Spirit Realty Capital, Inc.
Form 10-Q
May 08, 2015

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

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
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 001-36004

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

Maryland (State or other jurisdiction of incorporation or organization)	20-1676382 (I.R.S. Employer Identification Number)
16767 North Perimeter Drive, Suite 210, Scottsdale, Arizona 85260 (Address of principal executive offices; zip code)	(480) 606-0820 (Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x
As of May 4, 2015, there were 441,445,875 shares of common stock, par value $0.01, of Spirit Realty Capital, Inc. outstanding.

SPIRIT REALTY CAPITAL, INC.

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GLOSSARY
Definitions:

1031 Exchange	Tax-deferred like-kind exchange of properties held for business or investment purposes, pursuant to Section 1031 of the Code
2013 Credit Facility	$400.0 million secured credit facility pursuant to the credit agreement between the Operating Partnership and certain lenders dated July 17, 2013
2015 Credit Facility	$600.0 million unsecured credit facility pursuant to the Credit Agreement
2019 Notes	$402.5 million convertible notes of the Corporation due in 2019
2021 Notes	$345.0 million convertible notes of the Corporation due in 2021
Additional Collateral Deposit	A cash reserve deposit or letter of credit in the amount of $8.0 million required pursuant to an amendment of a certain CMBS loan agreement
AFFO	Adjusted Funds From Operations
AOCL	Accumulated Other Comprehensive Loss
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM Program	At the Market equity distribution program, pursuant to which the Corporation may offer and sell shares of common stock from time to time
CMBS	Commercial Mortgage Backed Securities
Code	Internal Revenue Code of 1986, as amended
Cole II	Cole Credit Property Trust II, Inc.
Cole II Merger	Acquisition on July 17, 2013 of Cole II by the Company, in which the Company merged with and into the Cole II legal entity
Collateral Pools	Pools of collateral assets that are pledged to the indenture trustee for the benefit of the noteholders and secure obligations of issuers under the Spirit Master Funding Program
Company	The Corporation and its consolidated subsidiaries
Convertible Notes	The 2019 Notes and 2021 Notes, together
Corporation	Spirit Realty Capital, Inc., a Maryland corporation
CPI	Consumer Price Index
Credit Agreement	2015 credit facility agreement between the Operating Partnership and certain lenders dated March 31, 2015
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBITDAR	Earnings Before Interest, Taxes, Depreciation, Amortization and Rent
Excess Cash	Rent received in excess of debt service obligations
Exchange Act	Securities Exchange Act of 1934, as amended
Exchange Offer	Offer to exchange the outstanding principal balance of three series of existing net-lease mortgage notes for three series of newly issued Master Trust 2014 notes in May 2014
FASB	Financial Accounting Standards Board
FFO	Funds From Operations
GAAP	Generally Accepted Accounting Principles
Incentive Award Plan	Spirit Realty Capital, Inc. and Spirit Realty, L.P. 2012 Incentive Award Plan
IPO	Initial Public Offering
LIBOR	London Interbank Offered Rate
Line of Credit	$40.0 million secured revolving credit facility pursuant to the loan agreement between an indirect wholly-owned subsidiary of the Corporation and a certain lender dated March 27, 2013, as amended
Master Trust 2013	The net-lease mortgage securitization trust established in December 2013 under the Spirit Master Funding Program
Master Trust 2014	

The net-lease mortgage securitization trust established in 2005 and amended and restated in 2014 under the Spirit Master Funding Program

Definitions:

Master Trust Notes	The Master Trust 2013 and Master Trust 2014 notes, together
Master Trust Release	Proceeds from the sale of assets securing the Master Trust Notes held in restricted accounts until a qualifying substitution is made
Moody's	Moody's Investor Services
NAREIT	National Association of Real Estate Investment Trusts
OP Holdings	Spirit General OP Holdings, LLC
Operating Partnership	Spirit Realty, L.P., a Delaware limited partnership
REIT	Real Estate Investment Trust
Revolving Credit Facilities	The 2013 Credit Facility, the 2015 Credit Facility and Line of Credit, together
S&P	Standard & Poor's Rating Services
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Shopko	Specialty Retail Shops Holding Corp. and certain of its affiliates
Spirit Master Funding Program	The Company's asset-backed securitization program that comprises Master Trust 2013 and Master Trust 2014
TSR	Total Shareholder Return
Walgreens	Walgreen Company

Unless otherwise indicated or unless the context requires otherwise, all references to "we," "us" or "our" refer to the Corporation and its consolidated subsidiaries including the Operating Partnership.

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
SPIRIT REALTY CAPITAL, INC.
Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Data)

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Investments:		
Real estate investments:		
Land and improvements	$2,666,746	$2,614,630
Buildings and improvements	4,651,097	4,579,166
Total real estate investments	7,317,843	7,193,796
Less: accumulated depreciation	(779,083)	(752,210)
	6,538,760	6,441,586
Loans receivable, net	107,403	109,425
Intangible lease assets, net	573,925	590,073
Real estate assets under direct financing leases, net	52,852	56,564
Real estate assets held for sale, net	177,237	119,912
Net investments	7,450,177	7,317,560
Cash and cash equivalents	108,134	176,181
Deferred costs and other assets, net	149,789	183,173
Goodwill	291,421	291,421
Total assets	$7,999,521	$7,968,335
Liabilities and stockholders' equity		
Liabilities:		
Revolving Credit Facilities, net	$181,518	$12,780
Mortgages and notes payable, net	3,456,609	3,629,998
Convertible Notes, net	681,109	678,190
Total debt, net	4,319,236	4,320,968
Intangible lease liabilities, net	204,161	205,968
Accounts payable, accrued expenses and other liabilities	122,973	123,298
Total liabilities	4,646,370	4,650,234
Commitments and contingencies (see Note 7)		
Stockholders' equity:		
Common stock, $0.01 par value; 418,935,311 issued shares and 418,401,109 outstanding shares at March 31, 2015 and 411,824,039 issued shares and 411,350,440 outstanding shares at December 31, 2014	4,189	4,118
Capital in excess of par value	4,443,468	4,361,320
Accumulated deficit	(1,087,306)	(1,041,392)
Accumulated other comprehensive loss	(1,618)	(1,083)
Treasury stock, at cost	(5,582)	(4,862)
Total stockholders' equity	3,353,151	3,318,101
Total liabilities and stockholders' equity	$7,999,521	$7,968,335

