American Realty Capital Trust, Inc.
Form 10-Q
May 07, 2010

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, 2010

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

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 (Do not check if a smaller reporting company) x	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 April 30, 2010 was 23,153,504 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
(In thousands except per share data)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Real estate investments, at cost:		
Land	$ 48,856	$ 37,779
Buildings, fixtures and improvements	320,979	261,939
Acquired intangible lease assets	50,159	38,838
Total real estate investments, at cost	419,994	338,556
Less accumulated depreciation and amortization	(15,057)	(11,292)
Total real estate investments, net	404,937	327,264
Cash	2,778	5,010
Restricted cash	51	43
Prepaid expenses and other assets	6,215	4,458
Due from affiliates	76	—
Deferred financing costs, net	3,182	2,502
Total assets	$ 417,239	$ 339,277
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term bridge equity funds	$ —	$ 15,878
Mortgage notes payable	225,118	183,811
Long-term notes payable	13,000	13,000
Below-market lease liabilities, net	9,006	9,085
Derivatives, at fair value	3,647	2,768
Accounts payable and accrued expenses	1,525	1,536
Deferred rent and other liabilities	1,355	1,144
Distributions payable	1,085	1,499
Total liabilities	254,736	228,721
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $.01 par value; 240,000,000 shares authorized, 20,558,974 and 14,672,237 shares issued and outstanding March 31, 2010 and December 31, 2009, respectively	206	147
Additional paid-in capital	173,933	122,506
Accumulated other comprehensive loss	(2,458)	(1,737)
Accumulated deficit	(16,873)	(13,669)
Total American Realty Capital Trust, Inc. stockholders' equity	154,808	107,247
Noncontrolling interests	7,695	3,309
Total stockholders' equity	162,503	110,556
Total liabilities and stockholders' equity	$ 417,239	$ 339,277

The accompanying notes are an integral part of these financial statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Revenue:		
Rental income	$ 7,428	$ 2,927
Operating expenses:		
Acquisition and transaction related	341	—
General and administrative	224	126
Depreciation and amortization	3,785	1,730
Total operating expenses	4,350	1,856
Operating income	3,078	1,071
Other income (expense):		
Interest expense	(3,673)	(2,451)
Interest income	11	4
Gains on sales to noncontrolling interest holders, net	335	—
Gains (losses) on derivative instruments	(152)	37
Total other expenses	(3,479)	(2,410)
Net loss	(401)	(1,339)
Net loss attributable to noncontrolling interests	12	—
Net loss attributable to American Realty Capital Trust, Inc.	$ (389)	$ (1,339)
Basic and diluted weighted average common shares outstanding	17,845,489	1,526,901
Basic and diluted loss per share attributable to American Realty Capital Trust, Inc.	$ (0.02)	$ (0.88)

The accompanying notes are an integral part of these financial statements

AMERICAN REALTY CAPITAL TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2010
(In thousands except per share data)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total American Realty Capital Trust Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Number of Shares	Par Value						
Balance, December 31, 2009	14,672,237	$ 147	$ 122,506	$ (1,737)	$ (13,669)	$ 107,247	$ 3,309	$ 110,556
Issuance of common stock, net	5,738,591	58	57,078	—	—	57,136	—	57,136
Offering costs, commissions and dealer manager fees	—	—	(7,057)	—	—	(7,057)	—	(7,057)
Common stock issued through distribution reinvestment plan	148,146	1	1,406	—	—	1,407	—	1,407
Distributions declared	—	—	—	—	(2,815)	(2,815)	—	(2,815)
Contributions from noncontrolling interests	—	—	—	—	—	—	5,035	5,035
Distributions to noncontrolling interests	—	—	—	—	—	—	(126)	(126)
Gain on sale of assets to noncontrolling interest holders							(511)	(511)
Designated derivatives fair value adjustment	—	—	—	(721)	—	(721)	—	(721)
Net loss	—	—	—	—	(389)	(389)	(12)	(401)
Total comprehensive loss	—	—	—	—	—	(1,110)	(12)	(1,122)

Balance, March 31, 2010	20,558,974	$ 206	$ 173,933	$ (2,458)	$ (16,873)	$ 154,808	$ 7,695	$ 162,503

The accompanying notes are an integral part of these financial statements

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

	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net loss	$ (401)	$ (1,339)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	3,074	1,382
Amortization of intangibles	711	348
Amortization of deferred finance costs	168	138
Accretion of below-market lease liability	(79)	(79)
Gains on sales to noncontrolling interest holders	(511)	—
Losses (gains) on derivative instruments	152	(37)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(1,177)	(875)
Accounts payable and accrued expenses	(12)	(238)
Due from affiliated entity	(76)	(487)
Deferred rent and other liabilities	211	(29)
Net cash provided by (used in) operating activities	2,060	(1,216)
Cash flows from investing activities:		
Investment in real estate and other assets	(81,438)	(163)
Net cash used in investing activities	(81,438)	(163)
Cash flows from financing activities:		
Proceeds on mortgage notes payable	41,735	—
Payments on mortgage notes payable	(428)	(254)
Payments on related party bridge facility	—	(5,765)
Payments on short-term bridge funds	(15,878)	(8,000)
Proceeds from long-term notes payable	—	9,428
Contributions from noncontrolling interests	5,035	—
Distributions to noncontrolling interests	(126)	—
Proceeds from issuances of common stock, net	49,479	6,494
Payments of deferred financing costs	(848)	(708)
Distributions paid	(1,815)	(145)
Restricted cash	(8)	21
Net cash provided by financing activities	77,146	1,071
Net decrease in cash	(2,232)	(308)
Cash, beginning of period	5,010	887
Cash, end of period	$ 2,778	$ 579
Supplemental Disclosures of Investing and Financing Activities:		
Cash paid for income taxes	$ 317	$ —
Cash paid for interest	$ 3,467	$ 2,468

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AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 1 — Organization

American Realty Capital Trust, Inc. (the "Company"), incorporated on August 17, 2007, is a Maryland corporation that qualifies as a real estate investment trust ("REIT") for federal income tax purposes. 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, 2010, the Company issued 20,558,974 shares of common stock. Total gross proceeds from these issuances were $203.2 million. As of March 31, 2010, the aggregate value of all share issuances and subscriptions outstanding was $205.4 million based on a per share value of $10.00 (or $9.50 for shares issued under the DRIP).

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% (noncontrolling 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 $0.2 million. Additionally, in April 2008, the Advisor contributed $2 thousand to the OP in exchange for a 0.99% limited partner interest in the OP. The limited partner interests have the right to convert OP 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 OP's assets.

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.

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AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 2 — Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 2 to the consolidated financial statements in the Company's Form 10-K for the year ended December 31, 2009. There have been no significant changes to these policies during 2010.

