of a reasonable, customary and competitive real estate commission or 3.0% of the contract price for the property sold, inclusive of any commission paid to outside brokers provided, however, in no event may the real estate commissions paid to the Advisor, its affiliates or unaffiliated third-parties exceed 6% of the contract price. In addition, after investors have received a return of their net capital contributions and a 6.0% annual cumulative, non-compounded return, then the Advisor is entitled to receive 15.0% of remaining net sale proceeds. During the three months ended March 31, 2009 and 2008, the Company did not pay any fees or amounts to the Advisor relating to the sale of properties.

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

In the event that the advisory agreement with the Advisor is terminated upon a change of control of the Company, by the Company without cause, or by the Advisor for good reason (as such terms may be defined in the definitive

agreement memorializing the engagement of the Advisor by the Company), the Company shall pay the Advisor a termination fee not to exceed 15.0% of the amount, if any, by which the appraised value of the properties owned by the Company on the date of such termination, less amounts of all indebtedness secured by such properties exceeds the dollar amount equal to the sum of a 6.0% cumulative non-compound return on the Company's stockholders' net investment plus the amount of such investment.

The Company may reimburse the Advisor for all expenses it paid or incurred in connection with the services provided to the Company, subject to the limitation that the Company does not reimburse for any amount by which its operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of (i)2.0% of average invested assets, or (ii) 25% of net income other than any additions to reserves for depreciation, bad debts or other similar non-cash reserves and excluding any gain from the sale of assets for that period. The Company will not reimburse for personnel costs in connection with services for which the Advisor receives acquisition fees or real estate commissions. During the three months ended March 31, 2009 and 2008, the Company did not reimburse the Advisor for any such costs.

During the year ended December 31, 2008, the OP entered into an agreement with the principals of the Advisor whereby the OP can obtain bridge equity from the principals up to $10,000,000 from time to time as needed to provide short-term bridge equity relating to property acquisitions or for general working capital purposes. Such bridge equity needs to be satisfied within a six month period and will accrue a preferred yield at approximately 8%. In November 2008, the board approved an extension of the satisfaction period of an additional six months. In connection with the acquisition of the Harleysville National Bank and the Rockland Trust Company portfolios, the Company obtained bridge equity of $4,000,000 and $2,500,000 respectively, accruing a preferred yield at an annual return on investment of 8.0%. Such bridge equity can be paid off, at any time, without penalty. During the three months ended March 31, 2009 and 2008, the Company incurred related party interest expense of $128,219 and $17,534, respectively. As of March 31, 2009, $44,165 remained unpaid and is included in due to affiliates in the accompanying balance sheets.

During the year ended December 31, 2008, the REIT entered into an unsecured bridge equity facility with a related party, American Realty Capital Bridge, LLC (“ARC Bridge”), whereby the REIT can obtain bridge equity of up to $10,000,000 from time-to-time as needed to provide short-term bridge equity relating to property acquisitions and for general working capital purposes. ARC Bridge is a 50% joint venture between the Sponsor and an unrelated third party. Bridge equity investments from this facility accrue a yield at an annual rate of 30 day LIBOR plus 5% with a floor of 8%. This facility was used for two acquisitions during the year ended December 31, 2008. The bridge equity investments relating to the National City Bank and Rite Aid acquisitions were $1,329,576 and $5,335,939, respectively. These bridge equity investments are due one year from the investment date and can be satisfied at any time without penalty. During the three months ended March 31, 2009 the Company satisfied $1,811,648 of the bridge equity investment related to the Rite Aid acquisitions. The related yield on such short-term bridge equity was 8.11% for both the National City Bank and Rite Aid acquisitions, as of March 31, 2009. The Company incurred interest expense on these investments of $150,715 for the period ended March 31, 2009. As of March 31, 2009, $24,082 remained unpaid and is included in due to affiliates in the accompanying balance sheets.

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At March 31, 2009 and December 31, 2008, the Company had approximately $1,736,617 and $2,233,144 respectively, due to affiliates, which is included in due to affiliates in the accompanying consolidated balance sheets and is payable primarily to the Advisor.

