SPIRIT REALTY CAPITAL, INC.
Form S-11/A
June 08, 2012
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As filed with the Securities and Exchange Commission on June 8, 2012

Registration No. 333-177904

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 5

to

Form S-11

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Spirit Realty Capital, Inc.

(Exact Name of Registrant as Specified in Its Governing Instruments)

14631 North Scottsdale Road, Suite 200, Scottsdale, Arizona 85254

(480) 606-0820

(Address, Including Zip Code and Telephone Number, Including Area Code,

of Registrant s Principal Executive Offices)

Thomas H. Nolan, Jr., Chairman of the Board of Directors and Chief Executive Officer

Peter M. Mavoides, President and Chief Operating Officer

Spirit Realty Capital, Inc.

14631 North Scottsdale Road, Suite 200, Scottsdale, Arizona 85254

(480) 606-0820

(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

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

CALCULATION OF REGISTRATION FEE

Title Of Securities Being Registered	**Proposed Maximum Aggregate Offering Price(1)**	**Amount Of Registration Fee(2)**
Common Stock, par value $0.01 per share	$560,142,000	$64,193

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended. Includes shares of common stock that the underwriters have the option to purchase to cover over-allotments, if any.
(2) The registration fee is equal to the sum of: (a) the product of (i) the proposed maximum aggregate offering price of $500,000,000, as previously proposed in the initial filing of this registration statement on November 10, 2011 and (ii) the statutory rate of $114.60 per $1,000,000; and (b) the product of (i) the incremental increase of $60,142,000 in the proposed maximum aggregate offering price hereunder and (ii) the statutory rate of $114.60 per $1,000,000. The registrant previously paid $57,300 in connection with the prior filing of this registration statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued , 2012

Shares

Common Stock

Spirit Realty Capital, Inc. is a self-administered and self-managed real estate company. We invest in single-tenant, operationally essential real estate throughout the United States that is leased on a long-term, triple-net basis primarily to tenants engaged in retail, service and distribution industries.

We are selling shares of our common stock. This is our initial public offering and no public market currently exists for our common stock. We currently expect the initial public offering price of our common stock to be between $ and $ per share.

We have applied to have our common stock listed on the New York Stock Exchange under the symbol SRC.

As described herein, concurrently with the completion of this offering, we will issue additional shares of our common stock to certain of our existing lenders in exchange for the extinguishment of $330 million of our outstanding term loan debt. We will use a portion of the net proceeds from this offering to repay an additional $399 million of our outstanding term loan debt.

We have elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ended December 31, 2003. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% of our outstanding common stock. See Description of Our Capital Stock Restrictions on Ownership and Transfer for a detailed description of the ownership and transfer restrictions applicable to our common stock.

Investing in our common stock involves risks. See Risk Factors beginning on page 15.

PRICE $ PER SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds, before Expenses, to Us
Per Share	$	$	$
Total	$	$	$

We have granted the underwriters an option to purchase up to additional shares of our common stock from us, at the initial public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock to purchasers on , 2012.

Morgan Stanley

Macquarie Capital

UBS Investment Bank

Deutsche Bank Securities

RBC Capital Markets

, 2012

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Through and including , 2012 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade the common stock may be required to deliver a prospectus, regardless of whether they are participating in this offering. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

You should rely only on the information contained in this prospectus, or in any free writing prospectus prepared by us. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

We use market data and industry forecasts and projections throughout this prospectus, and in particular in the sections entitled Prospectus Summary, Market Opportunity and Business and Properties. We have obtained substantially all of this information from a market study prepared for us in connection with this offering by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm. We have paid RCG a fee of $52,500 for that market study. Such information is included in this prospectus in reliance on RCG s

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authority as an expert on such matters. Any forecasts prepared by RCG are based on data (including third party data), models and experience of various professionals, and are based on various assumptions, all of which are subject to change without notice. See Experts. In addition, we have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

Certain Terms Used in This Prospectus

Unless the context suggests otherwise, references in this prospectus to we, our, us and our company are to Spirit Realty Capital, Inc., a Marylan corporation, together with its consolidated subsidiaries, including Spirit Realty, L.P., which we refer to as our operating partnership.

