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 numbers: 001-35263 and 333-197780

VEREIT, Inc.
VEREIT Operating Partnership, L.P.

(Exact name of registrant as specified in its charter)

Maryland	**(VEREIT, Inc.)**	**45-2482685**
Delaware	**(VEREIT Operating Partnership, L.P.)**	**45-1255683**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)

2325 E. Camelback Road, 9th Floor	**Phoenix**	**AZ**	**85016**
(Address of principal executive offices)			(Zip Code)

800 606-3610

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class:		*Trading symbol(s):*	*Name of each exchange on which registered:*
Common Stock	$0.01 par value per share (VEREIT, Inc.)	VER	New York Stock Exchange
6.70% Series F Cumulative Redeemable Preferred Stock	$0.01 par value per share (VEREIT, Inc.)	VER PF	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. VEREIT, Inc. Yes ☒ No ☐ VEREIT Operating Partnership, L.P. 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). VEREIT, Inc. Yes ☒ No ☐ VEREIT Operating Partnership, L.P. Yes ☒ No ☐

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

VEREIT, Inc.	Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
	Smaller reporting company	☐	Emerging growth company	☐		
VEREIT Operating Partnership, L.P.	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 pursuant to Section 13(a) of the Exchange Act. VEREIT, Inc. ☐ VEREIT Operating Partnership, L.P. ☐

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

There were 1,067,688,887 shares of common stock of VEREIT, Inc. outstanding as of November 1, 2019.

EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the three and nine months ended September 30, 2019 of VEREIT, Inc., a Maryland corporation, and VEREIT Operating Partnership, L.P., a Delaware limited partnership, of which VEREIT, Inc. is the sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “VEREIT,” the “Company” or the “General Partner” mean VEREIT, Inc. together with its consolidated subsidiaries, including VEREIT Operating Partnership, L.P., and all references to the “Operating Partnership” or “OP” mean VEREIT Operating Partnership, L.P. together with its consolidated subsidiaries.

As the sole general partner of VEREIT Operating Partnership, L.P., VEREIT, Inc. has the full, exclusive and complete responsibility for the Operating Partnership’s day-to-day management and control.

We believe combining the Quarterly Reports on Form 10-Q of VEREIT, Inc. and VEREIT Operating Partnership, L.P. into this single report results in the following benefits:

- enhancing investors’ understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between the Company and the Operating Partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how we operate as an interrelated consolidated company. VEREIT, Inc. is a real estate investment trust whose only material asset is its ownership of partnership interests of the Operating Partnership. As a result, VEREIT, Inc. does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity or debt from time to time and guaranteeing certain unsecured debt of the Operating Partnership and certain of its subsidiaries. The Operating Partnership holds substantially all of the assets of the Company and holds the ownership interests in the Company’s joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity or debt issuances by VEREIT, Inc., which are generally contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company’s business through the Operating Partnership’s operations, by the Operating Partnership’s direct or indirect incurrence of indebtedness or through the issuance of partnership units. To help investors understand the significant differences between VEREIT, Inc. and the Operating Partnership, there are separate sections in this report that separately discuss VEREIT, Inc. and the Operating Partnership, including the consolidated financial statements and certain notes to the consolidated financial statements as well as separate disclosures in Item 4. Controls and Procedures and Exhibit 31 and Exhibit 32 certifications. As general partner with control of the Operating Partnership, VEREIT, Inc. consolidates the Operating Partnership for financial reporting purposes. Therefore, the assets and liabilities of VEREIT, Inc. and VEREIT Operating Partnership, L.P. are the same on their respective consolidated financial statements. The separate discussions of VEREIT, Inc. and VEREIT Operating Partnership, L.P. in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

VEREIT, INC. and VEREIT OPERATING PARTNERSHIP, L.P.
For the quarterly period ended September 30, 2019

VEREIT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data) (Unaudited)

PART I — FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

	September 30, 2019	December 31, 2018
ASSETS		
Real estate investments, at cost:		
Land	$ 2,728,560	$ 2,843,212
Buildings, fixtures and improvements	10,287,047	10,749,228
Intangible lease assets	1,909,932	2,012,399
Total real estate investments, at cost	14,925,539	15,604,839
Less: accumulated depreciation and amortization	3,559,403	3,436,772
Total real estate investments, net	11,366,136	12,168,067
Operating lease right-of-use assets	218,393	—
Investment in unconsolidated entities	69,025	35,289
Cash and cash equivalents	1,029,315	30,758
Restricted cash	20,742	22,905
Rent and tenant receivables and other assets, net	347,455	366,092
Goodwill	1,337,773	1,337,773
Real estate assets held for sale, net	66,684	2,609
Total assets	$ 14,455,523	$ 13,963,493
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$ 1,717,817	$ 1,922,657
Corporate bonds, net	2,622,320	3,368,609
Convertible debt, net	397,726	394,883
Credit facility, net	895,351	401,773
Below-market lease liabilities, net	147,997	173,479
Accounts payable and accrued expenses	1,125,703	145,611
Deferred rent and other liabilities	101,828	69,714
Distributions payable	201,451	186,623
Operating lease liabilities	223,288	—
Total liabilities	7,433,481	6,663,349
Commitments and contingencies (Note 10)		
Preferred stock, $0.01 par value, 100,000,000 shares authorized and 38,871,246 and 42,834,138 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	389	428
Common stock, $0.01 par value, 1,500,000,000 shares authorized and 1,067,688,887 and 967,515,165 issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	10,677	9,675
Additional paid-in capital	13,360,675	12,615,472
Accumulated other comprehensive loss	(47,886)	(1,280)
Accumulated deficit	(6,306,590)	(5,467,236)
Total stockholders’ equity	7,017,265	7,157,059
Non-controlling interests	4,777	143,085
Total equity	7,022,042	7,300,144
Total liabilities and equity	$ 14,455,523	$ 13,963,493

The accompanying notes are an integral part of these statements.

VEREIT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for per share data) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Rental revenue	$ 302,985	$ 313,866	$ 931,871	$ 944,604
Operating expenses:				
Acquisition-related	1,199	810	3,169	2,496
Litigation and non-routine costs, net	832,024	138,595	806,763	267,422
Property operating	30,822	31,893	95,703	93,894
General and administrative	14,483	15,186	45,745	46,713
Depreciation and amortization	115,111	157,181	369,688	487,568
Impairments	3,944	18,382	24,240	36,082
Restructuring	783	—	10,149	—
Total operating expenses	998,366	362,047	1,355,457	934,175
Other (expenses) income:				
Interest expense	(67,889)	(69,310)	(208,946)	(210,055)
Gain (loss) on extinguishment and forgiveness of debt, net	975	90	(497)	5,339
Other income (loss), net	2,737	(947)	5,510	8,082
Equity in income and gain on disposition of unconsolidated entities	677	252	1,682	1,644
Gain on disposition of real estate and real estate assets held for sale, net	18,520	45,295	251,106	68,451
Total other expenses, net	(44,980)	(24,620)	48,855	(126,539)
Loss before taxes	(740,361)	(72,801)	(374,731)	(116,110)
Provision for income taxes	(1,168)	(1,141)	(3,543)	(3,487)
Loss from continuing operations	(741,529)	(73,942)	(378,274)	(119,597)
Income from discontinued operations, net of income taxes	—	—	—	3,725
Net loss	(741,529)	(73,942)	(378,274)	(115,872)
Net loss attributable to non-controlling interests [(1)]	15,089	1,825	6,796	2,880
Net loss attributable to the General Partner	$ (726,440)	$ (72,117)	$ (371,478)	$ (112,992)
Basic and diluted net loss per share from continuing operations attributable to common stockholders	$ (0.76)	$ (0.09)	$ (0.43)	$ (0.18)
Basic and diluted net income per share from discontinued operations attributable to common stockholders	$ —	$ —	$ —	$ 0.00
Basic and diluted net loss per share attributable to common stockholders [(2)]	$ (0.76)	$ (0.09)	$ (0.43)	$ (0.17)

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(1) Represents loss attributable to limited partners and a consolidated joint venture partner.

(2) Amounts may not total due to rounding.

The accompanying notes are an integral part of these statements.

VEREIT, 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 loss	$ (741,529)	$ (73,942)	$ (378,274)	$ (115,872)
Other comprehensive (loss) income:				
Unrealized loss on interest rate derivatives	(20,927)	—	(48,539)	—
Reclassification of previous loss on interest rate derivatives into net loss	656	53	870	214
Unrealized gain (loss) on investment securities, net	—	828	—	(71)
Reclassification of previous unrealized loss on investment securities into net loss as other income, net	—	2,457	—	2,457
Total other comprehensive (loss) income	(20,271)	3,338	(47,669)	2,600
Total comprehensive loss	(761,800)	(70,604)	(425,943)	(113,272)
Comprehensive loss attributable to non-controlling interests (1)	15,500	1,746	7,859	2,818
Total comprehensive loss attributable to the General Partner	$ (746,300)	$ (68,858)	$ (418,084)	$ (110,454)

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(1) Represents comprehensive loss attributable to limited partners and a consolidated joint venture partner.

The accompanying notes are an integral part of these statements.

VEREIT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except for share data) (Unaudited)

	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stock-holders' Equity	Non-Controlling Interests	Total Equity
Balance, January 1, 2019	42,834,138	$428	967,515,165	$9,675	$12,615,472	$ (1,280)	$ (5,467,236)	$7,157,059	$ 143,085	$7,300,144
Issuance of Common Stock, net	—	—	3,309,808	33	27,511	—	—	27,544	—	27,544
Conversion of OP Units to Common Stock	—	—	—	—	(26)	—	—	(26)	26	—
Conversion of Series F Preferred Units to Series F Preferred Stock	37,108	1	—	—	922	—	—	923	(923)	—
Repurchases of Common Stock to settle tax obligation	—	—	(199,083)	(2)	(1,593)	—	—	(1,595)	—	(1,595)
Equity-based compensation, net	—	—	950,487	10	2,862	—	—	2,872	—	2,872
Contributions from non-controlling interest holders	—	—	—	—	—	—	—	—	64	64
Distributions declared on Common Stock — $0.1375 per common share	—	—	—	—	—	—	(133,480)	(133,480)	—	(133,480)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(3,262)	(3,262)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	—	(1,222)	(1,222)	—	(1,222)
Distributions to preferred shareholders and unitholders	—	—	—	—	—	—	(17,940)	(17,940)	(33)	(17,973)
Net income	—	—	—	—	—	—	69,304	69,304	1,667	70,971
Other comprehensive loss	—	—	—	—	—	(10,922)	—	(10,922)	(267)	(11,189)
Balance, March 31, 2019	42,871,246	$429	971,576,377	$9,716	$12,645,148	$ (12,202)	$ (5,550,574)	$7,092,517	$ 140,357	$7,232,874
Issuance of Common Stock, net	—	—	1,773,456	18	14,516	—	—	14,534	—	14,534
Repurchases of Common Stock to settle tax obligation	—	—	—	—	(9)	—	—	(9)	—	(9)
Equity-based compensation, net	—	—	36,066	—	3,883	—	—	3,883	—	3,883
Distributions declared on Common Stock — $0.1375 per										

common share	—	—	—	—	—	—	(133,841)	(133,841)	—	(133,841)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(3,264)	(3,264)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	—	(44)	(44)	—	(44)
Distributions to preferred shareholders and unitholders	—	—	—	—	—	—	(17,958)	(17,958)	(15)	(17,973)
Distributions payable relinquished	—	—	—	—	—	—	—	—	6,429	6,429
Surrender of Limited Partner OP Units	—	—	—	—	(8,520)	—	—	(8,520)	(18,017)	(26,537)
Net income	—	—	—	—	—	—	285,658	285,658	6,626	292,284
Other comprehensive loss	—	—	—	—	—	(15,824)	—	(15,824)	(385)	(16,209)
Balance, June 30, 2019	42,871,246	$429	973,385,899	$9,734	$12,655,018	$ (28,026)	$ (5,416,759)	$7,220,396	$ 131,731	$7,352,127
Issuance of Common Stock, net	—	—	94,300,000	943	885,983	—	—	886,926	—	886,926
Redemption of Series F Preferred Stock	(4,000,000)	(40)	—	—	(100,056)	—	—	(100,096)	—	(100,096)
Repurchases of Common Stock to settle tax obligation	—	—	(1,248)	—	(14)	—	—	(14)	—	(14)
Equity-based compensation, net	—	—	4,236	—	3,144	—	—	3,144	—	3,144
Distributions declared on Common Stock — $0.1375 per common share	—	—	—	—	—	—	(146,808)	(146,808)	—	(146,808)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(2,859)	(2,859)

