

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2019  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-37390



**Global Net Lease, Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**

**45-2771978**

(State or other jurisdiction of incorporation or organization)

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

**650 Fifth Ave., 30<sup>th</sup> Floor, New York, NY 10019**

(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, \$0.01 par value	GNL	New York Stock Exchange
7.25% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value	GNL PR A	New York Stock Exchange
6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value	GNL PR B	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$1,645,370,478 based on the closing sales price on the New York Stock Exchange as of June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter.

On February 20, 2020, the registrant had 89,458,753 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be delivered to stockholders in connection with the registrant's 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K. The registrant intends to file its proxy statement within 120 days after its fiscal year end.

GLOBAL NET LEASE, INC.

FORM 10-K  
Year Ended December 31, 2019

	<u>Page</u>	
<b><u>PART I</u></b>		
<u>Item 1.</u>	<u>Business</u>	<u>5</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>9</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	<u>31</u>
<u>Item 2.</u>	<u>Properties</u>	<u>32</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>	<u>39</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>39</u>
<b><u>PART II</u></b>		
<u>Item 5.</u>	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>40</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>	<u>42</u>
<u>Item 7.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>44</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>62</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	<u>65</u>
<u>Item 9.</u>	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>65</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>65</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>65</u>
<b><u>PART III</u></b>		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>66</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>66</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>66</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>66</u>
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	<u>66</u>
<b><u>PART IV</u></b>		
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	<u>67</u>
<u>Item 16.</u>	<u>Form 10-K Summary</u>	<u>70</u>
<b><u>SIGNATURES</u></b>		<u>71</u>

## Forward-Looking Statements

Certain statements included in this Annual Report on Form 10-K are forward-looking statements including statements regarding the intent, belief or current expectations of Global Net Lease, Inc. (“we,” “our” or “us”), Global Net Lease Advisors, LLC (the “Advisor”) and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as “may,” “will,” “seeks,” “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” “should” or similar expressions. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law.

The following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- All of our executive officers are also officers, managers, employees or holders of a direct or indirect controlling interest in the Advisor and other entities affiliated with AR Global Investments, LLC (the successor business to AR Capital LLC, “AR Global”). As a result, our executive officers, the Advisor and its affiliates face conflicts of interest, including significant conflicts created by the Advisor’s compensation arrangements with us and other investment programs advised by AR Global affiliates and conflicts in allocating time among these investment programs and us. These conflicts could result in unanticipated actions.
- Because investment opportunities that are suitable for us may also be suitable for other investment programs advised by affiliates of AR Global, the Advisor and its affiliates face conflicts of interest relating to the purchase of properties and other investments and these conflicts may not be resolved in our favor.
- We are obligated to pay fees which may be substantial to the Advisor and its affiliates.
- We depend on tenants for our rental revenue and, accordingly, our rental revenue is dependent upon the success and economic viability of our tenants.
- Increases in interest rates could increase the amount of our debt payments.
- We may be unable to repay, refinance, restructure or extend our indebtedness as it becomes due.
- Adverse changes in exchange rates may reduce the net income and cash flow associated with our properties located outside of the United States (“U.S.”).
- The Advisor may not be able to identify a sufficient number of property acquisitions satisfying our investment objectives on a timely basis and on acceptable terms and prices, or at all.
- We may be unable to continue to raise additional debt or equity financing on attractive terms, or at all, and there can be no assurance we will be able to fund future acquisitions.
- Provisions in our revolving credit facility (our “Revolving Credit Facility”) and the related term loan facility (our “Term Loan”), which together comprise our senior unsecured multi-currency credit facility (our “Credit Facility”), may limit our ability to pay dividends on our common stock, \$0.01 par value per share (“Common Stock”), our 7.25% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share (“Series A Preferred Stock”), our 6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share (“Series B Preferred Stock”), or any other stock we may issue.
- We may be unable to pay or maintain cash dividends or increase dividends over time.
- We may not generate cash flows sufficient to pay dividends to our stockholders or fund operations, and, as such, we may be forced to borrow at unfavorable rates to pay dividends to our stockholders or fund our operations.
- Any dividends that we pay on our Common Stock, our Series A Preferred Stock, our Series B Preferred Stock, or any other stock we may issue, may exceed cash flows from operations, reducing the amount of capital available to invest in properties.
- We are subject to risks associated with our international investments, including risks associated with compliance with and changes in foreign laws, fluctuations in foreign currency exchange rates and inflation.
- We are subject to risks associated with any dislocations or liquidity disruptions that may exist or occur in the credit markets of the U.S., Canada and Europe from time to time.
- We may fail to continue to qualify as a real estate investment trust for U.S. federal income tax purposes (“REIT”), which would result in higher taxes, may adversely affect operations, and would reduce the trading price of our Common Stock, Series A Preferred Stock and Series B Preferred Stock, and our cash available for dividends or other distributions.

[Table of Contents](#)

- We may be exposed to risks due to a lack of tenant diversity, investment types and geographic diversity.
- We are exposed to changes in general economic, business and political conditions, including the possibility of intensified international hostilities, acts of terrorism, and changes in conditions of U.S. or international lending, capital and financing markets, including as a result of the U.K.'s withdrawal from the European Union or any other events that create, or give the impression they could create, economic or political instability in Europe, which may cause the revenue derived from, and the market value of, properties located in the United Kingdom and continental Europe to decline.

All forward-looking statements should be read in light of the risks identified in [Part I, Item 1A](#) of this Annual Report on Form 10-K.

## PART I

### Item 1. Business.

#### Overview

We were incorporated on July 13, 2011 as a Maryland corporation that elected to be taxed as a real estate investment trust (“REIT”) beginning with the taxable year ended December 31, 2013. Our Common Stock is listed on the NYSE under the symbol “GNL.” Our 7.25% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share (“Series A Preferred Stock”) is listed on the NYSE under the symbol “GNL PR A” and our 6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share (“Series B Preferred Stock”) is listed on the NYSE under the symbol “GNL PR B.”

We invest in commercial properties, with an emphasis on sale-leaseback transactions and mission-critical single tenant net-leased commercial properties. Substantially all of our business is conducted through the Global Net Lease Operating Partnership, L.P. (the “OP”). We have retained the Advisor to manage our affairs on a day-to-day basis. Our properties are managed and leased to third parties by Global Net Lease Properties, LLC (the “Property Manager”). The Advisor and the Property Manager are under common control with AR Global, and these related parties receive compensation and fees for various services provided to us. For additional information on our advisory agreement with the Advisor, see [Note 10](#) — *Related Party Transactions* to our consolidated financial statements included in this Annual Report on Form 10-K.

As of December 31, 2019, we owned 278 properties consisting of 31.6 million rentable square feet, which were 99.6% leased, with a weighted average remaining lease term of 8.3 years. Based on the percentage of annualized rental income on a straight-line basis as of December 31, 2019, 63.2% of our properties are located in the United States (“U.S.”) and Canada and 37% of our properties are located in Europe. These percentages as of December 31, 2019 are calculated using annualized straight-line rent converted from local currency into USD as of December 31, 2019 for the in-place lease on the property on a straight-line basis, which includes tenant concessions such as free rent, as applicable. We may also originate or acquire first mortgage loans, mezzanine loans, preferred equity or securitized loans (secured by real estate). As of December 31, 2019, we did not own any first mortgage loans, mezzanine loans, preferred equity or securitized loans.

#### Common Stock Offerings

##### ATM Program — Common Stock

We have an “at the market” equity offering program (the “Common Stock ATM Program”) pursuant to which we may sell shares of Common Stock, from time to time through our sales agents. During January 2019, we sold 7,759,322 shares of Common Stock through the Common Stock ATM Program for gross proceeds of \$152.7 million, before commissions of \$1.5 million and additional issuance costs of \$2,000. Following these sales, we had raised all \$175.0 million contemplated by our existing equity distribution agreement related to the Common Stock ATM Program and, in February 2019, we terminated our existing equity distribution agreement and entered into a new equity distribution agreement with substantially the same sales agents on substantially the same terms. The new equity distribution agreement provides for the continuation of our Common Stock ATM Program to raise additional aggregate sales proceeds of up to \$250.0 million. Under the new equity distribution agreement, through December 31, 2019, we sold 5,596,452 shares of Common Stock for gross proceeds of \$109.9 million, before commissions paid of \$1.6 million and additional issuance costs of \$0.4 million. In total, during the year ended December 31, 2019, we sold 13,355,773 shares of Common Stock for gross proceeds of \$262.6 million, before commissions paid of \$3.2 million and additional issuance costs of \$1.2 million.

#### Preferred Stock Offerings

##### ATM Program — Series A Preferred Stock

In March 2018, we established an “at the market” equity offering program for our Series A Preferred Stock (the “Series A Preferred Stock ATM Program”) pursuant to which we could raise aggregate sales proceeds of \$200.0 million through sales of shares of Series A Preferred Stock from time to time through our sales agents. During the year ended December 31, 2019, we sold 1,382,577 shares of Series A Preferred Stock through the Series A Preferred Stock ATM Program for gross proceeds of \$35.3 million, before commissions paid of \$0.5 million and additional issuance costs of \$0.2 million. In November 2019, we terminated the Series A Preferred Stock ATM Program.

##### Underwritten Offering — Series B Preferred Stock

On November 20, 2019, we completed the issuance and sale of 3,450,000 shares of Series B Preferred Stock (including 450,000 shares pursuant to the underwriters’ partial exercise of their option to purchase additional shares in accordance with terms of the underwriting agreement) in an underwritten public offering at a public offering price equal to the liquidation preference of \$25.00 per share. The gross proceeds from this offering were approximately \$86.2 million before deducting the underwriting discount of \$2.7 million and additional offering expenses of \$0.5 million.

## ATM Program — Series B Preferred Stock

In December 2019, we established an “at the market” equity offering program for our Series B Preferred Stock (the “Series B Preferred Stock ATM Program”) pursuant to which we may raise aggregate sales proceeds of \$200.0 million through sales of shares of Series B Preferred Stock from time to time through our sales agents. We did not sell any shares of Series B Preferred Stock through the Series B Preferred Stock ATM Program during 2019.

### **Investment Strategy**

Our investment strategy is to own and acquire a portfolio of commercial properties that is diversified in terms of geography, industry, and tenants. Based on the percentage of annualized rental income on a straight-line basis as of December 31, 2019, 63% of our properties are located in the U.S. and Canada and 37% in Europe. Based on annualized rental income on a straight-line basis as of December 31, 2019, approximately 49% of our investments are in office properties, 46% of our investments are in industrial/distribution properties, and 5% of our investments are in retail properties. No individual tenant accounted for more than 10% of our annualized rental income on a straight-line basis for the years ended December 31, 2019, 2018 and 2017.

We seek to:

- support a stable and consistent dividend by generating stable and consistent cash flows by acquiring properties with, or entering into new leases with, long lease terms;
- facilitate dividend growth by acquiring properties with, or entering into new leases with, contractual rent escalations or inflation adjustments included in the lease terms; and
- enhance the diversity of our asset base by continuously evaluating opportunities in different geographic regions of the U.S., Canada, and Europe and leveraging the market presence of the Advisor.

### **Acquisition and Investment Policies**

#### ***Primary Investment Focus***

We primarily focus on acquiring net lease properties with existing net leases, or we acquire properties pursuant to sale-leaseback transactions. We are in the business of acquiring real estate properties and leasing the properties to tenants. Our goal is to grow through acquiring additional properties. During the year ended December 31, 2019, we acquired 39 properties for \$562.7 million, including capitalized acquisition costs. Our 2019 acquisitions consisted of 65% industrial and 35% office properties based on annualized rental income on a straight-line basis as of December 31, 2019 as we continue to focus on industrial industrial/distribution properties. These acquisitions included \$11.4 million of capital expenditures to expand and remodel four properties in exchange for increased annual rent. As of December 31, 2019, we owned 278 properties, including 213 properties located in the U.S., 42 properties located in the United Kingdom, 21 properties located across continental Europe and two properties in Canada.

#### ***Investing in Real Property***

When evaluating prospective investments in real property, our Advisor considers relevant real estate and financial factors, including the location of the property, the leases and other agreements affecting it, the creditworthiness of its major tenants, its income producing capacity, its physical condition, its prospects for appreciation, its prospects for liquidity, tax considerations and other factors. In this regard, the Advisor has substantial discretion with respect to the selection of specific investments, subject to board approval and any guidelines established by our board of directors.

The termination, delinquency or non-renewal of leases by any major tenant may have a material adverse effect on our revenues.

#### ***Other Investments***

We believe that the presence of the Advisor in the commercial real estate marketplace may present attractive opportunities to invest in properties other than long-term net leased properties, such as partially leased properties, multi-tenanted properties, vacant or undeveloped properties and properties subject to short-term net leases. We may in the future acquire or originate real estate debt such as first mortgage debt loans, mezzanine loans, preferred equity or securitized loans secured by real estate. We may also invest in real estate-related securities issued by real estate market participants such as real estate funds or other REITs. Real estate-related securities include commercial mortgage-backed securities (“CMBS”), preferred equity and other higher-yielding structured debt and equity investments. As of December 31, 2019, we do not own any of these types of investments.

#### ***Acquisition Structure***

We acquire properties through the OP and its subsidiaries. We have acquired properties through asset purchases and through purchases of the equity of entities owning properties. We typically acquire fee interests in a property (a “fee interest” is the absolute, legal possession and ownership of land, property, or rights), although we have acquired 13 leasehold interest properties (a “leasehold interest” is a right to enjoy the exclusive possession and use of an asset or property for a stated definite period as created by a written lease).

We may enter into joint ventures, partnerships and other co-ownership arrangements (including preferred equity investments) for the purpose of making investments, provided these investments would not cause us to be required to register as an “investment company” under the Investment Company Act of 1940, as amended.

## **Financing Strategies and Policies**

We have used financing for acquisitions and other investments, property improvements, tenant improvements, leasing commissions and other working capital needs. We expect to obtain additional financing for similar purposes in the future. The form of our indebtedness will vary and could be long-term or short-term, secured or unsecured, or fixed-rate or floating rate. We will not enter into interest rate swaps or caps, or similar hedging transactions or derivative arrangements for speculative purposes, but have entered into, and expect to continue to enter into, these types of transactions in order to manage or mitigate our interest rate risk on variable rate debt. As of December 31, 2019, and based on the prevailing exchange rates on that date, our aggregate gross borrowings are equal to 49.3% of the purchase price of our real estate investments, or 51.1% of our total assets.

We may reevaluate and change our financing policies without a stockholder vote. Factors that we would consider when reevaluating or changing our debt policy include among other things, current economic conditions, the relative cost and availability of debt and equity capital, our expected investment opportunities, the ability of our investments to generate sufficient cash flow to cover debt service requirements.

### *Mortgage Notes Payable*

We have various mortgage loans outstanding, which are secured by our properties. Our mortgage loans typically bear interest at margin plus a floating rate which is mostly fixed through interest rate swap agreements (see [Note 4](#) — *Mortgage Notes Payable, Net* to our consolidated financial statements included in this Annual Report on Form 10-K for mortgage loans in respective currency and interest rate detail).

### *Credit Facility*

On July 24, 2017, we, through the OP, entered into a credit agreement with KeyBank National Association (“KeyBank”), as agent, and the other lender parties thereto, which we amended and restated on August 1, 2019 to, among other things, increase the aggregate total commitments, lower the interest rate and revise certain covenants. The credit agreement provides for a senior unsecured multi-currency revolving credit facility (the “Revolving Credit Facility”), and a senior unsecured term loan facility (the “Term Loan” and, together with the Revolving Credit Facility, the “Credit Facility”).

The aggregate total commitments under the Credit Facility were \$1.235 billion based on USD equivalents on the date of the amendment and restatement, with approximately \$835.0 million (based on the prevailing exchange rate on that date) allocated to the Revolving Credit Facility and approximately €359.6 million (\$400.0 million based on the prevailing exchange rate on that date) allocated to the Term Loan. As of December 31, 2019, we had \$199.1 million (\$62.2 million, £40.0 million and €75.0 million) in outstanding debt under the Revolving Credit Facility and \$403.3 million (€359.6 million) of gross outstanding debt under the Term Loan.

Upon our request, subject in all respects to the consent of the lenders in their sole discretion, the aggregate total commitments under the Credit Facility may be increased up to an aggregate additional amount of \$515.0 million, allocated to either or both portions of the Credit Facility, with total commitments under the Credit Facility not to exceed \$1.75 billion. The availability of borrowings under the Revolving Credit Facility is based on the value of a pool of eligible unencumbered real estate assets owned by us and compliance with various ratios related to those assets. As of December 31, 2019, approximately \$204.1 million was available for future borrowings under the Revolving Credit Facility.

For additional information, see [Note 5](#) — *Credit Facilities* to our consolidated financial statements included in this Annual Report on Form 10-K for further information on our Credit Facility.

## **Tax Status**

We elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with our taxable year ended December 31, 2013. We believe that, commencing with such taxable year, we have been organized and have operated in a manner so that we qualify for taxation as a REIT under the Code. We intend to continue to operate in such a manner to qualify for taxation as a REIT, but can provide no assurances that we will operate in a manner so as to remain qualified as a REIT. To continue to qualify for taxation as a REIT, we must distribute annually at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with generally accepted accounting principles (“GAAP”), determined without regard for the deduction for dividends paid and excluding net capital gains, and must comply with a number of other organizational and operational requirements. If we continue to qualify for taxation as a REIT, we generally will not be subject to federal corporate income tax on the portion of our REIT taxable income that we distribute to our stockholders. Even if we qualify for taxation as a REIT, we may be subject to certain state, and local taxes on our income and properties, and federal income and excise taxes on our undistributed income.

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

### **Competition**

The commercial real estate market is highly competitive. In all of our markets we compete for tenants with other owners and operators of real estate. Factors affecting competition for tenants include location, rental rates, security, suitability of the property's design to prospective tenants' needs and the manner in which the property is operated and marketed. The adverse impact of competition may have a material effect on our occupancy levels, rental rates or operating expenses of our properties and may require us to make capital improvements.

In addition, we compete with other parties engaged in real estate investment activities to identify suitable properties to acquire and to find tenants and purchasers for our properties. These competitors include American Finance Trust, Inc. ("AFIN"), a REIT advised by an affiliate of AR Global, with an investment strategy similar to our investment strategy with respect to properties located in the U.S., other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, lenders, governmental bodies and other entities. There are also other REITs with asset acquisition objectives similar to ours, and others that may be organized in the future. Some of these competitors, including larger REITs, have substantially greater marketing and financial resources than we have, and may be able to accept more risk than we can prudently manage, including risks with respect to the creditworthiness of tenants. In addition, these same competitors seek financing through similar channels as us, which may impact our ability to obtain financing. Therefore, we compete for financing in a market where funds for real estate investment may decrease.

Competition from these and other real estate investors may limit the number of suitable investment opportunities available to us. Competition also may cause us to face higher prices to acquire assets, lower yields on assets and a narrower spread of yields over our borrowing costs, making it more difficult for us to acquire new investments on attractive terms. In addition, competition for desirable investments could delay investments in desirable assets, which may in turn reduce our earnings per share and negatively affect our ability to maintain dividends to stockholders.