In this prospectus, we refer to our lessees as tenants and our mortgage and equipment loan obligors as borrowers.

As used in this prospectus, annual rent equals rental revenue for the quarter ended March 31, 2012, multiplied by four.

The term original gross investment means our (and for periods prior to our July 31, 2007 privatization, our predecessor s) initial purchase price for investments, without giving effect to any adjustment to the book basis of our investments arising from our privatization or accumulated depreciation.

As used in this prospectus, the occupancy of our owned properties is calculated by dividing (1) the total number of our owned properties minus the number of our owned properties that are vacant and from which we are not receiving any rental payment, by (2) the total number of our owned properties.

As used in this prospectus, the debt conversion refers to the extinguishment of $330 million of our outstanding term loan indebtedness in exchange for the issuance to certain of our existing lenders of a number of shares of our common stock determined as described in this prospectus.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled Risk Factors, as well as the financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Unless otherwise indicated, the information contained in this prospectus assumes (1) that the underwriters over-allotment option is not exercised, (2) that the common stock to be sold in this offering is sold at $ per share, which is the mid-point of the price range set forth on the front cover of this prospectus and (3) the issuance of shares of our common stock to certain lenders in exchange for the extinguishment of $330 million of our outstanding term loan debt. The actual number of shares of our common stock issued to certain of our lenders will vary as described herein. See Pricing Sensitivity Analysis.

Spirit Realty Capital, Inc.

Overview

We invest in single-tenant, operationally essential real estate throughout the United States that is leased on a long-term, triple-net basis primarily to tenants engaged in retail, service and distribution industries. Single-tenant, operationally essential real estate consists of properties that are generally free-standing, commercial real estate facilities where our tenants conduct retail, service or distribution activities that are essential to the generation of their sales and profits. Under a triple-net lease, the tenant is typically responsible for all improvements and is contractually obligated to pay all property operating expenses, such as real estate taxes, insurance premiums and repair and maintenance costs. In support of our primary business of owning and leasing real estate, we have also strategically originated or acquired long-term, commercial mortgage and equipment loans.

We generate our revenue primarily by leasing our properties to our tenants. As of March 31, 2012, our undepreciated gross investment in real estate and loans totaled approximately $3.6 billion, representing investment in 1,167 properties, including properties securing our mortgage loans. Of this amount, 98.3% consisted of our gross investment in real estate, representing ownership of 1,078 properties, and the remaining 1.7% consisted of commercial mortgage and equipment loans receivable secured by 89 properties or related assets. As of March 31, 2012, our owned properties were approximately 98.0% occupied (based on number of properties), and our leases had a weighted-average non-cancelable remaining lease term (based on annual rent) of approximately 11.6 years. Our leases are generally long-term, with non-cancelable initial terms typically of 15 to 20 years and tenant renewal options for additional terms. As of March 31, 2012, approximately 96% of our leases (based on annual rent) provided for increases in future annual base rent.

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Our portfolio of 1,078 owned properties was leased to approximately 165 tenants as of March 31, 2012. In February 2012, two of our general merchandising tenants, Shopko Stores Operating Co., LLC, or Shopko, and Pamida Stores Operating Co. LLC, or Pamida, completed a merger. As a result, the combined company, or Shopko/Pamida, contributed 30.0% of our annual rent as of March 31, 2012. No other tenant contributed more than 10% of our annual rent as of March 31, 2012. Our tenants operate in 18 different industries, including: general, specialty and discount retail; restaurants; movie theaters; automotive dealers; educational and recreational facilities; and supermarkets. Our properties are geographically diversified across 46 states, with only 4 states contributing more than 5.0% of our annual rent.