VEREIT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except for share data) (Unaudited)

	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stock-holders' Equity	Non-Controlling Interests	Total Equity
Dividend equivalents on awards granted under the Equity Plan	—	$ —	—	$ —	$ —	$ —	$ (26)	$ (26)	$ —	$ (26)
Distributions to preferred shareholders and unitholders	—	—	—	—	—	—	(16,557)	(16,557)	(21)	(16,578)
Surrender of Limited Partner OP Units	—	—	—	—	(83,400)	—	—	(83,400)	(108,574)	(191,974)
Net loss	—	—	—	—	—	—	(726,440)	(726,440)	(15,089)	(741,529)
Other comprehensive loss	—	—	—	—	—	(19,860)	—	(19,860)	(411)	(20,271)
Balance, September 30, 2019	38,871,246	$389	1,067,688,887	$10,677	$13,360,675	$ (47,886)	$ (6,306,590)	$7,017,265	$ 4,777	$7,022,042

VEREIT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except for share data) (Unaudited)

	Preferred Stock		Common Stock							
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stock-holders' Equity	Non-Controlling Interests	Total Equity
Balance, January 1, 2018	42,834,138	$428	974,208,583	$9,742	$12,654,258	$ (3,569)	$ (4,776,581)	$7,884,278	$ 158,598	$8,042,876
Repurchases of Common Stock under share repurchase programs	—	—	(6,399,666)	(64)	(44,521)	—	—	(44,585)	—	(44,585)
Repurchases of Common Stock to settle tax obligation	—	—	(230,436)	(2)	(1,658)	—	—	(1,660)	—	(1,660)
Equity-based compensation, net	—	—	576,005	5	2,927	—	—	2,932	—	2,932
Distributions declared on Common Stock — $0.1375 per common share	—	—	—	—	—	—	(133,104)	(133,104)	—	(133,104)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(3,264)	(3,264)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	—	(522)	(522)	—	(522)
Distributions to preferred shareholders and unitholders	—	—	—	—	—	—	(17,937)	(17,937)	(36)	(17,973)
Net income	—	—	—	—	—	—	31,795	31,795	742	32,537
Other comprehensive loss	—	—	—	—	—	(715)	—	(715)	(17)	(732)
Balance, March 31, 2018	42,834,138	$428	968,154,486	$9,681	$12,611,006	$ (4,284)	$ (4,896,349)	$7,720,482	$ 156,023	$7,876,505
Conversion of OP Units to Common Stock	—	—	32,439	—	241	—	—	241	(241)	—
Repurchases of Common Stock under share repurchase programs	—	—	(807,210)	(8)	(5,561)	—	—	(5,569)	—	(5,569)
Repurchases of Common Stock to settle tax obligation	—	—	(69,931)	(1)	(487)	—	—	(488)	—	(488)
Equity-based compensation, net	—	—	184,011	2	3,946	—	—	3,948	—	3,948
Distributions declared on Common Stock — $0.1375 per common share	—	—	—	—	—	—	(133,010)	(133,010)	—	(133,010)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(3,262)	(3,262)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	—	(274)	(274)	—	(274)

Distributions to preferred shareholders and unitholders	—	—	—	—	—	—	(17,937)	(17,937)	(36)	(17,973)
Net loss	—	—	—	—	—	—	(72,670)	(72,670)	(1,797)	(74,467)
Other comprehensive loss	—	—	—	—	—	(6)	—	(6)	—	(6)
Balance, June 30, 2018	42,834,138	$428	967,493,795	$9,674	$12,609,145	$ (4,290)	$ (5,120,240)	$7,494,717	$ 150,687	$7,645,404
Repurchases of Common Stock to settle tax obligation	—	—	(7,597)	—	(61)	—	—	(61)	—	(61)
Equity-based compensation, net	—	—	35,915	—	3,323	—	—	3,323	—	3,323
Contributions from non-controlling interest holders	—	—	—	—	—	—	—	—	120	120
Distributions declared on Common Stock — $0.1375 per common share	—	—	—	—	—	—	(133,015)	(133,015)	—	(133,015)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(3,261)	(3,261)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	—	(59)	(59)	—	(59)
Distributions to preferred shareholders and unitholders	—	—	—	—	—	—	(17,937)	(17,937)	(36)	(17,973)
Net loss	—	—	—	—	—	—	(72,117)	(72,117)	(1,825)	(73,942)
Other comprehensive income	—	—	—	—	—	3,259	—	3,259	79	3,338
Balance, September 30, 2018	42,834,138	$428	967,522,113	$9,674	$12,612,407	$ (1,031)	$ (5,343,368)	$7,278,110	$ 145,764	$7,423,874

VEREIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	$ (378,274)	$ (115,872)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	379,133	503,529
Gain on real estate assets, net	(251,106)	(70,188)
Impairments	24,240	36,082
Equity-based compensation	9,899	10,203
Equity in income of unconsolidated entities and gain on joint venture	(1,682)	(1,644)
Distributions from unconsolidated entities	130	1,365
Loss (gain) on investments	492	(2,302)
Loss (gain) on derivative instruments	58	(447)
Non-cash restructuring expense	3,999	—
Loss (gain) on extinguishment and forgiveness of debt, net	497	(5,339)
Surrender of Limited Partner OP Units	(26,536)	—
Changes in assets and liabilities:		
Investment in direct financing leases	1,230	1,524
Rent and tenant receivables, operating lease right-of-use and other assets, net	(17,234)	(28,520)
Assets held for sale classified as discontinued operations	—	(2,492)
Accounts payable and accrued expenses	786,839	132,686
Deferred rent, operating lease and other liabilities	(26,460)	(11,001)
Due to affiliates	—	(66)
Liabilities related to discontinued operations	—	(13,861)
Net cash provided by operating activities	505,225	433,657
Cash flows from investing activities:		
Investments in real estate assets	(251,804)	(278,385)
Capital expenditures and leasing costs	(27,309)	(13,116)
Real estate developments	(17,274)	(7,477)
Principal repayments received on investment securities and mortgage notes receivable	106	5,555
Investments in unconsolidated entities	(2,767)	—
Return of investment from unconsolidated entities	154	48
Proceeds from disposition of real estate and joint venture	846,023	358,443
Proceeds from disposition of discontinued operations	—	123,925
Payments related to disposition of discontinued operations	—	(1,010)
Investment in leasehold improvements and other assets	(1,417)	(616)
Deposits for real estate assets	(5,238)	(11,957)
Proceeds from sale of investments and other assets	9,837	10,880
Uses and refunds of deposits for real estate assets	3,562	8,552
Proceeds from the settlement of property-related insurance claims	473	1,354
Line of credit advances to Cole REITs	—	(2,200)
Line of credit repayments from Cole REITs	—	3,800
Net cash provided by investing activities	554,346	197,796
Cash flows from financing activities:		
Proceeds from mortgage notes payable	—	182
Payments on mortgage notes payable and other debt, including debt extinguishment costs	(182,648)	(125,418)
Proceeds from credit facility	1,061,000	1,558,000
Payments on credit facility	(564,000)	(950,000)
Payments on corporate bonds, including extinguishment costs	(750,000)	—
Repayment of convertible notes	—	(597,500)
Payments of deferred financing costs	(181)	(20,719)

Repurchases of Common Stock under the Share Repurchase Programs	—	(50,154)
Repurchases of Common Stock to settle tax obligations	(1,618)	(2,209)
Proceeds from the issuance of Common Stock, net of underwriters' discount and offering expenses	929,004	—
Redemption of Series F Preferred Stock	(100,096)	—

VEREIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Contributions from non-controlling interest holders	$ 64	$ 120
Distributions paid	(454,702)	(455,078)
Net cash used in financing activities	(63,177)	(642,776)
Net change in cash and cash equivalents and restricted cash	996,394	(11,323)
Cash and cash equivalents and restricted cash, beginning of period	53,663	64,036
Less: cash and cash equivalents of discontinued operations	—	(2,198)
Cash and cash equivalents and restricted cash from continuing operations, beginning of period	53,663	61,838
Cash and cash equivalents and restricted cash from continuing operations, end of period	$ 1,050,057	$ 52,713
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents at beginning of period	$ 30,758	$ 34,176
Restricted cash at beginning of period	22,905	27,662
Cash and cash equivalents and restricted cash at beginning of period	53,663	61,838
Cash and cash equivalents at end of period	1,029,315	25,264
Restricted cash at end of period	20,742	27,449
Cash and cash equivalents and restricted cash at end of period	$ 1,050,057	$ 52,713

The accompanying notes are an integral part of these statements.

VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for unit data) (Unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Real estate investments, at cost:		
Land	$ 2,728,560	$ 2,843,212
Buildings, fixtures and improvements	10,287,047	10,749,228
Intangible lease assets	1,909,932	2,012,399
Total real estate investments, at cost	14,925,539	15,604,839
Less: accumulated depreciation and amortization	3,559,403	3,436,772
Total real estate investments, net	11,366,136	12,168,067
Operating lease right-of-use assets	218,393	—
Investment in unconsolidated entities	69,025	35,289
Cash and cash equivalents	1,029,315	30,758
Restricted cash	20,742	22,905
Rent and tenant receivables and other assets, net	347,455	366,092
Goodwill	1,337,773	1,337,773
Real estate assets held for sale, net	66,684	2,609
Total assets	$ 14,455,523	$ 13,963,493
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$ 1,717,817	$ 1,922,657
Corporate bonds, net	2,622,320	3,368,609
Convertible debt, net	397,726	394,883
Credit facility, net	895,351	401,773
Below-market lease liabilities, net	147,997	173,479
Accounts payable and accrued expenses	1,125,703	145,611
Deferred rent and other liabilities	101,828	69,714
Distributions payable	201,451	186,623
Operating lease liabilities	223,288	—
Total liabilities	7,433,481	6,663,349
Commitments and contingencies (Note 10)		
General Partner's preferred equity, 38,871,246 and 42,834,138 General Partner Series F Preferred Units issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	595,781	710,325
General Partner's common equity, 1,067,688,887 and 967,515,165 General Partner OP Units issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	6,421,484	6,446,734
Limited Partner's preferred equity, 49,766 and 86,874 Limited Partner Series F Preferred Units issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	1,891	2,883
Limited Partner's common equity, 20,793,463 and 23,715,908 Limited Partner OP Units issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	1,634	138,931
Total partners’ equity	7,020,790	7,298,873
Non-controlling interests	1,252	1,271
Total equity	7,022,042	7,300,144
Total liabilities and equity	$ 14,455,523	$ 13,963,493

The accompanying notes are an integral part of these statements.

VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for per unit data) (Unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Rental revenue	$ 302,985	$ 313,866	$ 931,871	$ 944,604
Operating expenses:				
Acquisition-related	1,199	810	3,169	2,496
Litigation and non-routine costs, net	832,024	138,595	806,763	267,422
Property operating	30,822	31,893	95,703	93,894
General and administrative	14,483	15,186	45,745	46,713
Depreciation and amortization	115,111	157,181	369,688	487,568
Impairments	3,944	18,382	24,240	36,082
Restructuring	783	—	10,149	—
Total operating expenses	998,366	362,047	1,355,457	934,175
Other (expenses) income:				
Interest expense	(67,889)	(69,310)	(208,946)	(210,055)
Gain (loss) on extinguishment and forgiveness of debt, net	975	90	(497)	5,339
Other income (loss), net	2,737	(947)	5,510	8,082
Equity in income and gain on disposition of unconsolidated entities	677	252	1,682	1,644
Gain on disposition of real estate and real estate assets held for sale, net	18,520	45,295	251,106	68,451
Total other expenses, net	(44,980)	(24,620)	48,855	(126,539)
Loss before taxes	(740,361)	(72,801)	(374,731)	(116,110)
Provision for income taxes	(1,168)	(1,141)	(3,543)	(3,487)
Loss from continuing operations	(741,529)	(73,942)	(378,274)	(119,597)
Income from discontinued operations, net of income taxes	—	—	—	3,725
Net loss	(741,529)	(73,942)	(378,274)	(115,872)
Net loss attributable to non-controlling interests [(1)]	25	57	83	113
Net loss attributable to the OP	$ (741,504)	$ (73,885)	$ (378,191)	$ (115,759)
Basic and diluted net loss per unit from continuing operations attributable to common unitholders	$ (0.76)	$ (0.09)	$ (0.43)	$ (0.18)
Basic and diluted net income per unit from discontinued operations attributable to common unitholders	$ —	$ —	$ —	$ 0.00
Basic and diluted net loss per unit attributable to common unitholders [(2)]	$ (0.76)	$ (0.09)	$ (0.43)	$ (0.17)

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(1) Represents net loss attributable to a consolidated joint venture partner.

(2) Amounts may not total due to rounding.

The accompanying notes are an integral part of these statements.

VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	$ (741,529)	$ (73,942)	$ (378,274)	$ (115,872)
Other comprehensive (loss) income:				
Unrealized loss on interest rate derivatives	(20,927)	—	(48,539)	—
Reclassification of previous loss on interest rate derivatives into net loss	656	53	870	214
Unrealized gain (loss) on investment securities, net	—	828	—	(71)
Reclassification of previous unrealized loss on investment securities into net loss as other income, net	—	2,457	—	2,457
Total other comprehensive (loss) income	(20,271)	3,338	(47,669)	2,600
Total comprehensive loss	(761,800)	(70,604)	(425,943)	(113,272)
Comprehensive loss attributable to non-controlling interests (1)	25	57	83	113
Total comprehensive loss attributable to the OP	$ (761,775)	$ (70,547)	$ (425,860)	$ (113,159)

(1) Represents comprehensive loss attributable to a consolidated joint venture partner.

The accompanying notes are an integral part of these statements.

VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except for unit data) (Unaudited)

	Preferred Units				Common Units						
	General Partner		Limited Partner		General Partner		Limited Partner				
	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Total Partners' Capital	Non-Controlling Interests	Total Capital
Balance, January 1, 2019	42,834,138	$710,325	86,874	$2,883	967,515,165	$6,446,734	23,715,908	$138,931	$7,298,873	$ 1,271	$7,300,144
Issuance of common OP Units, net	—	—	—	—	3,309,808	27,544	—	—	27,544	—	27,544
Conversion of Limited Partners' Common OP Units to General Partner's Common OP Units	—	—	—	—	—	(26)	—	26	—	—	—
Conversion of Limited Partner Series F Preferred Units to Series F Preferred Stock	37,108	923	(37,108)	(923)	—	—	—	—	—	—	—
Repurchases of common OP Units to settle tax obligation	—	—	—	—	(199,083)	(1,595)	—	—	(1,595)	—	(1,595)
Equity-based compensation, net	—	—	—	—	950,487	2,872	—	—	2,872	—	2,872
Contributions from non-controlling interest holders	—	—	—	—	—	—	—	—	—	64	64
Distributions to Common OP Units and non-controlling interests — $0.1375 per common unit	—	—	—	—	—	(133,480)	—	(3,262)	(136,742)	—	(136,742)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	(1,222)	—	—	(1,222)	—	(1,222)
Distributions to Series F Preferred Units	—	(17,940)	—	(33)	—	—	—	—	(17,973)	—	(17,973)
Net income (loss)	—	—	—	—	—	69,304	—	1,695	70,999	(28)	70,971
Other comprehensive											

loss	—	—	—	—	—	(10,922)	—	(267)	(11,189)	—	(11,189)
Balance, March 31, 2019	42,871,246	$693,308	49,766	$1,927	971,576,377	$6,399,209	23,715,908	$137,123	$7,231,567	$ 1,307	$7,232,874
Issuance of common OP Units, net	—	—	—	—	1,773,456	14,534	—	—	14,534	—	14,534
Repurchases of common OP Units to settle tax obligation	—	—	—	—	—	(9)	—	—	(9)	—	(9)
Equity-based compensation, net	—	—	—	—	36,066	3,883	—	—	3,883	—	3,883
Distributions to Common OP Units and non-controlling interests — $0.1375 per common unit	—	—	—	—	—	(133,841)	—	(3,264)	(137,105)	—	(137,105)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	(44)	—	—	(44)	—	(44)
Distributions to Series F Preferred Units	—	(17,958)	—	(15)	—	—	—	—	(17,973)	—	(17,973)
Distributions payable relinquished	—	—	—	—	—	—	—	6,429	6,429	—	6,429
Surrender of Limited Partner OP Units	—	—	—	—	—	(8,520)	(2,922,445)	(18,017)	(26,537)	—	(26,537)
Net income (loss)	—	—	—	—	—	285,658	—	6,656	292,314	(30)	292,284
Other comprehensi income	—	—	—	—	—	(15,824)	—	(385)	(16,209)	—	(16,209)
Balance, June 30, 2019	42,871,246	$675,350	49,766	$1,912	973,385,899	$6,545,046	20,793,463	$128,542	$7,350,850	$ 1,277	$7,352,127
Issuance of common OP Units, net	—	—	—	—	94,300,000	886,926	—	—	886,926	—	886,926
Redemption of Series F Preferred Stock	(4,000,000)	(63,012)	—	—	—	(37,084)	—	—	(100,096)	—	(100,096)
Repurchases of common OP Units to settle tax obligation	—	—	—	—	(1,248)	(14)	—	—	(14)	—	(14)
Equity-based compensation, net	—	—	—	—	4,236	3,144	—	—	3,144	—	3,144

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VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except for unit data) (Unaudited)

	Preferred Units				Common Units						
	General Partner		Limited Partner		General Partner		Limited Partner				
	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Total Partners' Capital	Non-Controlling Interests	Total Capital
Distributions to Common OP Units and non-controlling interests — $0.1375 per common unit	—	$ —	—	$ —	—	$ (146,808)	—	$ (2,859)	$ (149,667)	$ —	$ (149,667)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	(26)	—	—	(26)	—	(26)
Distributions to Series F Preferred Units	—	(16,557)	—	(21)	—	—	—	—	(16,578)	—	(16,578)
Surrender of Limited Partner OP Units	—	—	—	—	—	(83,400)	—	(108,574)	(191,974)	—	(191,974)
Net loss	—	—	—	—	—	(726,440)	—	(15,064)	(741,504)	(25)	(741,529)
Other comprehensive loss	—	—	—	—	—	(19,860)	—	(411)	(20,271)	—	(20,271)
Balance, September 30, 2019	38,871,246	$595,781	49,766	$1,891	1,067,688,887	$6,421,484	20,793,463	$ 1,634	$7,020,790	$ 1,252	$7,022,042

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VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except for unit data) (Unaudited)

	Preferred Units				Common Units						
	General Partner		Limited Partner		General Partner		Limited Partner				
	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Total Partners' Capital	Non-Controlling Interests	Total Capital
Balance, January 1, 2018	42,834,138	$782,073	86,874	$3,027	974,208,583	$7,102,205	23,748,347	$154,266	$8,041,571	$ 1,305	$8,042,876
Repurchases of common OP Units under share repurchase programs	—	—	—	—	(6,399,666)	(44,585)	—	—	(44,585)	—	(44,585)
Repurchases of common OP Units to settle tax obligation	—	—	—	—	(230,436)	(1,660)	—	—	(1,660)	—	(1,660)
Equity-based compensation, net	—	—	—	—	576,005	2,932	—	—	2,932	—	2,932
Distributions to common OP Units and non-controlling interests — $0.1375 per common unit	—	—	—	—	—	(133,104)	—	(3,264)	(136,368)	—	(136,368)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	(522)	—	—	(522)	—	(522)
Distributions to Series F Preferred Units	—	(17,937)	—	(36)	—	—	—	—	(17,973)	—	(17,973)
Net income (loss)	—	—	—	—	—	31,795	—	782	32,577	(40)	32,537
Other comprehensive loss	—	—	—	—	—	(715)	—	(17)	(732)	—	(732)
Balance, March 31, 2018	42,834,138	$764,136	86,874	$2,991	968,154,486	$6,956,346	23,748,347	$151,767	$7,875,240	$ 1,265	$7,876,505
Conversion of Limited Partners' Common OP Units to General Partner's Common OP Units	—	—	—	—	32,439	241	(32,439)	(241)	—	—	—
Repurchases of common OP Units under share repurchase programs	—	—	—	—	(807,210)	(5,569)	—	—	(5,569)	—	(5,569)
Repurchases of common OP Units to settle tax obligation	—	—	—	—	(69,931)	(488)	—	—	(488)	—	(488)
Equity-based											