### **Regulations - General**

Our investments are subject to various federal, state, local and foreign laws, ordinances and regulations, including, among other things, zoning regulations, land use controls, environmental controls relating to air and water quality, noise pollution and indirect environmental impacts such as increased motor vehicle activity. We believe that we have all permits and approvals necessary under current law to operate our investments.

### **Regulations - Environmental**

As an owner of real estate, we are subject to various environmental laws of federal, state and local governments and foreign governments at various levels. Compliance with existing laws has not had a material adverse effect on our financial condition or results of operations, and management does not believe it will have such an impact in the future. However, we cannot predict the impact of unforeseen environmental contingencies or new or changed laws or regulations on properties in which we hold an interest, or on properties that may be acquired directly or indirectly in the future. As part of our efforts to mitigate these risks, we typically engage third parties to perform assessments of potential environmental risks when evaluating a new acquisition of property, and we frequently require sellers to address them before closing or obtain contractual protection (indemnities, cash reserves, letters of credit, or other instruments) from property sellers, tenants, a tenant's parent company, or another third party to address known or potential environmental issues.

### **Employees**

As of December 31, 2019, we have one employee based in Europe. The employees of our Advisor, Property Manager and other affiliates of AR Global perform a full range of real estate services for us, including acquisitions, property management, accounting, legal, asset management and investor relations services.

We depend on these companies for services that are essential to us, including asset acquisition decisions, property management and other general administrative responsibilities. In the event that any of these companies were unable to provide these services to us, we would be required to provide such services ourselves or obtain such services from other sources.

### **Available Information**

We electronically file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, and proxy statements, with the SEC. You may read and copy any materials we file with the SEC at the SEC's Internet address located at <http://www.sec.gov>. The website contains reports, proxy statements and information statements, and other information, which you may obtain free of charge. In addition, copies of our filings with the SEC may be obtained from the website maintained for us and our affiliates at [www.globalnetlease.com](http://www.globalnetlease.com). Access to these filings is free of charge. We are not incorporating our website or any information from the website into this Form 10-K.



## Item 1A. Risk Factors

Set forth below are the risk factors that we believe are material to our investors. The occurrence of any of the risks discussed in this Annual Report on Form 10-K could have a material adverse effect on our business, our financial condition, our results of operations, our ability to pay dividends and the trading price of our shares.

### Risks Related to Our Properties and Operations

***We may be unable to enter into contracts for and complete property acquisitions on advantageous terms or our property acquisitions may not perform as we expect.***

Our goal is to grow through acquiring additional properties, and pursuing this investment objective exposes us to numerous risks, including:

- competition from other real estate investors with significant capital resources;
- we may acquire properties that are not accretive;
- we may not successfully manage and lease the properties we acquire to meet our expectations or market conditions may result in future vacancies and lower-than expected rental rates;
- we may be unable to obtain debt financing or raise equity required to fund acquisitions on favorable terms, or at all;
- we may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- agreements for the acquisition of properties are typically subject to customary conditions to closing that may or may not be completed, and we may spend significant time and money on potential acquisitions that we do not consummate;
- the process of acquiring or pursuing the acquisition of a new property may divert the attention of our management team from our existing business operations; and
- we may acquire properties without recourse, or with only limited recourse, for liabilities, whether known or unknown.

We rely upon our Advisor and the real estate professionals employed by affiliates of our Advisor to identify suitable investments, but there can be no assurance that our Advisor will be successful in doing so on financially attractive terms or that our objectives will be achieved. If our Advisor is unable to timely locate suitable investments, we may be unable or limited in our ability to pay dividends and we may not be able to meet our investment objectives.

***Our ability to continue implementing our growth strategy depends on our ability to access capital from external sources, and there can be no assurance we will be able to do so on favorable terms or at all.***

In order to meet our strategic goals, which include acquiring additional properties, we will need to access sources of capital beyond the cash we generate from our operations. Our access to capital depends, in part, on:

- general market conditions;
- the market's view of the quality of our assets;
- the market's perception of our growth potential;
- our current and expected debt levels;
- our current and expected future earnings;
- our current and expected cash flow and cash dividend payments; and
- market price per share of our Common Stock, Series A Preferred Stock, Series B Preferred Stock and any other class or series of equity security we may seek to issue.

We cannot assure you that we will be able to obtain debt financing or raise equity on terms favorable or acceptable to us or at all. If we are unable to do so, our ability to successfully pursue our strategy of growth through property acquisitions will be limited. Failure to achieve this strategic objective could adversely affect us.

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

We cannot guarantee that we will be able to pay dividends on a regular basis on Common Stock, our Series A Preferred Stock, our Series B Preferred Stock or any other class or series of stock we may issue in the future. Decisions regarding the frequency and amount of any future dividends we pay on our Common Stock will remain at all times entirely at the discretion of our board of directors, which reserves the right to change our dividend policy at any time and for any reason. Any accrued and unpaid dividends payable with respect to our Series A Preferred Stock and Series B Preferred Stock must be paid upon redemption of those shares.

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

Our ability to pay dividends in the future and maintain compliance with the restrictions on the payment of dividends in our Credit Facility depends on our ability to operate profitably and to generate sufficient cash flows from the operations of our existing properties and any properties we may acquire. There can be no assurance that we will complete acquisitions on a timely basis or on acceptable terms and conditions, if at all. If we fail to do so (and we are not otherwise able to increase the amount of cash we have available to pay dividends and other distributions), our ability to comply with the restrictions on the payment of dividends in our Credit Facility may be adversely affected, and we might be required to reduce the amount of dividends we pay. In the past, the lenders under our Credit Facility have consented to increase the maximum amount of our Adjusted FFO we may use to pay cash dividends and other distributions and make redemptions and other repurchases in certain periods, most recently in connection with the amendment and restatement of our Credit Facility in August 2019. There can be no assurance that they will do so again in the future.

Our cash flows provided by operations were \$146.0 million for the year ended December 31, 2019. During the year ended December 31, 2019, we paid dividends of \$162.0 million, which includes payments to holders of our Common Stock and Series A Preferred Stock and distributions to holders of LTIP Units. Of these payments to holders of our Common Stock \$146.0 million, or 90.1%, was funded from cash flows provided by operations and \$16.0 million or 9.9% was funded from available cash on hand, consisting of proceeds from borrowings. The initial dividend on Series B Preferred Stock was paid in January 2020.

If we are not able to generate sufficient cash from operations, we may have to reduce the amount of dividends we pay or identify other financing sources. There can be no assurance that other sources will be available on favorable terms, or at all. Funding dividends from borrowings restricts the amount we can borrow for property acquisitions and investments. Using proceeds from the sale of assets or the issuance of our Common Stock, Series A Preferred Stock, Series B Preferred Stock, or other equity securities to fund dividends rather than invest in assets will likewise reduce the amount available to invest.

***We depend on the Advisor and Property Manager, to provide us with executive officers, key personnel and all services required for us to conduct our operations and our operating performance may be impacted by any adverse changes in the financial health or reputation of the Advisor.***

We have no employees. Personnel and services that we require are provided to us under contracts with the Advisor and its affiliate, the Property Manager. We depend on the Advisor, any entities it may engage with our approval, and the Property Manager to manage our operations and to acquire and manage our portfolio of real estate assets.

Thus, our success depends to a significant degree upon the contributions of our executive officers and other key personnel of the Advisor and its affiliates including James L. Nelson, our chief executive officer and a member of our board of directors and Christopher J. Masterson, our chief financial officer. Except for the agreement between Mr. Nelson and AR Global, neither our Advisor nor any of its affiliates has an employment agreement with these key personnel and we cannot guarantee that all, or any particular one, of these individuals will remain employed by the Advisor or one of its affiliates and otherwise available to continue to perform services for us. If any of our key personnel were to cease their affiliation with the Advisor, our operating results, business and prospects could suffer. Further, we do not maintain key person life insurance on any person. We believe that our success depends, in large part, upon the ability of the Advisor to hire, retain or contract services of highly skilled managerial, operational and marketing personnel. Competition for skilled personnel is intense, and there can be no assurance that the Advisor will be successful in attracting and retaining skilled personnel. If the Advisor loses or is unable to obtain the services of key personnel, the Advisor's ability to manage our business and implement our investment strategies could be delayed or hindered, and the value of an investment in shares of our stock may decline.

On March 8, 2017, the creditor trust established in connection with the bankruptcy of RCS Capital Corp. ("RCAP"), which prior to its bankruptcy filing was under common control with the Advisor, filed suit against AR Global, the Advisor, advisors of other entities sponsored by affiliates of AR Global, and AR Global's principals. The suit alleges, among other things, certain breaches of duties to RCAP. We are neither a party to the suit, nor are there allegations related to the services the Advisor provides to us. On May 26, 2017, the defendants moved to dismiss. On November 30, 2017, the court issued an opinion partially granting the defendants' motion. On December 7, 2017, the creditor trust moved for limited reargument of the court's partial dismissal of its breach of fiduciary duty claim, and on January 10, 2018, the defendants filed a supplemental motion to dismiss certain claims. On April 5, 2018, the court issued an opinion denying the creditor trust's motion for reconsideration while partially granting the defendants' supplemental motion to dismiss. On April 4, 2019, the court granted defendants' motion for leave to amend and denied defendants' motion for partial summary judgment. The Advisor has informed us that it believes the suit is without merit and intends to defend against it vigorously.

Any adverse changes in the financial condition or financial health of, or our relationship with, the Advisor, including any change resulting from an adverse outcome in any litigation, including the litigation described above, could hinder its ability to successfully manage our operations and our portfolio of investments. Additionally, changes in ownership or management practices, the occurrence of adverse events affecting the Advisor or its affiliates or other companies advised by the Advisor and its affiliates could create adverse publicity and adversely affect us and our relationship with lenders, tenants or counterparties.

***We may terminate the advisory agreement in only limited circumstances, which may require payment of a termination fee.***

We have limited rights to terminate the Advisor. The initial term of the advisory agreement expires on June 1, 2035, but is automatically renewed upon expiration for consecutive five-year terms unless notice of termination is provided by either party 365 days in advance of the expiration of the term. Further, we may terminate the agreement only under limited circumstances. In the event of a termination in connection with a change in control of us or the Advisor's failure (based on a good faith determination by our independent directors) to meet annual performance standards for the prior year based primarily on actions or inactions of the Advisor, we would be required to pay a termination fee that could be up to two and a half times the compensation paid to the Advisor in the previous year, plus expenses. The limited termination rights of the advisory agreement will make it difficult for us to renegotiate the terms of the advisory agreement or replace the Advisor even if the terms of the advisory agreement are no longer consistent with the terms generally available to externally-managed REITs for similar services.

Moreover, our property management and leasing agreement with the Property Manager is only terminable without cause upon 12 months prior notice, which will make it difficult for us to renegotiate the terms of the property management and leasing agreement or replace the Property Manager even if the terms of the property management and leasing agreement are no longer consistent with the terms generally available to externally-managed REITs for similar services.

***We rely significantly on major tenants and therefore are subject to tenant credit concentrations that make us more susceptible to adverse events with respect to those tenants.***

The value of our investment in a real estate asset is historically driven by the credit quality of the underlying tenant, and an adverse change in a major tenant's financial condition or a decline in the credit rating of such tenant may result in a decline in the value of our investments. As of December 31, 2019, we derived 5% of our consolidated annualized rental income on a straight-line basis from FedEx.

***A high concentration of our properties in a particular geographic area magnifies the effects of downturns in that geographic area and could have a disproportionate adverse effect on the value of our investments.***

As of December 31, 2019, the following countries and states accounted for 5% or more of our consolidated annualized rental income on a straight-line basis:

Country	December 31, 2019
<b>European Countries:</b>	
United Kingdom	18%
The Netherlands	5%
Finland	5%
Other European Countries	9%
Total European Countries	37%
<b>United States, Puerto Rico and Canada:</b>	
Michigan	15%
Texas	8%
Ohio	6%
Other States, Puerto Rico and Canada	34%
Total United States, Puerto Rico and Canada	63%
Total	100%

Any adverse situation that disproportionately affects the states and countries listed above may have a magnified adverse effect on us. Factors that may negatively affect economic conditions in these states or countries include:

- restrictions on international trade;
- business layoffs, downsizing or relocations;
- industry slowdowns;
- changing demographics;
- climate change;

## [Table of Contents](#)

- increased telecommuting and use of alternative work places;
- infrastructure quality;
- any oversupply of, or reduced demand for, real estate;
- concessions or reduced rental rates under new leases for properties where tenants defaulted; and
- increased insurance premiums.

### ***Brexit and other events that create, or give the impression they could create, economic or political instability in Europe could adversely affect us.***

On June 23, 2016, the United Kingdom held a referendum in which a majority of voters approved an exit from the European Union, commonly referred to as “Brexit.” Following this vote, there were a series of negotiations between the United Kingdom and the European Union in an effort to come to mutual agreement on the terms of the United Kingdom’s withdrawal from and future relationship with the European Union as well as various parliamentary votes related to proposals and multiple parliamentary elections. In January 2020, the United Kingdom Parliament and the European Parliament approved a withdrawal agreement that allowed the United Kingdom to formally leave the European Union on January 31, 2020, subject to a transition period extending until December 31, 2020. During this transition period, the United Kingdom and the European Union have agreed to negotiate a comprehensive trade agreement that will govern their economic relationship following the transition period, and, while these negotiations are ongoing, the trading relationship will remain the same as it had been prior to withdrawal and the United Kingdom will continue to be subject to European Union rules and regulations. Under the terms of the withdrawal, this transition period may be extended by 12 or 24 months if the United Kingdom and the European Union agree.

The uncertainty surrounding when and on what terms the United Kingdom will finalize its exit from the European Union, as well as uncertainty surrounding the ultimate impact of these events on both the United Kingdom and the European Union, has caused, and may continue to cause, significant volatility in global stock markets and currency exchange fluctuations, including fluctuations in the value of the British pound sterling as compared to the USD and other currencies. In addition to the long-term effects of Brexit that depend on whether the United Kingdom is able to retain access to European Union markets on a permanent basis, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. As a general matter, Brexit may:

- adversely affect European and worldwide economic and market conditions;
- adversely affect commercial property market values and rental rates in the United Kingdom and continental Europe;
- result in foreign currency exchange rate fluctuations that could adversely affect our results of operations, especially if we are unable to effectively hedge currency exchange exposure; and
- adversely affect the availability of financing for commercial properties in the United Kingdom and continental Europe, which could impair our ability to acquire properties and may reduce the price for which we are able to sell properties we have acquired.

The effects of Brexit, including effects we cannot anticipate, could adversely affect us. However, the terms and effects of Brexit and the duration of the transition period are not clear at this time, and it is not possible to determine the ultimate impact that the United Kingdom’s departure from the European Union or any related matters may have on us.

In addition to Brexit, there are other events that create, or give the impression they could create, economic or political instability in Europe. For example, concerns persist regarding the debt burden of certain Eurozone countries, their potential inability to meet their future financial obligations, and the overall stability of the European Union, and these concerns could lead to the introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro currency entirely. These potential developments, or market perceptions concerning these and related issues, could materially adversely affect the value of our investments and obligations in Europe (including the United Kingdom).

### ***We are subject to additional risks from our international investments.***

Based on the percentage of annualized rental income on a straight-line basis as of December 31, 2019, 37% of our properties are located in Europe, primarily in the United Kingdom, Germany, The Netherlands, Finland, France and Luxembourg, and 63% of our properties are located in the U.S., Puerto Rico and Canada. These investments may be affected by factors peculiar to the laws and business practices of the jurisdictions in which the properties are located. These laws and business practices may expose us to risks that are different from and in addition to those commonly found in the U.S. Foreign investments pose several risks, including the following:

- the burden of complying with a wide variety of foreign laws;
- changing governmental rules and policies, including changes in land use and zoning laws, more stringent environmental laws or changes in such laws;

- existing or new laws relating to the foreign ownership of real property or loans and laws restricting the ability of foreign persons or companies to remove profits earned from activities within the country to the person's or company's country of origin;
- the potential for expropriation;
- possible currency transfer restrictions;
- imposition of adverse or confiscatory taxes;
- changes in real estate and other tax rates and changes in other operating expenses in particular countries;
- possible challenges to the anticipated tax treatment of the structures that allow us to acquire and hold investments;
- adverse market conditions caused by terrorism, civil unrest and changes in national or local governmental or economic conditions;
- the willingness of domestic or foreign lenders to make loans in certain countries and changes in the availability, cost and terms of loan funds resulting from varying national economic policies;
- general political and economic instability in certain regions;
- the potential difficulty of enforcing obligations in other countries; and
- the Advisor's limited experience and expertise in foreign countries relative to its experience and expertise in the U.S.

***Investments in properties or other real estate investments outside the U.S. subject us to foreign currency risk.***

Investments we make outside the U.S. are generally subject to foreign currency risk due to fluctuations in exchange rates between foreign currencies and the USD. Revenues generated from properties or other real estate investments located in foreign countries are generally denominated in the local currency. Further, as of December 31, 2019, we had \$1.3 billion (\$689.8 million, €270.4 million and £223.2 million) in gross outstanding mortgage debt, \$199.1 million (\$62.2 million, £40.0 million and €75.0 million) in outstanding debt under the Revolving Credit Facility and \$403.3 million (€359.6 million) of gross outstanding debt under the Term Loan. We may continue to borrow in foreign currencies when purchasing properties outside the United States, including draws under our Revolving Credit Facility, which may, at our option, be denominated in USD, EUR, Canadian Dollars, British Pounds Sterling ("GBP") or Swiss Francs. Changes in exchange rates of any of these foreign currencies to USD may affect our revenues, operating margins and the amount of cash generated by these properties and the amount of cash we have available to pay dividends. Changes to exchange rates may also affect the book value of our assets and the amount of stockholders' equity.

Changes in foreign currency exchange rates may impact the value of our assets. These changes may adversely affect our status as a REIT.

Foreign exchange rates may be influenced by many factors, including:

- changing supply and demand for a particular currency;
- the prevailing interest rates in one country as compared to another country;
- monetary policies of governments (including exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or an investment by residents of a country in other countries);
- trade restrictions and other factors that could lead to changes in balances of payments and trade, including the status of the ongoing trade negotiations between the U.S. and Chinese government, as well as other tensions that could be characterized as, or increase the potential for an international trade war; and
- currency devaluations and revaluations.

Also, governments from time to time intervene in the currency markets, directly and by regulation, in order to influence exchange rates. These events and actions are unpredictable.

We have used and may continue to use foreign currency derivatives including options, currency forward and cross currency swap agreements to manage our exposure to fluctuations in GBP-USD and EUR-USD exchange rates, but there can be no assurance our hedging strategy will be successful. If we fail to effectively hedge our currency exposure, or if we experience other losses related to our exposure to foreign currencies, our operating results could be negatively impacted and cash flows could be reduced.

