Section 1: 10-Q (10-Q)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from _________ to __________

Commission file number: 001-37390

GNL GLOBAL NET LEASE

Global Net Lease, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**45-2771978**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
405 Park Ave., 3rd Floor New York , New York	**10022**
(Address of principal executive offices)	(Zip Code)

(212) 415-6500
Registrant's telephone number, including area code

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, $0.01 par value	GNL	New York Stock Exchange
7.25% Series A Cumulative Redeemable Preferred Stock, $0.01 par value	GNL PR A	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 1, 2019, the registrant had 89,458,340 shares of common stock outstanding.

GLOBAL NET LEASE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements.

GLOBAL NET LEASE, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Real estate investments, at cost (Note 3):		
Land	$ 388,269	$ 398,911
Buildings, fixtures and improvements	2,463,275	2,345,202
Construction in progress	8,185	1,235
Acquired intangible lease assets	641,307	675,551
Total real estate investments, at cost	3,501,036	3,420,899
Less accumulated depreciation and amortization	(499,507)	(437,974)
Total real estate investments, net	3,001,529	2,982,925
Assets held for sale	107,868	112,902
Cash and cash equivalents	305,962	100,324
Restricted cash	3,950	3,369
Derivative assets, at fair value (Note 7)	7,473	8,730
Unbilled straight-line rent	51,195	47,183
Operating lease right-of-use asset (Note 9)	49,274	—
Prepaid expenses and other assets	41,827	22,245
Due from related parties	20	16
Deferred tax assets	3,254	3,293
Goodwill and other intangible assets, net	21,595	22,180
Deferred financing costs, net	14,652	6,311
Total Assets	$ 3,608,599	$ 3,309,478
LIABILITIES AND EQUITY		
Mortgage notes payable, net (Note 4)	$ 1,366,818	$ 1,129,807
Revolving credit facility (Note 5)	101,405	363,894
Term loan, net (Note 5)	389,885	278,727
Acquired intangible lease liabilities, net	31,559	35,757
Derivative liabilities, at fair value (Note 7)	10,638	3,886
Due to related parties	299	790
Accounts payable and accrued expenses	20,741	31,529
Operating lease liability (Note 9)	23,547	—
Prepaid rent	20,338	16,223
Deferred tax liability	14,603	15,227
Taxes payable	3	2,228
Dividends payable	3,416	2,664
Total Liabilities	1,983,252	1,880,732
Commitments and contingencies (Note 9)	—	—
Stockholders' Equity (Note 8):		
7.25% Series A cumulative redeemable preferred stock, $0.01 par value, liquidation preference $25.00 per share, 13,409,650 shares authorized, 6,682,448 and 5,416,890 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	67	54
Common Stock, $0.01 par value, 150,000,000 shares authorized, 89,458,340 shares issued and outstanding as of September 30, 2019; 100,000,000 shares authorized, 76,080,625 shares issued and outstanding as of December 31, 2018	2,225	2,091
Additional paid-in capital	2,322,419	2,031,981

Accumulated other comprehensive (loss) income	(14,618)	6,810
Accumulated deficit	(694,714)	(615,448)
Total Stockholders' Equity	1,615,379	1,425,488
Non-controlling interest	9,968	3,258
Total Equity	1,625,347	1,428,746
Total Liabilities and Equity	$ 3,608,599	$ 3,309,478

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements.

GLOBAL NET LEASE, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

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

GLOBAL NET LEASE, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Revenue from tenants	$ 77,942	$ 71,924	$ 229,529	$ 210,981
Expenses (income):				
Property operating	8,205	5,301	22,613	20,982
Fire recovery	—	31	—	(49)
Operating fees to related parties	8,220	6,956	24,425	20,925
Impairment charges	6,375	—	6,375	—
Acquisition, transaction and other costs (Note 9)	192	2,804	1,301	5,243
General and administrative	3,250	3,215	8,774	7,822
Equity-based compensation	2,501	2,053	7,039	1,198
Depreciation and amortization	31,620	30,195	94,007	89,504
Total expenses	60,363	50,555	164,534	145,625
Operating income before gain (loss) on dispositions of real estate investments	17,579	21,369	64,995	65,356
Gain (loss) on dispositions of real estate investments	6,977	(1,933)	14,792	(5,751)
Operating income	24,556	19,436	79,787	59,605
Other income (expense):				
Interest expense	(16,154)	(15,104)	(47,005)	(42,494)
Loss on extinguishment of debt	(563)	(2,612)	(1,328)	(3,897)
Gain on derivative instruments	3,044	1,290	4,674	4,688
Unrealized income on undesignated foreign currency advances and other hedge ineffectiveness	—	108	76	18
Other (loss) income	(2)	44	21	67
Total other expense, net	(13,675)	(16,274)	(43,562)	(41,618)
Net income before income tax	10,881	3,162	36,225	17,987
Income tax expense	(940)	(530)	(2,680)	(2,800)
Net income	9,941	2,632	33,545	15,187
Preferred Stock dividends	(3,081)	(2,455)	(8,273)	(7,361)
Net income attributable to common stockholders	$ 6,860	$ 177	$ 25,272	$ 7,826
Basic and Diluted Earnings Per Share:				
Basic and diluted net income per share attributable to common stockholders	$ 0.08	$ —	$ 0.30	$ 0.11
Weighted average shares outstanding:				
Basic	85,254,638	69,441,639	83,539,304	68,014,855
Diluted	86,202,582	69,441,639	84,487,248	68,417,253

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

GLOBAL NET LEASE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	$ 9,941	$ 2,632	$ 33,545	$ 15,187
Other comprehensive income (loss)				
Cumulative translation adjustment	(7,605)	(3,735)	(9,216)	(9,813)
Designated derivatives, fair value adjustments	(3,031)	1,721	(11,880)	7,468
Other comprehensive loss	(10,636)	(2,014)	(21,096)	(2,345)
Comprehensive income (loss)	(695)	618	12,449	12,842
Preferred Stock dividends	(3,081)	(2,455)	(8,273)	(7,361)
Comprehensive income (loss) attributable to common stockholders	$ (3,776)	$ (1,837)	$ 4,176	$ 5,481

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

GLOBAL NET LEASE, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except share data)
(Unaudited)

	Nine Months Ended September 30, 2019									
	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity	Non-controlling interest	Total Equity
Balance, December 31, 2018	5,416,890	$ 54	76,080,625	$ 2,091	$ 2,031,981	$ 6,810	$ (615,448)	$ 1,425,488	$ 3,258	$ 1,428,746
Adoption of ASU 2017-12 (Note 2)	—	—	—	—	—	(332)	332	—	—	—
Adoption of ASC 842 (Note 2)	—	—	—	—	—	—	(1,200)	(1,200)	—	(1,200)
Issuance of Common Stock, net	—	—	13,377,715	134	258,470	—	—	258,604	—	258,604
Issuance of Preferred Stock, net	1,265,558	13	—	—	31,639	—	—	31,652	—	31,652
Dividends declared:										
Common stock, $1.59 per share (Note 8)	—	—	—	—	—	—	(103,265)	(103,265)	—	(103,265)
Preferred stock, $1.35 per share	—	—	—	—	—	—	(8,273)	(8,273)	—	(8,273)
Equity-based compensation	—	—	—	—	329	—	—	329	6,710	7,039
Distributions to non-controlling interest holders	—	—	—	—	—	—	(405)	(405)	—	(405)
Net Income	—	—	—	—	—	—	33,545	33,545	—	33,545
Cumulative translation adjustment	—	—	—	—	—	(9,216)	—	(9,216)	—	(9,216)
Designated derivatives, fair value adjustments	—	—	—	—	—	(11,880)	—	(11,880)	—	(11,880)
Balance, September 30, 2019	6,682,448	$ 67	89,458,340	$ 2,225	$ 2,322,419	$ (14,618)	$ (694,714)	$ 1,615,379	$ 9,968	$ 1,625,347

	Three Months Ended September 30, 2019									
	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity	Non-controlling interest	Total Equity
Balance, June 30, 2019	5,957,848	$ 59	83,861,900	$ 2,169	$ 2,196,183	$ (3,982)	$ (656,411)	$ 1,538,018	$ 7,609	1,545,627
Adoption of ASU 2017-12 (Note 2)	—	—	—	—	—	—	—	—	—	—
Adoption of ASC 842 (Note 2)	—	—	—	—	—	—	—	—	—	—
Issuance of Common Stock, net	—	—	5,596,440	56	107,962	—	—	108,018	—	108,018
Issuance of Preferred Stock, net	724,600	8	—	—	18,132	—	—	18,140	—	18,140
Dividends declared:										
Common stock, $0.53 per share (Note 8)	—	—	—	—	—	—	(45,028)	(45,028)	—	(45,028)
Preferred stock, $0.45 per share	—	—	—	—	—	—	(3,081)	(3,081)	—	(3,081)
Equity-based compensation	—	—	—	—	142	—	—	142	2,359	2,501
Distributions to non-controlling interest holders	—	—	—	—	—	—	(135)	(135)	—	(135)
Net Income	—	—	—	—	—	—	9,941	9,941	—	9,941
Cumulative translation adjustment	—	—	—	—	—	(7,605)	—	(7,605)	—	(7,605)
Designated derivatives, fair value adjustments	—	—	—	—	—	(3,031)	—	(3,031)	—	(3,031)
Balance, September 30, 2019	6,682,448	$ 67	89,458,340	$ 2,225	$ 2,322,419	$ (14,618)	$ (694,714)	$ 1,615,379	$ 9,968	$ 1,625,347

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

	Nine Months Ended September 30, 2018									
	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity	Non-controlling interest	Total Equity
Balance, December 31, 2017	5,409,650	$ 54	67,287,231	$ 2,003	$ 1,860,058	$ 19,447	$ (468,396)	$ 1,413,166	$ 1,077	$ 1,414,243
Issuance of Common Stock, net	—	—	4,784,311	48	94,101	—	—	94,149	—	94,149
Issuance of Preferred Stock, net	7,240	—	—	—	(247)	—	—	(247)	—	(247)
Dividends declared:										
Common stock, $1.59 per share	—	—	—	—	—	—	(108,430)	(108,430)	—	(108,430)
Preferred stock, $1.35 per share	—	—	—	—	—	—	(7,361)	(7,361)	—	(7,361)
Equity-based compensation	—	—	—	—	352	—	—	352	846	1,198
Distributions to non-controlling interest holders	—	—	—	—	—	—	(448)	(448)	—	(448)
Net Income	—	—	—	—	—	—	15,187	15,187	—	15,187
Cumulative translation adjustment	—	—	—	—	—	(9,813)	—	(9,813)	—	(9,813)
Designated derivatives, fair value adjustments	—	—	—	—	—	7,468	—	7,468	—	7,468
Balance, September 30, 2018	5,416,890	$ 54	72,071,542	$ 2,051	$ 1,954,264	$ 17,102	$ (569,448)	$ 1,404,023	$ 1,923	$ 1,405,946

	Three Months Ended September 30, 2018									
	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity	Non-controlling interest	Total Equity
Balance, June 30, 2018	5,413,665	$ 54	67,306,615	$ 2,003	$ 1,859,990	$ 19,116	$ (532,566)	$ 1,348,597	$ —	$ 1,348,597
Issuance of Common Stock, net	—	—	4,764,927	48	94,173	—	—	94,221	—	94,221
Issuance of Preferred Stock, net	3,225	—	—	—	(28)	—	—	(28)	—	(28)
Dividends declared:										
Common stock, $0.53 per share	—	—	—	—	—	—	(36,769)	(36,769)	—	(36,769)
Preferred stock, $0.45 per share	—	—	—	—	—	—	(2,455)	(2,455)	—	(2,455)
Equity-based compensation	—	—	—	—	129	—	—	129	1,923	2,052
Distributions to non-controlling interest holders	—	—	—	—	—	—	(290)	(290)	—	(290)
Net Income	—	—	—	—	—	—	2,632	2,632	—	2,632
Cumulative translation adjustment	—	—	—	—	—	(3,735)	—	(3,735)	—	(3,735)
Designated derivatives, fair value adjustments	—	—	—	—	—	1,721	—	1,721	—	1,721
Balance, September 30, 2018	5,416,890	$ 54	72,071,542	$ 2,051	$ 1,954,264	$ 17,102	$ (569,448)	$ 1,404,023	$ 1,923	$ 1,405,946

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

GLOBAL NET LEASE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 33,545	$ 15,187
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	48,167	48,153
Amortization of intangibles	45,840	41,351
Amortization of deferred financing costs	4,825	3,738
Amortization of mortgage discounts and premiums, net	232	1,131
Amortization of below-market lease liabilities	(2,900)	(2,703)
Amortization of above-market lease assets	3,286	3,500
Amortization of above- and below- market ground lease assets	636	743
Bad debt expense	—	184
Unbilled straight-line rent	(5,063)	(4,828)
Equity-based compensation	7,039	1,198
Unrealized loss (gain) on foreign currency transactions, derivatives, and other	(1,673)	(4,921)
Unrealized loss on undesignated foreign currency advances and other hedge ineffectiveness	76	(18)
Payments for settlement of derivatives	(1,773)	—
Loss on extinguishment of debt	1,328	3,897
(Gain) loss on disposition of real estate investments	(14,792)	5,751
Impairment charges	6,375	—
Changes in operating assets and liabilities, net:		
Prepaid expenses and other assets	(16,232)	(11,962)
Deferred tax assets	39	30
Accounts payable and accrued expenses	(12,373)	6,237
Prepaid rent	4,116	(1,277)
Deferred tax liability	(624)	(444)
Taxes payable	(2,225)	(1,550)
Net cash provided by operating activities	97,849	103,397
Cash flows from investing activities:		
Investment in real estate and real estate related assets	(309,003)	(267,379)
Deposits for real estate acquisitions	(1,051)	(3,775)
Capital expenditures	(13,686)	(2,614)
Proceeds from dispositions of real estate investments	141,538	23,310
Payments for settlement of net investment hedges	—	(561)
Net cash used in investing activities	(182,202)	(251,019)
Cash flows from financing activities:		
Borrowings under revolving credit facilities	240,264	247,000
Repayments on revolving credit facilities	(499,649)	(87,375)
Proceeds from mortgage notes payable	579,369	332,424
Payments on mortgage notes payable	(307,813)	(317,595)
Deposits on mortgages	—	(200)
Payments on early extinguishment of debt charges	(426)	(2,398)
Proceeds from issuance of common stock, net	258,604	94,149
Proceeds from issuance of preferred stock, net	31,652	(247)
Proceeds from term loan	124,264	60,706
Payments of financing costs	(19,000)	(6,200)
Dividends paid on Common Stock	(103,141)	(108,352)

Dividends paid on Preferred Stock	(7,646)	(7,357)
Distributions to non-controlling interest holders	(405)	(448)
Net cash provided by financing activities	296,073	204,107
Net change in cash, cash equivalents and restricted cash	211,720	56,485
Effect of exchange rate changes on cash	(5,501)	(5,533)
Cash, cash equivalents and restricted cash, beginning of period	103,693	107,727
Cash, cash equivalents and restricted cash, end of period	$ 309,912	$ 158,679

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash and cash equivalents, end of period	$ 305,962	$ 155,188
Restricted cash, end of period	3,950	3,491
Cash, cash equivalents and restricted cash, end of period	$ 309,912	$ 158,679
Supplemental Disclosures:		
Cash paid for interest	$ 45,270	$ 37,766
Cash paid for income taxes	5,155	4,350
Non-Cash Financing Activity:		
Loss on extinguishment of debt	902	1,499

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

Note 1 — Organization

Global Net Lease, Inc. (the "Company"), incorporated on July 13, 2011, is a Maryland corporation that elected to be taxed as a real estate investment trust ("REIT") for United States ("U.S.") federal income tax purposes beginning with the taxable year ended December 31, 2013. The Company's common stock, $0.01 par value per share ("Common Stock" is listed on the New York Stock Exchange under the symbol "GNL," and the Company's 7.25% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share ("Series A Preferred Stock"), is listed on the New York Stock Exchange under the symbol "GNL PR A."

The Company invests in commercial properties, with an emphasis on sale-leaseback transactions involving single tenant net-leased commercial properties. Substantially all of the Company's business is conducted through the Global Net Lease Operating Partnership, L.P. (the "OP"), a Delaware limited partnership. The Company has retained Global Net Lease Advisors, LLC (the "Advisor") to manage the Company's affairs on a day-to-day basis. The Company's properties are managed and leased by Global Net Lease Properties, LLC (the "Property Manager"). The Advisor, and the Property Manager are under common control with AR Global Investments, LLC (the successor business to AR Capital LLC, "AR Global") and these related parties receive compensation and fees for various services provided to the Company.

As of September 30, 2019, the Company owned 264 properties consisting of 28.9 million rentable square feet, which were 99.6% leased, with a weighted-average remaining lease term of 8.0 years. Based on the percentage of annualized rental income on a straight-line basis as of September 30, 2019, 59.0% of the Company's properties are located in the U.S. and 41.0% in Europe. The Company may also originate or acquire first mortgage loans, mezzanine loans, preferred equity or securitized loans (secured by real estate). As of September 30, 2019, the Company did not own any first mortgage loans, mezzanine loans, preferred equity or securitized loans.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company included herein were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to this Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information furnished includes all adjustments and accruals of a normal recurring nature, which, in the opinion of management, are necessary for a fair statement of results for the interim periods. All intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the results for the entire year or any subsequent interim period.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2018, which are included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on February 28, 2019. Except for those required by new accounting pronouncements discussed below, there have been no significant changes to the Company's significant accounting policies during the nine months ended September 30, 2019, other than those relating to new accounting pronouncements *(see "Recently Issued Accounting Pronouncements"* section below).

The accompanying unaudited consolidated financial statements include the accounts of the Company, the OP and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. In determining whether the Company has a controlling financial interest in a joint venture and the requirement to consolidate the accounts of that entity, management considers factors such as ownership interest, authority to make decisions and contractual and substantive participating rights of the other partners or members as well as whether the entity is a variable interest entity ("VIE") for which the Company is the primary beneficiary. The Company has determined that the OP is a VIE of which the Company is the primary beneficiary. Substantially all of the Company's assets and liabilities are held by the OP.

Reclassifications

The Company has aggregated revenue from its lease components and non-lease components (tenant operating expense reimbursements) into one line (see additional information in the "Recently Issued Accounting Pronouncements" section below. The prior period has been reclassified to conform to this presentation.

Judgments and Estimates

The Company regularly makes a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses in order to prepare its consolidated financial statements in conformity with GAAP. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, such as the prevailing economic and business environment. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates management makes include recoverability of accounts receivable, allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, determination of impairment of long-lived assets, valuation of derivative financial instruments, valuation of compensation plans, and estimating the useful life of a long-lived asset. Actual results could differ materially from those estimated.

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.

At the time an asset is acquired, the Company evaluates the inputs, processes and outputs of the asset acquired to determine if the transaction is a business combination or an asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations. If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and subsequently amortized over the useful life of the acquired assets.

In both a business combination and an asset acquisition, the Company allocates the purchase price of acquired properties to tangible and identifiable intangible assets or liabilities based on their respective fair values. Tangible assets may include land, land improvements, buildings, fixtures and tenant improvements on an as if vacant basis. Intangible assets or liabilities may include the value of in-place leases, above- and below- market leases and other identifiable assets or liabilities based on lease or property specific characteristics. In addition, any assumed mortgages receivable or payable and any assumed or issued non-controlling interests (in a business combination) are recorded at their estimated fair values. In allocating the fair value to assumed mortgages, amounts are recorded to debt premiums or discounts based on the present value of the estimated cash flows, which is calculated to account for either above or below-market interest rates. In a business combination, the difference between the purchase price and the fair value of identifiable net assets acquired is either recorded as goodwill or as a bargain purchase gain. In an asset acquisition, the difference between the acquisition price (including capitalized transaction costs) and the fair value of identifiable net assets acquired is allocated to the non-current assets. All acquisitions during the nine months ended September 30, 2019 and the year ended December 31, 2018 were asset acquisitions.

Purchase Accounting and Acquisition of Real Estate

The Company allocates the purchase price of acquired properties to tangible and identifiable intangible assets acquired based on their respective fair values. Tangible assets include land, land improvements, buildings, fixtures and tenant improvements on an as-if vacant basis. The Company utilizes 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. Amounts allocated to land, land improvements, buildings and fixtures are based on cost segregation studies performed by independent third parties or on the Company's analysis of comparable properties in the Company's portfolio. Identifiable intangible assets include amounts allocated to acquire leases for above- and below-market lease rates, the value of in-place leases, and the value of customer relationships, as applicable.

Factors considered in the 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, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at contract rates during the expected lease-up period, which typically ranges from 12 to 18 months. The Company also estimates costs to execute similar leases including leasing commissions, legal and other related expenses.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease, and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. If a tenant with a below market rent renewal does not renew, any remaining unamortized amount will be taken into income at that time.

The aggregate value of intangible assets related to customer relationship, as applicable, is measured based on the Company's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the tenant. Characteristics considered by the Company in determining these values include the nature and extent of its 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.

In making estimates of fair values for purposes of allocating purchase price, the Company utilizes 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. The Company also considers information obtained about each property as a result of the Company's pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired and intangible liabilities assumed.

Derivative Instruments

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. Certain of the Company's foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of the Company's cash receipts and payments in the Company's functional currency, the U.S. Dollar ("USD"). The Company enters into derivative financial instruments to protect the value or fix the amount of certain obligations in terms of its functional currency.

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

The accounting for subsequent changes in the fair value of these derivatives depends on whether each has been designed and qualifies for hedge accounting treatment. If the Company elects not to apply hedge accounting treatment (or for derivatives that do not qualify as hedges), any changes in the fair value of these derivative instruments is recognized immediately in gains (losses) on derivative instruments in the consolidated statements of operations. If a derivative is designated and qualifies for cash flow hedge accounting treatment, the change in the estimated fair value of the derivative is recorded in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss) to the extent that it is effective. Any ineffective portion of a change in derivative fair value is immediately recorded in earnings.

Impairment of Long Lived Assets

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

Goodwill

The Company evaluates goodwill for impairment at least annually, in the fourth quarter of each year, or upon the occurrence of a triggering event. A triggering event is an event or circumstance that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company performed a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Based on the Company's assessment, it determined that the goodwill was not impaired as of December 31, 2018.

Revenue Recognition

The Company's revenues, which are derived primarily from lease contracts, which include rents that each tenant pays in accordance with the terms of each lease agreement and are reported on a straight-line basis over the initial term of the lease. As of September 30, 2019, these leases had an average remaining lease term of 8.0 years. Since many of the Company's leases provide for rental increases at specified intervals, straight-line basis accounting requires the Company to record a receivable for, and include in revenues, unbilled rent receivables that the Company will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease. For new leases after acquisition, the commencement date is considered to be the date the lease modification is executed. The Company defers the revenue related to lease payments received from tenants in advance of their due dates. When the Company acquires a property, the acquisition date is considered to be the commencement date for purposes of this calculation. In addition to base rent, the Company's lease agreements generally require tenants to pay or reimburse the Company for all property operating expenses, which primarily reflect insurance costs and real estate taxes incurred by the Company and subsequently reimbursed by the tenant. However, some limited property operating expenses that are not the responsibility of the tenant are absorbed by the Company. Under ASC 842, the Company has elected to report combined lease and non-lease components in a single line "Revenue from tenants." For comparative purposes, the Company has also elected to reflect prior revenue and reimbursements previously reported under ASC 840 on a single line as well. For expenses paid directly by the tenant, under both ASC 842 and 840, the Company has reflected them on a net basis.

The following tables present future base rent payments on a cash basis due to the Company over the periods indicated. These amounts exclude tenant reimbursements and contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to sales thresholds and increases in annual rent based on exceeding certain economic indexes among other items.

As of September 30, 2019:

(In thousands)	Future Base Rent Payments [(1)]
2019 (remainder)	$ 71,010
2020	285,409
2021	286,619
2022	277,834
2023	255,818
2024	213,361
Thereafter	788,523
	$ 2,178,574

(1) Assumes exchange rates of £1.00 to $1.23 for British Pounds Sterling ("GBP") and €1.00 to $1.09 for EUR as of September 30, 2019 for illustrative purposes, as applicable.

As of December 31, 2018:

(In thousands)	Future Base Rent Payments [(1)]
2019	$ 275,118
2020	278,651
2021	279,630
2022	270,569
2023	247,237
Thereafter	856,838
Total	$ 2,208,043

(1) Assumes exchange rates of £1.00 to $1.27 for GBP and €1.00 to $1.14 for EUR as of December 31, 2018 for illustrative purposes, as applicable.

The Company continually reviews receivables related to rent and unbilled rent receivables and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. Under the new leasing standard (see the "Recently Issued Accounting Pronouncements" section below), the Company is required to assess, based on credit risk only, if it is probable that it will collect virtually all of the lease payments at lease commencement date and it must continue to reassess collectability periodically thereafter based on new facts and circumstances affecting the credit risk of the tenant. Partial reserves, or the ability to assume partial recovery are no longer permitted. If the Company determines that it is probable it will collect virtually all of the lease payments (rent and common area maintenance), the lease will continue to be accounted for on an accrual basis (i.e. straight-line). However, if the Company determines it is not probable that it will collect virtually all of the lease payments, the lease will be accounted for on a cash basis and a full reserve would be recorded on previously accrued amounts in cases where it was subsequently concluded that collection was not probable. Cost recoveries from tenants are included in Revenue from tenants on the accompanying consolidated statements of operations in the period the related costs are incurred, as applicable.

Under ASC 842, uncollectible amounts are reflected as reductions in revenue. Under ASC 840, the Company recorded such amounts as bad debt expense as part of property operating expenses. During the nine-month period ended September 30, 2018, such amount was $0.2 million. The Company did not record any bad debt expense during the nine months ended September 30, 2019.

Income Taxes

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), beginning with the taxable year ended December 31, 2013. Commencing with such taxable year, the Company was organized to operate in such a manner as to qualify for taxation as a REIT under the Code and believes it has so qualified. The Company intends to continue to operate in such a manner to continue to qualify for taxation as a REIT, but no assurance can be given that it will operate in a manner so as to remain qualified as a REIT. As a REIT, the Company generally will not be subject to federal corporate income tax to the extent it distributes annually all of its REIT taxable income. REITs are subject to a number of other organizational and operational requirements.