compensation, net	—	—	—	—	184,011	3,948	—	—	3,948	—	3,948
Distributions to common OP Units and non-controlling interests — $0.1375 per common unit	—	—	—	—	—	(133,010)	—	(3,262)	(136,272)	—	(136,272)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	(274)	—	—	(274)	—	(274)
Distributions to Series F Preferred Units	—	(17,937)	—	(36)	—	—	—	—	(17,973)	—	(17,973)
Net loss	—	—	—	—	—	(72,670)	—	(1,781)	(74,451)	(16)	(74,467)
Other comprehensive loss	—	—	—	—	—	(6)	—	—	(6)	—	(6)
Balance, June 30, 2018	42,834,138	$746,199	86,874	$2,955	967,493,795	$6,748,518	23,715,908	$146,483	$7,644,155	$ 1,249	$7,645,404
Repurchases of common OP Units under share repurchase programs	—	—	—	—	(7,597)	(61)	—	—	(61)	—	(61)
Equity-based compensation, net	—	—	—	—	35,915	3,323	—	—	3,323	—	3,323
Contributions from non-controlling interest holders	—	—	—	—	—	—	—	—	—	120	120
Distributions to common OP Units and non-controlling interests — $0.1375 per common unit	—	—	—	—	—	(133,015)	—	(3,261)	(136,276)	—	(136,276)
Dividend equivalents on awards granted under the Equity Plan	—	—	—	—	—	(59)	—	—	(59)	—	(59)
Distributions to Series F Preferred Units	—	(17,937)	—	(36)	—	—	—	—	(17,973)	—	(17,973)

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VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except for unit data) (Unaudited)

	Preferred Units				Common Units						
	General Partner		Limited Partner		General Partner		Limited Partner				
	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Number of Units	Capital	Total Partners' Capital	Non-Controlling Interests	Total Capital
Net loss	—	$ —	—	$ —	—	$ (72,117)	—	$ (1,768)	$ (73,885)	$ (57)	$ (73,942)
Other comprehensive income	—	—	—	—	—	3,259	—	79	3,338	—	3,338
Balance, September 30, 2018	42,834,138	$728,262	86,874	$2,919	967,522,113	$6,549,848	23,715,908	$141,533	$7,422,562	$ 1,312	$7,423,874

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VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	$ (378,274)	$ (115,872)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	379,133	503,529
Gain on real estate assets, net	(251,106)	(70,188)
Impairments	24,240	36,082
Equity based compensation	9,899	10,203
Equity in income of unconsolidated entities	(1,682)	(1,644)
Distributions from unconsolidated entities	130	1,365
Loss (gain) on investments	492	(2,302)
Loss (gain) on derivative instruments	58	(447)
Non-cash restructuring expense	3,999	—
Loss (gain) on extinguishment and forgiveness of debt, net	497	(5,339)
Surrender of Limited Partner OP Units	(26,536)	—
Changes in assets and liabilities:		
Investment in direct financing leases	1,230	1,524
Rent and tenant receivables, operating lease right-of-use and other assets, net	(17,234)	(28,520)
Assets held for sale classified as discontinued operations	—	(2,492)
Accounts payable and accrued expenses	786,839	132,686
Deferred rent, operating lease and other liabilities	(26,460)	(11,001)
Due to affiliates	—	(66)
Liabilities related to discontinued operations	—	(13,861)
Net cash provided by operating activities	505,225	433,657
Cash flows from investing activities:		
Investments in real estate assets	(251,804)	(278,385)
Capital expenditures and leasing costs	(27,309)	(13,116)
Real estate developments	(17,274)	(7,477)
Principal repayments received on investment securities and mortgage notes receivable	106	5,555
Investments in unconsolidated entities	(2,767)	—
Return of investment from unconsolidated entities	154	48
Proceeds from disposition of real estate and joint venture	846,023	358,443
Proceeds from disposition of discontinued operations	—	123,925
Payments related to disposition of discontinued operations	—	(1,010)
Investment in leasehold improvements and other assets	(1,417)	(616)
Deposits for real estate assets	(5,238)	(11,957)
Proceeds from sale of investments and other assets	9,837	10,880
Uses and refunds of deposits for real estate assets	3,562	8,552
Proceeds from the settlement of property-related insurance claims	473	1,354
Line of credit advances to Cole REITs	—	(2,200)
Line of credit repayments from Cole REITs	—	3,800
Net cash provided by investing activities	554,346	197,796
Cash flows from financing activities:		
Proceeds from mortgage notes payable	—	182
Payments on mortgage notes payable and other debt, including debt extinguishment costs	(182,648)	(125,418)
Proceeds from credit facility	1,061,000	1,558,000
Payments on credit facility	(564,000)	(950,000)
Payments on corporate bonds, including extinguishment costs	(750,000)	—
Repayment of convertible notes	—	(597,500)
Payments of deferred financing costs	(181)	(20,719)

Repurchases of Common Stock under the Share Repurchase Programs	—	(50,154)
Repurchases of Common Stock to settle tax obligations	(1,618)	(2,209)
Proceeds from the issuance of Common Stock, net of underwriters' discount and offering expenses	929,004	—
Redemption of Series F Preferred Stock	(100,096)	—

VEREIT OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Contributions from non-controlling interest holders	$ 64	$ 120
Distributions paid	(454,702)	(455,078)
Net cash used in financing activities	(63,177)	(642,776)
Net change in cash and cash equivalents and restricted cash	996,394	(11,323)
Cash and cash equivalents and restricted cash, beginning of period	53,663	64,036
Less: cash and cash equivalents of discontinued operations	—	(2,198)
Cash and cash equivalents and restricted cash from continuing operations, beginning of period	53,663	61,838
Cash and cash equivalents and restricted cash from continuing operations, end of period	$ 1,050,057	$ 52,713
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents at beginning of period	$ 30,758	$ 34,176
Restricted cash at beginning of period	22,905	27,662
Cash and cash equivalents and restricted cash at beginning of period	53,663	61,838
Cash and cash equivalents at end of period	1,029,315	25,264
Restricted cash at end of period	20,742	27,449
Cash and cash equivalents and restricted cash at end of period	$ 1,050,057	$ 52,713

The accompanying notes are an integral part of these statements.

Note 1 – Organization

VEREIT is a Maryland corporation, incorporated on December 2, 2010, that qualified as a real estate investment trust ("REIT") for U.S. federal income tax purposes beginning in the taxable year ended December 31, 2011. The OP is a Delaware limited partnership of which the General Partner is the sole general partner. VEREIT's common stock, par value $0.01 per share ("Common Stock"), and its 6.70% Series F Cumulative Redeemable Preferred Stock, par value $0.01 per share ("Series F Preferred Stock") trade on the New York Stock Exchange ("NYSE") under the trading symbols, "VER" and "VER PF," respectively. As used herein, the terms the "Company," "we," "our" and "us" refer to VEREIT, together with its consolidated subsidiaries, including the OP.

VEREIT is a full-service real estate operating company which owns and manages one of the largest portfolios of single-tenant commercial properties in the U.S. VEREIT's business model provides equity capital to creditworthy corporations in return for long-term leases on their properties. The Company actively manages its portfolio considering a number of metrics including property type, concentration and key economic factors for appropriate balance and diversity.

Substantially all of the Company's operations are conducted through the OP. VEREIT is the sole general partner and holder of 98.1% of the common equity interests in the OP as of September 30, 2019 with the remaining 1.9% of the common equity interests owned by unaffiliated investors and the Company's former external manager, ARC Properties Advisors, LLC, and its principals (the "Former Manager"). Under the limited partnership agreement of the OP, as amended (the "LPA"), after holding common units of limited partner interests in the OP ("OP Units") or Series F Preferred Units of limited partnership interests in the OP ("Series F Preferred Units"), for a period of one year and meeting the other requirements in the LPA, unless we otherwise consent to an earlier redemption, holders have the right to redeem the units for the cash value of a corresponding number of shares of Common Stock or Series F Preferred Stock, as applicable, or, at our option, a corresponding number of shares of Common Stock or Series F Preferred Stock, as applicable, subject to adjustment pursuant to the terms of the LPA. The remaining rights of the holders of OP Units are limited, however, and do not include the ability to replace the General Partner or to approve the sale, purchase or refinancing of the OP's assets.

The actions of the OP and its relationship with the General Partner are governed by the LPA. The General Partner does not have any significant assets other than its investment in the OP. Therefore, the assets and liabilities of the General Partner and the OP are the same. Additionally, pursuant to the LPA, all administrative expenses and expenses associated with the formation, continuity, existence and operation of the General Partner incurred by the General Partner on the OP's behalf shall be treated as expenses of the OP. Further, when the General Partner issues any equity instrument that has been approved by the General Partner's Board of Directors, the LPA requires the OP to issue to the General Partner equity instruments with substantially similar terms, to protect the integrity of the Company's umbrella partnership REIT structure, pursuant to which each holder of interests in the OP has a proportionate economic interest in the OP reflecting its capital contributions thereto. OP Units and Series F Preferred Units issued to the General Partner are referred to as "General Partner OP Units" and "General Partner Series F Preferred Units," respectively. OP Units and Series F Preferred Units issued to parties other than the General Partner are referred to as "Limited Partner OP Units" and "Limited Partner Series F Preferred Units," respectively. The LPA also provides that the OP issue debt with terms and provisions consistent with debt issued by the General Partner. The LPA will be amended to provide for the issuance of any additional class of equivalent equity instruments to the extent the General Partner's Board of Directors authorizes the issuance of any new class of equity securities.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Company presented herein include the accounts of the General Partner and its consolidated subsidiaries, including the OP. All intercompany transactions have been eliminated upon consolidation. The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The information furnished includes all adjustments and accruals of a normal recurring nature, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods. 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 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 of the Company, which are included in the Company's Annual Report on Form 10-K filed on February 21, 2019. There have been no significant changes to the Company's significant accounting policies during the nine months ended September 30, 2019, except any policies impacted by the adoption of the Leasing ASUs, as defined in the "Recent Accounting Pronouncements" section herein. Information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") and U.S. GAAP.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture. The portion of the consolidated joint venture not owned by the Company is presented as non-controlling interest in VEREIT's and the OP's consolidated balance sheets, statements of operations, statements of comprehensive income (loss) and statements of changes in equity. In addition, as described in Note 1 – Organization and Note 12 – Equity, certain third parties have been issued OP Units and Series F Preferred Units. Holders of OP Units are considered to be non-controlling interest holders in the OP and their ownership interest in the limited partner's share is presented as non-controlling interests in VEREIT's consolidated balance sheets, statements of operations, statements of comprehensive income (loss) and statements of changes in equity. Further, a portion of the earnings and losses of the OP are allocated to non-controlling interest holders based on their respective ownership percentages. Upon conversion of OP Units to Common Stock or Series F Preferred Units to Series F Preferred Stock, any difference between the fair value of shares of Common Stock or Series F Preferred Stock, as applicable, issued and the carrying value of the OP Units or Series F Preferred Units, as applicable, converted is recorded as a component of equity. As of September 30, 2019 and December 31, 2018, there were approximately 20.8 million and 23.7 million Limited Partner OP Units issued and outstanding, respectively, and 49,766 and 86,874 Limited Partner Series F Preferred Units issued and outstanding, respectively.