***Market and economic challenges experienced by the U.S. and global economies may adversely impact aspects of our operating results and operating condition.***

Our business may be affected by market and economic challenges experienced by the U.S. and global economies. These conditions may materially affect the commercial real estate industry, the businesses of our tenants and the value and performance of our properties, and may affect our ability to pay dividends, and the availability or the terms of financing that we have or may anticipate utilizing. Challenging economic conditions may also impact the ability of certain of our tenants to enter into new leasing transactions or satisfy rental payments under existing leases. Specifically, global market and economic challenges may have adverse consequences, including:

- decreased demand for our properties due to significant job losses that occur or may occur in the future, resulting in lower rents and occupancy levels;
- an increase in the number of bankruptcies or insolvency proceedings of our tenants and lease guarantors, which could delay or preclude our efforts to collect rent and any past due balances under the relevant leases;
- widening credit spreads as investors demand higher risk premiums, resulting in lenders increasing the cost for debt financing;
- reduction in the amount of capital that is available to finance real estate, which, in turn, could lead to a decline in real estate values generally, slow real estate transaction activity, a reduction the loan-to-value ratio upon which lenders are willing to lend, and difficulty refinancing our debt;
- a decrease in the market value of our properties, which may limit our ability to obtain debt financing secured by our properties;
- a need for us to establish significant provisions for losses or impairments;
- reduction in the value and liquidity of our short-term investments and increased volatility in market rates for such investments; and
- reduction in cash flows from our operations as a result of foreign currency losses resulting from our operations in continental Europe, the United Kingdom and Canada if we are unsuccessful in hedging these potential losses or if, as part of our risk management strategies, we choose not to hedge some or all of the risk.

***Inflation may have an adverse effect on our investments.***

Inflation, along with governmental measures to curb inflation, coupled with public speculation about the possible future governmental measures to be adopted, has had significant negative effects on these international economies in the past and this could occur again in the future.

Inflation could erode the value of long-term leases that do not contain indexed escalation provisions. High inflation in the countries in which we own or purchase real estate or make other investments could also increase expenses, and we may not be able to pass these increased costs onto our tenants. An increase in our expenses or a decrease in revenues could adversely impact results of operations. Certain of our leases, for properties located in foreign countries contain upward adjustments to fair market value every five years or contain capped indexed escalation provisions, but there can be no assurance that future leases for properties located in foreign countries will contain such provisions or that such provisions will protect us from all potential adverse effects of inflation.

Conversely, low inflation can cause deflation, or an outright decline in prices. Deflation can lead to a negative cycle where consumers delay purchases in anticipation of lower prices, causing businesses to stop hiring and postpone investments as sales weaken. Deflation would have a serious impact on economic growth and may adversely affect the financial condition of our tenants and the rental rates at which we renew or enter into leases.

***A high concentration of our tenants in a similar industry magnifies the effects of downturns in that industry and would have a disproportionate adverse effect on the value of investments.***

If tenants of our properties are concentrated in a certain industry category, any adverse effect to that industry generally would have a disproportionately adverse effect on our portfolio. As of December 31, 2019, the following industries had concentrations of properties accounting for 5.0% or more of our consolidated annualized rental income on a straight-line basis:

Industry	December 31, 2019
Financial Services	9%
Healthcare	8%
Technology	7%
Aerospace	6%
Freight	5%
Consumer Goods	5%
Government	5%
Metal Processing	5%
Logistics	5%
Telecommunications	5%

Any adverse situation that disproportionately affects the industries listed above may have a magnified adverse effect on our portfolio.

***Our business and operations could suffer if our Advisor or any other party that provides us with services essential to our operations experiences system failures or cyber incidents or a deficiency in cybersecurity.***

The internal information technology networks and related systems of our Advisor and other parties that provide us with services essential to our operations are vulnerable to damage from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by these disruptions.

As reliance on technology has increased, so have the risks posed to those systems. Our Advisor and other parties that provide us with services essential to our operations must continuously monitor and develop their networks and information technology to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses, and social engineering, such as phishing. We are continuously working, including with the aid of third party service providers, to install new, and to upgrade existing, network and information technology systems, to create processes for risk assessment, testing, prioritization, remediation, risk acceptance, and reporting, and to provide awareness training around phishing, malware and other cyber risks to ensure that our Advisor and other parties that provide us with services essential to our operations are protected against cyber risks and security breaches and that we are therefore also so protected. However, these upgrades, processes, new technology and training may not be sufficient to protect us from all risks. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques and technologies used in attempted attacks and intrusions evolve and generally are not recognized until launched against a target. In some cases, attempted attacks and intrusions are designed not to be detected and, in fact, may not be detected.

The remediation costs and lost revenues experienced by a subject of an intentional cyberattack or other event which results in unauthorized third party access to systems to disrupt operations, corrupt data or steal confidential information may be significant and significant resources may be required to repair system damage, protect against the threat of future security breaches or to alleviate problems, including reputational harm, loss of revenues and litigation, caused by any breaches. Additionally, any failure to adequately protect against unauthorized or unlawful processing of personal data, or to take appropriate action in cases of infringement may result in significant penalties under privacy law.

Furthermore, a security breach or other significant disruption involving the information technology networks and related systems of our Advisor or any other party that provides us with services essential to our operations could:

- result in misstated financial reports, violations of loan covenants, missed reporting deadlines and/or missed permitting deadlines;
- affect our ability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information (including information about tenants), which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or
- adversely impact our reputation among our tenants and investors generally.



Although our Advisor and other parties that provide us with services essential to our operations intend to continue to implement industry-standard security measures, there can be no assurance that those measures will be sufficient, and any material adverse effect experienced by our Advisor and other parties that provide us with services essential to our operations could, in turn, have an adverse impact on us.

***We may in the future acquire or originate real estate debt or invest in real estate-related securities issued by real estate market participants, which would expose us to additional risks.***

We may in the future acquire or originate first mortgage debt loans, mezzanine loans, preferred equity or securitized loans, CMBS, preferred equity and other higher-yielding structured debt and equity investments. Doing so would expose us not only to the risks and uncertainties we are currently exposed to through our direct investments in real estate but also to additional risks and uncertainties attendant to investing in and holding these types of investments, such as:

- risk of defaults by borrowers in paying debt service on outstanding indebtedness and to other impairments of our loans and investments;
- increased competition from entities engaged in mortgage lending and, or investing in our target assets;
- deterioration in the performance of properties securing our investments may cause deterioration in the performance of our investments and, potentially, principal losses to us;
- fluctuations in interest rates and credit spreads could reduce our ability to generate income on our loans and other investments;
- difficulty in redeploying the proceeds from repayments of our existing loans and investments;
- the illiquidity of certain of these investments;
- lack of control over certain of our loans and investments;
- the potential need to foreclose on certain of the loans we originate or acquire, which could result in losses additional risks, including the risks of the securitization process, posed by investments in CMBS and other similar structured finance investments, as well as those we structure, sponsor or arrange; use of leverage may create a mismatch with the duration and interest rate of the investments that we financing;
- risks related to the operating performance or trading price volatility of any publicly-traded and private companies primarily engaged in real estate businesses we invest in; and
- the need to structure, select and more closely monitor our investments such that we continue to maintain our qualification as a REIT and our exemption from registration under the Investment Company Act of 1940, as amended.

#### **Risks Related to Conflicts of Interest**

***The Advisor faces conflicts of interest relating to the purchase and leasing of properties, and these conflicts may not be resolved in our favor, which could adversely affect our investment opportunities.***

We rely on the Advisor and the executive officers and other key real estate professionals at the Advisor to identify suitable investment opportunities for us. Several of these individuals are also the key real estate professionals at AR Global and other entities advised by affiliates of AR Global. Many investment opportunities that are suitable for us may also be suitable for other entities advised by affiliates of AR Global. For example, AFIN seeks, like us, to invest in sale-leaseback transactions involving single tenant net-leased commercial properties, in the U.S., and we are party to an investment opportunity allocation agreement with AFIN pursuant to which each opportunity to acquire one or more domestic office or industrial properties will be presented first to us, and each opportunity to acquire one or more domestic retail or distribution properties will be presented first to AFIN. However, there can be no assurance the executive officers and real estate professionals at our Advisor will not direct attractive investment opportunities for which we do not have contractual priority to AFIN, or other entities advised by affiliates of AR Global.

We and other entities advised by affiliates of AR Global also rely on these executive officers and other real estate professionals to supervise the property management and leasing of properties. These individuals, as well as AR Global, as an entity are not prohibited from engaging, directly or indirectly, in any business or from possessing interests in other businesses and ventures, including businesses and ventures involved in the acquisition, development, ownership, leasing or sale of real estate investments.

***The Advisor faces conflicts of interest relating to joint ventures, which could result in a disproportionate benefit to the other venture partners at our expense.***

We may enter into joint ventures with other entities advised by affiliates of AR Global for the acquisition, development or improvement of properties. The Advisor may have conflicts of interest in determining which entity advised by affiliates of AR Global should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals that are or may become inconsistent with our business interests or goals. In addition, the Advisor may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated co-venturer and in managing the joint venture. Due to the role of the Advisor and its affiliates, agreements and transactions between the co-venturers with respect to any such



joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers, which may result in the co-venturer receiving benefits greater than the benefits that we receive. In addition, we may assume liabilities related to the joint venture that exceeds the percentage of our investment in the joint venture.

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

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

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

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

***The Advisor faces conflicts of interest relating to the structure of the compensation it may receive.***

Under the advisory agreement, the Advisor is entitled to substantial minimum compensation regardless of performance as well as incentive compensation, and, under the 2018 OPP, the Advisor is entitled to earn LTIP Units. In addition, the variable base management fee payable to the Advisor under the advisory agreement increases proportionately with the cumulative net proceeds from the issuance of common, preferred or other forms of equity by us. See [Note 10 — Related Party Transactions](#) and [Note 12 — Equity-Based Compensation](#) to our consolidated financial statements included in this Annual Report on Form 10-K. These arrangements, coupled with the fact that the Advisor does not maintain a significant equity interest in us, may result in the Advisor taking actions or recommending investments that are riskier or more speculative than an advisor with a more significant investment in us might take or recommend.

### **Risks Related to Our Corporate Structure, Common Stock and Preferred Stock**

***The trading prices of our Common Stock and preferred stock may fluctuate significantly.***

The trading prices of shares of our Common Stock and preferred stock are impacted by a number of factors, many of which are outside our control. Among the factors that could affect these trading prices of are:

- our financial condition and performance;
- our ability to grow through property acquisitions, the terms, and pace of any acquisitions, we may make and the availability and terms of the financing for those acquisitions;
- the financial condition of our tenants, including tenant bankruptcies or defaults;
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- the amount and frequency of our payment of dividends;
- additional sales of equity securities, including Common Stock or preferred stock, or the perception that additional sales may occur;
- the reputation of REITs and real estate investments generally and the attractiveness of REIT equity securities in comparison to other equity securities, and fixed income securities;
- our reputation and the reputation of AR Global and its affiliates or other entities advised by AR Global and its affiliates;
- uncertainty and volatility in the equity and credit markets;
- fluctuations in interest rates and exchange rates;
- changes in revenue or earnings estimates, if any, or publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to our securities or those of other REITs;
- failure to meet analyst revenue or earnings estimates;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- the extent of investment in our securities by institutional investors;
- the extent of short-selling of our securities;

- general financial and economic market conditions and, in particular, developments related to market conditions for REITs and other real estate related companies;
- failure to maintain our REIT status;
- changes in tax laws;
- domestic and international economic factors unrelated to our performance; and
- all other risk factors addressed elsewhere in this Annual Report on the Form 10-K.

Moreover, although the shares of Series A Preferred Stock and Series B Preferred Stock are listed on the NYSE, there can be no assurance that the trading volume for shares of either security will provide sufficient liquidity for holders to sell their shares of either security at the time of their choosing or that the trading price for shares of either security will equal or exceed the price paid for the shares. Because the shares of Series A Preferred Stock and Series B Preferred Stock carry a fixed dividend rate, the trading price in the secondary market will be influenced by changes in interest rates and will tend to move inversely to changes in interest rates. In particular, an increase in market interest rates may result in higher yields on other financial instruments and may lead purchasers of shares of Series A Preferred Stock and Series B Preferred Stock to demand a higher yield on their purchase price, which could adversely affect the market price of shares of either security.

***We depend on our OP and its subsidiaries for cash flow and are structurally subordinated in right of payment to the obligations of our OP and its subsidiaries.***

We conduct, and intend to continue conducting, all of our business operations through our OP and accordingly, we rely on distributions from our OP and its subsidiaries to provide cash to pay our obligations. There is no assurance that our OP or its subsidiaries will be able to, or be permitted to, pay distributions to us that will enable us to pay dividends to our stockholders and meet our other obligations. Each of our OP's subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from these entities. In addition, any claims we may have will be structurally subordinated to all existing and future liabilities and obligations of our OP and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our OP and its subsidiaries will be available to satisfy the claims of our creditors or to pay dividends to our stockholders only after all the liabilities and obligations of our OP and its subsidiaries have been paid in full.

***We may issue additional equity securities in the future.***

Existing stockholders do not have preemptive rights to any shares issued by us in the future. Our charter authorizes us to issue up to 280,000,000 shares of stock, consisting of 250,000,000 shares of common stock, par value \$0.01 per share and 30,000,000 shares of preferred stock, par value \$0.01 per share. As of February 20, 2020, we had the following stock issued and outstanding: (i) 89,458,753 shares of Common Stock, (ii) 6,799,467 shares of Series A Preferred Stock, and (iii) 3,450,000 shares of Series B Preferred Stock. The Series B Preferred Stock ranks on parity with Series A Preferred Stock with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding-up. Subject to the approval rights of holders of our Series A Preferred Stock and Series B Preferred Stock regarding authorization or issuance of equity securities ranking senior to the Series A Preferred Stock and Series B Preferred Stock, our board of directors, without approval of our common stockholders, may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock, or the number of authorized shares of any class or series of stock, or may classify or reclassify any unissued shares into the classes or series of stock without obtaining stockholder approval and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of the stock.

All of our authorized but unissued shares of stock may be issued in the discretion of our board of directors. The issuance of additional shares of our Common Stock could dilute the interests of the holders of our Common Stock, and any issuance of shares of preferred stock senior to our Common Stock, such as our Series A Preferred Stock and Series B Preferred Stock, or any incurrence of additional indebtedness, could affect our ability to pay dividends on our Common Stock. The issuance of additional shares of preferred stock ranking equal or senior to our Series A Preferred Stock and Series B Preferred Stock, including preferred stock convertible into shares of our Common Stock, could dilute the interests of the holders of Common Stock, Series A Preferred Stock and Series B Preferred Stock, and any issuance of shares of preferred stock senior to our Series A Preferred Stock and Series B Preferred Stock or incurrence of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series A Preferred Stock and Series B Preferred Stock. These issuances could also adversely affect the trading price of our Common Stock, our Series A Preferred Stock and Series B Preferred Stock.

We may issue shares in public or private offerings in the future, including shares of our Common Stock issued as awards to our officers, directors and other eligible persons, pursuant to the advisory agreement in payment of fees thereunder, or in connection with the Advisor earning LTIP Units pursuant to the 2018 OPP. LTIP Units are convertible into OP Units after they have been earned and subject to several other conditions. We may also issue OP Units to sellers of properties we acquire. We also may issue shares of our Common Stock or Series B Preferred Stock pursuant to our existing at-the-market programs or any similar future program.

Because our decision to issue equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. The issuance of additional equity securities could adversely affect stockholders.

***The limit on the number of shares a person may own may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.***

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person may own more than 9.8% in value of the aggregate of the outstanding shares of our stock or more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of shares of our stock. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might provide a premium price for holders of our Common Stock.

***The terms of our Series A Preferred Stock and Series B Preferred Stock, and the terms other preferred stock we may issue, may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.***

The change of control conversion and redemption features of our Series A Preferred Stock and Series B Preferred Stock may make it more difficult for a party to acquire us or discourage a party from seeking to acquire us. Upon the occurrence of a change of control, holders of Series A Preferred Stock and Series B Preferred Stock will, under certain circumstances, have the right to convert some of or all their shares of Series A Preferred Stock and Series B Preferred Stock into shares of our Common Stock (or equivalent value of alternative consideration) and under these circumstances we will also have a special optional redemption right to redeem shares of Series A Preferred Stock and Series B Preferred Stock. These features of our Series A Preferred Stock and Series B Preferred Stock may have the effect of discouraging a third party from seeking to acquire us or of delaying, deferring or preventing a change of control under circumstances that otherwise could provide the holders of our Common Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests. We may also issue other classes or series of preferred stock that could also have the same effect.

***We have a classified board, which may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.***

Our board of directors is divided into three classes of directors. At each annual meeting, directors of one class are elected to serve until the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify. The classification of our board of directors may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might result in a premium price for our stockholders.

***Maryland law prohibits certain business combinations, which may make it more difficult for us to be acquired and may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.***

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation’s outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he or she otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. The business combination statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has exempted any business combination involving the Advisor or any affiliate of the Advisor. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and the Advisor or any affiliate of the Advisor. As a result, the Advisor and any affiliate of the Advisor may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the super-majority vote requirements and the other provisions of the statute. The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

***Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain actions and proceedings that may be initiated by our stockholders.***

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, is the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of any duty owed by any of our directors or officer or other employees to us or our stockholders, (c) any action asserting a claim against us or any of our directors or officers or other employees arising pursuant to any provision of Maryland law, our charter or our bylaws, or (d) any action asserting a claim against us or any of our directors or officers or other employees that is governed by the internal affairs doctrine for certain types of actions and proceedings that may be initiated by our stockholders with respect to us, our directors, our officers or our employees. This choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that the stockholder believes is favorable. Alternatively, if a court were to find this provision of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving these matters in other jurisdictions.

***Maryland law limits the ability of a third-party to buy a large stake in us and exercise voting power in electing directors, which may discourage a third party from acquiring us in a manner that might result in a premium price to our stockholders.***

The Maryland Control Share Acquisition Act provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by the stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all shares of stock owned by the acquirer, by officers or by employees who are directors of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer can exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within specified ranges of voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A "control share acquisition" means the acquisition of issued and outstanding control shares. The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions of our stock by any person. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

***Our board of directors may change our investment policies without stockholder approval.***

Our board of directors may change our investment policies in its sole discretion. The methods of implementing our investment policies also may vary, as new real estate development trends emerge and new investment techniques are developed. Our investment policies, the methods for their implementation, and our other objectives, policies and procedures may be altered by our board of directors without the approval of our stockholders. As a result, the nature of our investments could change without stockholder approval.

***We indemnify our officers, directors, the Advisor and its affiliates against claims or liability they may become subject to due to their service to us, and our rights and the rights of our stockholders to recover claims against our officers, directors, the Advisor and its affiliates are limited.***

Maryland law provides that a director has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the corporation's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, subject to certain limitations set forth therein or under Maryland law, our charter provides that no director or officer will be liable to us or our stockholders for monetary damages and permits us to indemnify our directors and officers from liability and advance certain expenses to them in connection with claims or liability they may become subject to due to their service to us, and we are not restricted from indemnifying our Advisor or its affiliates on a similar basis. We have entered into indemnification agreements consistent with Maryland law and our charter with our directors and officers, certain former directors and officers, the Advisor and certain of its affiliates. We and our stockholders may have more limited rights against our directors, officers, employees and agents, and the Advisor and its affiliates, than might

otherwise exist under common law, which could reduce the recovery of our stockholders and our recovery against them. In addition, we may be obligated to fund the defense costs incurred by our directors, officers, employees and agents or the Advisor and its affiliates in some cases. Subject to conditions and exceptions, we also indemnify our Advisor and its affiliates from losses arising in the performance of their duties under the advisory agreement and have agreed to advance certain expenses to them in connection with claims or liability they may become subject to due to their service to us..