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.
Consolidated Statements of Operations
(In Thousands, Except Share and Per Share Data)
(Unaudited)

	Three Months Ended March 31, 2015	2014
Revenues:		
Rentals	$154,518	$137,479
Interest income on loans receivable	1,722	1,837
Earned income from direct financing leases	795	846
Tenant reimbursement income	4,631	3,319
Interest income and other	621	491
Total revenues	162,287	143,972
Expenses:		
General and administrative	12,600	11,067
Property costs	7,407	5,282
Real estate acquisition costs	1,093	1,281
Interest	57,914	54,399
Depreciation and amortization	66,296	60,549
Impairments	1,624	1,707
Total expenses	146,934	134,285
Income from continuing operations before other expense and income tax expense	15,353	9,687
Other expense:		
Loss on debt extinguishment	(1,230)	—
Total other expense	(1,230)	—
Income from continuing operations before income tax expense	14,123	9,687
Income tax expense	(362)	(217)
Income from continuing operations	13,761	9,470
Discontinued operations:		
Income from discontinued operations	227	3,054
Loss on dispositions of assets	—	(7)
Income from discontinued operations	227	3,047
Income before gain on dispositions of assets	13,988	12,517
Gain on dispositions of assets	11,336	1,722
Net income attributable to common stockholders	$25,324	$14,239
Net income per share of common stock—basic:		
Continuing operations	$0.06	$0.03
Discontinued operations	—	0.01
Net income per share attributable to common stockholders—basic	$0.06	$0.04
Net income per share of common stock—diluted:		
Continuing operations	$0.06	$0.03
Discontinued operations	—	0.01
Net income per share attributable to common stockholders—diluted	$0.06	$0.04
Weighted average common shares outstanding:		
Basic	411,017,895	368,684,942
Diluted	411,622,434	369,387,638
Dividends declared per common share issued	$0.17000	$0.16625

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.
Consolidated Statements of Comprehensive Income
(In Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net income	$25,324	$14,239
Other comprehensive income (loss):		
Change in net unrealized losses on cash flow hedges	(852)	(402)
Net cash flow hedge losses reclassified to operations	317	323
Total comprehensive income	$24,789	$14,160

See accompanying notes.

SPIRIT REALTY CAPITAL, INC.
Consolidated Statement of Stockholders' Equity
(In Thousands, Except Share Data)
(Unaudited)

	Common Stock					Treasury Stock		
	Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shares	Value	Total Stockholders' Equity
Balances, December 31, 2014	411,824,039	$4,118	$4,361,320	$(1,041,392)	$(1,083)	(473,599)	$(4,862)	$3,318,101
Net income	—	—	—	25,324	—	—	—	25,324
Other comprehensive loss	—	—	—	—	(535)	—	—	(535)
Dividends declared on common stock	—	—	—	(71,123)	—	—	—	(71,123)
Repurchase of common shares	—	—	—	—	—	(60,603)	(720)	(720)
Issuance of common shares, net	6,610,100	66	78,486	—	—	—	—	78,552
Stock-based compensation, net	501,172	5	3,662	(115)	—	—	—	3,552
Balances, March 31, 2015	418,935,311	$4,189	$4,443,468	$(1,087,306)	$(1,618)	(534,202)	$(5,582)	$3,353,151

See accompanying notes.

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

	Three Months Ended March 31,	
	2015	2014
Operating activities		
Net income	$25,324	$14,239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	66,296	60,549
Impairments	1,658	1,707
Amortization of deferred financing costs	2,072	973
Derivative net settlements, amortization and other interest rate hedge losses	(28)	(26)
Amortization of debt discounts (premiums)	476	(929)
Stock-based compensation expense	3,827	2,452
Loss on debt extinguishment	1,230	—
Debt extinguishment costs	(2,733)	—
Gains on dispositions of real estate and other assets, net	(11,336)	(1,715)
Non-cash revenue	(4,809)	(3,962)
Other	(14)	121
Changes in operating assets and liabilities:		
Deferred costs and other assets, net	(1,938)	(1,510)
Accounts payable, accrued expenses and other liabilities	(420)	(6,055)
Net cash provided by operating activities	79,605	65,844
Investing activities		
Acquisitions/investments of real estate	(265,740)	(157,972)
Collections of principal on loans receivable and real estate assets under direct financing leases	1,452	1,319
Proceeds from dispositions of real estate and other assets	71,547	6,243
Transfers of net sales proceeds (to) from restricted accounts under 1031 Exchanges	(6,937)	20,784
Transfers of net sales proceeds from (to) Master Trust Release	43,412	(6,345)
Net cash used in investing activities	(156,266)	(135,971)
Financing activities		
Borrowings under Revolving Credit Facilities	345,000	180,535
Repayments under Revolving Credit Facilities	(175,101)	(80,049)
Borrowings under mortgages and notes payable	—	10,000
Repayments under mortgages and notes payable	(167,102)	(14,116)
Deferred financing costs	(3,562)	(503)
Proceeds from issuance of common stock, net of offering costs	78,552	—
Proceeds from exercise of stock options	—	183
Purchase of treasury stock	(720)	(104)
Dividends paid/distributions to equity owners	(70,046)	(61,573)
Transfers from (to) escrow deposits with lenders	1,593	(850)
Net cash provided by financing activities	8,614	33,523
Net decrease in cash and cash equivalents	(68,047)	(36,604)
Cash and cash equivalents, beginning of period	176,181	66,588
Cash and cash equivalents, end of period	$108,134	$29,984

See accompanying notes.

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SPIRIT REALTY CAPITAL, INC.
Notes to Consolidated Financial Statements
March 31, 2015
(Unaudited)

Note 1. Organization
Company Organization and Operations
The Company operates as a self-administered and self-managed REIT that seeks to generate and deliver sustainable and attractive returns for stockholders by investing primarily in and managing a portfolio of single-tenant, operationally essential real estate throughout the United States that is generally leased on a long-term, triple-net basis predominantly to tenants operating within retail, office and industrial property types. Single tenant, operationally essential real estate generally refers to free-standing, commercial real estate facilities where tenants conduct activities that are essential to the generation of their sales and profits.
The Company’s operations are carried out through the Operating Partnership. OP Holdings, one of the Corporation's wholly-owned subsidiaries, is the sole general partner and owns 1.0% of the Operating Partnership. The Corporation and a wholly-owned subsidiary are the only limited partners and together own the remaining 99.0% of the Operating Partnership.