Note 3 — Real Estate Investments

The following table presents the allocation of the assets acquired during the three months ended March 31, 2010. No acquisitions were completed during the three months ended March 31, 2009 (dollar amounts in thousands):

	Three Months Ended March 31, 2010
Real estate investments, at cost:	
Land	$ 11,077
Buildings, fixtures and improvements	59,040
	70,117
Acquired intangibles:	
In-place leases	11,321
Below-market lease liabilities, net	—
Total assets acquired	81,438
Cash paid for acquired real estate investments	$ 81,438
Number of properties purchased during the three month period	20

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 3 — Real Estate Investments (continued)

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, 2010, all of the properties the Company owned were 100% occupied by an investment grade or credit quality tenant on a long-term basis comprised of freestanding, single tenant commercial space. The Company's portfolio of real estate properties is comprised of the following properties as if March 31, 2010 (dollar amounts in thousands):

Seller / Property Name	Acquisition Date	No. of Buildings	Square Feet	Percentage Ownership	Remaining Lease Term (1)	Base Purchase Price (2)	Capitalization Rate (3)	Total Purchase Price (4)	Net Operating Income (5
FedEx Distribution Center	March 2008	1	55,440	51%	8.7	$ 9,694	7.53%	$ 10,208	$ 730
First Niagara (formerly Harleysville National Bank) Portfolio	March 2008	15	177,774	100%	12.8	40,976	7.48%	41,676	3,064
Rockland Trust Company Portfolio	May 2008	18	121,057	100%	11.3	32,188	7.86%	33,117	2,530
PNC Bank (formerly National City Bank)	September & October 2008	2	8,403	(6)	18.9	6,664	8.21%	6,853	547
Rite Aid	September 2008	6	74,919	100%	13.3	18,576	7.79%	18,839	1,447
PNC Bank Portfolio	November 2008	50	275,436	100%	8.7	42,286	7.35%	44,813	3,108
FedEx Distribution Center	July 2009	1	152,640	100%	13.6	31,692	8.84%	31,692	2,803
Walgreens	July 2009	1	14,820	56%	22.3	3,818	8.12%	3,818	310
CVS I	September 2009	10	131,105	(7)	24.0	40,649	8.48%	40,649	3,448
CVS II	November 2009	15	198,729	100%	24.3	59,788	8.48%	59,788	5,071
Home Depot	December 2009	1	465,600	100%	19.8	23,532	9.31%	23,532	2,192
Bridgestone Firestone I	December 2009 & January 2010	6	57,336	100%	14.2	15,041	9.08%	15,041	1,390
Advance Auto	December 2009	1	7,000	100%	11.7	1,730	9.25%	1,730	160
Fresenius	January 2010	2	140,000	100%	12.3	12,462	9.28%	12,462	1,159
Reckitt Benckiser	February 2010	1	574,106	85%	11.9	31,735	8.40%	31,735	2,668
Jack in the Box	February 2010	4	10,216	100%	19.9	8,200	7.75%	8,200	639
Bridgestone Firestone II	February & March 2010	12	93,599	100%	13.8	26,414	8.69%	26,414	2,299
Total		146	2,558,180		16.0	$ 405,445	8.28%	$ 410,567	$ 33,565

(1) - Remaining lease term as of March 31, 2010, in years. If the portfolio has multiple locations with varying lease expirations, 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 for acquisitions prior to January 1, 2009 include capitalized acquisition related costs. Effective January 1, 2009, acquisition related costs are required to be expensed in accordance with GAAP.
(5) - Annualized 2010 rental income less property operating expenses, as applicable.
(6) Ownership percentage is 51% of one branch and 65% of one branch.
(7) Ownership percentage of three branches is 51% and 100% of the remaining seven branches.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 3 — Real Estate Investments (continued)

The following table lists tenants whose rental income represents greater than 10% of consolidated rental income on an annualized basis as of March 31, 2010 and 2009:

	2010	2009
CVS	25%	—
PNC Bank	11%	32%
FedEx	11%	—
Bridgestone Firestone	11%	—
First Niagara	9%	27%
Rockland Trust Company	8%	22%
Rite Aid	4%	13%

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

Note 4 — Short-Term Bridge Equity Funds

In connection with the purchase of certain properties, the Company utilized short-term bridge equity funds to finance a portion of the purchase price of such properties from time to time. The Company's short-term borrowings as of December 31, 2009, consist of the following (dollar amounts in thousands):

Funds	Property	Outstanding Loan Amount (2)	Effective Interest Rate	Interest Rate
Short-term bridge funds	FedEx Distribution Center	$ 15,878	5.75 %	Variable (1)

(1) Funds bear a floating interest rate based on the greater of prime rate plus 0.75% or 5.75%
(2) Such borrowing was repaid in January 2010.

There were no short-term equity bridge funds outstanding at March 31, 2010.

At March 31, 2010, the Company has available a $10.0 million revolving line of credit unsecured bridge facility with an affiliated entity. There were no amounts outstanding under this facility at March 31, 2010 or December 31, 2009.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 5 — Mortgage Notes Payable

The Company's mortgage notes payable as of March 31, 2010 consist of the following (dollar amounts in thousands):

Property	Encumbered Properties	Outstanding Loan Amount	Effective Interest Rate		Interest Rate	Maturity
FedEx Distribution Center	1	$ 6,965	6.29%		Fixed	September 2037
First Niagara (formerly Harleysville National Bank) Portfolio	15	31,000	6.59%	(1)	Fixed	January 2018
Rockland Trust Company Portfolio	18	23,534	4.92%	(2)	Fixed	May 2013
PNC Bank (formerly National City Bank) Portfolio	2	4,394	4.89%	(3)	Fixed	September 2013
Rite Aid	6	12,808	6.97%		Fixed	September 2017
PNC Bank Portfolio	50	32,818	5.25%	(4)	Fixed	November 2013
Walgreens	1	1,550	6.64%	(5)	Fixed	August 2019
CVS I	10	23,649	6.88%	(6)	Fixed	October 2019
CVS II	15	32,979	6.64%		Fixed	December 2014
Home Depot	1	13,716	6.55%		Fixed	December 2012
FedEx Distribution Center	1	16,228	6.03%	(7)	Fixed	January 2015
Fresenius	2	6,082	6.72%		Fixed	January 2015
Reckitt Benckiser	1	15,000	6.23%	(8)	Fixed	February 2017
Jack in the Box	4	4,395	6.45%		Fixed	February 2015
Total	127	$ 225,118	6.17%			

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 5 — Mortgage Notes Payable (continued)

The Company's mortgage notes payable as of December 31, 2009 consist of the following (dollar amounts in thousands):

Property	Encumbered Properties	Outstanding Loan Amount	Effective Interest Rate		Interest Rate	Maturity
FedEx Distribution Center	1	$ 6,965	6.29 %		Fixed	September 2037
First Niagara (formerly Harleysville National Bank) Portfolio	15	31,000	6.59 %	(1)	Fixed	January 2018
Rockland Trust Company Portfolio	18	23,649	4.92 %	(2)	Fixed	May 2013
PNC Bank (formerly National City Bank) Portfolio	2	4,412	4.89 %	(3)	Fixed	September 2013
Rite Aid	6	12,808	6.97 %		Fixed	September 2017
PNC	50	32,933	5.25 %	(4)	Fixed	November 2013
Walgreens	1	1,550	6.64%	(5)	Fixed	August 2019
CVS I	10	23,710	6.88%	(6)	Fixed	October 2019
CVS II	15	33,068	6.64%		Fixed	December 2014
Home Depot	1	13,716	6.34%		Fixed	December 2012
Total	120	$ 183,811	6.15%			

(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) - Fixed as a result of entering into a rate lock agreement with a LIBOR floor and cap of 3.54% and 4.125%, respectively.
(3) - Fixed as a result of entering into a swap agreement with a rate of 3.565% for a notional amount of $0.3 million and a rate lock agreement on a notional amount of $4.1 million with a LIBOR floor and cap of 3.37% and 4.45%, respectively, in connection with the entering into the mortgage.
(4) - Fixed as a result of entering in a swap agreement for 3.6% plus a spread of 1.65% in connection with the entering into the mortgage.
(5) - The effective interest rate is fixed until 2014 then adjusts to the greater of 6.55% or the five-year U.S. Treasury rate plus 3.50%. The note can be prepaid with no less than 30 days notice with a 1% minimum premium of the then outstanding principal balance.