The Company conducts business in various states and municipalities within the U.S. and Puerto Rico, the United Kingdom and Western Europe and, as a result, the Company or one of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and certain foreign jurisdictions. As a result, the Company may be subject to certain federal, state, local and foreign taxes on its income and assets, including alternative minimum taxes, taxes on any undistributed income and state, local or foreign income, franchise, property and transfer taxes. Any of these taxes decrease the Company's earnings and available cash. In addition, the Company's international assets and operations, including those owned through direct or indirect subsidiaries that are disregarded entities for U.S. federal income tax purposes, continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted.

Significant judgment is required in determining the Company's tax provision and in evaluating its tax positions. The Company establishes tax reserves based on a benefit recognition model, which the Company believes could result in a greater amount of benefit (and a lower amount of reserve) being initially recognized in certain circumstances. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50 percent likely of being ultimately realized upon settlement.

The Company derecognizes the tax position when the likelihood of the tax position being sustained is no longer more likely than not. The Company recognizes deferred income taxes in certain of its subsidiaries taxable in the U.S. or in foreign jurisdictions. Deferred income taxes are generally the result of temporary differences (items that are treated differently for tax purposes than for GAAP purposes). In addition, deferred tax assets arise from unutilized tax net operating losses, generated in prior years. The Company provides a valuation allowance against its deferred income tax assets when it believes that it is more likely than not that all or some portion of the deferred income tax asset may not be realized. Whenever a change in circumstances causes a change in the estimated realizability of the related deferred income tax asset, the resulting increase or decrease in the valuation allowance is included in deferred income tax expense (benefit).

The Company derives most of its REIT taxable income from its real estate operations in the U.S. and has historically distributed all of its REIT taxable income to its shareholders. As such, the Company's real estate operations are generally not subject to federal tax, and accordingly, no provision has been made for U.S. federal income taxes in the consolidated financial statements for these operations. These operations may be subject to certain state, local, and foreign taxes, as applicable. The Company's deferred tax assets and liabilities are primarily the result of temporary differences related to the following:

- Basis differences between tax and GAAP for certain international real estate investments. For income tax purposes, in certain acquisitions, the Company assumes the seller's basis, or the carry-over basis, in the acquired assets. The carry-over basis is typically lower than the purchase price, or the GAAP basis, resulting in a deferred tax liability with an offsetting increase to goodwill or the acquired tangible or intangible assets;

- Timing differences generated by differences in the GAAP basis and the tax basis of assets such as those related to capitalized acquisition costs and depreciation expense; and
- Tax net operating losses in certain subsidiaries, including those domiciled in foreign jurisdictions that may be realized in future periods if the respective subsidiary generates sufficient taxable income.

The Company recognizes current income tax expense for state and local income taxes and taxes incurred in its foreign jurisdictions. The Company's current income tax expense fluctuates from period to period based primarily on the timing of its taxable income.

Reportable Segments

The Company determined that it has one reportable segment, with activities related to investing in real estate. The Company's investments in real estate generate rental revenue and other income through the leasing of properties, which comprise 100% of total consolidated revenues. Management evaluates the operating performance of the Company's investments in real estate on an individual property level.

Equity-Based Compensation

The Company has a stock-based incentive award plan for its directors, and awards thereunder which are accounted for under the guidance for employee share based payments. The cost of services received in exchange for a stock award is measured at the grant date fair value of the award and the expense for such awards is included in equity-based compensation on consolidated statements of operations and is recognized over the vesting period or when the requirements for exercise of the award have been met (see *Note 12 — Equity-Based Compensation*).

Multi-Year Outperformance Agreements

Concurrent with the Listing and modifications to the Fourth Amended and Restated Advisory Agreement (the "Advisory Agreement") by and among the Company, the OP and the Advisor, the Company entered into a multi-year outperformance agreement with the Advisor in June 2015 (the "2015 OPP"). Following the end of the performance period under the 2015 OPP on June 2, 2018, the Company entered into a new multi-year outperformance agreement with the Advisor in July 2018 (the "2018 OPP") (see *Note 12 — Equity-Based Compensation)*. Under the 2015 OPP, the Company recorded equity-based compensation expense associated with the awards over the requisite service period on a graded basis. Under the 2018 OPP, effective June 2, 2018, the Company records equity-based compensation evenly over the requisite service period of approximately 2.8 years from the grant date. The equity-based compensation expense was adjusted each reporting period for changes in the estimated market-related performance. Under new accounting guidance adopted by the Company on January 1, 2019, total equity-based compensation expense calculated as of adoption of the new guidance will be fixed as of that date and will not be remeasured in subsequent periods. For additional information see *Recently Issued Accounting Pronouncements* section below.

Recently Issued Accounting Pronouncements

Adopted as of January 1, 2019:

ASU No. 2016-02 — Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02") which provides new guidance related to the accounting for leases, as well as the related disclosures. For lessors of real estate, leases are accounted for using an approach substantially the same as previous accounting guidance for operating leases and direct financing leases. For lessees, the new standard requires the application of a dual lease classification approach, classifying leases as either operating or finance leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. Lease expense for operating leases is recognized on a straight-line basis over the term of the lease, while lease expense for finance leases is recognized based on an effective interest method over the term of the lease. Also, lessees must recognize a right-of-use asset ("ROU") and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Further, certain transactions where at inception of the lease the buyer-lessor accounted for the transaction as a purchase of real estate and a new lease, may now be required to have symmetrical accounting to the seller-lessee if the transaction was not a qualified sale-leaseback and accounted for as a financing transaction.

Upon adoption, lessors were allowed a practical expedient, which the Company has elected, by class of underlying assets to account for lease and non-lease components (such as tenant reimbursements of property operating expenses) as a single lease component as an operating lease because (a) the non-lease components have the same timing and pattern of transfer as the associated lease component; and (b) the lease component, if accounted for separately, would be classified as an operating lease. Additionally, only incremental direct leasing costs may be capitalized under this new guidance, which is consistent with the Company's existing policies. Also, upon adoption, companies were allowed a practical expedient package, which the Company has elected, that allowed the Company: (a) to not reassess whether any expired or existing contracts entered into prior to January 1, 2019 are or contain leases; (b) to not reassess the lease classification for any expired or existing leases entered into prior to January 1, 2019 (including assessing sale-leaseback transactions); and (c) to not reassess initial direct costs for any expired or existing leases entered into prior to January 1, 2019. As a result, all of the Company's existing leases will continue to be classified as operating leases under the new standard. Further, any existing leases for which the property is leased to a tenant in a transaction that at inception was a sale-leaseback transaction will continue to be treated (absent a modification) as operating leases. The Company did not have any leases that would be considered financing leases as of January 1, 2019.

The Company assessed the impact of adoption from both a lessor and lessee perspective, which is discussed in more detail below, and adopted the new guidance prospectively on January 1, 2019, using a prospective transition approach under which the Company elected to apply the guidance effective January 1, 2019 and not adjust prior comparative reporting periods (except for the Company's presentation of lease revenue discussed below).

Lessor Accounting

As discussed above, the Company was not required to re-assess the classification of its leases, which are considered operating leases under ASU 2016-02. The following is a summary of the most significant impacts to the Company of the new accounting guidance, as lessor:

- Because the Company elected the practical expedient noted above to not separate non-lease component revenue from the associated lease component, the Company has aggregated revenue from its lease components and non-lease components (tenant operating expense reimbursements) into one line. The prior period has been conformed to this new presentation.
- Changes in the Company's assessment of receivables that result in bad debt expense is now required to be recorded as an adjustment to revenue, rather than a charge to bad debt expense. This new classification applies for the first quarter of 2019 and reclassification of prior period amounts is not permitted. At transition on January 1, 2019, after assessing its reserve balances at December 31, 2018 under the new guidance, the Company wrote off accounts receivable of $3.4 million, net of $2.2 million in bad debt reserves as an adjustment to the opening balance of accumulated deficit, and accordingly rent for these tenants is currently recorded on a cash basis.
- Indirect leasing costs in connection with new or extended tenant leases, if any, are being expensed. Under prior accounting guidance, the recognition would have been deferred.

Lessee Accounting

The Company is a lessee under ground leases for seven properties as of January 1, 2019. The following is a summary of the most significant impacts to the Company of the new accounting guidance, as lessee:

- Upon adoption of the new standard, the Company recorded ROU assets and lease liabilities equal to $24.0 million for the present value of the lease payments related to its ground leases. These amounts are included in prepaid expenses and other assets and accounts payable and accrued expenses on the consolidated balance sheet.
- The Company also reclassified $27.0 million, net related to amounts previously reported as above and below market ground lease intangibles to the ROU assets. For additional information and disclosures related to these operating leases, see *Note 9 — Commitments and Contingencies*.

Other Recently Issued Accounting Pronouncements

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815)*: (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Non-Controlling Interests with a Scope Exception guidance that changes the method to determine the classification of certain financial instruments with a down round feature as liabilities or equity instruments and clarify existing disclosure requirements for equity-classified instruments. A down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. As a result, a freestanding equity-linked financial instrument no longer would be accounted for as a derivative liability, rather, an entity that presents earnings per share is required to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features. The revised guidance is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2018. The revised guidance became effective for the Company effective January 1, 2019 and it did not have an impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 is effective for public business entities for fiscal years beginning after December 15, 2018. The Company adopted ASU 2017-12 on January 1, 2019 using a modified retrospective transition method, as required, and recognized the cumulative effect of the change on the opening balance of each affected component of equity as of the date of adoption. The opening balance sheet adjustment specifically related to the elimination of the requirement for separate measurement of hedge ineffectiveness and resulted in a credit, or decrease, to accumulated deficit of $0.3 million, with a corresponding debit, or decrease, to accumulated other comprehensive income.

In February 2018, the FASB issued ASU 2018-02, *Income Statement- Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.* The new guidance addresses the impact of Tax Cuts and Jobs Act signed into law on December 22, 2017, ("Tax Cuts and Jobs Act") on items within accumulated other comprehensive (loss) income ("AOCI") which do not reflect the appropriate tax rate. ASU 2018-02 allows the Company to retrospectively reclassify the income tax effects on items in AOCI to retained earnings for all periods in which the effect of the change in the U.S. federal corporate income tax rate was recognized. In addition, all companies are required to disclose whether the company has elected to reclassify the income tax effects of the Tax Cuts and Jobs Act to retained earnings and disclose information about any other income tax effects that are reclassified from AOCI by the Company. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Companies are required to apply the proposed amendments either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The revised guidance became effective for the Company effective January 1, 2019 and it did not have an impact on the Company's consolidated financial statements.

In July 2018, the FASB issued ASU 2018-07, *Compensation- Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07") as an amendment and update expanding the scope of Topic 718. The amendment specifies that Topic 718 now applies to all share-based payment transactions, even non-employee awards, in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. Under the new guidance, awards to nonemployees are measured on the grant date, rather than on the earlier of the performance commitment date or the date at which the nonemployee's performance is complete. Also, the awards would be measured by estimating the fair value of the equity instruments to be issued, rather than the fair value of the goods or services received or the fair value of the equity instruments issued, whichever can be measured more reliably. In addition, entities may use the expected term to measure nonemployee awards or elect to use the contractual term as the expected term, on an award-by-award basis. The new guidance is effective for the Company in annual periods beginning after December 15, 2018, and interim periods within those annual periods, with early adoption permitted. The Company adopted the new guidance on January 1, 2019 and began applying the new rules to its non-employee award made to the Advisor pursuant to the 2018 OPP. As a result, total equity-based compensation expense calculated as of adoption of the new guidance will be fixed as of that date and will not be remeasured in subsequent periods (unless modified). In addition, the expense is being recorded over the requisite service period of approximately 2.8 years from the grant date. See *Note 12 — Equity-Based Compensation* for additional information on the awards to the Advisor pursuant to the 2018 OPP and the 2015 OPP.

Pending Adoption as of September 30, 2019:

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes how entities measure credit losses for financial assets carried at amortized cost. The update eliminates the requirement that a credit loss must be probable before it can be recognized and instead requires an entity to recognize the current estimate of all expected credit losses. Additionally, the update requires credit losses on available-for-sale debt securities to be carried as an allowance rather than as a direct write-down of the asset. The amendments become effective for reporting periods beginning after December 15, 2019. On July 25, 2018, the FASB proposed an amendment to ASU 2016-13 to clarify that operating lease receivables recorded by lessors (including unbilled straight-line rent) are explicitly excluded from the scope of ASU 2016-13. Early adoption is permitted for reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of this new guidance.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of ASU 2018-13 is to improve the effectiveness of disclosures in the notes to the financial statements by removing, modifying, and adding certain fair value disclosure requirements to facilitate clear communication of the information required by generally accepted accounting principles. The amended guidance is effective for the Company beginning on January 1, 2020. The Company is currently evaluating the potential impact of this new guidance.

Note 3 — Real Estate Investments, Net

Property Acquisitions

The following table presents the allocation of the assets acquired and liabilities assumed during the nine months ended September 30, 2019 and 2018, and, in the case of assets located outside of the United States, based on the exchange rate at the time of purchase. All acquisitions in both periods were considered asset acquisitions for accounting purposes.

	Nine Months Ended September 30,	
(Dollar amounts in thousands)	2019	2018
Real estate investments, at cost:		
Land	$ 22,441	$ 24,269
Buildings, fixtures and improvements	243,545	205,990
Total tangible assets	265,986	230,259
Acquired intangible lease assets:		
In-place leases	44,256	42,031
Above-market lease assets	406	48
Below-market lease liabilities	(1,645)	(4,959)
Cash paid for acquired real estate investments	$ 309,003	$ 267,379
Number of properties purchased	20	17

Acquired Intangible Lease Assets

The Company allocates a portion of the fair value of real estate acquired to identified intangible assets and liabilities, consisting of the value of origination costs (tenant improvements, leasing commissions, and legal and marketing costs), the value of above-market and below-market leases, and the value of tenant relationships, if applicable, based in each case on their relative fair values. The Company periodically assesses whether there are any indicators that the value of the intangible assets may be impaired by performing a net present value analysis of future cash flows, discounted for the inherent risk associated with each investment. For the three and nine months ended September 30, 2019 and 2018, the Company did not record any impairment charges for the intangible assets associated with the Company's real estate investments.

Dispositions

When the Company sells a property, any gains or losses from the sale are reflected within Gain (loss) on dispositions of real estate investments in the consolidated statements of operations.

During the three months ended September 30, 2019, the Company sold 33 properties in the United States (32 Family Dollar retail stores and one industrial property) for a total contract sales price of $53.0 million, resulting in an aggregate gain of $7.0 million, which is reflected in gains on dispositions of real estate investments in the accompanying consolidated statements of operations for the three months ended September 30, 2019.

During the nine months ended September 30, 2019, the Company sold 97 properties located in the United States (94 Family Dollar retail stores and three industrial properties) and one property located in the United Kingdom for a total contract sales price of $145.8 million, resulting in an aggregate gain of $14.8 million, which is reflected in gains on dispositions of real estate investments in the accompanying consolidated statements of operations for the nine months ended September 30, 2019.

The Company sold one real estate asset during the three months ended September 30, 2018, located in Vandalia, Ohio for a total contract sales price of $5.0 million. Prior to the sale, the Company agreed to terminate the lease with the existing tenant and received a termination fee of $3.0 million in accordance with the terms of the lease, which is recorded in rental income in the accompanying consolidated statements of operations for the three months ended September 30, 2018. At closing, the Company paid approximately $3.0 million in excess of proceeds received for the repayment of mortgage debt and recorded a loss of $1.9 million, which is reflected in loss on dispositions on real estate investments in the accompanying consolidated statements of operations for the three months ended September 30, 2018.

In addition to the sale of the real estate asset located in Vandalia, Ohio, the Company sold one other real estate asset, located in San Jose, California, during the nine months ended September 30, 2018. This property was sold for a total contract sales price of $20.3 million, resulting in net proceeds of $1.3 million after repayment of mortgage debt and a loss of $3.8 million, which is reflected in loss on dispositions of real estate investments in the accompanying consolidated statements of operations for the nine months ended September 30, 2018.

Impairment Charges

In November 2019, the Company sold two properties in the Netherlands (see *Note 14 — Subsequent Events*). As of September 30, 2019 the Company concluded that the estimated future undiscounted cash flows associated with these two properties did not exceed their respective carrying values, and as a result, recorded an impairment charge of $6.4 million to reflect the estimated fair value of the properties.

Assets Held for Sale

When assets are identified by management as held for sale, the Company stops recognizing depreciation and amortization expense on the identified assets and estimates the sales price, net of costs to sell, of those assets. If the carrying amount of the assets classified as held for sale exceeds the estimated net sales price, the Company records an impairment charge equal to the amount by which the carrying amount of the assets exceeds the Company's estimate of the net sales price of the assets.

As of September 30, 2019 and December 31, 2018, the Company had three properties which were not considered discontinued operations and therefore are recorded and classified as held for sale. Accordingly, the operating results of these properties remain classified within continuing operations for all periods presented.

Significant Tenants

There were no tenants whose annualized rental income on a straight-line basis represented 10.0% or greater of consolidated annualized rental income on a straight-line basis for all properties as of September 30, 2019 and December 31, 2018. The termination, delinquency or non-renewal of leases by any major tenant may have a material adverse effect on revenues.

Geographic Concentration

The following table lists the countries and U.S. states where the Company has concentrations of properties where annualized rental income on a straight-line basis represented greater than 10.0% of consolidated annualized rental income on a straight-line basis as of September 30, 2019 and December 31, 2018.

Country / U.S. State	**September 30, 2019**	**December 31, 2018**
United States	59.0%	55.7%
Michigan	13.9%	13.7%
United Kingdom	17.5%	19.0%

Note 4 —Mortgage Notes Payable, Net

Mortgage notes payable, net as of September 30, 2019 and December 31, 2018 consisted of the following:

Country	Portfolio	Encumbered Properties	Outstanding Loan Amount [1] September 30, 2019	Outstanding Loan Amount [1] December 31, 2018	Effective Interest Rate		Interest Rate	Maturity
			(In thousands)	(In thousands)				
Finland:	Finnair [8]	—	$ —	$ 32,501	—%		—	—
	Tokmanni [8]	—	—	33,159	—%		—	—
	Finland	5	80,785	—	1.7%	[2]	Fixed/Variable	Feb. 2024
France:	Auchan	1	9,061	9,498	1.7%	[3]	Fixed	Dec. 2019
	Pole Emploi	1	6,332	6,637	1.7%	[3]	Fixed	Dec. 2019
	Sagemcom	1	39,192	41,083	1.7%	[3]	Fixed	Dec. 2019
	Worldline	1	5,458	5,722	1.9%	[3]	Fixed	Jul. 2020
	DCNS	1	10,371	10,872	1.5%	[3]	Fixed	Dec. 2020
	ID Logistics II	2	11,463	12,016	1.3%		Fixed	Jun. 2021
Germany	Rheinmetall [9][10]	—	—	12,130	—%		—	—
	OBI DIY [9][10]	—	—	5,150	—%		—	—
	RWE AG	3	68,231	71,524	1.6%	[3]	Fixed	Oct. 2019 [14]
	Rexam [11]	—	—	5,876	—%		—	—
	Metro Tonic [11]	—	—	30,326	—%		—	—
	ID Logistics I [11]	—	—	4,578	—%		—	—
	Germany	5	56,222	—	2.0%	[13]	Fixed/Variable	Jun. 2023
Luxembourg:	DB Luxembourg [12]	—	—	41,198	—%		—	—
The Netherlands:	ING Amsterdam [12]	—	—	50,353	—%		—	—
Luxembourg/ The Netherlands	Benelux	3	131,004	—	1.4%		Fixed	Jun. 2024
	Total EUR denominated	23	418,119	372,623				
United Kingdom:	UK Multi-Property Cross Collateralized Loan	42	274,512	292,890	3.2%	[4]	Fixed/Variable	Aug. 2023
	Total GBP denominated	42	274,512	292,890				
United States:	Quest Diagnostics [5]	—	—	52,800	—%		—	—
	AT&T Services [5]	—	—	33,550	—%		—	—
	Penske Logistics [6]	1	70,000	70,000	4.7%		Fixed	Nov. 2028
	Multi-Tenant Mortgage Loan I [6]	12	187,000	187,000	4.4%		Fixed	Nov. 2027
	Multi-Tenant Mortgage Loan II	8	32,750	32,750	4.4%		Fixed	Feb. 2028
	Multi-Tenant Mortgage Loan III	7	98,500	98,500	4.9%		Fixed	Dec. 2028
	Multi-Tenant Mortgage Loan IV	16	97,500	—	4.6%		Fixed	May 2029
	Multi-Tenant Mortgage Loan V	12	204,000	—	3.7%		Fixed	Oct. 2029
	Total USD denominated	56	689,750	474,600				
	Gross mortgage notes payable	121	1,382,381	1,140,113	3.3%			
	Mortgage discount		(53)	(569)				
	Deferred financing costs, net of accumulated amortization [7]		(15,510)	(9,737)				

Mortgage notes payable, net	121	$ 1,366,818	$ 1,129,807	3.3%

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(1) Amounts borrowed in local currency and translated at the spot rate in effect at the applicable reporting date.

(2) 80% fixed as a result of a "pay-fixed" interest rate swap agreement and 20% variable. Variable portion is approximately 1.4% plus 3-month Euribor. Euribor rate in effect as of September 30, 2019.

(3) Fixed as a result of a "pay-fixed" interest rate swap agreement.

(4) 80% fixed as a result of a "pay-fixed" interest rate swap agreement and 20% variable. Variable portion is approximately 2.0% plus 3-month GBP LIBOR. LIBOR rate in effect as of September 30, 2019.

(5) This loan was refinanced in September 2019 as part of the Multi-Tenant Mortgage Loan V.

(6) The borrower's (wholly owned subsidiaries of the Company) financial statements are included within the Company's consolidated financial statements, however, the borrowers' assets and credit are only available to pay the debts of the borrowers and their liabilities constitute obligations of the borrowers.

(7) Deferred financing costs represent commitment fees, legal fees, and other costs associated with obtaining commitments for financing. These costs are amortized over the terms of the respective financing agreements using the effective interest method. Unamortized deferred financing costs are expensed when the associated debt is refinanced or paid down before maturity. Costs incurred in seeking financial transactions that do not close are expensed in the period in which it is determined that the financing will not close.

(8) These loans were refinanced in February 2019 as part of the Finland Refinancing (see below for further details).

(9) These loans were repaid in full upon maturity in January 2019.

(10) These loans were refinanced in May 2019 as part of the German Refinancing (see below for further details).

(11) These loans were refinanced in May 2019 as part of the German Refinancing (see below for further details).

(12) These loans were refinanced in June 2019 as part of the Benelux Refinancing (see below for further details).

(13) The loan initially bore interest at a rate of 3-month Euribor plus 1.80% per annum, but, following the replacement of an easement on one property, the loan will bear interest going forward at a rate of Euribor plus 1.55% per annum beginning on October 1, 2019. 80% fixed as a result of a "pay-fixed" interest rate swap agreement and 20% variable.

(14) The Company was under contract to sell these three properties in Germany as of September 30, 2019. This mortgage loan was originally scheduled to mature in October 2019. However, during October 2019 the Company negotiated an extension of the maturity date to December 2019, to coincide with the expected closing date of the three mortgaged properties.

The following table presents future scheduled aggregate principal payments on the Company's gross mortgage notes payable over the next five calendar years and thereafter as of September 30, 2019:

(In thousands)	Future Principal Payments [(1)]
2019 (remainder)	$ 122,816
2020	18,342
2021	23,762
2022	19,046
2023	296,877
2024	211,789
Thereafter	689,749
Total	$ 1,382,381

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(1) Assumes exchange rates of £1.00 to $1.23 for GBP and €1.00 to $1.09 for EUR as of September 30, 2019 for illustrative purposes, as applicable.

The Company's mortgage notes payable agreements require compliance with certain property-level financial covenants including debt service coverage ratios. As of September 30, 2019, the Company was in compliance with all financial covenants under its mortgage notes payable agreements.

The total gross carrying value of unencumbered assets as of September 30, 2019 was $1.1 billion, of which approximately $1.0 billion was included in the unencumbered asset pool comprising the borrowing base under the Revolving Credit Facility (as defined in *Note 5* — *Credit Facilities*) and therefore is not available to serve as collateral for future borrowings.

Multi-Tenant Mortgage Loan V

On September 12, 2019, the Company, through certain wholly owned subsidiaries, borrowed $204.0 million from KeyBank National Association ("KeyBank") secured by a first mortgage on 12 of the Company's single tenant net leased office and industrial properties located in ten states. Approximately $86.5 million of the net proceeds from the loan was used to repay outstanding mortgage indebtedness related to the mortgaged properties. Of the remaining net proceeds, approximately $0.3 million was used to fund deposits required to be made at closing into reserve accounts and approximately $126.5 million was available for working capital and general corporate purposes.The loan bears interest at a fixed rate of 3.65% and matures on October 1, 2029. The loan is interest-only, with the principal balance due on the maturity date. From and after November 2, 2021, the loan may be prepaid at any time, in whole but not in part, subject to certain conditions and limitations, including payment of a prepayment premium

for any prepayments made prior to July 1, 2029. Partial prepayments are also permitted under certain circumstances, subject to certain conditions and limitations.

Benelux Refinancing

On June 12, 2019, the Company, through certain wholly owned subsidiaries, borrowed €120.0 million from Landesbank Hessen-Thüringen Girozentrale, secured by three of the Company's properties located in the Netherlands and Luxembourg. The loan bears interest at a fixed rate of 1.383% and matures on June 11, 2024. The loan is interest-only, with the principal due at maturity. At the closing of the loan, approximately €80.3 million of the net proceeds was used to repay all outstanding indebtedness encumbering two of the properties.

German Refinancing

On May 10, 2019, the Company, through certain wholly owned subsidiaries, borrowed €51.5 million from Landesbank Hessen-Thüringen Girozentrale, secured by five of the Company's properties located in Germany. The loan is interest-only with the principal due at maturity, which is June 30, 2023. The maturity date may be extended at the Company's option to February 29, 2024 subject to conditions. The loan initially bore interest at a rate of 3-month Euribor plus 1.80% per annum, but, following the replacement of an easement on one property, the loan will bear interest going forward at a rate of Euribor plus 1.55% per annum beginning on October 1, 2019. The Company also entered into a swap to fix the interest rate for 80% of the principal amount. The net proceeds from the loan were used to repay all €35.6 million outstanding in mortgage indebtedness that previously encumbered three of the properties that secure the loan.