Note 11 — Economic Dependency

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

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

Note 12 — Independent Directors' Stock Option Plan

The Company has a stock option plan (the "Plan"), which authorizes the grant of nonqualified stock options to the Company's independent directors, subject to the absolute discretion of the board of directors and the applicable limitations of the Plan. The Company intends to grant options under the Plan to each qualifying director annually. The exercise price for all stock options granted under the Plan will be fixed at $10.00 per share until the termination of our initial public offering, and thereafter the exercise price for stock options granted to our independent directors will be equal to the fair market value of a share on the last business day preceding the annual meeting of stockholders. As of March 31, 2009, the Company had granted options to purchase 9,000 shares at $10.00 per share, each with a two year vesting period. A total of 1,000,000 shares have been authorized and reserved for issuance under the Plan. The Company accounts for the issuance of stock options under SFAS No. 123R, "Share-Based Payment," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including stock options related to the Plan, based on estimated fair values.

During the three months ended March 31, 2009, no options were granted, forfeited or exercised and 4,500 became vested. As of March 31, 2009, unvested options to purchase 4,500 shares at $10.00 per share remained outstanding with a weighted average contractual remaining life of approximately 8.75 years. The total compensation charge relating to these option grants under SFAS No. 123R is immaterial.

Note 13 — Net Loss Per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted net loss per share computation for the three months ended March 31, 2009 and 2008:

	Basic and Diluted Three Months Ended	Basic and Diluted Three Months Ended

	March 31, 2009	March 31, 2008
Net loss	$ (1,338,593)	$ (341,850)
Total weighted average common shares outstanding	1,526,901	134,013
Loss per share	$ (.88)	$ (2.55)

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009
(Unaudited)

Note 14 — Subsequent Events (to be updated)

Sale of Shares of Common Stock

As of May 7, 2009, the Company had issued 2,864,474 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were $27,445,412. As of May 7, 2009, the aggregate value of all share issuances and subscriptions outstanding was $30,421,658 based on a per share value of $10.00 (or $9.50 for shares issued under the DRIP). This amount includes stock subscriptions of $1,793,661 which are maintained at the Company's third-party escrow agent, to be released when certain escrow requirements have been achieved. As of May 7, 2009, approximately $1.21 billion (121 million shares) remained available for sale to the public under the Offering, exclusive of shares available under the DRIP.

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

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

Forward-Looking Statements

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

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

- Neither we nor our Advisor have a prior operating history and our Advisor does not have any experience operating a public company. This inexperience makes our future performance difficult to predict.

- All of our executive officers are also officers, managers and/or holders of a direct or indirect controlling interest in our Advisor, our dealer manager and other affiliated entities. As a result, our executive officers, our Advisor and its affiliates face conflicts of interest, including significant conflicts created by our Advisor's compensation arrangements with us and other investors advised by American Realty Capital affiliates and conflicts in allocating time among us and these other investors. These conflicts could result in unanticipated actions.

- Because investment opportunities that are suitable for us may also be suitable for other American Realty Capital-advised investors, our Advisor and its affiliates face conflicts of interest relating to the purchase of properties and such conflicts may not be resolved in our favor, meaning that we could invest in less attractive properties, which could reduce the investment return to our stockholders.

- If we raise substantially less than the maximum offering in our ongoing initial public offering, we may not be able to invest in a diverse portfolio of real estate assets and the value of an investment in us may vary more widely with the performance of specific assets.

- While we are raising capital and investing the proceeds of our ongoing initial public offering, the high demand for the type of properties we desire to acquire may cause our distributions and the long-term returns of our investors to be lower than they otherwise would.

- We depend on tenants for our revenue, and, accordingly, our revenue is dependent upon the success and economic viability of our tenants.

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

All forward-looking statements should be read in light of the risks identified in our Registration Statement on Form S-11 for the period from August 17, 2007 (dated of inception) to April 27, 2009, filed with the SEC and the risks identified in this quarterly report.