(6) - The effective interest rate adjusts at the discretion of the lender at the end of the sixth year.
(7) - Fixed as a result of entering in a swap agreement for 2.775% plus a spread of 3.18% in connection with the entering into the mortgage.
(8) - Fixed as a result of entering in a swap agreement for 3.295% plus a spread of 2.85% in connection with the entering into the mortgage.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 5 — Mortgage Notes Payable (continued)

The following table summarizes the scheduled aggregate principal repayments of the mortgage notes payable for the five years subsequent to March 31, 2010 (in thousands):

	Total
April 2010 to December 2010	$ 1,534
2011	2,963
2012	16,867
2013	60,047
2014	35,135
2015 and thereafter	108,572
Total	$ 225,118

The sources of secured financing generally require financial covenants, including restrictions on corporate guarantees, the maintenance of certain financial ratios (such as specified debt to equity and debt service coverage ratios) as well as the maintenance of a minimum net worth. As of March 31, 2010, the Company was in compliance with the debt covenants under its outstanding loan agreements.

Note 6 — Long-Term Notes Payable

As of March 31, 2010, the Company had issued $13.0 million of notes payable (the “Notes”) in a private placement pursuant to Rule 506 of Regulation D promulgated under the Securities Act. The proceeds of the private placement were used to repay outstanding short-term bridge equity fund draws (see Note 4 – Short-Term Bridge Equity Funds).

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 2.0% 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 5 – Mortgage Notes Payable). Such prepayment is subject to the prepayment premiums described above.

As of March 31, 2010, the Company was in compliance with all covenants included within the Note agreement.

AMERICAN REALTY CAPITAL TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010
(Unaudited)

Note 7 — Fair Value of Financial Instruments

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. The guidance defines three levels of inputs that may be used to measure fair value:

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, 2010 and December 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.

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Note 7 — Fair Value of Financial Instruments (continued)

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, 2010 and December 31, 2009, aggregated by the level in the fair value hierarchy within with those instruments fall (amounts in thousands):

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
March 31, 2010:				
Total derivatives, net	$ —	$ 3,647	$ —	$ 3,647
December 31, 2009:				
Total derivatives, net	$ —	$ 2,768	$ —	$ 2,768

The Company is required to disclose the fair value of financial instruments for which it is practicable to estimate that value. The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, other receivables, due from affiliates, short-term bridge funds, accounts payable and accrued expenses and distributions payable approximates their carrying value on the consolidated balance sheet due to their short-term nature. Mortgage notes payable bear interest at fixed and variable rates. The fair value was obtained by calculating the present value based on current market interest rates. The fair values of the Company's remaining financial instruments that are not reported at fair value on the consolidated balance sheet are reported below (amounts in thousands):

	Carrying Amount at March 31, 2010	Fair Value at March 31, 2010	Carrying Amount at December 31, 2009	Fair Value at December 31, 2009
Mortgage notes payable	$ 225,118	$ 218,299	$ 183,811	$ 171,728
Other long-term notes payable	13,000	13,000	13,000	13,000

Note 8 — 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 other 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.

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Note 8 — Derivative and Hedging Activities (continued)

During 2010 and 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, 2010 and 2009, the Company recognized income of $400 and loss of $375, respectively, related to hedge ineffectiveness.

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 $2.0 million will be reclassified from other comprehensive income as an increase to interest expense.

As of March 31, 2010, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollar amounts in thousands):

Interest Rate Derivative	Number of Instruments	Notional
Interest Rate Swaps	4	$ 64,189
Interest Rate Collars	1	4,115

As of December 31, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (dollar amounts in thousands):

Interest Rate Derivative	Number of Instruments	Notional
Interest Rate Swaps	2	$ 33,093
Interest Rate Collars	1	4,115

Non-Designated Hedges

Derivatives not designated as hedges are not speculative. These derivatives 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 to be classified as hedging instruments. The Company has one interest rate collar contract outstanding, with an aggregate notional amount of $23.5 million and $23.7 million at March 31, 2010 and December 31, 2009, respectively, 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 as a hedging instrument 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, 2010 and 2009. For the three months ended March 31, 2010 and 2009, the Company has recorded unrealized losses of $0.4 million and $0.1 million, respectively, related to this derivative instrument.

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Note 8 — Derivative and Hedging Activities (continued)

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, 2010 and December 31, 2009 (in thousands):

	Balance Sheet Location	Fair Value (Liability) March 31, 2010	December 31, 2009
Derivatives designated as hedging instruments:			
Interest Rate Products	Derivatives, at fair value	$ (2,372)	$ (1,646)
Derivatives not designated as hedging instruments:			
Interest Rate Products	Derivatives, at fair value	(1,275)	(1,122)

Derivatives in Cash Flow Hedging Relationships

The table below details the location in the financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for the three months ended March 31, 2010 and 2009 (in thousands):

	Three Months Ended March 31, 2010	2009
Amount of gain recognized in accumulated other comprehensive income as interest rate derivatives (effective portion)	$ 1,144	$ (205)
Amount of loss reclassified from accumulated other comprehensive income into income as interest expense (effective portion)	(424)	(264)
Amount of gain recognized in income on derivative as gain on derivative instruments (ineffective portion and amount excluded from effectiveness testing)	—	—

Derivatives Not Designated as Hedging Instruments

The table below details the amount and location in the financials statements of the gain or loss recognized on derivatives not designated as hedging instruments for the three months ended March 31, 2010 and 2009 (amounts in thousands):

Location of Gain or (Loss) Recognized in Income on Derivative	Three Months Ended March 31, 2010	2009
Interest expense	$ (200)	$ (180)

Gains (losses) on derivative instruments		(152)	37
Total	$	(352)	(143)

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Note 8 — Derivative and Hedging Activities (continued)

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, 2010, the fair value of derivatives in a net liability position, related to these agreements was $3.6 million. As of March 31, 2010, 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 it could have been required to settle its obligations under the agreements at their aggregate termination value of $4.0 million.

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 (as well as sales of long-term notes and exchange transactions) and the acquisition, management and sale of the assets of the Company. The Dealer Manager receives, and will continue to receive, a selling commission of up to 7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. The Dealer Manager reallows, and intends to continue to reallow, 100% of commissions earned to participating broker-dealers. In addition, the Dealer Manager will receive up to 3.0% of the gross proceeds from the Offering, before reallowance to participating broker-dealers, as a dealer-manager fee. The Dealer Manager, in its sole discretion, may reallow all or a portion of its dealer-manager fee to such participating broker-dealers, based on such factors as the volume of shares sold by such participating broker-dealers and marketing support incurred as compared to those of other participating broker-dealers. No selling commissions or dealer-manager fees are paid to the

Dealer Manager with respect to shares sold under the DRIP.