For legal entities being evaluated for consolidation, the Company must first determine whether the interests that it holds and fees it receives qualify as variable interests in the entity. A variable interest is an investment or other interest that will absorb portions of an entity's expected losses or receive portions of the entity's expected residual returns. The Company's evaluation includes consideration of fees paid to the Company where the Company acts as a decision maker or service provider to the entity being evaluated. If the Company determines that it holds a variable interest in an entity, it evaluates whether that entity is a variable interest entity ("VIE"). VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or where equity investors, as a group, lack one of the following characteristics: (a) the power to direct the activities that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity, or (c) the right to receive the expected returns of the entity.

The Company then qualitatively assesses whether it is (or is not) the primary beneficiary of a VIE, which is generally defined as the party who has a controlling financial interest in the VIE. Consideration of various factors include, but are not limited to, the Company's ability to direct the activities that most significantly impact the entity's economic performance and its obligation to absorb losses from or right to receive benefits of the VIE that could potentially be significant to the VIE. The Company consolidates any VIEs when the Company is determined to be the primary beneficiary of the VIE and the difference between consolidating the VIE and accounting for it using the equity method could be material to the Company's consolidated financial statements. The Company continually evaluates the need to consolidate these VIEs based on standards set forth in U.S. GAAP.

Reclassification

As described below, the following items previously reported have been reclassified to conform with the current period's presentation.

The operating expense reimbursements line item has been combined into rental revenue for prior periods presented to be consistent with the current year presentation. The (loss) gain on derivative instruments, net line item has been combined into other income (loss), net for prior periods presented to be consistent with the current year presentation.

The distributions declared on Common Stock line item from prior periods has been updated to exclude distributions on restricted stock units ("Restricted Stock Units") and deferred stock units ("Deferred Stock Units") on the consolidated statements of changes in equity for all periods presented. These amounts are now included in the line item dividend equivalents on awards granted under the Equity Plan (as defined below), which also includes dividend equivalents on restricted share awards ("Restricted Shares"). The dividend equivalents on Restricted Shares were previously included in the line item distributions to participating securities in the consolidated statements of changes in equity.

Revenue Recognition - Real Estate

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. Upon adoption of Accounting Standards Codification ("ASC") Topic 842, Leases ("ASC 842"), effective January 1, 2019, the Company recognizes all changes in the collectability assessment for an operating lease as an adjustment to rental income and does not record an allowance for uncollectible accounts.

Litigation and Non-Routine Costs, Net

The Company has incurred legal fees and other costs associated with litigations and investigations resulting from the Audit Committee Investigation (defined below), which are considered non-routine. The Company's insurance carriers have paid certain defense costs subject to standard reservation of rights under the respective policies.

Litigation and non-routine costs, net include the following costs and recoveries (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Litigation and non-routine costs, net:				
Audit Committee Investigation and related matters [1]	$ 32,051	$ 13,009	$ 69,509	$ 51,969
Legal fees and expenses [2]	—	386	2	521
Litigation settlements [3]	799,973	127,500	812,208	217,500
Total costs	832,024	140,895	881,719	269,990
Insurance recoveries [4]	—	(2,300)	(48,420)	(2,568)
Other recoveries [5]	—	—	(26,536)	—
Total	$ 832,024	$ 138,595	$ 806,763	$ 267,422

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(1) Includes all fees and costs associated with various litigations and investigations prompted by the results of the 2014 investigation conducted by the audit committee (the "Audit Committee") of the Company's Board of Directors (the "Audit Committee Investigation"), including fees and costs incurred pursuant to the Company's advancement obligations, litigation related thereto and in connection with related insurance recovery matters, net of accrual reversals.

(2) Includes legal fees and expenses associated with litigation resulting from prior mergers and excludes amounts presented in income from discontinued operations, net of income taxes in the consolidated statements of operations for the nine months ended September 30, 2018.

(3) Refer to Note 10 – Commitments and Contingencies for additional information.

(4) $2.3 million during the three months ended September 30, 2018 relates to litigation resulting from prior mergers.

(5) Represents the surrender of 2.9 million Limited Partner OP Units. Refer to Note 12 – Equity for additional information.

Equity-based Compensation

The Company has an equity-based incentive award plan (the “Equity Plan”) for non-executive directors, officers, other employees and advisors or consultants who provide services to the Company, as applicable, and a non-executive director restricted share plan, which are accounted for under U.S. GAAP for share-based payments. The expense for such awards is recognized over the vesting period or when the requirements for exercise of the award have been met. As of September 30, 2019, the General Partner had cumulatively awarded under its Equity Plan approximately 16.6 million shares of Common Stock, which was comprised of 4.0 million Restricted Shares, net of the forfeiture of 3.7 million Restricted Shares through that date, 6.6 million Restricted Stock Units, net of the forfeiture/cancellation of 1.8 million Restricted Stock Units through that date, 0.6 million Deferred Stock Units, and 5.4 million stock options, net of forfeiture/cancellation of 0.2 million stock options through that date. Accordingly, as of such date, approximately 97.6 million additional shares were available for future issuance, excluding the effect of the 5.4 million stock options. At September 30, 2019, a total of 45,000 shares were awarded under the non-executive director restricted share plan out of the 99,000 shares reserved for issuance.

The following is a summary of equity-based compensation expense for the three and nine months ended September 30, 2019 and 2018 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Restricted Shares	$ —	$ 149	$ 77	$ 466
Time-Based Restricted Stock Units [(1)]	1,272	1,338	3,748	3,931
Long-Term Incentive-Based Restricted Stock Units	1,455	1,564	4,074	4,270
Deferred Stock Units	82	72	1,101	1,087
Stock Options	335	200	899	449
Total	$ 3,144	$ 3,323	$ 9,899	$ 10,203

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(1) Includes stock compensation expense attributable to awards for which the requisite service period begins prior to the assumed future grant date.

As of September 30, 2019, total unrecognized compensation expense related to these awards was approximately $17.3 million, with an aggregate weighted-average remaining term of 2.1 years.

Restructuring

On February 1, 2018, the Company completed the sale of its investment management segment and entered into a services agreement (the “Services Agreement”) with the purchaser, pursuant to which the Company continued to provide certain investment management and other services through March 31, 2019. See Note 13 — Discontinued Operations for further discussion. During the nine months ended September 30, 2019, in connection with the cessation of services under the Services Agreement, the Company recorded $10.1 million of restructuring expenses related to the reorganization of its business, of which $9.0 million related to office lease terminations and modifications and $1.6 million related to the cessation of services under the Services Agreement, including severance, net of ASC 842 operating lease adjustments of $0.5 million. No restructuring expenses were recorded prior to January 1, 2019. The Company expects to incur an additional $0.9 million of restructuring expenses during 2019.

Recent Accounting Pronouncements

Adopted Accounting Standards

The Company adopted ASC 842, effective January 1, 2019. The adoption did not have a material impact on the Company’s consolidated statements of operations. The most significant impact was the recognition of operating lease right-of-use (“ROU”) assets and operating lease liabilities for operating leases pursuant to which the Company is the lessee. The Company’s impairment assessment for ROU assets will be consistent with the impairment analysis for the Company's other long-lived assets and is reviewed quarterly, which is discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The lessor accounting model under ASC 842 is similar to existing guidance, however, it limits the capitalization of initial direct leasing costs, such as internally generated costs.

The Company elected all practical expedients permitted under ASC 842, other than the hindsight practical expedient. Accordingly, the Company will retain distinction between a finance lease (i.e., capital leases under existing guidance) and an operating lease and account for its existing operating leases as operating leases under the new guidance, which did not require the reassessment of lease arrangements, lease classification or initial direct costs. The Company does not have a cumulative effect adjustment to retained earnings upon adoption.

The Company, as lessor, identified three separate lease components as follows: 1) land lease component, 2) single property lease component comprised of building, land improvements and tenant improvements, and 3) furniture and fixtures. The nonlease components relate to service obligations under certain lease contracts for service of the building, land improvements or tenant improvements. The Company determined the nonlease components are eligible to be combined under the practical expedient in ASU 2018-11, Leases (Topic 842) ("ASU 2018-11," combined with ASC 842, "Leasing ASUs") and the nonlease components will be included with the single property lease component as the predominant component. Therefore, the Company will account for the combined component as a lease component under ASC 842. Refer to Note 11 - Leases for the related disclosures.

Accounting Standards Not Yet Adopted

In June 2016, the U.S. Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) ("ASU 2016-13"). ASU 2016-13 is intended to improve financial reporting by requiring more timely recognition of credit losses on loans and other financial instruments that are not accounted for at fair value through net income and requires that financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The amendments in ASU 2016-13 require the Company to measure all expected credit losses based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets and eliminates the "incurred loss" methodology under current U.S. GAAP. The effective date for ASU 2016-13 is for fiscal years (including the interim periods therein) beginning after December 15, 2019. While the Company is still evaluating the effect the adoption of ASU 2016-13 will have on its consolidated financial statements, it does not expect it will have a material impact.

Note 3– Real Estate Investments and Related Intangibles

Property Acquisitions

During the nine months ended September 30, 2019, the Company acquired controlling financial interests in 40 commercial properties for an aggregate purchase price of $260.7 million (the "2019 Acquisitions"), which includes $1.4 million of external acquisition-related expenses that were capitalized. During the nine months ended September 30, 2018, the Company acquired a controlling interest in 42 commercial properties for an aggregate purchase price of $280.4 million (the "2018 Acquisitions"), which includes $2.1 million related to an outstanding tenant improvement allowance and $1.6 million of external acquisition-related expenses that were capitalized.

The following table presents the allocation of the fair values of the assets acquired and liabilities assumed during the periods presented (in thousands):

	Nine Months Ended September 30,	
	2019	2018
Real estate investments, at cost:		
Land	$ 47,749	$ 54,732
Buildings, fixtures and improvements	181,904	181,011
Total tangible assets	229,653	235,743
Acquired intangible assets:		
In-place leases and other intangibles [(1)]	31,062	42,050
Above-market leases [(2)]	—	2,750
Assumed intangible liabilities:		
Below-market leases [(3)]	—	(116)
Total purchase price of assets acquired	$ 260,715	$ 280,427

(1) The weighted average amortization period for acquired in-place leases and other intangibles is 15.2 years and 15.7 years for 2019 Acquisitions and 2018 Acquisitions, respectively.

(2) The weighted average amortization period for acquired above-market leases is 10.8 years for 2018 Acquisitions.

(3) The weighted average amortization period for assumed intangible lease liabilities is 9.9 years for 2018 Acquisitions.

As of September 30, 2019, the Company invested $27.6 million, including $0.7 million of external acquisition-related expenses and interest that were capitalized, in one build-to-suit development project. The Company does not have any remaining committed investments related to the project.