As of March 31, 2015, our undepreciated gross investment in real estate and loans totaled approximately $8.23 billion, representing investments in 2,547 properties, including properties securing mortgage loans made by the Company. Of this amount, 98.7% consisted of our gross investment in real estate, representing ownership of 2,402 properties, having a gross investment of $8.12 billion, and the remaining 1.3% consisted of commercial mortgage loans receivable, having a gross investment of $107.4 million, secured by the remaining 145 properties or other related assets.
Recent Developments

2015 Credit Facility

On March 31, 2015, the Operating Partnership entered into a new $600.0 million unsecured Credit Agreement with various lenders with an initial term that expires on March 31, 2019 (extendable at the Operating Partnership's option to March 31, 2020, subject to certain requirements). The 2015 Credit Facility initially bears interest at a borrowing margin of LIBOR plus 1.70% and replaces the Operating Partnership’s previous secured $400.0 million revolving credit facility. The Credit Agreement includes an accordion feature to increase the size of the 2015 Credit Facility to up to $1.0 billion, subject to satisfying certain requirements and obtaining additional lender commitments.
ATM Program Activity

During the three months ended March 31, 2015, the Corporation sold 6.6 million shares of its common stock having aggregate gross proceeds of $79.8 million and aggregate net sales proceeds of $78.6 million under its ATM Program.
Acquisitions and Dispositions

During the three months ended March 31, 2015, the Company purchased 53 properties, representing an aggregate gross investment in real estate properties of $265.5 million, which includes $0.2 million in revenue producing capital expenditures in existing properties. During the same period, the Company sold 15 properties for $77.2 million in gross sales proceeds. See Note 3 for additional discussion of the Company's investments.

SPIRIT REALTY CAPITAL, INC.
Notes to Consolidated Financial Statements - (continued)
March 31, 2015
(Unaudited)

Note 2. Summary of Significant Accounting Policies
Basis of Accounting and Principles of Consolidation
The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the SEC. In the opinion of management, the unaudited consolidated financial statements include the normal, recurring adjustments necessary for a fair statement of the information required to be set forth therein. The results for interim periods are not necessarily indicative of the results for the entire year. Certain information and note disclosures, normally included in financial statements prepared in accordance with GAAP, have been condensed or omitted from these statements pursuant to SEC rules and regulations and, accordingly, these financial statements should be read in conjunction with the Company's audited consolidated financial statements as filed with the SEC in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
The unaudited consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.
The Company has formed numerous special purpose entities to acquire and hold real estate encumbered by indebtedness (see Note 4). As a result, the majority of the Company's consolidated assets are held in these wholly-owned special purpose entities. Each special purpose entity is a separate legal entity and is the sole owner of its assets and responsible for its liabilities. The assets of these special purpose entities are not available to pay, or otherwise satisfy obligations to, the creditors of any owner or affiliate of the special purpose entity. At March 31, 2015 and December 31, 2014, net assets totaling $5.2 billion and $5.7 billion, respectively, were held, and net liabilities totaling $3.6 billion and $3.8 billion, respectively, were owed by these special purpose entities and are included in the accompanying consolidated balance sheets.
Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes its estimates are reasonable, actual results could differ from those estimates.
Reclassifications
Certain reclassifications have been made to prior period balances to conform to the current period presentation. During the quarter ended March 31, 2015, the Company elected to early adopt ASU 2015-03 described below. Under the ASU, capitalized deferred financing costs, previously recorded in deferred costs and other assets on the consolidated balance sheet, are presented as a direct deduction from the carrying amount of the debt liability these costs relate to and retrospectively applied to prior periods. As of December 31, 2014, unamortized deferred financing costs of approximately $48.7 million were previously presented in deferred costs and other assets, net on the consolidated balance sheet and are now included as a reduction of debt. At March 31, 2015, unamortized deferred financing costs of $48.5 million are presented as a reduction of debt (see Note 4).
Segment Reporting
The Company views its operations as one segment, which consists of net leasing operations. The Company has no other reportable segments.
Real Estate Investments
Purchase Accounting and Acquisition of Real Estate - When acquiring a property for investment purposes, the Company allocates the purchase price (including acquisition and closing costs) to land, building, improvements, and equipment based on their relative fair values. For properties acquired with in-place leases, the Company allocates the purchase price of real estate to the tangible and intangible assets and liabilities acquired based on their estimated fair values, and acquisition costs are expensed as incurred. In making estimates of fair values for this purpose, the Company uses a number of sources, including independent appraisals and information obtained about each property as a result of its pre-acquisition due diligence and its marketing and leasing activities.

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SPIRIT REALTY CAPITAL, INC.
Notes to Consolidated Financial Statements - (continued)
March 31, 2015
(Unaudited)

Lease Intangibles - Lease intangibles, if any, acquired in conjunction with the purchase of real estate represent the value of in-place leases and above- or below-market leases. For real estate acquired subject to existing lease agreements, in-place lease intangibles are valued based on the Company's estimates of costs related to tenant acquisition and the carrying costs that would be incurred during the time it would take to locate a tenant if the property were vacant, considering current market conditions and costs to execute similar leases at the time of the acquisition, and are amortized on a straight-line basis over the remaining initial term of the related lease. Above- and below-market lease intangibles are recorded based on the present value of the difference between the contractual amounts to be paid pursuant to the leases at the time of acquisition of the real estate and the Company's estimate of current market lease rates for the property, measured over a period equal to the remaining initial term of the lease. Capitalized above-market lease intangibles are amortized over the remaining initial terms of the respective leases as a decrease in rental revenue. Below-market lease intangibles are amortized as an increase in rental revenue over the remaining initial terms of the respective leases plus any fixed-rate renewal periods on those leases. Should a lease terminate early, the unamortized portion of any related lease intangible is immediately recognized in the Company's consolidated statements of operations.

Allowance for Doubtful Accounts

The Company reviews its rent and other tenant receivables for collectability on a regular basis, 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 tenant operates. The Company provided for reserves for uncollectible amounts totaling $9.2 million and $8.4 million at March 31, 2015 and December 31, 2014, respectively, against accounts receivable balances of $22.4 million and $21.3 million, respectively; receivables are recorded within deferred costs and other assets, net in the accompanying consolidated balance sheets.