AMERICAN REALTY CAPITAL TRUST, INC.
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Note 10 - Related-Party Transactions and Arrangements (continued)

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

	Three Months Ended March 31,	
	2010	2009
Total commissions paid to Dealer Manager	$ 5,357	$ 705
Less:		
Commissions to participating broker dealers	(3,765)	(483)
Reallowance to participating broker dealers	(605)	(45)
Net to affiliated Dealer Manager (1)	$ 987	$ 177

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

The Advisor receives an acquisition and advisory fee of 1.0% of the contract purchase price of each acquired property and will be reimbursed for acquisition costs incurred in the process of acquiring properties, but not to exceed 0.5% of the contract purchase price. In no event will the total of all fees and acquisition expenses payable with respect to a particular property or investment exceed 4.0% of the contract purchase price.

The Advisor receives a financing coordination fee equal to 1.0% of amounts borrowed under certain financing arrangements.

Certain organization and offering expenses associated with the sale of the Company’s common stock (excluding selling commissions and the dealer-manager fees as outlined on the above table) are paid for by the Advisor or its affiliates and are reimbursed by the Company up to 1.5% of total gross offering proceeds over the term of the offering.

The following table details amounts paid to the affiliated companies for the activities described above (amounts in thousands):

	Three Months Ended March 31,	
	2010	2009
Acquisition fees and related cost reimbursements	$ 798	$ —
Financing coordination fees	417	—
Organizational and offering expense reimbursements	1,103	—
Net to affiliated Advisor	$ 2,318	$ —

The Company pays its Advisor an annualized asset management fee of up to 1.0% based on the aggregate contract purchase price of acquired real estate investments. The asset management fee is payable six months in advance on the first day of the month following the end of each calendar quarter end. Such advance fees cannot exceed estimated asset management fees for the subsequent two calendar quarterly periods.

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Note 10 — Related-Party Transactions and Arrangements (continued)

The following table outlines activity related to asset management fees (amounts in thousands):

	Three Months Ended March 31,	
	2010	2009
Earned asset management fee	$ 891	$ 383
Waived by affiliate (not deferred)	(891)	(355)
Paid to affiliate	$ —	$ 28
Prepaid asset management fees	$ 2,012	$ —

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 6.0% 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, 2010 and 2009, 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) 25.0% 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, 2010 and 2009, the Company did not reimburse the Advisor for any such costs.

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Note 10 — Related-Party Transactions and Arrangements (continued)

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. For the three months ended March 31, 2010 and 2009, the Company would have incurred property management fees of $0.1 million in each period, however, these fees were waived by the Property Manager to improve the Company's working capital.

In 2008, the OP entered into an agreement with the principals of the Advisor whereby the OP can obtain up to $10.0 million of bridge equity from the principals from time to time as needed to provide short-term bridge equity relating to property acquisitions or for general working capital purposes. Such bridge equity needs to be satisfied within a six month period and will accrue a yield of 8%. In November 2008, the board approved an extension of the satisfaction period of an additional six months. In connection with the acquisition of the First Niagara (formerly Harleysville National Bank) and the Rockland Trust Company portfolios and a FedEx Corp. distribution facility, the Company obtained bridge equity of $4.0 million, $2.5 million and $2.7 million respectively. This bridge equity was repaid in 2009. During the three months ended March 31, 2009, the Company incurred related party interest expense of $0.1 on this facility.

During the three months ended December 31, 2008, the Company entered into an unsecured bridge equity facility with a related party, American Realty Capital Equity Bridge, LLC ("ARC Bridge"), whereby the Company can obtain bridge equity of 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. ARC Bridge is a 50% joint venture between the Sponsor and an unrelated third party. Bridge equity investments from this facility accrued a yield at an annual rate of 30 day LIBOR plus 5% with a floor of 8%. The bridge equity investments relating to the PNC bank locations (formerly National City Bank), Rite Aid portfolio acquisitions and a distribution facility from FedEx Corp. were $ 1.3 million, $5.3 million and $9.6 million, respectively. The related yield on such short-term bridge equity was 8.11%. The Company incurred interest expense on these advances of $0.2 million for the three months ended March 31, 2009. As of March 31, 2010 this facility was repaid in full.

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.

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Note 12 — Share-Based Compensation

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, 2010, the Company had granted options to purchase 18,000 shares at $10.00 per share, each with a two year vesting period and an expiration of 10 years. A total of 1,000,000 shares have been authorized and reserved for issuance under the Plan.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The following assumptions were used in the determination of fair value: expected life of 10 years, risk free rate of 3.83%, volatility of 5.0% and distribution yield of 6.5%.

During the three months ended March 31, 2010 and 2009, no options were issued, forfeited, or were exercised and 4,500 options became vested. As of March 31, 2010, vested options to purchase 9,000 shares and unvested options to purchase 9,000 shares at $10.00 per share remained outstanding with a weighted average contractual remaining life of 8.5 years. The total compensation charge relating to these option grants is immaterial.

Restricted Share Plan

On January 22, 2010, the Board of Directors adopted an employee and director incentive restricted share plan. The restricted share plan provides for the automatic grant of 3,000 restricted shares of common stock to each of the independent directors, without any further action by the Company's board of directors or the stockholders, on the date of each annual stockholder's meeting. Restricted stock issued to independent directors will vest over a five-year period following the first anniversary of the date of grant in increments of 20% per annum. The employee and director incentive restricted share plan provides the Company with the ability to grant awards of restricted shares to the Company's directors, officers and employees (if the Company ever has employees), employees of the Advisor and its affiliates, employees of entities that provide services to the Company, directors of the Advisor or of entities that provide services to us, certain of our consultants and certain consultants to the Advisor and its affiliates or to entities that provide services to us. The total number of common shares reserved for issuance under the employee and director incentive restricted share plan is equal to 1.0% of our authorized shares.

Restricted share awards entitle the recipient to common shares from the Company under terms that provide for vesting over a specified period of time or upon attainment of pre-established performance objectives. Such awards would typically be forfeited with respect to the unvested shares upon the termination of the recipient's employment or other relationship with the Company. Restricted shares may not, in general, be sold or otherwise transferred until restrictions are removed and the shares have vested. Holders of restricted shares may receive cash dividends prior to the time that the restrictions on the restricted shares have lapsed. Any dividends payable in common shares shall be subject to the same restrictions as the underlying restricted shares. The Board of Directors has no present intention to

issue any restricted shares under the employee and director incentive restricted share plan.

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Note 13 — Net Loss Per Share

The following is a summary of the basic and diluted net loss per share computation for the three months ended March 31, 2010 and 2009 (in thousands):

	Three Months Ended March 31,	
	2010	2009
Net loss attributable to American Realty Capital Trust, Inc.	$ (389)	$ (1,339)
Weighted average common shares outstanding	17,845	1,527
Loss per share, basic and diluted	$ (0.02)	$ (0.88)

The Company intends to grant options under its Stock Option Plan ("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 the Company's initial public offering, and thereafter the exercise price for stock options granted to the 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, 2010, 18,000 antidilutive stock options were outstanding.