Multi-Tenant Mortgage Loan IV

On April 12, 2019, the Company, through certain wholly owned subsidiaries, borrowed $97.5 million from Column Financial, Inc. and Société Générale Financial Corporation, secured by 16 of the Company's single tenant net leased office and industrial properties located in 12 states that were simultaneously removed from the borrowing base under the Revolving Credit Facility. At closing, approximately $90.0 million was used to repay outstanding indebtedness under the Revolving Credit Facility, with the remaining proceeds, after costs and fees related to the loan, available for working capital and general corporate purposes. The loan bears interest at a fixed rate of 4.489% and has a maturity date of May 6, 2029. The loan is interest-only, with the principal balance due on the maturity date. The Company may prepay the loan in whole or in part at any time, subject to certain fees and any unpaid interest depending on the timing and other circumstances of the prepayment.

Finland Refinancing

On February 6, 2019, the Company, through certain wholly owned subsidiaries, borrowed an aggregate of €74.0 million ($84.2 million based on the prevailing exchange rate on that date) secured by mortgages on the Company's five properties located in Finland. The maturity date of this loan is February 1, 2024, and it bears interest at a rate of 3-month Euribor plus 1.4% per year, with the interest rate for approximately €59.2 million ($67.4 million based on the prevailing exchange rate on that date) fixed by an interest rate swap agreement. The amount fixed by swap agreement represents 80% of the principal amount of the loan and is fixed at 1.8% per year. The loan is interest-only with the principal due at maturity. At the closing of the loan, €57.4 million ($65.3 million based on the prevailing exchange rate on that date) was used to repay all outstanding indebtedness encumbering the five properties, with the remaining proceeds, after costs and fees related to the loan, available for working capital and general corporate purposes.

Multi-Tenant Mortgage Loan II

On January 26, 2018, the Company, through certain wholly owned subsidiaries, borrowed $32.8 million. The loan bears interest at a fixed interest rate of 4.32% per annum and matures in February 2028. The loan is interest only with the principal due at maturity and is secured by eight properties in six states, totaling approximately 627,500 square feet. Proceeds were primarily used to repay approximately $30.0 million of outstanding indebtedness under the Revolving Credit Facility.

Note 5 — Credit Facilities

The table below details the outstanding balances as of September 30, 2019 and December 31, 2018 under the credit agreement with KeyBank National Association ("KeyBank"), as agent, and the other lender parties thereto, which provides for a $835.0 million senior unsecured multi-currency revolving credit facility (the "Revolving Credit Facility") and a €359.6 million ($392.5 million based on the prevailing exchange rate as of September 30, 2019) senior unsecured term loan facility (the "Term Loan" and, together with the Revolving Credit Facility, the "Credit Facility"). On August 1, 2019, the Company, through the OP, entered into an amendment and restatement of the credit agreement related to the Credit Facility (the "Credit Facility Amendment") to, among other things, increase the aggregate total commitments, lower the interest rate and revise certain covenants.

	September 30, 2019				December 31, 2018			
(In thousands)	**TOTAL USD** [1]	**USD**	**GBP**	**EUR**	**TOTAL USD** [2]	**USD**	**GBP**	**EUR**
Revolving Credit Facility	$ 101,405	$ 52,211	£ 40,000	€ —	$ 363,894	$ 278,625	£ 40,000	€ 30,000
Term Loan	392,519	—	—	359,551	282,069	—	—	246,481
Deferred financing costs	(2,634)	—	—	—	(3,342)	—	—	—
Term Loan, Net	389,885	—	—	359,551	278,727	—	—	246,481
Total Credit Facility	$ 491,290	$ 52,211	£ 40,000	€ 359,551	$ 642,621	$ 278,625	£ 40,000	€ 276,481

(1) Assumes exchange rates of £1.00 to $1.23 for GBP and €1.00 to $1.09 for EUR as of September 30, 2019 for illustrative purposes, as applicable.
(2) Assumes exchange rates of £1.00 to $1.27 for GBP and €1.00 to $1.14 for EUR as of December 31, 2018 for illustrative purposes, as applicable.

Credit Facility - Terms

On July 24, 2017, the Company, through the OP, entered into a credit agreement with KeyBank. Based on USD equivalents at the closing, on July 24, 2017, the aggregate total commitments under the Credit Facility were $725.0 million. On July 2, 2018, upon the Company's request, the lenders under the Credit Facility increased the aggregate total commitments from $722.2 million to $914.4 million, based on prevailing exchange rates on that date, with approximately $132.0 million of the increase allocated to the Revolving Credit Facility and approximately €51.8 million ($60.2 million based on the prevailing exchange rate on that date) allocated to the Term Loan. The Company used all the proceeds from the increased borrowings under the Term Loan to repay amounts outstanding under the Revolving Credit Facility. Under the Credit Facility Amendment, the aggregate total commitments under the Credit Facility were increased to $1.235 billion, based on the USD equivalent on August 1, 2019, the date of the closing.

Prior to the Credit Facility Amendment, upon the Company's request, subject in all respects to the consent of the lenders in their sole discretion, the aggregate total commitments under the Credit Facility could have been increased up to an aggregate additional amount of $35.6 million, allocated to either or both portions of the Credit Facility, with total commitments under the Credit Facility not to exceed $950.0 million. Following the Credit Facility Amendment, upon the Company's request, subject in all respects to the consent of the lenders in their sole discretion, these aggregate total commitments may be increased up to an aggregate additional amount of approximately $515.0 million, allocated to either or among both components of the Credit Facility, with total commitments under the Credit Facility not to exceed $1.75 billion, increased from the previous maximum of $950.0 million.

The Credit Facility consists of two components, a Revolving Credit Facility and a Term Loan, both of which are interest-only. Prior to the Credit Facility Amendment, the Revolving Credit Facility was scheduled to mature on July 24, 2021, subject to one one-year extension at the Company's option, and the Term Loan was scheduled to mature on July 24, 2022. Following the Credit Facility Amendment, the Revolving Credit Facility matures on August 1, 2023, subject to two six-month extensions at the Company's option, and the Term Loan matures on August 1, 2024. Borrowings under the Credit Facility bear interest at a variable rate per annum based on an applicable margin that varies based on the ratio of consolidated total indebtedness and the consolidated total asset value of the Company and its subsidiaries plus either (i) LIBOR, as applicable to the currency being borrowed, or (ii) a "base rate" equal to the greatest of (a) KeyBank's "prime rate," (b) 0.5% above the Federal Funds Effective Rate, or (c) 1.0% above one-month LIBOR. Prior to the Credit Facility Amendment, the range of applicable interest rate margins was from 0.60% to 1.20% per annum with respect to base rate borrowings and 1.60% to 2.20% per annum with respect to LIBOR borrowings. Following the Credit Facility Amendment, the applicable interest rate margin is based on a range from 0.45% to 1.05% per annum with respect to base rate borrowings under the Revolving Credit Facility, 1.45% to 2.05% per annum with respect to LIBOR borrowings under the Revolving Credit Facility, 0.40% to 1.00% per annum with respect to base rate borrowings under the Term Loan and 1.40% to 2.00% per annum with respect to LIBOR borrowings under the Term Loan. The Credit Facility Amendment also added terms governing the establishment of a replacement index to serve as an alternative to LIBOR, if necessary. As of September 30, 2019, the Credit Facility had a weighted-average effective interest rate of 2.2% after giving effect to interest rate swaps in place.

The Credit Facility requires the Company through the OP to pay an unused fee per annum of 0.25% of the unused balance of the Revolving Credit Facility if the unused balance exceeds or is equal to 50% of the total commitment or a fee per annum of 0.15% of the unused balance of the Revolving Credit Facility if the unused balance is less than 50% of the total commitment. From and after the time the Company obtains an investment grade credit rating, the unused fee will be replaced with a facility fee based on the total commitment under the Revolving Credit Facility multiplied by 0.30%, decreasing as the Company's credit rating increases.

The availability of borrowings under the Revolving Credit Facility is based on the value of a pool of eligible unencumbered real estate assets owned by the Company and compliance with various ratios related to those assets, and the Credit Facility Amendment also included amendments to provisions governing the calculation of the value of the borrowing base. As of September 30, 2019, the Company had an outstanding balance of $101.4 million under the Revolving Credit Facility, with approximately $101.2 million available for future borrowings, and an outstanding balance of $389.9 million under the Term Loan, net of deferred financing costs. Any future borrowings under the Revolving Credit Facility may, at the option of the Company, be denominated in USD, EUR, Canadian Dollars, GBP or Swiss Francs. The Term Loan is denominated in EUR. Amounts borrowed may not, however, be converted to, or repaid in, another currency once borrowed. As of June 30, 2019, the Company had an outstanding balance of $259.5 million under the Revolving Credit Facility and an outstanding balance of $277.4 million under the Term Loan, net of deferred financing costs. Following the closing of the Credit Facility Amendment, the entire €359.6 million ($400.0 million based on USD equivalents) total commitment with the respect to the Term Loan component was outstanding, and $170.7 million of the $835.0 million total commitment with the respect to the Revolving Credit Facility component was outstanding. Based on USD equivalents, this represented an increase of $39.4 million in the aggregate amount outstanding under the Credit Facility. Additionally, during the third quarter of 2019, the Company repaid an additional $70.0 million outstanding under the Revolving Credit Facility. In April 2019, the Company, through certain wholly owned subsidiaries, entered into a new loan agreement with Column Financial, Inc. and Société Générale Financial Corporation secured by 16 of the Company's single tenant net leased office and industrial properties located in 12 states that were simultaneously removed from the borrowing base under the Revolving Credit Facility. For additional information, see Note 4 — *Mortgage Notes Payable, net.*

The Company, through the OP, may reduce the amount committed under the Revolving Credit Facility and repay outstanding borrowings under the Credit Facility, in whole or in part, at any time without premium or penalty, other than customary "breakage" costs payable on LIBOR borrowings. In the event of a default, the lenders have the right to terminate their obligations under the Credit Facility agreement and to accelerate the payment on any unpaid principal amount of all outstanding loans. The Credit Facility also imposes certain affirmative and negative covenants on the OP, the Company and certain of its subsidiaries including restrictive covenants with respect to, among other things, liens, indebtedness, investments, distributions (see additional information below), mergers and asset sales, as well as financial covenants requiring the OP to maintain, among other things, ratios related to leverage, secured leverage, fixed charge coverage and unencumbered debt services, as well as a minimum consolidated tangible net worth.

The Credit Facility Amendment also revised certain affirmative and negative covenants on the OP, the Company and certain of its subsidiaries including financial covenants and the covenant restricting the payment of distributions. The revisions to the restrictive covenants with respect to distributions increased the maximum amount the Company may use to pay cash distributions. Under the terms of the Credit Facility, the Company may not pay distributions, including cash dividends payable with respect to Common Stock, Series A Preferred Stock, or any other classes or series of preferred stock that the Company may issue in a future offering, or redeem or otherwise repurchase shares of the Company's capital stock, Common Stock, Series A Preferred Stock, or any other classes or series of preferred stock the Company may issue in a future offering, based on a threshold level of the Company's Adjusted FFO, as defined in the Credit Facility. Pursuant to the Credit Facility Amendment, this maximum threshold was increased from 95% to 100% of the Company's Adjusted FFO for any period of four consecutive fiscal quarters, except in limited circumstances, including that for one fiscal quarter in each calendar year, the Company may pay cash distributions, make redemptions and make repurchases in an aggregate amount equal to no more than 100% of its Adjusted FFO prior to the Credit Facility Amendment and 105% of Adjusted AFFO after the Credit Facility Amendment. Following the Credit Facility Amendment, from and after the time the Company obtains and continues to maintain an investment grade rating, the limitation on distributions discussed above will not be applicable. The Company used the exception to pay dividends that were between 95% of Adjusted FFO to 100% of Adjusted FFO during the quarter ended on March 31, 2019.

The Company's ability to comply with the restrictions on the payment of distributions in the Credit Facility depends on its ability to generate sufficient cash flows from its existing properties and through acquisitions or otherwise such that its cash flows in the applicable periods exceed the level of Adjusted FFO required by these restrictions. Among other things, there can be no assurance the Company will complete acquisitions and other investments on a timely basis or on acceptable terms and conditions, if at all. If the Company is not able to increase the amount of cash it has available to pay dividends, including through additional cash flows the Company expects to generate from completing acquisitions, the Company may have to reduce dividend payments or identify other financing sources to fund the payment of dividends at their current levels. Alternatively, the Company could elect to pay a portion of its dividends in shares if approved by the Company’s board of directors.

The Company and certain of its subsidiaries have guaranteed the OP’s obligations under the Credit Facility pursuant to a guarantee and a related contribution agreement which governs contribution rights of the guarantors in the event any amounts become payable under the guaranty.

Note 6 — 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 and those inputs are significant.

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. As of September 30, 2019 and December 31, 2018, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company’s derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The valuation of derivative instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and implied volatilities. In addition, credit valuation adjustments are incorporated into the fair values to account for the Company’s potential nonperformance risk and the performance risk of the counterparties.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents information about the Company's assets and liabilities (including derivatives that are presented net) measured at fair value on a recurring basis as of September 30, 2019 and December 31, 2018, aggregated by the level in the fair value hierarchy within which those instruments fall.

(In thousands)	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
September 30, 2019				
Foreign currency forwards, net (GBP & EUR)	$ —	$ 7,332	$ —	$ 7,332
Interest rate swaps, net (USD,GBP & EUR)	$ —	$ (10,497)	$ —	$ (10,497)
December 31, 2018				
Foreign currency forwards, net (GBP & EUR)	$ —	$ 5,472	$ —	$ 5,472
Interest rate swaps, net (USD,GBP & EUR)	$ —	$ (628)	$ —	$ (628)
2018 OPP [1]	$ —	$ —	$ (18,804)	$ (18,804)

[1] Effective with the adoption of ASU 2018-07 on January 1, 2019, the 2018 OPP is no longer measured at fair market value on a recurring basis (see Note 2 — *Summary of Significant Accounting Policies — Recently Issued Accounting Pronouncements* and see Note 12 — *Equity-Based Compensation* for additional information).

The valuation of the 2018 OPP was determined using a Monte Carlo simulation. This analysis reflected the contractual terms of the 2018 OPP, including the performance periods and total return hurdles, as well as observable market-based inputs, including interest rate curves, and unobservable inputs, such as expected volatility. As a result, the Company determined that the 2018 OPP valuation in its entirety was classified in Level 3 of the fair value hierarchy as of December 31, 2018.

A review of the fair value hierarchy classification is conducted on a quarterly basis. Changes in the type of inputs may result in a reclassification for certain assets. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the nine months ended September 30, 2019.

Level 3 Valuations

As discussed above, the 2018 OPP is no longer measured at fair value on a recurring basis and in accordance with newly adopted accounting rules is being amortized on a straight-line basis beginning on January 1, 2019 (see Note 2 — *Summary of Significant Accounting Policies — Recently Issued Accounting Pronouncements* and see Note 12 — *Equity-Based Compensation for additional information).*

Financial Instruments not Measured at Fair Value on a Recurring Basis

The Company is required to disclose the fair value of financial instruments for which it is practicable to estimate value. The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, due to/from related parties, prepaid expenses and other assets, accounts payable, deferred rent and dividends payable approximate their carrying value on the consolidated balance sheets due to their short-term nature. The fair values of the Company's remaining financial instruments that are not reported at fair value on the consolidated balance sheets are reported below.

		September 30, 2019		December 31, 2018	
(In thousands)	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage notes payable [1] [2]	3	$ 1,366,818	$ 1,439,910	$ 1,129,807	$ 1,157,710
Revolving Credit Facility [3]	3	$ 101,405	$ 101,437	$ 363,894	$ 365,591
Term Loan [3] [4]	3	$ 389,885	$ 396,867	$ 278,727	$ 283,558

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[1] Carrying value includes $1.4 billion gross mortgage notes payable less $0.1 million of mortgage discounts and $15.5 million of deferred financing costs as of September 30, 2019.

[2] Carrying value includes $1.1 billion gross mortgage notes payable less $0.6 million of mortgage discounts and $9.7 million of deferred financing costs as of December 31, 2018.

[3] Both the Revolving Credit Facility and the Term Loan are part of the Credit Facility (*see* Note 5 — *Credit Facilities* for more information).

(4) Carrying value includes $392.5 million and $282.1 million gross Term Loan payable less $2.6 million and $3.3 million of deferred financing costs as of September 30, 2019 and December 31, 2018, respectively.

The fair value of the gross mortgage notes payable, the Revolving Credit Facility and the Term Loan are estimated using a discounted cash flow analysis, based on the Advisor’s experience with similar types of borrowing arrangements.

Note 7 — Derivatives 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. Certain of the Company’s foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of the Company’s cash receipts and payments in terms of the Company’s functional currency. The Company enters into derivative financial instruments to protect the value or fix the amount of certain obligations in terms of its functional currency, the USD.

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 and currency risk management. The use of derivative financial instruments carries certain risks, including the risk that any counterparty to a contractual arrangement may not be able to perform under the agreement. To mitigate this risk, the Company only enters into a derivative financial instrument with a counterparty with a high credit rating with a major financial institution which the Company and its affiliates may also have other financial relationships with. The Company does not anticipate that any such counterparty will fail to meet its obligations.

The table below presents the fair value of the Company’s derivative financial instruments as well as their classification on the consolidated balance sheets as of September 30, 2019 and December 31, 2018:

(In thousands)	**Balance Sheet Location**	**September 30, 2019**	**December 31, 2018**
Derivatives designated as hedging instruments:			
Interest rate “pay-fixed” swaps (USD)	Derivative (liabilities) assets, at fair value	$ (1,516)	$ 3,258
Interest rate “pay-fixed” swaps (GBP)	Derivative liabilities, at fair value	(6,503)	(1,157)
Interest rate “pay-fixed” swaps (EUR)	Derivative liabilities, at fair value	(2,373)	(1,443)
Total		$ (10,392)	$ 658
Derivatives not designated as hedging instruments:			
Foreign currency forwards (GBP-USD)	Derivative assets, at fair value	$ 3,846	$ 3,247
Foreign currency forwards (GBP-USD)	Derivative liabilities, at fair value	(141)	—
Foreign currency forwards (EUR-USD)	Derivative assets, at fair value	3,627	2,225
Interest rate swaps (EUR)	Derivative liabilities, at fair value	(105)	(1,286)
Total		$ 7,227	$ 4,186

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. 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.

Effective January 1, 2019, all of the changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) and are subsequently reclassified into earnings in the period that the hedged forecasted transaction impacts earnings. Prior to January 1, 2019, the ineffective portion of the change in fair value of the derivatives was recognized directly in earnings. During the three and nine months ended September 30, 2019, such derivatives were used to hedge the variable cash flows associated with variable-rate debt.

Additionally, during the three and nine months ended September 30, 2019 and 2018, the Company accelerated the reclassification of amounts in other comprehensive income to earnings as a result of the hedged forecasted transactions becoming probable not to occur. During the three and nine months ended September 30, 2019, the accelerated amounts were losses of $0.1 million and $0.1 million, respectively. During the three and nine months ended September 30, 2018, the accelerated amounts were losses of $90,899 and $0.1 million, respectively. 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 12 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 September 30, 2019 and December 31, 2018, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

	September 30, 2019		December 31, 2018	
Derivatives	Number of Instruments	Notional Amount	Number of Instruments	Notional Amount
		(In thousands)		*(In thousands)*
Interest rate "pay-fixed" swaps (GBP)	49	$ 271,387	48	$ 234,312
Interest rate "pay-fixed" swaps (EUR)	22	630,399	13	212,255
Interest rate "pay-fixed" swaps (USD)	3	150,000	3	150,000
Total	74	$ 1,051,786	64	$ 596,567

In connection with a multi-property loan which refinanced all of the Company's mortgage notes payable secured by its properties located in Finland during the first quarter of 2019, the Company terminated five interest rate swaps with an aggregate notional amount of €57.4 million for a payment of approximately $0.8 million. Following these terminations, $0.7 million was recorded in AOCI and is being recorded as an adjustment to interest expense over the term of the original EUR hedges and respective borrowings. Of the amount recorded in AOCI following these terminations, $0.1 million was recorded as an increase to interest expense for the nine months ended September 30, 2019 and approximately $0.4 million remained in AOCI as of September 30, 2019.

In connection with a multi-property loan which refinanced all of the Company's mortgage notes payable denominated in GBP, during the third quarter of 2018, the Company terminated 15 interest rate swaps with an aggregate notional amount of £208.8 million and one floor with a notional amount of £28.1 million. Following these terminations, the amount relating to GBP borrowings still outstanding of approximately $1.2 million was recorded in AOCI and is being recorded as an adjustment to interest expense over the term of the original GBP hedges and respective borrowings. Of the amount recorded in AOCI following these terminations, $0.1 million was recorded as an increase to interest expense for the nine months ended September 30, 2019 and approximately $0.3 million remained in AOCI as of September 30, 2019.

The table below details the location in the consolidated financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for the three months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2019**	**2018**	**2019**	**2018**
Amount of (loss) gain recognized in accumulated other comprehensive income (loss) from derivatives	$ (4,139)	$ 2,018	$ (13,250)	$ 8,656
Amount of loss reclassified from accumulated other comprehensive income (loss) into income as interest expense	$ (660)	$ (755)	$ (1,640)	$ (3,090)
Amount of loss recognized in income on derivative instruments (ineffective portion, reclassifications of missed forecasted transactions and amounts excluded from effectiveness testing)	$ —	$ 16	$ —	$ (96)
Total interest expense recorded in the consolidated statement of operations	$ 16,154	$ 15,104	$ 47,005	$ 42,494

Net Investment Hedges

The Company is exposed to fluctuations in foreign currency exchange rates on property investments in foreign countries which pay rental income, incur property related expenses and hold debt instruments in currencies other than its functional currency, the USD. Through the third quarter of 2018, the Company used foreign currency derivatives including cross currency swaps to hedge its exposure to changes in foreign exchange rates on certain of its foreign investments. Cross currency swaps involve fixing the applicable exchange rate for delivery of a specified amount of foreign currency on specified dates.

Effective January 1, 2019, for derivatives designated as net investment hedges, all of the changes in the fair value of the derivatives are reported in AOCI (outside of earnings) as part of the cumulative translation adjustment. Prior to January 1, 2019, the ineffective portion of the change in fair value of the derivatives, if any, was recognized directly in earnings. Amounts are reclassified out of AOCI into earnings when the hedged net investment is either sold or substantially liquidated.

As of September 30, 2019 and December 31, 2018 the Company did not have foreign currency derivatives that were designated as net investment hedges used to hedge its net investments in foreign operation.

Non-designated Derivatives

The Company is exposed to fluctuations in the exchange rates of its functional currency, the USD, against the GBP and the EUR. The Company uses foreign currency derivatives, including options, currency forward and cross currency swap agreements to manage its exposure to fluctuations in GBP-USD and EUR-USD exchange rates. While these derivatives are economically hedging the fluctuations in foreign currencies, they do not meet the strict hedge accounting requirements to be classified as hedging instruments. Changes in the fair value of derivatives not designated as hedges under qualifying hedging relationships are recorded directly in net income (loss). The Company recorded gains of $3.1 million and $4.8 million for the three and nine months ended September 30, 2019, respectively. The Company recorded gains of $1.4 million and $4.8 million for the three and nine months ended September 30, 2018, respectively.

As of September 30, 2019 and December 31, 2018, the Company had the following outstanding derivatives that were not designated as hedges under qualifying hedging relationships.

	September 30, 2019		December 31, 2018	
Derivatives	Number of Instruments	Notional Amount	Number of Instruments	Notional Amount
		(In thousands)		(In thousands)
Foreign currency forwards (GBP-USD)	45	$ 44,275	50	$ 43,000
Foreign currency forwards (EUR-USD)	36	32,478	38	39,500
Interest rate swaps (EUR)	1	10,371	5	138,625
Total	82	$ 87,124	93	$ 221,125

Offsetting Derivatives

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of September 30, 2019 and December 31, 2018. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the accompanying consolidated balance sheets.

					Gross Amounts Not Offset on the Balance Sheet		
(In thousands)	Gross Amounts of Recognized Assets	Gross Amounts of Recognized (Liabilities)	Gross Amounts Offset on the Balance Sheet	Net Amounts of (Liabilities) Assets presented on the Balance Sheet	Financial Instruments	Cash Collateral Received (Posted)	Net Amount
September 30, 2019	$ 7,473	$ (10,638)	$ —	$ (3,165)	$ (141)	$ —	$ (3,306)
December 31, 2018	$ 8,730	$ (3,886)	$ —	$ 4,844	$ 141	$ —	$ 4,985

In addition to the above derivative arrangements, the Company also uses non-derivative financial instruments to hedge its exposure to foreign currency exchange rate fluctuations as part of its risk management program, including foreign denominated debt issued and outstanding with third parties to protect the value of its net investments in foreign subsidiaries against exchange rate fluctuations. The Company has drawn, and expects to continue to draw, foreign currency advances under the Credit Facility to fund certain investments in the respective local currency which creates a natural hedge against the original equity invested in the real estate investments, removing the need for the final cross currency swaps (see *Note 4 — Mortgage Notes Payable, Net*).

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.

As of September 30, 2019, the fair value of derivatives in a net liability position including accrued interest but excluding any adjustment for nonperformance risk related to these agreements was $11.5 million. As of September 30, 2019, the Company had 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.

Note 8 — Stockholders' Equity

Common Stock

As of September 30, 2019 and December 31, 2018, the Company had 89.5 million and 76.1 million shares of Common Stock outstanding, respectively, excluding unvested restricted stock units in respect of shares of Common Stock ("RSUs") and long-term incentive plan units of limited partner interest in the OP ("LTIP Units"). LTIP Units may be convertible into shares of Common Stock in the future.

ATM Program — Common Stock

The Company has an "at the market" equity offering program (the "Common Stock ATM Program") pursuant to which the Company may sell shares of Common Stock, from time to time through its sales agents. During the three months ended March 31, 2019, the Company sold 7,759,322 shares of Common Stock through the ATM Program for gross proceeds of $152.8 million, before commissions paid of $1.5 million and additional issuance costs of $0.8 million. Following these sales, the Company had raised all $175.0 million contemplated by its existing equity distribution agreement related to the Common Stock ATM Program. In February 2019, the Company terminated its existing equity distribution agreement and entered into a new equity distribution agreement with substantially the same sales agents on substantially the same terms. During the three months ended September 30, 2019, the Company sold 5,596,452 shares of Common Stock under the new equity distribution agreement for gross proceeds of $109.9 million, before commissions paid of $1.6 million and additional issuance costs of $0.2 million. In total, during the nine months ended September 30, 2019, the Company sold 13,555,774 shares of Common Stock for gross proceeds of $262.6 million, before commissions paid of $3.1 million and additional issuance costs of $1.0 million.

During the three and nine months ended September 30, 2018, the Company sold 164,927 shares of Common Stock through the Common Stock ATM Program for gross proceeds of $3.5 million, before commissions paid of $35,140 and additional issuance costs of $0.3 million.