Overview

We are a Maryland corporation that elected to be taxed as a real estate investment trust, or REIT, beginning with the taxable year ended December 31, 2008. On September 10, 2007, we filed a registration statement on Form S-11 with the SEC to offer a minimum of 750,000 shares and a maximum of 150,000,000 shares of common stock for sale to the public. The SEC declared the registration statement effective on January 25, 2008, at which time we launched our ongoing initial public offering. On March 11, 2008, we broke escrow in our ongoing initial public offering and then commenced our real estate operations. As of March 31, 2009, we issued 2,032,514 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were $19,230,213. As of March 31, 2009, the aggregate value of all share issuances and subscriptions outstanding was $21,997,084 based on a per share value of $10.00 (or $9.50 per share for shares issued under the DRIP). This amount includes stock subscriptions of $1,683,755 which are maintained at our third-party escrow agent, to be released when certain escrow requirements have been achieved. As of March 31, 2009, we had not redeemed any shares sold in our ongoing initial public offering pursuant to our share repurchase program. We are dependent upon the net proceeds from the offering to conduct our proposed operations.

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

As of March 31, 2009, we owned 92 properties compromising approximately 713,000 square feet, 100% leased with an initial weighted average remaining lease term of 12.35 years. In constructing our portfolio, we intend to target and derive approximately 50% to 60% of our revenues from investment-grade tenants. Additionally, we intend to target approximately 50% of our revenues from financial institutions.

We intend to continue our strategy of acquiring high quality, single tenant properties through sale leaseback transactions and marketed transactions with in-place long-term leases, and to finance our acquisitions with a combination of equity and debt. We expect to arrange long-term financing on both a secured and unsecured fixed rate basis. We intend to continue to grow our existing relationships and develop new relationships throughout various markets we serve, which we expect will lead to further acquisition opportunities.

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

Significant Accounting Estimates and Critical Accounting Policies

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

Revenue Recognition

Our revenues, which are derived primarily from rental income, include rents that each tenant pays in accordance with the terms of each lease reported on a straightline basis over the initial term of the lease. Since many of our leases provide for rental increases at specified intervals, straightline basis accounting requires us to record a receivable, and include in revenues, unbilled rent receivables that we will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease.

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

Investments in Real Estate

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

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

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

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

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

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

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

Purchase Price Allocation

Pursuant to SFAS No.141, "Business Combinations," we follow the purchase method of accounting for all business combinations. To ensure that intangible assets acquired and liabilities assumed in a purchase method business combination can be recognized and reported apart from goodwill, we ensure that the applicable criteria specified in SFAS No.141 are met.

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

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

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

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

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

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

Derivative Instruments

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

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

As required by SFAS 133, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged

risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or we elect not to apply hedge accounting under SFAS 133.

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

Results of Operations

Comparison of the Three Months Ended March 31, 2009 and 2008

As of March 31, 2009, we owned 92 properties which are 100% leased, compared to 16 properties which were 100% leased at March 31, 2008, an increase of approximately 475%. Accordingly, our results of operations for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008 reflect significant increases in most categories.

Rental Income

Rental income increased approximately $2,713,000 to approximately $2,927,000 for the three months ended March 31, 2009, compared to approximately $214,000 for the three months ended March 31, 2008. The increase in rental income was driven by our acquisition of approximately $100.0 million of net leased property during the last three quarters of 2008. These properties, acquired at an average 7.65% cap rate, are leased from 10 to 20 years to primarily investment grade tenants.

Property Management Fees to Affiliate

American Realty Capital Properties, LLC has elected to waive the property management fees for the three months ended March 31, 2009. Such fees represent amounts paid to our affiliated property manager, American Realty Capital Properties, LLC, to manage and lease our properties. Property management fees of approximately $4,000 were incurred during the three months ended March 31, 2008.

General and Administrative Expenses

General and administrative expenses decreased 34% to approximately $125,000 for the three months ended March 31, 2009, compared to approximately $188,000 for the three months ended March 31, 2008. The decrease was primarily due to a decrease in the reimbursement for organizational and offering costs offset by increases in all other categories of expenses. During the three months ended March 31, 2008, we reimbursed our Advisor approximately $119,000 for various organizational costs. These reimbursements were subsequently refunded to us for working capital needs. There was no reimbursement for organizational costs during the three months ended, March 31, 2009. The majority of general and administrative expenses as of March 31, 2009 included $46,000 of insurance expense amortization of our directors' and officers' insurance policy, $28,000 of asset management fees, $20,000 of board member compensation and $16,000 of professional fees.