For deferred rental revenues related to the straight-line method of reporting rental revenue, the collectability review includes management's estimates of amounts that will not be realized and an assessment of the risks inherent in the portfolio, giving consideration to historical experience and industry default rates for long-term receivables. The Company established a provision for losses of $9.0 million and $10.9 million at March 31, 2015 and December 31, 2014, respectively, against deferred rental revenue receivables of $50.7 million and $48.3 million, respectively.

Loans Receivable

Impairment and Allowance for Loan Losses - The Company periodically evaluates the collectability of its loans receivable, including accrued interest, by analyzing the underlying property-level economics and trends, collateral value and quality, and other relevant factors in determining the adequacy of its allowance for loan losses. A loan is determined to be impaired when, in management's judgment based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Specific allowances for loan losses are provided for impaired loans on an individual loan basis in the amount by which the carrying value exceeds the estimated fair value of the underlying collateral less disposition costs. Delinquent loans receivable are written off against the allowance when all possible means of collection have been exhausted. There was no allowance for loan losses at March 31, 2015 or December 31, 2014.

A loan is placed on nonaccrual status when the loan has become 60 days past due, or earlier if management determines that full recovery of the contractually specified payments of principal and interest is doubtful. While on nonaccrual status, interest income is recognized only when received. As of March 31, 2015 and December 31, 2014, there were no mortgages or notes on nonaccrual status.

SPIRIT REALTY CAPITAL, INC.
Notes to Consolidated Financial Statements - (continued)
March 31, 2015
(Unaudited)

Restricted Cash and Escrow Deposits

Restricted cash and deposits in escrow, classified within deferred costs and other assets, net in the accompanying consolidated balance sheets consisted of the following (in thousands):

	March 31, 2015	December 31, 2014
Collateral deposits [1]	$29,783	$29,483
Tenant improvements, repairs, and leasing commissions [2]	13,130	13,427
Master Trust Release [3]	9,658	53,069
Title company escrow [4]	6,937	—
Loan impounds [5]	671	794
Other [6]	2,097	3,571
	$62,276	$100,344

(1) Funds held in reserve by lenders which, at their sole discretion, can be applied to the repayment of debt. Any funds remaining on deposit after the debt is paid in full are released to the borrower.
(2) Deposits held on collateral properties by lenders that are reserved to fund tenant improvements, repairs and leasing commissions incurred to secure a new tenant.
(3) Proceeds from the sale of assets within the Spirit Master Funding Program, which are held on deposit as collateral until a qualifying substitution is made.
(4) Includes net sales proceeds from property dispositions that can be released upon qualified re-investment from 1031 Exchanges.
(5) Funds held in lender controlled accounts generally used to meet future debt service or certain property operating expenses.
(6) Funds held in lender controlled accounts released within the following month after debt service requirements are met.

A significant amount of these reserves were established in connection with obtaining lender consents relating to our IPO during 2012 and the Cole II Merger during 2013.

Income Taxes

The Company has elected to be taxed as a REIT under the Code. As a REIT, the Company generally will not be subject to federal income tax provided it continues to satisfy certain tests concerning the Company’s sources of income, the nature of its assets, the amounts distributed to its stockholders, and the ownership of Company stock. Management believes the Company has qualified and will continue to qualify as a REIT and therefore, no provision has been made for federal income taxes in the accompanying consolidated financial statements. Even if the Company qualifies for taxation as a REIT, it may be subject to state and local income and franchise taxes, and to federal income tax and excise tax on its undistributed income.

Franchise taxes are included in general and administrative expenses on the accompanying consolidated statements of operations. Taxable income from non-REIT activities managed through the Company’s taxable REIT subsidiary is subject to federal, state, and local taxes, which are not material.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or the SEC that are adopted by the Company as of the specified effective date. Unless otherwise discussed, these new accounting pronouncements entail technical corrections to existing guidance or affect guidance related to specialized industries or entities and therefore will have minimal, if any, impact on the Company's financial position or results of operations upon adoption.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires that deferred financing costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts or premiums. The amendments in this ASU are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years.

SPIRIT REALTY CAPITAL, INC.
Notes to Consolidated Financial Statements - (continued)
March 31, 2015
(Unaudited)

The Company early adopted the provisions of ASU 2015-03 beginning with the period ended March 31, 2015, and has applied the provisions retrospectively.

Note 3. Investments
Real Estate Investments

As of March 31, 2015, the Company's gross investment in real estate and loans totaled approximately $8.23 billion, representing investments in 2,547 properties, including 145 properties securing mortgage loans. The gross investment is comprised of land, buildings, lease intangible assets and lease intangible liabilities, as adjusted for any impairment, and the carrying amount of loans receivable, real estate assets held under direct financing leases and real estate assets held for sale. The portfolio is geographically dispersed throughout 49 states with only one state, Texas, with an 11.9% investment, accounting for more than 10% of the total dollar amount of the Company's investment portfolio.

The properties that the Company owns are leased to tenants under long-term operating leases that typically include one or more renewal options. The leases are generally triple-net, which provides that the lessee is responsible for the payment of all property operating expenses, including property taxes, maintenance and repairs, and insurance costs. Therefore, the Company is generally not responsible for repairs or other capital expenditures related to its properties, unless the property is not subject to a lease agreement.

During the three months ended March 31, 2015, the Company had the following real estate and loan activity, net of accumulated depreciation and amortization:

	Number of Properties			Dollar Amount of Investments, net		
	Owned [3]	Financed	Total	Owned	Financed	Total
				(In Thousands)		
Gross balance, December 31, 2014	2,364	145	2,509	$7,934,938	$109,425	$8,044,363
Acquisitions/improvements [1] [3]	53	—	53	265,740	—	265,740
Dispositions of real estate [2] [3]	(15)	—	(15)	(78,428)	—	(78,428)
Principal payments and payoffs	—	—	—	—	(1,403)	(1,403)
Impairments	—	—	—	(1,555)	—	(1,555)
Write off of gross lease intangibles	—	—	—	(1,844)	—	(1,844)
Loan premium amortization and other	—	—	—	(49)	(619)	(668)
Gross balance, March 31, 2015	2,402	145	2,547	$8,118,802	$107,403	$8,226,205
Accumulated depreciation and amortization				(981,784)	—	(981,784)
Other non-real estate assets held for sale				1,595	—	1,595
Net balance, March 31, 2015				$7,138,613	$107,403	$7,246,016

(1) Includes investments of $0.2 million in revenue producing capitalized expenditures, as well as $0.2 million of non-revenue producing capitalized maintenance expenditures. Capitalized maintenance expenditures are not included in the Company's gross investments in real estate disclosed elsewhere.
(2) The total accumulated depreciation and amortization associated with these dispositions of real estate was $12.5 million.
(3) During the three months ended March 31, 2015, the Company sold 6 properties for $39.4 million under 1031 Exchanges of which $32.5 million of this amount was used to partially fund 4 property acquisitions.