***Payment of fees to the Advisor and its affiliates reduces cash available for investment and other uses including payment of dividends to our stockholders.***

The Advisor and its affiliates perform services for us in connection with the selection and acquisition of our investments, the management of our properties, and the administration of our investments. They are paid substantial fees for these services, which reduces cash available for investment, other corporate purposes, including payment of dividends to our stockholders.

### **Risks Related to Net Lease Sale-Leaseback Investments**

***The inability of a tenant in single-tenant properties to pay rent will materially reduce our revenues.***

Substantially all of our properties are occupied by single tenants and, therefore, the success of our investments is materially dependent on the financial stability of these individual tenants. Many of our single tenant leases require that certain property level operating expenses and capital expenditures, such as real estate taxes, insurance, utilities, maintenance and repairs (other than, in certain circumstances structural repairs, such as repairs to the foundation, exterior walls and rooftops) including increases with respect thereto, be paid, or reimbursed to us, by our tenants. A default of any tenant on its lease payments to us would cause us to lose the revenue from the property and potentially increase our expenses and cause us to have to find an alternative source of revenue to meet any mortgage payment and prevent a foreclosure if the property is subject to a mortgage. In the event of a default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and reletting our property. If a lease is terminated, there is no assurance that we will be able to lease the property for the rent previously received or sell the property without incurring a loss. A default by a tenant, the failure of a guarantor to fulfill its obligations or other premature termination of a lease, or a tenant's election not to extend a lease upon its expiration, could have an adverse effect.

***Single-tenant properties may be difficult to sell or re-lease upon tenant defaults or early lease terminations.***

If a lease for one of our single-tenant properties is terminated or not renewed or, in the case of a mortgage loan, if we take such property in foreclosure, we may be required to renovate the property or to make rent concessions in order to lease the property to another tenant or sell the property. Special use single-tenant properties may be relatively illiquid compared to other types of real estate and financial assets. This illiquidity will limit our ability to quickly change our portfolio in response to changes in economic or other conditions. In addition, in the event we are forced to sell the property, we may have difficulty selling it to a party other than the tenant or borrower due to the special purpose for which the property may have been designed. These and other limitations may affect our ability to re-lease or sell properties.

***If a sale-leaseback transaction is recharacterized in a tenant's bankruptcy proceeding, our financial condition and ability to pay dividends to our stockholders could be adversely affected.***

We have entered and may continue to enter into sale-leaseback transactions, whereby we purchase a property and then lease the same property back to the purchaser, who becomes our tenant as part of the transaction. In the event of the bankruptcy of a tenant, a transaction structured as a sale-leaseback may be recharacterized as either a financing or a joint venture, and either type of recharacterization could adversely affect our business. If the sale-leaseback were recharacterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the tenant for the amounts owed under the lease. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If this plan were confirmed by the bankruptcy court, we would be bound by the new terms. If the sale-leaseback were recharacterized as a joint venture, our lessee and we could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee relating to the property.

***Highly leveraged tenants may have a higher possibility of filing for bankruptcy or insolvency.***

Highly leveraged tenants that experience downturns in their operating results due to adverse changes to their business or economic conditions may have a higher possibility of filing for bankruptcy or insolvency. In bankruptcy or insolvency, a tenant may have the option of vacating a property instead of paying rent. Until such a property is released from bankruptcy, our revenues may be reduced.

***If a tenant or lease guarantor declares bankruptcy or becomes insolvent, we may be unable to collect balances due under relevant leases.***

Any of our tenants, or any guarantor of a tenant's lease obligations, could become insolvent or be subject to a bankruptcy proceeding pursuant to Title 11 of the United States Code. A bankruptcy filing of our tenants or any guarantor of a tenant's lease obligations would result in a stay of all efforts by us to collect pre-bankruptcy debts from these entities or their assets, unless we

receive an enabling order from the bankruptcy court. Post-bankruptcy debts would be required to be paid currently. If a lease is assumed by the tenant, all pre-bankruptcy balances owing under it must be paid in full. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. If a lease is rejected, it is unlikely we would receive any payments from the tenant because our claim is capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid as of the date of the bankruptcy filing (post-bankruptcy rent would be payable in full). This claim could be paid only if funds were available, and then only in the same percentage as that realized on other unsecured claims.

A tenant or lease guarantor bankruptcy could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. A tenant or lease guarantor bankruptcy could cause a decrease or cessation of rental payments that would mean a reduction in our cash flow and the amount available for dividends to our stockholders. In the event of a bankruptcy, we cannot assure our stockholders that the tenant or its trustee will assume our lease, and that our cash flow and the amounts available for dividends to our stockholders will not be adversely affected.

For any foreign tenant or lease guarantor, the tenant or lease guarantor could become insolvent or be subject to an insolvency or bankruptcy proceeding pursuant to a foreign jurisdiction instead of Title 11 of the United States Code. The effect of the insolvency or bankruptcy proceeding on us will depend in each case on the relevant jurisdiction and its own insolvency regime or code but in all events we will face difficulties in collecting amounts owed to us with respect to the applicable lease under these circumstances.

***The credit profile of our tenants may create a higher risk of lease defaults and therefore lower revenues.***

Based on annualized rental income on a straight-line basis as of December 31, 2019, 31.8% of our tenants are not evaluated or ranked by credit rating agencies, or are ranked below “investment grade,” which includes both actual investment grade ratings of the tenant and “implied investment grade,” which includes ratings of the tenant’s parent (regardless of whether or not the parent has guaranteed the tenant’s obligation under the lease) or lease guarantor. Implied Investment Grade ratings are also determined using a proprietary Moody’s analytical tool, which compares the risk metrics of the non-rated company to those of a company with an actual rating. Of our “investment grade” tenants, 37.6% have actual investment grade ratings and 30.6% have “implied investment grade” ratings.

Our long-term leases with certain of these tenants may therefore pose a higher risk of default than would long-term leases with tenants who have investment grade ratings.

***Net leases may not result in fair market lease rates over time.***

All of our rental income is generated from net leases, which generally provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Net leases may not result in fair market lease rates over time, which could negatively impact our results of operations.

***Long-term leases may result in income lower than short term leases.***

We generally seek to enter into long-term leases with our tenants. As of December 31, 2019, 22.2% of our annualized rental income on a straight-line basis was generated from net leases, with remaining lease term of more than 10 years. Leases of long duration, or with renewal options that specify a maximum rate increase, may not result in fair market lease rates over time if we do not accurately judge the potential for increases in market rental rates.

Some of our leases do not contain any rent escalation provisions. As a result, our income may be lower than it would otherwise be if we did not lease properties through long-term leases. Further, if our properties are leased for long term leases at below market rental rates, our properties will be less attractive to potential buyers, which could affect our ability to sell the property at an advantageous price.

**General Risks Related to Investments in Real Estate**

***Our operating results are affected by economic and regulatory changes that have an adverse impact on the real estate market in general, and we cannot assure our stockholders that we will be profitable or that we will realize growth in the value of our properties.***

Our operating results and value of our properties are subject to risks generally incident to the ownership of real estate, including:

- changes in general, economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of mortgage financing on favorable terms, or at all;
- changes in tax, real estate, environmental and zoning laws; and
- the possibility that one or more of our tenants will be unable to pay their rental obligations.

These and other risks may prevent us from being profitable or from realizing growth or maintaining the value of our real estate properties.



***Properties may have vacancies for a significant period of time.***

A property may have vacancies either due to tenant defaults or the expiration of leases. If vacancies continue for a long period of time, we may suffer reduced revenues resulting in less cash available for things such as dividends. In addition, because the market value of a property depends principally on the cash generated by the property, the resale value of a property with prolonged vacancies could decline significantly.

***We generally obtain only limited warranties when we purchase a property and therefore have only limited recourse if our due diligence does not identify any issues that lower the value of our property, which could adversely affect our financial condition and ability to pay dividends to you.***

We have acquired, and may continue to acquire, properties in “as is” condition on a “where is” basis and “with all faults,” without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property as well as the loss of rental income from that property.

***We may be unable to secure funds for future tenant improvements or capital needs, which could impact the value of the applicable property or our ability to lease the applicable property on favorable terms.***

If a tenant does not renew its lease or otherwise vacate its space, we likely will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. In addition, we will likely be responsible for any major structural repairs, such as repairs to the foundation, exterior walls and rooftops, even if our leases with tenants require tenants to pay routine property maintenance costs. We may have to obtain financing from sources such as borrowings, property sales or future equity offerings to fund these capital requirements. These sources of funding may not be available on attractive terms or at all. If we cannot procure additional funding for capital improvements, the value of the applicable property or our ability to lease the applicable property on favorable terms could be adversely impacted.

***We may not be able to sell a property when we desire to do so.***

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. In addition, we may not have funds available to correct defects or make improvements that are necessary or desirable before the sale of a property. We cannot predict whether we will be able to sell any property for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. In addition, as a REIT, our ability to sell properties that have been held for less than two years is limited as any gain recognized on the sale or other disposition of such property could be subject to the 100% prohibited transaction tax, as discussed in more detail below.

***We have acquired or financed, and may continue to acquire or finance, properties with lock-out provisions which may prohibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties.***

Lock-out provisions, such as the provisions contained in certain mortgage loans we have entered into, could materially restrict our ability to sell or otherwise dispose of or refinance properties, including by requiring the payment of a yield maintenance premium in connection with the required prepayment of principal upon a sale or disposition. Lock-out provisions may also prohibit us from reducing the outstanding indebtedness with respect to any properties, refinancing such indebtedness on a non-recourse basis at maturity, or increasing the amount of indebtedness with respect to such properties. Lock-out provisions could also impair our ability to take other actions during the lock-out period that may otherwise be in the best interests of our stockholders. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control. Payment of yield maintenance premiums in connection with dispositions or refinancings could adversely affect our results of operations and cash available to pay dividends.

***Rising expenses could reduce cash flow.***

The properties that we own or may acquire are subject to operating risks common to real estate in general, any or all of which may negatively affect us. If any property is not fully occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds with respect to that property for operating expenses. Properties may be subject to increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses. Renewals of leases or future leases may not be negotiated on that basis, in which event we may have to pay those costs. If we are unable to lease properties on a triple-net-lease basis or on a basis requiring the tenants to pay all or some of such expenses, or if tenants fail to pay required tax, utility and other impositions, we could be required to pay those costs which would, among other things, limit the amount of funds we have available for other purposes, including the payment of dividends and future acquisitions.

***Real estate-related taxes may increase and if these increases are not passed on to tenants, our cash available for dividends will be reduced.***

Some local real property tax assessors may seek to reassess some of our properties as a result of our acquisition of the property, and, from time to time, our property taxes may increase as property values or assessment rates change or for other reasons deemed relevant by the assessors. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. There is no assurance that renewal leases or future leases will be negotiated on the same basis. Increases not passed through to tenants will adversely affect our cash available for dividends.

***Our properties and our tenants may face competition that may affect tenants' ability to pay rent.***

Our properties typically are, and we expect properties we acquire in the future will be, located in developed areas. Therefore, there are and will be numerous other properties within the market area of each of our properties that will compete with us for tenants. The number of competitive properties could have a material effect on our ability to rent space at our properties and the amount of rents charged. We could be adversely affected if additional competitive properties are built in locations competitive with our properties, causing increased competition for customer traffic and creditworthy tenants. Tenants may also face competition from such properties if they are leased to tenants in a similar industry. For example, as of December 31, 2019, 5% of our properties, based on annualized rental income on a straight-line basis, were retail properties, and our retail tenants face competition from numerous retail channels such as discount or value retailers, factory outlet centers and wholesale clubs. Retail tenants may also face competition from alternative retail channels, such as mail order catalogs and operators, television shopping networks and shopping via the internet. Competition that we face from other properties within our market areas, and competition our tenants face from tenants in such properties could result in decreased cash flow from tenants and may require us to make capital improvements.

***We may incur significant costs to comply with governmental laws and regulations, including those relating to environmental matters.***

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations, and various foreign laws and regulations, relating to environmental protection and human health and safety. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Environmental laws and regulations may impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. This liability could be substantial. In addition, the presence of hazardous substances, or the failure to properly remediate them, may adversely affect our ability to sell, rent or pledge a property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require material expenditures by us. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties may affect our properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply, and that may subject us to liability in the form of fines or damages for noncompliance.

State and federal laws, and various foreign laws and regulations, in this area are constantly evolving, and we monitor these laws and take commercially reasonable steps to protect ourselves from the impact of these laws, including obtaining environmental assessments of most properties that we acquire; however, we do not obtain an independent third-party environmental assessment for every property we acquire. In addition, any assessment that we do obtain may not reveal all environmental liabilities or reveal that a prior owner of a property created a material environmental condition unknown to us. We may incur significant costs to defend against claims of liability, comply with environmental regulatory requirements, remediate any contaminated property, or pay personal injury claims.

***If we sell properties by providing financing to purchasers, we will be exposed to defaults by the purchasers.***

In some instances, we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash dividends to stockholders. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon the sale are actually paid, sold, refinanced or otherwise disposed of. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years.

***Costs associated with complying with the Americans with Disabilities Act may affect cash available for dividends.***

Our domestic properties are subject to the Americans with Disabilities Act of 1990 ("Disabilities Act"). Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services, including restaurants and retail stores, be made accessible and available to people



with disabilities. The Disabilities Act's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties, or, in some cases, an award of damages. A determination that our properties do not comply with the Disabilities Act could result in liability for both governmental fines and damages. If we are required to make unanticipated major modifications to any of our properties to comply with the Disabilities Act which are determined not to be the responsibility of our tenants, we could incur unanticipated expenses that could have an adverse impact upon our financial resources, including cash available to pay dividends.

***Terrorist attacks and other acts of violence, civilian unrest, or war may affect the markets in which we operate our business and our profitability.***

We own and acquire real estate assets located in major metropolitan areas as well as densely populated sub-markets that are susceptible to terrorist attack. In addition, any kind of terrorist activity or violent criminal acts, including terrorist acts against public institutions or buildings or modes of public transportation (including airlines, trains or buses) could have a negative effect on our business. These events may directly impact the value of our assets through damage, destruction, loss or increased security costs. Although we may obtain terrorism insurance, we may not be able to obtain sufficient coverage to fund any losses we may incur. The Terrorism Risk Insurance Act, which was designed for a sharing of terrorism losses between insurance companies and the federal government, will expire on December 31, 2027, and there can be no assurance that Congress will act to renew or replace it.

More generally, any terrorist attack, other act of violence or war, including armed conflicts, could result in increased volatility in, or damage to, the worldwide financial markets and economy. Increased economic volatility could adversely affect us and our properties.

### **Risks Related to Debt Financing**

***Our level of indebtedness may increase our business risks.***

As of December 31, 2019, we had total gross outstanding indebtedness of approximately \$1.9 billion. In addition, we may incur significant additional indebtedness in the future for various purposes. The amount of this indebtedness could have material adverse consequences for us, including:

- hindering our ability to adjust to changing market, industry or economic conditions;
- limiting our ability to access the capital markets to raise additional equity or debt on favorable terms or at all, whether to refinance maturing debt, to fund acquisitions, to fund dividends or for other corporate purposes;
- limiting the amount of free cash flow available for future operations, acquisitions, distributions, stock repurchases or other uses; and
- making us more vulnerable to economic or industry downturns, including interest rate increases.

We generally acquire real properties by using either existing financing or borrowing new funds. In addition, we typically incur mortgage debt and may pledge the underlying property as security for that debt to obtain funds to acquire additional real properties or fund working capital. We may also borrow if we need funds to continue to satisfy the REIT tax qualification requirement that we generally distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gain. We also may borrow if we otherwise deem it necessary or advisable to ensure that we maintain our qualification as a REIT.

If there is a shortfall between the cash flow from a property and the cash flow required to service mortgage debt on a property, then we must identify other sources to fund the payment or risk defaulting on the indebtedness. In addition, incurring mortgage debt increases the risk of loss because defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default. For U.S. federal income tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds. In this event, we may be unable to pay the amount of dividends required in order to maintain our REIT status. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. If we provide a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for repaying the debt if it is not paid by the entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties.

***The Credit Facility, and certain of our other indebtedness, contains restrictive covenants that limit our operating flexibility.***

The Credit Facility imposes certain affirmative and negative covenants on us including restrictive covenants with respect to, among other things, liens, indebtedness, investments, distributions, mergers, asset sales and replacing the Advisor, as well as financial covenants requiring us maintain, among other things, ratios related to leverage, secured leverage, fixed charge coverage, unencumbered debt service coverage and recourse debt, as well as a minimum consolidated tangible net worth. Our mortgage loans also generally require compliance with certain property-level financial covenants, such as debt service coverage ratios, and loan-to-value ratios. Certain of our other indebtedness, and future indebtedness we may incur, contain or may contain similar restrictions. These or other restrictions may adversely affect our flexibility and our ability to achieve our investment and operating objectives.

***Changes in the debt markets could have a material adverse impact on our earnings and financial condition.***

The domestic and international commercial real estate debt markets are subject to volatility, resulting in, from time to time, the tightening of underwriting standards by lenders and credit rating agencies and reductions in the availability of financing. If our overall cost of borrowings increases, either due to increases in the index rates or due to increases in lender spreads, we will need to factor such increases into the economics of future acquisitions. This may result in future acquisitions generating lower overall economic returns. If there is a disruption the debt markets, our ability to borrow monies to finance the purchase of, or other activities related to, our real estate assets may be negatively impacted.

If we are unable to borrow monies on terms and conditions that we find acceptable, our ability to purchase properties or, meet other capital requirements may be limited, and the return on the properties we do purchase may be lower. In addition, we may find it difficult, costly or impossible to refinance maturing indebtedness.

Furthermore, the state of the debt markets could have an impact on the overall amount of capital being invested in real estate, which may result in price or value decreases of real estate assets and could negatively impact the value of our assets.

***Increases in mortgage rates may make it difficult for us to finance or refinance properties.***

We have incurred, and may continue to incur, mortgage debt. We run the risk of being unable to refinance our mortgage loans when they come due or we otherwise desire to do so on favorable terms, or at all. If interest rates are higher when the properties are refinanced, we may not be able to refinance the loan and we may be required to obtain equity financing to repay the mortgage or the property may be subject to foreclosure.

***Increasing interest rates could increase the amount of our debt payments and we may be adversely affected by uncertainty surrounding the LIBOR.***

We have incurred, and may continue to incur, variable-rate debt. Increases in interest rates on our variable-rate debt would increase our interest cost.

If we need to repay existing debt during periods of rising interest rates, we may need to sell one or more of our investments in properties even though we would not otherwise choose to do so.

As of December 31, 2019, approximately \$59.0 million (representing approximately 3% of our \$1.9 billion in total gross outstanding debt) was variable-rate debt indexed to London Interbank Offered Rate (“LIBOR”) and not fixed by swap. In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative to LIBOR in derivatives and other financial contracts. We are not able to predict when LIBOR may be limited or discontinued or when there will be sufficient liquidity in the SOFR market. We are monitoring and evaluating the risks related to potential changes in LIBOR availability, which include potential changes in interest paid on debt and amounts received and paid on interest rate swaps. In addition, the value of debt or derivative instruments tied to LIBOR could also be impacted when LIBOR is limited or discontinued and contracts must be transitioned to a new alternative rate. In some instances, transitioning to an alternative rate may require negotiation with lenders and other counterparties and could present challenges. The consequences of these developments cannot be entirely predicted and could include an increase in the cost of our variable rate debt.