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The diversity of our portfolio has contributed to its stable occupancy. As of March 31, 2012 and December 31, 2011, 2010, 2009, 2008 and 2007, our occupancy rate (based on number of properties) was 98.0%, 98.4%, 96.3%, 99.4%, 99.0% and 100%, respectively. We believe that the occupancy of our portfolio, particularly during the economic downturn of 2008 through 2010, reflects its strength. As illustrated in the chart below, since inception in 2003 our occupancy has never been below 96.1% (based on number of properties).

Currently, we lease 181 properties to Shopko/Pamida, 179 of which are leased pursuant to three master leases. Prior to Shopko s merger with Pamida, we leased 114 properties to Shopko (which would have contributed 26.4% of our annual rent as of March 31, 2012) and 67 properties to Pamida (which would have contributed 3.6% of our annual rent as of March 31, 2012). Specialty Retail Shops Holding Corp., parent company of Shopko/Pamida, guarantees the Shopko/Pamida leases. Based on financial information supplied to us by Shopko/Pamida, the 112 properties that we leased to Shopko prior to the merger pursuant to a master lease had a property-level rent coverage ratio well in excess of our target underwriting standard of 2.0x for the fiscal year ended January 28, 2012. For a discussion of how we calculate property-level rent coverage, see Business and Properties Risk Management Tenant Financial Distress Risk Early Lease Termination Risk Measurement. Additionally, at the corporate level, prior to the merger (which was completed after the most recent period for which Shopko has provided us with financial statements, which are included elsewhere in this prospectus), Specialty Retail Shops Holding Corp., the guarantor of the Shopko/Pamida leases, had corporate-level EBITDAR of $158.0 million for the fiscal year ended January 28, 2012 and a ratio of corporate-level EBITDAR to net interest and rent expense of 1.57x for that period. EBITDAR represents net income before net interest expense, depreciation and amortization, income tax expense (benefit) and rent. Prior to the merger, Shopko s operating performance had improved in recent years in a very competitive environment, and its shadow rating, as generated by a product licensed by us from Moody s Analytics, Inc., or Moody s Analytics, exceeded the targeted average for our portfolio. See Business and Properties Our Real Estate Investment Portfolio Investment Diversification Diversification by Tenant for a reconciliation of Specialty Retail Shops Holding Corp. s corporate-level EBITDAR to its net income.

As we look to selectively grow our portfolio, we will seek to leverage the experience of our senior management team and our existing underwriting, leasing, asset management and reporting infrastructure. We believe the acquisition of additional operationally essential retail, service and distribution properties, coupled

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with our $3.6 billion seasoned investment portfolio, will provide the opportunity to achieve superior risk-adjusted returns. We intend to continue to actively manage our existing portfolio and invest in real estate that produces stable rental revenue that increases over time pursuant to contractually specified rent increases.

Our History

We were formed in 2003 and became a public company in December 2004. We were subsequently taken private by a consortium of private investors in August 2007 in a transaction that was structured and led by an affiliate of Macquarie Capital (USA) Inc., one of the underwriters of this offering, which we refer to as our privatization. Following our privatization, we initially continued to execute our business plan and grow our portfolio. However, during 2008, in response to deteriorating economic conditions, we shifted our focus to reducing our indebtedness and managing our portfolio. From January 1, 2008 to March 31, 2012, we reduced our indebtedness by $628.5 million. The vast majority of the owned properties in our portfolio as of March 31, 2012 were acquired prior to our privatization. We have recently augmented our senior management team through the addition of executives with significant real estate, capital markets and net lease industry experience. Thomas H. Nolan, Jr., our Chief Executive Officer, has been active in the real estate industry for over 25 years, holding numerous leadership positions in private and public real estate companies. Peter M. Mavoides, our President and Chief Operating Officer, has been active in the single-tenant, net lease industry for over 13 years, holding leadership positions for the past 8 years. Under our new leadership, we have begun to pursue acquisition opportunities and have completed approximately $60 million of acquisitions since September 30, 2011.

We have elected to be taxed as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2003. We believe that we have been organized and have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such a manner.

