# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2022, or**

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission File Number 001-39529**

# BROADSTONE NET LEASE, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Maryland**<br>**(State or other jurisdiction of incorporation or organization)** | **26-1516177**<br>**(I.R.S. Employer Identification No.)** |
| **800 Clinton Square**<br>**Rochester, New York**<br>**(Address of principal executive offices)** | **14604**<br>**(Zip Code)** |

**(585) 287-6500**

**(Registrant's telephone number, including area code)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.00025 par value | BNL | The New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

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

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

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

There were 173,114,949 shares of the Registrant's Common Stock, $0.00025 par value per share, outstanding as of November 1, 2022.

**BROADSTONE NET LEASE, INC.**
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**Part I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Broadstone Net Lease, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
*(in thousands, except per share amounts)*

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Accounted for using the operating method: | | |
| Land | $ 755,206 | $ 655,374 |
| Land improvements | 331,858 | 295,329 |
| Buildings and improvements | 3,650,275 | 3,242,618 |
| Equipment | 10,422 | 11,870 |
| Total accounted for using the operating method | 4,747,761 | 4,205,191 |
| Less accumulated depreciation | (505,456) | (430,141) |
| Accounted for using the operating method, net | 4,242,305 | 3,775,050 |
| Accounted for using the direct financing method | 27,128 | 28,782 |
| Accounted for using the sales-type method | 571 | 571 |
| Investment in rental property, net | 4,270,004 | 3,804,403 |
| Cash and cash equivalents | 75,912 | 21,669 |
| Accrued rental income | 129,579 | 116,874 |
| Tenant and other receivables, net | 791 | 1,310 |
| Prepaid expenses and other assets | 18,984 | 17,275 |
| Interest rate swap, assets | 66,602 | — |
| Goodwill | 339,769 | 339,769 |
| Intangible lease assets, net | 322,314 | 303,642 |
| Debt issuance costs – unsecured revolving credit facility, net | 6,485 | 4,065 |
| Leasing fees, net | 8,752 | 9,641 |
| **Total assets** | $ 5,239,192 | $ 4,618,648 |
| | | |
| **Liabilities and equity** | | |
| Unsecured revolving credit facility | $ 219,537 | $ 102,000 |
| Mortgages, net | 94,753 | 96,846 |
| Unsecured term loans, net | 894,378 | 646,671 |
| Senior unsecured notes, net | 844,367 | 843,801 |
| Interest rate swap, liabilities | — | 27,171 |
| Accounts payable and other liabilities | 52,594 | 38,038 |
| Dividends payable | 49,886 | 45,914 |
| Accrued interest payable | 10,559 | 6,473 |
| Intangible lease liabilities, net | 64,971 | 70,596 |
| **Total liabilities** | 2,231,045 | 1,877,510 |
| | | |
| **Commitments and contingencies (See Note 18)** | | |
| | | |
| **Equity** | | |
| Broadstone Net Lease, Inc. stockholders' equity: | | |
| Preferred stock, \$0.001 par value; 20,000 shares authorized, no shares issued or outstanding | — | — |
| Common stock, \$0.00025 par value; 500,000 shares authorized, 173,115 and 162,383 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively | 43 | 41 |
| Additional paid-in capital | 3,148,075 | 2,924,168 |
| Cumulative distributions in excess of retained earnings | (369,260) | (318,476) |
| Accumulated other comprehensive income (loss) | 61,834 | (28,441) |
| Total Broadstone Net Lease, Inc. stockholders' equity | 2,840,692 | 2,577,292 |
| Non-controlling interests | 167,455 | 163,846 |
| **Total equity** | 3,008,147 | 2,741,138 |
| **Total liabilities and equity** | $ 5,239,192 | $ 4,618,648 |

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

Broadstone Net Lease, Inc. and Subsidiaries
Condensed Consolidated Statements of Income and Comprehensive Income
(Unaudited)
*(in thousands, except per share amounts)*

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Revenues** | | | | |
| Lease revenues, net | $ 103,524 | $ 122,777 | $ 295,378 | $ 290,234 |
| **Operating expenses** | | | | |
| Depreciation and amortization | 39,400 | 36,682 | 109,201 | 98,620 |
| Property and operating expense | 5,636 | 4,842 | 15,376 | 14,019 |
| General and administrative | 9,942 | 8,552 | 28,058 | 27,840 |
| Provision for impairment of investment in rental properties | 4,155 | 25,989 | 5,535 | 28,001 |
| **Total operating expenses** | 59,133 | 76,065 | 158,170 | 168,480 |
| **Other income (expenses)** | | | | |
| Interest income | 4 | — | 4 | 11 |
| Interest expense | (20,095) | (15,611) | (54,879) | (47,149) |
| Cost of debt extinguishment | (231) | (242) | (231) | (368) |
| Gain on sale of real estate | 61 | 1,220 | 5,328 | 9,791 |
| Income taxes | (356) | (473) | (1,169) | (1,187) |
| Change in fair value of earnout liability | — | (1,059) | — | (5,539) |
| Other income (expenses) | 4,935 | (25) | 6,441 | (11) |
| **Net income** | 28,709 | 30,522 | 92,702 | 77,302 |
| Net income attributable to non-controlling interests | (1,600) | (1,824) | (5,319) | (5,167) |
| **Net income attributable to Broadstone Net Lease, Inc.** | $ 27,109 | $ 28,698 | $ 87,383 | $ 72,135 |
| **Weighted average number of common shares outstanding** | | | | |
| Basic | 172,578 | 159,226 | 168,680 | 150,227 |
| Diluted | 182,971 | 169,587 | 179,132 | 161,273 |
| **Net earnings per share attributable to common stockholders** | | | | |
| Basic and diluted | $ 0.16 | $ 0.18 | $ 0.52 | $ 0.48 |
| **Comprehensive income** | | | | |
| Net income | $ 28,709 | $ 30,522 | $ 92,702 | $ 77,302 |
| Other comprehensive income | | | | |
| Change in fair value of interest rate swaps | 40,039 | 4,559 | 93,772 | 30,328 |
| Realized loss on interest rate swaps | 639 | 85 | 1,993 | 2 |
| Comprehensive income | 69,387 | 35,166 | 188,467 | 107,632 |
| Comprehensive income attributable to non-controlling interests | (3,868) | (2,101) | (10,809) | (7,313) |
| Comprehensive income attributable to Broadstone Net Lease, Inc. | $ 65,519 | $ 33,065 | $ 177,658 | $ 100,319 |

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

Broadstone Net Lease, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
*(in thousands, except per share amounts)*

| | Common Stock | Additional Paid-in Capital | Cumulative Distributions in Excess of Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interests | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance, January 1, 2022 | $ 41 | $ 2,924,168 | $ (318,476) | $ (28,441) | $ 163,846 | $ 2,741,138 |
| Net income | — | — | 26,758 | — | 1,683 | 28,441 |
| Issuance of 6,427 shares of common stock | 1 | 136,825 | — | — | — | 136,826 |
| Offering costs, discounts, and commissions | — | (2,218) | — | — | — | (2,218) |
| Stock-based compensation, net of one share of restricted stock forfeited | — | 929 | — | — | — | 929 |
| Retirement of 59 shares of common stock | — | (1,301) | — | — | — | (1,301) |
| Distributions declared ($0.265 per share and OP Unit) | — | — | (45,270) | — | (2,845) | (48,115) |
| Change in fair value of interest rate swap agreements | — | — | — | 32,893 | 2,068 | 34,961 |
| Realized loss on interest rate swap agreements | — | — | — | 620 | 39 | 659 |
| Adjustment to non-controlling interests | — | (1,843) | — | (45) | 1,888 | — |
| Balance, March 31, 2022 | $ 42 | $ 3,056,560 | $ (336,988) | $ 5,027 | $ 166,679 | $ 2,891,320 |
| Net income | — | — | 33,516 | — | 2,036 | 35,552 |
| Issuance of 3,281 shares of common stock | 1 | 69,420 | — | — | — | 69,421 |
| Offering costs, discounts, and commissions | — | (992) | — | — | — | (992) |
| Stock-based compensation, net of eight shares of restricted stock forfeited | — | 1,381 | — | — | — | 1,381 |
| Distributions declared ($0.270 per share and OP Unit) | — | — | (46,655) | — | (2,852) | (49,507) |
| Change in fair value of interest rate swap agreements | — | — | — | 17,697 | 1,075 | 18,772 |
| Realized loss on interest rate swap agreements | — | — | — | 655 | 40 | 695 |
| Adjustment to non-controlling interests | — | (992) | — | 18 | 974 | — |
| Balance, June 30, 2022 | $ 43 | $ 3,125,377 | $ (350,127) | $ 23,397 | $ 167,952 | $ 2,966,642 |
| Net income | — | — | 27,109 | — | 1,600 | 28,709 |
| Issuance of 975 shares of common stock | — | 20,626 | — | — | — | 20,626 |
| Offering costs, discounts, and commissions | — | (935) | — | — | — | (935) |
| Stock-based compensation, net of one share of restricted stock forfeited | — | 1,503 | — | — | — | 1,503 |
| Conversion of 118 OP units to 118 shares of common stock | — | 1,926 | — | — | (1,926) | — |
| Distributions declared ($0.270 per share and OP Unit) | — | — | (46,242) | — | (2,834) | (49,076) |
| Change in fair value of interest rate swap agreements | — | — | — | 37,807 | 2,232 | 40,039 |
| Realized loss on interest rate swap agreements | — | — | — | 603 | 36 | 639 |
| Adjustment to non-controlling interests | — | (422) | — | 27 | 395 | — |
| Balance, September 30, 2022 | $ 43 | $ 3,148,075 | $ (369,260) | $ 61,834 | $ 167,455 | $ 3,008,147 |

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

Broadstone Net Lease, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity - Continued
(Unaudited)
*(in thousands, except per share amounts)*

| | Common Stock | Class A Common Stock | Additional Paid-in Capital | Cumulative Distributions in Excess of Retained Earnings | Accumulated Other Comprehensive Loss | Non-controlling Interests | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2021 | $ 27 | $ 9 | $ 2,624,997 | $ (259,673) | $ (66,255) | $ 179,976 | $ 2,479,081 |
| Net income | — | — | — | 22,223 | — | 1,737 | 23,960 |
| Issuance of 211 shares of common stock | — | — | 233 | — | — | — | 233 |
| Offering costs, discounts, and commissions | — | — | (500) | — | — | — | (500) |
| Stock-based compensation | — | — | 1,769 | — | — | — | 1,769 |
| Retirement of 45 shares of common stock | — | — | (832) | — | — | — | (832) |
| Conversion of 37,000 Class A common stock to 37,000 shares of common stock | 9 | (9) | — | — | — | — | — |
| Conversion of 38 OP Units to 38 shares of common stock | — | — | 606 | — | — | (606) | — |
| Distributions declared ($0.250 per share and OP Unit) | — | — | — | (36,690) | — | (2,963) | (39,653) |
| Change in fair value of interest rate swap agreements | — | — | — | — | 26,602 | 2,078 | 28,680 |
| Realized gain on interest rate swap agreements | — | — | — | — | (39) | (2) | (41) |
| Adjustment to non-controlling interests | — | — | (953) | — | 1,008 | (55) | — |
| Balance, March 31, 2021 | $ 36 | $ — | $ 2,625,320 | $ (274,140) | $ (38,684) | $ 180,165 | $ 2,492,697 |
| Net income | — | — | — | 21,214 | — | 1,606 | 22,820 |
| Issuance of 11,659 shares of common stock | 4 | — | 264,795 | — | — | — | 264,799 |
| Issuance of 248 OP Units | — | — | — | — | — | — | — |
| Offering costs, discounts, and commissions | — | — | (11,013) | — | — | — | (11,013) |
| Stock-based compensation | — | — | 951 | — | — | — | 951 |
| Retirement of 16 shares of common stock | — | — | (309) | — | — | — | (309) |
| Conversion of 1,127 OP Units to 1,127 shares of common stock | — | — | 17,859 | — | — | (17,859) | — |
| Distributions declared ($0.255 per share and OP Unit) | — | — | — | (40,696) | — | (2,788) | (43,484) |
| Change in fair value of interest rate swap agreements | — | — | — | — | (2,708) | (203) | (2,911) |
| Realized gain on interest rate swap agreements | — | — | — | — | (38) | (4) | (42) |
| Adjustment to non-controlling interests | — | — | (7,472) | — | (466) | 7,938 | — |
| Balance, June 30, 2021 | $ 40 | $ — | $ 2,890,131 | $ (293,622) | $ (41,896) | $ 168,855 | $ 2,723,508 |
| Net income | — | — | — | 28,698 | — | 1,824 | 30,522 |
| Issuance of 957 shares of common stock | — | — | 281 | — | — | — | 281 |
| Issuance of 1,611 OP Units | — | — | — | — | — | — | — |
| Offering costs, discounts, and commissions | — | — | (256) | — | — | — | (256) |
| Stock-based compensation, net of five shares of restricted stock forfeited | — | — | 924 | — | — | — | 924 |
| Retirement of three shares of common stock | — | — | (75) | — | — | — | (75) |
| Conversion of 1,723 OP Units to 1,723 shares of common stock | — | — | 27,755 | — | — | (27,755) | — |
| Distributions declared ($0.255 per share and OP Unit) | — | — | — | (40,741) | — | (2,682) | (43,423) |
| Change in fair value of interest rate swap agreements | — | — | — | — | 4,287 | 272 | 4,559 |
| Realized gain on interest rate swap agreements | — | — | — | — | 80 | 5 | 85 |
| Adjustment to non-controlling interests | — | — | (23,541) | — | (61) | 23,602 | — |
| Balance, September 30, 2021 | $ 40 | $ — | $ 2,895,219 | $ (305,665) | $ (37,590) | $ 164,121 | $ 2,716,125 |

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

Broadstone Net Lease, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
*(in thousands)*

| | For the Nine Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2021 |
|---|---|---|
| **Operating activities** | | |
| Net income | $ 92,702 | $ 77,302 |
| Adjustments to reconcile net income including non-controlling interests to net cash provided by operating activities: | | |
| Depreciation and amortization including intangibles associated with investment in rental property | 105,700 | 96,312 |
| Provision for impairment of investment in rental properties | 5,535 | 28,001 |
| Amortization of debt issuance costs and original issuance discount charged to interest expense | 2,626 | 2,725 |
| Stock-based compensation expense | 3,813 | 3,644 |
| Straight-line rent, direct financing and sales-type lease adjustments | (13,665) | (13,042) |
| Cost of debt extinguishment | 231 | 368 |
| Gain on sale of real estate | (5,328) | (9,791) |
| Change in fair value of earnout liability | — | 5,539 |
| Cash paid for earnout liability | — | (6,440) |
| Settlement of interest rate swaps | — | (5,580) |
| Other non-cash items | (3,371) | 510 |
| Changes in assets and liabilities, net of acquisition: | | |
| Tenant and other receivables | 1,029 | 664 |
| Prepaid expenses and other assets | (955) | 1,690 |
| Accounts payable and other liabilities | 3,071 | (456) |
| Accrued interest payable | 4,086 | 5,872 |
| Net cash provided by operating activities | 195,474 | 187,318 |
| **Investing activities** | | |
| Acquisition of rental property accounted for using the operating method | (583,989) | (516,111) |
| Capital expenditures and improvements | (19,171) | (1,451) |
| Proceeds from disposition of rental property, net | 18,020 | 68,608 |
| Change in deposits on investments in rental property | (18) | 575 |
| Net cash used in investing activities | (585,158) | (448,379) |
| **Financing activities** | | |
| Proceeds from issuance of common stock, net of $3,654 and $11,194 offering costs, discounts, and commissions in 2022 and 2021, respectively | 222,829 | 253,170 |
| Borrowings on mortgages, senior unsecured notes and unsecured term loans | 500,000 | 381,810 |
| Principal payments on mortgages and unsecured term loans | (252,086) | (332,193) |
| Borrowings on unsecured revolving credit facility | 641,283 | 216,600 |
| Repayments on unsecured revolving credit facility | (518,000) | (216,600) |
| Cash distributions paid to stockholders | (134,227) | (113,304) |
| Cash distributions paid to non-controlling interests | (8,513) | (8,638) |
| Cash paid for earnout liability | — | (6,608) |
| Debt issuance and extinguishment costs paid | (7,010) | (3,827) |
| Net cash provided by financing activities | 444,276 | 170,410 |
| Net increase (decrease) in cash and cash equivalents and restricted cash | 54,592 | (90,651) |
| Cash and cash equivalents and restricted cash at beginning of period | 27,769 | 110,728 |
| Cash and cash equivalents and restricted cash at end of period | $ 82,361 | $ 20,077 |
| **Reconciliation of cash and cash equivalents and restricted cash** | | |
| Cash and cash equivalents at beginning of period | $ 21,669 | $ 100,486 |
| Restricted cash at beginning of period | 6,100 | 10,242 |
| Cash and cash equivalents and restricted cash at beginning of period | $ 27,769 | $ 110,728 |
| Cash and cash equivalents at end of period | $ 75,912 | $ 16,182 |
| Restricted cash at end of period | 6,449 | 3,895 |
| Cash and cash equivalents and restricted cash at end of period | $ 82,361 | $ 20,077 |

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

**1. Business Description**

Broadstone Net Lease, Inc. (the "Corporation") is a Maryland corporation formed on October 18, 2007, that elected to be taxed as a real estate investment trust ("REIT") commencing with the taxable year ended December 31, 2008. The Corporation focuses on investing in income-producing, net leased commercial properties, primarily in the United States. The Corporation leases industrial, healthcare, restaurant, retail, and office commercial properties under long-term lease agreements. At September 30, 2022, the Corporation owned a diversified portfolio of 790 individual commercial properties with 783 properties located in 44 U.S. states and seven properties located in four Canadian provinces.

Broadstone Net Lease, LLC (the Corporation's operating company, or the "OP"), is the entity through which the Corporation conducts its business and owns (either directly or through subsidiaries) all of the Corporation's properties. The Corporation is the sole managing member of the OP. The membership units not owned by the Corporation are referred to as OP Units or non-controlling interests. As the Corporation conducts substantially all of its operations through the OP, it is structured as what is referred to as an umbrella partnership real estate investment trust ("UPREIT"). The Corporation, the OP, and its consolidated subsidiaries are collectively referred to as the "Company."

Pursuant to the Corporation's initial public offering ("IPO"), a new class of common stock ("Class A Common Stock") was issued. On March 20, 2021, each share of Class A Common Stock automatically converted into one share of common stock, and effective March 22, 2021, all shares of common stock were listed and freely tradeable on the New York Stock Exchange under the symbol "BNL."

The following table summarizes the outstanding equity and economic ownership interest of the Corporation and the OP:

| | September 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *(in thousands)* | Shares of Common Stock | OP Units | Total Diluted Shares | Shares of Common Stock | OP Units | Total Diluted Shares |
| Ownership interest | 173,115 | 10,205 | 183,320 | 162,383 | 10,323 | 172,706 |
| Percent ownership of OP | 94.4% | 5.6% | 100.0% | 94.0% | 6.0% | 100.0% |

Refer to Note 16 for further discussion regarding the calculation of weighted average shares outstanding.

## 2. Summary of Significant Accounting Policies

### Interim Information

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information (Accounting Standards Codification ("ASC") 270, *Interim Reporting*) and Article 10 of the Securities and Exchange Commission's ("SEC") Regulation S-X. Accordingly, the Corporation has omitted certain footnote disclosures which would substantially duplicate those contained within the audited consolidated financial statements for the year ended December 31, 2021, included in the Company's 2021 Annual Report on Form 10-K, filed with the SEC on February 23, 2022. Therefore, the readers of this quarterly report should refer to those audited consolidated financial statements, specifically Note 2, *Summary of Significant Accounting Policies*, for further discussion of significant accounting policies and estimates. The Corporation believes all adjustments necessary for a fair presentation have been included in these interim Condensed Consolidated Financial Statements (which include only normal recurring adjustments).

### Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts and operations of the Company. All intercompany balances and transactions have been eliminated in consolidation.

To the extent the Corporation has a variable interest in entities that are not evaluated under the variable interest entity ("VIE") model, the Corporation evaluates its interests using the voting interest entity model. The Corporation has complete responsibility for the day-to-day management of, authority to make decisions for, and control of the OP. Based on consolidation guidance, the Corporation has concluded that the OP is a VIE as the members in the OP do not possess kick-out rights or substantive participating rights. Accordingly, the Corporation consolidates its interest in the OP. However, because the Corporation holds the majority voting interest in the OP and certain other conditions are met, it qualifies for the exemption from providing certain disclosure requirements associated with investments in VIEs.