While we expect LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that time. This could occur, for example, if a sufficient number of banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate would be accelerated or magnified. Any of these events, as well as the other uncertainty surrounding the transition to LIBOR, could adversely affect us.

## U.S. Federal Income Tax Risks

***Our failure to remain qualified as a REIT would subject us to U.S. federal income tax and potentially state and local tax, and would adversely affect our operations and the market price of our shares.***

We elected to be taxed as a REIT, commencing with our taxable year ended December 31, 2013 and intend to operate in a manner that would allow us to continue to qualify as a REIT for U.S. federal income tax purposes. However, we may terminate our REIT qualification, if our board of directors determines that not qualifying as a REIT is in the best interests of our stockholders, or inadvertently. Our qualification as a REIT depends upon our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. We have structured and intend to continue structuring our activities in a manner designed to satisfy all the requirements for qualification as a REIT. However, the REIT qualification requirements are extremely complex and interpretation of the U.S. federal income tax laws governing qualification as a REIT is limited. Furthermore, any opinion of our counsel, including tax counsel, as to our eligibility to remain qualified as a REIT is not binding on the Internal Revenue Service (the “IRS”) and is not a guarantee that we will continue to qualify as a REIT. Accordingly, we cannot be certain that we will be successful in operating so we can remain qualified as a REIT. Our ability to satisfy the asset tests depends on our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income or quarterly asset requirements also depends on our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, if certain of our operations were to be recharacterized by the IRS, such recharacterization would jeopardize our ability to satisfy all requirements for qualification as a REIT. Furthermore, future legislative, judicial or administrative changes to the U.S. federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to continue to qualify as a REIT for any taxable year, and we do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax on our taxable income at the corporate rate. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT qualification. Losing our REIT qualification would reduce our net earnings available for investment or distributions to stockholders because of the additional tax liability. In addition, amounts paid to stockholders that are treated as dividends for U.S. federal income tax purposes would no longer qualify for the dividends paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

***Even as a REIT, in certain circumstances, we may incur tax liabilities that would reduce our cash available for distribution to our stockholders.***

Even if we maintain our status as a REIT, we may be subject to U.S. federal, state and local income taxes. For example, net income from the sale of properties that are “dealer” properties sold by a REIT and that do not meet a safe harbor available under the Code (a “prohibited transaction” under the Code) will be subject to a 100% tax. We may not make sufficient distributions to avoid excise taxes applicable to REITs. Similarly, if we were to fail an income test (and did not lose our REIT status because such failure was due to reasonable cause and not willful neglect) we would be subject to tax on the income that does not meet the income test requirements. We also may decide to retain net capital gains we earn from the sale or other disposition of our property and pay U.S. federal income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability unless they file U.S. federal income tax returns and seek a refund of such tax. We also will be subject to corporate tax on any undistributed REIT taxable income. We also may be subject to state and local taxes on our income or property, including franchise, payroll and transfer taxes, either directly or at the level of our operating partnership or at the level of the other companies through which we indirectly own our assets, such as our taxable REIT subsidiaries, which are subject to full U.S. federal, state, local and foreign corporate-level income taxes. Any taxes we pay directly or indirectly will reduce the cash available for distribution to our stockholders.

***To qualify as a REIT we must meet annual distribution requirements, which may force us to forgo otherwise attractive opportunities or borrow funds during unfavorable market conditions. This could delay or hinder our ability to meet our investment objectives and reduce our stockholders’ overall return.***

In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. We will be subject to U.S. federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we make with respect to any calendar year are less than the sum of (a) 85% of our ordinary income, (b) 95% of our capital gain net income and (c) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets and it is possible that we might be required to borrow funds, possibly at unfavorable rates, or sell assets to fund these distributions. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid U.S. federal income and excise taxes on our earnings while we qualify as a REIT, it is possible that we might not always be able to do so.

***Recharacterization of sale-leaseback transactions may cause us to lose our REIT status.***

With respect to sale-leaseback transactions, we will use commercially reasonable efforts to structure the sale-leaseback transaction such that the lease will be characterized as a “true lease” for U.S. federal income tax purposes, thereby allowing us to be treated as the owner of the property for U.S. federal income tax purposes. However, the IRS may challenge such characterization. In the event that any such sale-leaseback transaction is challenged and recharacterized as a financing transaction or loan for U.S. federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. If a sale-leaseback transaction were so recharacterized, we might fail to continue to satisfy the REIT qualification “asset tests” or “income tests” and, consequently, lose our REIT status effective with the year of recharacterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

***Certain of our business activities are potentially subject to the prohibited transaction tax.***

For so long as we qualify as a REIT, our ability to dispose of property during the first few years following acquisition may be restricted to a substantial extent as a result of our REIT qualification. Under applicable provisions of the Code regarding prohibited transactions by REITs, while we qualify as a REIT and provided we do not meet a safe harbor available under the Code, we will be subject to a 100% penalty tax on the net income from the sale or other disposition of any property (other than foreclosure property) that we own, directly or indirectly through any subsidiary entity, including our operating partnership, but generally excluding taxable REIT subsidiaries, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of a trade or business. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. We intend to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary (but such taxable REIT subsidiary will incur corporate rate income taxes with respect to any income or gain recognized by it), (2) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or indirectly through any subsidiary, will be treated as a prohibited transaction or (3) structuring certain dispositions of our properties to comply with the requirements of the prohibited transaction safe harbor available under the Code for properties that, among other requirements, have been held for at least two years. Despite our present intention, can provide no assurance that any particular property we own, directly or through any subsidiary entity, including our operating partnership, but generally excluding taxable REIT subsidiaries, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

***Taxable REIT subsidiaries are subject to corporate-level taxes and our dealings with taxable REIT subsidiaries may be subject to a 100% excise tax.***

A REIT may own up to 100% of the stock of one or more taxable REIT subsidiaries. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a taxable REIT subsidiary. A corporation of which a taxable REIT subsidiary directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a taxable REIT subsidiary. Overall, no more than 20% (25% for our taxable years beginning prior to January 1, 2018) of the gross value of a REIT’s assets may consist of stock or securities of one or more taxable REIT subsidiaries. If we do, the taxable REIT subsidiary may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross income from operations pursuant to management contracts. Accordingly, we may use taxable REIT subsidiaries generally to hold properties for sale in the ordinary course of a trade or business or to hold assets or conduct activities that we cannot conduct directly as a REIT. A taxable REIT subsidiary will be subject to applicable U.S. federal, state, local and foreign income tax on its taxable income. However, the taxable REIT subsidiary may be subject to limitations on the deductibility of its interest expense. In addition, the Code imposes a 100% excise tax on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm’s-length basis.

***If our operating partnership failed to qualify as a partnership or is not otherwise disregarded for U.S. federal income tax purposes, we would cease to qualify as a REIT.***

If the IRS were to successfully challenge the status of our operating partnership as a partnership or disregarded entity for U.S. federal income tax purposes, our operating partnership would be taxable as a corporation. In such event, this would reduce the amount of distributions that the operating partnership could make to us. This also would result in our failing to qualify as a REIT and becoming subject to a corporate level tax on our income. This substantially would reduce our cash available to pay distributions to our stockholders. In addition, if any of the partnerships or limited liability companies through which our operating partnership owns its properties, in whole or in part, loses its characterization as a partnership and is otherwise not disregarded for U.S. federal income tax purposes, the partnership or limited liability company would be subject to taxation as a corporation, thereby reducing distributions to the operating partnership. Such a recharacterization of an underlying property owner could also threaten our ability to maintain our REIT qualification.

***We may choose to make distributions in our own stock, in which case our stockholders may be required to pay U.S. federal income taxes in excess of the cash portion of distributions they receive.***

In connection with our qualification as a REIT, we are required to distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order to satisfy this requirement, we may make distributions with respect to our Common Stock that are payable in cash and/or shares of our Common Stock (which could account for up to 80% of the aggregate amount of such distributions) at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of such distributions as ordinary dividend income to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, U.S. stockholders may be required to pay U.S. federal income taxes with respect to such distributions in excess of the cash portion of the distribution received. Accordingly, U.S. stockholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the stock that it receives as part of the distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distribution, including in respect of all or a portion of such distribution that is payable in stock, by withholding or disposing of part of the shares included in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our stockholders determine to sell shares of our Common Stock in order to pay taxes owed on dividend income, such sale may put downward pressure on the market price of our Common Stock.

***The taxation of distributions can be complex; however, amounts paid to stockholders that are treated as dividends for U.S. federal income tax purposes generally will be taxable as ordinary income, which may reduce our stockholders' after-tax return from an investment in us.***

Amounts that we pay to our taxable stockholders out of current and accumulated earnings and profits (and not designated as capital gain dividends or qualified dividend income) generally will be treated as dividends for U.S. federal income tax purposes and will be taxable as ordinary income. Noncorporate stockholders are entitled to a 20% deduction with respect to these ordinary REIT dividends which would, if allowed in full, result in a maximum effective federal income tax rate on them of 29.6% (or 33.4% including the 3.8% surtax on net investment income); however, the 20% deduction will end after December 31, 2025.

However, a portion of our the amounts that we pay to our stockholders may (1) be designated by us as capital gain dividends generally taxable as long-term capital gain to the extent that they are attributable to net capital gain recognized by us, (2) be designated by us as qualified dividend income taxable at capital gains rates generally to the extent they are attributable to dividends we receive from our taxable REIT subsidiaries, or (3) constitute a return of capital generally to the extent that they exceed our accumulated earnings and profits as determined for U.S. federal income tax purposes. A return of capital is not taxable, but has the effect of reducing the tax basis of a stockholder's investment in our shares. Amounts paid to our stockholders that exceed our current and accumulated earnings and profits and a stockholder's tax basis in our shares generally will be taxable as capital gain.

***Dividends payable by REITs generally do not qualify for the reduced tax rates available for some dividends.***

Currently, the maximum tax rate applicable to qualified dividend income payable to U.S. stockholders that are individuals, trusts and estates is 23.8%, including the 3.8% surtax on net investment income. Dividends payable by REITs, however, generally are not eligible for this reduced rate and, as described above, through December 31, 2025, will be subject to an effective rate of 33.4%, including the 3.8% surtax on net investment income. Although this does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our shares. Tax rates could be changed in future legislation.

***Complying with REIT requirements may limit our ability to hedge our liabilities effectively and may cause us to incur tax liabilities.***

The REIT provisions of the Code may limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets or in certain cases to hedge previously acquired hedges entered into to manage risks associated with property that has been disposed of or liabilities that have been extinguished, if properly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions will likely be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a taxable REIT subsidiary. This could increase the cost of our hedging activities because taxable REIT subsidiaries would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in a taxable REIT subsidiary generally will not provide any tax benefit, except for being carried forward against future taxable income of such taxable REIT subsidiary.



***Complying with REIT requirements may force us to forgo or liquidate otherwise attractive investment opportunities.***

To maintain our qualification as a REIT, we must ensure that we meet the REIT gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of mortgage-related securities. The remainder of our investment in securities (other than securities that qualify for the 75% asset test and securities of qualified REIT subsidiaries and taxable REIT subsidiaries) generally cannot exceed 10% of the outstanding voting securities of any one issuer 10% of the total value of the outstanding securities of any one issuer, or 5% of the value of our assets as to any one issuer. In addition, no more than 20% of the value of our total assets may consist of stock or securities of one or more taxable REIT subsidiaries and no more than 25% of our assets may consist of publicly offered REIT debt instruments that do not otherwise qualify under the 75% asset test. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate assets from our portfolio or not make otherwise attractive investments in order to maintain our qualification as a REIT.

***The ability of our board of directors to revoke our REIT qualification without stockholder approval may subject us to U.S. federal income tax and reduce distributions to our stockholders.***

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. While we intend to maintain our qualification as a REIT, we may terminate our REIT election if we determine that qualifying as a REIT is no longer in our best interests. If we cease to be a REIT, we would become subject to corporate-level U.S. federal income tax on our taxable income (as well as any applicable state and local corporate tax) and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders and on the market price of our shares.

***We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the market price of our shares.***

Changes to the tax laws may occur, and any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets. Our stockholders are urged to consult with an independent tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares.

Although REITs generally receive better tax treatment than entities taxed as regular corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a non-REIT “C corporation”. As a result, our charter provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a non-REIT “C corporation,” without the vote of our stockholders. Our board of directors has duties to us and could only cause such changes in our tax treatment if it determines that such changes are in our best interest.

***The share ownership restrictions for REITs and the 9.8% share ownership limit in our charter may inhibit market activity in our shares of stock and restrict our business combination opportunities.***

In order to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, actually or constructively, more than 50% in value of our issued and outstanding shares of stock at any time during the last half of each taxable year, other than the first year for which a REIT election is made. Attribution rules in the Code determine if any individual or entity actually or constructively owns our shares of stock under this requirement. Additionally, at least 100 persons must beneficially own our shares of stock during at least 335 days of a taxable year for each taxable year, other than the first year for which a REIT election is made. To help ensure that we meet these tests, among other purposes, our charter restricts the acquisition and ownership of our shares of stock.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT while we so qualify. Unless exempted by our board of directors, for so long as we qualify as a REIT, our charter prohibits, among other limitations on ownership and transfer of shares of our stock, any person from beneficially or constructively owning (applying certain attribution rules under the Code) more than 9.8% in value of the aggregate of our outstanding shares of stock and more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of our shares of stock. Our board of directors may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of the 9.8% ownership limit would result in the termination of our qualification as a REIT. These restrictions on transferability and ownership will not apply, however, if our board of directors determines that it is no longer in our best interest to continue to qualify as a REIT or that compliance with the restrictions is no longer required in order for us to continue to qualify as a REIT.

These ownership limits could delay or prevent a transaction or a change in control that might involve a premium price for our Common Stock or otherwise be in the best interest of the stockholders.

***Non-U.S. stockholders will be subject to U.S. federal withholding tax and may be subject to U.S. federal income tax on distributions received from us and upon the disposition of our shares.***

Subject to certain exceptions, amounts paid to non-U.S. stockholders will be treated as dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits. Such dividends ordinarily will be subject to U.S. withholding tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty, unless the dividends are treated as “effectively connected” with the conduct by the non-U.S. stockholder of a U.S. trade or business. Pursuant to the Foreign Investment in Real Property Tax Act of 1980 (“FIRPTA”), capital gain distributions attributable to sales or exchanges of “U.S. real property interests” (“USRPIs”), generally will be taxed to a non-U.S. stockholder as if such gain were effectively connected with a U.S. trade or business. However, a capital gain distribution will not be treated as effectively connected income if (a) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the U.S. and (b) the non-U.S. stockholder does not own more than 10% of any class of our stock at any time during the one-year period ending on the date the distribution is received.

Gain recognized by a non-U.S. stockholder upon the sale or exchange of our shares generally will not be subject to U.S. federal income taxation unless such stock constitutes a USRPI under FIRPTA. Our shares will not constitute a USRPI so long as we are a “domestically-controlled qualified investment entity.” A domestically-controlled qualified investment entity includes a REIT if at all times during a specified testing period, less than 50% in value of such REIT’s stock is held directly or indirectly by non-U.S. stockholders. We believe, but there can be no assurance, that we will be a domestically-controlled qualified investment entity.

Even if we do not qualify as a domestically-controlled qualified investment entity at the time a non-U.S. stockholder sells or exchanges our shares, gain arising from such a sale or exchange would not be subject to U.S. taxation under FIRPTA as a sale of a USRPI if: (a) the shares are of a class of our stock that is “regularly traded,” as defined by applicable Treasury regulations, on an established securities market, and (b) such non-U.S. stockholder owned, actually and constructively, 10% or less of our outstanding shares of that class at any time during the five-year period ending on the date of the sale.

***Potential characterization of distributions or gain on sale may be treated as unrelated business taxable income to tax-exempt investors.***

If (a) we are a “pension-held REIT,” (b) a tax-exempt stockholder has incurred (or is deemed to have incurred) debt to purchase or hold our shares, or (c) a holder of our shares is a certain type of tax-exempt stockholder, dividends on, and gains recognized on the sale of, shares by such tax-exempt stockholder may be subject to U.S. federal income tax as unrelated business taxable income under the Code.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

The following table represents our portfolio of real estate properties as of December 31, 2019:

Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)	Average Remaining Lease Term <sup>(1)</sup>
McDonald's	Oct. 2012	UK	1	9	4.2
Wickes Building Supplies I	May 2013	UK	1	30	4.8
Everything Everywhere	Jun. 2013	UK	1	65	7.5
Thames Water	Jul. 2013	UK	1	79	2.7
Wickes Building Supplies II	Jul. 2013	UK	1	29	7.0
PPD Global Labs	Aug. 2013	US	1	77	4.9
Northern Rock	Sep. 2013	UK	2	86	3.7
Wickes Building Supplies III	Nov. 2013	UK	1	28	8.9
Con-way Freight	Nov. 2013	US	7	105	3.9
Wolverine	Dec. 2013	US	1	469	3.1
Encanto	Dec. 2013	PR	18	65	5.5
Rheinmetall	Jan. 2014	GER	1	320	4.0
GE Aviation	Jan. 2014	US	1	369	6.0
Provident Financial	Feb. 2014	UK	1	117	15.9
Crown Crest	Feb. 2014	UK	1	806	19.1
Trane	Feb. 2014	US	1	25	3.9
Aviva	Mar. 2014	UK	1	132	9.5
DFS Trading I	Mar. 2014	UK	5	240	10.2
GSA I	Mar. 2014	US	1	135	2.6
National Oilwell Varco I	Mar. 2014	US	1	24	3.6
GSA II	Apr. 2014	US	2	25	3.1
OBI DIY	Apr. 2014	GER	1	144	4.1
DFS Trading II	Apr. 2014	UK	2	39	10.2
GSA III	Apr. 2014	US	2	28	3.0
GSA IV	May 2014	US	1	33	5.6
Indiana Department of Revenue	May 2014	US	1	99	3.0
National Oilwell Varco II	May 2014	US	1	23	10.2
Nissan	May 2014	US	1	462	8.8
GSA V	Jun. 2014	US	1	27	3.2
Lippert Components	Jun. 2014	US	1	539	6.7
Select Energy Services I	Jun. 2014	US	3	136	6.8
Bell Supply Co I	Jun. 2014	US	6	80	9.0
Axon Energy Products <sup>(2)</sup>	Jun. 2014	US	3	214	3.3
Lhoist	Jun. 2014	US	1	23	3.0
GE Oil & Gas	Jun. 2014	US	2	70	5.5
Select Energy Services II	Jun. 2014	US	4	143	6.9
Bell Supply Co II	Jun. 2014	US	2	19	9.0
Superior Energy Services	Jun. 2014	US	2	42	4.3
Amcor Packaging	Jun. 2014	UK	7	295	4.9
GSA VI	Jun. 2014	US	1	7	4.3
Nimble Storage	Jun. 2014	US	1	165	1.8
FedEx -3-Pack	Jul. 2014	US	3	339	2.5
Sandoz, Inc.	Jul. 2014	US	1	154	6.6
Wyndham	Jul. 2014	US	1	32	5.3
Valassis	Jul. 2014	US	1	101	3.3
GSA VII	Jul. 2014	US	1	26	4.9
AT&T Services	Jul. 2014	US	1	402	6.5
PNC - 2-Pack	Jul. 2014	US	2	210	9.6