[4] At March 31, 2015 and December 31, 2014, 42 and 37, respectively, of the Company's properties were vacant, not subject to a lease and in the Company’s possession; of this amount 14 and 8, respectively, of these properties were held for sale.

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Scheduled minimum future contractual rent to be received under the remaining non-cancelable term of the operating leases at March 31, 2015 (in thousands):

Remainder of 2015	$459,105
2016	600,209
2017	585,456
2018	570,474
2019	550,798
Thereafter	4,320,779
Total future minimum rentals	$7,086,821

Because lease renewal periods are exercisable at the option of the lessee, the preceding table presents future minimum lease payments due during the initial lease term only. In addition, the future minimum rentals do not include any contingent rentals based on a percentage of the lessees' gross sales or lease escalations based on future changes in the CPI or other stipulated reference rate.

Certain of the Company’s leases contain tenant purchase options. Most of these options are at or above fair market value at the time the option is exercisable, and none of these purchase options represent bargain purchase options.

Loans Receivable

The following table details loans receivable, net of premium (in thousands):

	March 31, 2015	December 31, 2014
Mortgage - principal	$95,204	$96,594
Mortgage - premium	11,833	12,452
Mortgages, net	107,037	109,046
Other note - principal	366	379
Total loans receivable, net	$107,403	$109,425

The mortgage loans are secured by single-tenant commercial properties and may provide for scheduled increases in interest rates over the term of the loans. The other note receivable is unsecured.

Lease Intangibles, Net

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

	March 31, 2015	December 31, 2014
In-place leases	$670,127	$676,665
Above-market leases	100,125	100,568
Less: accumulated amortization	(196,327)	(187,160)
Intangible lease assets, net	$573,925	$590,073
Below-market leases	$239,050	$237,593
Less: accumulated amortization	(34,889)	(31,625)
Intangible lease liabilities, net	$204,161	$205,968

The amounts amortized as a net increase to rental revenue for capitalized above- and below-market leases was $1.4 million and $1.3 million for the three months ended March 31, 2015 and 2014, respectively. The value of in-place leases

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amortized and included in depreciation and amortization expense was $12.8 million and $13.4 million for the three months ended March 31, 2015 and 2014, respectively.

Real Estate Assets Under Direct Financing Leases

The components of real estate investments held under direct financing leases were as follows (in thousands):

	March 31, 2015	December 31, 2014
Minimum lease payments receivable	$15,053	$15,897
Estimated residual value of leased assets	52,195	55,858
Unearned income	(14,396)	(15,191)
Total	$52,852	$56,564

Real Estate Assets Held for Sale

The following table shows the activity in real estate assets held for sale, for continuing and discontinued operations, for the three months ended March 31, 2015:

	Number of Properties			Carrying Value		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
				(In Thousands)		
Balance, December 31, 2014	19	5	24	$110,918	$8,994	$119,912
Transfers from real estate investments	23	—	23	105,976	(34)	105,942
Sales	(10)	—	(10)	(48,617)	—	(48,617)
Balance, March 31, 2015	32	5	37	$168,277	$8,960	$177,237

Properties included in discontinued operations as of March 31, 2015, are collateral assets under the 2014 Master Trust securitization. The following table is a reconciliation of the major classes of assets and liabilities from discontinued operations included in real estate assets held for sale on the accompanying consolidated balance sheets (in thousands):

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	March 31, 2015	December 31, 2014
Assets		
Land and improvements	$5,335	$5,351
Buildings and improvements	5,780	5,798
Total real estate investments	11,115	11,149
Less: accumulated depreciation	(2,167)	(2,167)
Intangible lease assets, net	460	460
Total assets	$9,408	$9,442
Liabilities		
Intangible lease liabilities, net	$448	$448
Total liabilities	$448	$448
Net assets	$8,960	$8,994

Impairments

The following table summarizes total impairment losses recognized in continuing and discontinued operations on the accompanying consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2015	2014
Real estate and intangible asset impairment	$1,043	$1,637
Write-off of lease intangibles due to lease terminations, net	512	70
Total impairments from real estate investment net assets	1,555	1,707
Other impairment	103	—
Total impairment loss in continuing and discontinued operations	$1,658	$1,707

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Note 4. Debt
The Company's debt is summarized below:

	Weighted Average Effective Interest Rates [1]	Weighted Average Stated Rates [2]	Weighted Average Term [3]	March 31, 2015	December 31, 2014
			(in Years)	(In Thousands)	
Revolving Credit Facilities	NM	2.23 %	3.8	$185,081	$15,181
Master Trust Notes	5.44 %	5.04 %	7.9	1,705,910	1,710,380
CMBS - fixed-rate	5.45 %	5.86 %	3.0	1,671,951	1,836,181
CMBS - variable-rate [4]	3.50 %	3.30 %	2.5	110,598	110,685
Convertible Notes	4.84 %	3.28 %	5.0	747,500	747,500
Unsecured fixed rate promissory note	9.12 %	7.00 %	6.8	1,269	1,293
	5.33 %	4.89 %	5.3	4,422,309	4,421,220
Debt discount, net				(54,574)	(51,586)
Deferred financing costs, net [5]				(48,499)	(48,666)
Total debt, net				$4,319,236	$4,320,968

(1) The effective interest rates include amortization of debt discount, amortization of deferred financing costs and non-utilization fees, where applicable, calculated for the three months ended March 31, 2015 and based on the average principal balance outstanding during the period. The average outstanding principal balance of the Revolving Credit Facilities was not significant during the three months ended March 31, 2015, resulting in an effective interest rate that was not meaningful.
(2) Represents the weighted average stated interest rate based on the outstanding principal balance as of March 31, 2015.
(3) Represents the weighted average time to maturity based on the outstanding principal balance as of March 31, 2015.
(4) Variable-rate notes are predominantly hedged with interest rate swaps (see Note 5).
(5) The Company early adopted ASU 2015-03 requiring deferred financing costs to be presented as a direct deduction from the carrying amount of the related indebtedness.