Underwriting Agreement - Common Stock

On August 20, 2018, the Company completed the issuance and sale of 4,600,000 shares of Common Stock (including 600,000 shares issued and sold pursuant to the underwriters' exercise of their option to purchase additional shares in full) in an underwritten public offering at a price per share of $20.65. The gross proceeds from this offering were $95.0 million before deducting the underwriting discount of $3.8 million and additional offering expenses of $0.3 million.

Preferred Stock

The Company is authorized to issue up to 16,670,000 shares of Preferred Stock, of which it has classified and designated 13,409,650 as authorized shares of its Series A Preferred Stock as of September 30, 2019 and December 31, 2018. The Company had 6,682,448 and 5,416,890 shares of Series A Preferred Stock issued and outstanding, as of September 30, 2019 and December 31, 2018, respectively.

ATM Program — Series A Preferred Stock

In March 2018, the Company established an "at the market" equity offering program for its Series A Preferred Stock (the "Preferred Stock ATM Program") pursuant to which the Company may raise aggregate sales proceeds of $200.0 million through sales of shares of Series A Preferred Stock from time to time through its sales agents. During the three months ended September 30, 2019, the Company sold 724,600 shares of Series A Preferred Stock through the Preferred Stock ATM Program for gross proceeds of $18.5 million, before commissions paid of approximately $0.3 million and additional issuance costs of approximately $0.1 million. During the nine months ended September 30, 2019, the Company sold 1,265,558 shares of Series A Preferred Stock through the Preferred Stock ATM Program for gross proceeds of $32.3 million, before commissions paid of approximately $0.5 million and additional issuance costs of approximately $0.2 million.

During the three months ended September 30, 2018, the Company sold 3,225 shares of Series A Preferred Stock through the Preferred Stock ATM Program for gross proceeds of $81,009, before commissions paid of $1,215 and additional issuance costs of $0.1 million. During the nine months ended September 30, 2018, the Company sold 7,240 shares of Series A Preferred Stock through the Preferred Stock ATM Program for gross proceeds of $0.2 million, before commissions paid of $2,724 and additional issuance costs of $0.4 million.

On November 8, 2019, the Company delivered a notice to the agents under the Preferred Stock ATM Program terminating the equity distribution agreement related to the Preferred Stock ATM Program effective on November 12, 2019. See *Note 14 — Subsequent Events* for additional information.

Dividends

Common Stock Dividends

Historically, and through March 31, 2019, the Company generally paid dividends on Common Stock on the 15th day of each month (or, if not a business day, the next succeeding business day) to common stockholders of record on the applicable record date during the month at an annualized rate of $2.13 per share or $0.1775 per share on a monthly basis. Prior to July 2018, the record date for the Company's regular dividend was generally the 8th day of the applicable month. On April 5, 2019, the Company's board of directors approved a change in the Company's Common Stock dividend policy. Accordingly, consistent with its peers, the Company anticipates paying future dividends authorized by its board of directors on shares of its Common Stock on a quarterly basis in arrears on the 15th day of the first month following the end of each fiscal quarter (unless otherwise specified) to common stockholders of record on the record date for such payment. This change affects the frequency of dividend payments only, and does not impact the annualized dividend rate on Common Stock of $2.13. The Company's board of directors may alter the amounts of dividends paid or suspend dividend payments at any time prior to declaration and therefore dividend payments are not assured. For purposes of the presentation of information herein, the Company may refer to distributions by the OP on OP Units and LTIP Units as dividends. In addition, see *Note 5 — Credit Facilities f*or additional information on the restrictions on the payment of dividends and other distributions imposed by the Credit Facility.

Preferred Stock Dividend

Dividends on Series A Preferred Stock accrue in an amount equal to $0.453125 per share per quarter to Series A Preferred Stock holders, which is equivalent to 7.25% of the $25.00 liquidation preference per share of Series A Preferred Stock per annum. Dividends on the Series A Preferred Stock are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or, if not on a business day, on the next succeeding business day) to holders of record at the close of business on the record date set by the Company's board of directors, which must be not more than 30 nor fewer than 10 days prior to the applicable payment date.

Note 9 — Commitments and Contingencies

Lessee Arrangements — Ground Leases

The Company leases land under ground leases for eight of its properties with lease durations ranging from 16 to 85 years as of September 30, 2019. On January 1, 2019, the Company adopted ASU 2016- 02 and recorded ROU assets and lease liabilities related to these ground leases, which are all considered operating leases under the new standard (see *Note 2 — Summary of Significant Accounting Polices* for additional information on the impact of adopting the new standard).

As of September 30, 2019, the Company's balance sheet includes ROU assets and liabilities of $49.3 million and $23.5 million, respectively, which are included in prepaid expenses and other assets and accounts payable and accrued expenses, respectively. In determining operating ROU assets and lease liabilities for the Company's existing operating leases upon the adoption of the new lease guidance as well as for new operating leases in the current period, the Company was required to estimate an appropriate incremental borrowing rate on a fully-collateralized basis for the terms of the leases. Since the terms of the Company's ground leases are significantly longer than the terms of borrowings available to the Company on a fully-collateralized basis, the Company's estimate of this rate required significant judgment.

The Company's ground operating leases have a weighted-average remaining lease term of approximately 33.3 years and a weighted-average discount rate of 4.33% as of September 30, 2019. For the three and nine months ended September 30, 2019, the Company paid cash of approximately $0.3 million and $1.0 million for amounts included in the measurement of lease liabilities and recorded expense of $0.3 million and $1.0 million, respectively, on a straight-line basis in accordance with the standard. The lease expense is recorded in property operating expenses in the consolidated statements of operations and comprehensive loss. The Company did not enter into any additional ground leases during the quarter ended September 30, 2019. The Company incurred rent expense on ground leases of $0.4 million and $1.1 million during the three and nine months ended September 30, 2018.

The following table reflects the base cash rental payments due from the Company as of September 30, 2019:

(In thousands)	Future Base Rent Payments [(1)]	
2019 (remainder)	$	346
2020		1,385
2021		1,385
2022		1,385
2023		1,385
2024		1,390
Thereafter		40,189
Total minimum lease payments [(2)]		47,465
Less: Effects of discounting		(23,918)
Total present value of lease payments	$	23,547

(1) Assumes exchange rates of £1.00 to $1.23 for GBP and €1.00 to $1.09 for EUR as of September 30, 2019 for illustrative purposes, as applicable.

(2) Ground lease rental payments due for the Company’s ING Amsterdam lease are not included in the table above as the Company’s ground for this property is prepaid through 2050.

The following table reflects the base cash rental payments due from the Company as of December 31, 2018:

(In thousands)	Future Base Rent Payments [(1)]	
2019	$	1,371
2020		1,371
2021		1,371
2022		1,371
2023		1,371
Thereafter		40,519
Total minimum lease payments [(2)]		47,374
Less: Effects of discounting		(23,370)
Total present value of lease payments	$	24,004

(1) Assumes exchange rates of £1.00 to $1.27 for GBP and €1.00 to $1.14 for EUR as of December 31, 2018 for illustrative purposes, as applicable.

(2) Ground lease rental payments due for the Company’s ING Amsterdam lease are not included in the table above as the Company’s ground for this property is prepaid through 2050.

Litigation and Regulatory Matters

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

On January 16, 2018, the Company notified Moor Park Capital Partners LLP (the “Former Service Provider”), an entity that had, subject to the Advisor's oversight and pursuant to a service provider agreement, provided certain real estate and investment-related services with respect to the Company’s investments in Europe, that it was being terminated, and this termination became effective as of March 17, 2018. On January 25, 2018, the Former Service Provider filed a complaint against (i) the Company and the OP; (ii) the Property Manager, Global Net Lease Special Limited Partner, LLC, an affiliate of AR Global that directly owns the Advisor and the Property Manager, and the Advisor (collectively, the “GNL Advisor Defendants”); and (iii) AR Capital Global Holdings, LLC, and AR Global (together, the “AR Defendants”), in the Supreme Court of the State of New York, County of New York (“New York Supreme Court”). The complaint alleged that the notice sent to the Former Service Provider by the Company on January 15, 2018, terminating the service provider agreement, was a pretext to enable the AR Defendants to seize the Former Service Provider’s business. The complaint alleged breach of contract against the Company, the OP and the GNL Advisor Defendants, and tortious interference against the AR Defendants. The complaint sought: (i) monetary damages against the defendants, (ii) to enjoin the termination of the Service Provider Agreement, and (iii) judgment declaring the termination to be

void. On March 4, 2019, the parties entered into a settlement agreement pursuant to which the lawsuit was dismissed. The Company paid $7.4 million to the Former Service Provider pursuant to the settlement agreement. The Company recorded a reserve of $7.4 million related to the then anticipated settlement payment during the fourth quarter of 2018 and subsequently paid the settlement amount during the first quarter of 2019. During the nine months ended September 30, 2019, the Company incurred approximately $1.0 million in additional legal expenses related to this litigation. These costs are included in acquisition, transaction and other costs in the consolidated statement of operations.

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. As of September 30, 2019, the Company had not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition that it believes will have a material adverse effect on the results of operations.

Note 10 — Related Party Transactions

As of September 30, 2019 and December 31, 2018, AR Global and certain affiliates owned, in the aggregate, 35,900 shares of outstanding Common Stock. The Advisor, which is an affiliate of AR Global, and its affiliates currently may incur, and, the Former Service Provider previously incurred costs and fees on behalf of the Company. As of September 30, 2019 and December 31, 2018, the Company had $20,000 and $16,000, respectively, of receivables from former affiliates of the Advisor.

As of September 30, 2019, AR Global indirectly owned 95% of the membership interests in the Advisor and Scott J. Bowman, the Company's former chief executive officer and president, directly owned the other 5% of the membership interests in the Advisor. James L. Nelson, the Company's chief executive officer and president, holds a non-controlling profit interest in the Advisor and Property Manager. Mr. Nelson was appointed the Company's chief executive officer and president, effective as of August 8, 2017.

The Company is the sole general partner of the OP and there were no OP Units held by anyone other than the Company outstanding as of September 30, 2019 and December 31, 2018.

In addition, the Company paid $0.1 million and $0.4 million in distributions to the Advisor as the sole holder of LTIP Units during the three and nine months ended September 30, 2019, respectively, and the Company paid $0.2 million and $0.4 million in distributions related to LTIP Units during the three and nine months ended September 30, 2018, respectively. These distributions are included in accumulated deficit in the audited consolidated statements of equity. As of September 30, 2019 and December 31, 2018, the Company had no unpaid distributions on the LTIP Units.

Fees Paid in Connection with the Operations of the Company

On June 2, 2015, concurrent with its listing on the New York Stock Exchange, the Company entered into the Advisory Agreement, which was subsequently amended on August 14, 2018 (the "August Amendment") and November 6, 2018 (the "November Amendment"). These amendments only revise the provisions regarding the effective annual thresholds of Core AFFO Per Share (as defined in the Advisory Agreement) that the Company must satisfy for the Advisor to be paid Incentive Compensation (as defined in the Advisory Agreement).

Under the Advisory Agreement, the Company pays the Advisor the following fees in cash monthly in advance:

(i) a base fee of $18.0 million per annum ("Minimum Base Management Fee"); and

(ii) a variable fee, equal to 1.25% per annum of the cumulative net proceeds realized by the Company from the issuance of any common equity, including any common equity issued in exchange for or conversion of preferred stock or exchangeable notes, as well as, from any other issuances of common, preferred, or other forms of equity of the Company, including units of any operating partnership ("Variable Base Management Fee").

Additionally, the Company pays the Advisor the Incentive Compensation, an amount earned each quarter, 50% payable in cash and 50% payable in shares of Common Stock (subject to certain lock up restrictions). The Incentive Compensation is calculated on an annual basis for the 12-month period from July 1 to June 30 of each year, in quarterly installments, subject to a final year-end adjustment, such that the difference, if any, between the amount of the Incentive Compensation actually paid to the Advisor in the preceding year under the quarterly installments and the actual amount payable for the year is either repaid by or paid to the Advisor as applicable. Shares of Common Stock that were issued as a portion of any quarterly installment payment are retained and, for purposes of any repayment required to be made by the Advisor, have the value they had at the time of issuance and are adjusted in respect of any dividend or other distribution received with respect to those shares to allow recoupment of the same.

Under the Advisory Agreement, prior to the August Amendment, the Incentive Compensation was equal to: (a) 15% of the Company's Core AFFO (as defined in the Advisory Agreement) per weighted-average share of Common Stock outstanding for the applicable period ("Core AFFO Per Share")[(1)] in excess of an incentive hurdle based on an annualized Core AFFO Per Share of $2.37, plus (b) 10% of the Core AFFO Per Share in excess of an incentive hurdle of an annualized Core AFFO Per Share of $3.08. The $2.37 and $3.08 incentive hurdles were subject to annual increases of 1% to 3%.

Under the Advisory Agreement, as amended by the August Amendment, the Incentive Fee Lower Hurdle (as defined in the Advisory Agreement) was decreased from $2.37 to (a) $2.15 for the 12 months ending June 30, 2019, and (b) $2.25 for the 12 months ending June 30, 2020, and the Incentive Fee Upper Hurdle (as defined in the Advisory Agreement) was decreased from $3.08 to (a) $2.79 for the 12 months ending June 30, 2019, and (b) $2.92 for the 12 months ending June 30, 2020. During the three and nine months ended September 30, 2019 and 2018, no Incentive Compensation was earned.

In addition, the August Amendment revised the provisions in the Advisory Agreement governing adjustments to these annual thresholds. The annual thresholds may, beginning with effect from July 1, 2020, be increased each year in the sole discretion of a majority of the Company's independent directors (in their good faith reasonable judgment, after consultation with the Advisor), by a percentage equal to between 0% and 3% instead of 1% and 3%. In addition, in August 2023 and every five years thereafter, the Advisor will have a right to request that the Company's independent directors reduce the then current Incentive Fee Lower Hurdle and Incentive Fee Upper Hurdle and make a determination whether any reduction in the annual thresholds is warranted.

The annual aggregate amount of the Minimum Base Management Fee and Variable Base Management Fee (collectively, the "Base Management Fee") that may be paid under the Advisory Agreement are subject to varying caps based on assets under management ("AUM")[(2)], as defined in the Advisory Agreement. The amount of the Base Management Fee to be paid under the Advisory Agreement is capped at the AUM for the preceding year multiplied by (a)0.75% if equal to or less than $3.0 billion; (b) 0.75% less (i) a fraction, (x) the numerator of which is the AUM for such specified period less $3.0 billion and (y) the denominator of which is $11.7 billion multiplied by 0.35% if AUM is greater than $3.0 billion but less than $14.6 billion; or (c) 0.4% if equal to or greater than $14.7 billion.

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(1) For purposes of the Advisory Agreement, as amended by the November Amendment, Core AFFO per share means (i) net income adjusted for the following items (to the extent they are included in net income): (a) real estate related depreciation and amortization; (b) net income from unconsolidated partnerships and joint ventures; (c) one-time costs that the Advisor deems to be non-recurring; (d) non-cash equity compensation (other than any Restricted Share Payments (as defined in the Advisory Agreement)); (e) other non-cash income and expense items; (f) certain non-cash interest expenses related to securities that are convertible to Common Stock; (g) gain (or loss) from the sale of investments; (h) impairment loss on real estate; (i) acquisition and transaction related costs (now known as acquisition, transaction and other costs on the face of the Company's income statement); (j) straight-line rent; (k) amortization of above and below market leases assets and liabilities; (l) amortization of deferred financing costs; (m) accretion of discounts and amortization of premiums on debt investments; (n) marked-to-market adjustments included in net income; (o) unrealized gain (loss) resulting from consolidation from, or deconsolidation to, equity accounting, (p) consolidated and unconsolidated partnerships and joint ventures and (q) Incentive Compensation, (ii) divided by the weighted-average outstanding shares of Common Stock on a fully-diluted basis for such period.

(2) For purposes of the Advisory Agreement, AUM means, for a specified period, an amount equal to (A) (i) the aggregate costs of the Company's investments (including acquisition fees and expenses) at the beginning of such period (before reserves for depreciation of bad debts, or similar non-cash reserves) plus (ii) the aggregate cost of the Company's investment at the end of such period (before reserves from depreciation or bad debts, or similar non-cash reserves) divided by (B) two (2).

In addition, the per annum aggregate amount of the Base Management Fee and the Incentive Compensation to be paid under the Advisory Agreement is capped at (a) 1.25% of the AUM for the previous year if AUM is less than or equal to $5.0 billion; (b) 0.95% if the AUM is equal to or exceeds $15.0 billion; or (c) a percentage equal to: (A) 1.25% less (B) (i) a fraction, (x) the numerator of which is the AUM for such specified period less $5.0 billion and (y) the denominator of which is $10.0 billion multiplied by (ii) 0.30% if AUM is greater than $5.0 billion but less than $15.0 billion. The Variable Base Management Fee is also subject to reduction if there is a sale or sales of one or more Investments in a single or series of related transactions exceeding $200.0 million and a special dividend(s) related thereto is paid to stockholders.

The Company has also agreed under the Advisory Agreement to reimburse, indemnify and hold harmless each of the Advisor and its affiliates, and the directors, officers, employees, partners, members, stockholders, other equity holders, agents and representatives of the Advisor and its affiliates (each, a "Advisor Indemnified Party"), of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees) in respect of or arising from any acts or omissions of the Advisor Indemnified Party performed in good faith under the Advisory Agreement and not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties on the part of the Advisor Indemnified Party. In addition, the Company has agreed to advance funds to an Advisor Indemnified Party for reasonable legal fees and other reasonable costs and expenses incurred as a result of any claim, suit, action or proceeding for which indemnification is being sought, subject to repayment if the Advisor Indemnified Party is later found pursuant to a final and non-appealable order or judgment to not be entitled to indemnification.

Property Management Fees

The Property Manager provides property management and leasing services for properties owned by the Company, for which the Company pays fees equal to: (i) with respect to stand-alone, single-tenant net leased properties which are not part of a shopping center, 2.0% of gross revenues from the properties managed and (ii) with respect to all other types of properties, 4.0% of gross revenues from the properties managed.

For services related to overseeing property management and leasing services provided by any person or entity that is not an affiliate of the Property Manager, the Company pays the Property Manager an oversight fee equal to 1.0% of gross revenues of the property managed. This oversight fee is no longer applicable to 39 of the Company's properties which became subject to separate property management agreements with the Property Manager in connection with a multi-property mortgage loan in October 2017, a multi-property mortgage loan in April 2019, and a multi-property mortgage loan in September 2019 (the " Loan Property PMLAs") on otherwise nearly identical terms to the primary property and management leasing agreement (the "Primary PMLA"), which remains applicable to all other properties.

In February 2019, the Company entered into an amendment to the Primary PMLA, following which it continues to have a one-year term that is automatically extended for an unlimited number of successive one-year terms unless terminated by either party upon notice. Under the Primary PMLA prior to this amendment, either the Company or the Property Manager could terminate upon 60 days' written notice prior to end of the applicable term. Following this amendment, either the Company or the Property Manager may terminate the Primary PMLA at any time upon at least 12 months' prior written notice. The extended termination notice period does not apply to the Loan Property PMLAs, pursuant to which either the Company or the Property Manager can terminate upon 60 days' written notice prior to end of the applicable term.

Solely with respect to the Company's investments in properties located in Europe, prior to the effectiveness of the termination of the Former Service Provider in March 2018, the Former Service Provider received, from the Property Manager, a portion of the fees payable to the Property Manager equal to: (i) with respect to single-tenant net leased properties which are not part of a shopping center, 1.75% of the gross revenues from such properties and (ii) with respect to all other types of properties, 3.5% of the gross revenues from such properties. The Property Manager was paid 0.25% of the gross revenues from European single-tenant net leased properties which are not part of a shopping center and 0.5% of the gross revenues from all other types of properties, reflecting a split of the oversight fee with the Former Service Provider. Following the termination of the Former Service Provider, the Former Service Provider no longer receives any amounts from the Advisor. For additional information, see *Note 1 — Organization.*

Professional Fees and Other Reimbursements

The Company reimburses the Advisor's costs of providing administrative services, subject to the limitation that the Company will not reimburse the Advisor for any amount by which the Company's operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of (a) 2.0% of average invested assets and (b) 25.0% of net income, unless the excess amount is otherwise approved by the Company's board of directors. Additionally, the Company reimburses the Advisor for expenses of the Advisor and its affiliates incurred on behalf of the Company, except for those expenses that are specifically the responsibility of the Advisor under the Advisory Agreement, such as fees and compensation paid to the Former Service Provider prior to its termination and the Advisor's overhead expenses, rent and travel expenses, professional services fees incurred with respect to the Advisor for the operation of its business, insurance expenses (other than with respect to the Company's directors and officers) and information technology expenses.

The following table reflects related party fees incurred, forgiven and contractually due as of and for the periods presented:

	Three Months Ended September 30,				Nine Months Ended September 30,				Payable as of	
	2019		2018		2019		2018			
(In thousands)	Incurred	Forgiven	Incurred	Forgiven	Incurred	Forgiven	Incurred	Forgiven	September 30, 2019	December 31, 2018
One-time fees and reimbursements:										
Fees on gain from sale of investments	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 49 [(2)]
Ongoing fees [(3)]:										
Asset management fees [(1)]	6,758	—	5,312	—	20,123	—	16,852	—	—	—
Property management fees	1,462	—	1,283	—	4,302	—	3,712	—	—	—
Incentive compensation	—	—	361	—	—	—	361	—	—	—
Total related party operational fees and reimbursements	$ 8,220	$ —	$ 6,956	$ —	$ 24,425	$ —	$ 20,925	$ —	$ —	$ 49

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(1) The Advisor, in accordance with the Advisory Agreement, received asset management fees in cash equal to one quarter of the annual Minimum Base Management Fee of $18.0 million and the Variable Base Management Fee. The Variable Base Management Fee was $2.3 million and $6.6 million for the three and nine months ended September 30, 2019, respectively. The Variable Base Management Fee was $0.8 million and $3.4 million for the three and nine months ended September 30, 2018, respectively.

(2) Balance included within due to related parties on the consolidated balance sheets as of September 30, 2019 and December 31, 2018.

(3) The Company incurred general and administrative costs and other expense reimbursements of approximately $0.8 million and $0.8 million for the nine months ended September 30, 2019 and 2018, respectively, which are recorded within general and administrative expenses on the audited consolidated statements of operations and are not reflected in the table above.

Fees Paid in Connection with the Liquidation of the Company's Real Estate Assets

In connection with any sale or similar transaction involving any investment, subject to the terms of the Advisory Agreement, the Company will pay to the Advisor a fee in connection with net gain recognized by the Company in connection with the sale or transaction (the "Gain Fee") unless the proceeds of the sale or transaction are reinvested in one or more investments within 180 days thereafter. The Gain Fee is calculated at the end of each month and paid, to the extent due, with the next installment of the Base Management Fee. The Gain Fee is calculated by aggregating all of the gains and losses from the preceding month. As of December 31, 2018, the Gain Fee due to the Advisor was approximately $49,000. There was no Gain Fee for the nine months ended September 30, 2019.

Note 11 — Economic Dependency

Under various agreements, the Company has engaged or will engage the Advisor, its affiliates and entities under common control with the Advisor, 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 Common Stock available for issue, transfer agency services, 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 are unable to provide the Company with the respective services, the Company will be required to find alternative providers of these services.

Note 12 — Equity-Based Compensation

Stock Option Plan

The Company has a stock option plan (the "Plan") which authorizes the grant of nonqualified Common Stock options to the Company's directors, officers, advisors, consultants and other personnel of the Company, the Advisor and the Property Manager and their affiliates, subject to the absolute discretion of the board of directors and the applicable limitations of the Plan. The exercise price for all stock options granted under the Plan equal to the closing price of a share of Common Stock on the last trading day preceding the date of grant. A total of 0.5 million shares have been authorized and reserved for issuance under the Plan. As of September 30, 2019 and December 31, 2018, no stock options were issued under the Plan.

Restricted Share Plan

The Company's employee and director incentive restricted share plan ("RSP") provides the Company with the ability to grant awards of restricted shares of Common Stock ("Restricted Shares") and RSUs to the Company's directors, officers and 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 the Company, certain consultants to the Company and the Advisor and its affiliates or to entities that provide services to the Company.

The Company pays independent director compensation as follows: (i) the annual retainer payable to all independent directors is $100,000 per year, (ii) the annual retainer for the non-executive chair is $105,000, (iii) the annual retainer for independent directors serving on the audit committee, compensation committee or nominating and corporate governance committee is $30,000. All annual retainers are payable 50% in the form of cash and 50% in the form of RSUs which vest over a three-year period. In addition, the directors have the option to elect to receive the cash component in the form of RSUs which would vest over a three-year period.

Under the RSP, the number of shares of Common Stock available for awards is equal to 10.0% of the Company's outstanding shares of Common Stock on a fully diluted basis at any time. If any awards granted under the RSP are forfeited for any reason, the number of forfeited shares is again available for purposes of granting awards under the RSP. Restricted Share awards entitle the recipient to receive shares of Common Stock from us under terms that provide for vesting over a specified period of time. Restricted Shares may not, in general, be sold or otherwise transferred until restrictions are removed and the shares have vested. Holders of Restricted Shares receive cash dividends prior to the time that the restrictions on the Restricted Shares have lapsed. Any dividends to holders of Restricted Shares payable in shares of Common Stock are subject to the same restrictions as the underlying Restricted Shares.

RSUs represent a contingent right to receive shares of Common Stock at a future settlement date, subject to satisfaction of applicable vesting conditions or other restrictions, as set forth in the RSP and an award agreement evidencing the grant of RSUs. RSUs may not, in general, be sold or otherwise transferred until restrictions are removed and the rights to the shares of Common Stock have vested. Holders of RSUs do not have or receive any voting rights with respect to the RSUs or any shares underlying any award of RSUs, but such holders are generally credited with dividend or other distribution equivalents which are subject to the same vesting conditions or other restrictions as the underlying RSUs and only paid at the time such RSUs are settled in shares of Common Stock. RSU award agreements generally provide for accelerated vesting of all unvested RSUs in connection with a termination without cause from the Company's board of directors or a change of control and accelerated vesting of the portion of the unvested RSUs scheduled to vest in the year of the recipient's voluntary resignation from or failure to be re-elected to the Company's board of directors.