The portion of the OP not owned by the Corporation is presented as non-controlling interests as of and during the periods presented.

### Basis of Accounting

The Condensed Consolidated Financial Statements have been prepared in accordance with GAAP.

### Use of Estimates

The preparation of Condensed Consolidated Financial Statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include, but are not limited to, the allocation of purchase price between tangible and intangible assets acquired and liabilities assumed, the value of long-lived assets and goodwill, the provision for impairment, the depreciable lives of rental property, the amortizable lives of intangible assets and liabilities, the probability of collecting outstanding and future lease payments, the fair value of the earnout liability, the fair value of assumed debt, the fair value of the Company's interest rate swap agreements, and the determination of any uncertain tax positions. Accordingly, actual results may differ from those estimates.

### Long-lived Asset Impairment

The Company reviews long-lived assets to be held and used for possible impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. If, and when, such events or changes in circumstances are present, an impairment exists to the extent the carrying value of the long-lived asset or asset group exceeds the sum of the undiscounted cash flows expected to result from the use of the long-lived asset or asset group and its eventual disposition. Such cash flows include expected future operating income, as adjusted for trends and prospects, as well as the effects of demand, competition, and other factors. An impairment loss is measured as the amount by which the carrying amount of the long-lived asset or asset group exceeds its fair value. Significant judgment is made to determine if and when impairment should be taken. The Company's assessment of impairment as of September 30, 2022 and 2021 was based on the most current information available to the Company. Certain of the Company's properties may have fair values less than their carrying amounts. However, based on the Company's plans with respect to each of those properties, the Company believes that their carrying amounts are recoverable and therefore, no impairment charges were recognized other than those described below. If the operating conditions mentioned above deteriorate or if the Company's expected holding period for assets changes, subsequent tests for impairments could result in additional impairment charges in the future.

Inputs used in establishing fair value for real estate assets generally fall within Level 3 of the fair value hierarchy, which are characterized as requiring significant judgment as little or no current market activity may be available for validation. The main indicator used to establish the classification of the inputs is current market conditions, as derived through the use of published commercial real estate market information. The Company determines the valuation of impaired assets using generally accepted valuation techniques including discounted cash flow analysis, income capitalization, analysis of recent comparable sales transactions, actual sales negotiations, and bona fide purchase offers received from third parties. Management may consider a single valuation technique or multiple valuation techniques, as appropriate, when estimating the fair value of its real estate.

The following table summarizes the Company's impairment charges, resulting primarily from changes in the Company's long-term hold strategy, with respect to the individual properties:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands, except number of properties)* | 2022 | 2021 | 2022 | 2021 |
| Number of properties | 2 | 4 | 3 | 5 |
| Impairment charge | $ 4,155 | $ 25,989 | $ 5,535 | $ 28,001 |

During the three months ended September 30, 2021, the Company executed an early lease termination with an office tenant on two properties in exchange for a fee of $35.0 million, and simultaneously sold the underlying properties to an unrelated third party for aggregate gross proceeds of $16.0 million. As the sale of the underlying properties was to an unrelated third party, the Company accounted for the lease termination income and sale of properties as separate transactions in accordance with GAAP. The sale resulted in a loss of $25.7 million which was recognized as an impairment charge in the Condensed Consolidated Statements of Income and Comprehensive Income. The Company recognized termination fee income of $33.5 million as other income from real estate transactions, a component of Lease revenues, net, in the Condensed Consolidated Statements of Income and Comprehensive Income. The net impact of the lease termination and the sale of the underlying properties was a $4.0 million increase to net income after considering certain other adjustments.

**Restricted Cash**

Restricted cash generally includes escrow funds the Company maintains pursuant to the terms of certain mortgages, lease agreements, and undistributed proceeds from the sale of properties under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"), and is reported within Prepaid expenses and other assets on the Condensed Consolidated Balance Sheets. Restricted cash consisted of the following:

| *(in thousands)* | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Escrow funds and other | $ 6,449 | $ 6,100 |

**Rent Received in Advance**

Rent received in advance represents tenant payments received prior to the contractual due date, and is included in Accounts payable and other liabilities on the Condensed Consolidated Balance Sheets. Rent received in advance consisted of the following:

| *(in thousands)* | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Rent received in advance | $ 21,328 | $ 15,162 |

**Fair Value Measurements**

*Recurring Fair Value Measurements*

The balances of financial instruments measured at fair value on a recurring basis are as follows (see Note 11):

| | September 30, 2022 | | | |
|---|---|---|---|---|
| *(in thousands)* | Total | Level 1 | Level 2 | Level 3 |
| Interest rate swap, assets | $ 66,602 | $ — | $ 66,602 | $ — |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| *(in thousands)* | Total | Level 1 | Level 2 | Level 3 |
| Interest rate swap, liabilities | $ (27,171) | $ — | $ (27,171) | $ — |

*Long-term Debt* – The fair value of the Company's debt was estimated using Level 1, Level 2, and Level 3 inputs based on recent secondary market trades of the Company's 2031 Senior Unsecured Public Notes (see Note 9), recent financing transactions, estimates of the fair value of the property that serves as collateral for such debt, historical risk premiums for loans of comparable quality, current London Interbank Offered Rate ("LIBOR"), Secured Overnight Financing Rate ("SOFR"), U.S. Treasury obligation interest rates, and discounted estimated future cash payments to be made on such debt. The discount rates estimated reflect the Company's judgment as to the approximate current lending rates for loans or groups of loans with similar maturities and assumes that the debt is outstanding through maturity. Market information, as available, or present value techniques were utilized to estimate the amounts required to be disclosed. Since such amounts are estimates that are based on limited available market information for similar transactions and do not acknowledge transfer or other repayment restrictions that may exist on specific loans, it is unlikely that the estimated fair value of any such debt could be realized by immediate settlement of the obligation.

The following table summarizes the carrying amount reported on the Condensed Consolidated Balance Sheets and the Company's estimate of the fair value of the unsecured revolving credit facility, mortgages, unsecured term loans, and senior unsecured notes which reflects the fair value of interest rate swaps:

| *(in thousands)* | **September 30, 2022** | **December 31, 2021** |
|---|---|---|
| Carrying amount | $ 2,064,533 | $ 1,699,160 |
| Fair value | 1,855,849 | 1,785,701 |

*Non-recurring Fair Value Measurements*

The Company's non-recurring fair value measurements at September 30, 2022 and December 31, 2021 consisted of the fair value of impaired real estate assets that were determined using Level 3 inputs.

**Forward Sale Agreements**

The Company occasionally sells shares of common stock through forward sale agreements to enable the Company to set the price of such shares upon pricing the offering (subject to certain adjustments) while delaying the issuance of such shares and the receipt of the net proceeds by the Company. To account for the forward sale agreements, the Company considers the accounting guidance governing financial instruments and derivatives. To date, the Company has concluded that its forward sale agreements are not liabilities as they do not embody obligations to repurchase its shares nor do they embody obligations to issue a variable number of shares for which the monetary value is predominantly fixed, varying with something other than the fair value of the shares, or varying inversely in relation to its shares. The Company then evaluates whether the agreements meet the derivatives and hedging guidance scope exception to be accounted for as equity instruments. The Company has concluded that the agreements are classifiable as equity contracts based on the following assessments: (i) none of the agreements' exercise contingencies are based on observable markets or indices besides those related to the market for the Company's own stock price and operations; and (ii) none of the settlement provisions preclude the agreements from being indexed to its own stock. The Company also considers the potential dilution resulting from the forward sale agreements on the earnings per share calculations. The Company uses the treasury stock method to determine the dilution resulting from the forward sale agreements during the period of time prior to settlement.

**Stock-Based Compensation**

The Company has issued restricted stock awards ("RSAs") and performance-based restricted stock units ("PRSUs") under its 2020 Omnibus Equity and Incentive Plan (the "Equity Incentive Plan"). Subject to any adjustment as provided in the Equity Incentive Plan, up to 9,000,000 shares may be issued to awards granted under the Equity Incentive Plan. The Company accounts for stock-based incentives in accordance with ASC 718, *Compensation – Stock Compensation*, which requires that such compensation be recognized in the financial statements based on the award's estimated grant date fair value. The value of such awards is recognized as compensation expense in General and administrative expenses in the Condensed Consolidated Statements of Income and Comprehensive Income over the appropriate vesting period on a straight-line basis or at the cumulative amount vested at each balance sheet date, if greater. The Company records forfeitures during the period in which they occur by reversing all previously recorded stock compensation expense associated with the forfeited shares. Dividends declared on RSAs issued under the Equity Incentive Plan are recorded as Cumulative distributions in excess of retained earnings on the Condensed Consolidated Balance Sheets. Accumulated dividends related to forfeited RSAs are reversed through compensation expense in the period the forfeiture occurs. Dividends accrued on the PRSUs are recorded as Cumulative distributions in excess of retained earnings on the Condensed Consolidated Balance Sheets. Accumulated dividends accrued related to forfeited PRSUs are reversed in the period the forfeiture occurs.

**Recently Adopted Accounting Standards**

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The guidance in ASU 2020-06 simplifies the accounting for convertible debt and convertible preferred stock by removing the requirements to separately present certain conversion features in equity. In addition, the amendments in ASU 2020-06 also simplify the guidance in ASC Subtopic 815-40, *Derivatives and Hedging: Contracts in Entity's Own Equity*, by removing certain criteria that must be satisfied in order to classify a contract as equity, which is expected to decrease the number of freestanding instruments and embedded derivatives accounted for as assets or liabilities. Finally, the amendments revise the guidance on calculating earnings per share, requiring use of the if-converted method for all convertible instruments. The amendments in ASU 2020-06 were effective for the Company beginning January 1, 2022. The adoption of this guidance on January 1, 2022 did not have a material impact on the Company's financial statements.

## 3. Related-Party Transactions

Prior to the Company's internalization on February 7, 2020, the Company was externally managed by Broadstone Real Estate, LLC ("BRE") and Broadstone Asset Management, LLC (the "Asset Manager") subject to the direction, oversight, and approval of the Company's board of directors (the "Board of Directors"). As part of the internalization the Asset Manager and BRE merged into the Company. Accordingly, both BRE and the Asset Manager were related parties of the Company.

### Earnout Consideration

In connection with the Company's internalization, the Company incurred a contingent obligation that would be payable to certain members of the Board of Directors and employees who had previously been owners and/or employees of BRE, upon the occurrence of certain events (see Note 4). As of September 30, 2021, the Company achieved all four volume-weighted average price ("VWAP") milestones applicable to the earnout. As a result, the Company issued 1,088,977 shares of common stock, 1,859,257 OP Units and made cash payments of $13.0 million to these related parties (See Note 4) during the year ended December 31, 2021.

### Conversion of OP Units to Common Stock

During the three and nine months ended September 30, 2021, in a non-cash transaction (see Note 17), the Company converted 1,029,565 and 2,049,439 OP Units held by an affiliated third party to 1,029,565 and 2,049,439 shares of common stock at a total conversion value of $16.6 million and $32.8 million, respectively. There were no OP Units held by an affiliated third party converted to common stock during the three and nine months ended September 30, 2022.

## 4. Internalization

On February 7, 2020, the Company completed an internalization where the Company's management team and corporate staff, who were previously employed by BRE, became employees of an indirect subsidiary of the OP. The effect of the internalization has been reflected in the Company's operating results beginning on February 7, 2020.

In accordance with the Company's internalization, the Company was required to pay additional earnout consideration of up to $75.0 million payable in four tranches of $10.0 million, $15.0 million, $25.0 million, and $25.0 million if certain milestones related to the 40-day volume-weighted average price of a share of the Company's common stock ("VWAP per REIT Share") were achieved. The consideration consisted of a combination of cash, shares of the Company's common stock, and OP Units, based on the same proportions paid in the base consideration.

As of December 31, 2021, the Company achieved all four VWAP milestones, thereby triggering the payout of all earnout tranches. Below is a summary of the shares of common stock and OP Units issued, and cash paid for each earnout tranche:

*(in thousands, except per share amounts)*

| Tranche | Shares of Common Stock Issued | OP Units Issued | Cash Paid | 40-Day VWAP of a REIT Share | Achievement Date |
|---|---|---|---|---|---|
| 1 | 145 | 248 | $ 1,926 [(a)] | $ 22.50 | June 16, 2021 |
| 2 | 218 | 371 | 2,888 [(a)] | 23.75 | July 14, 2021 |
| 3 | 363 | 620 | 4,117 | 24.375 | September 21, 2021 |
| 4 | 363 | 620 | 4,117 | 25.00 | September 21, 2021 |

(a) Cash payments include amounts earned for dividends.

## 5. Acquisitions of Rental Property

The Company closed on the following acquisitions during the nine months ended September 30, 2022:

| *(in thousands, except number of properties)* Date | Property Type | Number of Properties | Real Estate Acquisition Price |
|---|---|---|---|
| January 7, 2022 | Retail | 2 | $ 2,573 |
| February 10, 2022 | Industrial | 1 | 21,733 |
| February 15, 2022 | Retail | 1 | 1,341 |
| February 28, 2022 | Industrial | 1 | 5,678 |
| March 4, 2022 | Retail | 6 | 79,061 |
| March 31, 2022 | Restaurant | 16 | 99,587 |
| April 12, 2022 | Retail | 1 | 1,680 |
| April 12, 2022 | Industrial | 1 | 7,522 |
| April 13, 2022 | Industrial | 1 | 16,250 |
| April 19, 2022 | Retail | 1 | 1,780 |
| May 16, 2022 | Retail | 1 | 2,264 |
| June 7, 2022 | Retail | 1 | 11,510 |
| June 13, 2022 | Retail | 1 | 1,638 |
| June 15, 2022 | Retail | 1 | 1,884 |
| June 21, 2022 | Industrial | 5 | 78,500 |
| June 29, 2022 | Healthcare | 1 | 12,467 |
| June 30, 2022 | Industrial | 1 | 29,500 |
| July 1, 2022 | Retail | 2 | 3,052 |
| July 7, 2022 | Retail | 1 | 2,171 |
| July 8, 2022 | Industrial | 11 | 75,000 |
| August 25, 2022 | Healthcare | 1 | 9,219 |
| August 26, 2022 | Industrial | 4 | 44,000 |
| September 6, 2022 | Retail | 1 | 1,411 |
| September 28, 2022 | Industrial | 4 | 56,250 |
| September 29, 2022 | Restaurant | 3 | 12,823 |
| | | 69 | $ 578,894 (a) |

(a) Acquisition price excludes capitalized acquisition costs of $5.2 million and a $17.4 million building expansion agreed to as a forward commitment in connection with a prior acquisition (see Note 18).

The Company closed on the following acquisitions during the nine months ended September 30, 2021:

| *(in thousands, except number of properties)* Date | Property Type | Number of Properties | Real Estate Acquisition Price |
|---|---|---|---|
| February 5, 2021 | Healthcare | 1 | $ 4,843 |
| February 26, 2021 | Restaurant | (b) | 181 |
| March 11, 2021 | Retail | 13 | 26,834 |
| March 30, 2021 | Retail | 11 | 41,324 |
| March 31, 2021 | Healthcare | 3 | 14,140 |
| June 4, 2021 | Retail | 2 | 19,420 |
| June 9, 2021 | Industrial | 1 | 8,500 |
| June 9, 2021 | Industrial | 11 | 106,578 |
| June 25, 2021 | Retail | 8 | 12,131 |
| June 28, 2021 | Healthcare | 4 | 15,300 |
| June 30, 2021 | Retail | 1 | 1,279 |
| June 30, 2021 | Healthcare | 7 | 30,750 |
| July 2, 2021 | Industrial | (c) | 4,500 |
| July 21, 2021 | Retail | 1 | 5,565 |
| July 29, 2021 | Retail | 3 | 4,586 |
| July 29, 2021 | Industrial | 1 | 13,041 |
| July 30, 2021 | Industrial | 2 | 11,011 |
| August 23, 2021 | Healthcare | 1 | 60,000 |
| September 8, 2021 | Retail | 2 | 8,901 |
| September 17, 2021 | Retail | 1 | 1,722 |
| September 24, 2021 | Retail | 1 | 2,456 |
| September 24, 2021 | Industrial | 2 | 48,699 |
| September 29, 2021 | Industrial | 1 | 10,600 |
| September 30, 2021 | Industrial | 3 | 59,343 |
| | | 80 | $ 511,704 (d) |

(b) Acquisition of additional land adjacent to an existing property.
(c) Acquisition of land related to an existing property.
(d) Acquisition price excludes capitalized acquisition costs of $4.4 million.

The Company allocated the purchase price of these properties to the fair value of the assets acquired and liabilities assumed. The following table summarizes the purchase price allocation for completed real estate acquisitions:

| | For the Nine Months Ended September 30, | |
|---|---|---|
| *(in thousands)* | 2022 | 2021 |
| Land | $ 101,278 | $ 72,829 |
| Land improvements | 37,578 | 22,103 |
| Buildings and improvements | 406,994 | 379,946 |
| Acquired in-place leases[e] | 46,348 | 40,865 |
| Acquired above-market lease [f] | — | 211 |
| Acquired below-market lease [g] | (76) | — |
| Right-of-use asset | — | 663 |
| Lease liability | — | (481) |
| Non-real estate liabilities assumed | (8,051) | — |
| | $ 584,071 [h] | $ 516,136 |

(e) The weighted average amortization period for acquired in-place leases is 20 years and 17 years for acquisitions completed during the nine months ended September 30, 2022 and 2021, respectively.

(f) The weighted average amortization period for the acquired above-market leases is 10 years for acquisitions completed during the nine months ended September 30, 2021. There were no above-market leases acquired during the nine months ended September 30, 2022.

(g) The weighted average amortization period for acquired below-market leases is 9 years for acquisitions completed during the nine months ended September 30, 2022. There were no below-market leases acquired during the nine months ended September 30, 2021.

(h) Excludes $17.4 million building expansion agreed to as a forward commitment in connection with a prior acquisition (see Note 18).

The above acquisitions were funded using a combination of available cash on hand, and proceeds from equity issuances and revolving credit facility borrowings. All real estate acquisitions closed during the nine months ended September 30, 2022 and 2021, qualified as asset acquisitions and, as such, acquisition costs have been capitalized.

Subsequent to September 30, 2022, the Company closed on the following acquisitions (see Note 19):

| *(in thousands, except number of properties)* Date | Property Type | Number of Properties | Real Estate Acquisition Price |
|---|---|---|---|
| October 12, 2022 | Industrial | 7 | $ 235,000 |
| October 12, 2022 | Retail | 1 | 1,743 |
| October 17, 2022 | Retail | 2 | 6,000 |
| October 19, 2022 | Retail | 1 | 1,743 |
| November 2, 2022 | Industrial | 4 | 38,650 |
| | | 15 | $ 283,136 |

### 6. Sale of Real Estate

The Company closed on the following sales of real estate, none of which qualified as discontinued operations:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands, except number of properties)* | 2022 | 2021 | 2022 | 2021 |
| Number of properties disposed | 1 | 6 | 5 | 25 |
| Aggregate sale price | $ 1,727 | $ 26,567 | $ 18,828 | $ 71,905 |
| Aggregate carrying value | (1,557) | (24,244) | (12,692) | (58,817) |
| Additional sales expenses | (109) | (1,103) | (808) | (3,297) |
| Gain on sale of real estate | $ 61 | $ 1,220 | $ 5,328 | $ 9,791 |

## 7. Investment in Rental Property and Lease Arrangements

The Company generally leases its investment rental property to established tenants in the industrial, healthcare, restaurant, retail, and office property types. At September 30, 2022, the Company had 790 real estate properties, 777 of which were leased under leases that have been classified as operating leases, nine that have been classified as direct financing leases, one that has been classified as a sales-type lease, and three that were vacant. Of the nine leases classified as direct financing leases, three include land portions which are accounted for as operating leases. The sales-type lease includes a land portion which is accounted for as an operating lease. Most leases have initial terms of 10 to 20 years. The Company's leases generally provide for limited increases in rent as a result of fixed increases, increases in the Consumer Price Index ("CPI"), or increases in the tenant's sales volume. Generally, tenants are also required to pay all property taxes and assessments, substantially maintain the interior and exterior of the building, and maintain property and liability insurance coverage. The leases also typically provide for one or more multiple year renewal options, at the election of the tenant, and are subject to generally the same terms and conditions as the initial lease.