Revolving Credit Facilities

2015 Credit Facility

On March 31, 2015, the Operating Partnership entered into the Credit Agreement and established a new $600.0 million unsecured credit facility and terminated its secured $400.0 million 2013 Credit Facility. The 2015 Credit Facility matures on March 31, 2019 (extendable at the Operating Partnership's option to March 31, 2020, subject to satisfaction of certain requirements). The 2015 Credit Facility includes an accordion feature to increase the committed facility size to up to $1.0 billion, subject to satisfying certain requirements and obtaining additional lender commitments. The 2015 Credit Facility includes a $50.0 million sublimit for swingline loans and up to $60.0 million available for issuances of letters of credit. Swingline loans and letters of credit reduce availability under the 2015 Credit Facility on a dollar-for-dollar basis.

The 2015 Credit Facility bears interest at LIBOR plus 1.70% based the Company's current leverage grid pricing per annum, with an unused fee of 0.15%. If the Corporation obtains an investment grade rating of its senior unsecured long-term indebtedness of at least BBB- or Baa3 from S&P or Moody's, respectively, the Operating Partnership may make an irrevocable election to change the grid pricing for the 2015 Credit Facility from leverage based to credit rating based pricing. Upon such an event, the 2015 Credit Facility will bear interest at a rate equal to either LIBOR plus 0.875% to 1.55% per annum. In each case, the applicable borrowing margin depends on the credit rating for the Corporation.

If the Corporation obtains an investment grade credit rating from either S&P or Moody's, the Operating Partnership will be required to pay a facility fee in an amount equal to the aggregate revolving credit commitments (whether or not utilized) multiplied by a rate equal to 0.125% to 0.30% per annum, depending on the credit rating for the Corporation.

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The Operating Partnership may voluntarily prepay the 2015 Credit Facility, in whole or in part, at any time, without premium or penalty, but subject to applicable LIBOR breakage fees, if any. Payment of the 2015 Credit Facility is unconditionally guaranteed by the Corporation and certain of the existing and future subsidiaries that are not currently securing or anticipated to secure other indebtedness. The 2015 Credit Facility is full recourse to the Operating Partnership and the aforementioned guarantors.

As a result of entering into the 2015 Credit Facility, the Company incurred origination costs of $3.5 million. These costs are being amortized to interest expense over the remaining initial term of the 2015 Credit Facility.

As of March 31, 2015, $170.0 million was outstanding and $430.0 million of borrowing capacity was available under the 2015 Credit Facility. The Operating Partnership's ability to borrow under the 2015 Credit Facility is subject to ongoing compliance with a number of customary financial covenants and other customary affirmative and negative covenants. As of March 31, 2015, the Corporation and the Operating Partnership were in compliance with these financial covenants.

2013 Credit Facility

On March 31, 2015, the secured 2013 Credit Facility was terminated and its outstanding borrowings were repaid with proceeds from the 2015 Credit Facility. Properties securing this facility became unencumbered upon its termination. The 2013 Credit Facility's borrowing margin was LIBOR plus 2.50% based on the Company's current leverage grid pricing per annum, with an unused fee of 0.35%. Upon terminating the 2013 Credit Facility, the Company recognized debt extinguishment costs of $2.0 million, resulting from the write-off of unamortized deferred financing costs.

Line of Credit

A special purpose entity indirectly owned by the Corporation has access to a $40.0 million secured revolving line of credit. The initial term of the Line of Credit expires in March 2016, and each advance under the Line of Credit has a 24-month term. As of March 31, 2015, $15.1 million was outstanding on the Line of Credit under three separate advances and secured by three properties. Outstanding advances under the Line of Credit incurred a weighted average effective interest rate of 3.89% during the three months ended March 31, 2015. The weighted average stated rate as of March 31, 2015 was 3.58%. The ability to borrow under the Line of Credit is subject to the Operating Partnership and special purpose entity's ongoing compliance with a number of customary financial covenants. As of March 31, 2015, the Operating Partnership and, if applicable, the special purpose entity were in compliance with these financial covenants.

Master Trust Notes

The Company has access to an asset-backed securitization platform, the Spirit Master Funding Program, to raise capital through the issuance of non-recourse net-lease mortgage notes collateralized by commercial real estate, net-leases and mortgage loans. The Spirit Master Funding Program consists of two separate securitization trusts, Master Trust 2013 and Master Trust 2014, each of which have one or multiple bankruptcy-remote, special purpose entities as issuers or co-issuers of the notes. Each issuer is an indirect wholly-owned subsidiary of the Corporation.

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The Master Trust Notes are summarized below:

	Effective Interest Rates (1)	Stated Rates (2)	Remaining Term	March 31, 2015	December 31, 2014
			(in Years)	(in Thousands)	
Series 2014-1 Class A1	6.0 %	5.1 %	5.2	$72,933	$75,489
Series 2014-1 Class A2	6.0 %	5.4 %	5.3	253,300	253,300
Series 2014-2	6.1 %	5.8 %	6.0	232,086	232,867
Series 2014-3	6.0 %	5.7 %	7.0	312,600	312,705
Series 2014-4 Class A1	3.9 %	3.5 %	4.8	150,000	150,000
Series 2014-4 Class A2	4.8 %	4.6 %	14.8	360,000	360,000
Total Master Trust 2014 notes	5.5 %	5.1 %	8.2	1,380,919	1,384,361
Series 2013-1 Class A	4.6 %	3.9 %	3.7	125,000	125,000
Series 2013-2 Class A	5.6 %	5.3 %	8.7	199,991	201,019
Total Master Trust 2013 notes	5.2 %	4.7 %	6.8	324,991	326,019
				1,705,910	1,710,380
Debt discount, net				(25,916)	(26,903)
Deferred financing costs, net				(21,808)	(22,113)
Total Master Trust Notes, net				$1,658,186	$1,661,364

(1) The effective interest rates include amortization of debt discount and amortization of deferred financing costs calculated for the three months ended March 31, 2015 based on the average principal balance outstanding during the period.
(2) Represents the individual series stated interest rate as of March 31, 2015 and the weighted average stated rate of the total Master Trust Notes, based on the collective series outstanding principal balances as of March 31, 2015.