The following table reflects the amount of RSUs outstanding as of September 30, 2019:

	Number of RSUs	Weighted-Average Issue Price
Unvested, December 31, 2018	46,352	$ 22.04
Vested	(21,955)	22.56
Granted	16,563	18.89
Unvested, September 30, 2019	40,960	20.49

The fair value of the RSUs granted is based on the market price of Common Stock as of the grant date, and is expensed over the vesting period. Compensation expense related to RSUs was $0.1 million and $0.3 million for the three and nine months ended September 30, 2019, respectively. Compensation expense related to RSUs was $0.1 million and $0.4 million for the three and nine months ended September 30, 2018, respectively. Compensation expense is recorded as equity-based compensation in the accompanying consolidated statements of operations. As of September 30, 2019, the Company had $0.7 million unrecognized compensation costs related to unvested RSUs granted under the RSP. That cost is expected to be recognized over a weighted-average period of 2.1 years.

Multi-Year Outperformance Agreement

On July 16, 2018, the Company's compensation committee approved the 2018 OPP, which was subsequently entered into by the Company and the OP with the Advisor on July 19, 2018. The 2018 OPP was entered into in connection with the conclusion of the performance period under the 2015 OPP on June 2, 2018. Because no performance goals under the 2015 OPP were achieved during the performance period, no LTIP Units issued under the 2015 OPP were earned and all LTIP Units issued under the 2015

OPP were automatically forfeited without the payment of any consideration by the Company or the OP effective as of June 2, 2018.

The equity-based compensation expense associated with the awards pursuant to the 2015 OPP was adjusted each reporting period for changes in the estimated market-related performance and expensed over the requisite service period on a graded vesting basis. Under new accounting rules adopted by the Company on January 1, 2019, the total fair value of the LTIP Units of $18.8 million was calculated as of adoption of the new guidance is fixed as of that date and will not be remeasured in subsequent periods unless the 2018 OPP is amended (see *Note 2 — Summary of Significant Accounting Policies* for a description of new accounting rules related to non-employee equity awards). The value of LTIP Units is being recorded evenly over the requisite service period of approximately 2.8 years from the grant date. In February 2019, the Company entered into an amendment to the 2018 OPP with the Advisor to reflect a change in the peer group resulting from the merger of two members of the peer group, Government Properties Income Trust and Select Income REIT, with Government Properties Income Trust surviving the merger renamed as Office Properties Income Trust. Under the accounting rules, the Company was required to calculate any excess of the new value of LTIP Units awarded pursuant to the 2018 OPP (the "Award LTIP Units") in accordance with the provisions of the amendment ($29.9 million) over the fair value immediately prior to the amendment ($23.3 million). This excess of approximately $6.6 million is being expensed over the period from February 21, 2019, the date the Company's compensation committee approved the amendment, through June 2, 2021.

During the three and nine months ended September 30, 2019, the Company recorded compensation expense related to the 2018 OPP of $2.4 million and $6.7 million, respectively. During the three and nine months ended September 30, 2018, the Company recorded compensation expense of $1.9 million and $0.8 million, respectively, related to the 2018 OPP and 2015 OPP.

LTIP Units/Distributions/Redemption

The rights of the Advisor as the holder of the LTIP Units are governed by the terms of the LTIP Units contained in the agreement of limited partnership of the OP. Until an LTIP Unit is earned in accordance with the provisions of the applicable outperformance award agreement, the holder of the LTIP Unit is entitled to distributions on the LTIP Unit equal to 10% of the distributions (other than distributions of sale proceeds) made on an OP Unit. The Company paid $0.4 million and $0.4 million in distributions related to LTIP Units during the nine months ended September 30, 2019 and 2018, respectively, which is included in accumulated deficit in the consolidated statement of changes in equity. Distributions paid with respect to an LTIP Unit will not be subject to forfeiture, even if the LTIP Unit is ultimately forfeited because it is not earned in accordance with the terms of the agreement under which it was issued. After an LTIP Unit is earned, the holder will be entitled to a priority catch-up distribution per earned LTIP Unit equal to the accrued distributions on OP Units during the applicable performance period, less distributions already paid on the LTIP Unit during the performance period. As of the valuation date on the final day of the applicable performance period, the earned LTIP Units will become entitled to the same distributions as OP Units. At the time the Advisor's capital account with respect to an LTIP Unit is economically equivalent to the average capital account balance of an OP Unit, the LTIP Unit has been earned and it has been vested for 30 days, the Advisor, in its sole discretion, will be entitled to convert the LTIP Unit into an OP Unit in accordance with the limited partnership agreement of the OP. In accordance with, and subject to the terms of, the limited partnership agreement of the OP, OP Units may be redeemed on a one-for-one basis for, at the Company's election, shares of Common Stock or the cash equivalent thereof.

2018 OPP

Based on a maximum award value of $50.0 million and $19.57 (the "Initial Share Price"), the closing price of Common Stock on June 1, 2018, the trading day prior to the effective date of the 2018 OPP, the Advisor was issued a total of 2,554,930 Award LTIP Units pursuant to the 2018 OPP. The Award LTIP Units represent the maximum number of LTIP Units that could be earned by the Advisor based on the Company's total shareholder return ("TSR"), including both share price appreciation and Common Stock dividends, against the Initial Share Price over a performance period (the "Performance Period"), commencing on June 2, 2018 and ending on the earliest of (i) June 2, 2021, (ii) the effective date of any Change of Control (as defined in the 2018 OPP) and (iii) the effective date of any termination of the Advisor's service as advisor of the Company.

Half of the Award LTIP Units (the "Absolute TSR LTIP Units") will be eligible to be earned as of the last day of the Performance Period (the "Valuation Date") if the Company achieves an absolute TSR with respect to threshold, target and maximum performance goals for the Performance Period as follows:

Performance Level (% of Absolute TSR LTIP Units Earned)		Absolute TSR		Number of Absolute TSR LTIP Units Earned
Below Threshold	—%	Less than	24%	—
Threshold	25%		24%	319,366
Target	50%		30%	638,733
Maximum	100%		36% or higher	1,277,465

If the Company's absolute TSR is more than 24% but less than 30%, or more than 30% but less than 36%, the percentage of the Absolute TSR LTIP Units earned will be determined using linear interpolation as between those tiers, respectively.

Half of the Award LTIP Units (the "Relative TSR LTIP Units") will be eligible to be earned as of the Valuation Date if the amount, expressed in terms of basis points (bps), whether positive or negative, by which the Company's absolute TSR on the Valuation Date exceeds the average TSR of a peer group consisting of Lexington Realty Trust, W.P. Carey Inc. and Office Properties Income Trust as of the Valuation Date as follows:

Performance Level (% of Relative TSR LTIP Units Earned)		Relative TSR Excess			Number of Absolute TSR LTIP Units Earned
Below Threshold	—%	Less than	-600	basis points	—
Threshold	25%		-600	basis points	319,366
Target	50%		—	basis points	638,733
Maximum	100%		+600	basis points	1,277,465

If the relative TSR excess is more than -600 basis points but less than 0 basis points, or more than 0 basis points but less than +600 bps, the percentage of the Relative TSR LTIP Units earned will be determined using linear interpolation as between those tiers, respectively.

If the Valuation Date is the effective date of a Change of Control or a termination of the Advisor for any reason (i.e., with or without cause), then calculations relating to the number of Award LTIP Units earned pursuant to the 2018 OPP will be performed based on actual performance as of (and including) the effective date of the Change of Control or termination (as applicable) based on the performance through the last trading day prior to the effective date of the Change of Control or termination (as applicable), with the hurdles for calculating absolute TSR pro-rated to reflect that the Performance Period lasted less than three years but without pro-rating the number of Absolute TSR LTIP Units or Relative TSR LTIP Units the Advisor would be eligible to earn to reflect the shortened period.

The award of LTIP Units under the 2018 OPP is administered by the compensation committee of the Company's board of directors, provided that any of the compensation committee's powers can be exercised instead by the board if the board so elects. Following the Valuation Date, the compensation committee is responsible for determining the number of Absolute TSR LTIP Units and Relative TSR LTIP Units earned, as calculated by an independent consultant engaged by the compensation committee and as approved by the compensation committee in its reasonable and good faith discretion. The compensation committee also must approve the transfer of any Absolute TSR LTIP Units and Relative TSR LTIP Units (or OP Units into which they may be converted in accordance with the terms of the agreement of limited partnership of the OP).

LTIP Units earned as of the Valuation Date will also become vested as of the Valuation Date. Any LTIP Units that are not earned and vested after the Compensation Committee makes the required determination will automatically and without notice be forfeited without the payment of any consideration by the Company or the OP, effective as of the Valuation Date.

The rights of the Advisor as the holder of the LTIP Units are governed by the terms of the LTIP Units contained in the agreement of limited partnership of the OP. The agreement of limited partnership of the OP was amended in July 2018 in connection with the execution of the 2018 OPP to reflect the issuance of LTIP Units thereunder and to make certain clarifying and ministerial revisions, but these amendments did not alter the terms of the LTIP Units established in connection with the Company's entry into the 2015 OPP in June 2015.

2015 OPP

In connection with the listing of Common Stock on the New York Stock Exchange, on June 2, 2015, the Company entered into the 2015 OPP with the OP and the Advisor. Under the 2015 OPP, the Advisor was issued 3,013,933 LTIP Units in the OP with a maximum award value on the issuance date equal to 5.00% of the Company's market capitalization (the "OPP Cap"). Because no performance goals under the 2015 OPP were achieved, no LTIP Units issued under the 2015 OPP were earned and all LTIP Units issued under the 2015 OPP were automatically forfeited without the payment of any consideration by the Company or the OP, effective as of June 2, 2018.

Under the 2015 OPP, the Advisor was eligible to earn a number of LTIP Units with a value equal to a portion of the OPP Cap upon the first, second and third anniversaries of June 2, 2015, based on the Company's achievement of certain levels of absolute TSR and the amount by which the Company's absolute TSR exceeded the average TSR of a peer group for the three-year performance period commencing on June 2, 2015 (the "Three-Year Period"); each 12-month period during the Three-Year Period (the "One-Year Periods"); and the initial 24-month period of the Three-Year Period (the "Two-Year Period"), as follows:

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

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* The "Peer Group" was comprised of Gramercy Property Trust Inc., Lexington Realty Trust, Select Income REIT, and W.P. Carey Inc.

The potential outperformance award was calculated at the end of each One-Year Period, the Two-Year Period and the Three-Year Period. The award earned for the Three-Year Period was based on a formula less any awards earned for the Two-Year Period and One-Year Periods, but not less than zero; the award earned for the Two-Year Period was based on a formula less any award earned for the first and second One-Year Period, but not less than zero. Any LTIP Units that were unearned at the end of the Three-Year Period were to be forfeited.

One third of any earned LTIP Units were to vest, subject to the Advisor's continued service through each vesting date, on each of the third, fourth and fifth anniversaries of June 2, 2015. Any earned and vested LTIP Units would have been converted into OP Units in accordance with the terms and conditions of the limited partnership agreement of the OP. The 2015 OPP provided for early calculation of LTIP Units earned and for the accelerated vesting of any earned LTIP Units in the event the Advisor was terminated or in the event the Company incurred a change in control, in either case prior to the end of the Three-Year Period. As of June 2, 2017 (end of the Two-Year Period), June 2, 2016 (end of the first One-Year Period) and June 2, 2018 (end of the Three-Year Period), no LTIP units were earned by the Advisor under the terms of the 2015 OPP. Accordingly, all LTIP Units that had been issued under the 2015 OPP were automatically forfeited without the payment of any consideration by the Company or the OP as of the end of the Three-Year Period.

Other Equity-Based Compensation

The Company may issue Common Stock in lieu of cash to pay fees earned by the Company's directors at each director's election. There are no restrictions on the shares issued since these payments in lieu of cash relate to fees earned for services performed. There were no such shares of Common Stock issued in lieu of cash during the nine months ended September 30, 2019 and 2018.

Note 13 — Earnings Per Share

The following is a summary of the basic and diluted net income per share computation for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except share and per share data)	2019	2018	2019	2018
Net income attributable to common stockholders	$ 6,860	$ 177	$ 25,272	$ 7,826
Adjustments to net income attributable to common stockholders				

for common share equivalents	(176)	(316)	(510)	(526)
Adjusted net income attributable to common stockholders	$ 6,684	$ (139)	$ 24,762	$ 7,300
Basic and diluted net income per share attributable to common stockholders	$ 0.08	$ —	$ 0.30	$ 0.11
Weighted average shares outstanding:				
Basic	85,254,638	69,441,639	83,539,304	68,014,855
Diluted	86,202,582	69,441,639	84,487,248	68,417,253

Under current authoritative guidance for determining earnings per share, all unvested share-based payment awards that contain non-forfeitable rights to distributions are considered to be participating securities and therefore are included in the computation of earnings per share under the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common shares and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. The Company's unvested RSUs and unearned LTIP Units contain rights to receive distributions considered to be non-forfeitable, in certain limited circumstances, and therefore the Company applies the two-class method of computing earnings per share. The calculation of earnings per share above excludes the non-forfeitable distributions to the unvested RSUs and unearned LTIP Units from the numerator.

Diluted net income per share assumes the conversion of all Common Stock share equivalents into an equivalent number of shares of Common Stock, unless the effect is anti-dilutive. The Company considers unvested RSUs and LTIP Units to be common share equivalents. The following table shows common share equivalents on a weighted average basis that were excluded from the calculation of diluted earnings per share for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Unvested RSUs	40,944	46,767	40,944	—
LTIP Units [(1)]	1,647,230	2,110,594	1,647,230	355,631
Total anti-dilutive common share equivalents	1,688,174	2,157,361	1,688,174	355,631

[(1)] Weighted-average number of LTIP Units outstanding. There were 2,554,930 LTIP Units issued and outstanding under the 2018 OPP as of September 30, 2019 and September 30, 2018. The 3,013,933 LTIP Units issued under the 2015 OPP were forfeited as of June 2, 2018 since no LTIP Units were earned under the 2015 OPP. See *Note 12* — *Equity-Based Compensation* for additional information on the 2018 OPP and 2015 OPP.

Conditionally issuable shares relating to the 2018 OPP award (see *Note 12* — *Equity-Based Compensation*) are included in the computation of fully diluted EPS on a weighted average basis for the three and nine months ended September 30, 2019 and the nine months ended September 30, 2018 based on shares that would be issued if the balance sheet date were the end of the measurement period. No common share equivalents related to LTIP Units were included in the computation for the three months ended September 30, 2018 due to a loss in the period.

Note 14 — Subsequent Events

The Company has evaluated subsequent events through the filing of this Quarterly Report on Form 10-Q, and determined that there have not been any events that have occurred that would require adjustments to, or disclosures in the consolidated financial statements, except for as disclosed below.

Dispositions

In November 2019 the Company sold two properties in the Netherlands for a contract sales price of €17.1 million (approximately $19.1 million based on USD equivalents). As of September 30, 2019 the Company concluded that the estimated future undiscounted cash flows associated with these two properties did not exceed their respective carrying values, and as a result, recorded an impairment charge of $6.4 million to reflect the estimated fair value of the properties.

Termination of Preferred Stock ATM Program

On November 8, 2019, the Company delivered a notice to the agents under the Preferred Stock ATM Program terminating the equity distribution agreement related to the Preferred Stock ATM Program effective on November 12, 2019.

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 consolidated financial statements of Global Net Lease, Inc. and the notes thereto. As used herein, the terms “Company,” “we,” “our” and “us” refer to Global Net Lease, Inc., a Maryland corporation, including, as required by context, Global Net Lease Operating Partnership, L.P., a Delaware limited partnership, which we refer to as the “OP,” and its subsidiaries. We are externally managed by Global Net Lease Advisors, LLC (the “Advisor”), a Delaware limited liability company.

Forward-Looking Statements

Certain statements included in this Quarterly Report on Form 10-Q are forward-looking statements including statements regarding the intent, belief or current expectations of us, our Advisor and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as “may,” “will,” “seeks,” “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” “should” or 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.

The 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:

- All of our executive officers are also officers, managers, employees or holders of a direct or indirect controlling interest in the Advisor and other entities affiliated with AR Global Investments, LLC (the successor business to AR Capital LLC, “AR Global”). As a result, our executive officers, the Advisor and its affiliates face conflicts of interest, including significant conflicts created by the Advisor’s compensation arrangements with us and other investment programs advised by AR Global affiliates and conflicts in allocating time among these investment programs and us. These conflicts could result in unanticipated actions.
- Because investment opportunities that are suitable for us may also be suitable for other investment programs advised by affiliates of AR Global, the Advisor and its affiliates face conflicts of interest relating to the purchase of properties and other investments and these conflicts may not be resolved in our favor.
- We are obligated to pay fees which may be substantial to the Advisor and its affiliates.
- We depend on tenants for our rental revenue and, accordingly, our rental revenue is dependent upon the success and economic viability of our tenants.
- Increases in interest rates could increase the amount of our debt payments.
- We may be unable to repay, refinance, restructure or extend our indebtedness as it becomes due.
- Adverse changes in exchange rates may reduce the net income and cash flow associated with our properties located outside of the United States (“U.S.”).
- The Advisor may not be able to identify a sufficient number of property acquisitions satisfying our investment objectives on a timely basis and on acceptable terms and prices, or at all.
- We may be unable to continue to raise additional debt or equity financing on attractive terms, or at all, and there can be no assurance we will be able to fund future acquisitions.
- Provisions in our revolving credit facility (our “Revolving Credit Facility”) and the related term loan facility (our “Term Loan”), which together comprise our senior unsecured multi-currency credit facility (our ‘‘Credit Facility’’), may limit our ability to pay dividends on our common stock, $0.01 par value per share (“Common Stock”), our 7.25% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share (“Series A Preferred Stock”) or any other stock we may issue.
- We may be unable to pay or maintain cash dividends or increase dividends over time.
- We may not generate cash flows sufficient to pay dividends to our stockholders or fund operations, and, as such, we may be forced to borrow at unfavorable rates to pay dividends to our stockholders or fund our operations.
- Any dividends that we pay on our Common Stock, our Series A Preferred Stock, or any other stock we may issue, may exceed cash flows from operations, reducing the amount of capital available to invest in properties and other permitted investments.
- We are subject to risks associated with our international investments, including risks associated with compliance with and changes in foreign laws, fluctuations in foreign currency exchange rates and inflation.

- We are subject to risks associated with any dislocations or liquidity disruptions that may exist or occur in the credit markets of the U.S. and Europe from time to time.
- We may fail to continue to qualify as a real estate investment trust for U.S. federal income tax purposes (“REIT”), which would result in higher taxes, may adversely affect operations, and would reduce the trading price of our Common Stock and Series A Preferred Stock, and our cash available for dividends.
- We may be exposed to risks due to a lack of tenant diversity, investment types and geographic diversity.
- We are exposed to changes in general economic, business and political conditions, including the possibility of intensified international hostilities, acts of terrorism, and changes in conditions of U.S. or international lending, capital and financing markets, including as a result of the U.K.’s potential or actual withdrawal from the European Union or any other events that create, or give the impression they could create, economic or political instability in Europe, which may cause the revenue derived from, and the market value of, properties located in the United Kingdom and continental Europe to decline.

Overview

We were incorporated on July 13, 2011 as a Maryland corporation that elected to be taxed as a REIT beginning with our taxable year ended December 31, 2013. Our Common Stock is listed on the New York Stock Exchange under the symbol "GNL" and our Series A Preferred Stock is listed on the New York Stock Exchange under the symbol "GNL PR A."

We invest in commercial properties, with an emphasis on sale-leaseback transactions involving single tenant net-leased commercial properties. Substantially all of our business is conducted through the Global Net Lease Operating Partnership, L.P. (the "OP"), a Delaware limited partnership. We have retained the Advisor to manage our affairs on a day-to-day basis. Our properties are managed and leased by Global Net Lease Properties, LLC (the "Property Manager"). The Advisor, and the Property Manager are under common control with AR Global and these related parties receive compensation and fees for various services provided to us.

As of September 30, 2019, we owned 264 properties consisting of 28.9 million rentable square feet, which were 99.6% leased, with a weighted-average remaining lease term of 8.0 years. Based on the percentage of annualized rental income on a straight-line basis, as of September 30, 2019, 59% of our properties were located in the U.S. and 41% of our properties were located in Europe. We may also originate or acquire first mortgage loans, mezzanine loans, preferred equity or securitized loans (secured by real estate). As of September 30, 2019, we did not own any first mortgage loans, mezzanine loans, preferred equity or securitized loans.

Significant Accounting Estimates and Critical Accounting Policies

For a discussion about our significant accounting estimates and critical accounting policies, see the "Significant Accounting Estimates and Critical Accounting Policies" section of our 2018 Annual Report on Form 10-K. Except for those required by new accounting pronouncements discussed in the section referenced below, there have been no material changes from these significant accounting estimates and critical accounting policies.

Recently Issued Accounting Pronouncements

See Note 2 — Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements to our consolidated financial statements in this Quarterly Report on Form 10-Q for further discussion.

Properties

We acquire and operate a diversified portfolio of commercial properties. All such properties may be acquired and operated by us alone or jointly with another party. Our portfolio of real estate properties was comprised of the following properties as of September 30, 2019:

Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)	Average Remaining Lease Term [(1)]
McDonald's	Oct. 2012	UK	1	9	4.5
Wickes Building Supplies I	May 2013	UK	1	30	5.0
Everything Everywhere	Jun. 2013	UK	1	65	7.8
Thames Water	Jul. 2013	UK	1	79	2.9
Wickes Building Supplies II	Jul. 2013	UK	1	29	7.2
PPD Global Labs	Aug. 2013	US	1	77	5.2
Northern Rock	Sep. 2013	UK	2	86	3.9
Wickes Building Supplies III	Nov. 2013	UK	1	28	9.2
Con-way Freight	Nov. 2013	US	7	105	4.2
Wolverine	Dec. 2013	US	1	469	3.3
Encanto	Dec. 2013	PR	18	65	5.8
Rheinmetall	Jan. 2014	GER	1	320	4.3
GE Aviation	Jan. 2014	US	1	369	6.3
Provident Financial	Feb. 2014	UK	1	117	16.1
Crown Crest	Feb. 2014	UK	1	806	19.0
Trane	Feb. 2014	US	1	25	4.2
Aviva	Mar. 2014	UK	1	132	9.7
DFS Trading I	Mar. 2014	UK	5	240	10.5
GSA I	Mar. 2014	US	1	135	2.9
National Oilwell Varco I	Mar. 2014	US	1	24	3.8
GSA II	Apr. 2014	US	2	25	3.4
OBI DIY	Apr. 2014	GER	1	144	4.3
DFS Trading II	Apr. 2014	UK	2	39	10.5
GSA III	Apr. 2014	US	2	28	3.2
GSA IV	May 2014	US	1	33	5.8
Indiana Department of Revenue	May 2014	US	1	99	3.3
National Oilwell Varco II	May 2014	US	1	23	10.4
Nissan	May 2014	US	1	462	9.0
GSA V	Jun. 2014	US	1	27	3.5
Lippert Components	Jun. 2014	US	1	539	3.3
Select Energy Services I	Jun. 2014	US	3	136	7.1
Bell Supply Co I	Jun. 2014	US	6	80	9.3
Axon Energy Products [(2)]	Jun. 2014	US	3	214	3.5
Lhoist	Jun. 2014	US	1	23	3.3
GE Oil & Gas	Jun. 2014	US	2	70	5.8
Select Energy Services II	Jun. 2014	US	4	143	7.1
Bell Supply Co II	Jun. 2014	US	2	19	9.3
Superior Energy Services	Jun. 2014	US	2	42	4.5
Amcor Packaging	Jun. 2014	UK	7	295	5.2
GSA VI	Jun. 2014	US	1	7	4.5
Nimble Storage	Jun. 2014	US	1	165	2.1
FedEx -3-Pack	Jul. 2014	US	3	339	2.8
Sandoz, Inc.	Jul. 2014	US	1	154	6.8
Wyndham	Jul. 2014	US	1	32	5.6

Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)	Average Remaining Lease Term [1]
Valassis	Jul. 2014	US	1	101	3.6
GSA VII	Jul. 2014	US	1	26	5.1
AT&T Services	Jul. 2014	US	1	402	6.8
PNC - 2-Pack	Jul. 2014	US	2	210	9.8
Fujitsu	Jul. 2014	UK	3	163	10.5
Continental Tire	Jul. 2014	US	1	91	2.8
Achmea	Jul. 2014	NETH	2	190	4.3
BP Oil	Aug. 2014	UK	1	3	6.1
Malthurst	Aug. 2014	UK	2	4	6.1
HBOS	Aug. 2014	UK	3	36	5.8
Thermo Fisher	Aug. 2014	US	1	115	4.9
Black & Decker	Aug. 2014	US	1	71	2.3
Capgemini	Aug. 2014	UK	1	90	3.5
Merck & Co.	Aug. 2014	US	1	146	5.9
GSA VIII	Aug. 2014	US	1	24	4.9
Waste Management	Sep. 2014	US	1	84	3.3
Intier Automotive Interiors	Sep. 2014	UK	1	153	4.6
HP Enterprise Services	Sep. 2014	UK	1	99	6.5
FedEx II	Sep. 2014	US	1	12	4.5
Shaw Aero Devices, Inc.	Sep. 2014	US	1	131	3.0
Dollar General - 39-Pack	Sep. 2014	US	21	200	8.5
FedEx III	Sep. 2014	US	2	221	4.8
Mallinkrodt Pharmaceuticals	Sep. 2014	US	1	90	4.9
Kuka	Sep. 2014	US	1	200	4.8
CHE Trinity	Sep. 2014	US	2	374	3.2
FedEx IV	Sep. 2014	US	2	255	3.3
GE Aviation	Sep. 2014	US	1	102	3.3
DNV GL	Oct. 2014	US	1	82	5.4
Bradford & Bingley	Oct. 2014	UK	1	121	10.0
Rexam	Oct. 2014	GER	1	176	5.4
FedEx V	Oct. 2014	US	1	76	4.8
C&J Energy	Oct. 2014	US	1	96	4.1
Onguard	Oct. 2014	US	1	120	4.3
Metro Tonic	Oct. 2014	GER	1	636	6.0
Axon Energy Products	Oct. 2014	US	1	26	5.1
Tokmanni	Nov. 2014	FIN	1	801	13.9
Fife Council	Nov. 2014	UK	1	37	4.4
GSA IX	Nov. 2014	US	1	28	2.6
KPN BV	Nov. 2014	NETH	1	133	7.3
RWE AG	Nov. 2014	GER	3	594	5.2
Follett School	Dec. 2014	US	1	487	5.3
Quest Diagnostics	Dec. 2014	US	1	224	4.9
Diebold	Dec. 2014	US	1	158	2.3
Weatherford Intl	Dec. 2014	US	1	20	6.1
AM Castle	Dec. 2014	US	1	128	5.1
FedEx VI	Dec. 2014	US	1	28	4.9
Constellium Auto	Dec. 2014	US	1	321	10.2
C&J Energy II	Mar. 2015	US	1	125	4.1
Fedex VII	Mar. 2015	US	1	12	5.0

Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)	Average Remaining Lease Term [1]
Fedex VIII	Apr. 2015	US	1	26	5.0
Crown Group I	Aug. 2015	US	2	204	4.3
Crown Group II	Aug. 2015	US	2	411	15.9
Mapes & Sprowl Steel, Ltd.	Sep. 2015	US	1	61	10.3
JIT Steel Services	Sep. 2015	US	2	127	10.3
Beacon Health System, Inc.	Sep. 2015	US	1	50	6.5
Hannibal/Lex JV LLC	Sep. 2015	US	1	109	10
FedEx Ground	Sep. 2015	US	1	91	5.8
Office Depot	Sep. 2015	NETH	1	206	9.4
Finnair	Sep. 2015	FIN	4	656	4.9
Auchan	Dec. 2016	FR	1	152	3.9
Pole Emploi	Dec. 2016	FR	1	41	3.8
Sagemcom	Dec. 2016	FR	1	265	4.3
NCR Dundee	Dec. 2016	UK	1	132	7.1
FedEx Freight I	Dec. 2016	US	1	69	3.9
DB Luxembourg	Dec. 2016	LUX	1	156	4.2
ING Amsterdam	Dec. 2016	NETH	1	509	5.8
Worldline	Dec. 2016	FR	1	111	4.3
Foster Wheeler	Dec. 2016	UK	1	366	4.8
ID Logistics I	Dec. 2016	GER	1	309	5.1
ID Logistics II	Dec. 2016	FR	2	964	5.2
Harper Collins	Dec. 2016	UK	1	873	5.9
DCNS	Dec. 2016	FR	1	97	5.0
Cott Beverages Inc	Feb. 2017	US	1	170	7.3
FedEx Ground - 2 Pack	Mar. 2017	US	2	162	7.0
Bridgestone Tire	Sep. 2017	US	1	48	7.8
GKN Aerospace	Oct. 2017	US	1	98	7.3
NSA-St. Johnsbury I	Oct. 2017	US	1	87	13.1
NSA-St. Johnsbury II	Oct. 2017	US	1	85	13.1
NSA-St. Johnsbury III	Oct. 2017	US	1	41	13.1
Tremec North America	Nov. 2017	US	1	127	8.0
Cummins	Dec. 2017	US	1	59	5.7
GSA X	Dec. 2017	US	1	26	10.3
NSA Industries	Dec. 2017	US	1	83	13.3
Chemours	Feb. 2018	US	1	300	8.3
Fiat Chrysler	Mar. 2018	US	1	128	8.4
Lee Steel	Mar. 2018	US	1	114	9.0
LSI Steel - 3 Pack	Mar. 2018	US	3	218	8.1
Contractors Steel Company	May 2018	US	5	1,392	8.3
FedEx Freight II	Jun. 2018	US	1	22	12.9
DuPont Pioneer	Jun. 2018	US	1	200	9.2
Rubbermaid - Akron OH	Jul. 2018	US	1	669	9.3
NetScout - Allen TX	Aug. 2018	US	1	145	10.9
Bush Industries - Jamestown NY	Sep. 2018	US	1	456	19
FedEx - Greenville NC	Sep. 2018	US	1	29	13.4
Penske	Nov. 2018	US	1	606	9.1
NSA Industries	Nov. 2018	US	1	65	19.2
LKQ Corp.	Dec. 2018	US	1	58	11.3
Walgreens	Dec. 2018	US	1	86	6.2

Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)		Average Remaining Lease Term [(1)]
Grupo Antolin	Dec. 2018	US	1	360		13.1
VersaFlex	Dec. 2018	US	1	113		19.3
Cummins	Mar. 2019	US	1	37		9.2
Stanley Security	Mar. 2019	US	1	80		8.8
Sierra Nevada	Apr. 2019	US	1	60		9.5
EQT	Apr. 2019	US	1	127		10.8
Hanes	Apr. 2019	US	1	276		9.0
Union Partners	May 2019	US	2	390		9.5
ComDoc	Jun. 2019	US	1	108		9.7
Metal Technologies	Jun. 2019	US	1	228		14.7
Encompass Health	Jun. 2019	US	1	199		14.3
Heatcraft	Jun. 2019	US	1	216		8.8
C.F. Sauer SLB	Jul. 2019	US	6	598		19.8
Viavi Solutions	Sep. 2019	US	2	132		12.9
SWECO	Sep. 2019	US	1	191		10.7
Total			264	28,939	(3)	8.0

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(1) If the portfolio has multiple properties with varying lease expirations, average remaining lease term is calculated on a weighted-average basis. Weighted- average remaining lease term in years is calculated based on square feet as of September 30, 2019.

(2) Of the three properties, one location is vacant while the other two properties remain in use.

(3) Total square feet may not foot, due to rounding.

Results of Operations

Comparison of the Three Months Ended September 30, 2019 and 2018

Net Income Attributable to Common Stockholders

Net income attributable to common stockholders was $6.9 million for the three months ended September 30, 2019, as compared to net income attributable to common stockholders of $0.2 million for the three months ended September 30, 2018. The change in net income attributable to common stockholders is discussed in detail for each line item of the consolidated statements of operations in the sections that follow.

Revenue from Tenants

In addition to base rent, our lease agreements generally require tenants to pay or reimburse us for all property operating expenses, which primarily reflect insurance costs and real estate taxes incurred by us and subsequently reimbursed by the tenant. However, some limited property operating expenses that are not the responsibility of the tenant are absorbed by us.

Revenue from tenants was $77.9 million and $71.9 million for the three months ended September 30, 2019 and 2018, respectively. The increase was primarily driven by the impact of our property acquisitions, partially offset by the impact of our dispositions since September 30, 2018. During the third quarter of 2019 we had 33 dispositions which did not materially impact revenue from tenants for the three months ended September 30, 2019 because the dispositions occurred toward the end of September 2019.

The increase in revenue from tenants was partially offset by decreases during the three months ended September 30, 2019 of 5.4% in the average exchange rate for British Pounds Sterling (“GBP”) to U.S. Dollar (“USD”) and 4.4% in the EUR to USD, when compared to the same period last year. Bad debt expense during the three months ended September 30, 2019, which is recorded as a reduction to revenue from tenants, was not significant. Prior period amounts for bad debt expense are included in property operating expenses (see below and see *Note 2 — Summary of Significant Accounting Polices* to our consolidated financial statements in this Quarterly Report on Form 10-Q for additional details). Also, in the third quarter of 2018, we recorded income of $3.0 million relating to a lease termination fee from the disposal of Veolia Water, which was sold during the three months ended September 30, 2018. Prior to the sale, we agreed to terminate the lease with the existing tenant and, as a result, received the termination fee in accordance with the terms of the lease.

Property Operating Expenses

Property operating expenses were $8.2 million and $5.3 million for the three months ended September 30, 2019 and 2018, respectively. These costs primarily relate to insurance costs and real estate taxes on our properties, which are generally reimbursable by our tenants. The main exceptions are GSA properties for which certain expenses are not reimbursable by tenants. The increase was primarily due to higher reimbursable expenses incurred in the third quarter of 2019. Prior to January 1, 2019, property operating expenses included provisions for bad debt expense associated with receivables we believed were doubtful of collection. Effective January 1, 2019, in accordance with new accounting guidance, bad debt expense is recorded as an adjustment to revenue. The increase in property operating expenses was partially offset by decreases during the three months ended September 30, 2019 of 5.4% in the average exchange rate for GBP to USD and 4.4% in the EUR to USD, when compared to the same period last year.

During the three months ended September 30, 2018,we recognized bad debt expense of $80,000 for receivables, which primarily related to one of our tenants that vacated its space and ceased making rental payments.

Operating Fees to Related Parties

Operating fees paid to related parties were $8.2 million and $7.0 million for the three months ended September 30, 2019 and 2018, respectively. Operating fees to related parties consist of compensation to the Advisor for asset management services, as well as property management fees paid to the Advisor and Property Manager. Our advisory agreement requires us to pay to the Advisor a Minimum Base Management Fee of $18.0 million per annum ($4.5 million per quarter) and a Variable Base Management Fee, both payable in cash, and Incentive Compensation, (as defined in our advisory agreement), payable in cash and shares, if the applicable hurdles are met (*see Note 10 — Related Party Transactions* to our consolidated financial statements in this Quarterly Report on Form 10-Q for additional details). The increase to operating fees between the periods in part results from an increase of $1.4 million in the Variable Base Management Fee resulting from the incremental additional net proceeds of approximately $367.0 million generated between October 1, 2018 and September 30, 2019 from sales of Series A Preferred Stock pursuant to our “at the market” equity program for our Series A Preferred Stock (the “Preferred Stock ATM Program”) and sales of Common Stock pursuant to our “at the market” equity offering program for Common Stock (the “Common Stock ATM Program”). The Variable Base Management Fee would also increase in connection with other offerings or issuances of equity securities. During the three months ended September 30, 2019 and 2018, no Incentive Compensation was earned.

Our Property Manager is paid fees for the management of our properties. Property management fees are calculated as a percentage of gross revenues generated by the applicable properties. During the three months ended September 30, 2019 and 2018, property management fees were $1.5 million and $1.3 million, respectively.

Impairment Charges

In November 2019 we sold two properties in the Netherlands. As of September 30, 2019 we concluded that the estimated future undiscounted cash flows associated with these two properties did not exceed their respective carrying values, and as a result, recorded an impairment charge of $6.4 million to reflect the estimated fair value of the properties.

Acquisition, Transaction and Other Costs

We recognized $0.2 million and $2.8 million of acquisition, transaction and other costs during the three months ended September 30, 2019 and 2018, respectively. Acquisition, transaction and other costs during the three months ended September 30, 2018 were primarily related to $0.5 million in litigation costs related to the termination of the Moor Park Capital Partners LLP (the “Former Service Provider”) and $1.7 million in fees associated with the exploration of a potential equity offering.

General and Administrative Expense

General and administrative expenses were $3.3 million and $3.2 million for the three months ended September 30, 2019 and 2018, respectively, primarily consisting of professional fees including audit and taxation services, board member compensation and directors’ and officers’ liability insurance.

Equity-Based Compensation Expense

During the three months ended September 30, 2019, we recognized equity-based compensation expense of $2.5 million which primarily related to our multi-year outperformance agreement entered into with the Advisor in July 2018 (the “2018 OPP”). During the three months ended September 30, 2018, we recognized equity-based compensation expense of $2.1 million related to the 2018 OPP and the multi-year outperformance agreement entered into in June 2015 (“2015 OPP”). Equity based compensation expense also includes amortization of restricted stock units in respect of shares of Common Stock (“RSUs”) granted to our independent directors.

Through December 31, 2018, the 2015 OPP and 2018 OPP were remeasured at fair market value as of each balance sheet date with a cumulative effect adjustment based on the new value each period and vesting. As the value declined, prior accruals were reversed and income was recognized. Ultimately, the 2015 OPP resulted in no LTIP Units being earned upon final measurement at June 2, 2018.

Under new accounting guidance adopted by us on January 1, 2019 that applies to the 2018 OPP beginning on that date, the equity-based compensation expense calculated as of adoption of the new guidance is now fixed as of that date and will not be remeasured in subsequent periods unless the 2018 OPP is amended. In February 2019, the 2018 OPP was amended in light of the effectiveness of a merger of one member of the peer group. Under the accounting rules, we were required to calculate any excess of the new value of Award LTIP Units in accordance with the provisions of the amendment ($29.9 million) over the fair value immediately prior to the amendment ($23.3 million). This excess of approximately $6.6 million is being expensed over the period from February 21, 2019, the date our compensation committee approved the amendment, through June 2, 2021. For additional information, see *Note 2 — Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements* and see *Note 12 — Equity-Based Compensation* to our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Depreciation and Amortization

Depreciation and amortization expense was $31.6 million and $30.2 million for the three months ended September 30, 2019 and 2018, respectively. The increase in the third quarter of 2019 as compared to the third quarter of 2018 is due to additional depreciation and amortization expense incurred primarily from the impact of our acquisitions, partially offset by the impact of our dispositions since September 30, 2018. During the third quarter of 2019 we had 33 dispositions which did not materially impact depreciation and amortization expense for the three months ended September 30, 2019 because the dispositions occurred toward the end of September 2019. The increase in depreciation and amortization expense was partially offset by decreases during the three months ended September 30, 2019 of 5.4% in the average exchange rate for GBP to USD and 4.4% in the EUR to USD, when compared to the same period last year.

Gain(Loss) on Dispositions of Real Estate Investments

During the three months ended September 30, 2019, we sold 33 properties located in the United States (32 Family Dollar retail stores and one industrial property) for a total contract sales price of $53.0 million, resulting in an aggregate gain of $7.0 million.

We sold one real estate asset during the three months ended September 30, 2018, located in Vandalia, Ohio. Prior to the sale, we agreed to terminate the lease with the existing tenant and received a termination fee of $3.0 million in accordance with the terms of the lease, which is recorded in revenue from tenants in the accompanying consolidated statements of operations for the three months ended September 30, 2018. At closing, we paid approximately $3.0 million in excess of proceeds received for the repayment of mortgage debt and recorded a loss of $1.9 million.

Interest Expense

Interest expense was $16.2 million and $15.1 million for the three months ended September 30, 2019 and 2018, respectively. The increase was primarily related to an increase in average borrowings. The net amount of our total debt outstanding increased from $1.7 billion as of September 30, 2018 to $1.9 billion as of September 30, 2019 and the weighted-average effective interest rate of our total debt was 3.0% as of September 30, 2018 and 3.0% as of September 30, 2019. The increase in interest expense was partially offset by decreases during the three months ended September 30, 2019 of 5.4% in the average exchange rate for GBP to USD and 4.4% in the EUR and USD, when compared to the same period last year.

We view a mix of secured and unsecured financing sources as an efficient and accretive means to acquire properties and manage working capital. Our interest expense in future periods will vary based on our level of future borrowings and interest rates, which will depend on our refinancing needs and our acquisition activity.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $0.6 million and $2.6 million for the three months ended September 30, 2019 and 2018, respectively. The loss in the third quarter of 2019 was primarily due to charges for previously recorded deferred financing costs related to the repayment of two mortgages. During the third quarter of 2018, we entered into the UK loan, which is secured by all 43 of our properties located in the United Kingdom. At closing, the £209.0 million of net proceeds were used to repay all outstanding mortgage indebtedness encumbering 38 of the 43 properties. As a result of this transaction, we recorded charges totaling $2.6 million, consisting of $1.5 million of previously recorded deferred financing costs, $0.6 million in mortgage prepayment fees as a result of the UK Loan and $0.5 million in mortgage prepayment fees as a result of a property disposition.

Foreign Currency and Interest Rate Impact on Operations

The gains on derivatives instruments of $3.0 million and $1.3 million for the three months ended September 30, 2019 and 2018, respectively, reflect the marked-to-market impact from foreign currency and interest rate derivative instruments used to hedge the investment portfolio from currency and interest rate movements, and was mainly driven by currency rate changes in the GBP and EUR compared to the USD.

We had no gains or losses on undesignated foreign currency advances and other hedge ineffectiveness for the three months ended September 30, 2019 and losses of $108,000 for the three months ended September 30, 2018.

As a result of our foreign investments in Europe, we are subject to risk from the effects of exchange rate movements in the Euro and GBP currencies, which may affect costs and cash flows in our functional currency, the USD. We generally manage foreign currency exchange rate movements by matching our debt service obligation to the lender and the tenant's rental obligation to us in the same currency. This reduces our overall exposure to currency fluctuations. In addition, we may use currency hedging to further reduce the exposure to our net cash flow. We are generally a net receiver of these currencies (we receive more cash than we pay out), and therefore our results of operations of our foreign properties benefit from a weaker USD, and are adversely affected by a stronger USD, relative to the foreign currency. During the three months ended September 30, 2019, the average exchange rate for GBP to USD decreased by 5.4%, and the average exchange rate for Euro to USD decreased by 4.4%, when compared to the same period last year.

Income Tax Expense

Although as a REIT we generally do not pay U.S. federal income taxes, we recognize income tax (expense) benefit domestically for state taxes and local income taxes incurred, if any, and also in foreign jurisdictions in which we own properties. In addition, we perform an analysis of potential deferred tax or future tax benefit and expense as a result of book and tax differences and timing differences in taxes across jurisdictions. Our current income tax expense fluctuates from period to period based primarily on the timing of those taxes. Income tax expense was $0.9 million and $0.5 million for the three months ended September 30, 2019 and 2018, respectively.

Comparison of the Nine Months Ended September 30, 2019 and 2018

Net Income Attributable to Common Stockholders

Net income attributable to common stockholders was $25.3 million for the nine months ended September 30, 2019, as compared to net income attributable to common stockholders of $7.8 million for the nine months ended September 30, 2018. The change in net income attributable to common stockholders is discussed in detail for each line item of the consolidated statements of operations in the sections that follow.

Revenue from Tenants

In addition to base rent, our lease agreements generally require tenants to pay or reimburse us for all property operating expenses, which primarily reflect insurance costs and real estate taxes incurred by us and subsequently reimbursed by the tenant. However some limited property operating expenses that are not the responsibility of the tenant are absorbed by us.

Revenue from tenants was $229.5 million and $211.0 million for the nine months ended September 30, 2019 and 2018, respectively. The increase was primarily driven by the impact of our property acquisitions, partially offset by the impact of our dispositions since September 30, 2018. During the nine months ended September 30, 2019 we had 33 dispositions which did not materially impact revenue from tenants for the nine months ended September 30, 2019 because the dispositions occurred toward the end of September 2019.

The increase in revenue from tenants was partially offset by decreases during the nine months ended September 30, 2019 of 5.8% in the average exchange rate for GBP to USD and 5.9% in the EUR to USD, when compared to the same period last year. Also, during the nine months ended September 30, 2019, we did not recognize any bad debt expense, which effective January 1, 2019, is recorded as a reduction to revenue from tenants. Prior period amounts are included in property operating expenses (see below and see *Note 2 — Summary of Significant Accounting Polices* to our consolidated financial statements in this Quarterly Report on Form 10-Q for additional details). Also, in the third quarter of 2018, we recorded income of $3.0 million relating to a lease termination fee from the disposal of Veolia Water, which was sold during the three months ended September 30, 2018. Prior to the sale, we agreed to terminate the lease with the existing tenant and, as a result, received the termination fee in accordance with the terms of the lease.

Property Operating Expenses

Property operating expenses were $22.6 million and $21.0 million for the nine months ended September 30, 2019 and 2018, respectively. These costs primarily relate to insurance costs and real estate taxes on our properties, which are generally reimbursable by our tenants. The main exceptions are GSA properties for which certain expenses are not reimbursable by tenants. The increase was primarily due to higher reimbursable expenses incurred in the nine months ended September 30, 2019. Prior to January 1, 2019, property operating expenses included provisions for bad debt expense associated with receivables we believed were doubtful of collection. Effective January 1, 2019, in accordance with new accounting guidance, bad debt expenses is recorded as an adjustment to revenue. The increase in property operating expenses was partially offset by decreases during the nine months ended September 30, 2019 of 5.8% in the average exchange rate for GBP to USD and 5.9% in the EUR to USD, when compared to the same period last year.

During the nine months ended September 30, 2018 we recognized bad debt expense of $0.2 million for receivables, which primarily related to one of our tenants that vacated its space and ceased making rental payments.

Operating Fees to Related Parties

Operating fees paid to related parties were $24.4 million and $20.9 million for the nine months ended September 30, 2019 and 2018, respectively. Operating fees to related parties consist of compensation to the Advisor for asset management services, as well as property management fees paid to the Advisor and Property Manager, including amounts subsequently paid by the Advisor and the Property Manager to the Former Service Provider for our European investments, prior to the termination of the Former Service Provider effective in March 2018. Our advisory agreement requires us to pay to the Advisor a Base Management Fee of $18.0 million per annum ($4.5 million per quarter) and a Variable Base Management Fee, both payable in cash, and Incentive Compensation, payable in cash and shares, if the applicable hurdles are met (*see Note 10 — Related Party Transactions* to our consolidated financial statements in this Quarterly Report on Form 10-Q for additional details). The increase to operating fees between the periods in part results from an increase of $3.3 million in the Variable Base Management Fee resulting from the incremental additional net proceeds of approximately $367.0 million generated between July 1, 2018 and September 30, 2019 from sales pursuant to the Preferred Stock ATM Program and the Common Stock ATM Program. The Variable Base Management Fee would also increase in connection with other offerings or issuances of equity securities. During the nine months ended September 30, 2019 and 2018, no Incentive Compensation was earned.

Our Property Manager is paid fees for the management of our properties. Property management fees are calculated as a percentage of gross revenues generated by the applicable properties. During the nine months ended September 30, 2019 and 2018, property management fees were $4.3 million and $3.7 million, respectively.

Impairment Charges

In November 2019 we sold two properties in the Netherlands. As of September 30, 2019 we concluded that the estimated future undiscounted cash flows associated with these two properties did not exceed their respective carrying values, and as a result, recorded an impairment charge of $6.4 million to reflect the estimated fair value of the properties.

Acquisition, Transaction, and Other Costs

We recognized $1.3 million of acquisition, transaction and other costs during the nine months ended September 30, 2019, which primarily consist of litigation costs related to the termination of the Former Service Provider. During the nine months ended September 30, 2018, acquisition and transaction related expenses totaled $5.2 million, which primarily related to $1.9 million in litigation costs related to the termination of the Former Service Provider, $1.7 million in fees associated with the exploration of a potential equity offering, $0.6 million in costs to refinance foreign debt and $1.0 million of other costs.

General and Administrative Expense

General and administrative expenses were $8.8 million and $7.8 million for the nine months ended September 30, 2019 and 2018, respectively, and primarily consist of professional fees including audit and taxation services, board member compensation and directors' and officers' liability insurance. The increase for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 was primarily due to the increase in professional fees.

Equity-Based Compensation Expense

During the nine months ended September 30, 2019 and 2018, we recognized equity-based compensation expense of $7.0 million which primarily related to the 2018 OPP. During the nine months ended September 30, 2018, we recognized $1.2 million for equity-based compensation expense related to the 2018 OPP and the 2015 OPP. Equity based compensation expense also includes amortization of restricted stock units in respect of shares of Common Stock ("RSUs") granted to our independent directors.

Through December 31, 2018, the 2015 OPP and 2018 OPP were remeasured at fair market value as of each balance sheet date with a cumulative effect adjustment based on the new value each period and vesting. As the value declined, prior accruals were reversed and income was recognized. Ultimately, the 2015 OPP resulted in no LTIP Units being earned upon final measurement at June 2, 2018.

Under new accounting guidance adopted by us on January 1, 2019 that applies to the 2018 OPP beginning on that date, the equity-based compensation expense calculated as of adoption of the new guidance is now fixed as of that date and will not be remeasured in subsequent periods unless the 2018 OPP is amended. In February 2019, the 2018 OPP was amended in light of the effectiveness of a merger of one member of the peer group. Under the accounting rules, we were required to calculate any excess of the new value of Award LTIP Units in accordance with the provisions of the amendment ($29.9 million) over the fair value immediately prior to the amendment ($23.3 million). This excess of approximately $6.6 million is being expensed over the period from February 21, 2019, the date our compensation committee approved the amendment, through June 2, 2021. For additional information, see *Note 2 — Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements* and see *Note 12 - Equity-Based Compensation* to our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Depreciation and Amortization

Depreciation and amortization expense was $94.0 million and $89.5 million for the nine months ended September 30, 2019 and 2018, respectively. The increase in the first nine months of 2019 compared to the first nine months of 2018 was due to the net impact of our property acquisitions, partially offset by the impact of our dispositions since September 30, 2018. During the nine months ended September 30, 2019 we had 33 dispositions which did not materially impact depreciation and amortization expense for the nine months ended September 30, 2019 because the dispositions occurred toward the end of September 2019. The increase in depreciation and amortization expense was partially offset by decreases during the nine months ended September 30, 2019 of 5.8% in the average exchange rate for GBP to USD and 5.9% in the EUR to USD, when compared to the same period last year.

Gain (Loss) on Dispositions of Real Estate Investments

During the nine months ended September 30, 2019, we sold 97 properties located in the United States (94 Family Dollar retail stores and three industrial properties) and one property located in the United Kingdom for a total contract sales price of $145.8 million, resulting in a gain of $14.8 million.

During the nine months ended September 30, 2018, we sold two real estate assets for a total contract sales price of $25.3 million, resulting in a loss of $5.8 million.

Interest Expense

Interest expense was $47.0 million and $42.5 million for the nine months ended September 30, 2019 and 2018, respectively. The increase was primarily related to an increase in average borrowings. The amount of our total debt outstanding increased from $1.7 billion as of September 30, 2018 to $1.9 billion as of September 30, 2019 and the weighted-average effective interest rate of our total debt was 3.0% as of September 30, 2018 and 3.0% as of September 30, 2019. The increase in interest expense was partially offset by decreases during the nine months ended September 30, 2019 of 5.8% in the average exchange rate for GBP to USD and 5.9% in the EUR to USD, when compared to the same period last year.

We view a mix of secured and unsecured financing sources as an efficient and accretive means to acquire properties and manage working capital. Our interest expense in future periods will vary based on our level of future borrowings and interest rates, which will depend on our refinancing needs and our acquisition activity.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $1.3 million and $3.9 million for the nine months ended September 30, 2019 and 2018, respectively. The loss in the 2018 period was due to the write off of $1.5 million of previously recorded deferred financing costs and prepayment penalties paid on early extinguishment of debt of $2.4 million. Prepayment penalties for the nine months ended September 30, 2018 includes the reclassification of $1.3 million of costs which were previously classified as acquisition and transaction related costs for the three months ended June 30, 2018.

Foreign Currency and Interest Rate Impact on Operations

The gains on derivative instruments of $4.7 million and $4.7 million for the nine months ended September 30, 2019 and 2018, respectively, reflect the marked-to-market impact from foreign currency and interest rate derivative instruments used to hedge the investment portfolio from currency and interest rate movements, and was mainly driven by currency rate changes in the GBP and EUR compared to the USD.

During the nine months ended September 30, 2019 and 2018, we recorded gains on undesignated foreign currency advances and other hedge ineffectiveness of $0.1 million and losses of $18,000, respectively.