### Investment in Rental Property – Accounted for Using the Operating Method

Depreciation expense on investment in rental property was as follows:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands)* | 2022 | 2021 | 2022 | 2021 |
| Depreciation | $ 29,142 | $ 25,232 | $ 83,530 | $ 73,119 |

Estimated lease payments to be received under non-cancelable operating leases with tenants at September 30, 2022 are as follows:

| *(in thousands)* | |
|---|---|
| Remainder of 2022 | $ 91,352 |
| 2023 | 369,961 |
| 2024 | 369,585 |
| 2025 | 363,947 |
| 2026 | 354,818 |
| Thereafter | 2,941,041 |
| | $ 4,490,704 |

Since lease renewal periods are exercisable at the option of the tenant, the above amounts only include future lease payments due during the initial lease terms. Such amounts exclude any potential variable rent increases that are based on changes in the CPI or future variable rents which may be received under the leases based on a percentage of the tenant's gross sales. Additionally, certain of our leases provide tenants with the option to terminate their leases in exchange for termination penalties, or that are contingent upon the occurrence of a future event. Future lease payments within the table above have not been adjusted for these termination rights.

### Investment in Rental Property – Direct Financing Leases

The Company's net investment in direct financing leases was comprised of the following:

| *(in thousands)* | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Undiscounted estimated lease payments to be received | $ 39,032 | $ 42,602 |
| Estimated unguaranteed residual values | 14,547 | 15,203 |
| Unearned revenue | (26,326) | (28,893) |
| Reserve for credit losses | (125) | (130) |
| Net investment in direct financing leases | $ 27,128 | $ 28,782 |

Undiscounted estimated lease payments to be received under non-cancelable direct financing leases with tenants at September 30, 2022 are as follows:

| *(in thousands)* | |
|---|---|
| Remainder of 2022 | $ 763 |
| 2023 | 3,114 |
| 2024 | 3,171 |
| 2025 | 3,285 |
| 2026 | 3,357 |
| Thereafter | 25,342 |
| | $ 39,032 |

The above rental receipts do not include future lease payments for renewal periods, potential variable CPI rent increases, or variable percentage rent payments that may become due in future periods.

The following table summarizes amounts reported as Lease revenues, net on the Condensed Consolidated Statements of Income and Comprehensive Income:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands)* | 2022 | 2021 | 2022 | 2021 |
| Contractual rental amounts billed for operating leases | $ 91,208 | $ 78,886 | $ 263,109 | $ 227,142 |
| Adjustment to recognize contractual operating lease billings on a straight-line basis | 5,344 | 4,942 | 15,455 | 14,475 |
| Net write-offs of accrued rental income | — | — | (1,326) | (442) |
| Variable rental amounts earned | 309 | 130 | 786 | 335 |
| Earned income from direct financing leases | 719 | 726 | 2,163 | 2,184 |
| Interest income from sales-type leases | 14 | 14 | 43 | 43 |
| Operating expenses billed to tenants | 5,061 | 4,414 | 14,059 | 12,998 |
| Other income from real estate transactions [(a)] | 874 | 33,515 | 1,050 | 33,548 |
| Adjustment to revenue recognized for uncollectible rental amounts billed, net | (5) | 150 | 39 | (49) |
| Total lease revenues, net | $ 103,524 | $ 122,777 | $ 295,378 | $ 290,234 |

(a) Other income from real estate transactions includes $0.8 million and $33.5 million of lease termination fee income for the three and nine months ended September 30, 2022 and 2021, respectively.

**8. Intangible Assets and Liabilities**

The following is a summary of intangible assets and liabilities and related accumulated amortization:

| *(in thousands)* | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Lease intangibles: | | |
| Acquired above-market leases | $ 45,749 | $ 47,147 |
| Less accumulated amortization | (17,742) | (16,807) |
| Acquired above-market leases, net | 28,007 | 30,340 |
| Acquired in-place leases | 421,773 | 380,766 |
| Less accumulated amortization | (127,466) | (107,464) |
| Acquired in-place leases, net | 294,307 | 273,302 |
| Total intangible lease assets, net | $ 322,314 | $ 303,642 |
| Acquired below-market leases | $ 105,293 | $ 105,310 |
| Less accumulated amortization | (40,322) | (34,714) |
| Intangible lease liabilities, net | $ 64,971 | $ 70,596 |
| Leasing fees | $ 14,465 | $ 14,786 |
| Less accumulated amortization | (5,713) | (5,145) |
| Leasing fees, net | $ 8,752 | $ 9,641 |

Amortization of intangible lease assets and liabilities was as follows:

| *(in thousands)* | | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| Intangible | Financial Statement Presentation | 2022 | 2021 | 2022 | 2021 |
| Acquired in-place leases and leasing fees | Depreciation and amortization | $ 10,224 | $ 11,424 | $ 25,574 | $ 25,429 |
| Above-market and below-market leases | Lease revenues, net | 1,180 | 944 | 3,511 | 2,362 |

For the three and nine months ended September 30, 2022 and 2021, amortization expense includes $2.3 million and $3.8 million of accelerated amortization resulting from early lease terminations, respectively.

Estimated future amortization of intangible assets and liabilities at September 30, 2022 is as follows:

| *(in thousands)* | | |
|---|---|---|
| Remainder of 2022 | $ | 6,865 |
| 2023 | | 27,239 |
| 2024 | | 26,430 |
| 2025 | | 25,134 |
| 2026 | | 23,783 |
| Thereafter | | 156,644 |
| | $ | 266,095 |

**9. Unsecured Credit Agreements**

The following table summarizes the Company's unsecured credit agreements:

| | **Outstanding Balance** | | | |
|---|---|---|---|---|
| *(in thousands, except interest rates)* | **September 30, 2022** | **December 31, 2021** | **Interest Rate** | **Maturity Date** |
| Unsecured revolving credit facility | $ 219,537 | $ 102,000 | Applicable reference rate + 0.85% [(a) (b) (c)] | Mar. 2026 |
| Unsecured term loans: | | | | |
| 2022 Unsecured Term Loan | — | 60,000 | one-month LIBOR + 1.00% [(c)] | Feb. 2022 [(e)] |
| 2024 Unsecured Term Loan | — | 190,000 | one-month LIBOR + 1.00% [(c)] | Jun. 2024 [(f)] |
| 2026 Unsecured Term Loan | 400,000 | 400,000 | one-month LIBOR + 1.00% [(c)] | Feb. 2026 |
| 2027 Unsecured Term Loan | 200,000 | — | one-month adjusted SOFR + 0.95% [(d)] | Aug. 2027 |
| 2029 Unsecured Term Loan | 300,000 | — | one-month adjusted SOFR + 1.25% [(d)] | Aug. 2029 |
| Total unsecured term loans | 900,000 | 650,000 | | |
| Unamortized debt issuance costs, net | (5,622 ) | (3,329 ) | | |
| Total unsecured term loans, net | 894,378 | 646,671 | | |
| Senior unsecured notes: | | | | |
| 2027 Senior Unsecured Notes - Series A | 150,000 | 150,000 | 4.84% | Apr. 2027 |
| 2028 Senior Unsecured Notes - Series B | 225,000 | 225,000 | 5.09% | Jul. 2028 |
| 2030 Senior Unsecured Notes - Series C | 100,000 | 100,000 | 5.19% | Jul. 2030 |
| 2031 Senior Unsecured Public Notes | 375,000 | 375,000 | 2.60% | Sep. 2031 |
| Total senior unsecured notes | 850,000 | 850,000 | | |
| Unamortized debt issuance costs and original issuance discount, net | (5,633 ) | (6,199 ) | | |
| Total senior unsecured notes, net | 844,367 | 843,801 | | |
| Total unsecured debt, net | $ 1,958,282 | $ 1,592,472 | | |

(a) At September 30, 2022, a balance of $146.5 million was subject to the one-month SOFR of 3.04%. The remaining balance includes $100 million CAD borrowings remeasured to $73 million USD, which was subject to the one-month Canadian Dollar Offered Rate ("CDOR") of 3.76%.
(b) At December 31, 2021, the applicable interest rate was one-month LIBOR plus 1.00%
(c) At September 30, 2022 and December 31, 2021, one-month LIBOR was 3.14% and 0.10%, respectively.
(d) At September 30, 2022, one-month SOFR was 3.04%.
(e) The 2022 Unsecured Term Loan was paid in full in February 2022 with borrowings from the unsecured revolving credit facility.
(f) The 2024 Unsecured Term Loan was paid in full in August 2022 with borrowings from the 2027 Unsecured Term Loan and 2029 Unsecured Term Loan.

At September 30, 2022, the weighted average interest rate on all outstanding borrowings was 4.10%, exclusive of interest rate swap agreements.

The Company is subject to various financial and operational covenants and financial reporting requirements pursuant to its unsecured credit agreements. These covenants require the Company to maintain certain financial ratios, including leverage, fixed charge coverage, debt service coverage, aggregate debt ratio, consolidated income available for debt to annual debt service charge, total unencumbered assets to total unsecured debt, and secured debt ratio, among others. As of September 30, 2022, and for all periods presented, the Company believes it was in compliance with all of its loan covenants. Failure to comply with the covenants would result in a default which, if the Company were unable to cure or obtain a waiver from the lenders, could accelerate the repayment of the obligations. Further, in the event of default, the Company may be restricted from paying dividends to its stockholders in excess of dividends required to maintain its REIT qualification. Accordingly, an event of default could have a material and adverse impact on the Company.

On January 28, 2022, the Company amended and restated the unsecured revolving credit facility to increase the available borrowings to $1.0 billion and extend the maturity date to March 31, 2026. In addition to United States Dollars ("USD"), borrowings under the unsecured revolving credit facility can be made in Pound Sterling, Euros or Canadian Dollars ("CAD") up to an aggregate amount of $500.0 million. Prior to the amendment, borrowings under the credit facility were subject to interest at variable rates based on LIBOR plus a margin based on the Company's current credit rating ranging between 0.825% to 1.55% per annum. Borrowings under the amended credit facility are subject to interest only payments at variable rates equal to the applicable reference rate plus a margin based on the Company's credit rating, ranging between 0.725% and 1.400%. In addition, the amended credit facility is subject to a facility fee on the amount of the revolving commitments, based on the Company's credit rating. The applicable facility fee is 0.200% per annum.

On August 1, 2022, the Company entered into two unsecured term loans, including a $200.0 million, five-year unsecured term loan that matures in 2027 (the "2027 Unsecured Term Loan"), and a $300.0 million, seven-year unsecured term loan that matures in 2029 (the "2029 Unsecured Term Loan"). Borrowings on the new term loans bear interest at variable rates based on adjusted SOFR, plus a margin based on the Company's credit rating, ranging between 0.80% and 1.60% per annum for the 2027 Unsecured Term Loan, and 1.15% and 2.20% per annum for the 2029 Unsecured Term Loan. Proceeds from the loans were used to repay in full the $190.0 million 2024 Unsecured Term Loan, including accrued interest, and a portion of the outstanding balance on the unsecured revolving credit facility.

For the three and nine months ended September 30, 2022, the Company incurred $3.2 million and $7.0 million, respectively, in debt issuance costs associated with the unsecured revolving credit facility, 2027 Unsecured Term Loan and 2029 Unsecured Term Loan. For the three and nine months ended September 30, 2021, the Company incurred $4.1 million and $5.0 million, respectively, in debt issuance costs and original issuance discount associated with the 2031 Senior Public Notes and the amended 2026 Unsecured Term Loan.

For each separate debt instrument, on a lender-by-lender basis, in accordance with ASC 470-50, *Debt Modifications and Extinguishment*, the Company performed an assessment of whether the transaction was deemed to be new debt, a modification of existing debt, or an extinguishment of existing debt. Debt issuance costs are either deferred and amortized over the term of the associated debt or expensed as incurred.

With respect to the amended unsecured revolving credit facility, and the 2027 Unsecured Term Loan and 2029 Unsecured Term Loan, the transactions were deemed to be new debt, and a modification of existing debt, and therefore the $3.2 million and $7.0 million of debt issuance costs incurred during the three and nine months ended September 30, 2022, respectively, were deferred and are being amortized over the term of the associated debt. Additionally, unamortized debt issuance costs of $0.2 million were expensed and included in Cost of debt extinguishment in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2022.

With respect to the 2031 Senior Unsecured Public Notes and the amended 2026 Unsecured Term Loan, the transactions were deemed to be related to new debt and a modification of existing debt, and therefore the $3.4 million and $4.3 million of debt issuance costs paid to lenders were deferred and are being amortized over the term of the associated debt during the three and nine months ended September 30, 2021, respectively. Additionally, unamortized debt issuance costs of $0.2 million and $0.3 million were expensed and included in Cost of debt extinguishment in the accompany Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2021, respectively.

Debt issuance costs and original issuance discounts are amortized as a component of Interest expense in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income. The following table summarizes debt issuance cost and original issuance discount amortization:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands)* | **2022** | **2021** | **2022** | **2021** |
| Debt issuance costs and original issuance discount amortization | $ 948 | $ 962 | $ 2,704 | $ 2,832 |

## 10. Mortgages

The Company's mortgages consist of the following:

| *(in thousands, except interest rates)* Lender | Origination Date (Month/Year) | Maturity Date (Month/Year) | Interest Rate | September 30, 2022 | December 31, 2021 | |
|---|---|---|---|---|---|---|
| Wilmington Trust National Association | Apr-19 | Feb-28 | 4.92% | $ 45,834 | $ 46,760 | (a) (b) (c) (d) |
| Wilmington Trust National Association | Jun-18 | Aug-25 | 4.36% | 19,254 | 19,557 | (a) (b) (c) (e) |
| PNC Bank | Oct-16 | Nov-26 | 3.62% | 16,782 | 17,094 | (b) (c) |
| T2 Durham I, LLC | Jul-21 | Jul-24 | Greater of Prime + 1.25% or 5.00% | 7,500 | 7,500 | (b) (f) (h) |
| Aegon | Apr-12 | Oct-23 | 6.38% | 5,626 | 6,249 | (b) (g) |
| Total mortgages | | | | 94,996 | 97,160 | |
| Debt issuance costs, net | | | | (243) | (314) | |
| Mortgages, net | | | | $ 94,753 | $ 96,846 | |

(a) Non-recourse debt includes the indemnification/guaranty of the Corporation and/or OP pertaining to fraud, environmental claims, insolvency, and other matters.
(b) Debt secured by related rental property and lease rents.
(c) Debt secured by guaranty of the OP.
(d) Mortgage was assumed in April 2019 as part of the acquisition of the related property. The debt was recorded at fair value at the time of assumption.
(e) Mortgage was assumed in June 2018 as part of the acquisition of the related property. The debt was recorded at fair value at the time of assumption.
(f) Mortgage is subject to interest at a daily floating annual rate equal to the Prime Rate plus 1.25%, but no less than 5.00% per annum. At September 30, 2022 and December 31, 2021, the interest rate was 7.50% and 5.00%, respectively.
(g) Mortgage was assumed in April 2012 as part of the acquisition of the related property. The debt was recorded at fair value at the time of the assumption.
(h) Mortgage was paid in full on October 6, 2022 (see Note 19).

At September 30, 2022, investment in rental property of $158.5 million was pledged as collateral against the Company's mortgages.

Estimated future principal payments to be made under the above mortgages and the Company's unsecured credit agreements (see Note 9) at September 30, 2022 are as follows:

| *(in thousands)* | |
|---|---|
| Remainder of 2022 | $ 743 |
| 2023 | 7,582 |
| 2024 | 9,760 |
| 2025 | 20,195 |
| 2026 | 636,380 |
| Thereafter | 1,389,873 |
| | $ 2,064,533 |

Certain of the Company's mortgages provide for prepayment fees and can be terminated under certain events of default as defined under the related agreements. These prepayment fees are not reflected as part of the table above.

## 11. Interest Rate Swaps

Interest rate swaps were entered into with certain financial institutions in order to mitigate the impact of interest rate variability over the term of the related debt agreements. The interest rate swaps are considered cash flow hedges. In order to reduce counterparty concentration risk, the Company has a diversification policy for institutions that serve as swap counterparties. Under these agreements, the Company receives monthly payments from the counterparties on these interest rate swaps equal to the related variable interest rates multiplied by the outstanding notional amounts. Certain interest rate swaps amortize on a monthly basis. In turn, the Company pays the counterparties each month an amount equal to a fixed rate multiplied by the related outstanding notional amounts. The intended net impact of these transactions is that the Company pays a fixed interest rate on its variable-rate borrowings.

The following is a summary of the Company's outstanding interest rate swap agreements:

*(in thousands, except interest rates)*

| Counterparty | Maturity Date | Fixed Rate | Variable Rate Index | September 30, 2022 Notional Amount | September 30, 2022 Fair Value | December 31, 2021 Notional Amount | December 31, 2021 Fair Value |
|---|---|---|---|---|---|---|---|
| Wells Fargo Bank, N.A. | October 2024 | 2.72 % | one-month LIBOR | $ 15,000 | $ 451 | $ 15,000 | $ (702 ) |
| Capital One, National Association | December 2024 | 1.58 % | one-month LIBOR | 15,000 | 834 | 15,000 | (241 ) |
| Bank of Montreal | January 2025 | 1.91 % | one-month LIBOR | 25,000 | 1,256 | 25,000 | (649 ) |
| Truist Financial Corporation | April 2025 | 2.20 % | one-month LIBOR | 25,000 | 1,184 | 25,000 | (905 ) |
| Bank of Montreal | July 2025 | 2.32 % | one-month LIBOR | 25,000 | 1,189 | 25,000 | (1,049 ) |
| Truist Financial Corporation | July 2025 | 1.99 % | one-month LIBOR | 25,000 | 1,404 | 25,000 | (767 ) |
| Truist Financial Corporation | December 2025 | 2.30 % | one-month LIBOR | 25,000 | 1,346 | 25,000 | (1,125 ) |
| Bank of Montreal | January 2026 | 1.92 % | one-month LIBOR | 25,000 | 1,637 | 25,000 | (760 ) |
| Bank of Montreal | January 2026 | 2.05 % | one-month LIBOR | 40,000 | 2,463 | 40,000 | (1,415 ) |
| Capital One, National Association | January 2026 | 2.08 % | one-month LIBOR | 35,000 | 2,116 | 35,000 | (1,274 ) |
| Truist Financial Corporation | January 2026 | 1.93 % | one-month LIBOR | 25,000 | 1,631 | 25,000 | (768 ) |
| Capital One, National Association | April 2026 | 2.68 % | one-month LIBOR | 15,000 | 662 | 15,000 | (941 ) |
| Capital One, National Association | July 2026 | 1.32 % | one-month LIBOR | 35,000 | 3,250 | 35,000 | (205 ) |
| Bank of Montreal | December 2026 | 2.33 % | one-month LIBOR | 10,000 | 633 | 10,000 | (538 ) |
| Bank of Montreal | December 2026 | 1.99 % | one-month LIBOR | 25,000 | 1,913 | 25,000 | (936 ) |
| Toronto-Dominion Bank | March 2027 | 2.46 % | one-month CDOR | 14,607 (a) | 744 | — | — |
| Wells Fargo Bank, N.A. | April 2027 | 2.72 % | one-month LIBOR | 25,000 | 1,233 | 25,000 | (1,887 ) |
| Bank of Montreal | December 2027 | 2.37 % | one-month LIBOR | 25,000 | 1,774 | 25,000 | (1,570 ) |
| Capital One, National Association | December 2027 | 2.37 % | one-month LIBOR | 25,000 | 1,742 | 25,000 | (1,575 ) |
| Wells Fargo Bank, N.A. | January 2028 | 2.37 % | one-month LIBOR | 75,000 | 5,265 | 75,000 | (4,741 ) |
| Bank of Montreal | May 2029 | 2.09 % | one-month LIBOR | 25,000 | 2,451 | 25,000 | (1,316 ) |
| Regions Bank | May 2029 | 2.11 % | one-month LIBOR | 25,000 | 2,394 | 25,000 | (1,356 ) |
| Regions Bank | June 2029 | 2.03 % | one-month LIBOR | 25,000 | 2,511 | 25,000 | (1,222 ) |
| U.S. Bank National Association | June 2029 | 2.03 % | one-month LIBOR | 25,000 | 2,536 | 25,000 | (1,220 ) |
| Regions Bank | August 2029 | 2.58 % | one-month SOFR | 100,000 | 6,137 | — | — |
| Toronto-Dominion Bank | August 2029 | 2.58 % | one-month SOFR | 45,000 | 2,851 | — | — |
| U.S. Bank National Association | August 2029 | 2.65 % | one-month SOFR | 15,000 | 880 | — | — |
| U.S. Bank National Association | August 2029 | 2.58 % | one-month SOFR | 100,000 | 6,231 | — | — |
| U.S. Bank National Association | August 2029 | 1.35 % | one-month LIBOR | 25,000 | 3,605 | 25,000 | (9 ) |
| Regions Bank | March 2032 | 2.69 % | one-month CDOR | 14,607 (a) | 1,028 | — | — |
| U.S. Bank National Association | March 2032 | 2.70 % | one-month CDOR | 14,607 (a) | 1,044 | — | — |
| Bank of Montreal | March 2034 | 2.81 % | one-month CDOR | 29,216 (a) | 2,207 | — | — |
| | | | | $ 973,037 | $ 66,602 | $ 640,000 | $ (27,171 ) |

(a) The contractual notional amount is \$20.0 million or \$40.0 million CAD.