As of March 31, 2015, the Master Trust 2014 notes were secured by 963 properties, including 82 properties securing mortgage loans issued by five indirect wholly-owned subsidiaries of the Corporation. The notes issued under Master Trust 2014 are cross-collateralized by the assets of all issuers within this trust. As of March 31, 2015, the Master Trust 2013 notes were secured by 313 properties, including 77 properties securing mortgage loans, issued by a single indirect wholly-owned subsidiary of the Corporation.

CMBS

As of March 31, 2015, indirect wholly-owned subsidiaries of the Corporation were borrowers under 163 fixed and 11 variable-rate non-recourse loans which have been securitized into CMBS and are secured by the borrowers' respective leased properties and related assets. The stated interest rates as of March 31, 2015 for these fixed-rate notes ranged from 3.90% to 8.39%. The stated interest rates as of March 31, 2015 for the variable-rate notes ranged from 2.67% to 3.68%. As of March 31, 2015, these fixed and variable-rate loans were secured by 505 and 123 properties, respectively. The Company entered into interest rate swaps that effectively fixed the interest rates at approximately 4.55% on a significant portion of the variable-rate debt (see Note 5).

As of March 31, 2015, certain borrowers were in default under the loan agreements relating to four separate CMBS fixed-rate loans where the 12 properties securing the respective loans are no longer generating sufficient revenue to pay the required debt service. The default interest rate on these loans was between 9.52% and 10.88%. Each defaulted borrower is a bankruptcy remote special purpose entity and the sole owner of the collateral securing the loan obligations. As of March 31, 2015, the aggregate principal balance under the defaulted CMBS loans was $77.4 million, which includes $4.4 million of interest added to principal. In addition, approximately $14.0 million of lender controlled restricted cash is being held in connection these loans that may be applied to reduce amounts owed.

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Convertible Notes

In May 2014, the Corporation issued $402.5 million aggregate principal amount of 2.875% convertible notes due in 2019 and $345.0 million aggregate principal amount of 3.75% convertible notes due in 2021. Interest on the Convertible Notes is payable semiannually in arrears on May 15 and November 15 of each year. The 2019 Notes will mature on May 15, 2019 and the 2021 Notes will mature on May 15, 2021.

The Convertible Notes are convertible only during certain periods and, subject to certain circumstances, into cash, shares of the Corporation's common stock, or a combination thereof. The initial conversion rate applicable to each series is 76.3636 per $1,000 principal note (equivalent to an initial conversion price of $13.10 per share of common stock, representing a 22.5% premium above the public offering price). Earlier conversion may be triggered if shares of the Corporation's common stock trade higher than the established thresholds, if the Convertible Notes trade below established thresholds, or certain corporate events occur.

In connection with the issuance of the Convertible Notes, the Company recorded a discount of $56.7 million, which represents the estimated value of the embedded conversion feature for each of the Convertible Notes. The discount is being amortized to interest expense using the effective interest method over the term of each of the 2019 Notes and 2021 Notes. As of March 31, 2015, the unamortized discount was $49.4 million. The discount is shown net against the aggregate outstanding principal balance of the Convertible Notes on the accompanying consolidated balance sheets. The equity component of the conversion feature is recorded in capital in excess of par value in the accompanying consolidated balance sheet, net of financing transaction costs.

In connection with the offering, the Company also incurred $19.6 million in deferred financing costs. This amount has been allocated on a pro-rata basis to each of the Convertible Notes and is being amortized to interest expense over the term of each note. As of March 31, 2015, the unamortized deferred financing costs relating to the Convertible Notes was $17.0 million.

Debt Extinguishment

During the quarter ended March 31, 2015, the Company extinguished a total of $162.8 million aggregate principal amount of senior mortgage indebtedness with a weighted average contractual interest rate of 5.76% and terminated the 2013 Credit Facility. As a result of these transactions, the Company recognized a net loss on debt extinguishment of approximately $1.2 million.

Debt Maturities

As of March 31, 2015, scheduled debt maturities of the Company’s Revolving Credit Facilities, mortgages and notes payable and Convertible Notes, including balloon payments, are as follows (in thousands):

	Scheduled Principal	Balloon Payment	Total
Remainder of 2015 [1]	$22,363	$230,032	$252,395
2016	29,090	284,930	314,020
2017	28,535	816,108	844,643
2018	42,560	248,851	291,411
2019	44,520	622,000	666,520

Thereafter	289,321	1,763,999	2,053,320
Total	$456,389	$3,965,920	$4,422,309

(1) The balloon payment balance in 2015 includes $77.4 million for the acceleration of principal payable following an event of default under four separate non-recourse CMBS loans.

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Interest Expense

The following table is a summary of the components of interest expense related to the Company's borrowings (in thousands):

	Three Months Ended March 31,	
	2015	2014
Interest expense – Revolving Credit Facilities[1]	$803	$720
Interest expense – mortgages and notes payable	48,408	53,596
Interest expense – Convertible Notes	6,127	—
Interest expense – other	—	6
Non-cash interest expense:		
Amortization of deferred financing costs	2,072	973
Amortization of net losses related to interest rate swaps	28	33
Amortization of debt (premium)/discount	476	(929)
Total interest expense	$57,914	$54,399

[1] Includes interest expense associated with non-utilization fees of approximately $0.4 million and $0.3 million for the three months ended March 31, 2015 and 2014, respectively.

Note 5. Derivative and Hedging Activities

The Company uses interest rate derivative contracts to manage its exposure to changes in interest rates on its variable rate debt. These derivatives are considered cash flow hedges and are recorded on a gross basis at fair value and included in accounts payable, accrued expenses and other liabilities on the accompanying consolidated balance sheets. Assessments of hedge effectiveness are performed quarterly using regression analysis and the measurement of hedge ineffectiveness is based on the hypothetical derivative method. The effective portion of changes in fair value are recorded in AOCL and subsequently reclassified to earnings when the hedged transactions affect earnings. The ineffective portion is recorded immediately in earnings in general and administrative expenses.