Depreciation and Amortization Expense

Depreciation and amortization expense increased approximately $1,559,000 to approximately $1,730,000 for the three months ended March 31, 2009, compared to approximately $171,000 for the three months ended March 31, 2008. The increase in depreciation expense was the result of our acquisition of approximately $100.0 million of real estate during the last three quarters of 2008. These properties were placed into service when acquired and were being depreciated for the majority of the year. In contrast, the prior year number reflects the depreciation and amortization expense for a partial period as our first acquisitions were during March 2008.

Interest Expense

Interest expense increased approximately $2,260,000 to $2,452,000 for the three months ended March 31, 2009, compared to approximately $192,000 for the three months ended March 31, 2008. The increase in interest expense was the result of our purchase of 76 properties with a total value of approximately $100.0 million. These properties were purchased using proceeds from our Offering and first mortgage debt. In addition, we used various sources of unsecured financing including drawing on various bridge equity lines and issuing long term notes payable. We view these unsecured financing sources as an efficient and accretive means to acquire properties in advance of raising equity capital.

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

Other Income

During the three months ended March 31, 2009 we incurred a gain of approximately $37,000 related to marking our derivative instruments to market. No such gain was incurred during the three months ended March 31, 2008 as we had no derivative instruments outstanding.

Funds From Operations

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

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

FFO is presented in the following table for the period ended as indicated. FFO is not applicable for the three months ended March 31, 2009, as no dividends were paid during such period.

	Three Months Ended March 31, 2009
Net loss	$ (1,338,593)
Add:	
Depreciation of real estate assets	1,362,132
Amortization of intangible lease assets	347,772
Amortization of below- and above-market leases	(78,773)
Mark-to-market adjustment (1)	(57,590)
FFO	$ 234,948
Dividends paid (2)	$ 220,205
FFO coverage ratio	106.70%
FFO payout ratio	93.7%

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

(2) - includes shares issued under the DRIP.

Cash Flows for the Three Months Ended March 31, 2009

During the three months ended March 31, 2009, net cash used in operating activities was approximately $1,215,000. The level of cash flows provided by (used in) operating activities is affected by both the timing of interest payments and amount of borrowings outstanding during the period. It is also affected by the receipt of scheduled rent payments and disbursement of deposits required in connection with property acquisitions. Prepaid expenses and other assets increased by approximately $875,000 principally resulting from the acquisition $636,000 of non-real estate investment furniture and fixtures during the three months ended March 31, 2009. Accounts payable and accrued expenses decreased by approximately $238,000, the majority of which relates to professional fees, accrued interest and finance coordination fees.

Net cash used in investing activities during the three months ended March 31, 2009 was approximately $163,000, relating to prior period acquisition related costs.

Net cash provided by financing activities totaled approximately $1,070,000 during the three months ended March 31, 2009. Such amount consisted primarily of net proceeds from other notes payable and issuance of common stock of approximately $9,428,000 and $6,494,000, respectively. These amounts were offset by the satisfaction of our short-term bridge funds and related party bridge facility of $8,000,000 and approximately $5,765,000, respectively. During the period, we issued 747,833 shares of common stock which generated approximately $7,437,000 of gross proceeds, reduced by approximately $943,000 of related offering costs and commissions. Net cash of approximately $145,000 was used for shareholder dividends. Net cash was increased by approximately $21,000 related to a decrease in restricted cash.

Cash paid for interest during the three months ended March 31, 2009 was approximately $2.5 million.