Property Dispositions and Real Estate Assets Held for Sale

During the nine months ended September 30, 2019, the Company disposed of 107 properties, including the sale of six consolidated properties to two newly-formed joint ventures in which the Company owns a 20% equity interest (the "Industrial Partnership") and one property sold through a foreclosure as discussed in Note 6 – Debt, for an aggregate gross sales price of $926.0 million, of which our share was $905.9 million after the profit participation payments related to the disposition of 33 Red Lobster properties. The dispositions resulted in proceeds of $846.0 million after closing costs and contributions to the Industrial Partnership. The Company recorded a gain of $251.9 million related to the dispositions which is included in gain on disposition of real estate and real estate assets held for sale, net in the accompanying consolidated statements of operations.

During the nine months ended September 30, 2018, the Company disposed of 112 properties, including one property conveyed to a lender in a deed-in-lieu of foreclosure transaction, for an aggregate gross sales price of $371.0 million, of which our share was $356.6 million after the profit participation payment related to the disposition of 22 Red Lobster properties. The dispositions resulted in proceeds of $352.8 million after closing costs. The Company recorded a gain of $70.3 million related to the sales which is included in gain on disposition of real estate and real estate assets held for sale, net in the accompanying consolidated statements of operations.

During the nine months ended September 30, 2018, the Company also disposed of one property owned by an unconsolidated joint venture for a gross sales price of $34.1 million, of which our share was $17.1 million based on our ownership interest in the joint venture, resulting in proceeds of $5.6 million after debt repayments of $20.4 million and closing costs. The Company recorded a gain of $0.7 million related to the sale and liquidation of the joint venture, which is included in equity in income and gain on disposition of unconsolidated entities in the accompanying consolidated statements of operations.

As of September 30, 2019, there were 57 properties classified as held for sale with a carrying value of $66.7 million, included in real estate assets held for sale, net, primarily comprised of land of $20.4 million and building, fixtures and improvements, net of $43.4 million, in the accompanying consolidated balance sheets, which are expected to be sold in the next 12 months as part of the Company's portfolio management strategy. As of December 31, 2018, there were five properties classified as held for sale. During the nine months ended September 30, 2019 and 2018, the Company recorded losses of $0.8 million and $1.9 million, respectively, related to held for sale properties.

Intangible Lease Assets and Liabilities

Intangible lease assets and liabilities of the Company consisted of the following as of September 30, 2019 and December 31, 2018 (amounts in thousands, except weighted-average useful life):

	Weighted-Average Useful Life	September 30, 2019	December 31, 2018
Intangible lease assets:			
In-place leases and other intangibles, net of accumulated amortization of $741,320 and $703,909, respectively	14.1	$ 867,642	$ 980,971
Leasing commissions, net of accumulated amortization of $5,313 and $4,048, respectively	10.2	15,058	15,660
Above-market lease assets and deferred lease incentives, net of accumulated amortization of $108,256 and $105,936, respectively	13.6	172,343	201,875
Total intangible lease assets, net		$ 1,055,043	$ 1,198,506
Intangible lease liabilities:			
Below-market leases, net of accumulated amortization of $96,911 and $89,905, respectively	19.2	$ 147,997	$ 173,479

The aggregate amount of amortization of above- and below-market leases and deferred lease incentives included as a net decrease to rental revenue was $2.0 million and $3.2 million for the nine months ended September 30, 2019 and 2018, respectively. The aggregate amount of in-place leases, leasing commissions and other lease intangibles amortized and included in depreciation and amortization expense was $96.9 million and $104.5 million for the nine months ended September 30, 2019 and 2018, respectively.

The following table provides the projected amortization expense and adjustments to rental revenue related to the intangible lease assets and liabilities for the next five years as of September 30, 2019 (amounts in thousands):

	Remainder of 2019	2020	2021	2022	2023
In-place leases and other intangibles:					
Total projected to be included in amortization expense	$ 31,015	$ 115,891	$ 108,723	$ 95,161	$ 84,677
Leasing commissions:					
Total projected to be included in amortization expense	571	2,154	1,997	1,906	1,725
Above-market lease assets and deferred lease incentives:					
Total projected to be deducted from rental revenue	5,063	19,426	19,000	18,189	17,245
Below-market lease liabilities:					
Total projected to be included in rental revenue	4,432	15,778	14,637	13,796	13,073

Consolidated Joint Ventures

The Company had an interest in one consolidated joint venture that owned one property as of September 30, 2019 and December 31, 2018. As of September 30, 2019 and December 31, 2018, the consolidated joint venture had total assets of $32.0 million and $32.5 million, respectively, of which $29.6 million and $29.9 million, respectively, were real estate investments, net of accumulated depreciation and amortization at each of the respective dates. The property is secured by a mortgage note payable, which is non-recourse to the Company and had a balance of $13.7 million and $14.0 million as of September 30, 2019 and December 31, 2018, respectively. The Company has the ability to control operating and financing policies of the consolidated joint venture. There are restrictions on the use of these assets as the Company would generally be required to obtain the approval of the joint venture partner in accordance with the joint venture agreement for any major transactions. The Company and the joint venture partner are subject to the provisions of the joint venture agreement, which includes provisions for when additional contributions may be required to fund certain cash shortfalls.

Unconsolidated Joint Ventures

The Company's investment in unconsolidated joint venture arrangements (the "Unconsolidated Joint Ventures") consisted of interests in the Industrial Partnership and one joint venture as of September 30, 2019 and an interest in one joint venture as of December 31, 2018.

During the nine months ended September 30, 2018, the Company disposed of one property owned by an unconsolidated joint venture as previously discussed in the "Property Dispositions and Real Estate Assets Held for Sale" section herein.

The Unconsolidated Joint Ventures had total aggregate debt outstanding of $269.3 million as of September 30, 2019, which is non-recourse to the Company, as discussed in Note 6 – Debt. There was no debt outstanding related to the Unconsolidated Joint Venture as of December 31, 2018.

The Company and the respective unconsolidated joint venture partners are subject to the provisions of the applicable joint venture agreement, which includes provisions for when additional contributions may be required to fund certain cash shortfalls, including the Company's share of expansion project capital expenditures.

The following is a summary of the Company's investments in unconsolidated joint ventures as of September 30, 2019 and December 31, 2018 and for the nine months ended September 30, 2019 and 2018 (dollar amounts in thousands):

			Carrying Amount of Investment [(2)]		Equity in Income Nine Months Ended	
Investment	Ownership % [(1)]	Number of Properties	September 30, 2019	December 31, 2018	September 30, 2019	September 30, 2018
Faison JV Bethlehem GA	90%	1	$ 39,633	$ 35,289	$ 1,583	$ 993
Industrial Partnership	20%	6	29,392	—	99	—
			$ 69,025	$ 35,289	$ 1,682	$ 993

(1) The Company's ownership interest reflects its legal ownership interest. Legal ownership may, at times, not equal the Company's economic interest in the listed properties because of various provisions in certain joint venture agreements regarding distributions of cash flow based on capital account balances, allocations of profits and losses and payments of preferred returns. As a result, the Company's actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interests.

(2) The total carrying amount of the investments was greater than the underlying equity in net assets by $4.7 million as of September 30, 2019 and December 31, 2018. This difference relates to a purchase price allocation of goodwill and a step up in fair value of the investment assets acquired in connection with mergers. The step up in fair value was allocated to the individual investment assets and is being amortized in accordance with the Company's depreciation policy.

Note 4 –Rent and Tenant Receivables and Other Assets, Net

Rent and tenant receivables and other assets, net consisted of the following as of September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019	December 31, 2018
Straight-line rent receivable, net [(1)]	$ 261,074	$ 259,106
Accounts receivable, net [(1)]	38,732	36,939
Deferred costs, net [(2)]	10,359	17,515
Investment in direct financing leases, net	9,914	13,254
Investment in Cole REITs [(3)]	7,552	7,844
Prepaid expenses	6,662	5,022
Leasehold improvements, property and equipment, net [(4)]	5,042	9,754
Other assets, net	8,120	16,658
Total	$ 347,455	$ 366,092

(1) As of December 31, 2018, allowance for uncollectible accounts included in straight-line rent receivable, net and accounts receivable, net was $1.0 million and $5.3 million, respectively. Upon adoption of ASC 842, the Company recognizes all changes in the collectability assessment for an operating lease as an adjustment to rental revenue and does not record an allowance for uncollectible accounts. Any recoveries for those receivables reserved prior to adoption of ASC 842 will be recorded as an adjustment to rental revenue.

(2) Amortization expense for deferred costs related to the revolving credit facilities totaled $0.9 million and $1.3 million for the three months ended September 30, 2019 and 2018, respectively, and $2.9 million and $6.0 million for the nine months ended September 30, 2019 and 2018, respectively. Accumulated amortization for deferred costs related to the revolving credit facilities was $50.6 million and $47.6 million as of September 30, 2019 and December 31, 2018, respectively.

(3) On February 1, 2018, the Company completed the sale of Cole Capital (as described in Note 13 — Discontinued Operations), retaining interests in Cole Office & Industrial REIT (CCIT II), Inc. ("CCIT II"), Cole Office & Industrial REIT (CCIT III), Inc. ("CCIT III") and Cole Credit Property Trust V, Inc. ("CCPT V").

(4) Amortization expense for leasehold improvements totaled $0.1 million and $0.3 million for the three months ended September 30, 2019 and 2018, respectively, and $0.6 million and $0.9 million for the nine months ended September 30, 2019 and 2018, respectively, with no related write-offs. Accumulated amortization was $2.7 million and $5.9 million as of September 30, 2019 and December 31, 2018, respectively. Depreciation expense for property and equipment totaled $0.3 million for each of the three months ended September 30, 2019 and 2018, with no related write-offs. Depreciation expense for property and equipment totaled $1.0 million for the nine months ended September 30, 2019, inclusive of write-offs of less than $0.1 million and $1.2 million for the nine months ended September 30, 2018, with no related write-offs. Accumulated depreciation was $5.1 million and $7.0 million as of September 30, 2019 and December 31, 2018, respectively. The Company disposed of $4.1 million, net, of leasehold improvements, property and equipment, which is included in restructuring in the accompanying consolidated statements of operations for the nine months ended September 30, 2019.

Note 5 – Fair Value Measures

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

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

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

Level 3 – Unobservable inputs 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. Changes in the type of inputs may result in a reclassification for certain assets. The Company does not expect that changes in classifications between levels will be frequent.

Items Measured at Fair Value on a Recurring Basis

The following tables present information about the Company’s assets and liabilities 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):

	Level 1	Level 2	Level 3	Balance as of September 30, 2019
Assets:				
Investment in Cole REITs	$ —	$ —	$ 7,552	$ 7,552
Liabilities:				
Derivative liabilities	$ —	$ (47,964)	$ —	$ (47,964)

	Level 1	Level 2	Level 3	Balance as of December 31, 2018
Assets:				
Derivative assets	$ —	$ 544	$ —	$ 544
Investment in Cole REITs	—	—	7,844	7,844
Total assets	$ —	$ 544	$ 7,844	$ 8,388

Derivative Assets and Liabilities – The Company’s derivative financial instruments relate to interest rate swaps. 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.

Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of September 30, 2019 and December 31, 2018, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments are not significant to the overall valuation of the Company’s derivatives. As a result, the Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Investment in Cole REITs – The fair values of CCIT II, CCIT III and CCPT V were estimated using the net asset value per share. Each of the Cole REIT's share redemption programs includes restrictions that limit the number of shares redeemed by the respective Cole REIT.

The following are reconciliations of the changes in assets and liabilities with Level 3 inputs in the fair value hierarchy for the nine months ended September 30, 2019 (in thousands):

	Investment in Cole REITs
Beginning balance, January 1, 2019	$ 7,844
Unrealized loss included in other income, net	(292)
Ending Balance, September 30, 2019	$ 7,552

The following are reconciliations of the changes in assets and liabilities with Level 3 inputs in the fair value hierarchy for the nine months ended September 30, 2018 (in thousands):

	CMBS	Investment in Cole REITs
Beginning balance, January 1, 2018	$ 40,974	$ 3,264
Total gains and losses		
Unrealized loss included in other comprehensive income, net	(71)	—
Realized loss included in other income, net	(34)	—
Unrealized gain included in other income, net	—	5,102
Purchases, issuance, settlements		
Return of principal received	(4,864)	—
Amortization included in net income, net	157	—
Sale of investments	(9,880)	(522)
Transfers out of Level 3 into Level 1 (1)	(12,756)	—
Ending Balance, September 30, 2018	$ 13,526	$ 7,844

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(1) As of December 31, 2017, the Company's commercial mortgage backed securities ("CMBS") were carried at fair value and valued using Level 3 inputs. Subsequent to September 30, 2018, the Company sold two of its CMBS. This resulted in transfers out of Level 3 into Level 1, as the Company used trade confirmations to determine the fair value as of September 30, 2018.

Items Measured at Fair Value on a Non-Recurring Basis

Certain financial and nonfinancial assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

Real Estate Investments – The Company performs quarterly impairment review procedures, primarily through continuous monitoring of events and changes in circumstances that could indicate the carrying value of its real estate assets may not be recoverable.

As part of the Company's quarterly impairment review procedures, net real estate assets representing 53 properties were deemed to be impaired resulting in impairment charges of $24.2 million during the nine months ended September 30, 2019. The impairment charges relate to certain office, retail and restaurant properties that, during 2019, management identified for potential sale or determined, based on discussions with the current tenants, would not be re-leased. During the nine months ended September 30, 2018, net real estate assets related to 53 properties were deemed to be impaired, resulting in impairment charges of $36.1 million.

The Company estimates fair values using Level 3 inputs and uses a combined income and market approach, specifically using discounted cash flow analysis and recent comparable sales transactions. The evaluation of real estate assets for potential impairment requires the Company's management to exercise significant judgment and make certain key assumptions, including, but not limited to, the following: (1) capitalization rate; (2) discount rates; (3) number of years property will be held; (4) property operating expenses; and (5) re-leasing assumptions including number of months to re-lease, market rental revenue and required tenant improvements. There are inherent uncertainties in making these estimates such as market conditions and performance and sustainability of the Company's tenants. For the Company's impairment tests for the real estate assets during the nine months ended September 30, 2019, the Company used a range of discount rates from 7.9% to 8.3% with a weighted-average rate of 8.0% and capitalization rates from 7.4% to 7.8% with a weighted-average rate of 7.5%.

Fair Value of Financial Instruments

The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash and accounts payable approximate their carrying value in the accompanying consolidated balance sheets due to their short-term nature and are classified as Level 1 under the fair value hierarchy. The fair values of the Company's financial instruments are reported below (dollar amounts in thousands):

	Level	Carrying Amount at September 30, 2019	Fair Value at September 30, 2019	Carrying Amount at December 31, 2018	Fair Value at December 31, 2018
Liabilities [(1)]:					
Mortgage notes payable and other debt, net	2	$ 1,726,620	$ 1,787,529	$ 1,933,209	$ 1,961,496
Corporate bonds, net	2	2,646,348	2,848,669	3,395,885	3,368,928
Convertible debt, net	2	400,053	409,419	398,591	396,905
Credit facility	2	900,000	900,000	403,000	403,000
Total liabilities		$ 5,673,021	$ 5,945,617	$ 6,130,685	$ 6,130,329

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(1) Current and prior period liabilities' carrying and fair values exclude net deferred financing costs.

Debt – The fair value is estimated by an independent third party using a discounted cash flow analysis, based on management's estimates of observable market interest rates. Corporate bonds and convertible debt are valued using quoted market prices in active markets with limited trading volume when available.

Note 6 – Debt

As of September 30, 2019, the Company had $5.6 billion of debt outstanding, including net premiums and net deferred financing costs, with a weighted-average years to maturity of 4.2 years and a weighted-average interest rate of 4.49%. The following table summarizes the carrying value of debt as of September 30, 2019 and December 31, 2018, and the debt activity for the nine months ended September 30, 2019 (in thousands):

		Nine Months Ended September 30, 2019			
	Balance as of December 31, 2018	Debt Issuances	Repayments, Extinguishment and Assumptions	Accretion and Amortization	Balance as of September 30, 2019
Mortgage notes payable:					
Outstanding balance	$ 1,917,132	$ —	$ (200,933)	$ —	$ 1,716,199
Net premiums [1]	16,077	—	107	(5,763)	10,421
Deferred costs	(10,552)	—	125	1,624	(8,803)
Mortgages notes payable, net	1,922,657	—	(200,701)	(4,139)	1,717,817
Corporate bonds:					
Outstanding balance	3,400,000	—	(750,000)	—	2,650,000
Discount [2]	(4,115)	—	—	463	(3,652)
Deferred costs	(27,276)	—	—	3,248	(24,028)
Corporate bonds, net	3,368,609	—	(750,000)	3,711	2,622,320
Convertible debt:					
Outstanding balance	402,500	—	—	—	402,500
Discount [2]	(3,909)	—	—	1,462	(2,447)
Deferred costs	(3,708)	—	—	1,381	(2,327)
Convertible debt, net	394,883	—	—	2,843	397,726
Credit facility:					
Outstanding balance	403,000	1,061,000	(564,000)	—	900,000
Deferred costs [3]	(1,227)	(4,280)	—	858	(4,649)
Credit facility, net	401,773	1,056,720	(564,000)	858	895,351
Total debt	$ 6,087,922	$ 1,056,720	$ (1,514,701)	$ 3,273	$ 5,633,214

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(1) Net premiums on mortgage notes payable were recorded upon the assumption of the respective mortgage notes in relation to the various mergers and acquisitions. Amortization of these net premiums is recorded as a reduction to interest expense over the remaining term of the respective mortgage notes using the effective-interest method.

(2) Discounts on the corporate bonds and convertible debt were recorded based upon the fair value of the respective debt instruments as of the respective issuance dates. Amortization of these discounts is recorded as an increase to interest expense over the remaining term of the respective debt instruments using the effective-interest method.

(3) Deferred costs relate to the Credit Facility Term Loan, as defined in the “Credit Facility” section below.

Mortgage Notes Payable

The Company's mortgage notes payable consisted of the following as of September 30, 2019 (dollar amounts in thousands):

	Encumbered Properties	Gross Carrying Value of Collateralized Properties [1]	Outstanding Balance	Weighted-Average Interest Rate [2]	Weighted-Average Years to Maturity [3]
Fixed-rate debt	411	$ 3,421,417	$ 1,702,425	5.05%	2.9
Variable-rate debt	1	34,004	13,774	5.29% [4]	0.9
Total [5]	412	$ 3,455,421	$ 1,716,199	5.05%	2.9

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(1) Gross carrying value is gross real estate assets, including investment in direct financing leases, net of gross real estate liabilities.

(2) Weighted average interest rate is computed using the interest rate in effect until the anticipated repayment date. Should the loan not be repaid at the anticipated repayment date, the applicable interest rate will increase as specified in the respective loan agreement until the extended maturity date.

(3) Weighted average years remaining to maturity is computed using the anticipated repayment date as specified in each loan agreement, where applicable.

(4) Weighted-average interest rate for variable-rate debt represents the interest rate in effect as of September 30, 2019.

(5) The table above does not include mortgage notes associated with Unconsolidated Joint Ventures of $269.3 million, which is non-recourse to the Company. The mortgage notes have a weighted-average fixed interest rate of 3.57% and mature on June 6, 2024.

The Company's mortgage loan agreements generally restrict corporate guarantees and require the maintenance of financial covenants, including maintenance of certain financial ratios (such as debt service coverage ratios and minimum net operating income). The mortgage loan agreements contain no dividend restrictions except in the event of default or when a distribution would drive liquidity below the applicable thresholds. At September 30, 2019, the Company believes that it was in compliance with the financial covenants under the mortgage loan agreements and had no restrictions on the payment of dividends.

On June 6, 2019, the Company received a notice of default from the lender of a non-recourse loan secured by one property, which had an outstanding balance of $19.5 million on the notice date, due to intentional non-payment of amounts due in accordance with the loan documents. On July 2, 2019, a foreclosure sale occurred to settle the mortgage note obligation.

The following table summarizes the scheduled aggregate principal repayments due on mortgage notes subsequent to September 30, 2019 (in thousands):

	Total
October 1, 2019 - December 31, 2019	$ 2,458
2020	278,391
2021	352,259
2022	290,728
2023	125,537
Thereafter	666,826
Total	$ 1,716,199

Corporate Bonds

As of September 30, 2019, the OP had $2.65 billion aggregate principal amount of senior unsecured notes (the "Senior Notes") outstanding comprised of the following (dollar amounts in thousands):

	Outstanding Balance September 30, 2019	Interest Rate	Maturity Date
2021 Senior Notes	$ 400,000	4.125%	June 1, 2021
2024 Senior Notes	500,000	4.600%	February 6, 2024
2025 Senior Notes	550,000	4.625%	November 1, 2025
2026 Senior Notes	600,000	4.875%	June 1, 2026
2027 Senior Notes	600,000	3.950%	August 15, 2027
Total balance and weighted-average interest rate	$ 2,650,000	4.449%	

On February 6, 2019, $750.0 million of senior notes (the "2019 Senior Notes") matured and the principal plus accrued and unpaid interest thereon, were repaid, utilizing borrowings under the Credit Facility.

The Senior Notes are guaranteed by the General Partner. The OP may redeem all or a part of any series of the Senior Notes at any time, at its option, for the redemption prices set forth in the indenture governing the Senior Notes. If the redemption date is 30 or fewer days prior to the maturity date with respect to the 2021 Senior Notes, is 60 or fewer days prior to the maturity date with respect to the 2025 Senior Notes or is 90 or fewer days prior to the maturity date with respect to the 2024 Senior Notes, the 2026 Senior Notes and the 2027 Senior Notes, the redemption price will equal 100% of the principal amount of the Senior Notes of the applicable series to be redeemed, plus accrued and unpaid interest on the amount being redeemed to, but excluding, the applicable redemption date. The Senior Notes are registered under the Securities Act of 1933, as amended (the "Securities Act") and are freely transferable.