At September 30, 2022, the weighted average fixed rate on all outstanding interest rate swaps was 2.22%.

The total amounts recognized, and the location in the accompanying Condensed Consolidated Statements of Income and Comprehensive Income, from converting from variable rates to fixed rates under these agreements were as follows:

| *(in thousands)* For the Three Months Ended September 30, | Amount of Gain Recognized in Accumulated Other Comprehensive Income (Loss) | Reclassification from Accumulated Other Comprehensive Income (Loss) | | Total Interest Expense Presented in the Condensed Consolidated Statements of Income and Comprehensive Income |
|---|---|---|---|---|
| | | Location | Amount of Loss | |
| 2022 | $ 40,039 | Interest expense | $ 446 | $ 20,095 |
| 2021 | 4,559 | Interest expense | 4,085 | 15,611 |

| *(in thousands)* For the Nine Months Ended September 30, | Amount of Gain Recognized in Accumulated Other Comprehensive Income (Loss) | Reclassification from Accumulated Other Comprehensive Income (Loss) | | Total Interest Expense Presented in the Condensed Consolidated Statements of Income and Comprehensive Income |
|---|---|---|---|---|
| | | Location | Amount of Loss | |
| 2022 | $ 93,772 | Interest expense | $ 7,433 | $ 54,879 |
| 2021 | 30,328 | Interest expense | 12,140 | 47,149 |

Amounts related to the interest rate swaps expected to be reclassified out of Accumulated other comprehensive income (loss) to Interest expense during the next twelve months are estimated to be a gain of $17.2 million. The Company is exposed to credit risk in the event of non-performance by the counterparties of the swaps. The Company minimizes the risk exposure by limiting counterparties to only major banks who meet established credit and capital guidelines.

## 12. Non-Controlling Interests

The following table summarizes OP Units exchanged for shares of common stock:

| *(in thousands)* | For the Three Months Ended September 30, 2022 | For the Three Months Ended September 30, 2021 | For the Nine Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2021 |
|---|---|---|---|---|
| OP Units exchanged for shares of common stock | 118 | 1,723 | 118 | 2,888 |
| Value of units exchanged | $ 1,926 | $ 27,755 | $ 1,926 | $ 46,220 |

As of September 30, 2021, the Company achieved all four VWAP milestones applicable to the earnout (see Note 4). As a result, the OP issued 1,611,358 and 1,859,257 non-controlling OP Units during the three and nine months ended September 30, 2021, respectively. There were no OP Units issued during the three and nine months ended September 30, 2022.

## 13. Credit Risk Concentrations

The Company maintained bank balances that, at times, exceeded the federally insured limit during the nine months ended September 30, 2022. The Company has not experienced losses relating to these deposits and management does not believe that the Company is exposed to any significant credit risk with respect to these amounts.

For the three and nine months ended September 30, 2022 and 2021, the Company had no individual tenants or common franchises that accounted for more than 10% of Lease revenues, net, excluding lease termination fees.

## 14. Equity

The Company established an at-the-market common equity offering program ("ATM Program"), through which it may, from time to time, publicly offer and sell shares of common stock having an aggregate gross sales price of up to $400.0 million. The ATM Program provides for forward sale agreements, enabling the Company to set the price of shares upon pricing the offering, while delaying the issuance of shares and the receipt of the net proceeds. As of September 30, 2022, the Company has $145.4 million of available capacity under the ATM Program.

The following table presents information about the Company's ATM Program activity:

| *(in thousands, except per share amounts)* | For the Three Months Ended September 30, 2022 | For the Nine Months Ended September 30, 2022 |
|---|---|---|
| Number of common shares issued | 962 | 10,471 |
| Weighted average sale price per share | $ 21.44 | $ 21.66 |
| Net proceeds | $ 20,248 | $ 222,895 |
| Gross proceeds | 20,626 | 226,483 |

There was no ATM Program activity during the three and nine months ended September 30, 2021.

In August 2022, the Company completed a public offering to sell an aggregate of 13,000,000 shares of common stock at a price of $21.35 per share, subject to certain adjustments, in connection with a forward sale agreement. The Company expects to settle the forward sale agreement by the August 2023 maturity date. As of September 30, 2022, the Company anticipates the forward sale agreement will provide net proceeds of approximately $270.7 million. The Company has not settled any part of the forward sale agreement as of September 30, 2022.

As of September 30, 2021, the Company achieved all four VWAP milestones applicable to the earnout (see Note 4). As a result, the Company issued 943,782 and 1,088,977 shares of common stock during the three and nine months ended September 30, 2021, respectively. There was no such activity during the three and nine months ended September 30, 2022.

On June 28, 2021, the Corporation completed its first public follow-on equity offering and issued 11,500,000 shares of Common Stock, including shares issued pursuant to the underwriters' full exercise of their over-allotment option, at $23.00 per share. The net proceeds, after deducting underwriting discounts and commissions of $10.6 million and $0.4 million of other expenses, were $253.5 million. The Company used the net proceeds to repay the unsecured revolving credit facility in full, and used the remaining net proceeds for general business purposes, including acquisitions.

## 15. Stock-Based Compensation

### Restricted Stock Awards

During the three and nine months ended September 30, 2022, the Company awarded 6,175 and 181,088 shares of RSAs, respectively, to officers, employees and non-employee directors, under the Equity Incentive Plan. During the three and nine months ended September 30, 2021, the Company issued 178 and 201,273 shares of RSAs, respectively. The holder of RSAs is generally entitled at all times on and after the date of issuance of the restricted common shares to exercise the rights of a stockholder of the Company, including the right to vote the shares and the right to receive dividends on the shares. The RSAs vest over a one-, three-, or four-year period from the date of the grant and are subject to the holder's continued service through the applicable vesting dates and in accordance with the terms of the individual award agreements. The weighted average value of awards granted during the three and nine months ended September 30, 2022, were $22.67 and $21.44, respectively, which were based on the market price per share of the Company's common stock on the grant date. The weighted average value of awards granted during the three and nine months ended September 30, 2021, were $26.02 and $18.68, respectively.

The following table presents information about the Company's RSAs:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands)* | 2022 | 2021 | 2022 | 2021 |
| Compensation cost [(a)] | $ 994 | $ 701 | $ 2,481 | $ 3,124 |
| Dividends declared on unvested RSAs | 107 | 95 | 310 | 296 |
| Fair value of shares vested during the period | — | — | 3,209 | 3,296 |

(a) Includes $0.2 million and $0.3 million compensation cost recognized from RSAs granted to non-employee directors for the three and nine months ended September 30, 2022, respectively.

| *(in thousands, except recognition period)* | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Unamortized value of RSAs | $ 5,935 | $ 4,715 |
| Weighted average amortization period (in years) | 2.4 | 2.4 |

The following table presents information about the Company's RSA activity:

| | For the Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| *(in thousands, except per share amounts)* | Number of Shares | Weighted Average Grant Date Fair Value per Share | Number of Shares | Weighted Average Grant Date Fair Value per Share |
| Unvested at beginning of period | 392 | $ 20.33 | 378 | $ 19.60 |
| Granted | 6 | 22.67 | 1 | 26.02 |
| Vested | — | — | — | — |
| Forfeited | (1) | 21.66 | (5) | 19.72 |
| Unvested at end of period | 397 | 20.37 | 374 | 19.61 |

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| *(in thousands, except per share amounts)* | Number of Shares | Weighted Average Grant Date Fair Value per Share | Number of Shares | Weighted Average Grant Date Fair Value per Share |
| Unvested at beginning of period | 372 | $ 19.62 | 341 | $ 20.50 |
| Granted | 181 | 21.44 | 202 | 18.68 |
| Vested | (146) | 19.80 | (164) | 20.15 |
| Forfeited | (10) | 20.10 | (5) | 19.72 |
| Unvested at end of period | 397 | 20.37 | 374 | 19.61 |

**Performance-based Restricted Stock Units**

The Company issued target grants of 124,024 and 132,189 PRSUs, during the nine months ended September 30, 2022 and 2021, respectively, under the Equity Incentive Plan to the officers of the Company. There were 2,141 PRSUs granted during the three months ended September 30, 2022. There were no PRSUs granted during the three months ended September 30, 2021. The awards are non-vested restricted stock units where the vesting percentages and the ultimate number of units vesting will be measured 50% based on the relative total shareholder return ("rTSR") of the Company's common stock as compared to the rTSR of peer companies, as identified in the grant agreements, over a three-year period, and 50% based on the rTSR of the Company's common stock as compared to the rTSR of the MSCI US REIT Index over a three year measurement period. Vesting percentages range from 0% to 200% with a target of 100%. rTSR means the percentage appreciation in the fair market value of one share over the three-year measurement period beginning on the date of grant, assuming the reinvestment of dividends on the ex-dividend date. The target number of units is based on achieving a rTSR equal to the 55$^{th}$ percentile of the peer companies and MSCI US REIT Index. Dividends accrue during the measurement period and will be paid on the PRSUs ultimately earned at the end of the measurement period in either cash or common stock, at the direction of the Board's Compensation Committee. The grant date fair value of the PRSUs was measured using a Monte Carlo simulation model based on assumptions including share price volatility.

The following tables present information about the Company's PRSUs:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands, except recognition period)* | 2022 | 2021 | 2022 | 2021 |
| Compensation cost | $ 509 | $ 223 | $ 1,332 | $ 520 |

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Unamortized value of PRSUs | $ 4,027 | $ 1,931 |
| Weighted average amortization period (in years) | 2.1 | 2.2 |

The following table presents information about the Company's PRSU activity:

| | For the Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (in thousands, except per share amounts) | Number of Shares | Weighted Average Grant Date Fair Value per Share | Number of Shares | Weighted Average Grant Date Fair Value per Share |
| Unvested at beginning of period | 231 | $ 26.25 | 110 | $ 24.40 |
| Granted | 2 | 27.93 | — | — |
| Vested | — | — | — | — |
| Forfeited | — | — | — | — |
| Unvested at end of period | 233 | 26.27 | 110 | 24.40 |

| | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (in thousands, except per share amounts) | Number of Shares | Weighted Average Grant Date Fair Value per Share | Number of Shares | Weighted Average Grant Date Fair Value per Share |
| Unvested at beginning of period | 110 | $ 24.40 | — | $ — |
| Granted | 124 | 27.93 | 132 | 24.40 |
| Vested | — | — | — | — |
| Forfeited | (1) | 27.93 | (22) | 24.40 |
| Unvested at end of period | 233 | 26.27 | 110 | 24.40 |

## 16. Earnings per Share

The following table summarizes the components used in the calculation of basic and diluted earnings per share ("EPS"):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in thousands, except per share amounts) | 2022 | 2021 | 2022 | 2021 |
| Basic earnings: | | | | |
| Net earnings attributable to Broadstone Net Lease, Inc. common shareholders | $ 27,109 | $ 28,698 | $ 87,383 | $ 72,135 |
| Less: earnings allocated to unvested restricted shares | (108) | (95) | (310) | (296) |
| Net earnings used to compute basic earnings per common share | $ 27,001 | $ 28,603 | $ 87,073 | $ 71,839 |
| | | | | |
| Diluted earnings: | | | | |
| Net earnings used to compute basic earnings per share | $ 27,001 | $ 28,603 | $ 87,073 | $ 71,839 |
| Net earnings attributable to non-controlling interests | 1,600 | 1,824 | 5,319 | 5,167 |
| Net earnings used to compute diluted earnings per common share | $ 28,601 | $ 30,427 | $ 92,392 | $ 77,006 |
| | | | | |
| Weighted average number of common shares outstanding | 172,973 | 159,604 | 169,061 | 150,593 |
| Less: weighted average unvested restricted shares [(a)] | (395) | (378) | (381) | (366) |
| Weighted average number of common shares outstanding used in basic earnings per common share | 172,578 | 159,226 | 168,680 | 150,227 |
| Effects of restricted stock units [(b)] | 180 | 219 | 166 | 172 |
| Effects of convertible membership units [(c)] | 10,213 | 10,142 | 10,286 | 10,874 |
| Weighted average number of common shares outstanding used in diluted earnings per common share | 182,971 | 169,587 | 179,132 | 161,273 |
| | | | | |
| Basic earnings per share | $ 0.16 | $ 0.18 | $ 0.52 | $ 0.48 |
| Diluted earnings per share | $ 0.16 | $ 0.18 | $ 0.52 | $ 0.48 |

(a) Represents the weighted average effects of 397,135 and 373,619 unvested restricted shares of common stock as of September 30, 2022 and 2021, respectively, which will be excluded from the computation of earnings per share until they vest.

(b) Represents the weighted average effects of shares of common stock to be issued as though the end of the period were the end of the performance period (see Note 15).

(c) Represents the weighted average effects of 10,204,806 and 10,370,417 OP Units outstanding at September 30, 2022 and 2021, respectively. OP Units are included in the diluted earnings per share calculation. However, because such OP Units would also require that the share of the net income attributable to such OP units also be added back to net income, there is no effect to EPS.

## 17. Supplemental Cash Flow Disclosures

Cash paid for interest was $46.2 million and $38.6 million for the nine months ended September 30, 2022 and 2021, respectively. Cash paid for income taxes was $0.9 million and $1.1 million for the nine months ended September 30, 2022 and 2021, respectively.

The following are non-cash transactions and have been excluded from the accompanying Condensed Consolidated Statements of Cash Flows:

- During the nine months ended September 30, 2022, the Company converted 118,400 OP Units valued at $1.9 million to 118,400 shares of common stock. During the nine months ended September 30, 2021, the Company converted 2,887,278 OP Units valued at $46.2 million to 2,887,278 shares of common stock.
- At September 30, 2022 and 2021, dividend amounts declared and accrued but not yet paid amounted to $49.9 million and $43.9 million, respectively.
- At September 30, 2022 and 2021, the Company adjusted the carrying value of Non-controlling interests to reflect their share of the book value of the OP by $3.3 million and $31.5 million, respectively, with the reallocation recorded as an offset to Additional paid-in capital and Accumulated other comprehensive income (loss).

## 18. Commitments and Contingencies

### Litigation

From time to time, the Company is a party to various litigation matters incidental to the conduct of the Company's business. While the resolution of such matters cannot be predicted with certainty, based on currently available information, the Company does not believe that the final outcome of any of these matters will have a material effect on its consolidated financial position, results of operations, or liquidity.

### Property and Acquisition Related

In connection with ownership and operation of real estate, the Company may potentially be liable for cost and damages related to environmental matters. The Company is not aware of any non-compliance, liability, claim, or other environmental condition that would have a material effect on its consolidated financial position, results of operations, or liquidity.

The Company had a commitment to fund a building expansion project related to a previous acquisition for a total of $17.4 million, in exchange for an increase in base rent. In June 2022, the Company fulfilled this commitment and the base rent increased accordingly.

The Company is a party to three separate tax protection agreements with the contributing members of three distinct UPREIT transactions and to a tax protection agreement in connection with the internalization. The tax protection agreements require the Company to indemnify the beneficiaries in the event of a sale, exchange, transfer, or other disposal of the contributed property, and in the case of the tax protection agreement entered into in connection with the Company's internalization, the entire Company, in a taxable transaction that would cause such beneficiaries to recognize a gain that is protected under the agreements, subject to certain exceptions. The Company is required to allocate an amount of nonrecourse liabilities to each beneficiary that is at least equal to the minimum liability amount, as contained in the agreements. The minimum liability amount and the associated allocation of nonrecourse liabilities are calculated in accordance with applicable tax regulations, are completed at the OP level, and do not represent GAAP accounting. Therefore, there is no impact to the Condensed Consolidated Financial Statements. Based on values as of September 30, 2022, taxable sales of the applicable properties would trigger liability under the agreements of approximately $22.3 million. Based on information available, the Company does not believe that the events resulting in damages as detailed above have occurred or are likely to occur in the foreseeable future.

In the normal course of business, the Company enters into various types of commitments to purchase real estate properties. These commitments are generally subject to the Company's customary due diligence process and, accordingly, a number of specific conditions must be met before the Company is obligated to purchase the properties.

## 19. Subsequent Events

On October 14, 2022, the Company paid distributions totaling $49.5 million.

On October 27, 2022, the Board of Directors declared a quarterly distribution of $0.275 per share on the Company's common stock and OP Units for the fourth quarter of 2022, which will be payable on or before January 13, 2023 to stockholders and OP unitholders of record as of December 30, 2022.

Subsequent to September 30, 2022, the Company continued to expand its operations through the acquisition of additional rental property and associated intangible assets and liabilities. The Company acquired approximately $283.1 million of rental property and associated intangible assets and liabilities (see Note 5).

Subsequent to September 30, 2022, the Company borrowed $259.0 million on the unsecured revolving credit facility, the proceeds of which were used to fund acquisitions and for other general corporate purposes. Additionally, on October 6, 2022, the Company paid one mortgage with a principal balance of $7.5 million in full (see Note 10).

Subsequent to September 30, 2022, the Company executed a lease amendment with an existing tenant to fund a total of $33.0 million towards a building expansion expected to be completed in 2023, in exchange for an increase in rent contractually scheduled to occur simultaneously upon funding.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*Except where the context suggests otherwise, as used in this Quarterly Report on Form 10-Q, the terms "BNL," "we," "us," "our," and "our company" refer to Broadstone Net Lease, Inc., a Maryland corporation incorporated on October 18, 2007, and, as required by context, Broadstone Net Lease, LLC, a New York limited liability company, which we refer to as the or our "OP," and to their respective subsidiaries.*

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our results of operations and financial condition. This MD&A is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and the accompanying Notes to the Condensed Consolidated Financial Statements appearing elsewhere in this Quarterly Report on Form 10-Q.

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, which reflect our current views regarding our business, financial performance, growth prospects and strategies, market opportunities, and market trends, that are intended to be made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include all statements that are not historical facts. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "approximately," "projects," "predicts," "intends," "plans," "estimates," "anticipates," or the negative version of these words or other comparable words. All of the forward-looking statements included in this Quarterly Report on Form 10-Q are subject to various risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results, performance, and achievements could differ materially from those expressed in or by the forward-looking statements and may be affected by a variety of risks and other factors. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from such forward-looking statements.

Important factors that could cause results to differ materially from the forward-looking statements are described in Item 1. "Business," Item 1A. "Risk Factors," and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2021 Annual Report on Form 10-K, as filed with the SEC on February 23, 2022. The "Risk Factors" of our 2021 Annual Report should not be construed as exhaustive and should be read in conjunction with other cautionary statements included elsewhere in this Quarterly Report on Form 10-Q.

You are cautioned not to place undue reliance on any forward-looking statements included in this Quarterly Report on Form 10-Q. All forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and the risk that actual results, performance, and achievements will differ materially from the expectations expressed in or referenced by this Quarterly Report on Form 10-Q will increase with the passage of time. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as required by law.

### Regulation FD Disclosures

We use any of the following to comply with our disclosure obligations under Regulation FD: SEC filings, press releases, public conference calls, or our website. We routinely post important information on our website at www.Broadstone.com, including information that may be deemed material. We encourage our shareholders and others interested in our company to monitor these distribution channels for material disclosures. Our website address is included in this Quarterly Report as a textual reference only and the information on the website is not incorporated by reference in this Quarterly Report.

### Explanatory Note and Certain Defined Terms

Unless the context otherwise requires, the following terms and phrases are used throughout this MD&A as described below:

- "annualized base rent" or "ABR" means the annualized contractual cash rent due for the last month of the reporting period, excluding the impacts of short-term rent deferrals, abatements, free rent, or discounted rent periods, and adjusted to remove rent from properties sold during the month and to include a full month of contractual cash rent for investments made during the month;
- "Investments" or amounts "invested" include real estate investments in new property acquisitions and revenue generating capital expenditures, and excludes capitalized acquisition costs.