As a result of our foreign investments in Europe, we are subject to risk from the effects of exchange rate movements in the Euro and GBP currencies, which may affect costs and cash flows in our functional currency, the USD. We generally manage foreign currency exchange rate movements by matching our debt service obligation to the lender and the tenant's rental obligation to us in the same currency. This reduces our overall exposure to currency fluctuations. In addition, we may use currency hedging to further reduce the exposure to our net cash flow. We are generally a net receiver of these currencies (we receive more cash than we pay out), and therefore our results of operations of our foreign properties benefit from a weaker USD, and are adversely affected by a stronger USD, relative to the foreign currency. During the nine months ended September 30, 2019, the average exchange rate for GBP to USD decreased by 5.8%, and the average exchange rate for Euro to USD decreased by 5.9%, when compared to the same period last year. During the three months ended September 30, 2019, we entered into an LOI to acquire three properties in Canada for a purchase price of $10.4 million. The LOI may not lead to a definitive agreement, and there can be no assurance we will complete this pending acquisition on its contemplated terms, or at all. If we do complete the acquisition, it will be our first acquisition outside of the United States (including Puerto Rico) and Europe, and we will thereafter be exposed to fluctuations in the Canadian dollar, in addition to the GBP and the Euro.

Income Tax Expense

Although as a REIT we generally do not pay U.S. federal income taxes, we recognize income tax (expense) benefit domestically for state taxes and local income taxes incurred, if any, and also in foreign jurisdictions in which we own properties. In addition, we perform an analysis of potential deferred tax or future tax benefit and expenses as a result of timing differences in taxation across jurisdictions. Income tax expense was $2.7 million and $2.8 million for the nine months ended September 30, 2019 and 2018, respectively.

Cash Flows from Operating Activities

During the nine months ended September 30, 2019, net cash provided by operating activities was $97.8 million. The level of cash flows provided by operating activities is driven by, among other things, rental income received, operating fees paid to related parties for asset and property management services and interest payments on outstanding borrowings. Cash flows provided by operating activities during the nine months ended September 30, 2019 reflect net income of $33.5 million, adjusted for non-cash items of $102.1 million (primarily depreciation, amortization of intangibles, amortization of deferred financing costs, amortization of mortgage premium/discount, amortization of above- and below-market lease and ground lease assets and liabilities, bad debt expense, unbilled straight-line rent, and equity-based compensation). In addition, working capital items decreased operating cash flow by $27.3 million.

During the nine months ended September 30, 2018, net cash provided by operating activities was $103.4 million. The level of cash flows provided by operating activities is driven by, among other things, rental income received, operating fees paid to related parties for asset and property management and interest payments on outstanding borrowings. Cash flows provided by operating activities during the nine months ended September 30, 2018 reflect net income of $15.2 million, adjusted for non-cash items of $92.5 million (primarily depreciation, amortization of intangibles, amortization of deferred financing costs, amortization of mortgage premium/discount, amortization of above- and below-market lease and ground lease assets and liabilities, bad debt expense, unbilled straight-line rent, and equity-based compensation). In addition, working capital items decreased operating cash flow by $9.0 million.

Cash Flows from Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2019 of $182.2 million was driven by property acquisitions of $309.0 million, property acquisition deposits of $1.1 million and capital expenditures of $13.7 million. These cash uses were partially offset by net proceeds from asset dispositions of $141.5 million during the nine months ended September 30, 2019.

Net cash used in investing activities during the nine months ended September 30, 2018 of $251.0 million was driven by property acquisitions of $267.4 million, property acquisition deposits of $3.8 million and capital expenditures of $2.6 million. These cash uses were partially offset by cash from asset dispositions of $23.3 million during the nine months ended September 30, 2018.

Cash Flows from Financing Activities

Net cash provided by financing activities of $296.1 million during the nine months ended September 30, 2019 related to proceeds from mortgage notes payable of $579.4 million, net proceeds from issuance of Common Stock of $258.6 million and net proceeds from issuance of Series A Preferred Stock of $31.7 million, partially offset by net repayment of amounts outstanding under our Revolving Credit Facility of $259.4 million, payments of financing costs of $19.0 million, payments on mortgage notes payable of $307.8 million, dividends paid to common stockholders of $103.1 million and dividends paid to preferred stockholders of $7.6 million.

Net cash provided by financing activities of $204.1 million during the nine months ended September 30, 2018 related to net borrowings on our Revolving Credit Facility of $159.6 million, proceeds from mortgage notes payable of $332.4 million, net proceeds from issuance of Common Stock of $94.1 million and proceeds from our Term Loan of $60.7 million, partially offset by payments of financing costs of $6.2 million, payments on mortgage notes payable of $317.6 million, dividends paid to common stockholders of $108.4 million and dividends paid to preferred stockholders of $7.4 million.

Liquidity and Capital Resources

As of September 30, 2019 and December 31, 2018, we had cash and cash equivalents of $306.0 million and $100.3 million, respectively. Principal future demands on cash and cash equivalents will include the purchase of additional properties or other investments in accordance with our investment strategy, payment of related acquisition costs, improvement costs, operating and administrative expenses, continuing debt service obligations and dividends to holders of our Common Stock and Series A Preferred Stock, as well as any future class or series of preferred stock we may issue. Management expects to use operating income from our existing properties and properties we expect to acquire to fund operating expenses, and the payment of quarterly dividends to our common stockholders and holders of our Series A Preferred Stock, but in certain periods we have needed to fund these amounts from cash on hand generated from other sources and we may also need to do so in future periods.

During the nine months ended September 30, 2019, cash used to pay our dividends was generated mainly from cash flows provided by operations and cash on hand generated from our other sources of capital. These other sources of capital, which we expect to continue to use for dividends and other capital needs, include proceeds from our Revolving Credit Facility, proceeds from secured or unsecured financings from banks or other lenders, proceeds from our Common Stock ATM Program (or any similar future program), proceeds from other future offerings of debt or equity securities (including preferred equity securities), proceeds from the sale of properties, and undistributed funds from operations, if any.

Acquisitions and Dispositions

We are in the business of acquiring real estate properties and leasing the properties to tenants. Our goal is to grow through acquiring additional properties. Generally, we fund our acquisitions through a combination of cash and cash equivalents, proceeds from offerings of equity securities (including Common Stock and preferred stock), borrowings under our Revolving Credit Facility and proceeds from mortgage or other debt secured by the acquired or other assets at the time of acquisition or at some later point (see *Note 4* - *Mortgage Notes Payable, Net* and *Note 5* — *Credit Facilities* to our consolidated financial statements included in this Quarterly Report on Form 10-Q for further discussion). In addition, if we dispose of properties, we may use the net proceeds from the dispositions (after repayment of any mortgage debt, if any) for future acquisitions or other general corporate purposes.

Acquisitions and Dispositions — Nine Months Ended September 30, 2019

During the nine months ended September 30, 2019, we acquired 20 properties for $309.0 million, including capitalized acquisition costs. The acquisition of nine of these properties for $98.0 million, including capitalized acquisition costs, was completed during the three months ended September 30, 2019. During the three months ended September 30, 2019, our acquisitions were primarily funded with financing activity, which includes net proceeds from our refinancing activities and borrowings under the Revolving Credit Facility, and proceeds from our Common Stock ATM Program and Preferred Stock ATM Program. During the nine months ended September 30, 2019, our acquisitions were primarily funded with the proceeds raised from our Common Stock ATM Program and our Preferred Stock ATM Program, proceeds from dispositions and financing activity, which includes net proceeds from our refinancing activities and borrowings under the Revolving Credit Facility. Also, during the three months ended March 31, 2019, we funded, using the same sources, $11.4 million of capital expenditures to expand and remodel four properties that are leased to a single tenant, in exchange for increased annual rent at the respective properties. For additional information on activity related to the Revolving Credit Facility, see *"Borrowings"* section below.

During the nine months ended September 30, 2019, we sold 97 properties located in the United States (94 Family Dollar retail stores and three industrial properties) and one property located in the United Kingdom for a total contract sales price of $145.8 million. Of the 98 properties sold during the nine months ended September 30, 2019, 33 properties were sold during the three months ended September 30, 2019, for a total contract sales price of $53.0 million. We have used, and expect to continue to use, these net proceeds primarily to fund future acquisitions.

Acquisitions and Dispositions Subsequent to September 30, 2019 and Pending Transactions

Subsequent to September 30, 2019, and through November 4, 2019, we did not acquire any properties. We have signed four definitive purchase and sale agreements ("PSAs") to acquire a total of 12 net lease properties, all of which are located in the United States, for an aggregate purchase price of approximately $93.5 million. We have signed three non-binding letters of intent and one non-binding award letter (collectively "LOIs") to acquire a total of 17 net lease properties, located in the United States, Italy and Canada, for an aggregate purchase price of $280.0 million. The PSAs are subject to conditions and the LOIs may not lead to a definitive agreement. There can be no assurance we will complete any of these transactions, or any future acquisitions or other investments, on a timely basis or on acceptable terms and conditions, if at all. If we do complete the Canadian acquisition, it will be our first acquisition outside of the United States (including Puerto Rico) and Europe.

In November 2019 we sold two properties in the Netherlands for a contract sales price of €17.1 million (approximately $19.1 million based on USD equivalents). As of September 30, 2019 we concluded that the estimated future undiscounted cash flows associated with these two properties did not exceed their respective carrying values, and as a result, recorded an impairment charge of $6.4 million to reflect the estimated fair value of the properties.

We have entered into a definitive PSA to dispose of a total of three net lease properties located in Germany, which we amended in September 2019 to extend the closing date to December 2019 and reduce the purchase price by €4.5 million. Following these amendments, we also amended the associated mortgage debt to extend the maturity date to correspond with the new closing date for the disposition. See "*Mortgage Notes Payable*" section below. This disposition is for a contract sales price of €130.5 million and is expected to generate €68 million after repayment of associated debt. The PSA is subject to conditions. There can be no assurance we will complete this disposition, or any future dispositions, on a timely basis or on acceptable terms and conditions, if at all.

Equity Offerings

Common Stock

We have the Common Stock ATM Program, an "at the market" equity offering program, pursuant to which we may sell shares of Common Stock from time to time through our sales agents. During the three months ended March 31, 2019, we sold 7,759,322 shares of Common Stock through the Common Stock ATM Program for gross proceeds of $152.8 million, before commissions paid of $1.5 million and additional issuance costs of $0.8 million. Following these sales, we had raised all $175.0 million contemplated by our existing equity distribution agreement related to the Common Stock ATM Program. In February 2019, we terminated our existing equity distribution agreement and entered into a new equity distribution agreement with substantially the same sales agents on substantially the same terms. The new equity distribution agreement provides for the continuation of the Common Stock ATM Program to raise additional aggregate sales proceeds of up to $250.0 million. During the three months ended September 30, 2019, we sold 5,596,452 shares of Common Stock under the new equity distribution agreement for gross proceeds of $109.9 million, before commissions paid of $1.6 million and additional issuance costs of $0.2 million. In total, during the nine months ended September 30, 2019, we sold 13,555,774 shares of Common Stock for gross proceeds of $262.6 million, before commissions paid of $3.1 million and additional issuance costs of $1.0 million.

Preferred Stock

In March 2018, we established the Preferred Stock ATM Program, an "at the market" equity offering program for our Series A Preferred Stock pursuant to which we may raise aggregate sales proceeds of $200.0 million through sales of shares of Series A Preferred Stock from time to time through our sales agents. During the three months ended September 30, 2019, we sold 724,600 shares of Series A Preferred Stock through the Preferred Stock ATM Program for gross proceeds of $18.5 million, before commissions paid of approximately $0.3 million and additional issuance costs of approximately $0.1 million. During the nine months ended September 30, 2019, we sold 1,265,558 shares of Series A Preferred Stock through the Preferred Stock ATM Program for gross proceeds of $32.3 million, before commissions paid of approximately $0.5 million and additional issuance costs of approximately $0.2 million. In November 2019, we terminated the Preferred Stock ATM Program.

The timing differences between when we raise equity proceeds or receive proceeds from dispositions and when we invest those proceeds in acquisitions or other investments that increase our operating cash flows have affected, and may continue to affect, our results of operations. See "Item 1A. Risk Factors - If we are not able to increase the amount of cash we have available to pay dividends, including through additional cash flows we expect to generate from completing acquisitions, we may have to reduce dividend payments or identify other financing sources to fund the payment of dividends at their current levels."

Borrowings

As of September 30, 2019, we had total debt outstanding of $1.9 billion, with a weighted-average interest rate per annum equal to 3.0%, consisting of secured mortgage notes payable of $1.4 billion, net of mortgage discounts and deferred financing costs, outstanding borrowings under our Revolving Credit Facility of $101.4 million and a total outstanding balance on our term loan of $389.9 million, net of deferred financing costs. As of December 31, 2018, we had outstanding advances under our Revolving Credit Facility of $363.9 million.

During the nine months ended September 30, 2019, we repaid amounts outstanding under the Revolving Credit Facility using proceeds from our Common Stock ATM Program and then re-borrowed additional amounts under the Revolving Credit Facility to fund our then-current pipeline of acquisitions and other investment transactions. This activity during the nine months ended September 30, 2019, as well as a reduction in the amount outstanding under the Revolving Credit Facility corresponding to an increase in the amount outstanding under the Term Loan in connection with the Credit Facility Amendment, resulted in a $262.5 million decrease in the amount outstanding under the Revolving Credit Facility from December 31, 2018 to September 30, 2019. In the future, we may similarly use "at the market" equity offering programs, dispositions and other sources of capital to fund repayments of amounts under the Revolving Credit Facility and then re-borrow additional amounts to fund our existing pipeline of acquisitions and other investment transactions.

On August 1, 2019, we, through the OP, entered into an amendment and restatement of the credit agreement related to our Credit Facility (the "Credit Facility Amendment") to, among other things, increase the aggregate total commitments, lower the interest rate and revise certain covenants. Following the closing of the Credit Facility Amendment, the aggregate amount outstanding under the Credit Facility increased by $39.4 million based on USD equivalents. The additional borrowings are expected to be used for acquisitions.

The availability of borrowings under the Revolving Credit Facility is based on the value of a pool of eligible unencumbered real estate assets owned by us and compliance with various ratios related to those assets, and the Credit Facility Amendment also included amendments to provisions governing the calculation of the value of the borrowing base. As of September 30, 2019, approximately $101.2 million was available for future borrowings under the Revolving Credit Facility.

As of September 30, 2019, 93.0% of our total debt outstanding either bore interest at fixed rates, or was swapped to a fixed rate, which bore interest at a weighted average interest rate of 3.0% per annum. As of September 30, 2019, 7.0% of our total debt outstanding was variable-rate debt, which bore interest at a weighted average interest rate of 3.0% per annum. The total gross carrying value of unencumbered assets as of September 30, 2019 was $1.1 billion, of which approximately $1.0 billion was included in the unencumbered asset pool comprising the borrowing base under the Revolving Credit Facility and therefore is not available to serve as collateral for future borrowings.

Our debt leverage ratio was 49.7% (total debt as a percentage of total purchase price of real estate investments, based on the exchange rate at the time of purchase) as of September 30, 2019. See *Note 6 — Fair Value of Financial Instruments* to our consolidated financial statements included in this Quarterly Report on Form 10-Q for fair value of such debt as of September 30, 2019. As of September 30, 2019, the weighted-average maturity of our indebtedness was 5.7 years. We believe we have the ability to service our obligations as they come due.

Mortgage Notes Payable

On September 12, 2019, we borrowed $204.0 million secured by, among other things, a first mortgage on 12 of our single tenant net leased office and industrial properties located in ten states. Approximately $86.5 million of the net proceeds from the loan was used to repay outstanding mortgage indebtedness related to the mortgaged properties. Of the remaining net proceeds, approximately $0.3 million was used to fund deposits required to be made at closing into reserve accounts and approximately $126.5 million was available for working capital and general corporate purposes.The loan bears interest at a fixed rate of 3.65% and matures on October 1, 2029. The loan is interest-only, with the principal balance due on the maturity date. From and after November 2, 2021, the loan may be prepaid at any time, in whole but not in part, subject to certain conditions and limitations, including payment of a prepayment premium for any prepayments made prior to July 1, 2029. Partial prepayments are also permitted under certain circumstances, subject to certain conditions and limitations.

On June 12, 2019, we borrowed €120.0 million secured by three of our properties located in the Netherlands and Luxembourg. The loan bears interest at a fixed rate of 1.383% and matures on June 11, 2024. The loan is interest-only, with the principal due at maturity. At the closing of the loan, approximately €80.3 million of the net proceeds was used to repay all outstanding indebtedness encumbering two of the properties.

On May 10, 2019, we borrowed €51.5 million, secured by five of our properties located in Germany. The loan is interest-only with the principal due at maturity, which is June 30, 2023. The maturity date may be extended at our option to February 29, 2024 subject to conditions. The loan initially bore interest at a rate of 3-month Euribor plus 1.80% per annum, but, following the replacement of an easement on one property, the loan will bear interest going forward at a rate of Euribor plus 1.55% per annum beginning on October 1, 2019. We also entered into a swap to fix the interest rate for 80% of the principal amount. The net proceeds from the loan were used to repay all €35.6 million outstanding in mortgage indebtedness that previously encumbered the properties that secure the loan.

On April 12, 2019, we, through certain wholly owned subsidiaries, borrowed $97.5 million, secured by 16 of our single tenant net leased office and industrial properties located in 12 states that were simultaneously removed from the borrowing base under the Revolving Credit Facility. At closing, approximately $90.0 million was used to repay outstanding indebtedness under the Revolving Credit Facility, with the remaining proceeds, after costs and fees related to the loan, available for working capital and general corporate purposes. The loan bears interest at a fixed rate of 4.489% and has a maturity date of May 6, 2029. The loan is interest-only, with the principal balance due on the maturity date. We may prepay the loan in whole or in part at any time, subject to certain fees depending on the timing and other circumstances of the prepayment.

On February 6, 2019, we, through certain wholly owned subsidiaries, borrowed an aggregate of €74.0 million ($84.2 million based on the prevailing exchange rate on that date) secured by mortgages on our five properties located in Finland. The maturity date of this loan is February 1, 2024, and it bears interest at a rate of 3-month Euribor plus 1.4% per year, with the interest rate for approximately €59.2 million ($67.4 million based on the prevailing exchange rate on that date) fixed by an interest rate swap agreement. The amount fixed by swap agreement represents 80% of the principal amount of the loan and is fixed at 1.8% per year. The loan is interest-only with the principal due at maturity. At the closing of the loan, €57.4 million ($65.3 million based on the prevailing exchange rate on that date) was used to repay all outstanding indebtedness encumbering the five properties, with the remaining proceeds, after costs and fees related to the loan, available for working capital and general corporate purposes.

In January 2019, we repaid two maturing mortgage loans in full using approximately $17.3 million of cash on hand.

For the year ending December 31, 2019, we have future scheduled principal payments on our mortgage notes of $122.8 million, with a weighted average interest rate of 1.7% per year. We are working to complete a refinancing of the mortgages of the properties we own in France, with an aggregate outstanding balance of $54.6 million as of September 30, 2019 that are scheduled to mature in December 2019. As previously discussed in "—Acquisitions and Dispositions," a mortgage loan encumbering three of our properties in Germany had an aggregate outstanding balance of $68.2 million as of September 30, 2019 and was originally scheduled to mature in October 2019. However, we negotiated an extension of the maturity date to December 2019, to coincide with the expected closing date of the dispositions. However, there can be no assurance the pending disposition will be completed on its current terms, or at all.

Credit Facility

On July 24, 2017, we, through the OP, entered into our Credit Facility with KeyBank National Association, and on August 1, 2019, we amended and restated our Credit Facility pursuant to the Credit Facility Amendment. Based on USD equivalents at the closing of the Credit Facility Amendment, the aggregate total commitments under the Credit Facility were increased to $1.235 billion from approximately $906.2 million. As of June 30, 2019, we had an outstanding balance of $259.5 million under the Revolving Credit Facility and an outstanding balance of $277.4 million under the Term Loan, net of deferred financing costs. Following the closing of the Credit Facility Amendment, the entire €359.6 million ($400.0 million based on USD equivalents) total commitment with the respect to the Term Loan component was outstanding, and $170.7 million of the $835.0 million total commitment with the respect to the Revolving Credit Facility component was outstanding. Based on USD equivalents, this represented an increase of $39.4 million in the aggregate amount outstanding under the Credit Facility. Additionally, during the third quarter of 2019, we repaid an additional $70.0 million outstanding under the Revolving Credit Facility with proceeds from our Common Stock ATM Program. As of September 30, 2019, we had an outstanding balance of $101.4 million under the Revolving Credit Facility and an outstanding balance of $389.9 million under the Term Loan, net of deferred financing costs.

Following the Credit Facility Amendment, upon our request, subject in all respects to the consent of the lenders in their sole discretion, these aggregate total commitments may be increased up to an aggregate additional amount of approximately $515.0 million, allocated to either or among both components of the Credit Facility, with total commitments under the Credit Facility not to exceed $1.75 billion, increased from a maximum of $950.0 million prior to the Credit Facility Amendment. Prior to the Credit Facility Amendment, the Revolving Credit Facility was scheduled to mature on July 24, 2021, subject to one one-year extension at our option, and the Term Loan was scheduled to mature on July 24, 2022. Following the Credit Facility Amendment, the Revolving Credit Facility now matures on August 1, 2023, subject to two six-month extensions at our option, and the Term Loan now matures on August 1, 2024. Borrowings under the Credit Facility bear interest at a variable rate per annum based on an applicable margin that varies based on the ratio of consolidated total indebtedness and our consolidated total asset value including our subsidiaries plus either (i) LIBOR, as applicable to the currency being borrowed, or (ii) a “base rate” equal to the greatest of (a) KeyBank’s “prime rate,” (b) 0.5% above the Federal Funds Effective Rate, or (c) 1.0% above one-month LIBOR. Prior to the Credit Facility Amendment, the range of applicable interest rate margins was from 0.60% to 1.20% per annum with respect to base rate borrowings and 1.60% to 2.20% per annum with respect to LIBOR borrowings. Following the Credit Facility Amendment, the applicable interest rate margin is based on a range from 0.45% to 1.05% per annum with respect to base rate borrowings under the Revolving Credit Facility, 1.45% to 2.05% per annum with respect to LIBOR borrowings under the Revolving Credit Facility, 0.40% to 1.00% per annum with respect to base rate borrowings under the Term Loan and 1.40% to 2.00% per annum with respect to LIBOR borrowings under the Term Loan. The Credit Facility Amendment also added terms governing the establishment of a replacement index to serve as an alternative to LIBOR, if necessary. As of September 30, 2019, the Credit Facility had a weighted-average effective interest rate of 2.2% after giving effect to interest rate swaps in place.

Our Credit Facility requires us, through the OP to pay an unused fee per annum of 0.25% of the unused balance of the Revolving Credit Facility if the unused balance exceeds or is equal to 50% of the total commitment or a fee per annum of 0.15% of the unused balance of the Revolving Credit Facility if the unused balance is less than 50% of the total commitment. From and after the time we obtain an investment grade credit rating, the unused fee will be replaced with a facility fee based on the total commitment under the Revolving Credit Facility multiplied by 0.30%, decreasing as our credit rating increases.

The availability of borrowings under the Revolving Credit Facility is based on the value of a pool of eligible unencumbered real estate assets owned by us and compliance with various ratios related to those assets, and the Credit Facility Amendment also included amendments to provisions governing the calculation of the value of the borrowing base.

We may reduce the amount committed under the Revolving Credit Facility and repay outstanding borrowings under our Credit Facility, in whole or in part, at any time without premium or penalty, other than customary “breakage” costs payable on LIBOR borrowings. In the event of a default, the lenders have the right to terminate their obligations under the Credit Facility agreement and to accelerate the payment on any unpaid principal amount of all outstanding loans. Our Credit Facility also imposes certain affirmative and negative covenants on us including restrictive covenants with respect to, among other things, liens, indebtedness, investments, distributions, mergers and asset sales, as well as financial covenants requiring the OP to maintain, among other things, ratios related to leverage, secured leverage, fixed charge coverage and unencumbered debt services, as well as a minimum consolidated tangible net worth.

Loan Obligations

Our loan obligations generally require us to pay principal and interest on a monthly or quarterly basis with all unpaid principal and interest due at maturity. Our loan agreements (including our Credit Facility) stipulate compliance with specific reporting covenants. Our mortgage notes payable agreements require compliance with certain property-level financial covenants including debt service coverage ratios. As of September 30, 2019, we were in compliance with the covenants under our Credit Facility and mortgage notes payable agreements.

Non-GAAP Financial Measures

This section includes non-GAAP financial measures, including Funds from Operations (“FFO”), Core Funds from Operations (“Core FFO”) and Adjusted Funds from Operations (“AFFO”). A description of these non-GAAP measures and reconciliations to the most directly comparable GAAP measure, which is net income, is provided below.

Caution on Use of Non-GAAP Measures

FFO, Core FFO, and AFFO should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. The method utilized to evaluate the value and performance of real estate under GAAP should be construed as a more relevant measure of operational performance and considered more prominently than the non-GAAP FFO, Core FFO and AFFO measures. Other REITs may not define FFO in accordance with the current NAREIT definition (as we do), or may interpret the current NAREIT definition differently than we do, or may calculate Core FFO or AFFO differently than we do. Consequently, our presentation of FFO, Core FFO and AFFO may not be comparable to other similarly-titled measures presented by other REITs.

We consider FFO, Core FFO and AFFO useful indicators of our performance. Because FFO, Core FFO and AFFO calculations exclude such factors as depreciation and amortization of real estate assets and gain or loss 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), FFO, Core FFO and AFFO presentations facilitate comparisons of operating performance between periods and between other REITs.

As a result, we believe that the use of FFO, Core FFO and AFFO, together with the required GAAP presentations, provide a more complete understanding of our operating performance including relative to our peers and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities. However, FFO, Core FFO and AFFO are not indicative of cash available to fund ongoing cash needs, including the ability to make cash distributions. Investors are cautioned that FFO, Core FFO and AFFO should only be used to assess the sustainability of our operating performance excluding these activities, as they exclude certain costs that have a negative effect on our operating performance during the periods in which these costs are incurred.

Funds from Operations, Core Funds from Operations and Adjusted Funds from Operations

Funds from Operations

Due to certain unique operating characteristics of real estate companies, as discussed below, the National Association of Real Estate Investment Trusts (“NAREIT”), an industry trade group, has promulgated a measure known as FFO, which we believe to be an appropriate supplemental measure to reflect the operating performance of a REIT. FFO is not equivalent to net income or loss as determined under GAAP.