The following table summarizes the notional amount and fair value of the Company’s derivative instruments (dollars in thousands):

						Fair Value of Liability	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Notional Amount	Fixed Interest Rate	Effective Date	Maturity Date	March 31, 2015	December 31, 2014
Interest Rate Swap	Accounts payable, accrued expenses and other liabilities	$10,787	4.62%	06/28/12	07/06/17	$(85)	$(46)
Interest Rate Swap	Accounts payable, accrued expenses and other liabilities	$6,627	5.75%	07/17/13	03/01/16	(147)	(180)
Interest Rate Swap	Accounts payable, accrued expenses and other liabilities	$32,400	3.15%	07/17/13	09/05/15	(63)	(93)
Interest Rate Swaps[1]	Accounts payable, accrued expenses	$61,758	5.14%	01/02/14	12/13/18	(1,335)	(803)

and other liabilities		
	$(1,630)	$(1,122)

(1) Represents a tranche of eight individual interest rate swap agreements with notional amounts ranging from $7.6 million to $7.9 million. The swap agreements contain the same payment terms, stated interest rate, effective date, and maturity date.

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The following tables provide information about the amounts recorded in AOCL, as well as the loss recorded in operations, when reclassified out of AOCL or recognized in earnings immediately, for the three months ended March 31, 2015 and 2014, respectively (in thousands):

	Amount of Loss Recognized in AOCL on Derivative (Effective Portion) Three Months Ended March 31,	
Derivatives in Cash Flow Hedging Relationships	2015	2014
Interest rate swaps	$(852)	$(402)

	Amount of Loss Reclassified from AOCL into Operations (Effective Portion) Three Months Ended March 31,	
Location of Loss Reclassified from AOCL into Operations	2015	2014
Interest expense	$(317)	$(323)

	Amount of Loss Recognized in Operations on Derivative (Ineffective Portion) Three Months Ended March 31,	
Location of Loss Recognized in Operations on Derivatives	2015	2014
General and administrative expense	$(4)	$—

Approximately $1.1 million of the remaining balance in AOCL is estimated to be reclassified as an increase to interest expense during the next twelve months. The Company does not enter into derivative contracts for speculative or trading purposes.

The Company is exposed to credit risk in the event of non-performance by its derivative counterparties. The Company believes it mitigates its credit risk by entering into agreements with counterparties it considers credit-worthy. As of March 31, 2015 and December 31, 2014, there were no termination events or events of default related to the interest rate swaps.

Note 6. Stockholders’ Equity

ATM Program

During the three months ended March 31, 2015, the Corporation sold 6.6 million shares of its common stock at the weighted average share price of $12.07 under its ATM Program, for aggregate gross proceeds of $79.8 million and aggregate net proceeds of $78.6 million. The ATM Program was not in existence during the first quarter of 2014.

Dividends Declared

For the three months ended March 31, 2015, the Corporation's Board of Directors declared the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Amount [(1)]	Payment Date

			(in thousands)	
March 16, 2015	$0.17000	March 31, 2015	$71,123	April 15, 2015

(1) Net of estimated forfeitures of approximately $5,000 for dividends declared on employee restricted stock awards that are reported in general and administrative on the accompanying consolidated statements of operations.

The dividend declared on March 16, 2015 was paid on April 15, 2015 and is included in accounts payable, accrued expenses and other liabilities as of March 31, 2015.

Note 7. Commitments and Contingencies

The Company is periodically subject to claims or litigation in the ordinary course of business, including claims generated from business conducted by tenants on real estate owned by the Company. In these instances, the Company is typically indemnified by the tenant against any losses that might be suffered, and the Company and/or the tenant are typically insured against such claims.

As of March 31, 2015, there were no outstanding claims against the Company that are expected to have a material adverse effect on the Company’s financial position, results of operations or cash flows.

As of March 31, 2015, the Company had commitments totaling $194.7 million, of which $185.3 million relates to future acquisitions with the remainder to fund improvements on properties the Company currently owns. Commitments related to acquisitions contain standard cancellation clauses contingent on results of due diligence. All commitments are expected to be funded during fiscal year 2015. In addition, the Company is contingently liable for $5.7 million of debt owed by one of its tenants and is indemnified by that tenant for any payments the Company may be required to make on such debt.

The Company estimates future costs for known environmental remediation requirements when it is probable that the Company has incurred a liability and the related costs can be reasonably estimated. The Company considers various factors when estimating its environmental liabilities, and adjustments are made when additional information becomes available that affects the estimated costs to study or remediate any environmental issues. When only a wide range of

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estimated amounts can be reasonably established and no other amount within the range is better than another, the low end of the range is recorded in the consolidated financial statements.

Note 8. Fair Value Measurements
Recurring Fair Value Measurements
The Company's assets and liabilities that are required to be measured at fair value in the accompanying consolidated financial statements are summarized below. The following table sets forth the Company's financial liabilities that were accounted for at fair value on a recurring basis (in thousands):

		Fair Value Hierarchy Level		
	Fair Value	Level 1	Level 2	Level 3
March 31, 2015				
Derivatives:				
Interest rate swaps financial liabilities	$(1,630)	$—	$(1,630)	$—
December 31, 2014				
Derivatives:				
Interest rate swaps financial liabilities	$(1,122)	$—	$(1,122)	$—

The interest rate swaps are measured using a market approach, using prices obtained from a nationally recognized pricing service and pricing models with market observable inputs such as interest rates and volatilities. These measurements are classified as Level 2 of the fair value hierarchy.
Nonrecurring Fair Value Measurements
Fair value measurement of an asset on a nonrecurring basis occurs when events or changes in circumstances related to an asset indicate that the carrying amount of the asset is no longer recoverable. The following table sets forth the Company's assets that were accounted for at fair value on a nonrecurring basis (in thousands):

			Fair Value Hierarchy Level			Impairment
Description	Fair Value	Dispositions	Level 1	Level 2	Level 3	Charges [(1)]
March 31, 2015						
Lease intangible assets	$—	$—	$—	$—	$—	$(615)
Long-lived assets held for sale	4,495	—	—	—	4,495	(1,043)
						$(1,658)
December 31, 2014						
Long-lived assets held and used	$37,278	$—	$—	$—		