- "cash capitalization rate" represents the estimated first year cash yield to be generated on a real estate investment, which was estimated at the time of investment based on the contractually specified cash base rent for the first full year after the date of the investment, divided by the purchase price for the property excluding capitalized acquisitions costs;
- "CPI" means the Consumer Price Index for All Urban Consumers (CPI-U): U.S. City Average, All Items, as published by the U.S. Bureau of Labor Statistics, or other similar index which is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services;
- "occupancy" or a specified percentage of our portfolio that is "occupied" or "leased" means as of a specified date the quotient of (1) the total rentable square footage of our properties minus the square footage of our properties that are vacant and from which we are not receiving any rental payment, and (2) the total square footage of our properties; and
- "Revolving Credit Facility" means our $1.0 billion unsecured revolving credit facility, dated January 28, 2022, with J.P. Morgan Chase Bank, N.A. and the other lenders party thereto.

**Overview**

We are an internally-managed real estate investment trust ("REIT") that acquires, owns, and manages primarily single-tenant commercial real estate properties that are net leased on a long-term basis to a diversified group of tenants. Since our inception in 2007, we have selectively invested in net leased assets in the industrial, healthcare, restaurant, retail, and office property types. During the nine months ended September 30, 2022, we invested $596.9 million at a weighted average initial cash capitalization rate of 6.2%, including the acquisition of 69 properties located across 22 U.S. states and four Canadian provinces with a weighted average initial lease term and minimum annual rent increases of 20.1 years and 1.9%, respectively. The acquisitions included properties in industrial (61.0% of the total volume acquired during the nine months ended September 30, 2022, based on ABR), restaurant (18.6%), retail (16.4%), and healthcare (4.0%) asset classes. As of September 30, 2022, our portfolio has grown to 790 properties, with 783 properties located in 44 U.S. states and seven properties located in four Canadian provinces.

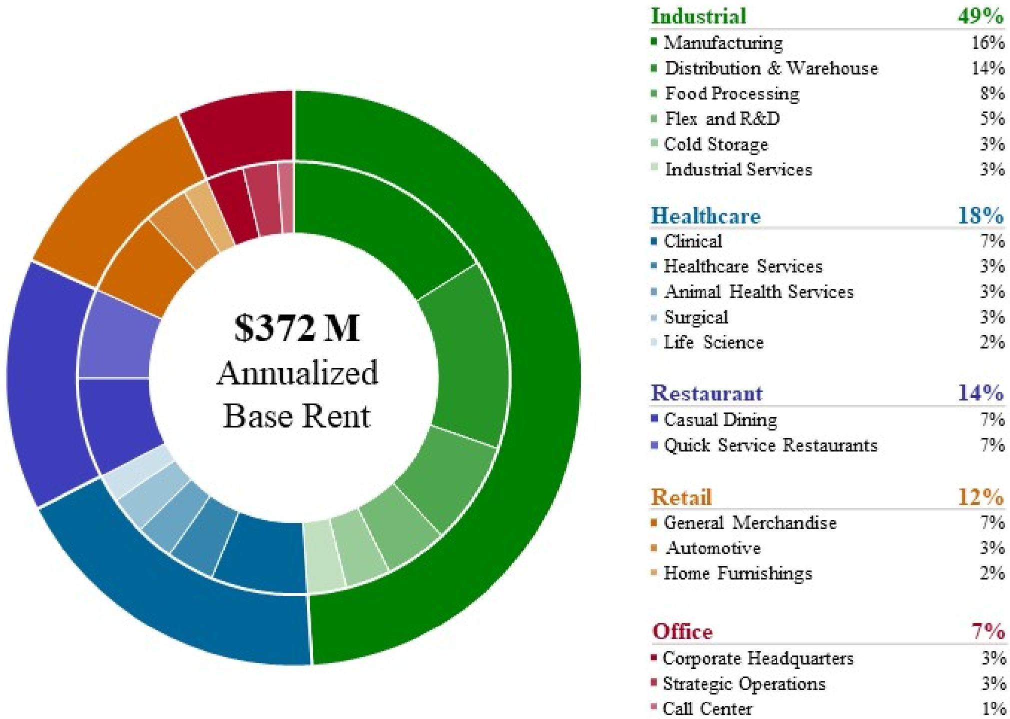
We focus on investing in real estate that is operated by creditworthy single tenants in industries characterized by positive business drivers and trends. We target properties that are an integral part of the tenants' businesses and are therefore opportunities to secure long-term net leases. Through long-term net leases, our tenants are able to retain operational control of their strategically important locations, while allocating their debt and equity capital to fund core business operations rather than real estate ownership.

- **Diversified Portfolio**. As of September 30, 2022, our portfolio comprised approximately 36.8 million rentable square feet of operational space, and was highly diversified based on property type, geography, tenant, and industry, and is cross-diversified within each (*e.g.,* property-type diversification within a geographic concentration):
  - *Property Type*: We are focused primarily on industrial, healthcare, restaurant, retail, and office property types based on our extensive experience in and conviction around these sectors. Within these sectors, we have meaningful concentrations in manufacturing, distribution and warehouse, food processing, casual dining, clinical, quick service restaurants, general merchandise, and flex/research and development.
  - *Geographic Diversification*: Our properties are located in 44 U.S. states and four Canadian provinces, with no single geographic concentration exceeding 10.6% of our ABR.
  - *Tenant and Industry Diversification*: Our properties are occupied by approximately 218 different commercial tenants who operate 208 different brands that are diversified across 56 differing industries, with no single tenant accounting for more than 2.4% of our ABR.
- **Strong In-Place Leases with Significant Remaining Lease Term**. As of September 30, 2022, our portfolio was approximately 99.3% leased with an ABR weighted average remaining lease term of approximately 10.7 years, excluding renewal options.
- **Standard Contractual Base Rent Escalation**. Approximately 97.2% of our leases have contractual rent escalations, with an ABR weighted average minimum increase of 2.0%.
- **Extensive Tenant Financial Reporting**. Approximately 94.1% of our tenants, based on ABR, provide financial reporting, of which 85.3% are required to provide us with specified financial information on a periodic basis, and an additional 8.8% of our tenants report financial statements publicly, either through SEC filings or otherwise.

**Real Estate Portfolio Information**

The following charts summarize our portfolio diversification by property type, tenant, brand, industry, and geographic location as of September 30, 2022. The percentages below are calculated based on our ABR of $371.9 million as of September 30, 2022.

*Diversification by Property Type*



| Property Type | # Properties | ABR ($'000s) | ABR as a % of Total Portfolio | Square Feet ('000s) | SF as a % of Total Portfolio |
|---|---|---|---|---|---|
| **Industrial** | | | | | |
| Manufacturing | 75 | $ 59,786 | 16.1 % | 11,481 | 31.2 % |
| Distribution & Warehouse | 48 | 52,878 | 14.2 % | 9,772 | 26.6 % |
| Food Processing | 28 | 28,784 | 7.7 % | 3,279 | 8.9 % |
| Flex and R&D | 7 | 17,389 | 4.7 % | 1,457 | 4.0 % |
| Cold Storage | 4 | 12,744 | 3.4 % | 933 | 2.5 % |
| Industrial Services | 22 | 10,776 | 2.9 % | 587 | 1.6 % |
| Untenanted | 1 | — | — | 122 | 0.3 % |
| **Industrial Total** | **185** | **182,357** | **49.0 %** | **27,631** | **75.1 %** |
| **Healthcare** | | | | | |
| Clinical | 52 | 26,952 | 7.2 % | 1,090 | 3.0 % |
| Healthcare Services | 29 | 13,237 | 3.6 % | 478 | 1.3 % |
| Animal Health Services | 27 | 10,445 | 2.8 % | 405 | 1.1 % |
| Surgical | 12 | 10,294 | 2.8 % | 329 | 0.9 % |
| Life Science | 9 | 7,867 | 2.1 % | 549 | 1.5 % |
| Untenanted | 1 | — | — | 18 | — |
| **Healthcare Total** | **130** | **68,795** | **18.5 %** | **2,869** | **7.8 %** |
| **Restaurant** | | | | | |
| Casual Dining | 104 | 27,748 | 7.5 % | 692 | 1.9 % |
| Quick Service Restaurants | 146 | 24,807 | 6.7 % | 499 | 1.4 % |
| **Restaurant Total** | **250** | **52,555** | **14.2 %** | **1,191** | **3.3 %** |
| **Retail** | | | | | |
| General Merchandise | 130 | 24,129 | 6.5 % | 1,844 | 5.0 % |
| Automotive | 66 | 12,222 | 3.3 % | 770 | 2.1 % |
| Home Furnishings | 13 | 7,115 | 1.9 % | 797 | 2.2 % |
| **Retail Total** | **209** | **43,466** | **11.7 %** | **3,411** | **9.3 %** |
| **Office** | | | | | |
| Corporate Headquarters | 7 | 10,484 | 2.8 % | 679 | 1.8 % |
| Strategic Operations | 5 | 9,806 | 2.6 % | 615 | 1.7 % |
| Call Center | 3 | 4,443 | 1.2 % | 346 | 0.9 % |
| Untenanted | 1 | — | — | 46 | 0.1 % |
| **Office Total** | **16** | **24,733** | **6.6 %** | **1,686** | **4.5 %** |
| **Total** | **790** | **$ 371,906** | **100.0 %** | **36,788** | **100.0 %** |

*Diversification by Tenant*

| Tenant | Property Type | # Properties | ABR ($'000s) | ABR as a % of Total Portfolio | Square Feet ('000s) | SF as a % of Total Portfolio |
|---|---|---|---|---|---|---|
| AHF, LLC* | Distribution & Warehouse/ Manufacturing | 9 | $ 8,994 | 2.4 % | 2,014 | 5.5 % |
| Jack's Family Restaurants LP* | Quick Service Restaurants | 43 | 7,166 | 1.9 % | 147 | 0.4 % |
| Joseph T. Ryerson & Son, Inc | Distribution & Warehouse | 11 | 6,491 | 1.8 % | 1,537 | 4.2 % |
| Red Lobster Hospitality & Red Lobster Restaurants LLC* | Casual Dining | 20 | 6,489 | 1.7 % | 166 | 0.5 % |
| J. Alexander's, LLC* | Casual Dining | 16 | 6,025 | 1.6 % | 132 | 0.4 % |
| Axcelis Technologies, Inc. | Flex and R&D | 1 | 5,991 | 1.6 % | 417 | 1.0 % |
| Dollar General Corporation | General Merchandise | 60 | 5,953 | 1.6 % | 562 | 1.5 % |
| Hensley & Company* | Distribution & Warehouse | 3 | 5,871 | 1.6 % | 577 | 1.6 % |
| BluePearl Holdings, LLC** | Animal Health Services | 13 | 5,452 | 1.5 % | 165 | 0.4 % |
| Tractor Supply Company | General Merchandise | 21 | 5,328 | 1.4 % | 417 | 1.1 % |
| **Total Top 10 Tenants** | | **197** | **63,760** | **17.1 %** | **6,134** | **16.6 %** |
| | | | | | | |
| Outback Steakhouse of Florida LLC*[1] | Casual Dining | 22 | 5,278 | 1.4 % | 140 | 0.4 % |
| Krispy Kreme Doughnut Corporation | Quick Service Restaurants/Food Processing | 27 | 5,034 | 1.4 % | 156 | 0.4 % |
| Big Tex Trailer Manufacturing Inc.* | Automotive/Distribution & Warehouse/Manufacturing/ Corporate Headquarters | 17 | 4,957 | 1.4 % | 1,302 | 3.5 % |
| Siemens Medical Solutions USA, Inc. & Siemens Corporation | Manufacturing/Flex and R&D | 2 | 4,936 | 1.3 % | 545 | 1.5 % |
| Santa Cruz Valley Hospital[2] | Healthcare Facilities | 1 | 4,590 | 1.2 % | 148 | 0.4 % |
| Carvana, LLC* | Industrial Services | 2 | 4,510 | 1.2 % | 230 | 0.6 % |
| Klosterman Bakery | Food Processing | 11 | 4,500 | 1.2 % | 549 | 1.5 % |
| Nestle' Dreyer's Ice Cream Company[3] | Cold Storage | 1 | 4,476 | 1.2 % | 309 | 0.8 % |
| Arkansas Surgical Hospital | Surgical | 1 | 4,367 | 1.2 % | 129 | 0.4 % |
| American Signature, Inc. | Home Furnishings | 6 | 4,309 | 1.2 % | 474 | 1.3 % |
| **Total Top 20 Tenants** | | **287** | **$ 110,717** | **29.8 %** | **10,116** | **27.4 %** |

1 Tenant's properties include 20 Outback Steakhouse restaurants and two Carrabba's Italian Grill restaurants.

2 Tenant's ABR in effect at September 30, 2022. Effective October 3, 2022, we signed a new lease with a new tenant, which will be reflected in our December 31, 2022 ABR figures.

3 Nestle's ABR excludes $1.6 million of rent paid under a sub-lease for an additional property, which will convert to a prime lease no later than August 2024.

* Subject to a master lease.

** Includes properties leased by multiple tenants, some, not all, of which are subject to master leases.

*Diversification by Brand*

| Brand | Property Type | # Properties | ABR ($'000s) | ABR as a % of Total Portfolio | Square Feet ('000s) | SF as a % of Total Portfolio |
|---|---|---|---|---|---|---|
| AHF Products* | Distribution & Warehouse/ Manufacturing | 9 | $ 8,994 | 2.4 % | 2,014 | 5.5 % |
| Jack's Family Restaurants* | Quick Service Restaurants | 43 | $ 7,166 | 1.9 % | 147 | 0.4 % |
| Ryerson | Distribution & Warehouse | 11 | $ 6,491 | 1.7 % | 1,537 | 4.2 % |
| Red Lobster* | Casual Dining | 20 | $ 6,488 | 1.7 % | 166 | 0.5 % |
| Axcelis | Flex and R&D | 1 | $ 5,991 | 1.6 % | 417 | 1.1 % |
| Dollar General | General Merchandise | 60 | $ 5,953 | 1.6 % | 562 | 1.5 % |
| Hensley* | Distribution & Warehouse | 3 | $ 5,871 | 1.6 % | 577 | 1.6 % |
| BluePearl Veterinary Partners** | Animal Health Services | 13 | $ 5,452 | 1.5 % | 165 | 0.4 % |
| Bob Evans Farms*[1] | Casual Dining/Food Processing | 21 | $ 5,352 | 1.4 % | 281 | 0.8 % |
| Tractor Supply Co. | General Merchandise | 21 | $ 5,328 | 1.4 % | 417 | 1.1 % |
| **Total Top 10 Brands** | | **202** | **63,086** | **16.8 %** | **6,283** | **17.1 %** |
| | | | | | | |
| Krispy Kreme | Quick Service Restaurants/ Food Processing | 27 | 5,034 | 1.4 % | 156 | 0.4 % |
| Big Tex Trailers* | Automotive/Distribution & Warehouse/Manufacturing/ Corporate Headquarters | 17 | 4,957 | 1.3 % | 1,302 | 3.5 % |
| Siemens | Manufacturing/Flex and R&D | 2 | 4,936 | 1.3 % | 545 | 1.5 % |
| Santa Cruz Valley Hospital | Healthcare Facilities | 1 | 4,590 | 1.2 % | 148 | 0.4 % |
| Outback Steakhouse* | Casual Dining | 20 | 4,566 | 1.2 % | 126 | 0.3 % |
| Carvana* | Industrial Services | 2 | 4,510 | 1.2 % | 230 | 0.6 % |
| Klosterman Baking Company | Food Processing | 11 | 4,500 | 1.2 % | 549 | 1.5 % |
| Nestle' | Cold Storage | 1 | 4,476 | 1.2 % | 309 | 0.8 % |
| Arkansas Surgical Hospital | Surgical | 1 | 4,366 | 1.2 % | 129 | 0.4 % |
| Wendy's** | Quick Service Restaurants | 29 | 4,319 | 1.2 % | 84 | 0.2 % |
| **Total Top 20 Brands** | | **313** | **$ 109,340** | **29.2 %** | **9,861** | **26.7 %** |

1 Brand includes one BEF Foods, Inc. property and 20 Bob Evans Restaurants, LLC properties.

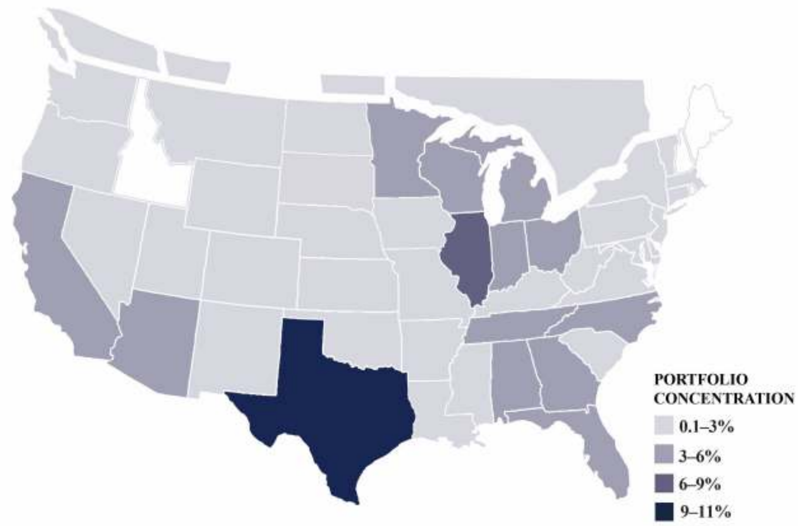
* Subject to a master lease.

** Includes properties leased by multiple tenants, some, not all, of which are subject to master leases.

*Diversification by Industry*

| Industry | # Properties | ABR ($'000s) | ABR as a % of Total Portfolio | Square Feet ('000s) | SF as a % of Total Portfolio |
|---|---|---|---|---|---|
| Healthcare Facilities | 103 | $ 54,541 | 14.7 % | 2,044 | 5.6 % |
| Restaurant | 253 | 53,326 | 14.3 % | 1,233 | 3.4 % |
| Packaged Foods & Meats | 22 | 22,220 | 6.0 % | 2,463 | 6.7 % |
| Distributors | 27 | 15,823 | 4.3 % | 2,695 | 7.3 % |
| Food Distributors | 8 | 14,699 | 4.0 % | 1,786 | 4.9 % |
| Specialty Stores | 31 | 13,731 | 3.7 % | 1,338 | 3.6 % |
| Auto Parts & Equipment | 39 | 12,763 | 3.4 % | 2,398 | 6.5 % |
| Home Furnishings Retail | 18 | 12,560 | 3.4 % | 1,858 | 5.1 % |
| Specialized Consumer Services | 47 | 12,293 | 3.3 % | 722 | 2.0 % |
| Metal & Glass Containers | 8 | 10,010 | 2.7 % | 2,206 | 6.0 % |
| General Merchandise Stores | 94 | 9,416 | 2.5 % | 859 | 2.3 % |
| Industrial Machinery | 20 | 9,213 | 2.5 % | 515 | 1.4 % |
| Healthcare Services | 18 | 9,211 | 2.5 % | 1,949 | 5.3 % |
| Forest Products | 9 | 8,994 | 2.4 % | 2,014 | 5.5 % |
| Aerospace & Defense | 6 | 7,330 | 2.0 % | 746 | 2.0 % |
| Other (41 industries) | 84 | 105,776 | 28.3 % | 11,713 | 31.7 % |
| Untenanted properties | 3 | — | — | 249 | 0.7 % |
| **Total** | **790** | **$ 371,906** | **100.0 %** | **36,788** | **100.0 %** |