Competitive Strengths

We believe the following competitive strengths contribute to the stability of our rental revenues and distinguish us from our competitors:

Large Scale and Diversified Portfolio. As of March 31, 2012, our portfolio consisted of 1,078 owned properties, with approximately 165 tenants operating in 46 states and diversified across 18 different industries, including: general, specialty and discount retail; restaurants; movie theaters; automotive dealers; educational and recreational facilities; and supermarkets. We believe it would be difficult for a new competitor to replicate such a diversified portfolio on a comparable scale. The diversity of our portfolio reduces the risks associated with adverse events affecting a particular tenant or an economic decline in any particular state or industry. Additionally, the scale of our portfolio allows us to make acquisitions without introducing additional concentration risks. In addition, our operating platform is scalable and will allow us to make new investments without the need for significant additional administrative or management costs.

Long-Term Triple-Net Leases. As of March 31, 2012, our owned properties were approximately 98.0% occupied (based on number of properties), with a weighted average non-cancelable remaining lease term (based on annual rent) of approximately 11.6 years. Due to the triple-net structure of approximately 95% of our leases (based on annual rent) as of March 31, 2012, we do not expect to incur significant capital expenditures, and the potential impact of inflation on our operating expenses is minimal. Additionally, as of March 31, 2012, approximately 96% of our leases (based on annual rent) provided for increases in future annual base rent.

Established Company with Proven Performance. Our company has been actively investing in triple-net leased real estate since 2003, is well-known within the industry and benefits from an established infrastructure supporting our underwriting, leasing, asset management and reporting functions. From our inception in 2003 through March 31, 2012, we have made gross investments of approximately $4.09 billion in properties and loans receivable. The vast majority of our owned properties as of March 31, 2012 were acquired prior to our privatization. Since our inception, our occupancy has never been below 96.1% (based on number of properties), despite the economic downturn of 2008 through 2010. We believe that our experience, in-depth knowledge of the triple-net lease market and extensive network of long-standing relationships in the real estate industry will contribute to the stability of our rental revenues and also provide us access to a pipeline of attractive investment opportunities to allow us to expand our revenue base.

Disciplined Underwriting and Risk Management Expertise. Our developed underwriting and risk management expertise enhances our ability to identify and structure investments that provide superior risk-adjusted returns, due to specific investment risks that we believe can be identified and mitigated through intensive credit and real estate analysis, tailored lease structures (such as master leases) and ongoing tenant monitoring. When underwriting new acquisitions we generally target property-level rent coverage ratios in excess of 2.0x. Since our inception in 2003 through March 31, 2012, our estimated cumulative loss resulting from properties and loans receivable experiencing financial distress, which we define as tenant bankruptcy or tenant non-performance resulting in our possession of the properties, was $131.4 million (of which we have realized $113.5 million of losses), or 3.2% of our original gross investment since inception. Our recovery rate on properties and loans receivable experiencing financial distress (including an estimate for properties in distress that have not yet been resolved) during that period is 69.2%. We believe our developed underwriting and risk management expertise has contributed to identifying and mitigating risk and our recovery rate. For a discussion of how we calculated estimated cumulative loss and our recovery rate, see Business and Properties Risk Management Tenant Financial Distress Risk Historical Summary of Tenant Financial Distress Portfolio.

Experienced Management Team. Our senior management has significant experience in the real estate industry and in managing public companies. Our Chairman and Chief Executive Officer, Thomas H. Nolan, Jr., has been active in the real estate industry for over 25 years, holding numerous leadership positions in private and public real estate companies. Our President and Chief Operating Officer, Peter M. Mavoides, has been active in the single-tenant, net lease industry for over 13 years, holding leadership positions for the past 8 years. Our Chief Financial Officer, Michael A. Bender, has held leadership positions for over 20 years in finance and real estate. Our Senior Vice President, Gregg A. Seibert, who has been with us since our inception, has over 20 years of experience in real estate finance, including over 15 years of leadership responsibilities in credit, acquisitions and portfolio management in the sale-leaseback sector.