[Table of Contents](#)

Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)	Average Remaining Lease Term <sup>(1)</sup>
Fujitsu	Jul. 2014	UK	3	163	10.2
Continental Tire	Jul. 2014	US	1	91	2.6
BP Oil	Aug. 2014	UK	1	3	5.8
Malthurst	Aug. 2014	UK	2	4	5.9
HBOS	Aug. 2014	UK	3	36	5.6
Thermo Fisher	Aug. 2014	US	1	115	4.7
Black & Decker	Aug. 2014	US	1	71	2.1
Capgemini	Aug. 2014	UK	1	90	3.3
Merck & Co.	Aug. 2014	US	1	146	5.7
GSA VIII	Aug. 2014	US	1	24	4.6
Waste Management	Sep. 2014	US	1	84	3.0
Intier Automotive Interiors	Sep. 2014	UK	1	153	4.4
HP Enterprise Services	Sep. 2014	UK	1	99	6.2
FedEx II	Sep. 2014	US	1	12	4.3
Shaw Aero Devices, Inc.	Sep. 2014	US	1	131	2.7
Dollar General - 39-Pack	Sep. 2014	US	21	200	8.2
FedEx III	Sep. 2014	US	2	221	4.6
Mallinkrodt Pharmaceuticals	Sep. 2014	US	1	90	4.7
Kuka	Sep. 2014	US	1	200	4.5
CHE Trinity	Sep. 2014	US	2	374	2.9
FedEx IV	Sep. 2014	US	2	255	3.1
GE Aviation	Sep. 2014	US	1	102	3.0
DNV GL	Oct. 2014	US	1	82	5.2
Bradford & Bingley	Oct. 2014	UK	1	121	9.8
Rexam	Oct. 2014	GER	1	176	5.2
FedEx V	Oct. 2014	US	1	76	4.5
C&J Energy	Oct. 2014	US	1	96	3.8
Onguard	Oct. 2014	US	1	120	4.0
Metro Tonic	Oct. 2014	GER	1	636	5.8
Axon Energy Products	Oct. 2014	US	1	26	4.8
Tokmanni	Nov. 2014	FIN	1	801	13.7
Fife Council	Nov. 2014	UK	1	37	4.1
GSA IX	Nov. 2014	US	1	28	2.3
KPN BV	Nov. 2014	NETH	1	133	7.0
Follett School	Dec. 2014	US	1	487	5.0
Quest Diagnostics	Dec. 2014	US	1	224	4.7
Diebold	Dec. 2014	US	1	158	2.0
Weatherford Intl	Dec. 2014	US	1	20	5.8
AM Castle	Dec. 2014	US	1	128	9.8
FedEx VI	Dec. 2014	US	1	28	4.7
Constellium Auto	Dec. 2014	US	1	321	9.9
C&J Energy II	Mar. 2015	US	1	125	3.8
Fedex VII	Mar. 2015	US	1	12	4.8
Fedex VIII	Apr. 2015	US	1	26	4.8
Crown Group I	Aug. 2015	US	2	204	4.0
Crown Group II	Aug. 2015	US	2	411	15.7
Mapes & Sprowl Steel, Ltd.	Sep. 2015	US	1	61	10.0
JIT Steel Services	Sep. 2015	US	2	127	10.0
Beacon Health System, Inc.	Sep. 2015	US	1	50	6.3
Hannibal/Lex JV LLC	Sep. 2015	US	1	109	9.8
FedEx Ground	Sep. 2015	US	1	91	5.5



[Table of Contents](#)

Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)	Average Remaining Lease Term <sup>(1)</sup>
Office Depot	Sep. 2015	NETH	1	206	9.2
Finnair	Sep. 2015	FIN	4	656	4.7
Auchan	Dec. 2016	FR	1	152	3.6
Pole Emploi	Dec. 2016	FR	1	41	3.5
Sagemcom	Dec. 2016	FR	1	265	4.1
NCR Dundee	Dec. 2016	UK	1	132	6.9
FedEx Freight I	Dec. 2016	US	1	69	3.7
DB Luxembourg	Dec. 2016	LUX	1	156	4.0
ING Amsterdam	Dec. 2016	NETH	1	509	5.5
Worldline	Dec. 2016	FR	1	111	4.0
Foster Wheeler	Dec. 2016	UK	1	366	4.6
ID Logistics I	Dec. 2016	GER	1	309	4.8
ID Logistics II	Dec. 2016	FR	2	964	4.9
Harper Collins	Dec. 2016	UK	1	873	5.7
DCNS	Dec. 2016	FR	1	97	4.8
Cott Beverages Inc	Feb. 2017	US	1	170	7.1
FedEx Ground - 2 Pack	Mar. 2017	US	2	162	6.7
Bridgestone Tire	Sep. 2017	US	1	48	7.6
GKN Aerospace	Oct. 2017	US	1	98	7.0
NSA-St. Johnsbury I	Oct. 2017	US	1	87	12.8
NSA-St. Johnsbury II	Oct. 2017	US	1	85	12.8
NSA-St. Johnsbury III	Oct. 2017	US	1	41	12.8
Tremec North America	Nov. 2017	US	1	127	7.8
Cummins	Dec. 2017	US	1	59	5.4
GSA X	Dec. 2017	US	1	26	10.0
NSA Industries	Dec. 2017	US	1	83	13.0
Chemours	Feb. 2018	US	1	300	8.1
Fiat Chrysler	Mar. 2018	US	1	128	8.2
Lee Steel	Mar. 2018	US	1	114	8.8
LSI Steel - 3 Pack	Mar. 2018	US	3	218	7.8
Contractors Steel Company	May 2018	US	5	1,392	8.4
FedEx Freight II	Jun. 2018	US	1	22	12.7
DuPont Pioneer	Jun. 2018	US	1	200	9.0
Rubbermaid - Akron OH	Jul. 2018	US	1	669	9.1
NetScout - Allen TX	Aug. 2018	US	1	145	10.7
Bush Industries - Jamestown NY	Sep. 2018	US	1	456	18.8
FedEx - Greenville NC	Sep. 2018	US	1	29	13.1
Penske	Nov. 2018	US	1	606	8.9
NSA Industries	Nov. 2018	US	1	65	18.9
LKQ Corp.	Dec. 2018	US	1	58	11.1
Walgreens	Dec. 2018	US	1	86	5.9
Grupo Antolin	Dec. 2018	US	1	360	12.8
VersaFlex	Dec. 2018	US	1	113	19.0
Cummins	Mar. 2019	US	1	37	8.9
Stanley Security	Mar. 2019	US	1	80	8.5
Sierra Nevada	Apr. 2019	US	1	60	9.3
EQT	Apr. 2019	US	1	127	10.5
Hanes	Apr. 2019	US	1	276	8.8
Union Partners	May 2019	US	2	390	9.3
ComDoc	Jun. 2019	US	1	108	9.4
Metal Technologies	Jun. 2019	US	1	228	14.4



Portfolio	Acquisition Date	Country	Number of Properties	Square Feet (in thousands)	Average Remaining Lease Term <sup>(1)</sup>
Encompass Health	Jun. 2019	US	1	199	13.3
Heatcraft	Jun. 2019	US	1	216	8.5
C.F. Sauer SLB	Jul. 2019	US	6	598	19.6
SWECO	Sep. 2019	US	1	191	10.4
Viavi Solutions	Sep. 2019	US	2	132	12.7
Faurecia	Dec. 2019	US	1	278	9.3
Plasma	Dec. 2019	US	9	125	10.5
Whirlpool	Dec. 2019	US	6	2,924	12.0
FedEx	Dec. 2019	CN	2	20	9.5
NSA Industries	Dec. 2019	US	1	116	20.0
<b>Total</b>			<b>278</b>	<b>31,617</b>	<b>8.3</b>

<sup>(1)</sup> If the portfolio has multiple properties with varying lease expirations, average remaining lease term is calculated on a weighted-average basis. Weighted-average remaining lease term in years is calculated based on square feet as of December 31, 2019.

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

The following table details distribution of our portfolio by country/location as of December 31, 2019:

Country	Acquisition Period	Number of Properties	Square Feet (in thousands)	Percentage of Properties by Square Feet	Average Remaining Lease Term <sup>(1)</sup>
Canada	Dec. 2019	2	20	0.1%	9.5
Finland	Nov. 2014 - Sep. 2015	5	1,457	4.6%	9.6
France	Dec. 2016	7	1,632	5.2%	4.6
Germany	Jan. 2014 - Dec. 2016	5	1,584	5.0%	5.0
Luxembourg	Dec. 2016	1	156	0.5%	4.0
The Netherlands	Jul. 2014 - Dec. 2016	3	849	2.7%	6.6
United Kingdom	Oct. 2012 - Dec. 2016	42	4,031	12.7%	9.1
United States	Aug. 2013 - Dec. 2019	195	21,823	69.0%	8.7
Puerto Rico	Dec. 2013	18	65	0.2%	5.5
<b>Total</b>		<b>278</b>	<b>31,617</b>	<b>100.0%</b>	<b>8.3</b>

<sup>(1)</sup> If the portfolio has multiple properties with varying lease expirations, average remaining lease term is calculated on a weighted-average basis. Weighted average remaining lease term in years is calculated based on square feet as of December 31, 2019.

The following table details the tenant industry distribution of our portfolio as of December 31, 2019:

Industry	Number of Properties	Annualized Straight-Line Rent <sup>(1)</sup> (in thousands)	Annualized Straight-Line Rent as a Percentage of the Total Portfolio	Square Feet (in thousands)	Square Feet as a Percentage of the Total Portfolio
Financial Services	11	\$ 31,108	9%	2,126	5%
Healthcare	15	25,257	8%	1,249	4%
Technology	11	20,521	7%	1,038	3%
Aerospace	9	16,732	6%	1,416	4%
Freight	27	14,921	5%	1,466	5%
Consumer Goods	10	14,645	5%	3,864	12%
Government	15	14,414	5%	536	2%
Metal Processing	12	14,331	5%	2,472	8%
Logistics	6	14,129	5%	2,269	7%
Telecommunications	4	13,635	5%	865	3%
Auto Manufacturing	12	12,921	4%	2,400	8%
Energy	30	12,621	4%	1,169	4%
Engineering	1	11,202	4%	366	1%
Pharmaceuticals	4	10,805	4%	476	2%
Metal Fabrication	12	7,779	3%	1,129	4%
Discount Retail	22	7,628	3%	1,001	3%
Retail Food Distribution	3	7,497	2%	1,128	4%
Publishing	1	6,767	2%	873	3%
Specialty Retail	8	5,345	2%	486	2%
Food Manufacturing	6	3,979	1%	598	2%
Automotive Parts Supplier	3	3,852	1%	469	1%
Restaurant - Quick Service	19	3,396	1%	74	—%
Other <sup>(2)</sup>	37	26,985	9%	4,147	13%
<b>Total</b>	<b>278</b>	<b>\$ 300,470</b>	<b>100%</b>	<b>\$ 31,617</b>	<b>100%</b>

<sup>(1)</sup> Annualized straight-line rent converted from local currency into USD as of December 31, 2019 for the in-place lease in the property on a straight-line basis, which includes tenant concessions such as free rent, as applicable. Assumes exchange rates of £1.00 to \$1.32 for GBP, €1.00 to \$1.12 for EUR and \$1.00 Canadian Dollar (“CAD”) to \$0.77, as of December 31, 2019 for illustrative purposes, as applicable.

<sup>(2)</sup> Other includes 23 industry types as of December 31, 2019.

[Table of Contents](#)

The following table details the geographic distribution, by U.S. state or country/location, of our portfolio as of December 31, 2019:

Region	Number of Properties	Annualized Straight-Line Rent <sup>(1)</sup> (in thousands)	Annualized Straight-Line Rent as a Percentage of the Total Portfolio	Square Feet (in thousands)	Square Feet as a Percentage of the Total Portfolio
<b>United States</b>	<b>195</b>	<b>\$ 185,799</b>	<b>61.9%</b>	<b>21,823</b>	<b>69.0%</b>
Michigan	21	43,854	14.6%	4,881	15.5%
Texas	35	24,315	8.1%	1,926	6.1%
Ohio	15	17,218	5.7%	4,069	12.9%
California	5	13,587	4.5%	627	2.0%
New Jersey	3	8,322	2.8%	349	1.1%
Tennessee	5	8,247	2.8%	1,125	3.6%
Indiana	8	6,831	2.3%	1,490	4.7%
Alabama	2	5,606	1.9%	257	0.8%
Illinois	8	5,369	1.8%	963	3.0%
South Carolina	6	4,912	1.6%	801	2.5%
Kentucky	4	4,287	1.4%	523	1.7%
Pennsylvania	6	3,995	1.3%	447	1.4%
New York	3	3,959	1.3%	677	2.1%
Missouri	3	3,197	1.1%	292	0.9%
Florida	4	2,775	0.9%	179	0.6%
Colorado	2	2,703	0.9%	87	0.3%
Massachusetts	3	2,453	0.8%	192	0.6%
North Carolina	4	2,232	0.7%	201	0.6%
Minnesota	4	2,143	0.7%	150	0.5%
Kansas	7	2,118	0.7%	292	0.9%
Maine	2	1,889	0.6%	50	0.2%
Mississippi	2	1,580	0.5%	314	1.0%
Georgia	2	1,557	0.5%	492	1.6%
South Dakota	2	1,289	0.4%	54	0.2%
Vermont	3	1,166	0.4%	213	0.7%
Nebraska	5	1,150	0.4%	101	0.3%
New Hampshire	2	1,139	0.4%	199	0.6%
Louisiana	4	1,111	0.4%	112	0.4%
West Virginia	1	980	0.3%	104	0.3%
North Dakota	3	884	0.3%	47	0.2%
Iowa	2	848	0.3%	225	0.7%
Maryland	1	785	0.3%	120	0.4%
Oklahoma	8	699	0.2%	79	0.3%
New Mexico	5	556	0.2%	46	0.2%
Wyoming	1	498	0.2%	37	0.1%
Montana	1	441	0.2%	58	0.2%
Idaho	1	441	0.2%	22	0.1%
Delaware	1	362	0.1%	10	—%
Utah	1	303	0.1%	12	—%
United Kingdom	42	54,519	18.2%	4,031	12.8%
Finland	5	14,740	4.9%	1,457	4.6%
The Netherlands	3	13,839	4.6%	849	2.7%
France	7	12,761	4.2%	1,632	5.2%
Germany	5	9,657	3.2%	1,584	5.0%
Luxembourg	1	5,455	1.8%	156	0.5%
Canada	2	488	0.2%	20	0.1%
Puerto Rico	18	3,212	1%	65	—%
<b>Total</b>	<b>278</b>	<b>300,470</b>	<b>100%</b>	<b>31,617</b>	<b>100%</b>



<sup>(1)</sup> Annualized straight-line rent converted from local currency into USD as of December 31, 2019 for the in-place lease in the property on a straight-line basis, which includes tenant concessions such as free rent, as applicable. Assumes exchange rates of £1.00 to \$1.32 for GBP, €1.00 to \$1.12 for EUR and \$1.00 CAD to \$0.77 as of December 31, 2019 for illustrative purposes, as applicable.

### Future Minimum Lease Payments

The following table presents future minimum base rent payments, on a cash basis, due to us over the next ten calendar years and thereafter on the properties we owned as of December 31, 2019:

<i>(In thousands)</i>	<b>Future Minimum Base Rent Payments <sup>(1)</sup></b>
2020	\$ 294,087
2021	295,428
2022	286,725
2023	264,583
2024	225,344
2025	178,316
2026	147,887
2027	131,392
2028	112,043
2029	83,166
Thereafter	281,375
Total	<u>\$ 2,300,346</u>

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP, €1.00 to \$1.12 for EUR and \$1.00 CAD to \$0.77 as of December 31, 2019 for illustrative purposes, as applicable.

### Future Lease Expirations

The following is a summary of lease expirations for the next ten calendar years on the properties we owned as of December 31, 2019:

<b>Year of Expiration</b>	<b>Number of Leases Expiring</b>	<b>Annualized Straight-Line Rent <sup>(1)</sup></b>	<b>Annualized Straight- Line Rent as a Percentage of the Total Portfolio</b>	<b>Leased Rentable Square Feet</b>	<b>Percent of Portfolio Rentable Square Feet Expiring</b>
		<i>(In thousands)</i>		<i>(In thousands)</i>	
2020	1	\$ 1,056	0.4%	100	0.3%
2021	2	4,944	1.6%	323	1.0%
2022	16	23,819	7.9%	1,553	4.9%
2023	29	25,953	8.6%	2,319	7.4%
2024	42	56,406	18.8%	5,254	16.7%
2025	38	37,581	12.5%	3,237	10.3%
2026	17	21,256	7.1%	2,050	6.5%
2027	19	7,863	2.6%	788	2.5%
2028	41	29,633	9.9%	4,171	13.2%
2029	20	25,127	8.4%	2,910	9.2%
Total	<u>225</u>	<u>\$ 233,638</u>	<u>77.8%</u>	<u>22,705</u>	<u>72.0%</u>

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP, €1.00 to \$1.12 for EUR and \$1.00 CAD to \$0.77 as of December 31, 2019 for the in-place lease in the property on a straight-line basis, which includes tenant concessions such as free rent, as applicable.

### Tenant Concentration

As of December 31, 2019, we did not have any tenant whose rentable square footage or annualized rental income represented greater than 10% of total portfolio rentable square footage or annualized rental income, respectively.

### Significant Properties

As of December 31, 2019, we did not have any property whose rentable square footage or annualized rental income represented greater than 5% of total portfolio rentable square footage or annualized rental income, respectively.

**Property Financings**

See [Note 4](#) — *Mortgage Notes Payable, Net* and [Note 5](#) — *Credit Facilities* to our consolidated financial statements included in this Annual Report on Form 10-K for property financings as of December 31, 2019 and 2018.

**Item 3. Legal Proceedings.**

*None.*

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Our Common Stock is traded on the NYSE under the symbol “GNL.” Set forth below is a line graph comparing the cumulative total stockholder return on our Common Stock, based on the market price of our Common Stock, with the FTSE National Association of Real Estate Investment Trusts Equity Index (“NAREIT”), Modern Index Strategy Indexes (“MSCI”), and the New York Stock Exchange Index (“NYSE Index”) for the period commencing June 2, 2015, the date on which we listed shares of our Common Stock on the NYSE and ending December 31, 2019. The graph assumes an investment of \$100 on June 2, 2015.

Comparison to Cumulative Total Return



#### Holders

As of February 20, 2020, we had 89.5 million shares of Common Stock outstanding held by 1,603 stockholders of record.