Cash Flows for the Three Months Ended March 31, 2008

During the three months ended March 31, 2008, net cash used in operating activities was approximately $45,000. The level of cash flows provided by (used in) operating activities is affected by both the timing of interest payments and amount of borrowings outstanding during the period. It is also affected by the receipt of scheduled rent payments and disbursement of deposits required in connection with property acquisitions. Prepaid expenses and other assets increased by approximately $1,024,000 principally resulting from payments for a $500,000 deposit on an acquisition that closed in May 2008 (Rockland Trust Company portfolio), $420,000 of finance coordination fees incurred during the period, net of amortization, as well as payments relating to annual Board of Trustee retainers and the partial funding of our Directors and Officers' insurance policy. This amount is offset by the increase in accounts payable and accrued expenses of approximately $837,000, the majority of which relates to professional fees, accrued interest and finance coordination fees, as well as an increase in deferred rent and liabilities of approximately $309,000, primarily representing rent payments received in advance of the respective due date.

Net cash used in investing activities during the three months ended March 31, 2008 totaled approximately $2,544,000 relating to investment properties acquired during the period.

Net cash provided by financing activities totaled approximately $3,118,000 during the three months ended March 31, 2008. Such amount consisted of approximately $3,818,000 of proceeds received from the issuance of 424,253 shares of common stock, reduced by approximately $700,000 of related offering costs.

Liquidity and Capital Resources

We expect to continue to raise capital through the sale of our common stock and to utilize the net proceeds from the sale of our common stock and proceeds from secured financings to complete future property acquisitions and satisfy outstanding short-term bridge equity amounts. As of March 31, 2009, we issued 2,032,514 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were $19,229,978. As of March 31, 2009, the aggregate value of all share issuances and subscriptions outstanding was $21,997,084 based on a per share value of $10.00 (or $9.50 for shares issued under the DRIP). This amount includes stock subscriptions of $1,683,755 which are maintained at our third-party escrow agent, to be released when certain escrow requirements have been achieved.

In addition, we expect to continue to raise capital through the issuance of unsecured notes payable. Proceeds from such issuances will augment the capital being raised through the sale of common stock. We believe our notes programs offer an efficient and cost effective source of funds. The term of these notes will generally be between three and five years. Total gross proceeds from note issuances for the quarter ended March 31, 2009 totaled $9,428,000.

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

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

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

On February 25, 2008, our board of directors declared a distribution for each monthly period commencing 30 days subsequent to acquiring our initial portfolio of real estate investments, payable in cash on the 2nd day following each month end to stockholders of record at the close of business each day during the applicable period. We acquired our initial real estate investment on March 5, 2008. Accordingly, our daily dividend commenced accruing on April 5, 2008. The REIT's initial distribution payment was paid to shareholders on May 21, 2008 representing dividends accrued from April 5, 2008 through April 30, 2008. Subsequently, we modified the payment date to the 2nd day following each month end to stockholders of record at the close of business each day during the applicable period. The distribution is calculated based on stockholders of record each day during the applicable period at a rate of $0.00178082191 per day, and equals a daily amount that, if paid each day for a 365-day period, would equal a 6.5% annualized rate based on the share price of $10.00. On November 5, 2008, the board of directors approved an increase in our annual cash distribution from $.65 to $.67 per share. Based on a $10.00 share price, this 20 basis point increase, effective January 2, 2009, will result in an annualized distribution rate of 6.7%. During the three months ended March 31, 2009, distributions paid totaled $220,205 inclusive of $74,744 of common shares issued under the dividend reinvestment plan. As of March 31, 2009, cash used to pay our distributions was entirely generated from funds received from operating activities and fee waivers from our advisor. Our distributions have not been paid from any other sources. We have continued to pay distributions to our shareholders each month since our initial dividend payment.

The payment terms of our loan obligations vary. In general, principal and interest is payable monthly with all unpaid principal and interest due at maturity. Certain of our mortgage loans have initial payments of interest only but require principal repayment in subsequent years. Our loan agreements stipulate that we comply with specific reporting and financial covenants. As of March 31, 2009, we were in compliance with the debt covenants under our loan agreements.