Note 14 – Noncontrolling Interests

In July 2009, the Company purchased a Walgreens location under a tenant in common structure with an unaffiliated third party. The third party's investment of $1.1 million represented a 44.0% ownership interest in the property and entitles the investor to receive a proportionate share of the net operating cash flow derived from the property. Upon disposition of the property, the tenant in common will receive a proportionate share of the net proceeds from the sale of the property. The tenant in common has no recourse to any other assets of the Company. Distributions of $20 thousand were paid to the noncontrolling interest holder of this property for the three months ended March 31, 2010. At March 31, 2010, there were $3.7 million of real estate assets which collateralized $1.6 million of mortgage debt that were subject to this arrangement.

In the third quarter of 2009, the Company contributed a 49% interest in a FedEx distribution facility in Snow Shoe, PA and a PNC bank branch in Palm Coast, FL, to a newly created taxable REIT subsidiary ("TRS") and sold interests in such properties for net proceeds of $2.0 million under a Delaware statutory trust. This investment represents a 49% ownership interest in these properties and entitles the investors to receive a proportionate share of the net operating cash flow from the properties. Upon disposition of the properties, the noncontrolling interest holders will receive a proportionate share of the net proceeds from the sale of the properties. The interest holders have no recourse to any other assets of the Company. Distributions of $42 thousand were paid to the noncontrolling interest holders of these properties for the three months ended March 31, 2010. At March 31, 2010, there were $12.2 million of real estate assets which collateralized $9.0 million of mortgage debt subject to this agreement.

In September 2009, the Company contributed a partial interest of a PNC bank branch in Pompano, FL to a newly created TRS and sold an interest in the property for net proceeds of $0.4 million under a Delaware statutory trust. This investment represents a 35.2% ownership interest in this property and entitles the investor to receive a proportionate share of the net operating cash flow from the properties. Upon disposition of the property, the noncontrolling interest holder will receive a proportionate share of the net proceeds from the sale of the property. The interest holder has no recourse to any other assets of the Company. Distributions of $9 thousand were paid to the noncontrolling interest holder of these properties for the three months ended March 31, 2010. At March 31, 2010, there were $3.6 million of real estate assets which collateralized $2.4 million of mortgage debt subject to this agreement.

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Note 14 – Noncontrolling Interests (continued)

In January 2010, the Company contributed a partial interest of three CVS Pharmacy locations in Visalia, CA, Smyrna, GA and Chicago, IL to a newly created TRS and sold an interest in the properties for net proceeds of $2.6 million under a Delaware statutory trust. This investment represents a 49% ownership interest in these properties and entitles the investors to receive a proportionate share of the net operating cash flow from the properties. Upon disposition of the properties, the noncontrolling interest holders will receive a proportionate share of the net proceeds from the sale of the properties. The interest holder has no recourse to any other assets of the Company. Distributions of $30 thousand were paid to the noncontrolling interest holders of these properties for the three months ended March 31, 2010. At March 31, 2010, there were $11.5 million of real estate assets which collateralized $6.8 million of mortgage debt subject to this agreement.

In February 2010, the Company purchased a Reckitt Benckiser location in Tooele, UT with unaffiliated third parties. The third party's net investment of $2.4 million represented a 14.6% ownership interest in the property and entitles the investors to receive a proportionate share of the net operating cash flow derived from the property. Upon disposition of the property, the third parties will receive a proportionate share of the net proceeds from the sale of the property. The third parties have no recourse to any other assets of the Company. Distributions of $25 thousand were accrued to be paid to the noncontrolling interest holders of this property for the three months ended March 31, 2010. At March 31, 2010, there were $31.6 million of real estate assets which collateralized $15.0 million of mortgage debt that were subject to this arrangement.

Due to the nature of our involvement with each of the arrangements described above and the significance of our investment in relation to the investment of the other interest holders we have determined that we are the primary beneficiary in each of these arrangements and therefore the entities related to these arrangements are consolidated with our financial statements.

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Note 15 — Subsequent Events

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

Completion of Acquisition of Assets

The following table presents certain information about the properties that the Company acquired subsequent to March 31, 2010 (dollar amounts in thousands):

Seller / Property Name	Acquisition Date	No. of Buildings	Square Feet	Remaining Lease Term (1)	Net Operating Income (2)	Base Purchase Price (3)	Capitalization Rate (4)	Purchase Price (5)
Total portfolio – March 31, 2010		146	2,558,180	16.0	$ 33,565	$ 405,445	8.28%	$ 410,567
Jack in the Box	April 2010	1	2,037	20.0	142	1,810	7.82%	1,810
FedEx	April 2010	1	118,796	11.2	3,087	34,171	9.03%	34,141
Jared Jewelers	May 2010	3	18,942	18.2	682	5,422	12.58%	5,422
Total portfolio – May 7, 2010		151	2,697,955	15.6	$ 37,476	$ 446,848	8.38%	$ 451,940

(1) Remaining lease term in years as of May 7, 2010. If the portfolio has multiple locations with varying lease expirations, remaining lease term is calculated on a weighted-average basis.

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

(3) Contract purchase price excluding acquisition related costs.

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

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

Financing arrangements

The following table presents certain information about financing arrangements that the Company entered into subsequent to March 31, 2010 (dollar amounts in thousands):

	Purchase Price (1)	Mortgage Debt (2)	Effective Interest Rate	Leverage Ratio (3)
Total portfolio – March 31, 2010	$ 410,567	$ 225,118	6.17%	54.8%
Jack in the Box	1,816	—	—	—
FedEx	34,141	15,000	5.57%	43.8%
Jared Jewelers	5,422	—	—	—
Less: amortization of principal	—	(160)	—	—
Total portfolio – May 7, 2010 (4)	$ 451,940	$ 239,958	6.13%	53.1%

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

(2) Consists of first mortgage long-term debt only.

(3) Mortgage debt divided by total purchase price.

(4) Weighted-average, as applicable.

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(Unaudited)

Sources of Capital

As of April 30, 2010, the Company had issued 23,503,668 shares of common stock, including shares issued under the DRIP. Total gross proceeds from these issuances were $323.5 million. As of April 30, 2010, the aggregate value of all share issuances was $324.9 million based on a per share value of $10.00 (or $9.50 per share for shares issued under the DRIP).

Total capital raised to date is as follows (amounts in thousands):

Source of Capital	Inception to March 31, 2010	April 1 to May 7, 2010	Total
Common shares	$ 203,161	$ 37,129	$ 240,290
Notes payable	13,000	—	13,000
Exchange proceeds, net (1)	8,492	3,000	11,492
Total	$ 224,653	$ 40,129	$ 264,782

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

On October 5, 2009, the Company's Board of Directors approved an increased the distribution per share to $0.70 effective April 1, 2010.

Noncontrolling Interest

In April 2010, the Company purchased a FedEx location in Sacramento, CA with unaffiliated third parties. The third party's net investment of $3.0 million represented a 15.4% ownership interest in the property and entitles the investors to receive a proportionate share of the net operating cash flow derived from the property. Upon disposition of the property, the third parties will receive a proportionate share of the net proceeds from the sale of the property. The third parties have no recourse to any other assets of the Company. At April 30, 2010, there were $34.2 million of real estate assets which collateralized $15.0 million of mortgage debt that were subject to this arrangement.

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 "OP" 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 Annual Report on Form 10-K for the year ended December 31, 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 our Registration Statement 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, 2010, we issued 20,558,974 shares of common stock, including 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were $203.2 million. As of March 31, 2010, the aggregate value of all share issuances and subscriptions outstanding was $205.4 million based on a per share value of $10.00 (or $9.50 for shares issued under the distribution reinvestment plan, or DRIP. As of March 31, 2010, 3,000 shares of common stock had been redeemed under our stock repurchase program at a value of $29 thousand. We are dependent upon the net proceeds from the offering to conduct our proposed operations.