#### Dividends

We elected to be taxed as a REIT, commencing with our taxable year ended December 31, 2013. As a REIT, we are required to distribute at least 90% of our REIT taxable income to our stockholders annually. Our ability to pay dividends in the future is dependent on our ability to operate profitably and to generate cash flows from our operations. The amount of dividends payable to our stockholders is determined by our board of directors and is dependent on a number of factors, including funds available for dividends, our financial condition, provisions in our Credit Facility or other agreements that may restrict our ability to pay dividends, capital expenditure requirements, as applicable, requirements of Maryland law and annual distribution requirements needed to maintain our status as a REIT.

For additional information on the restrictions on dividends and other distributions in our Credit Facility, see [Note 5](#) — *Credit Facilities* to our consolidated financial statements included in this Annual Report on Form 10-K and [Item 1A](#), Risk Factors - If we are not able to increase the amount of cash we have available to pay dividends, including through additional cash flows we expect to generate from completing acquisitions, we may have to reduce dividend payments or identify other financing sources to fund the payment of dividends at their current levels.”

## [Table of Contents](#)

For tax purposes, of the amounts distributed during the year ended December 31, 2019, 69.1%, or \$1.23 per share per annum, and 30.9%, or \$0.55 per share per annum, represented a return of capital and ordinary dividends, respectively. During the year ended December 31, 2018, 73.7%, or \$1.57 per share per annum, and 26.3%, or \$0.56 per share per annum, represented a return of capital and ordinary dividends, respectively. All dividends paid on Series A Preferred Stock in 2019 were considered 100% ordinary dividend income. No dividends were paid on Series B Preferred Stock in 2019. See [Note 8](#) — *Stockholders' Equity* to our consolidated financial statements included in this Annual Report on Form 10-K for further discussion on tax characteristics of dividends.

### *Dividends to Common Stockholders.*

We generally pay dividends on our Common Stock on a quarterly basis on the 15th day of the month following the end of each fiscal quarter (unless otherwise specified) to common stockholders of record on the applicable record date at an annualized rate of \$2.13 per share or \$0.5325 per share on a quarterly basis.

### *Dividends to Series A Preferred Stock Holders*

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

### *Dividends to Series B Preferred Stock Holders*

Dividends on our Series B Preferred Stock, which was issued in November 2019, accrue in an amount equal to \$0.429688 per share per quarter to Series B Preferred Stock holders, which is equivalent to 6.875% of the \$25.00 liquidation preference per share of Series B Preferred Stock per annum. Dividends on the Series B Preferred Stock are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or, if not on a business day, on the next succeeding business day) to holders of record at the close of business on the record date set by our board of directors. The first quarterly dividend for the Series B Preferred Stock which was sold in an underwritten offering on November 20, 2019 (see [Note 8](#) — *Stockholders' Equity* to our consolidated financial statements included in this Annual Report on Form 10-K) were paid on January 15, 2020 and represented an accrual for less than a full quarter, covering the period from November 26, 2019 to December 31, 2019.

## Share-Based Compensation

The following table sets forth information regarding securities authorized for issuance under our stock option plan (the “Plan”), our employee and director incentive restricted share plan (the “RSP”) and our multi-year outperformance agreement entered into with the Advisor in July 2018 (the “2018 OPP”) as of December 31, 2019:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans approved by security holders	—	—	—
Equity Compensation Plans not approved by security holders	2,554,930 <sup>(1)</sup>	—	9,313,562 <sup>(2)</sup>
<b>Total</b>	<b>2,554,930 <sup>(1)</sup></b>	<b>—</b>	<b>9,313,562 <sup>(2)</sup></b>

<sup>(1)</sup> Represents shares of Common Stock underlying LTIP Units awarded pursuant to the 2018 OPP. These LTIP Units may be earned by the Advisor based on our achievement of threshold, target or maximum performance goals based on our absolute and relative total stockholder return over a performance period commencing on June 2, 2018 and ending on the earliest of (i) June 2, 2021, (ii) the effective date of any Change of Control (as defined in the 2018 OPP) and (iii) the effective date of any termination of the Advisor’s service as our advisor. LTIP Units earned as of the last day of the performance period will also become vested as of that date. Effective as of that same date, any LTIP Units that are not earned will automatically and without notice be forfeited without the payment of any consideration by us. For additional information on the 2018 OPP, please see [Note 12](#) — *Equity-Based Compensation* to our consolidated financial statements included in this Annual Report on Form 10-K.

<sup>(2)</sup> A total of 500,000 shares have been authorized and reserved for issuance under the Plan. As of December 31, 2019, no stock options had been awarded under the Plan. The total number of shares that may be issued under or subject to awards under the RSP is equal to up to 10.0% of our outstanding shares of Common Stock on a fully diluted basis at any time. As of December 31, 2019, there were 89,458,752 shares of Common Stock issued and outstanding on a fully diluted basis, and 132,313 shares of Common Stock had been issued under or were subject to awards under the RSP. For additional information on the Plan and the RSP, please see [Note 12](#) — *Equity-Based Compensation* to our consolidated financial statements included in this Annual Report on Form 10-K.

## Unregistered Sales of Equity Securities

None.

## Item 6. Selected Financial Data

The following is selected financial data as of and for the years ended December 31, 2019, 2018, 2017, 2016, and 2015:

Balance sheet data (In thousands)	December 31,				
	2019	2018	2017	2016	2015
Total real estate investments, at cost	\$ 3,763,264	\$ 3,420,899	\$ 3,172,677	\$ 2,931,695	\$ 2,546,304
Total assets	3,701,605	3,309,478	3,038,595	2,891,467	2,540,522
Mortgage notes payable, net	1,272,154	1,129,807	984,876	747,381	524,262
Revolving credit facilities	199,071	363,894	298,909	616,614	717,286
Term loan, net	397,893	278,727	229,905	—	—
Mezzanine facility, net	—	—	—	55,383	—
Total liabilities	1,991,647	1,880,732	1,624,352	1,535,486	1,320,403
Total equity	1,709,958	1,428,746	1,414,243	1,355,981	1,220,119

<i>Operating data (In thousands, except share and per share data)</i>	Year Ended December 31,					
	2019	2018	2017	2016	2015	
<b>Revenue from tenants</b>	\$ 306,214	\$ 282,207	\$ 259,295	\$ 214,174	\$ 205,332	
<b>Operating expenses</b>	(214,935)	(208,436)	(173,247)	(153,892)	(172,123)	
<b>Gain (loss) on dispositions of real estate investments</b>	23,616	(5,751)	1,089	13,341	—	
<b>Operating income (loss)</b>	114,895	68,020	87,137	73,623	33,209	
Total other expenses	(64,087)	(54,689)	(60,411)	(21,624)	(29,335)	
Income tax (expense) benefit	(4,332)	(2,434)	(3,140)	(4,422)	(5,889)	
Net income (loss)	46,476	10,897	23,586	47,577	(2,015)	
Net income attributable to non-controlling interest	—	—	(21)	(437)	(50)	
Preferred stock dividends	(11,941)	(9,815)	(2,834)	—	—	
<b>Net income (loss) attributable to common stockholders</b>	<u>\$ 34,535</u>	<u>\$ 1,082</u>	<u>\$ 20,731</u>	<u>\$ 47,140</u>	<u>\$ (2,065)</u>	
<b>Other data:</b>						
Cash flows provided by operations	\$ 145,999	\$ 144,597	\$ 130,954	\$ 114,394	\$ 102,155	
Cash flows (used in) provided by investing activities	(294,476)	(457,946)	(78,978)	134,147	(222,279)	
Cash flows provided by (used in) financing activities	300,003	312,192	(30,657)	(236,700)	121,604	
<b>Per share data:</b>						
Common stock dividends declared per common share	\$ 2.13	\$ 2.13	\$ 2.13	\$ 2.13	\$ 2.13	
Series A Preferred stock dividends declared per common share	\$ 1.81	\$ 1.81	\$ 1.81	\$ —	\$ —	
Net income (loss) per common share attributable to common stockholders - basic	\$ 0.40	\$ 0.01	\$ 0.30	\$ 0.82	\$ (0.04)	
Net income (loss) per common share attributable to common stockholders - diluted	\$ 0.39	\$ 0.01	\$ 0.30	\$ 0.82	\$ (0.04)	
<b>Weighted-average number of common shares outstanding:</b>						
Basic	85,031,236	69,411,061	66,877,620	56,720,448	58,103,298	
Diluted	86,349,645	69,663,208	66,877,620	56,720,448	58,103,298	

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with the accompanying financial statements. The following information contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, actual results may differ materially from those expressed or implied by the forward-looking statements. Please see “Forward-Looking Statements” elsewhere in this report for a description of these risks and uncertainties.

### **Overview**

We were incorporated on July 13, 2011 as a Maryland corporation that elected to be taxed as a REIT beginning with our taxable year ended December 31, 2013. We completed our initial public offering on June 30, 2014, and, on June 2, 2015 we listed our Common Stock on the NYSE under the symbol “GNL.” Our Series A Preferred Stock and our Series B Preferred Stock are both listed on the NYSE under the symbols “GNL PR A” and “GNL PR B,” respectively.

We invest in commercial properties, with an emphasis on sale-leaseback transactions and mission-critical single tenant net-leased commercial properties. Substantially all of our business is conducted through the OP. Our properties are managed and leased to third parties by the Property Manager. Pursuant to the advisory agreement, we have retained the Advisor to manage our affairs on a day-to-day basis. The Advisor and the Property Manager are under common control with AR Global, and these related parties receive compensation and fees for various services provided to us.

As of December 31, 2019, we owned 278 properties consisting of 31.6 million rentable square feet, which were 99.6% leased with a weighted-average remaining lease term of 8.3 years. Based on the percentage of annualized rental income on a straight-line basis as of December 31, 2019, 63.2% of our properties are located in the U.S., Puerto Rico and Canada and 37% are located in Europe. We may also originate or acquire first mortgage loans, mezzanine loans, preferred equity or securitized loans secured by real estate. As of December 31, 2019, we did not own any first mortgage loans, mezzanine loans, preferred equity or securitized loans.

### **Significant Accounting Estimates and Accounting Policies**

Set forth below is a summary of the significant accounting estimates and accounting policies that management believes are important to the preparation of our financial statements. Certain of our accounting estimates are particularly important for an understanding of our financial position and results of operations, and require the application of significant judgment by our management. As a result, these estimates are subject to a degree of uncertainty. These significant accounting estimates and accounting policies include:

#### ***Revenue Recognition***

Our revenues, which are derived primarily from lease contracts, which include rents that each tenant pays in accordance with the terms of each lease agreement and are reported on a straight-line basis over the initial term of the lease. As of December 31, 2019, these leases had an average remaining lease term of 8.3 years. Since many of our leases provide for rental increases at specified intervals, straight-line basis accounting requires us to record a receivable for, and include in revenues, unbilled rent receivables that we will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease. As of December 31, 2019 and 2018, our cumulative straight-line rents receivable in the consolidated balance sheets was \$51.8 million and \$47.2 million, respectively. For the years ended December 31, 2019, 2018 and 2017, our revenue from tenants included impacts of unbilled rental revenue of \$6.8 million, \$6.3 million and \$10.5 million, respectively, to adjust contractual rent to straight-line rent.

For new leases after acquisition, the commencement date is considered to be the date the lease modification is executed. We defer the revenue related to lease payments received from tenants in advance of their due dates. When we acquire a property, the acquisition date is considered to be the commencement date for purposes of this calculation. In addition to base rent, our lease agreements generally require tenants to pay or reimburse us for all property operating expenses, which primarily reflect insurance costs and real estate taxes incurred by us and subsequently reimbursed by the tenant. However, some limited property operating expenses that are not the responsibility of the tenant are absorbed by us. Under ASU 2016-02, we elected to report combined lease and non-lease components in a single line “Revenue from tenants.” For comparative purposes, we also elected to reflect prior revenue and reimbursements previously reported under ASC 840 on a single line as well. For expenses paid directly by the tenant, under both ASC 842 and 840, we reflected them on a net basis.

We continually review receivables related to rent and unbilled rent receivables and determine collectability by taking into consideration the tenant’s payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. Under the new leasing standard (see the “Recently Issued Accounting Pronouncements” section below), we are required to assess, based on credit risk only, if it is probable that we will collect virtually all of the lease payments at lease commencement date and it must continue to reassess collectability periodically thereafter based on new facts and circumstances affecting the credit risk of the tenant. Partial reserves, or the ability to assume partial recovery are no longer permitted. If we determine that it is probable we will collect virtually all of the lease payments (rent and common area maintenance), the lease will continue to be accounted for on an accrual basis (i.e. straight-line).



However, if we determine it is not probable that we will collect virtually all of the lease payments, the lease will be accounted for on a cash basis and a full reserve would be recorded on previously accrued amounts in cases where it was subsequently concluded that collection was not probable. Cost recoveries from tenants are included in Revenue from tenants on the accompanying consolidated statements of operations in the period the related costs are incurred, as applicable.

Under ASU 2016-02, uncollectible amounts are reflected as reductions in revenue. Under ASC 840, we recorded such amounts as bad debt expense as part of property operating expenses. During the year ended December 31, 2018 and 2017, such amounts were \$0.8 million and \$1.2 million, respectively. We did not record any uncollectible amounts as reductions of revenue during the year ended December 31, 2019.

### ***Investments in Real Estate***

Investments in real estate are recorded at cost. Improvements and replacements are capitalized when they extend the useful life of the asset. Costs of repairs and maintenance are expensed as incurred.

At the time an asset is acquired, we evaluate the inputs, processes and outputs of the asset acquired to determine if the transaction is a business combination or asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations. If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and subsequently amortized over the useful life of the acquired assets. See the *Purchase Price Allocation* section below for a discussion of the initial accounting for investments in real estate.

Disposal of real estate investments representing a strategic shift in operations that will have a major effect on our operations and financial results are required to be presented as discontinued operations in our consolidated statements of operations. No properties were presented as discontinued operations as of December 31, 2019 and 2018. Properties that are intended to be sold are designated as “held for sale” on our consolidated balance sheets at the lesser of carrying amount or fair value less estimated selling costs when they meet specific criteria to be presented as held for sale, most significantly that the sale is probable within one year. We evaluate probability of sale based on specific facts including whether a sales agreement is in place and the buyer has made significant non-refundable deposits. Properties are no longer depreciated when they are classified as held for sale. As of December 31, 2019, we had three properties designated as held for sale. As of December 31, 2018, we had three properties designated as held for sale (see [Note 3](#) — *Real Estate Investments, Net* to our consolidated financial statements included in this Annual Report on Form 10-K for further details).

As more fully discussed in [Note 2](#) — *Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements - ASU No. 2016-02 Leases* to the consolidated financial statements included in this Annual Report on Form 10-K, all our leases as lessor prior to adoption were accounted for as operating leases and will continue to be accounted for as operating leases under the transition guidance. We will evaluate new leases originated after the adoption date (by us or by a predecessor lessor/owner) pursuant to the new guidance where a lease for some or all of a building is classified by a lessor as a sales-type lease if the significant risks and rewards of ownership reside with the tenant. This situation is met if, among other things, there is an automatic transfer of title during the lease, a bargain purchase option, the non-cancelable lease term is for more than major part of remaining economic useful life of the asset (e.g., equal to or greater than 75%), if the present value of the minimum lease payments represents substantially all (e.g., equal to or greater than 90%) of the leased property’s fair value at lease inception, or if the asset so specialized in nature that it provides no alternative use to the lessor (and therefore would not provide any future value to the lessor) after the lease term. Further, such new leases would be evaluated to consider whether they would be failed sale-leaseback transactions and accounted for as financing transactions by the lessor. As of December 31, 2019, we have no leases as a lessor that would be considered as sales-type leases or financings under sale-leaseback rules.

We are also the lessee under certain land leases which were previously classified prior to adoption of lease accounting and will continue to be classified as operating leases under transition elections unless subsequently modified. These leases are reflected on the balance sheet and the rent expense is reflected on a straight line basis over the lease term.

### ***Purchase Price Allocation***

In both a business combination and an asset acquisition, we allocate the purchase price of acquired properties to tangible and identifiable intangible assets or liabilities based on their respective fair values. Tangible assets may include land, land improvements, buildings, fixtures and tenant improvements. Intangible assets may include the value of in-place leases, and above- and below- market leases and other identifiable assets or liabilities based on lease or property specific characteristics. In addition, any assumed mortgages receivable or payable and any assumed or issued noncontrolling interests (in a business combination) are recorded at their estimated fair values. In allocating the fair value to assumed mortgages, amounts are recorded to debt premiums or discounts based on the present value of the estimated cash flows, which is calculated to account for either above- or below-market interest rates. In a business combination, the difference between the purchase price and the fair value of identifiable net assets acquired is either recorded as goodwill or as a bargain purchase gain. In an asset acquisition, the difference between the acquisition price (including capitalized transaction costs) and the fair value of identifiable net assets acquired is allocated to the non-current assets. All acquisitions during the years ended December 31, 2019 and 2018 were asset acquisitions. During 2017, prior to our adoption of ASU No. 2017-01, *Business Combinations (Topic 805)* (see [Note 2](#) — *Summary of Significant Accounting Policies* to our

consolidated financial statements included in this Annual Report on Form 10-K), all of our acquisitions were accounted for as business combinations.

For acquired properties with leases classified as operating leases, we allocate the purchase price of acquired properties to tangible and identifiable intangible assets acquired and liabilities assumed, based on their respective fair values. In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired and intangible liabilities assumed.

Tangible assets include land, land improvements, buildings, fixtures and tenant improvements on an as-if vacant basis. We utilize various estimates, processes and information to determine the as-if vacant property value. Estimates of value are made using customary methods, including data from appraisals, comparable sales, discounted cash flow analysis and other methods. Fair value estimates are also made using significant assumptions such as capitalization rates, discount rates, fair market lease rates, and land values per square foot. Identifiable intangible assets include amounts allocated to acquire leases for above- and below-market lease rates, and the value of in-place leases, as applicable.

Factors considered in the analysis of the in-place lease intangibles include an estimate of carrying costs during the expected lease-up period for each property, taking into account current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at contract rates during the expected lease-up period, which typically ranges from 12 to 18 months. We also estimate costs to execute similar leases including leasing commissions, legal and other related expenses.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease, and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining initial term of the lease for above-market leases and the remaining term plus the term of any below-market fixed rate renewal options for below-market leases.

The aggregate value of intangible assets related to customer relationships, as applicable, is measured based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant. Characteristics considered by us in determining these values include the nature and extent of its existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors. We did not record any intangible asset amounts related to customer relationships during the year ended December 31, 2019.

#### ***Impairment of Long-Lived Assets***

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

#### ***Gain on Dispositions of Real Estate Investments***

Gains on sales of rental real estate after January 1, 2018 were not considered sales to customers and generally recognized are pursuant to the provisions included in ASC 610-20, *Gains and Losses from the Derecognition of Nonfinancial Assets* ("ASC 610-20").

Gain on sales of real estate prior to January 1, 2018 are recognized pursuant to the provisions included in ASC 360-20, Real Estate Sales ("ASC 360-20"). The specific timing of a sale was measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, depending on the circumstances, the Company may not record a sale or it may record a sale but may defer some or all of the gain recognition. If the criteria for full accrual are not met, the Company may account for the transaction by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria for the full accrual method are met.

#### ***Goodwill***

We evaluate goodwill for possible impairment at least annually or upon the occurrence of a triggering event. A triggering event is an event or circumstance that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We performed a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting

unit is less than its carrying value. Based on our assessment we determined that our goodwill is not impaired as of December 31, 2019 and no further analysis is required.