We calculate FFO, a non-GAAP measure, consistent with the standards established over time by the Board of Governors of NAREIT, as restated in a White Paper approved by the Board of Governors of NAREIT effective in December 2018 (the “White Paper”). The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding depreciation and amortization related to real estate, gain and loss from the sale of certain real estate assets, gain and loss from change in control and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. Our FFO calculation complies with NAREIT’s definition.

The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, and straight-line amortization of intangibles, which implies that the value of a real estate asset diminishes predictably over time, especially if not adequately maintained or repaired and renovated as required by relevant circumstances or as requested or required by lessees for operational purposes in order to maintain the value disclosed. We believe that, because real estate values historically rise and fall with market conditions, including inflation, interest rates, unemployment and consumer spending, presentations of operating results for a REIT using historical accounting for depreciation and certain other items may be less informative. Historical accounting for real estate involves the use of GAAP. Any other method of accounting for real estate such as the fair value method cannot be construed to be any more accurate or relevant than the comparable methodologies of real estate valuation found in GAAP. Nevertheless, we believe that the use of FFO, which excludes the impact of real estate related depreciation and amortization, among other things, provides a more complete understanding of our performance to investors and to management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income.

Core Funds from Operations

In calculating Core FFO, we start with FFO, then we exclude certain non-core items such as acquisition, transaction and other costs, as well as certain other costs that are considered to be non-core, such as debt extinguishment costs, fire loss and other costs related to damages at our properties. The purchase of properties, and the corresponding expenses associated with that process, is a key operational feature of our core business plan to generate operational income and cash flows in order to make dividend payments to stockholders. In evaluating investments in real estate, we differentiate the costs to acquire the investment from the operations derived from the investment. We also add back non-cash write-offs of deferred financing costs and prepayment penalties incurred with the early extinguishment of debt which are included in net income but are considered financing cash flows when paid in the statement of cash flows. We consider these write-offs and prepayment penalties to be capital transactions and not indicative of operations. By excluding expensed acquisition, transaction and other costs as well as non-core costs, we believe Core FFO provides useful supplemental information that is comparable for each type of real estate investment and is consistent with management’s analysis of the investing and operating performance of our properties.

Adjusted Funds from Operations

In calculating AFFO, we start with Core FFO, then we exclude certain income or expense items from AFFO that we consider more reflective of investing activities, other non-cash income and expense items and the income and expense effects of other activities that are not a fundamental attribute of our business plan. These items include early extinguishment of debt (adjustment included in Core FFO) and unrealized gain and loss, which may not ultimately be realized, such as gain or loss on derivative instruments, gain or loss on foreign currency transactions, and gain or loss on investments. In addition, by excluding non-cash income and expense items such as amortization of above-market and below-market leases intangibles, amortization of deferred financing costs, straight-line rent and equity-based compensation from AFFO, we believe we provide useful information regarding income and expense items which have a direct impact on our ongoing operating performance. We also include the realized gain or loss on foreign currency exchange contracts for AFFO as such items are part of our ongoing operations and affect our current operating performance. By providing AFFO, we believe we are presenting useful information that can be used to better assess the sustainability of our ongoing operating performance without the impact of transactions or other items that are not related to the ongoing performance of our portfolio of properties. AFFO presented by us may not be comparable to AFFO reported by other REITs that define AFFO differently.

In calculating AFFO, we exclude certain expenses which under GAAP are characterized as operating expenses in determining operating net income. All paid and accrued merger, acquisition, transaction and other costs (including prepayment penalties for debt extinguishments) and certain other expenses negatively impact our operating performance during the period in which expenses are incurred or properties are acquired will also have negative effects on returns to investors, but are not reflective of on-going performance. Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income. In addition, as discussed above, we view gain and loss from fair value adjustments as items which are unrealized and may not ultimately be realized and not reflective of ongoing operations and are therefore typically adjusted for when assessing operating performance. Excluding income and expense items detailed above from our calculation of AFFO provides information consistent with management’s analysis of our operating performance. Additionally, fair value adjustments, which are based on the impact of current market fluctuations and underlying assessments of general market conditions, but can also result from operational factors such as rental and occupancy rates, may not be directly related or attributable to our current operating performance. By excluding such changes that may reflect anticipated and unrealized gain or loss, we believe AFFO provides useful supplemental information. We believe that in order to facilitate a clear understanding of our operating results, AFFO should be examined in conjunction with net income (loss) as presented in our consolidated financial statements. AFFO should not be considered as an alternative to net income (loss) as an indication of our performance or to cash flows as a measure of our liquidity or ability to make distributions.

The table below reflects the items deducted from or added to net income attributable to common stockholders in our calculation of FFO, Core FFO and AFFO for the periods indicated. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect the proportionate share of adjustments for non-controlling interest to arrive at FFO, Core FFO and AFFO, as applicable.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2019**	**2018**	**2019**	**2018**
Net income attributable to common stockholders (in accordance with GAAP)	$ 6,860	$ 177	$ 25,272	$ 7,826
Impairment charges	6,375	—	6,375	—
Depreciation and amortization	31,620	30,195	94,007	89,504
(Gain) loss on dispositions of real estate investments	(6,977)	1,933	(14,792)	5,751
FFO (as defined by NAREIT) attributable to common stockholders [(1)]	37,878	32,305	110,862	103,081
Acquisition, transaction and other costs [(2)]	192	2,804	1,301	5,243
Loss on extinguishment of debt [(3)]	563	2,612	1,328	3,897
Fire recovery	—	31	—	(49)
Core FFO attributable to common stockholders [(1)]	38,633	37,752	113,491	112,172
Non-cash equity-based compensation	2,501	2,053	7,039	1,198
Non-cash portion of incentive fee	—	180	—	180
Non-cash portion of interest expense	1,906	1,339	4,825	3,739
Amortization of above- and below- market leases and ground lease assets and liabilities, net	341	488	1,022	1,540
Straight-line rent	(1,506)	(1,492)	(5,063)	(4,828)
Unrealized income on undesignated foreign currency advances and other hedge ineffectiveness	—	(108)	(76)	(18)
Eliminate unrealized gains on foreign currency transactions [(4)]	(1,670)	(1,215)	(1,673)	(4,921)
Amortization of mortgage discounts and premiums, net and mezzanine discount	30	601	232	1,131
AFFO attributable to common stockholders [(1)]	$ 40,235	$ 39,598	$ 119,797	$ 110,193
Summary				
FFO (as defined by NAREIT) attributable to common stockholders	$ 37,878	$ 32,305	$ 110,862	$ 103,081
Core FFO attributable to common stockholders	$ 38,633	$ 37,752	$ 113,491	$ 112,172
AFFO attributable to common stockholders	$ 40,235	$ 39,598	$ 119,797	$ 110,193

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(1) For the three and nine months ended September 30, 2018 includes income from a lease termination fee of $3.0 million, which is recorded in rental income in the unaudited consolidated statements of operations, related to a real estate asset sold during the three months ended September 30, 2018.

(2) For the three and nine months ended September 30, 2019, acquisition and transaction fees primarily related to litigation costs resulting from the termination of the Former Service Provider. For the three and nine months ended September 30, 2018, acquisition and transaction fees primarily related to litigation costs resulting from the termination of the Former Service Provider and costs to refinance foreign debt.

(3) For the three and nine months ended September 30, 2019, primarily includes non-cash write-off of deferred financing costs. For the three months ended September 30, 2018, includes non-cash write-off of deferred financing costs of $1.5 million and prepayment penalties paid on early extinguishment of debt of $1.1 million. For the nine months ended September 30, 2018, includes non-cash write-off of deferred financing costs of $1.5 million and prepayment penalties paid on early extinguishment of debt of $2.4 million.

(4) For AFFO purposes, we adjust for unrealized gains and losses. For the three months ended September 30, 2019, gains on derivative instruments were $3.0 million, which consisted of unrealized gains of $1.7 million and realized gains of $1.3 million. For the nine months ended September 30, 2019, gains on derivative instruments were $4.7 million, which consisted of unrealized gains of $1.7 million and realized gains of $3.0 million. For the three months ended September 30, 2018, gains on derivative instruments were $1.3 million, which consisted of unrealized gains of $1.2 million and realized gains of $0.1 million. For the nine months ended September 30, 2018, gains on derivative instruments were $4.7 million, which were comprised of unrealized gains of $4.9 million and realized losses of $0.2 million.

Dividends

Historically, and through March 31, 2019, we generally paid dividends on our Common Stock on the 15th day of each month (or, if not a business day, the next succeeding business day) to common stockholders of record on the applicable record date during the month at an annualized rate of $2.13 per share, or $0.1775 per share on a monthly basis. Prior to July 2018, the record date for our regular monthly dividend was generally the 8th day of the applicable month. On April 5, 2019, our board of directors approved a change in our Common Stock dividend policy.

Accordingly, consistent with our peers, we anticipate paying future dividends authorized by our board of directors on shares of our Common Stock on a quarterly basis in arrears on the 15th day of the first month following the end of each fiscal quarter (unless otherwise specified) to common stockholders of record on the record date for such payment. This change affects the frequency of dividend payments only, and does not impact our annualized dividend rate on our Common Stock of $2.13. The amount of dividends payable to our common stockholders is determined by our board of directors and is dependent on a number of factors, including funds available for dividends, our financial condition, capital expenditure requirements, as applicable, requirements of Maryland law and annual distribution requirements needed to maintain our status as a REIT.

Dividends on our Series A Preferred Stock accrue in an amount equal to $0.453125 per share per quarter to Series A Preferred Stock holders, which is equivalent to 7.25% of the $25.00 liquidation preference per share of Series A Preferred Stock per annum. Dividends on the Series A Preferred Stock are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or, if not on a business day, on the next succeeding business day) to holders of record on the close of business on the record date set by our board of directors, which must be not more than 30 nor fewer than 10 days prior to the applicable payment date. Any accrued and unpaid dividends payable with respect to the Series A Preferred Stock become part of the liquidation preference thereof.

Dividend payments are dependent on the availability of funds. Our board of directors may alter the amount of dividends paid or suspend dividend payments at any time prior to declaration and therefore dividend payments are not assured. There is no assurance that we will continue to declare and pay dividends at the current rates. Provisions in our Credit Facility restrict our ability to pay distributions, including cash dividends or other distributions payable with respect to Series A Preferred Stock and Common Stock.

Under the terms of our Credit Facility, we may not pay distributions, including cash dividends payable with respect to Common Stock, Series A Preferred Stock, or any other classes or series of preferred stock that we may issue in a future offering, or redeem or otherwise repurchase shares of our capital stock, Common Stock, Series A Preferred Stock, or any other classes or series of preferred stock we may issue in a future offering, based on a threshold level of our Adjusted FFO as defined in our Credit Facility. Pursuant to the Credit Facility Amendment, this maximum threshold was increased from 95% to 100% of Adjusted FFO for any period of four consecutive fiscal quarters, except in limited circumstances, including that for one fiscal quarter in each calendar year, we may pay cash distributions, make redemptions and make repurchases in an aggregate amount equal to no more than 100% of Adjusted FFO prior to the Credit Facility Amendment and 105% of Adjusted FFO after the Credit Facility Amendment. Following the Credit Facility Amendment, from and after the time we obtain and continue to maintain an investment grade rating, the limitation on distributions discussed above will not be applicable.

In November 2018, the lenders under our Credit Facility consented to an increase in the maximum amount we could use to pay cash distributions for the quarter ended December 31, 2018. During 2019, we used the applicable exception to pay dividends that were between 95% of Adjusted FFO to 100% of Adjusted FFO during the quarter ended on March 31, 2019. There can be no assurance that the lenders under our Credit Facility will agree to any amendments to the covenant impacting our ability to pay distributions.

Our ability to comply with the restrictions on the payment of distributions in our Credit Facility depends on our ability to generate sufficient cash flows from our existing properties and through acquisitions or otherwise such that our cash flows in the applicable periods exceed the level of Adjusted FFO required by these restrictions, among other things, there can be no assurance we will complete acquisitions and other investments on a timely basis or on acceptable terms and conditions, if at all. See “Item 1A. Risk Factors - If we are not able to increase the amount of cash we have available to pay dividends, including through additional cash flows we expect to generate from completing acquisitions, we may have to reduce dividend payments or identify other financing sources to fund the payment of dividends at their current levels.”

Cash used to pay dividends was generated from cash flows from operations and cash available on hand, consisting of proceeds from borrowings. The following table shows the sources for the payment of dividends and distributions:

	Three Months Ended						Nine Months Ended September 30, 2019	
	March 31, 2019		June 30, 2019		September 30, 2019			
(In thousands)		Percentage of Dividends		Percentage of Dividends		Percentage of Dividends		Percentage of Dividends
Dividends:								
Dividends to holders of Common Stock	$ 43,270		$ 14,883		$ 44,988		$ 103,141	
Dividends to holders of Series A Preferred Stock	2,455		2,485		2,706		7,646	
Distributions to holders of LTIP Units	134		136		135		405	
Total dividends and distributions	$ 45,859		$ 17,504		$ 47,829		$ 111,192	
Source of dividend and distribution coverage:								
Cash flows provided by operations	$ 24,751	54.0%	$ 17,504	100.0%	$ 26,605	55.6%	$ 97,849 [1]	88.0%
Available cash on hand	21,108	46.0%	—	—%	21,224	44.4%	13,343 [1]	12.0%
Total sources of dividend and distribution coverage	$ 45,859	100.0%	$ 17,504	100.0%	$ 47,829	100.0%	$ 111,192	100.0%
Cash flows provided by operations (GAAP basis)	$ 24,751		$ 46,493		$ 26,605		$ 97,849	
Net income attributable to common stockholders (in accordance with GAAP)	$ 5,791		$ 12,621		$ 6,860		$ 25,272	

[1] Year-to-date totals do not equal the sum of the quarters. Each quarter and year-to-date period is evaluated separately for purposes of this table.

Foreign Currency Translation

Our reporting currency is the USD. The functional currency of our foreign investments is the applicable local currency for each foreign location in which we invest. Assets and liabilities in these foreign locations (including intercompany balances for which settlement is not anticipated in the foreseeable future) are translated at the spot rate in effect at the applicable reporting date. The amounts reported in the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment is recorded as a component of accumulated other comprehensive income (loss) in the consolidated statements of changes in equity. We are exposed to fluctuations in foreign currency exchange rates on property investments in foreign countries which pay rental income, incur property related expenses and hold debt instruments in currencies other than our functional currency, the USD. We use foreign currency derivatives including foreign currency put options, foreign currency forward contracts and cross-currency swap agreements to manage our exposure to fluctuations in foreign currency exchange rates, such as the GBP-USD and EUR-USD exchange rates (*see Note 7 — Derivatives and Hedging Activities* to our consolidated financial statements in this Quarterly Report on Form 10-Q for further discussion).

Contractual Obligations

Except as set forth in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” there were no material changes in our contractual obligations at September 30, 2019 as compared to those reported in our Annual Report on Form 10-K for the year ended December 31, 2018.

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, 2013. Commencing with such taxable year, we were organized and operate in such a manner as to qualify for taxation as a REIT under the Code and we believe we have so qualified. We intend to continue to operate in such a manner to qualify for taxation as a REIT, but no assurance can be given that we will operate in a manner so as to remain qualified as a REIT. In order to continue to qualify for taxation as a REIT, we must, among other things, distribute annually at least 90% of our REIT taxable income. REITs are subject to a number of other organizational and operational requirements. Even if we continue to qualify for taxation as a REIT, we may be subject to certain federal, state, local and foreign taxes on our income and assets, taxes on any undistributed income and state, local or foreign income, franchise, property and transfer taxes. Any of these taxes decrease our earnings and our available cash.

In addition, our international assets and operations, including those owned through direct or indirect subsidiaries that are disregarded entities for U.S. federal income tax purposes, continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted.

Inflation

We may be adversely impacted by inflation on any leases that do not contain an indexed escalation provisions. In addition, we may be required to pay costs for maintenance and operation of properties which may adversely impact our results of operations due to potential increases in costs and operating expenses resulting from inflation.

Related-Party Transactions and Agreements

See Note 10 — Related Party Transactions to our consolidated financial statements included in this Quarterly Report on Form 10-Q 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 had 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.

There has been no material change in our exposure to market risk during the nine months ended September 30, 2019. For a discussion of our exposure to market risk, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Item 4. Controls and Procedures.

Evaluation of Disclosure 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 our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 30, 2019, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Former Service Provider Complaint

Reference is made to the information disclosed under Part II, Item 1 — *Legal Proceedings* in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018, except as set forth below.

If we are not able to increase the amount of cash we have available to pay dividends, including through additional cash flows we expect to generate from completing acquisitions, we may have to reduce dividend payments or identify other financing sources to fund the payment of dividends at their current levels.

We cannot guarantee that we will be able to pay dividends on a regular basis with respect to our Common Stock, our Series A Preferred Stock, or any other classes or series of preferred stock we may issue in a future offering. Decisions on whether, when and in what amounts to pay any future dividends will remain at all times entirely at the discretion of our board of directors, which reserves the right to change our dividend policy at any time and for any reason. Any accrued and unpaid dividends payable with respect to our Series A Preferred Stock become part of the liquidation preference thereof.

Pursuant to our Credit Facility, we may not pay distributions, including cash dividends payable with respect to Common Stock, Series A Preferred Stock, or any other classes or series of preferred stock we may issue in a future offering, or redeem or otherwise repurchase shares of our capital stock, Common Stock, Series A Preferred Stock, or any other classes or series of preferred stock we may issue in a future offering, that exceed 100% of our Adjusted FFO as defined in the Credit Facility (which is different from AFFO as discussed and analyzed in this Quarterly Report on Form 10-Q) for any period of four consecutive fiscal quarters, except in limited circumstances, including that for one fiscal quarter in each calendar year, we may pay cash distributions, make redemptions and make repurchases in an aggregate amount equal to no more than 105% of our Adjusted FFO.

In November 2018, the lenders under our Credit Facility consented to an increase in the maximum amount we could use to pay cash distributions for the quarter ended December 31, 2018, and, in August 2019, the lenders under our Credit Facility agreed to the Credit Facility Amendment, an amendment and restatement of our Credit Facility that, among other things, increased the maximum amount we may use to pay cash distributions. There can be no assurance that the lenders under our Credit Facility will agree to any amendments to the covenant impacting our ability to pay distributions.

Our ability to pay dividends in the future is dependent on our ability to operate profitably and to generate cash flows from our operations. Our cash flows provided by operations were $97.8 million for the nine months ended September 30, 2019. During the nine months ended September 30, 2019, we paid dividends of $111.2 million, which includes payments to holders of our Common Stock and Series A Preferred Stock and distributions to holders of LTIP Units. Of these payments, $97.8 million, or 88.0%, was funded from cash flows provided by operations after payment of preferred dividends and $13.3 million was funded from cash on hand, consisting of proceeds from borrowings. During April 2019, we changed our dividend policy so that we now pay dividends quarterly instead of monthly. While this change did not impact our annualized dividend rate on our Common Stock of $2.13, it did reduce the amount of dividends we paid, and the cash needed to fund those payments, during the three months ended June 30, 2019 compared to prior quarters. Our dividend payments, and the amount of cash needed to fund them, increased for the three months ended September 30, 2019.

Our ability to comply with the restrictions on the payment of distributions in our Credit Facility depends on our ability to generate sufficient cash flows from our existing properties and through acquisitions or otherwise such that our cash flows in the applicable periods that exceed the level of Adjusted FFO required by the restrictions. There can be no assurance that we will be able to do so or that we will complete acquisitions or other investments on a timely basis or on acceptable terms and conditions, if at all. If we fail to do so (and we are not otherwise able to increase the amount of cash we have available to pay dividends and distributions), our ability to comply with the restrictions on the payment of distributions in our Credit Facility may be adversely affected.

If we are not able to generate sufficient cash from operations or otherwise maintain compliance with our Credit Facility, we may have to reduce the amount of dividends we pay or identify other financing sources to fund the payment of dividends at their current levels. There can be no assurance that other sources will be available on favorable terms, or at all. Funding dividends from borrowings restricts the amount we can borrow for property acquisitions and investments. Using proceeds from the sale of assets or the issuance of our Common Stock, Series A Preferred Stock or other equity securities to fund dividends rather than invest in assets will likewise reduce the amount available to invest. Funding dividends from the sale of additional securities could also result in a dilution of our stockholders' investment.

Our officers and directors face conflicts of interest related to the positions they hold with related parties.

Certain of our executive officers, including James Nelson, chief executive officer and president, and Christopher Masterson, chief financial officer, treasurer and secretary, also are officers of the Advisor and the Property Manager. Mr. Masterson also serves as the chief financial officer and treasurer of New York City REIT, Inc., a non-listed REIT sponsored and advised by affiliates of AR Global, as well as its advisor and property manager. Our directors also are directors of other REITs sponsored directly or indirectly by the parent of AR Global. As a result, these individuals owe fiduciary duties to these other entities which may conflict with the duties that they owe to us.

These conflicting duties could result in actions or inactions that are detrimental to our business. Conflicts with our business and interests are most likely to arise from involvement in activities related to (a) allocation of new investments and management time and services between us and the other entities, (b) our purchase of properties from, or sale of properties, to entities sponsored by or affiliated with AR Global, (c) the timing and terms of the investment in or sale of an asset, (d) development of our properties by affiliates of AR Global, (e) investments with affiliates of the Advisor, and (f) compensation to the Advisor and its affiliates, including the Property Manager.

Moreover, involvement in the management of multiple REITs by certain of the key personnel of the Advisor may significantly reduce the amount of time they are able to spend on activities related to us, which may cause our operating results to suffer.

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

Recent Sale of Unregistered Securities

There were no recent sales of unregistered securities.

Purchases of Equity Securities by the Issuer and Related Purchasers

There were no recent repurchases of our equity securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On November 8, 2019, we delivered a notice to Ladenburg Thalmann & Co. Inc., BMO Capital Markets Corp., B. Riley FBR, Inc. and D.A. Davidson & Co., the agents under the Preferred Stock ATM Program, terminating the equity distribution agreement related to the Preferred Stock ATM Program, effective on November 12, 2019.

Ladenburg Thalmann & Co. Inc., BMO Capital Markets Corp., B. Riley FBR, Inc. and D.A. Davidson & Co. BMO Capital Markets Corp. acted as joint lead arranger and bookrunner for, and an affiliate of BMO Capital Markets Corp. is an administrative agent and lender under, our Credit Facility. Ladenburg Thalmann & Co. Inc., BMO Capital Markets Corp., and B. Riley FBR, Inc. or their affiliates are agents under the Common Stock ATM Program.

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 on Form 10-Q.

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.

Global Net Lease, Inc.

By: /s/ James L. Nelson

James L. Nelson

Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Christopher J. Masterson

Christopher J. Masterson

Chief Financial Officer, Treasurer, and Secretary
(Principal Financial Officer and Principal Accounting Officer)

Dated: November 8, 2019

EXHIBITS INDEX

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (and are numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Description
3.1 (1)	Articles of Restatement of Global Net Lease, Inc., effective February 26, 2018.
3.2 (2)	Amended and Restated Bylaws of Global Net Lease, Inc.
3.3 (3)	Articles Supplementary classifying additional shares of 7.25% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share filed on March 23, 2018.
3.4 (1)	Articles of Amendment filed on February 27, 2019.
10.1 (4)	First Amended and Restated Credit Agreement, dated as of August 1, 2019, by and among the Global Net Lease Operating Partnership, L.P., as borrower, the lenders party thereto and KeyBank National Association, as agent.
10.2 (4)	First Amended and Restated Guaranty, dated as of August 1, 2019, by the Company, ARC Global Holdco, LLC, Global II Holdco, LLC and the other subsidiary parties thereto for the benefit of KeyBank National Association and the other lender parties thereto.
10.3 (4)	First Amended and Restated Contribution Agreement, dated as of August 1, 2019, by and among the Company, Global Net Lease Operating Partnership, L.P., ARC Global Holdco, LLC, ARC Global II Holdco, LLC, the other subsidiary parties thereto.
10.4 (5)	Loan Agreement, dated as of September 12, 2019, by and among the borrowers party thereto, and KeyBank National Association, as lender.
10.5 (5)	Form of Promissory Note, dated as of September 12, 2019, by the borrowers party thereto in favor of KeyBank National Association, as lender.
10.6 (5)	Guaranty Agreement, dated as of September 12, 2019, by Global Net Lease Operating Partnership, L.P. in favor of KeyBank National Association, as lender.
10.7 (5)	Environmental Indemnity Agreement, dated as of September 12, 2019, by the borrowers party thereto and Global Net Lease Operating Partnership, L.P. in favor of KeyBank National Association, as indemnitee.
10.8 (5)	Property Management and Leasing Agreement, dated as of September 12, 2019 among the entities listed on Exhibit A attached thereto and Global Net Lease Properties, LLC.
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.
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.
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.
101.INS *	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH *	XBRL Taxonomy Extension Schema Document.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document.
104 *	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

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* Filed herewith

(1) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 28, 2018.
(2) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on June 3, 2015.
(3) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on March 23, 2018.
(4) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on August 6, 2019.
(5) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on September 18, 2019.

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Section 2: EX-31.1 (EXHIBIT 31.1 PRINCIPAL EXECUTIVE OFFICER

302 CERTIFICATION)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, James L. Nelson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Net Lease, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated the 8th day of November, 2019

/s/ James L. Nelson

James L. Nelson

Chief Executive Officer and President

(Principal Executive Officer)

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Section 3: EX-31.2 (EXHIBIT 31.2 PRINCIPAL FINANCIAL OFFICER 302 CERTIFICATION)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Christopher J. Masterson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Net Lease, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated the 8th day of November, 2019	/s/ Christoper J. Masterson
	Christopher J. Masterson
	Chief Financial Officer, Treasurer and Secretary
	(Principal Financial Officer and Principal Accounting Officer)

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Section 4: EX-32 (EXHIBIT 32 SECTION 902 CERTIFICATION)

Exhibit 32

SECTION 1350 CERTIFICATIONS

This Certificate is being delivered pursuant to the requirements of Section 1350 of Chapter 63 (Mail Fraud) of Title 18 (Crimes and Criminal

Procedures) of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

The undersigned, who are the Chief Executive Officer and Chief Financial Officer of Global Net Lease, Inc. (the "Company"), each hereby certify as follows:

The quarterly report on Form 10-Q of the Company, which accompanies this Certificate, fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934, and all information contained in this quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated the 8th day of November, 2019

/s/ James L. Nelson

James L. Nelson
Chief Executive Officer and President
(Principal Executive Officer)

/s/ Christopher J. Masterson

Christopher J. Masterson

Chief Financial Officer, Treasurer and Secretary

(Principal Financial Officer and Principal Accounting Officer)

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