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

We intend to continue our strategy of acquiring freestanding, single tenant properties through sale-leaseback and marketed transactions with in-place leases that have a minimum of ten years remaining under the primary term. Such leases generally include renewal options. We typically fund our acquisitions with a combination of equity and debt and in certain cases we may use only equity capital or we may fund a portion of the purchase price of an acquisition through investments from third parties. We expect to arrange long-term financing on both a secured and unsecured fixed rate basis. We intend to continue to grow our existing relationships and develop new relationships throughout various markets we serve, which we expect will lead to further acquisition opportunities. We intend to have an overall leverage ratio as it relates to long-term secured mortgage financings of approximately 55%. As of March 31, 2010 our leverage ratio was 54.8%. We generally arrange for our mortgage note agreements to include monthly principal payments together with interest. This amortization results in lowering our overall mortgage notes balance on a continuous basis.

As of March 31, 2010, we owned 146 properties compromising 2.6 million square feet, 100% leased with a weighted average remaining lease term of 16 years. In constructing our portfolio, we are committed to diversification (industry, tenant and geography). As of March 31, 2010, rental revenues derived from investment grade tenants (rated BBB+ or better by Standards & Poor) approximated 90%. Our strategy encompasses receiving the majority of our revenue from investment grade tenants as we further acquire properties and enter into (or assume) long-term lease arrangements.

Real estate-related investments are higher-yield and higher-risk investments that our Advisor will actively manage, if we elect to acquire such investments. The real estate-related investments in which we may invest include: (i) mortgage loans; (ii) equity securities such as common stocks, preferred stocks and convertible preferred securities of real estate companies; (iii) debt securities, such as mortgage-backed securities, commercial mortgages, mortgage loan participations and debt securities issued by other real estate companies; and (iv) certain types of illiquid securities, such as mezzanine loans and bridge loans. While we may invest in any of these real estate-related investments, our

Advisor, with the support of our Board of Trustees, has elected to suspend all activities relating to acquiring real estate-related investments for an indefinite period based on the current adverse climate affecting the capital markets. Since our inception, we have not acquired any real estate-related investments.

Significant Accounting Estimates and Critical Accounting Policies

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

Revenue Recognition

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

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

Investments in Real Estate

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

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

We are required to present the operations related to properties that have been sold or properties that are intended to be sold as discontinued operations in the statement of operations for all periods presented, Properties that are intended to be sold are to be designated as "held for sale" on the balance sheet.

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

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

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- a significant decrease in the market price of a long-lived asset;

- a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;

- a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;

- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset; and

- a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset.

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

Purchase Price Allocation

We allocate the purchase price of acquired properties to tangible and identifiable intangible assets acquired based on their respective fair values. Tangible assets include land, 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 acquire 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 straight-line method over the estimated lives of forty years for buildings, five to ten years for building equipment and fixtures, and the shorter of the useful life or the remaining lease term for tenant improvements.

Above-market and below-market in-place lease values for owned properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values are amortized as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. The aggregate value of intangible assets related to in-place leases is primarily the difference between the property valued with existing in-place leases adjusted to market rental rates and the property valued as if vacant. Factors considered by us in our

analysis of the in-place lease intangibles include an estimate of carrying costs during the expected lease-up period for each property, taking into account current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up period, which typically ranges from six to 18 months. We also estimate costs to execute similar leases including leasing commissions, legal and other related expenses.

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

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

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

Derivative Instruments

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

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

Results of Operations

Comparison of Three Months Ended March 31, 2010 and 2009

As of March 31, 2010, we owned 146 properties which are 100% leased, compared to 92 properties which were 100% leased at March 31, 2009, an increase of 58.7%. Accordingly, our results of operations for the three months ended March 31, 2010 as compared to the three months ended March 31, 2009 reflect significant increases in most

categories.

Rental Income

Rental income increased $4.5 million to $7.4 million for the three months ended March 31, 2010, compared to $2.9 million for the three months ended March 31, 2009. The increase in rental income was driven by our acquisition of $255.1 million of net leased property subsequent to March 31, 2009 with total square footage of 1.8 million. These properties, acquired at an average 8.68% cap rate, with a remaining lease term of 8.7 to 24.3 years primarily to investment grade tenants.

Asset Management Fees to Affiliate

Our Advisor is entitled to fees for the management of our properties as well as fees for purchases and sales of properties. The Advisor has elected to waive all asset management for the three months ended March 31, 2010 and waived all but $28 thousand for the three months ended March 31, 2009 to improve our working capital. For the three months ended March 31, 2010 and 2009, we would have incurred additional asset management fees of $0.9 million and $0.4 million, respectively, had they not been waived.

Property Management Fees to Affiliate

Our affiliated Property Manager has elected to waive the property management fees for the three months ended March 31, 2010 and 2009 in order to improve our working capital. Such fees represent amounts that had they not been waived, would have been paid to our Property Manager to manage and lease our properties. For the three months ended March 31, 2010 and 2009, we would have incurred property management fees of $0.1 million in each period had the fees not been waived.

Acquisition and Transaction Related Costs

We incurred acquisition and transaction related costs of $0.3 million on acquisitions with a total cost of $81.4 million for the three months ended March 31, 2010. We did not complete any acquisitions in the three months ended March 31, 2009 and therefore no acquisition and transactions costs were recognized during that period.

General and Administrative Expenses

General and administrative expenses increased $0.1 million or 77.8% to $0.2 million for the three months ended March 31, 2010, compared to $0.1 million for the three months ended March 31, 2009. The majority of the general and administrative expenses for the three months ended March 31, 2010 included $59 thousand of insurance expense, $58 thousand of professional fees, and $45 thousand of taxes. The increase from the three months ended March 31, 2009 is mainly due to expenses to support our larger real estate portfolio.

Depreciation and Amortization Expense

Depreciation and amortization expense increased $2.1 million, or 118.8%, to $3.8 million for the three months ended March 31, 2010, compared to $1.7 million for the three months ended March 31, 2009. The increase in depreciation and amortization expense was the result of our acquisition of real estate during 2009 and in 2010. These properties were placed into service when acquired and are being depreciated for the period held.

Interest Expense

Interest expense increased $1.2 million, or 49.9% to $3.7 million for the three months ended March 31, 2010, compared to $2.4 million for the three months ended March 31, 2009. The increase in interest expense was the mainly

the result of a higher debt balance due to the financing of a portion of our property acquisitions. The first mortgage debt as of March 31, 2010 and 2009 was $225.1 million and $112.5 million, respectively, an increase of 100.1%. We view these secured financing sources as an efficient and accretive means to acquire properties.

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

Derivative Instruments

Included in other income was a loss in the fair value of derivative instruments of $0.2 million for the three months ended March 31, 2010, compared to a gain of $37 thousand for the three months ended March 31, 2009. These losses and gains are related to marking our derivative instruments to fair value.

Gains on Sales to Noncontrolling Interest Holders, Net

Net gains on sales to noncontrolling interest holders of $0.3 million for the three months ended March 31, 2010, is comprised of the excess of proceeds received over the amortized costs of the property sold in joint venture and other agreements with third parties net of related federal and state income tax effects.