Our Advisor may, with approval from our independent board of directors, seek to borrow short-term bridge equity that, combined with secured mortgage financing, exceeds our targeted leverage ratio. Such short-term bridge equity may be derived from the $10.0 million revolving bridge equity facility established between principals of the Advisor and the O.P. or the $10.0 million related party bridge facility established between ARC Bridge and the REIT as described in Note 10 of our financial statements — Related-Party Transactions and Arrangements. In addition, short-term bridge equity may be obtained from third-parties on a case-by-case basis as acquisition opportunities

present themselves simultaneous with our capital raising efforts. We view the use of short-term bridge equity as an efficient and accretive means of acquiring real estate in advance of raising equity capital. Accordingly, we can take advantage of buying opportunities as we expand our fund raising activities. As additional equity capital is obtained in connection with our offering, these short-term bridge equity investments will be satisfied. As of March 31, 2009, we had $4.7 million of bridge equity outstanding under our related party revolving bridge equity facility, bridge equity of approximately $6.7 million under our related party bridge equity facility, and approximately $4.0 million of convertible redeemable preferred equity. Excluding such short-term bridge equity, our leverage ratio approximated 68% (secured mortgage notes payable as a percentage of total real estate investments, at cost) as of March 31, 2009.

As of March 31, 2009, we had cash of approximately $579,000, which we expect to be used primarily to satisfy short-term bridge funds, pay operating expenses and pay stockholder distributions. In addition, the approximate $17.9 million of debt and other contractual obligations coming due during the remainder of 2009 will be paid with proceeds from our Offering.

Contractual Obligations

The following is a summary of our contractual obligations as of March 31, 2009:

		Payments Due During the Years Ending December 31			
Contractual Obligations	Total	Remainder of 2009	2010-2011	2012-2013	Thereafter
Mortgage notes payable (1)	$ 112,437,533	$ 721,237	$ 2,867,407	$ 60,772,029	$ 48,126,860
Short-term convertible redeemable preferred equity	3,995,000	3,995,000	—	—	—
Related party bridge equity (1)	6,500,000	6,500,000	—	—	—
Related party bridge equity facility (1)	6,665,515	6,665,515	—	—	—
Other notes payable	10,517,523		10,517,523		
Purchase obligations (2)	—	—	—	—	—
	$ 140,165,571	$ 17,881,752	$ 2,867,407	$ 60,772,029	$ 48,126,860

(1) Amounts include principal payments only. We incurred interest expense of approximately $2,314,000, excluding amortization of deferred financing costs, during the three months ended March 31, 2009, and expect to incur interest in future periods on outstanding debt obligations.

(2) The Company has agreed to purchase a Federal Express distribution center, subject to due diligence and underwriting procedures. The transaction is expected to close in the second quarter of 2009.

Election as a REIT

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

Inflation

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

Related-Party Transactions and Agreements

We have entered into agreements with American Realty Capital II, LLC and its wholly-owned affiliates, whereby we pay certain fees or reimbursements to our Advisor or its affiliates for acquisition fees and expenses, organization and

offering costs, sales commissions, dealer manager fees, asset and property management fees and reimbursement of operating costs. See Note 10 to our consolidated financial statements included in this report for a discussion of the various related-party transactions, agreements and fees.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate changes primarily as a result of long-term debt used to acquire properties. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we may borrow at fixed rates or variable rates with the lowest margins available and in some cases, the ability to convert variable rates to fixed rates. With regard to variable rate financing, we will assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. At March 31, 2009, our interest rate exposure was mitigated by various hedging instruments - See Note 6 and Note 7.

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

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

Share Redemption Program

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

No shares were redeemed under this program during the quarter ended March 31, 2009.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 4T. Controls and Procedures

In accordance with Rules 13a-15(b) and 15d-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q and determined that the disclosure controls and procedures are effective.

No change occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended March 31, 2009 that has materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

Item 5. Other Information

None

Item 6. Exhibits

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

SIGNATURES

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

American Realty Capital Trust, Inc.
(Registrant)

By: /s/ Nicholas S. Schorsch

Nicholas S. Schorsch
Chief Executive Office

By: /s/ Brian S. Block

Brian S. Block
Senior Vice President, Chief Financial Office, and Principal Accounting Officerr

Date: May 8, 2009

EXHIBIT INDEX

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 (and are numbered in accordance with Item 601 of Regulation S-K).

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