The indenture governing our Senior Notes requires us to maintain financial ratios which include maintaining (i) a maximum limitation on incurrence of total debt less than or equal to 65% of Total Assets (as defined in the indenture), (ii) maximum limitation on incurrence of secured debt less than or equal to 40% of Total Assets (as defined in the indenture), (iii) a minimum debt service coverage ratio of at least 1.5x and (iv) a minimum unencumbered asset value of at least 150% of the aggregate principal amount of all of the outstanding Unsecured Debt (as defined in the indenture). As of September 30, 2019, the Company believes that it was in compliance with the financial covenants of our Senior Notes based on the covenant limits and calculations in place at that time.

Convertible Debt

As of September 30, 2019, the Company had convertible senior notes due December 15, 2020 (the "2020 Convertible Notes") with a balance of $402.5 million outstanding, which excludes the carrying value of the conversion options recorded within additional paid-in capital of $12.8 million and the unamortized discount of $2.4 million. The discount will be amortized over the remaining term of 1.2 years. The 2020 Convertible Notes bear interest at an annual rate of 3.75%.

The 2020 Convertible Notes may be converted into cash, shares of the Company's Common Stock or a combination thereof, in limited circumstances prior to June 15, 2020, and may be converted into such consideration at any time on or after June 15, 2020. As of September 30, 2019, the conversion rate was 66.7249 shares of the Company's Common Stock per $1,000 principal amount of 2020 Convertible Notes, which reflects adjustments to the initial conversion rate pursuant to the terms of the applicable indenture as a result of cash dividend payments. There were no changes to the terms of the 2020 Convertible Notes during the nine months ended September 30, 2019 and the Company believes that it was in compliance with the financial covenants pursuant to the indenture governing the 2020 Convertible Notes as of September 30, 2019.

Credit Facility

On May 23, 2018, the General Partner, as guarantor, and the OP, as borrower, entered into a credit agreement with Wells Fargo Bank, National Association as administrative agent and other lenders party thereto (the "Credit Agreement"). The Credit Agreement provides for a $2.0 billion unsecured revolving credit facility (the "Revolving Credit Facility") and a $900.0 million unsecured term loan facility (the "Credit Facility Term Loan," together with the Revolving Credit Facility, the "Credit Facility").

As of September 30, 2019, there was no outstanding balance under the Revolving Credit Facility. As of September 30, 2019, $900.0 million had been drawn on the Credit Facility Term Loan. The maximum aggregate dollar amount of letters of credit that may be outstanding at any one time under the Credit Facility is $50.0 million. As of September 30, 2019, letters of credit outstanding were $3.9 million.

As discussed in Note 7 –Derivatives and Hedging Activities, on January 24, 2019, the Company entered into interest rate swap agreements with an aggregate $900.0 million notional amount, effective on February 6, 2019 and maturing on January 31, 2023, to hedge interest rate volatility. The swap agreements effectively fixed the Credit Facility Term Loan interest rate, including the spread which can vary based on our credit rating, at approximately 3.84%.

The Revolving Credit Facility generally bears interest at an annual rate of London Interbank Offered Rate ("LIBOR") plus 0.775% to 1.55% or Base Rate plus 0.00% to 0.55% (based upon the General Partner's then current credit rating). "Base Rate" is defined as the highest of the prime rate, the federal funds rate plus 0.50% or a floating rate based on one month LIBOR plus 1.0%, determined on a daily basis. The Credit Facility Term Loan generally bears interest at an annual rate of LIBOR plus 0.85% to 1.75%, or Base Rate plus 0.00% to 0.75% (based upon the General Partner's then current credit rating). In addition, the Credit Agreement provides the flexibility for interest rate auctions, pursuant to which, at the Company's election, the Company may request that lenders make competitive bids to provide revolving loans, which competitive bids may be at pricing levels that differ from the foregoing interest rates.

In the event of default, at the election of a majority of the lenders (or automatically upon a bankruptcy event of default with respect to the OP or the General Partner), the commitments of the lenders under the Credit Facility will terminate, and payment of any unpaid amounts in respect of the Credit Facility will be accelerated. The Revolving Credit Facility terminates on May 23, 2022, unless extended in accordance with the terms of the Credit Agreement. The Credit Agreement provides for two six-month extension options with respect to the Revolving Credit Facility, exercisable at the OP's election and subject to certain customary conditions, as well as certain customary "amend and extend" provisions. Any term loans outstanding under the Credit Facility Term Loan mature on May 23, 2023. At any time, upon timely notice by the OP and subject to any breakage fees, the OP may prepay borrowings under the Credit Facility (subject to certain limitations applicable to the prepayment of any loans obtained through an interest rate auction, as described above). The OP incurs a facility fee equal to 0.10% to 0.30% per annum (based upon the General Partner's then current credit rating) multiplied by the commitments (whether or not utilized) in respect of the Revolving Credit Facility. The OP also incurs customary administrative agent, letter of credit issuance, letter of credit fronting, extension and other fees.

The Credit Facility requires restrictions on corporate guarantees, as well as the maintenance of financial covenants, including the maintenance of certain financial ratios (such as specified debt to equity and debt service coverage ratios). The key financial covenants in the Credit Facility, as defined and calculated per the terms of the Credit Agreement, include maintaining (i) a maximum leverage ratio less than or equal to 60%, (ii) a minimum fixed charge coverage ratio of at least 1.5x, (iii) a secured leverage ratio less than or equal to 45%, (iv) a total unencumbered asset value ratio less than or equal to 60% and (v) a minimum unencumbered interest coverage ratio of at least 1.75x. The Company believes that it was in compliance with the financial covenants pursuant to the Credit Agreement and is not restricted from accessing any borrowing availability under the Credit Facility as of September 30, 2019.

In connection with entering into the Credit Agreement, the Company capitalized an aggregate $20.7 million in lender fees and third-party costs in respect of the Revolving Credit Facility and the Credit Facility Term Loan, which is being amortized over the respective terms. Deferred financing costs, net of accumulated amortization, related to the Revolving Credit Facility are included in rent and tenant receivables and other assets, net in the accompanying consolidated balance sheets. Deferred financing costs, net of accumulated amortization, related to the Credit Facility Term Loan outstanding balance are included in credit facility, net in the accompanying consolidated balance sheets.

Note 7 – Derivatives and Hedging Activities

The Company may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with its borrowings. The Company's interest rate management objectives are intended to limit the impact of interest rate fluctuations on earnings and cash flows and to manage the Company's overall borrowing costs. To accomplish this objective, the Company primarily uses interest rate swaps as part of its cash flow hedging strategy. Interest rate swaps designated as cash flow hedges are used to hedge forecasted issuances of fixed rate debt and the variable cash flows associated with floating rate debt. The Company does not intend to utilize derivatives for purposes other than interest rate risk management. The use of derivative financial instruments carries certain risks, including the risk that the counterparties to these contractual arrangements are not able to perform under the agreements. To mitigate this risk, the Company only enters into derivative financial instruments with counterparties with high credit ratings and with major financial institutions with which the Company may also have other financial relationships. The Company does not anticipate that any of the counterparties will fail to meet their obligations.

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.

The accounting for subsequent changes in the fair value of these derivatives depends on whether each has been designated and qualifies for hedge accounting treatment. If the Company elects not to apply hedge accounting treatment, any changes in the fair value of these derivative instruments is recognized immediately in other income (loss), net in the consolidated statements of operations and consolidated statements of comprehensive income (loss). If the derivative is designated and qualifies for hedge accounting treatment, the change in fair value of the derivative is recorded in other comprehensive income (loss). Unrealized gains and losses in other comprehensive income (loss) are reclassified to interest expense when the related hedged items impact earnings.

Cash Flow Hedges of Interest Rate Risk

During the nine months ended September 30, 2019, the Company entered into interest rate swap agreements with an aggregate $900.0 million notional amount, effective on February 6, 2019 and maturing on January 31, 2023, which were designated as cash flow hedges. Based on the General Partner’s then credit rating and interest rate of LIBOR + 1.35%, the swap agreements effectively fixed the Credit Facility Term Loan interest rate at approximately 3.84%.

During the three months ended September 30, 2019, the Company entered into forward starting interest rate swaps with a total notional amount of $400.0 million, which were designated as cash flow hedges to hedge the risk of changes in the interest-related cash outflows associated with the potential issuance of long-term debt. The Company is hedging its exposure to the variability in future cash flows for forecasted transactions over a maximum period of 120 months (excluding forecasted transactions related to the payment of variable interest on existing financial instruments), with potential issuance of 10-year public debt between May 1, 2020 and December 31, 2021.

As of September 30, 2019, the cash flow hedges were in a liability position with a fair value of $48.0 million, which is included in deferred rent and other liabilities in the accompanying consolidated balance sheets. As of December 31, 2018, the Company had no interest rate derivatives that were designated as cash flow hedges of interest rate risk.

The Company reclassified previous losses of $0.7 million and $0.9 million for the three and nine months ended September 30, 2019, respectively, and losses of $0.1 million and $0.2 million for the three and nine months ended September 30, 2018, respectively, from accumulated other comprehensive income into interest expense as a result of the hedged transactions impacting earnings.

During the three and nine months ended September 30, 2019, the Company recorded unrealized losses of $20.9 million and $48.5 million, respectively, for changes in the fair value of the cash flow hedges in accumulated other comprehensive income. There were no similar amounts during the three and nine months ended September 30, 2018.

During the next twelve months, the Company estimates that an additional $8.0 million will be reclassified from other comprehensive income as an increase to interest expense.

Derivatives Not Designated as Hedging Instruments

As of September 30, 2019, the Company had no interest rate swaps that were not designated as qualifying hedging relationships. As of December 31, 2018, the Company had one interest rate swap that was not designated as a qualifying hedging relationship, with a notional amount of $50.7 million and was in an asset position with an estimated fair value of $0.5 million, which is included in rent and tenant receivables and other assets, net in the accompanying consolidated balance sheet.

A loss of $0.1 million for the nine months ended September 30, 2019 and a gain of $0.1 million and $0.4 million for the three and nine months ended September 30, 2018, respectively, related to the change in the fair value of derivatives not designated as hedging instruments were recorded in other income (loss), net in the accompanying consolidated statements of operations.

Note 8 – Supplemental Cash Flow Disclosures

Supplemental cash flow information was as follows for the nine months ended September 30, 2019 and 2018 (in thousands):

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	Nine Months Ended September 30,	
	2019	2018
Supplemental disclosures:		
Cash paid for interest	$ 203,438	$ 204,366
Cash paid for income taxes	4,474	5,346
Non-cash investing and financing activities:		
Accrued capital expenditures, tenant improvements and real estate developments	$ 13,670	$ 5,762
Accrued deferred financing costs	—	169
Real estate contributions to Industrial Partnership	29,577	—
Distributions declared and unpaid	150,970	145,673
Distributions payable relinquished	7,799	