*Diversification by Geographic Location*




**TOTAL PROPERTIES: 790   TOTAL STATES/PROVINCES: 44 U.S. states & 4 Canadian provinces**

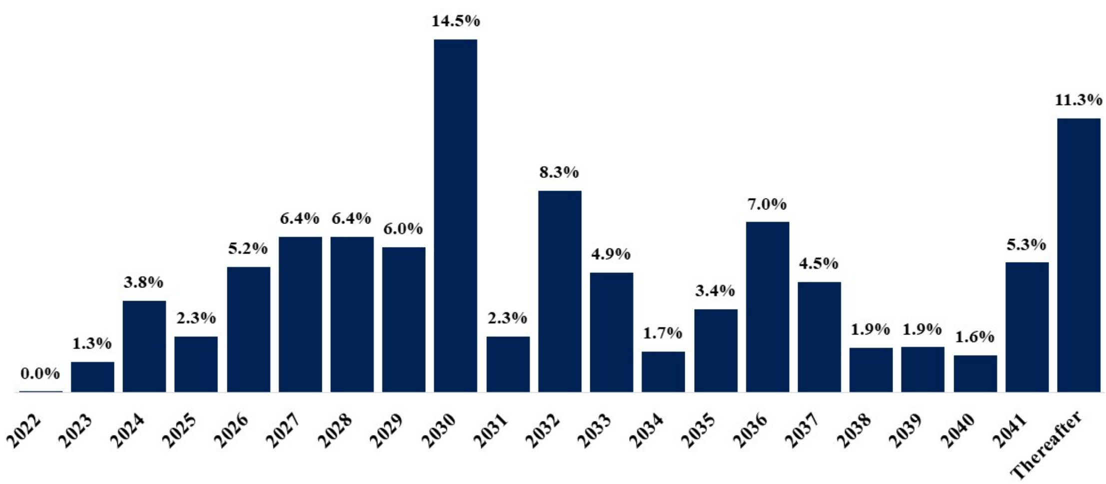
| State / Province | # Properties | ABR ($'000s) | ABR as a % of Total Portfolio | Square Feet ('000s) | SF as a % of Total Portfolio |
|---|---|---|---|---|---|
| **TX** | 72 | $ 39,262 | 10.6 % | 3,924 | 10.7 % |
| **IL** | 32 | 23,981 | 6.4 % | 2,424 | 6.6 % |
| **WI** | 35 | 20,838 | 5.6 % | 2,163 | 5.9 % |
| **OH** | 45 | 18,018 | 4.8 % | 1,715 | 4.7 % |
| **MI** | 48 | 17,234 | 4.6 % | 1,599 | 4.3 % |
| **FL** | 42 | 16,141 | 4.3 % | 844 | 2.3 % |
| **CA** | 10 | 15,753 | 4.2 % | 1,493 | 4.1 % |
| **IN** | 32 | 15,535 | 4.2 % | 1,906 | 5.2 % |
| **MN** | 22 | 15,485 | 4.2 % | 2,505 | 6.8 % |
| **TN** | 50 | 15,076 | 4.1 % | 1,103 | 3.0 % |
| **NC** | 37 | 13,910 | 3.7 % | 1,435 | 3.9 % |
| **AZ** | 9 | 13,343 | 3.6 % | 909 | 2.5 % |
| **AL** | 53 | 11,955 | 3.2 % | 873 | 2.4 % |
| **GA** | 33 | 11,398 | 3.1 % | 1,576 | 4.3 % |
| **MA** | 5 | 10,456 | 2.8 % | 1,026 | 2.8 % |
| **KY** | 26 | 9,374 | 2.5 % | 1,148 | 3.1 % |
| **NY** | 26 | 9,265 | 2.5 % | 680 | 1.8 % |
| **PA** | 21 | 8,832 | 2.4 % | 1,715 | 4.7 % |
| **AR** | 12 | 8,773 | 2.4 % | 544 | 1.5 % |
| **OK** | 21 | 7,625 | 2.1 % | 977 | 2.7 % |
| **MO** | 12 | 6,118 | 1.6 % | 1,138 | 3.1 % |
| **KS** | 11 | 5,583 | 1.5 % | 648 | 1.8 % |
| **VA** | 17 | 5,457 | 1.5 % | 204 | 0.6 % |
| **NJ** | 3 | 4,904 | 1.3 % | 366 | 1.0 % |
| **WA** | 15 | 4,264 | 1.1 % | 150 | 0.4 % |
| **LA** | 4 | 3,400 | 0.9 % | 194 | 0.5 % |
| **NE** | 6 | 3,173 | 0.9 % | 509 | 1.3 % |
| **NM** | 10 | 3,043 | 0.8 % | 115 | 0.3 % |
| **MD** | 4 | 2,987 | 0.8 % | 293 | 0.8 % |
| **MS** | 8 | 2,822 | 0.8 % | 334 | 0.9 % |
| **IA** | 4 | 2,754 | 0.7 % | 622 | 1.7 % |
| **SC** | 13 | 2,499 | 0.7 % | 308 | 0.8 % |
| **WV** | 16 | 2,486 | 0.7 % | 109 | 0.3 % |
| **CO** | 4 | 2,481 | 0.7 % | 126 | 0.3 % |
| **UT** | 3 | 2,397 | 0.6 % | 280 | 0.7 % |
| **CT** | 2 | 1,758 | 0.5 % | 55 | 0.1 % |
| **MT** | 7 | 1,563 | 0.4 % | 43 | 0.1 % |
| **NV** | 2 | 1,357 | 0.4 % | 81 | 0.2 % |
| **DE** | 4 | 1,167 | 0.3 % | 133 | 0.3 % |
| **ND** | 2 | 943 | 0.3 % | 28 | 0.1 % |
| **VT** | 2 | 420 | 0.1 % | 24 | 0.1 % |
| **WY** | 1 | 307 | 0.1 % | 21 | 0.1 % |
| **OR** | 1 | 136 | 0.0 % | 9 | 0.0 % |
| **SD** | 1 | 81 | 0.0 % | 9 | 0.0 % |
| **Total US** | **783** | **$ 364,354** | **98.0 %** | **36,358** | **98.8 %** |
| **BC** | 2 | 4,347 | 1.2 % | 253 | 0.7 % |
| **ON** | 3 | 1,957 | 0.5 % | 101 | 0.3 % |
| **AB** | 1 | 920 | 0.2 % | 51 | 0.1 % |
| **MB** | 1 | 328 | 0.1 % | 25 | 0.1 % |
| **Total Canada** | **7** | **$ 7,552** | **2.0 %** | **430** | **1.2 %** |
| **Grand Total** | **790** | **$ 371,906** | **100.0 %** | **36,788** | **100.0 %** |

**Our Leases**

We typically lease our properties pursuant to long-term net leases that often have renewal options. Substantially all of our leases are net, meaning our tenants are generally obligated to pay all expenses associated with the leased property (such as real estate taxes, insurance, maintenance, repairs, and capital costs).

As of September 30, 2022, approximately 99.3% of our portfolio, representing all but three of our properties, was subject to a lease. Because substantially all of our properties are leased under long-term leases, we are not currently required to perform significant ongoing leasing activities on our properties.

As of September 30, 2022, the ABR weighted average remaining term of our leases was approximately 10.7 years. Less than 5% of the properties in our portfolio are subject to leases without at least one renewal option. Approximately 68.6% of our ABR was derived from leases that will expire in 2030 and after, and no more than 6.4% of our ABR was derived from leases that expire in any single year prior to 2030. The following chart sets forth our lease expirations based upon the terms of the leases in place as of September 30, 2022.



The following table presents certain information based on lease expirations by year. Amounts are in thousands, except for number of properties.

| Expiration Year | # Properties | # Leases | ABR ($'000s) | ABR as a % of Total Portfolio | Square Feet ('000s) | SF as a % of Total Portfolio |
|---|---|---|---|---|---|---|
| 2022 | 1 | 1 | $ 66 | 0.0 % | 11 | 0.0 % |
| 2023 | 6 | 7 | 4,704 | 1.3 % | 517 | 1.4 % |
| 2024 | 11 | 11 | 14,083 | 3.8 % | 1,689 | 4.6 % |
| 2025 | 20 | 23 | 8,545 | 2.3 % | 698 | 1.9 % |
| 2026 | 35 | 32 | 19,265 | 5.2 % | 1,413 | 3.8 % |
| 2027 | 30 | 30 | 23,838 | 6.4 % | 2,079 | 5.7 % |
| 2028 | 35 | 34 | 23,847 | 6.4 % | 2,253 | 6.1 % |
| 2029 | 71 | 40 | 22,258 | 6.0 % | 2,724 | 7.4 % |
| 2030 | 101 | 57 | 54,029 | 14.5 % | 5,110 | 13.9 % |
| 2031 | 33 | 28 | 8,606 | 2.3 % | 805 | 2.2 % |
| 2032 | 60 | 45 | 30,928 | 8.3 % | 3,448 | 9.4 % |
| 2033 | 49 | 23 | 18,377 | 4.9 % | 1,575 | 4.3 % |
| 2034 | 33 | 22 | 6,274 | 1.7 % | 409 | 1.1 % |
| 2035 | 17 | 13 | 12,713 | 3.4 % | 1,927 | 5.2 % |
| 2036 | 87 | 22 | 26,068 | 7.0 % | 2,931 | 8.0 % |
| 2037 | 23 | 9 | 16,892 | 4.5 % | 1,124 | 3.1 % |
| 2038 | 33 | 29 | 6,876 | 1.9 % | 306 | 0.8 % |
| 2039 | 11 | 6 | 6,925 | 1.9 % | 803 | 2.2 % |
| 2040 | 31 | 8 | 5,744 | 1.6 % | 312 | 0.8 % |
| 2041 | 40 | 8 | 19,861 | 5.3 % | 1,731 | 4.7 % |
| Thereafter | 60 | 14 | 42,007 | 11.3 % | 4,674 | 12.7 % |
| Untenanted properties | 3 | — | — | — | 249 | 0.7 % |
| Total | 790 | 462 | $ 371,906 | 100.0 % | 36,788 | 100.0 % |

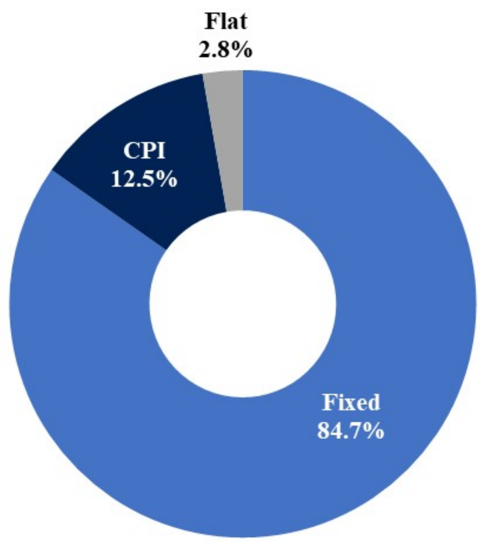
Substantially all of our leases provide for periodic contractual rent escalations. As of September 30, 2022, leases contributing 97.2% of our ABR provided for increases in future ABR, generally ranging from 1.5% to 2.5% annually, with an ABR weighted average annual minimum increase equal to 2.0% of base rent. Generally, our rent escalators increase rent on specified dates by a fixed percentage. Our escalations provide us with a source of organic revenue growth and a measure of inflation protection. Additional information on lease escalation frequency and weighted average annual escalation rates as of September 30, 2022 is displayed below:

| **Lease Escalation Frequency** | **% of ABR** | **Weighted Average Annual Minimum Increase [a]** |
|---|---|---|
| Annually | 78.5 % | 2.3 % |
| Every 2 years | 0.1 % | 1.8 % |
| Every 3 years | 2.8 % | 3.0 % |
| Every 4 years | 1.0 % | 2.4 % |
| Every 5 years | 8.0 % | 1.8 % |
| Other escalation frequencies | 6.8 % | 1.6 % |
| Flat | 2.8 % | — |
| **Total/Weighted Average [b]** | 100.0 % | 2.0 % |

(a) Represents the ABR weighted average annual minimum increase of the entire portfolio as if all escalations occurred annually. For leases where rent escalates by the greater of a stated fixed percentage or the change in CPI, we have assumed an escalation equal to the stated fixed percentage in the lease. As of September 30, 2022, leases contributing 4.9% of our ABR provide for rent increases equal to the lesser of a stated fixed percentage or the change in CPI. As any future increase in CPI is unknowable at this time, we have not included an increase in the rent pursuant to these leases in the weighted average annual minimum increase presented.

(b) Weighted by ABR.

The escalation provisions of our leases (by percentage of ABR) as of September 30, 2022, are displayed in the following chart:



## Results of Operations

The following discussion includes the results of our operations for the periods presented.

*Three Months Ended September 30, 2022 Compared to Three Months Ended June 30, 2022*

Lease Revenues, net

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| *(in thousands)* | September 30, 2022 | June 30, 2022 | Increase/(Decrease) $ | % |
| Contractual rental amounts billed for operating leases | $ 91,208 | $ 87,505 | $ 3,703 | 4.2 % |
| Adjustment to recognize contractual operating lease billings on a straight-line basis | 5,344 | 5,090 | 254 | 5.0 % |
| Variable rental amounts earned | 309 | 291 | 18 | 6.2 % |
| Earned income from direct financing leases | 719 | 721 | (2 ) | (0.3 )% |
| Interest income from sales-type leases | 14 | 15 | (1 ) | (6.7 )% |
| Operating expenses billed to tenants | 5,061 | 4,263 | 798 | 18.7 % |
| Other income from real estate transactions | 874 | 134 | 740 | > 100.0 % |
| Adjustment to revenue recognized for uncollectible rental amounts billed, net | (5 ) | (6 ) | 1 | 16.7 % |
| Total Lease revenues, net | $ 103,524 | $ 98,013 | $ 5,511 | 5.6 % |

The increase in Lease revenues, net was primarily attributable to growth in our real estate portfolio through property acquisitions. As we acquire properties throughout the period, the full benefit of lease revenues from newly acquired properties will not be realized in the quarter of acquisition. During the second quarter of 2022, we invested $182.4 million, excluding capitalized acquisition costs, in 15 properties at a weighted average initial cash capitalization rate of 6.4%. Most of these acquisitions closed during the month of June 2022, and therefore did not materially contribute to Lease revenues, net for the three months ended June 30, 2022. The increase was also partially attributable to our $204.5 million of investments during the third quarter of 2022 at a weighted average initial cash capitalization rate of 6.5%, the full benefit of which we anticipate will be realized during the fourth quarter of 2022.

Operating Expenses

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| *(in thousands)* | September 30, 2022 | June 30, 2022 | Increase/(Decrease) $ | % |
| Operating expenses | | | | |
| Depreciation and amortization | $ 39,400 | $ 35,511 | $ 3,889 | 11.0 % |
| Property and operating expense | 5,636 | 4,696 | 940 | 20.0 % |
| General and administrative | 9,942 | 9,288 | 654 | 7.0 % |
| Provision for impairment of investment in rental properties | 4,155 | 1,380 | 2,775 | >100% |
| Total operating expenses | $ 59,133 | $ 50,875 | $ 8,258 | 16.2 % |

*Depreciation and amortization*

The increase in depreciation and amortization for the three months ended September 30, 2022 was primarily due to growth in our real estate portfolio.

*Provision for impairment of investment in rental properties*

During the three months ended September 30, 2022 we recognized $4.2 million of impairment on our investments in rental properties due to change in our long-term hold strategy for two properties, compared to $1.4 million of impairment for a single property recognized during the three months ended June 30, 2022. The following table presents the impairment charges for the respective periods:

| | For the Three Months Ended | |
|---|---|---|
| *(in thousands, except number of properties)* | September 30, 2022 | June 30, 2022 |
| Number of properties | 2 | 1 |
| Carrying value prior to impairment charge | $ 9,047 | $ 3,674 |
| Fair value | 4,892 | 2,294 |
| Impairment charge | $ 4,155 | $ 1,380 |

The timing and amount of impairment fluctuates from period to period depending on the specific facts and circumstances.

*Other income (expenses)*

| (in thousands) | For the Three Months Ended September 30, 2022 | June 30, 2022 | Increase/(Decrease) $ | % |
|---|---|---|---|---|
| Other income (expenses) | | | | |
| Interest income | $ 4 | $ — | $ 4 | 100 % |
| Interest expense | (20,095 ) | (17,888 ) | (2,207 ) | (12.3 )% |
| Cost of debt extinguishment | (231 ) | — | (231 ) | (100.0) % |
| Gain on sale of real estate | 61 | 4,071 | (4,010 ) | (98.5) % |
| Income taxes | (356 ) | (401 ) | 45 | 11.2 % |
| Other income | 4,935 | 2,632 | 2,303 | 87.5 % |

*Interest expense*

The increase in interest expense reflects an increase in our weighted average cost of borrowings combined with increased average outstanding borrowings during the three months ended September 30, 2022 compared to during the three months ended June 30, 2022.

During the third quarter, we entered into a $200 million, five-year unsecured term loan and a $300 million, seven-year unsecured term loan, the proceeds of which were used to repay in full our $190 million term loan which was set to mature in 2024, and a portion of the outstanding borrowings on our Revolving Credit Facility. The new five-year and seven-year unsecured term loans have initial applicable margins of 0.95% and 1.25%, respectively, compared with applicable margins of 0.85% and 1.00% on the partially repaid Revolving Credit Facility and unsecured term loan previously set to mature in 2024, respectively.

We increased total outstanding borrowings by $208.2 million to partially fund our investments. Of our $2.1 billion of total outstanding indebtedness, approximately $154.0 million, or 7.5%, is variable, and therefore subject to the impact of fluctuations in interest rates.

*Gain on sale of real estate*

Our recognition of a gain or loss on the sale of real estate varies from transaction to transaction based on fluctuations in asset prices and demand in the real estate market. During the three months ended September 30, 2022, we recognized a gain of $0.1 million on the sale of real estate assets, compared to a gain of $4.1 million on the sale of three properties during the three months ended June 30, 2022. Our proactive asset management strategy includes determining to sell any of our properties where we believe the risk profile has changed and become misaligned with our then current risk-adjusted return objectives.

*Other income*

The change in other income during the three months ended September 30, 2022 was primarily due to $4.9 million of unrealized foreign exchange gain recognized on the quarterly remeasurement of our $100 million CAD revolver borrowings, compared to a $2.6 million unrealized foreign exchange gain recognized during the three months ended June 30, 2022.

*Net income and Net earnings per diluted share*

| (in thousands, except per share data) | For the Three Months Ended September 30, 2022 | June 30, 2022 | Increase/(Decrease) $ | % |
|---|---|---|---|---|
| Net income | $ 28,709 | $ 35,552 | $ (6,843 ) | (19.2 )% |
| Net earnings per diluted share | 0.16 | 0.20 | (0.04 ) | (20.0 )% |

The decrease in net income is primarily attributable to a $4.0 million decrease in gain on sale of real estate, a $3.9 million increase in depreciation and amortization, a $2.8 million increase in impairment of investment in rental properties, and a $2.2 million increase in interest expense, partially offset by a $5.5 million increase in lease revenue associated with growth in our real estate portfolio, and a $2.3 million increase in unrealized foreign exchange gains.

GAAP net income includes items such as gain or loss on sale of real estate and provisions for impairment, among others, which can vary from quarter to quarter and impact period-over-period comparisons.

*Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021*

<u>*Lease Revenues, net*</u>

| (in thousands) | For the Nine Months Ended September 30, 2022 | 2021 | Increase/(Decrease) $ | % |
|---|---|---|---|---|
| Contractual rental amounts billed for operating leases | $ 263,109 | $ 227,142 | $ 35,967 | 15.8 % |
| Adjustment to recognize contractual operating lease billings on a straight-line basis | 15,455 | 14,475 | 980 | 6.8 % |
| Net write-offs of accrued rental income | (1,326 ) | (442 ) | (884 ) | > 100.0 % |
| Variable rental amounts earned | 786 | 335 | 451 | > 100.0 % |
| Earned income from direct financing leases | 2,163 | 2,184 | (21 ) | (1.0 )% |
| Interest income from sales-type leases | 43 | 43 | — | — % |
| Operating expenses billed to tenants | 14,059 | 12,998 | 1,061 | 8.2 % |
| Other income from real estate transactions | 1,050 | 33,548 | (32,498 ) | (96.9 )% |
| Adjustment to revenue recognized for uncollectible rental amounts billed, net | 39 | (49 ) | 88 | > 100.0 % |
| Total Lease revenues, net | $ 295,378 | $ 290,234 | $ 5,144 | 1.8 % |

The increase in Lease revenues, net was primarily attributable to growth in our real estate portfolio through property acquisitions closed since September 30, 2021. During the twelve months ended September 30, 2022, we invested $744.4 million, excluding capitalized acquisition costs, in 105 properties at a weighted average initial cash capitalization rate of 6.2%. The increase was partially offset by a decrease in Other income from real estate transactions, specifically lease termination fees. During the nine months ended September 30, 2021, we recognized $33.5 million of net lease termination fees, whereas we only recognized $0.8 million during the nine months ended September 30, 2022.

<u>*Operating Expenses*</u>

| (in thousands) | For the Nine Months Ended September 30, 2022 | 2021 | Increase/(Decrease) $ | % |
|---|---|---|---|---|
| Operating expenses | | | | |
| Depreciation and amortization | $ 109,201 | $ 98,620 | $ 10,581 | 10.7 % |
| Property and operating expense | 15,376 | 14,019 | 1,357 | 9.7 % |
| General and administrative | 28,058 | 27,840 | 218 | 0.8 % |
| Provision for impairment of investment in rental properties | 5,535 | 28,001 | (22,466 ) | (80.2 )% |
| Total operating expenses | $ 158,170 | $ 168,480 | $ (10,310 ) | (6.1 )% |

*Depreciation and amortization*

The increase in depreciation and amortization for the nine months ended September 30, 2022 was primarily due to growth in our real estate portfolio.

