

SPIRIT FINANCE CORP  
Form 10-Q  
May 10, 2007

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2007

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 01-32386

## SPIRIT FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**20-0175773**

(I.R.S. Employer  
Identification No.)

**14631 N. Scottsdale Road, Suite 200**

**Scottsdale, Arizona**

(Address of principal executive offices)

**85254**

(Zip Code)

Registrant's telephone number, including area code: **(480) 606-0820**

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of April 30, 2007, 114,085,085 shares of the registrant's Common Stock, par value \$0.01 per share, were outstanding.

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

## Spirit Finance Corporation

## CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	March 31, 2007 (Unaudited)	December 31, 2006
<b>Assets</b>		
Investments, at cost:		
Real estate investments:		
Land and improvements	\$ 1,104,676	\$ 1,042,368
Buildings and improvements	1,771,357	1,688,630
Total real estate investments	2,876,033	2,730,998
Less: Accumulated depreciation	(78,019)	(63,871)
	2,798,014	2,667,127
Loans receivable	81,608	75,173
Net investments	2,879,622	2,742,300
Cash and cash equivalents	193,592	52,317
Lease intangibles, net	25,685	24,313
Deferred costs and other assets, net	33,566	37,660
Total assets	\$ 3,132,465	\$ 2,856,590
<b>Liabilities and stockholders equity</b>		
Liabilities:		
Secured credit facilities	\$	\$ 128,535
Mortgages and notes payable	2,011,509	1,670,839
Accounts payable, accrued expenses and other liabilities	33,001	39,538
Dividends payable	25,099	23,653
Total liabilities	2,069,609	1,862,565
Commitments and contingencies (Note 8)		
Stockholders equity:		
Preferred stock, \$0.01 par value per share, 125,000,000 shares authorized, no shares issued and outstanding		
Common stock, \$0.01 par value per share, 375,000,000 shares authorized, 114,085,085 (2007) and 107,515,866 (2006) shares issued and outstanding	1,141	1,075
Capital in excess of par value	1,149,598	1,069,217
Accumulated distributions in excess of net income	(75,438)	(63,787)
Accumulated other comprehensive loss	(12,445)	(12,480)
Total stockholders equity	1,062,856	994,025
Total liabilities and stockholders equity	\$ 3,132,465	\$ 2,856,590

*See accompanying notes.*

## Spirit Finance Corporation

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(dollars in thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues:</b>		
Rentals	\$ 62,348	\$ 30,921
Interest income on loans receivable	1,812	1,499
Interest and other income	664	638
<b>Total revenues</b>	<b>64,824</b>	<b>33,058</b>
<b>Expenses:</b>		
General and administrative	4,773	4,207
Property costs	1,500	63
Merger costs	1,548	
Depreciation and amortization	14,897	8,047
Interest	29,131	13,696
<b>Total expenses</b>	<b>51,849</b>	<b>26,013</b>
<b>Income from continuing operations</b>	<b>12,975</b>	<b>7,045</b>
<b>Discontinued operations:</b>		
Income from discontinued operations	26	1,223
Net gains (losses) on sales of real estate	541	(133)
<b>Total discontinued operations</b>	<b>567</b>	<b>1,090</b>
<b>Net income</b>	<b>\$ 13,542</b>	<b>\$ 8,135</b>
<b>Income per common share:</b>		
<b>Basic:</b>		
Continuing operations	\$ 0.12	\$ 0.09
Discontinued operations	0.01	0.02
<b>Net income</b>	<b>\$ 0.13</b>	<b>\$ 0.11</b>
<b>Diluted:</b>		
Continuing operations	\$ 0.12	\$ 0.09
Discontinued operations	0.01	0.02
<b>Net income</b>	<b>\$ 0.13</b>	<b>\$ 0.11</b>