Attractive In-Place Long-Term Indebtedness. Upon the completion of this offering and the debt conversion, we expect to have approximately $2.0 billion principal balance of non-recourse mortgage indebtedness outstanding on a pro forma basis, which had a weighted average maturity of 6.6 years as of March 31, 2012 and an average annual interest rate of approximately 6.10% for the three months ended March 31, 2012 (excluding non-cash interest expense attributable to the amortization of deferred financing costs and debt discounts). Prior to January 1, 2016, we only have $138.8 million of balloon payments due at maturity. Approximately $1.7 billion principal balance of our pro forma indebtedness is fully or partially amortizing, providing for an ongoing reduction in principal prior to maturity. In addition, we expect to have a $100 million secured revolving credit facility upon the completion of this offering to help fund future acquisitions and for general corporate purposes. For a description of the debt conversion, see Concurrent Debt Conversion.

Business and Growth Strategies

Our objective is to maximize stockholder value by seeking superior risk-adjusted returns, with an emphasis on stable rental revenue, by investing primarily in single-tenant, operationally essential real estate leased on a

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long-term, triple-net basis. Single-tenant, operationally essential real estate consists of properties that are generally free-standing, commercial real estate facilities where our tenants conduct retail, service or distribution activities that are essential to the generation of their sales and profits. As of March 31, 2012, we considered 99.5% of our occupied properties to be operationally essential. We intend to pursue our objective through the following business and growth strategies.

Focus on Small and Middle Market Companies. We primarily focus on investing in properties that we net lease to unrated small and middle market companies that we determine have attractive credit characteristics and stable operating histories. Properties leased to small and middle market companies may offer us the opportunity to achieve superior risk-adjusted returns, as a result of our intensive credit and real estate analysis, lease structuring and portfolio construction. Small and middle market companies are often willing to enter into leases with structures and terms that we consider attractive (such as master leases and leases that require ongoing tenant financial reporting) and that we believe increase the security of rental payments. For example, by acquiring multiple properties from a small or middle market company and leasing them back to the seller under a master lease, the leased properties may represent a meaningful percentage of the tenant s overall operations and increase the importance of the lease to the tenant s business. In addition to small and middle market companies, we selectively acquire properties leased to large companies where we believe that we can achieve superior risk-adjusted returns.

The following chart highlights the tenants that we target based on company size and corporate credit equivalent:

Use Our Developed Underwriting and Risk Management Processes to Structure and Manage Our Portfolio. We seek to maintain the stability of our rental revenue and the long-term return on our investments by using our developed underwriting and risk management processes to structure and manage our portfolio. We believe the efficacy of our underwriting and risk management processes is illustrated by the historical performance of our portfolio. In particular, our underwriting and risk management processes emphasize the following:

- *Leases for Operationally Essential Real Estate with Relatively Long-Terms.* We seek to own properties that are operationally essential to our tenants, thereby reducing the risk that the tenant would choose not to renew an expiring lease or reject a lease in bankruptcy. In addition, we seek to enter into leases with relatively long-terms, typically with non-cancelable initial terms of 15 to 20 years and tenant renewal options for additional terms with attractive rent escalation provisions.

- *Use of the Master Lease Structure.* Where appropriate, we seek to enter into master leases, pursuant to which we lease multiple properties to a single tenant on an all or none basis. In a master lease structure, a tenant is responsible for a single lease payment relating to the entire portfolio of leased properties, as opposed to multiple lease payments relating to individually leased properties. The master lease structure prevents a tenant from cherry picking locations, where it unilaterally gives up underperforming properties while maintaining its leasehold interest in well-performing properties. As of March 31, 2012, we had 52 master leases that had an average non-cancelable remaining lease term (based on annual rent) of 13.1 years and contributed approximately 63.6% of our annual rent. Our largest master lease, consisting of 112 properties, contributed 26.3% of our annual rent, and our smallest master lease, consisting of two properties, contributed less than 1% of our annual rent. The average number of properties included under our master leases as of March 31, 2012 was 12.1.