*Provision for impairment of investment in rental properties*

During the nine months ended September 30, 2022, we recognized $5.5 million of impairment on our investments in rental properties, compared to $28.0 million during the nine months ended September 30, 2021 which included $25.7 million of impairment associated with a lease termination transaction. The following table presents the impairment charges for the respective periods:

| (in thousands, except number of properties) | For the Nine Months Ended September 30, 2022 | 2021 |
|---|---|---|
| Number of properties | 3 | 5 |
| Carrying value prior to impairment charge | $ 12,721 | $ 47,108 |
| Fair value | 7,186 | 19,107 |
| Impairment charge | $ 5,535 | $ 28,001 |

The timing and amount of impairment fluctuates from period to period depending on the specific facts and circumstances.

*Other income (expenses)*

| (in thousands) | For the Nine Months Ended September 30, 2022 | 2021 | Increase/(Decrease) $ | % |
|---|---|---|---|---|
| Other income (expenses) | | | | |
| Interest income | $ 4 | $ 11 | $ (7) | (63.6)% |
| Interest expense | (54,879) | (47,149) | (7,730) | 16.4% |
| Cost of debt extinguishment | (231) | (368) | 137 | (37.2)% |
| Gain on sale of real estate | 5,328 | 9,791 | (4,463) | (45.6)% |
| Income taxes | (1,169) | (1,187) | 18 | (1.5)% |
| Change in fair value of earnout liability | — | (5,539) | (5,539) | 100.0% |
| Other income (expenses) | 6,441 | (11) | 6,452 | >100.0% |

*Interest expense*

The increase in interest expense reflects an increase in our weighted average cost of borrowings combined with increased average outstanding borrowings during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. Since September 30, 2021 we increased total outstanding borrowings by $466.7 million to partially fund our acquisitions. Of our $2.1 billion of total outstanding indebtedness, approximately $154.0 million, or 7.5%, is variable and therefore subject to the impact of fluctuations in interest rates.

*Gain on sale of real estate*

Our recognition of a gain or loss on the sale of real estate varies from transaction to transaction based on fluctuations in asset prices and demand in the real estate market. During the nine months ended September 30, 2022, we recognized a gain of $5.3 million on the sale of five properties, compared to a gain of $9.8 million on the sale of 25 properties during the nine months ended September 30, 2021. Our proactive asset management strategy includes determining to sell any of our properties where we believe the risk profile has changed and become misaligned with our then current risk-adjusted return objectives.

*Change in fair value of earnout liability*

The fair value of the earnout liability was remeasured each reporting period, with changes recorded as Change in fair value of earnout liability in the Condensed Consolidated Statements of Income and Comprehensive Income. All earnout milestones were achieved during the year ended December 31, 2021, therefore there is no change in the fair value of the earnout liability during the nine months ended September 30, 2022. The change in the fair value of the earnout liability during the nine months ended September 30, 2021 reflected our achievement of all earnout milestone during 2021.

*Other income (expenses)*

The increase in other income (expenses) during the nine months ended September 30, 2022 was primarily due to a $6.4 million unrealized foreign exchange gain recognized on the quarterly remeasurement of our $100 million CAD revolver borrowings. The specific CAD revolver borrowings were drawn during the first quarter of 2022, with no similar activity during the nine months ended September 30, 2021.

*Net income and Net earnings per diluted share*

| (in thousands, except per share data) | For the Nine Months Ended September 30, 2022 | 2021 | Increase/(Decrease) $ | % |
|---|---|---|---|---|
| Net income | $ 92,702 | $ 77,302 | $ 15,400 | 19.9% |
| Net earnings per diluted share | 0.52 | 0.48 | 0.04 | 8.3% |

The increase in net income is primarily due to revenue growth of $5.1 million, a $5.5 million decrease in our earnout liability, a $6.5 million increase in other income, and a $22.5 million decrease in impairment of investment in rental properties. These factors were partially offset by a $10.6 million increase in depreciation and amortization, a $4.5 million decrease on gain on sale of real estate, and a $7.7 million increase in interest expense.

GAAP net income includes items such as gain or loss on sale of real estate and provisions for impairment, among others, which can vary from quarter to quarter and impact period-over-period comparisons.

## Liquidity and Capital Resources

*General*

We acquire real estate using a combination of debt and equity capital and with cash from operations that is not otherwise distributed to our stockholders. Our focus is on maximizing the risk-adjusted return to our stockholders through an appropriate balance of debt and equity in our capital structure. We are committed to maintaining an investment grade balance sheet through active management of our leverage profile and overall liquidity position. We believe our leverage strategy has allowed us to take advantage of the lower cost of debt while simultaneously strengthening our balance sheet, as evidenced by our current investment grade credit ratings of 'BBB' from S&P Global Ratings ("S&P") and 'Baa2' from Moody's Investors Service ("Moody's"). We manage our leverage profile using a ratio of Net Debt to Annualized Adjusted EBITDAre, a non-GAAP financial measure, which we believe is a useful measure of our ability to repay debt and a relative measure of leverage, and is used in communications with lenders and with rating agencies regarding our credit rating. We seek to maintain on a sustained basis a Net Debt to Annualized Adjusted EBITDAre ratio that is generally less than 6.0x. As of September 30, 2022, we had total debt outstanding of $2.1 billion, Net Debt of $2.0 billion, and a Net Debt to Annualized Adjusted EBITDAre ratio of 5.5x.

Net Debt and Annualized Adjusted EBITDAre are non-GAAP financial measures, and Annualized Adjusted EBITDAre is calculated based upon EBITDA, EBITDAre, and Adjusted EBITDAre, each of which is also a non-GAAP financial measure. Refer to *Non-GAAP Measures* below for further details concerning our calculation of non-GAAP measures and reconciliations to the comparable GAAP measure.

*Liquidity/REIT Requirements*

Liquidity is a measure of our ability to meet potential cash requirements, including our ongoing commitments to repay debt, fund our operations, acquire properties, make distributions to our stockholders, and other general business needs. As a REIT, we are required to distribute to our stockholders at least 90% of our REIT taxable income determined without regard to the dividends paid deduction and excluding net capital gains, on an annual basis. As a result, it is unlikely that we will be able to retain substantial cash balances to meet our long-term liquidity needs, including repayment of debt and the acquisition of additional properties, from our annual taxable income. Instead, we expect to meet our long-term liquidity needs primarily by relying upon external sources of capital.

*Short-term Liquidity Requirements*

Our short-term liquidity requirements consist primarily of funds necessary to pay for our operating expenses, including our general and administrative expenses as well as interest payments on our outstanding debt, to pay distributions, and to fund our acquisitions that are under control or expected to close within a short time period. We do not currently anticipate making significant capital expenditures or incurring other significant property costs, including as a result of inflationary pressures in the current economic environment, because of the strong occupancy levels across our portfolio and the net lease nature of our leases. We expect to meet our short-term liquidity requirements primarily from cash and cash equivalents balances and net cash provided by operating activities, supplemented by borrowings under our Revolving Credit Facility. We intend to match fund our acquisitions with an appropriate mix of debt and equity capital. We use cash on hand and borrowings under our Revolving Credit Facility to initially fund acquisitions, which are subsequently repaid or replaced with proceeds from our equity and debt capital markets activities.

As detailed in the contractual obligations table below, we have approximately $20.9 million of expected obligations due throughout the remainder of 2022, primarily consisting of $19.9 million of interest expense due, including the impact of our interest rate swaps, and $0.7 million of mortgage maturities. We expect our cash provided by operating activities, as discussed below, will be sufficient to pay for our current obligations including interest expense on our borrowings. We expect to either repay the maturing mortgages with available cash on hand generated from our results of operations or borrowings under our Revolving Credit Facility, or refinance with property-level borrowings.

*Long-term Liquidity Requirements*

Our long-term liquidity requirements consist primarily of funds necessary to repay debt and invest in additional revenue generating properties. We expect to source debt capital from unsecured term loans from commercial banks, revolving credit facilities, private placement senior unsecured notes, and public bond offerings.

The source and mix of our debt capital in the future will be impacted by market conditions as well as our continued focus on lengthening our debt maturity profile to better align with our portfolio's long-term leases, staggering debt maturities to reduce the risk that a significant amount of debt will mature in any single year in the future, and managing our exposure to interest rate risk. As of September 30, 2022, we have $780.5 million of available capacity under our Revolving Credit Facility.

We expect to meet our long-term liquidity requirements primarily from borrowings under our Revolving Credit Facility, future debt and equity financings, and proceeds from limited sales of our properties. Our ability to access these capital sources may be impacted by unfavorable market conditions, particularly in the debt and equity capital markets, that are outside of our control. In addition, our success will depend on our operating performance, our borrowing restrictions, our degree of leverage, and other factors. Our acquisition growth strategy significantly depends on our ability to obtain acquisition financing on favorable terms. We seek to reduce the risk that long-term debt capital may be unavailable to us by strengthening our balance sheet by investing in real estate with creditworthy tenants and lease guarantors, and by maintaining an appropriate mix of debt and equity capitalization. We also, from time to time, obtain or assume non-recourse mortgage financing from banks and insurance companies secured by mortgages on the corresponding specific property. Mortgages, however, are not currently a strategic focus of the active management of our capital structure.

*Equity Capital Resources*

Our equity capital is primarily provided through our at-the-market common equity offering program ("ATM Program"), as well as follow-on equity offerings. Under the terms of our ATM Program we may, from time to time, publicly offer and sell shares of our common stock having an aggregate gross sales price of up to $400 million. The ATM Program provides for forward sale agreements, enabling us to set the price of shares upon pricing the offering while delaying the issuance of shares and the receipt of the net proceeds. As of September 30, 2022, we have $145.4 million of available capacity under our ATM Program.

The following table presents information about our ATM Program activity:

| *(in thousands, except per share amounts)* | | For the Three Months Ended September 30, 2022 | | For the Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Number of common shares issued | | 962 | | 10,471 |
| Weighted average sale price per share | $ | 21.44 | $ | 21.66 |
| Net proceeds | $ | 20,248 | $ | 222,895 |
| Gross proceeds | | 20,626 | | 226,483 |

In August 2022, we completed a public offering to sell an aggregate of 13,000,000 shares of common stock at a price of $21.35 per share, subject to certain adjustments, in connection with a forward sale agreement. We expect to settle the forward sale agreement by the August 2023 maturity date. As of September 30, 2022, we anticipate the forward sale agreement will provide net proceeds of approximately $270.7 million. We have not settled any part of the forward sale agreement as of September 30, 2022.

Our public offerings have been used to repay debt, fund acquisitions, and for other general corporate purposes.

As we continue to invest in accretive real estate properties, we expect to balance our debt and equity capitalization, while maintaining a Net Debt to Annualized Adjusted EBITDAre ratio below 6.0x on a sustained basis, through the anticipated use of follow-on equity offerings and the ATM Program.

*Unsecured Indebtedness and Capital Markets Activities as of and for the Three Months Ended September 30, 2022*

The following table sets forth our outstanding revolving credit facility, unsecured term loans and senior unsecured notes at September 30, 2022.

| *(in thousands, except interest rates)* | | Outstanding Balance | Interest Rate | Maturity Date |
|---|---|---|---|---|
| Unsecured revolving credit facility | $ | 219,537 | Applicable reference rate + 0.85% [(a)] | Mar. 2026 |
| Unsecured term loans: | | | | |
| 2026 Unsecured Term Loan | | 400,000 | one-month LIBOR + 1.00% | Feb. 2026 |
| 2027 Unsecured Term Loan | | 200,000 | one-month adjusted SOFR + 0.95% | Aug. 2027 |
| 2029 Unsecured Term Loan | | 300,000 | one-month adjusted SOFR + 1.25% | Aug. 2029 |
| Total unsecured term loans | | 900,000 | | |
| Senior unsecured notes: | | | | |
| 2027 Senior Unsecured Notes - Series A | | 150,000 | 4.84% | Apr. 2027 |
| 2028 Senior Unsecured Notes - Series B | | 225,000 | 5.09% | Jul. 2028 |
| 2030 Senior Unsecured Notes - Series C | | 100,000 | 5.19% | Jul. 2030 |
| 2031 Senior Unsecured Public Notes | | 375,000 | 2.60% | Sep. 2031 |
| Total senior unsecured notes | | 850,000 | | |
| Total unsecured debt | $ | 1,969,537 | | |

(a) At September 30, 2022, a balance of $146.5 million was subject to the one-month Secured Overnight Financing Rate of 3.04% plus a 0.10% adjustment. The remaining balance includes $100 million CAD borrowings remeasured to $73 million USD, which was subject to the one-month Canadian Dollar Offered Rate of 3.76%.

On August 1, 2022, we entered into two new unsecured bank term loans, including a $200.0 million, five-year term loan that matures in 2027 (the "2027 Unsecured Term Loan"), and a $300.0 million, seven-year term loan that matures in 2029 (the "2029 Unsecured Term Loan"). Borrowings on the new term loans bear interest at variable rates based on adjusted Secured Overnight Financing Rate ("SOFR") plus a margin based on our credit rating ranging between 0.80% and 1.60% per annum for the 2027 Unsecured Term Loan, and 1.15% and 2.20% per annum for the 2029 Unsecured Term Loan. The initial applicable margin was 0.95% and 1.25% for the 2027 Unsecured Term Loan and 2029 Unsecured Term Loan, respectively. Proceeds from the loans were used to repay in full our $190.0 million 2024 Unsecured Term Loan, including accrued interest, and a portion of the outstanding balance on our Revolving Credit Facility.

*Debt Covenants*

We are subject to various covenants and financial reporting requirements pursuant to our debt facilities, which are summarized below. As of September 30, 2022, we believe we were in compliance with all of our covenants on all outstanding borrowings. In the event of default, either through default on payments or breach of covenants, we may be restricted from paying dividends to our stockholders in excess of dividends required to maintain our REIT qualification. For each of the previous three years, we paid dividends out of our cash flows from operations in excess of the distribution amounts required to maintain our REIT qualification.

| Covenants | Requirements |
|---|---|
| Leverage Ratio | ≤ 0.60 to 1.00 |
| Secured Indebtedness Ratio | ≤ 0.40 to 1.00 |
| Unencumbered Coverage Ratio | ≥ 1.75 to 1.00 |
| Fixed Charge Coverage Ratio | ≥ 1.50 to 1.00 |
| Total Unsecured Indebtedness to Total Unencumbered Eligible Property Value | ≤ 0.60 to 1.00 |
| Dividends and Other Restricted Payments | Only applicable in case of default |
| Aggregate Debt Ratio | ≤ 0.60 to 1.00 |
| Consolidated Income Available for Debt to Annual Debt Service Charge | ≥ 1.50 to 1.00 |
| Total Unencumbered Assets to Total Unsecured Debt | ≥ 1.50 to 1.00 |
| Secured Debt Ratio | ≤ 0.40 to 1.00 |

*Contractual Obligations*

The following table provides information with respect to our contractual commitments and obligations as of September 30, 2022 (in thousands). Refer to the discussion in the Liquidity and Capital Resources section above for further discussion over our short and long-term obligations.

| Year of Maturity | Term Loans | Revolving Credit Facility | Senior Notes | Mortgages | Interest Expense [(a)] | Tenant Improvement Allowances | Operating Leases | Total |
|---|---|---|---|---|---|---|---|---|
| Remainder of 2022 | $ — | $ — | $ — | $ 743 | $ 19,886 | $ 57 | $ 226 | $ 20,912 |
| 2023 | — | — | — | 7,582 | 78,799 | — | 705 | 87,086 |
| 2024 | — | — | — | 9,760 | 78,234 | — | 320 | 88,314 |
| 2025 | — | — | — | 20,195 | 78,516 | — | 326 | 99,037 |
| 2026 | 400,000 | 219,537 | — | 16,843 | 57,702 | — | 332 | 694,414 |
| Thereafter | 500,000 | — | 850,000 | 39,873 | 112,862 | — | 3,738 | 1,506,473 |
| Total | $ 900,000 | $ 219,537 | $ 850,000 | $ 94,996 | $ 425,999 | $ 57 | $ 5,647 | $ 2,496,236 |

(a) Interest expense is projected based on the outstanding borrowings and interest rates in effect as of September 30, 2022. This amount includes the impact of interest rate swap agreements.

At September 30, 2022 investment in rental property of $158.5 million was pledged as collateral against our mortgages.

Additionally, we are a party to three separate tax protection agreements with the contributing members of three distinct UPREIT transactions and we entered into the tax protection agreement in connection with the internalization. The tax protection agreements require us to indemnify the beneficiaries in the event of a sale, exchange, transfer, or other disposal of the contributed property, and in the case of the tax protection agreement entered into in connection with our internalization, the entire Company, in a taxable transaction that would cause such beneficiaries to recognize a gain that is protected under the agreements, subject to certain exceptions. Based on values as of September 30, 2022, taxable sales of the applicable properties would trigger liability under the four agreements of approximately $22.3 million. Based on information available, we do not believe that the events resulting in damages as detailed above have occurred or are likely to occur in the foreseeable future. Accordingly, we have excluded these commitments from the contractual commitments table above.

In the normal course of business, we enter into various types of commitments to purchase real estate properties. These commitments are generally subject to our customary due diligence process and, accordingly, a number of specific conditions must be met before we are obligated to purchase the properties.

### Derivative Instruments and Hedging Activities

We are exposed to interest rate risk arising from changes in interest rates on the floating-rate borrowings under our unsecured credit facilities and a certain mortgage. Borrowings pursuant to our unsecured credit facilities bear interest at floating rates based on LIBOR plus an applicable margin. Accordingly, fluctuations in market interest rates may increase or decrease our interest expense, which will in turn, increase or decrease our net income and cash flow.

We attempt to manage the interest rate risk on variable rate borrowings by entering into interest rate swaps. As of September 30, 2022, we had 32 interest rate swaps outstanding with an aggregate notional amount of $973.0 million. Under these agreements, we receive monthly payments from the counterparties equal to the related variable interest rates multiplied by the outstanding notional amounts. In turn, we pay the counterparties each month an amount equal to a fixed interest rate multiplied by the related outstanding notional amounts. The intended net impact of these transactions is that we pay a fixed interest rate on our variable-rate borrowings. The interest rate swaps have been designated by us as cash flow hedges for accounting purposes and are reported at fair value. We assess, both at inception and on an ongoing basis, the effectiveness of our qualifying cash flow hedges. We have not entered, and do not intend to enter, into derivative or interest rate transactions for speculative purposes.

In addition, we own investments in Canada, and as a result are subject to risk from the effects of exchange rate movements in the Canadian dollar, which may affect future costs and cash flows. We funded a significant portion of our Canadian investments through Canadian dollar borrowings under our Revolving Credit Facility, which is intended to act as a natural hedge against our Canadian dollar investments. The Canadian dollar revolving borrowings are remeasured each reporting period, with the unrealized foreign currency gains and losses flowing through earnings. These unrealized foreign currency gains and losses do not impact our cash flows from operations until settled, and are expected to directly offset the changes in the value of our net investments as a result of changes in the Canadian dollar. Our Canadian investments are recorded at their historical exchange rates, and therefore are not impacted by changes in the value of the Canadian dollar.

### Cash Flows

Cash and cash equivalents and restricted cash totaled $82.4 million and $20.1 million at September 30, 2022 and September 30, 2021, respectively. The table below shows information concerning cash flows for the nine months ended September 30, 2022 and 2021:

| | For the Nine Months Ended | |
|---|---|---|
| *(In thousands)* | September 30, 2022 | September 30, 2021 |
| Net cash provided by operating activities | $ 195,474 | $ 187,318 |
| Net cash used in investing activities | (585,158) | (448,379) |
| Net cash provided by financing activities | 444,276 | 170,410 |
| Increase (decrease) in cash and cash equivalents and restricted cash | $ 54,592 | $ (90,651) |

The increase in net cash provided by operating activities during the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, was mainly due to growth in our real estate portfolio and associated incremental net lease revenues.

The increase in cash used in investing activities during the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, was mainly due to increased acquisition volume and decreased disposition volume during the nine months ended September 30, 2022.

The increase in net cash provided by financing activities during the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, mainly reflects an increased borrowings on the unsecured revolving credit facility and unsecured term loans to fund the increased acquisition volume.

### Non-GAAP Measures

*FFO, Core FFO, and AFFO*

We compute Funds From Operations ("FFO") in accordance with the standards established by the Board of Governors of Nareit, the worldwide representative voice for REITs and publicly traded real estate companies with an interest in the U.S. real estate and capital markets. Nareit defines FFO as GAAP net income or loss adjusted to exclude net gains (losses) from sales of certain depreciated real estate assets, depreciation and amortization expense from real estate assets, gains and losses from change in control, and impairment charges related to certain previously depreciated real estate assets. FFO is used by management, investors, and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers, primarily because it excludes the effect of real estate depreciation and amortization and net gains (losses) on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions.