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 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.

We believe that modified funds from operations ("MFFO") is helpful to investors as a measure of operating performance because it excludes charges that management considers more reflective of investing activities or non-operating valuation changes. By providing FFO and MFFO, we present information that assists investors and analysts in aligning their analysis with management's analysis of long-term operating activities. We believe fluctuations in MFFO are indicative of changes in operating activities and provide comparability in evaluating our performance over time and as compared to other real estate companies that may not be affected by impairments, write-offs of capitalized costs or have acquisition activities. As explained below, management's evaluation of our operating performance excludes the items considered in the calculation of MFFO based on the following economic considerations:

- Acquisition-related costs. In evaluating investments in real estate, management's investment models and analysis differentiates costs to acquire the investment from the operations derived from the investment. Prior to 2009, acquisition costs for these types of investments were capitalized; however beginning in 2009 acquisition costs related to business combinations are expensed. We believe by excluding expensed acquisition costs, MFFO provides useful supplemental information that is comparable with other companies that do not currently engage in acquisition activities and is consistent with management's analysis of the investing and operating performance of our properties.

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- Other infrequent charges not related to the operating performance or our properties. Impairment charges, write-offs of previously capitalized assets such as costs associated with financing activities and other infrequent charges, if any, may be excluded from MFFO if we believe these charges are not useful in the evaluation of our operating performance. An impairment charge represents a downward adjustment to the carrying amount of a long-lived asset to reflect the current valuation of the asset even when the asset is intended to be held long-term. Such adjustment, when properly recognized under GAAP, may lag the underlying consequences related to rental rates, occupancy and other operating performance trends. The valuation is also based, in part, on the impact of current market fluctuations and estimates of future capital requirements and long-term operating performance that may not be directly attributable to current operating performance. Other charges such as the write-off of capitalized financing costs upon the early disposition of a debt obligation or other non recurring charges are adjustments excluded from MFFO because we believe that MFFO provides useful supplemental information by focusing on the changes in our operating fundamentals rather than on market valuation changes or other infrequent events not related to our normal operations.

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

Our calculation of FFO, which we believe is consistent with the calculation of FFO as defined by NAREIT, and MFFO is presented in the following table for the applicable periods during the three months ended March 31, 2010 and 2009 (amounts in thousands):

	Three Months Ended March 31,	
	2010	2009
Net loss	$ (389)	$ (1,339)
Add:		
Depreciation of real estate assets	3,054	1,362
Amortization of intangible lease assets	633	270
Fair value adjustment (1)	158	(58)
Noncontrolling interest adjustment (2)	(148)	—
Gains on sales to noncontrolling interest holders, net	(335)	—
FFO	2,973	235
Acquisition and transaction related costs	341	—
Modified FFO	$ 3,314	$ 235
Distributions paid (3)(4)	$ 3,228	$ 220
Modified FFO coverage ratio	102.7%	106.7%
Modified FFO payout ratio	97.4%	93.7%

(1) This adjustment represents a non-cash fair value adjustment relating to the use of hedging our debt yield. It is the
- Companies general strategy to fix its variable rate debt to mitigate against interest rate volatility. The Company excludes this non-cash fair value adjustment relating to its hedging activities from its FFO calculation.

(2) Amounts represent noncontrolling interest portion of depreciation of real estate assets, amortization of intangible
- lease assets and fair value adjustments.

(3) Includes a special dividend of $0.7 million paid in January 2010.
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(4) Includes the value of common shares issued under the DRIP.
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Cash Flows for the Three Months Ended March 31, 2010

During the three months ended March 31, 2010, net cash provided by operating activities was $2.0 million. The level of cash flows provided by operating activities is affected by both the timing of interest payments and amount of borrowings outstanding during the period. It is also affected by the receipt of scheduled rent payments and disbursement of deposits required in connection with property acquisitions. Prepaid expenses and other assets increased by $1.2 million principally resulting from the prepayment of $0.4 million of asset management fees and straight-line rents of $0.4 million during the three months ended March 31, 2010. Deferred rent decreased by $0.2 million and receivables from affiliates increased $0.1 million.

Net cash used in investing activities during the three months ended March 31, 2010, was $81.4 million principally relating to acquisitions completed in the first quarter of 2010.

Net cash provided by financing activities totaled approximately $77.1 million during the three months ended March 31, 2010. Such amount consisted primarily of approximately $49.5 million from issuance of common stock and the net proceeds from mortgage notes payable of $41.7 million and contributions from noncontrolling interest holders of

$5.0 million, partially offset by the repayment of short-term bridge funds of $15.9 million, distributions to common stockholders of $1.8 million, payments of deferred financing costs of $0.8 million and distributions to noncontrolling interest holders of $0.1 million.

Cash paid for interest during the three months ended March 31, 2010 was $3.5 million.

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 $1.2 million. Prepaid expenses and other assets increased by $0.9 million principally resulting from the acquisition of $0.6 million of non-real estate investment furniture and fixtures. Accounts payable and accrued expenses decreased by $0.2 million, 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 $0.2 million, principally relating to prior period acquisition related costs.

Net cash provided by financing activities totaled $1.1 million during the three months ended March 31, 2009. Such amount consisted primarily of net proceeds from long-term notes payable of $9.4 million and $6.5 million from issuance of common stock. These amounts were offset by the satisfaction of $8.0 million of short-term bridge funds and $5.8 million of related party bridge facility funds. Cash of $0.1 million was used for distributions to shareholders.

Cash paid for interest during the three months ended March 31, 2010 was $2.5 million.

Liquidity and Capital Resources

Our principal demands for funds will continue to be for property acquisitions, either directly or through investment interests, for the payment of operating expenses, distributions to our investors, repurchases under our share repurchase plan (“SRP”), and for the payment of interest on our outstanding indebtedness. Generally, cash needs for property acquisitions will be met through proceeds from the sale of common stock through our public offering and mortgage financing. We may also from time to time enter into other agreements with third parties where by third parties will make equity investments in specific properties or groups of properties that we acquire.

We expect to meet our future short-term operating liquidity requirements through a combination of net cash provided by our current property operations and the operations of properties to be acquired in the future and proceeds form the sale of common stock. Management expects that in the future, as our portfolio grows, 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 private offerings, proceeds from the sale of properties and undistributed funds from operations.

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. As of March 31, 2010, we issued 20,558,974 shares of common stock, including shares issued under our DRIP and 339,077 shares issued in connection with an acquisition in March 2008. Total gross proceeds from these issuances were $203.2 million. As of March 31, 2010, the aggregate value of all share issuances and subscriptions outstanding was $205.4 million based on a per share value of $10.00 (or $9.50 per share for shares issued under the DRIP). As of March 31, 2010 an additional 129,740,415 shares were available for issuance under the current registration statement and an additional 24,700,611 shares were available to be issued under the DRIP. We will continue to offer these shares until January 25, 2011, when our current registration statement expires.

Acquisitions

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.