¡ *Active Management and Monitoring of Risks Related to Our Investments.* When monitoring existing investments or evaluating new investments, we typically consider two broad categories of risk: (1) tenant financial distress risk; and (2) lease renewal risk. See Business and Properties Risk Management. We seek to measure these risks through various processes, including the use of a credit modeling product that we license from Moody s Analytics, that estimates of the performance of the leased properties relative to rental payments due under the leases and review of current market data and our historical recovery rates on re-leased properties and property dispositions. Our underwriting and risk management processes are designed to structure new investments and manage existing investments to address and mitigate each of the above risks and preserve the long-term return on our invested capital.

¡ *Portfolio Diversification.* We monitor and manage the diversification of our real estate investment portfolio in order to reduce the risks associated with adverse developments affecting a particular tenant, property, industry or region. Our strategy emphasizes a portfolio that (1) derives no more than 10% of its annual rent from any single tenant or more than 2.5% of its annual rent from any single property, (2) is leased to tenants operating in various industries and (3) is located across the United States without significant geographic concentration. While we consider the foregoing when making investments, we have opportunistically made investments in the past that do not meet one or more of these criteria, and we may make additional investments that do not meet one or more of these criteria if we believe the opportunity is sufficiently attractive. As of March 31, 2012, Shopko/Pamida contributed 30.0% of our annual rent. No other tenant contributed more than 10% of our annual rent, and no one single property contributed more than 2.1% of our annual rent.

Enhance Our Portfolio through Contractual Growth. Approximately 96% of our leases (based on annual rent) contain contractual provisions that increase the rental revenue over the term of the lease. Of these leases, 25% contain fixed contractual rental increases, and the remaining 75% contain increases based on the lesser of a fixed contractual percentage increase or the increase in the consumer price index, or CPI. Assuming the same CPI growth experienced during the 12 months ended March 31, 2012, our contractual rent growth for the 12 months ending March 31, 2013 would be $3.6 million. Included in this amount is the impact of increases in rent under (i) one of our master leases with Shopko/Pamida, which occurred in June 2011 ($0.7 million), (ii) one of our master leases with Shopko/Pamida, which is scheduled to occur in June 2012 ($0.4 million), and (iii) our lease with Universal Pool Co, Inc., which is scheduled to occur in September 2012 ($0.3 million). Rents under our master leases with Shopko/Pamida adjust every three years, and rents under our master leases with Universal Pool Co., Inc. adjust every five years.

Selectively Grow Our Portfolio through Acquisitions. We plan to selectively make acquisitions that contribute to our portfolio s tenant, industry and geographic diversification. According to Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm, through March 31, 2012 the 12-month trailing investment volume in single-tenant properties was $21.3 billion. Given this volume of transactions in the single-tenant market, we believe there will be ample acquisition opportunities fitting our acquisition criteria.

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Since September 30, 2011, we have completed approximately $60 million of acquisitions consistent with our underwriting criteria. We believe our experience, in-depth market knowledge and extensive network of long-standing relationships in the real estate industry will provide us access to an ongoing pipeline of attractive investment opportunities.

- ***Continue to Deleverage Our Portfolio.*** Upon the completion of this offering and the debt conversion, we expect to have approximately $2.0 billion principal balance of non-recourse mortgage indebtedness outstanding on a pro forma basis (this represents a decrease of approximately $1.4 billion of indebtedness from January 1, 2008). Additionally, most of our remaining debt will be partially amortizing, and its principal amount will be reduced prior to the balloon payments due at maturity. Contractual amortization payments are scheduled to reduce our outstanding principal amount of indebtedness by $166.8 million prior to January 1, 2016. We also may use any cash from operations in excess of the distributions that we expect to pay to selectively reduce our indebtedness.

We believe contractual rent growth, selective growth through acquisitions and the ongoing deleveraging of our portfolio will contribute to our cash available for distributions.

Financing Strategy

Our long-term financing strategy is to maintain a leverage profile that creates operational flexibility and generates superior risk-adjusted returns for our stockholders. It is our intention to pursue a long-term capital strategy that brings our leverage profile in line with that of our peers over time. Although we are not required to maintain a particular leverage ratio, we intend to employ prudent amounts of debt financing as a means of providing additional funds for the acquisition of assets, to refinance existing debt or for general corporate purposes.