We compute Core Funds From Operations ("Core FFO") by adjusting FFO, as defined by Nareit, to exclude certain GAAP income and expense amounts that we believe are infrequently recurring, unusual in nature, or not related to its core real estate operations, including write-offs or recoveries of accrued rental income, lease termination fees, the change in fair value of our earnout liability, cost of debt extinguishments, unrealized and realized gains or losses on foreign currency transactions, severance, and other extraordinary items. Exclusion of these items from similar FFO-type metrics is common within the equity REIT industry, and management believes that presentation of Core FFO provides investors with a metric to assist in their evaluation of our operating performance across multiple periods and in comparison to the operating performance of our peers, because it removes the effect of unusual items that are not expected to impact our operating performance on an ongoing basis.

We compute Adjusted Funds From Operations ("AFFO"), by adjusting Core FFO for certain non-cash revenues and expenses, including straight-line rents, amortization of lease intangibles, amortization of debt issuance costs, amortization of net mortgage premiums, (gain) loss on interest rate swaps and other non-cash interest expense, stock-based compensation, and other specified non-cash items. We believe that excluding such items assists management and investors in distinguishing whether changes in our operations are due to growth or decline of operations at our properties or from other factors. We use AFFO as a measure of our performance when we formulate corporate goals, and is a factor in determining management compensation. We believe that AFFO is a useful supplemental measure for investors to consider because it will help them to better assess our operating performance without the distortions created by non-cash revenues or expenses.

Specific to our adjustment for straight-line rents, our leases include cash rents that increase over the term of the lease to compensate us for anticipated increases in market rental rates over time. Our leases do not include significant front-loading or back-loading of payments, or significant rent-free periods. Therefore, we find it useful to evaluate rent on a contractual basis as it allows for comparison of existing rental rates to market rental rates. In situations where we granted short-term rent deferrals as a result of the COVID-19 pandemic, and such deferrals were probable of collection and expected to be repaid within a short term, we continued to recognize the same amount of GAAP lease revenues each period. Consistent with GAAP lease revenues, the short-term deferrals associated with COVID-19, and the corresponding payments, did not impact our AFFO.

FFO, Core FFO, and AFFO may not be comparable to similarly titled measures employed by other REITs, and comparisons of our FFO, Core FFO, and AFFO with the same or similar measures disclosed by other REITs may not be meaningful.

Neither the SEC nor any other regulatory body has passed judgment on the acceptability of the adjustments to FFO that we use to calculate Core FFO and AFFO. In the future, the SEC, Nareit or another regulatory body may decide to standardize the allowable adjustments across the REIT industry and in response to such standardization we may have to adjust our calculation and characterization of Core FFO and AFFO accordingly.

The following table reconciles net income (which is the most comparable GAAP measure) to FFO, Core FFO, and AFFO:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|---|---|---|---|
| *(in thousands, except per share data)* | **September 30, 2022** | **June 30, 2022** | **September 30, 2022** | **September 30, 2021** |
| Net income | $ 28,709 | $ 35,552 | $ 92,702 | $ 77,302 |
| Real property depreciation and amortization | 39,366 | 35,479 | 109,104 | 98,548 |
| Gain on sale of real estate | (61) | (4,071) | (5,328) | (9,791) |
| Provision for impairment on investment in rental properties | 4,155 | 1,380 | 5,535 | 28,001 |
| **FFO** | $ 72,169 | $ 68,340 | $ 202,013 | $ 194,060 |
| Net write-offs of accrued rental income | — | — | 1,326 | 1,938 |
| Lease termination fees | (791) | — | (791) | (35,000) |
| Cost of debt extinguishment | 231 | — | 231 | 368 |
| Severance | 3 | 278 | 401 | 1,275 |
| Change in fair value of earnout liability | — | — | — | 5,539 |
| Other (income) expenses [(a)] | (4,935) | (2,632) | (6,441) | 11 |
| **Core FFO** | $ 66,677 | $ 65,986 | $ 196,739 | $ 168,191 |
| Straight-line rent adjustment | (5,175) | (4,965) | (15,075) | (14,983) |
| Adjustment to provision for credit losses | (4) | (1) | (5) | (1) |
| Amortization of debt issuance costs | 948 | 900 | 2,704 | 2,832 |
| Amortization of net mortgage premiums | (26) | (25) | (78) | (106) |
| Loss on interest rate swaps and other non-cash interest expense | 639 | 695 | 1,993 | 2 |
| Amortization of lease intangibles | (1,176) | (1,167) | (3,501) | (2,309) |
| Stock-based compensation | 1,503 | 1,381 | 3,813 | 3,644 |
| **AFFO** | $ 63,386 | $ 62,804 | $ 186,590 | $ 157,270 |

(a) Amount includes $4.9 million and $2.6 million of unrealized and realized foreign exchange gain during the three months ended September 30, 2022 and June 30, 2022, respectively, and $6.4 million of unrealized foreign exchange gain for the nine months ended September 30, 2022, primarily associated with our CAD denominated revolving borrowings.

*EBITDA, EBITDAre, Adjusted EBITDAre and Annualized Adjusted EBITDAre*

We compute EBITDA as earnings before interest, income taxes and depreciation and amortization. EBITDA is a measure commonly used in our industry. We believe that this ratio provides investors and analysts with a measure of our performance that includes our operating results unaffected by the differences in capital structures, capital investment cycles and useful life of related assets compared to other companies in our industry. We compute EBITDAre in accordance with the definition adopted by Nareit, as EBITDA excluding gains (losses) from the sales of depreciable property and provisions for impairment on investment in real estate. We believe EBITDA and EBITDAre are useful to investors and analysts because they provide important supplemental information about our operating performance exclusive of certain non-cash and other costs. EBITDA and EBITDAre are not measures of financial performance under GAAP, and our EBITDA and EBITDAre may not be comparable to similarly titled measures of other companies. You should not consider our EBITDA and EBITDAre as alternatives to net income or cash flows from operating activities determined in accordance with GAAP.

We are focused on a disciplined and targeted acquisition strategy, together with active asset management that includes selective sales of properties. We manage our leverage profile using a ratio of Net Debt to Annualized Adjusted EBITDAre, each discussed further below, which we believe is a useful measure of our ability to repay debt and a relative measure of leverage, and is used in communications with our lenders and rating agencies regarding our credit rating. As we fund new acquisitions using our unsecured Revolving Credit Facility, our leverage profile and Net Debt will be immediately impacted by current quarter acquisitions. However, the full benefit of EBITDAre from newly acquired properties will not be received in the same quarter in which the properties are acquired. Additionally, EBITDAre for the quarter includes amounts generated by properties that have been sold during the quarter. Accordingly, the variability in EBITDAre caused by the timing of our acquisitions and dispositions can temporarily distort our leverage ratios. We adjust EBITDAre ("Adjusted EBITDAre") for the most recently completed quarter (i) to recalculate as if all acquisitions and dispositions had occurred at the beginning of the quarter, (ii) to exclude certain GAAP income and expense amounts that are either non-cash, such as cost of debt extinguishments, realized or unrealized gains and losses on foreign currency transactions, or the change in fair value of our earnout liability, or that we believe are one time, or unusual in nature because they relate to unique circumstances or transactions that had not previously occurred and which we do not anticipate occurring in the future, and (iii) to eliminate the impact of lease termination fees and other items that are not a result of normal operations. We then annualize quarterly Adjusted EBITDAre by multiplying it by four ("Annualized Adjusted EBITDAre"). You should not unduly rely on this measure as it is based on assumptions and estimates that may prove to be inaccurate. Our actual reported EBITDAre for future periods may be significantly different from our Annualized Adjusted EBITDAre. Adjusted EBITDAre and Annualized Adjusted EBITDAre are not measurements of performance under GAAP, and our Adjusted EBITDAre and Annualized Adjusted EBITDAre may not be comparable to similarly titled measures of other companies. You should not consider our Adjusted EBITDAre and Annualized Adjusted EBITDAre as alternatives to net income or cash flows from operating activities determined in accordance with GAAP.

The following table reconciles net income (which is the most comparable GAAP measure) to EBITDA, EBITDAre, and Adjusted EBITDAre. Information is also presented with respect to Annualized EBITDAre and Annualized Adjusted EBITDAre:

| | For the Three Months Ended | | |
|---|---|---|---|
| *(in thousands)* | September 30, 2022 | June 30, 2022 | September 30, 2021 |
| **Net income** | $ 28,709 | $ 35,552 | $ 30,522 |
| Depreciation and amortization | 39,400 | 35,511 | 36,682 |
| Interest expense | 20,095 | 17,888 | 15,611 |
| Income taxes | 356 | 401 | 473 |
| **EBITDA** | $ 88,560 | $ 89,352 | $ 83,288 |
| Provision for impairment of investment in rental properties | 4,155 | 1,380 | 25,989 |
| Gain on sale of real estate | (61) | (4,071) | (1,220) |
| **EBITDAre** | $ 92,654 | $ 86,661 | $ 108,057 |
| Adjustment for current quarter acquisition activity [(a)] | 2,358 | 2,780 | 3,534 |
| Adjustment for current quarter disposition activity [(b)] | — | (141) | (1,387) |
| Adjustment to exclude change in fair value of earnout liability | — | — | 1,059 |
| Adjustment excludes net write-offs of accrued rental income | — | — | 1,496 |
| Adjustment to exclude realized / unrealized foreign exchange (gain) loss | (4,934) | (2,632) | — |
| Adjustment to exclude cost of debt extinguishments | 231 | — | 242 |
| Adjustment to exclude lease termination fees | (791) | — | (35,000) |
| **Adjusted EBITDAre** | $ 89,518 | $ 86,668 | $ 78,001 |
| **Annualized EBITDAre** | $ 370,616 | $ 346,642 | $ 432,221 |
| **Annualized Adjusted EBITDAre** | $ 358,072 | $ 346,672 | $ 311,998 |

(a) Reflects an adjustment to give effect to all acquisitions during the quarter as if they had been acquired as of the beginning of the quarter.

(b) Reflects an adjustment to give effect to all dispositions during the quarter as if they had been sold as of the beginning of the quarter.

*Net Debt, Net Debt to Annualized EBITDAre and Net Debt to Annualized Adjusted EBITDAre*

We define Net Debt as gross debt (total reported debt plus debt issuance costs) less cash and cash equivalents and restricted cash. We believe that the presentation of Net Debt to Annualized EBITDAre and Net Debt to Annualized Adjusted EBITDAre is useful to investors and analysts because these ratios provide information about gross debt less cash and cash equivalents, which could be used to repay debt, compared to our performance as measured using EBITDAre, and is used in communications with lenders and rating agencies regarding our credit rating. The following table reconciles total debt (which is the most comparable GAAP measure) to Net Debt, and presents the ratio of Net Debt to Annualized EBITDAre and Net Debt to Annualized Adjusted EBITDAre, respectively:

| *(in thousands)* | September 30, 2022 | June 30, 2022 | September 30, 2021 |
|---|---|---|---|
| **Debt** | | | |
| Unsecured revolving credit facility | $ 219,537 | $ 320,657 | $ — |
| Unsecured term loans, net | 894,378 | 587,098 | 646,458 |
| Senior unsecured notes, net | 844,367 | 844,178 | 843,665 |
| Mortgages, net | 94,753 | 95,453 | 97,530 |
| Debt issuance costs | 11,498 | 8,991 | 10,215 |
| **Gross Debt** | 2,064,533 | 1,856,377 | 1,597,868 |
| Cash and cash equivalents | (75,912) | (16,813) | (16,182) |
| Restricted cash | (6,449) | (12,163) | (3,895) |
| **Net Debt** | $ 1,982,172 | $ 1,827,401 | $ 1,577,791 |
| **Net Debt to Annualized EBITDAre** | 5.3x | 5.3x | 3.7x |
| **Net Debt to Annualized Adjusted EBITDAre** | 5.5x | 5.3x | 5.1x |

**Critical Accounting Policies and Estimates**

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses as well as other disclosures in the financial statements. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, management evaluates its estimates and assumptions; however, actual results may differ from these estimates and assumptions, which in turn could have a material impact on our financial statements. A summary of our significant accounting policies and procedures are included in Note 2, "Summary of Significant Accounting Policies," in the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. We believe there have been no significant changes during the nine months ended September 30, 2022, to the items that we disclosed as our critical accounting policies and estimates in our 2021 Annual Report on Form 10-K.

**Impact of Recent Accounting Pronouncements**

For information on the impact of recent accounting pronouncements on our business, see Note 2 of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

*Interest Rate Risk*

We are exposed to certain market risks, one of the most predominant of which is a change in interest rates. Increases in interest rates can result in increased interest expense under our Revolving Credit Facility and other variable-rate debt. Increases in interest rates can also result in increased interest expense when our fixed rate debt matures and needs to be refinanced. We attempt to manage interest rate risk by entering into long-term fixed rate debt or by entering into interest rate swaps to convert certain variable-rate debt to a fixed rate. The interest rate swaps have been designated by us as cash flow hedges for accounting purposes and are reported at fair value. We have not entered, and do not intend to enter, into derivative or interest rate transactions for speculative purposes. Further information concerning our interest rate swaps can be found in Note 11 in our Condensed Consolidated Financial Statements contained elsewhere in this Quarterly Report on Form 10-Q.

Our fixed-rate debt includes our senior unsecured notes, mortgages, and variable-rate debt converted to a fixed rate with the use of interest rate swaps. Our fixed-rate debt had a carrying value and fair value of approximately $1.9 billion and $1.8 billion, respectively, as of September 30, 2022. Changes in market interest rates impact the fair value of our fixed-rate debt, but they have no impact on interest incurred or on cash flows. For instance, if interest rates were to increase 1%, and the fixed-rate debt balance were to remain constant, we would expect the fair value of our debt to decrease, similar to how the price of a bond decreases as interest rates rise. A 1% increase in market interest rates would have resulted in a decrease in the fair value of our fixed-rate debt of approximately $77.4 million as of September 30, 2022.

Borrowings pursuant to our Revolving Credit Facility and other variable-rate debt bear interest at rates based on the applicable reference rate plus an applicable margin, and totaled $1.1 billion as of September 30, 2022, of which $973.0 million was swapped to a fixed rate by our use of interest rate swaps. Taking into account the effect of our interest rate swaps, a 1% increase or decrease in interest rates would have a corresponding $1.5 million increase or decrease in interest expense annually.

With the exception of our interest rate swap transactions, we have not engaged in transactions in derivative financial instruments or derivative commodity instruments.

*Foreign Currency Exchange Rate Risk*

We own investments in Canada, and as a result are subject to risk from the effects of exchange rate movements in the Canadian dollar, which may affect future costs and cash flows. We funded a significant portion of our Canadian investments through Canadian dollar borrowings under our Revolving Credit Facility, which is intended to act as a natural hedge against our Canadian dollar investments. To the extent that currency fluctuations increase or decrease rental revenues, as translated to U.S. dollars, the change in debt service (comprised of interest payments), as translated to U.S. dollars, will partially offset the effect of fluctuations in revenue and, to some extent, mitigate the risk from changes in foreign currency exchange rates. We believe the foreign currency exchange rate risk on the remaining cash flows is immaterial.

Additionally, our Canadian dollar revolving borrowings are remeasured each reporting period, with the unrealized foreign currency gains and losses flowing through earnings. These unrealized foreign currency gains and losses do not impact our cash flows from operations until settled, and are expected to directly offset the changes in the value of our net investments as a result of changes in the Canadian dollar. Our Canadian investments are recorded at their historical exchange rates, and therefore are not impacted by changes in the value of the Canadian dollar.

## Item 4. Controls and Procedures

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of and for the quarter ended September 30, 2022, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

***Changes in Internal Control Over Financial Reporting***

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II – OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we are subject to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of our business. We are not currently a party to legal proceedings that we believe would reasonably be expected to have material adverse effect on our business, financial condition, or results of operations. We are not aware of any material legal proceedings to which we or any of our subsidiaries are a party or to which any of our property is subject, nor are we aware of any such legal proceedings contemplated by government agencies.

### Item 1A. Risk Factors.

There have been no material changes from the risk factors set forth in our 2021 Annual Report on Form 10-K for the year ended December 31, 2021.

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

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

## Item 6. Exhibits

| No. | Description |
|---|---|
| 3.1 | Articles of Incorporation of Broadstone Net Lease, Inc. (filed as Exhibit 3.1 to the Corporation's Registration Statement on Form 10 filed April 24, 2017 and incorporated herein by reference) |
| 3.2 | Articles of Amendment of Broadstone Net Lease, Inc. (filed as Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed September 18, 2020 and incorporated herein by reference) |
| 3.3 | Articles Supplementary of Broadstone Net Lease, Inc. (filed as Exhibit 3.2 to the Corporation's Current Report on Form 8-K filed September 18, 2020 and incorporated herein by reference) |
| 3.4 | Articles of Amendment of Broadstone Net Lease, Inc. (filed as Exhibit 3.3 to the Corporation's Current Report on Form 8-K filed September 18, 2020 and incorporated herein by reference) |
| 3.5 | Second Amended and Restated Bylaws of Broadstone Net Lease, Inc., adopted March 23, 2020 (filed as Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed March 25, 2020 and incorporated herein by reference) |
| 4.1 | Indenture, dated as of September 15, 2021, among the Issuer, the Company and the Trustee, including the form of the Guarantee (filed as Exhibit 4.1 to the Corporation's Current Report on Form 8-K filed September 10, 2021 and incorporated herein by reference) |
| 4.2 | First Supplemental Indenture, dated as of September 15, 2021, among the Issuer, the Company and the Trustee, including the form of the Notes (filed as Exhibit 4.2 to the Corporation's Current Report on Form 8-K filed September 10, 2021 and incorporated herein by reference) |
| 10.1 | Term Loan Credit Agreement, dated as of August 1, 2022, by and among, the Company, Broadstone Net Lease, LLC, as the borrower, Regions Bank, and the other parties thereto (filed as Exhibit 10.1 to the Corporation's Current Report on Form 8-K filed August 3, 2022 and incorporated herein by reference) |
| 10.2 | Guaranty, dated August 1, 2022, by Broadstone Net Lease, Inc. in favor of Regions Bank (filed as Exhibit 10.2 to the Corporation's Current Report on Form 8-K filed August 3, 2022 and incorporated herein by reference) |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1*† | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2*† | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith.

† In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

## SIGNATURES

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

| | |
|---|---|
| | **BROADSTONE NET LEASE, INC.** |
| Date: November 3, 2022 | /s/ Christopher J. Czarnecki |
| | Christopher J. Czarnecki<br>Chief Executive Officer and President |
| Date: November 3, 2022 | /s/ Ryan M. Albano |
| | Ryan M. Albano<br>Executive Vice President and Chief Financial Officer |

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**
**(Rule 13a-14(a)/15d-14(a) Certification)**

I, Christopher J. Czarnecki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Broadstone Net Lease, Inc. for the quarter ended September 30, 2022;

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

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

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

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

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

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

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

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

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

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

Date: November 3, 2022

/s/ Christopher J. Czarnecki
Christopher J. Czarnecki
Chief Executive Officer and President
(Principal Executive Officer)

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**
**(Rule 13a-14(a)/15d-14(a) Certification)**

I, Ryan M. Albano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Broadstone Net Lease, Inc. for the quarter ended September 30, 2022;

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

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

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

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

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

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

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

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

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

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

Date: November 3, 2022

/s/ Ryan M. Albano
Ryan M. Albano
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**
**(Section 1350 Certification)**

In connection with the Quarterly Report on Form 10-Q of Broadstone Net Lease, Inc. (the “Company”) for the quarter ended September 30, 2022 (the “Third Quarter 10-Q”), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Christopher J. Czarnecki, Chief Executive Officer and President of the Company, certifies, to the best of his knowledge, that:

1. The Third Quarter 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and

2. The information contained in the Third Quarter 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Christopher J. Czarnecki
Christopher J. Czarnecki
Chief Executive Officer and President

The foregoing certification is being furnished solely to accompany the Quarterly Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**EXHIBIT 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**
**(Section 1350 Certification)**

In connection with the Quarterly Report on Form 10-Q of Broadstone Net Lease, Inc. (the "Company") for the quarter ended September 30, 2022 (the "Third Quarter 10-Q"), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Ryan M. Albano, Executive Vice President and Chief Financial Officer of the Company, certifies, to the best of his knowledge, that:

1. The Third Quarter 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

2. The information contained in the Third Quarter 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2022

/s/ Ryan M. Albano
Ryan M. Albano
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Quarterly Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.