Distributions

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

In February 2008, the board of directors declared a distribution for each monthly period commencing 30 days subsequent to acquiring our initial portfolio of real estate investments. The first monthly distribution was paid in April 2008. The distribution is calculated based on stockholders of record each day during the applicable period at a rate that, if paid each day for a 365-day period, would equal a specified annualized rate based on a share price of $10.00. The initial annualized rate was 6.5% annualized rate based on the share price of $10.00. On November 5, 2008, the board of directors of approved an increase in its annual cash distribution from $0.65 to $0.67 per share. Based on a $10.00 share price, this 20 basis point increase, effective January 2, 2009, resulted in an annualized distribution rate of 6.7%. Effective April 1, 2010 our daily distribution rate will increase by another 30 basis points, resulting in an annualized distribution rate of 7.0%.

The Company, our board of directors and Advisor share a similar philosophy with respect to paying our distribution. The distribution should principally be derived from cash flows generated from real estate operations. During the three months ended March 31, 2010 and 2009, distributions paid totaled $3.2 million and $0.4 million, respectively, inclusive of $1.4 million and $0.1 million, respectively of common shares issued under the DRIP. In order to improve our operating cash flows and our ability to pay dividends from operating cash flows, our related party Advisor agreed to waive certain fees including asset management and property management fees of $0.9 million and $0.1 million, respectively, for the three months ended March 31, 2010 and $0.7 million and $0.1 million, respectively, for the three months ended March 31, 2009. The fees that were waived relating to the activity during the three months ended March 31, 2010 and 2009 are not deferrals and accordingly, will not be paid by the Company. As our real estate portfolio grows, we expect cash flows from operations to cover a more significant portion of our dividend distributions and over time to cover the entire distribution. As the cash flows from operations become more significant our Advisor may discontinue its past practice of waiving fees and may charge the full fee owed to it in accordance with our agreements with the Advisor.

Loan Obligations

The payment terms of our loan obligations vary. In general, principal and interest are 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. Some of our loan agreements stipulate that we comply with specific reporting and financial covenants mainly related to debt coverage ratios and loan to value ratios. Each loan that has these requirements has specific ratio thresholds that must be met. As of March 31, 2010, 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 capital that, combined with secured mortgage financing, exceeds our targeted leverage ratio. Such short-term borrowings may be obtained from third-parties on a case-by-case basis as acquisition opportunities present themselves simultaneous with our capital raising efforts. We view the use of short-term borrowings as an efficient and accretive means of acquiring real estate in advance of raising equity capital. Accordingly, we can take advantage of buying opportunities as we expand our fund raising activities. As additional equity capital is obtained, these short-term borrowings will be repaid. Our leverage ratio approximated 54.8% (secured mortgage notes payable as a percentage of total real estate investments, at cost) as of March 31, 2010.

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In addition as of March 31, 2010 we have an unused short-term equity line available to us from a related party entity that allows us to draw a maximum of $10.0 million.

Other Obligations

Our board of directors has adopted a SRP that enables our stockholders to sell their shares to us under limited circumstances. At the time a shareholder requests redemption, we may, subject to certain conditions, redeem the shares presented for repurchase for cash to the extent we have sufficient funds available to fund such purchase. As of March 31, 2010 we have had requests to repurchase a total of 3,000 shares at a value of $29 thousand.

As of March 31, 2010, we had cash and cash equivalents of $2.8 million, which we expect to be used primarily to invest in additional real estate, pay operating expenses and pay stockholder distributions.

Contractual Obligations

The following is a summary of our contractual obligations as of March 31, 2010 (in thousands):

	As of March 31, 2010,				
Principal Payments Due:	Total	Less Than One Year	1-3 Years	3-5 Years	Thereafter
Mortgage notes payable	$ 225,118	$ 2,273	$ 19,969	$ 115,726	$ 87,150
Other notes payable	13,000	—	13,000	—	—
Purchase obligations (1)	—	—	—	—	—
	$ 238,118	$ 2,273	$ 32,969	$ 115,726	$ 87,150
Interest Payments Due:					
Mortgage notes payable	$ 77,170	$ 11,979	$ 23,616	$ 16,418	$ 25,157
Other notes payable	2,060	1,175	885	—	—
Purchase obligations (1)	—	—	—	—	—
	$ 79,230	$ 13,154	$ 24,501	$ 16,418	$ 25,157

(1) Subsequent to March 31, 2010, we acquired a Jack in the Box property, a FedEx Distribution facility and three Jared Jewelers. See Note 15 of the consolidated financial statements included in this Form 10-Q for more information about the financing arrangements related to these acquisitions.

Election as a REIT

We elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2008. If we continue to qualify for taxation as a REIT, we generally will not be subject to federal corporate income tax to the extent we distribute our REIT taxable income to our stockholders, and so long as we distribute at least 90% of our REIT taxable income. REITs are subject to a number of other organizational and operational requirements. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and property, and federal income and excise taxes on our undistributed income. We believe we are organized and operating in such a manner as to qualify to be taxed as a REIT for the taxable three months ended March 31, 2010.

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 have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The market risk associated with financial instruments and derivative financial instruments is the risk of loss from adverse changes in market prices or rates. Our market risk arises primarily from interest rate risk relating to variable-rate borrowings the maturity of which is fixed with the use of hedge instruments. To meet our short and long-term liquidity requirements, we borrow funds at a combination of fixed and variable rates. Borrowings under our short-term bridge equity funds bear interest at fixed and variable rates. Our long-term debt, which consists of secured financings, typically bears interest at fixed rates. Our interest rate risk management objectives are to limit the impact of interest rate changes in earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, from time to time, we may enter into interest rate hedge contracts such as swaps, collars, and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. We do not hold or issue these derivative contracts for trading or speculative purposes.

As of March 31, 2010, our debt included fixed-rate debt with a carrying value of $131.6 million and a fair value of $127.8 million. Changes in market interest rates on our fixed rate debt impact fair value of the debt, but it has no impact on interest incurred or cash flow. For instance, if interest rates rise 100 basis points and our fixed rate debt balance remains constant, we expect the fair value of our debt to decrease, the same way the price of a bond declines as interest rates rise. The sensitivity analysis related to our fixed–rate debt assumes an immediate 100 basis point move in interest rates from their March 31, 2010 levels, with all other variables held constant. A 100 basis point increase in market interest rates would result in a decrease in the fair value of our fixed rate debt by approximately $9.1 million. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our fixed-rate debt by $12.8 million.

As of March 31, 2010, our debt included variable-rate mortgage notes payable with a carrying value of $90.5 million. Interest rate volatility associated with this variable-rate mortgage debt has been mitigated by the use of hedge instruments. The sensitivity analysis related to our variable-rate debt assumes an immediate 100 basis point move in interest rates from their March 31, 2010 levels, with all other variables held constant. A 100 basis point increase or decrease in variable interest rates on our variable-rate notes payable would increase or decrease our interest expense by $0.9 million annually.

These amounts were determined by considering the impact of hypothetical interest rate changes on our borrowing costs, and, assume no other changes in our capital structure.

As the information presented above includes only those exposures that existed as of March 31, 2010, it does not consider exposures or positions arising after that date. The information represented herein has limited predictive value.

As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on cumulative exposures, hedging strategies employed and the magnitude of fluctuations.

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

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, 2010 that has materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

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, 2009.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Reserved

Item 5. Other Information

None

Item 6. Exhibits

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

SIGNATURES

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

American Realty Capital Trust, Inc.

By: /s/ Nicholas S. Schorsch

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

By: /s/ Brian S. Block

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

Date: May 7, 2010

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, 2010 (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).