We anticipate using a number of different sources to finance our acquisitions and operations going forward, including cash from operations, issuance of debt securities, private financings (such as bank credit facilities, which may or may not be secured by our assets), property-level mortgage debt, common or preferred equity issuances or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. To the extent practicable, we expect to maintain a debt profile with manageable near-term maturities.

Market Opportunity

According to a market study prepared for us in connection with this offering by RCG, the current outlook for the net leased real estate market is positive for the following reasons:

- the net lease market has historically provided investors with attractive returns across various economic cycles when compared to other types of real estate investments;

- increased single-tenant transaction volume reflects investors growing interest in single-tenant investment opportunities;

- the market is well positioned to accommodate increased investment activity given the $1.5 trillion to more than $2.0 trillion of U.S. real estate estimated to be held by corporate owner-occupiers; and

- strict lending guidelines, a reduced appetite for risk from both debt and equity investors and upcoming mortgage and corporate debt maturities should yield attractive pricing for many single-tenant, net leased properties and increased opportunities for sale-leaseback transactions.

Summary Risk Factors

You should carefully consider the matters discussed in the Risk Factors section beginning on page 15 of this prospectus prior to deciding whether to invest in our common stock. Some of these risks include:

- We are subject to risks related to commercial real estate ownership that could reduce the value of our properties.
- Global market and economic conditions may materially and adversely affect us and our tenants.
- Our business is dependent upon our tenants successfully operating their businesses and their failure to do so could materially and adversely affect us.
- A substantial number of our properties are leased to one tenant, which may result in increased risk due to tenant and industry concentrations.
- One tenant, operating in the building materials industry, leases a substantial number of our properties that contribute 6.7% of our annual rent and has been adversely affected by the current economic environment, which may result in increased risk of tenant default.
- Loss of our key personnel with long-standing business relationships could materially impair our ability to operate successfully.
- We expect to have approximately $2.0 billion principal balance of indebtedness outstanding following this offering and the debt conversion on a pro forma basis, which may expose us to the risk of default under our debt obligations.
- Current market conditions could adversely affect our ability to refinance existing indebtedness or obtain additional financing for growth on acceptable terms or at all, which could materially and adversely affect us.
- Failure to qualify as a REIT would materially and adversely affect us and the value of our common stock.
- There can be no assurance that we will be able to make or maintain cash distributions, and certain agreements relating to our indebtedness may, under certain circumstances, limit or eliminate our ability to make distributions to our common stockholders.

Concurrent Debt Conversion

We currently have outstanding $729 million of term loan indebtedness, or the term loan, maturing in August 2013. The term loan is separated into two tranches: term loan B, or TLB, with an outstanding principal balance of $399 million and term loan C, or TLC, with an outstanding principal balance of $330 million. As described in further detail in Pricing Sensitivity Analysis, upon the completion of this offering, all $330 million of our currently outstanding TLC will be extinguished and converted into shares of our common stock. We refer to this transaction as the debt conversion. The number of shares of our common stock to be issued to TLC lenders in the debt conversion depends, in part, on the initial public offering price. See Pricing Sensitivity Analysis for a sensitivity analysis of the number of shares to be issued in the debt conversion. Assuming an initial public offering price of $ per share, which is the mid-point of the price range set forth on the front cover of this prospectus, we would issue shares of our common stock in the debt conversion.

Distribution Policy

We intend to pay cash distributions to our common stockholders out of assets legally available. We intend to make a pro rata distribution with respect to the period commencing upon the completion of this offering and ending on , 2012 based on a distribution rate of $ per share of our common stock for a full quarter. On an annualized basis, this would be $ per share of our common stock, or an annual distribution rate of approximately % based on the mid-point of the price range set forth on the front cover of this prospectus. We intend to maintain our initial distribution rate for the 12 months following the completion of this offering unless our results of operations, funds from operations, or FFO, liquidity, cash flows, financial condition, or prospects, economic conditions or other factors differ materially from the assumptions used in projecting our initial distribution rate. We intend to make distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay corporate-level federal income and excise taxes. We do not intend to reduce the expected distribution per share if the underwriters over-allotment option is exercised.

Any distributions will be at the sole discretion of our board of directors, and their form, timing and amount, if any, will depend upon a number of factors, including our actual and projected results of operations, FFO, liquidity, cash flows and financial condition, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements, applicable law and such other factors as our board of directors deems relevant.

Restrictions on Ownership and Transfer of Our Common Stock

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary or appropriate to preserve our qualification as a REIT. Furthermore, our charter prohibits any person from actually or constructively owning more than 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of our common stock or 9.8% in value of the aggregate of the outstanding shares of all classes and series of our stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limits if certain conditions are satisfied. However, our board of directors may not grant an exemption from the ownership limits to any proposed transferee whose ownership, direct or indirect, in excess of 9.8% of the value or number of outstanding shares of our common stock or 9.8% in value of the aggregate of the outstanding shares of all classes or series of our stock, could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT. The ownership limits may delay or impede a transaction or a change of control that might be in your best interest. See Description of Our Capital Stock Restrictions on Ownership and Transfer.

Our Tax Status

We have elected to be taxed as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2003. We believe that we have been organized and have operated in a manner that has allowed us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such a manner. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. See Federal Income Tax Considerations.

Corporate Information

We were formed in 2003 and became a public company in December 2004. We were subsequently taken private in August 2007. Our principal executive office is located at 14631 North Scottsdale Road, Suite 200, Scottsdale, Arizona 85254. Our telephone number is (480) 606-0820.

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The Offering

Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters over-allotment option in full).
Common stock to be outstanding after this offering and the debt conversion	shares[(1)]
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and other estimated expenses payable by us, will be approximately $ million, based on an assumed initial public offering price of $ per share, which is the mid-point of the price range set forth on the front cover of this prospectus ($ million if the underwriters exercise their over-allotment option in full). We intend to use $399 million of the net proceeds from this offering to repay our outstanding TLB, $ million to pay expenses associated with securing lenders consents to this offering and related transactions and the remainder for general business and working capital purposes, including potential future acquisitions. See Use of Proceeds.
Risk Factors	Investing in our common stock involves risks. You should carefully read and consider the information set forth under the heading Risk Factors beginning on page 15 and other information included in this prospectus before investing in our common stock.
Proposed New York Stock Exchange symbol	SRC.

(1) Includes (a) shares of our common stock held by continuing investors (other than our directors, executive officers and other employees), (b) shares of our common stock that we will issue to TLC lenders in the concurrent debt conversion, assuming an initial public offering price of $ per share, which is the mid-point of the price range set forth on the front cover of this prospectus, and (c) restricted shares of our common stock to be owned by or granted to our directors, executive officers and other employees, assuming an initial public offering price of $ per share, which is the mid-point of the price range set forth on the front cover of this prospectus. See Pricing Sensitivity Analysis for a sensitivity analysis of the number of shares to be issued in the debt conversion. Excludes (i) shares of our common stock issuable upon the exercise of the underwriters over-allotment option in full and (ii) shares of our common stock reserved for further issuance under the Spirit Realty Capital, Inc. and Spirit Realty, L.P. 2012 Incentive Award Plan, or the Incentive Award Plan, as more fully described in Executive Compensation Incentive Award Plan.

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Summary Selected Financial Data

Our historical consolidated balance sheet data as of December 31, 2011 and 2010 and consolidated operating data for the years ended December 31, 2011, 2010 and 2009 have been derived from our audited historical consolidated financial statements included elsewhere in this prospectus. Our historical consolidated balance sheet data as of December 31, 2009 has been derived from our historical consolidated financial statements not included in this prospectus. The below information also includes our unaudited consolidated balance sheet data as of March 31, 2012 and our unaudited consolidated operating data for the three months ended March 31, 2012 and March 31, 2011 which have been derived from our historical unaudited consolidated financial statements included elsew