### ***Depreciation and Amortization***

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings, 15 years for land improvements, five years for fixtures and improvements and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

Capitalized above-market ground lease values are amortized as a reduction of property operating expense over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property operating expense over the remaining terms of the respective leases and expected below-market renewal option periods.

The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is amortized to expense over the remaining periods of the respective leases.

The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event does the amortization period for intangible assets exceed the remaining depreciable life of the building. If a tenant terminates its lease, the unamortized portion of the in-place lease value and customer relationship intangibles is charged to expense.

Assumed mortgage premiums or discounts are amortized as an increase or reduction to interest expense over the remaining terms of the respective mortgages.

### ***Above-Market Lease Amortization***

Capitalized above-market lease values are amortized as a reduction of revenue from tenants over the remaining terms of the respective leases and the capitalized below-market lease values are amortized as an increase to revenue from tenants over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. If a tenant with a below-market rent renewal does not renew, any remaining unamortized amount will be taken into income at that time.

### ***Derivative Instruments***

We may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with our borrowings. Certain of our foreign operations expose us to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of our cash receipts and payments in our functional currency, USD. We enter into derivative financial instruments to protect the value or fix the amount of certain obligations in terms of our functional currency.

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

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

### ***Equity-Based Compensation***

We have a stock-based incentive award plan for our directors, and awards thereunder which are accounted for under the guidance for employee share based payments. The cost of services received in exchange for a stock award is measured at the grant date fair value of the award and the expense for such awards is included in equity-based compensation on the consolidated statements of operations and is recognized over the vesting period or when the requirements for exercise of the award have been met.

Concurrent with the listing of our common stock on the NYSE (the “Listing”) and modifications to the Fourth Amended and Restated Advisory Agreement (the “Advisory Agreement”) by and among the Company, the OP and the Advisor, we entered into the 2015 OPP with the Advisor. Also, in July 2018, we entered into the 2018 OPP, a new multi-year outperformance agreement with the Advisor. Under the 2015 OPP, which expired on June 2, 2018, we recorded equity-based compensation expense associated with the awards over the requisite service period on a graded basis. Under the 2018 OPP, effective June 2, 2018, we record equity-based compensation evenly over the requisite service period of approximately 2.8 years from the grant date. The equity-based compensation expense was adjusted each reporting period for changes in the estimated market-related performance. Under new accounting guidance adopted by us on January 1, 2019, total equity-based compensation expense calculated as of adoption of the new guidance will be fixed as of that date and reflected as a charge to earnings evenly over the service period. Further, in the event of a modification, any incremental increase the value of the instrument measured on the date of the modification both before and after the modification, will result in an incremental amount to be reflected prospectively as a charge to earnings over the remaining service period. The expense for these non-employee awards is included in the equity-based compensation line item of the consolidated statements of operations. For additional information on the original terms, a February 2019 modification of the 2018 OPP and accounting for these awards see [Note 2 — Summary of Significant Accounting Policies — Recently Issued Accounting Pronouncements and Note 12 — Equity-based compensation](#) to our consolidated financial statements included in this Annual Report on Form 10-K.

### ***Recently Issued Accounting Pronouncements***

See [Note 2 — Summary of Significant Accounting Policies — Recently Issued Accounting Pronouncements](#) to our consolidated financial statements included in this Annual Report on Form 10-K for further discussion.

### **Results of Operations**

Below is a discussion of our results of operations for the years ended December 31, 2019 and 2018. Please see the “Results of Operations” section located on page 50 under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018 for a comparison of our results of operations for the year ended December 31, 2017.

#### ***Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018***

##### *Net Income Attributable to Common Stockholders*

Net income attributable to common stockholders was \$34.5 million for the year ended December 31, 2019, as compared to net income attributable to common stockholders of \$1.1 million for the year ended December 31, 2018. The change in net income attributable to common stockholders is discussed in detail for each line item of the consolidated statements of operations in the sections that follow.

##### *Revenue from Tenants*

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

Revenue from tenants was \$306.2 million and \$282.2 million for the years ended December 31, 2019 and 2018, respectively. The increase was primarily driven by the impact of our property acquisitions, partially offset by the impact of our dispositions since December 31, 2018 and the impact of foreign exchange rates. During the year ended December 31, 2019 there were decreases of 4.3% in the average exchange rate for GBP to USD and 5.2% in the EUR to USD, when compared to the year ended December 31, 2018. Also, during 2018, we recorded income of \$3.0 million for a payment received as a lease termination fee in connection with the disposal of Veolia Water. Prior to the sale, we agreed to terminate the lease with the existing tenant and, as a result, received the termination fee. In addition, during the year ended December 31, 2019 we had 19 acquisitions which did not materially impact revenue from tenants for the year ended December 31, 2019 because the acquisitions occurred in December 2019.

##### *Property Operating Expenses*

Property operating expenses were \$28.3 million and \$28.7 million for the years ended December 31, 2019 and 2018, respectively. These costs primarily relate to insurance costs and real estate taxes on our properties, which are generally reimbursable by our tenants. The main exceptions are Government Services Administration (GSA) properties for which certain expenses are not reimbursable by tenants. The increase was primarily due to higher reimbursable expenses incurred in the year ended December 31, 2019, primarily driven by the impact of our property acquisitions, partially offset by the impact of our dispositions since December 31, 2018. Prior to January 1, 2019, property operating expenses included provisions for bad debt expense associated with receivables we believed were doubtful of collection. Effective January 1, 2019, in accordance with new accounting guidance, bad debt expense is now recorded as an adjustment to revenue from tenants. During 2018, we recognized bad debt expense of \$0.8 million with respect to receivables, which primarily related to three properties in which leases were terminated during the fourth quarter of 2018 (see the “Impairment Charges and Related Lease Intangible Write-offs” section below). There were no bad debt expense or uncollectible amounts that reduced revenue during 2019. The increase in property operating expenses was partially

offset by decreases during the year ended December 31, 2019 of 4.3% in the average exchange rate for GBP to USD and 5.2% in the EUR to USD, when compared to the same period last year.

#### *Operating Fees to Related Parties*

Operating fees paid to related parties were \$33.3 million and \$28.2 million for the years ended December 31, 2019 and 2018, respectively. Operating fees to related parties consist of compensation to the Advisor for asset management services as well as property management fees paid to the Advisor and Property Manager. Our advisory agreement requires us to pay the Advisor a Base Management Fee of \$18.0 million per annum (\$4.5 million per quarter) plus a Variable Base Management Fee, both payable in cash, and Incentive Compensation, payable in cash and shares, if the applicable hurdles are met (see [Note 10 - Related Party Transactions](#) to our consolidated financial statements included in this Annual Report on Form 10-K for details). There was no Incentive Compensation earned for the years ended December 31, 2019 or 2018. The increase to operating fees between the periods in part results from an increase of \$4.3 million in the Variable Base Management Fee resulting from the incremental additional net proceeds of approximately \$204.6 million generated by offerings of equity securities during the year ended December 31, 2019. The Variable Base Management Fee would also increase in connection with other offerings or issuances of equity securities.

Our Property Manager is paid fees for the management of our properties. Property management fees are calculated as a percentage of our gross revenues generated by the applicable properties. During the years ended December 31, 2019 and 2018, we paid property management fees of \$5.8 million and \$5.0 million, respectively.

#### *Impairment Charges and Related Lease Intangible Write-offs*

During the fourth quarter of 2019, we closed on the sale of two properties in the Netherlands. We had previously concluded that the estimated future undiscounted cash flows associated with these two properties did not exceed their respective carrying values, and we recorded an impairment charge of \$6.4 million to reflect the estimated fair value of the properties during the third quarter of 2019.

During the year ended December 31, 2018, certain related entity tenants in six of our properties affiliated by a common guarantor were in financial difficulties. As part of negotiations, we terminated the leases for the tenants of four of the properties. We expect to sell one of the terminated lease properties and evaluated it for impairment and concluded that the carrying amount of the property was in excess of its estimated fair value and recorded an impairment charge of \$1.6 million. The three remaining terminated lease properties were leased to other tenants and we wrote-off the related lease intangibles of \$3.4 million associated with the original tenants. Two of the tenants are continuing to use the remaining two properties and are current on their rent. Based on expected future cash flows, we do not believe the five leased properties are impaired.

#### *Acquisition, Transaction and Other Costs*

We recognized \$1.3 million of acquisition, transaction and other costs during the year ended December 31, 2019, which primarily consist of litigation costs related to the termination of our former European service provider.

We recognized \$13.9 million of acquisition, transaction and other costs during the year ended December 31, 2018, primarily comprised of expenses incurred in connection with litigation related to the termination of our former European service provider totaling \$10.3 million, of which \$7.4 million related to a reserve recorded for the settlement of this litigation which was paid during the first quarter of 2019, and \$2.9 million related to legal costs. In addition, acquisition, transaction and other costs for the year ended December 31, 2018 included \$1.6 million in fees associated with the exploration of a potential equity offering, \$1.3 million in various legal and professional fees related to financing activities and \$0.7 million of other costs.

#### *General and Administrative Expense*

General and administrative expense was \$10.1 million and \$10.4 million for the years ended December 31, 2019 and 2018, respectively, primarily consisting of professional fees including audit and taxation related services, board member compensation, and directors' and officers' liability insurance. The increase for the year ended December 31, 2019, as compared to the year ended December 31, 2018, was primarily due to an increase in professional fees.

#### *Equity-Based Compensation*

During the year ended December 31, 2019, we recognized equity-based compensation expense of \$9.5 million, which primarily related to the 2018 OPP. During the year ended December 31, 2018, we recognized equity-based compensation expense of \$2.6 million, which primarily related to the 2018 OPP and 2015 OPP. Equity based compensation expense also includes amortization of restricted stock units in respect of shares of Common Stock ("RSUs") granted to our independent directors.

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

Under new accounting guidance adopted by us on January 1, 2019 that applies to the 2018 OPP beginning on that date, the equity-based compensation expense calculated as of adoption of the new guidance is now fixed as of that date and will not be remeasured in subsequent periods unless the 2018 OPP is amended. In February 2019, the 2018 OPP was amended in light of the effectiveness of a merger of one member of the peer group. Under the accounting rules, we were required to calculate any excess of the new value of LTIP Units in accordance with the provisions of the amendment (\$29.9 million) over the fair value immediately prior to the amendment (\$23.3 million). This excess of approximately \$6.6 million is being expensed over the period from February 21, 2019, the date our compensation committee approved the amendment, through June 2, 2021, the end of the service period. For additional information see [Note 2 — Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements](#) to our consolidated financial statements included in this Annual Report on Form 10-K. See [Note 12 — Equity-Based Compensation](#) to our consolidated financial statements included in this Annual Report on Form 10-K for details regarding the 2018 OPP and 2015 OPP.

#### *Depreciation and Amortization*

Depreciation and amortization expense was \$126.0 million and \$119.6 million for the years ended December 31, 2019 and 2018, respectively. The increase was due to the net impact of our property acquisitions, partially offset by the impact of our dispositions during 2019. The increase in depreciation and amortization expense was partially offset by decreases during the year ended December 31, 2019 of 4.3% in the average exchange rate for GBP to USD and 5.2% in the EUR to USD, when compared to 2018.

#### *Gain (Loss) on Dispositions of Real Estate Investments*

During the year ended December 31, 2019, we sold 97 properties located in the United States (94 Family Dollar retail stores and three industrial properties), for a contract purchase price of \$136.7 million resulting in a gain of \$14.0 million, one property located in the United Kingdom with a contract sales price of \$9.1 million resulting in a loss of \$0.4 million, two properties in the Netherlands and three properties in Germany with a contract sales price of \$165.5 million resulting in a gain of \$10.0 million. These dispositions had total contract sales price of approximately \$311.3 million (based on USD equivalents on the date of sale), resulting in an aggregate gain of \$23.6 million.

During the year ended December 31, 2018 we recorded a loss on dispositions of real estate investments of \$5.8 million. The loss related to the disposition of a property in Vandalia, Ohio, which resulted in a loss of \$1.9 million, and a property in San Jose, California, which resulted in a loss of \$3.8 million. Prior to the sale of the Ohio property, we agreed to terminate the lease with the existing tenant and received a termination fee of \$3.0 million in accordance with the terms of the lease, which is recorded in rental income in the accompanying consolidated statements of operations for the year ended December 31, 2018.

#### *Interest Expense*

Interest expense was \$64.2 million and \$58.0 million for the years ended December 31, 2019 and 2018, respectively. The increase was primarily related to an increase in average borrowings. The amount of our total debt outstanding increased from \$1.8 billion as of December 31, 2018 to \$1.9 billion as of December 31, 2019, and the weighted-average effective interest rate of our total debt was 3.1% as of December 31, 2018 and 3.0% as of December 31, 2019. The increase in interest expense was partially offset by decreases during the year ended December 31, 2019 of 4.3% in the average exchange rate for GBP to USD and 5.2% in the average exchange rate for EUR to USD when compared to the same period last year.

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

#### *Loss on Extinguishment of Debt*

Loss on extinguishment of debt was \$0.9 million and \$3.9 million, for the years ended December 31, 2019 and 2018, respectively. The loss in 2019 was primarily related to the write off previously recorded deferred financing costs, and the loss in 2018 was due to the write off \$1.5 million of previously recorded deferred financing costs and prepayment penalties paid on early extinguishment of debt of \$2.4 million.

#### *Foreign Currency and Interest Rate Impact on Operations*

The gains of \$0.8 million and \$7.6 million on derivative instruments for the years ended December 31, 2019 and 2018, respectively, reflect the marked-to-market impact from foreign currency and interest rate derivative instruments used to hedge the investment portfolio from currency and interest rate movements, and was mainly driven by rate changes in the GBP and EUR compared to the USD.

During the years ended December 31, 2019 and 2018, we recorded gains of \$0.1 million and losses of \$0.4 million, respectively, on undesignated foreign currency advances and other hedge ineffectiveness.

As a result of our investments in Europe, and, to a lesser extent, our investments in Canada, we are subject to risk from the effects of exchange rate movements in the EUR, GBP and, to a lesser extent, CAD, which may affect costs and cash flows in our

functional currency, the USD. We generally manage foreign currency exchange rate movements by matching our debt service obligation to the lender and the tenant's rental obligation to us in the same currency. This reduces our overall exposure to currency fluctuations. In addition, we may use currency hedging to further reduce the exposure to our net cash flow. We are generally a net receiver of these currencies (we receive more cash than we pay out), and therefore our results of operations of our foreign properties benefit from a weaker USD, and are adversely affected by a stronger USD, relative to the foreign currency. During the year ended December 31, 2019, the average exchange rate for GBP to USD decreased by 4.3%, and the average exchange rate for EUR to USD decreased by 5.2%, when compared to 2018.

#### *Income Tax Expense*

Although as a REIT we generally do not pay U.S. federal income taxes, we recognize income tax (expense) benefit domestically for state taxes and local income taxes incurred, if any, and also in foreign jurisdictions in which we own properties. In addition, we perform an analysis of potential deferred tax or future tax benefit and expense as a result of book and tax differences and timing differences in taxes across jurisdictions. Income tax expense was \$4.3 million and \$2.4 million for the years ended December 31, 2019 and 2018, respectively, mainly driven by \$2.0 million in increased expense due to changes in European tax policies.

#### *Cash Flows from Operating Activities*

During the year ended December 31, 2019, net cash provided by operating activities was \$146.0 million. The level of cash flows provided by operating activities is driven by, among other things, rental income received, operating fees paid to related parties for asset and property management, and interest payments on outstanding borrowings. Cash flows provided by operating activities during the year ended December 31, 2019 reflect net income of \$46.5 million, adjusted for non-cash items of \$137.3 million (primarily depreciation, amortization of intangibles, amortization of deferred financing costs, amortization of mortgage premium/discount, amortization of above- and below-market lease and ground lease assets and liabilities, bad debt expense, unbilled straight-line rent, and equity-based compensation). In addition, working capital items decreased operating cash flows by \$22.6 million.

During the year ended December 31, 2018, net cash provided by operating activities was \$144.6 million. The level of cash flows provided by operating activities is driven by, among other things, rental income received, operating fees paid to related parties for asset and property management, and interest payments on outstanding borrowings. Cash flows provided by operating activities during the year ended December 31, 2018 reflect net income of \$10.9 million, adjusted for non-cash items of \$125.3 million (primarily depreciation, amortization of intangibles, amortization of deferred financing costs, amortization of mortgage premium/discount, amortization of above- and below-market lease and ground lease assets and liabilities, bad debt expense, unbilled straight-line rent, and equity-based compensation). In addition, working capital items decreased operating cash flows by \$2.3 million.

#### *Cash Flows from Investing Activities*

Net cash used in investing activities during the year ended December 31, 2019 of \$294.5 million was primarily driven by property acquisitions of \$562.7 million and capital expenditures of \$17.3 million. These cash uses were partially offset by proceeds from asset dispositions of \$288.4 million during the year ended December 31, 2019.

Net cash used in investing activities during the year ended December 31, 2018 of \$457.9 million was primarily driven by property acquisitions of \$479.6 million and capital expenditures of \$1.5 million. These cash uses were partially offset by proceeds from asset dispositions of \$23.7 million during the year ended December 31, 2018.

#### *Cash Flows from Financing Activities*

Net cash provided by financing activities of \$300.0 million during the year ended December 31, 2019 primarily related to net borrowings on our Revolving Credit Facility of \$165.6 million, proceeds from mortgage notes payable of \$579.3 million, net proceeds from issuance of Common Stock of \$258.4 million, net proceeds from the issuance of Series A Preferred Stock of \$34.6 million, net proceeds from the issuance of Series B Preferred Stock of \$83.1 million and proceeds from our Term Loan of \$125.0 million. These cash inflows were partially offset by payments on mortgage notes payable of \$433.6 million, dividends paid to common stockholders of \$150.8 million, dividends paid on Series A Preferred Stock of \$10.7 million and payments of financing costs of \$19.1 million.

Net cash provided by financing activities of \$312.2 million during the year ended December 31, 2018 primarily related to net borrowings on our Revolving Credit Facility of \$69.6 million, proceeds from mortgage notes payable of \$494.7 million, net proceeds from issuance of Common Stock of \$171.8 million and proceeds from our Term Loan of \$60.4 million. These cash inflows were partially offset by payments on mortgage notes payable of \$313.2 million, dividends paid to common stockholders of \$147.4 million, dividends paid to preferred stockholders of \$9.8 million and payments of financing costs of \$10.6 million.



## Liquidity and Capital Resources

As of December 31, 2019 and December 31, 2018, we had cash and cash equivalents of \$270.3 million and \$100.3 million, respectively. Principal future demands on cash and cash equivalents will include the purchase of additional properties or other investments in accordance with our investment strategy, payment of related acquisition costs, improvement costs, operating and administrative expenses, continuing debt service obligations and dividends to holders of our Common Stock, Series A Preferred Stock and Series B Preferred Stock, as well as to any future class or series of preferred stock we may issue. Management expects that operating income from our existing properties and properties we expect to acquire to fund operating expenses, and the payment of quarterly dividends to our common stockholders and holders of our Series A Preferred Stock and Series B Preferred Stock, but in certain periods we have needed to fund these amounts from cash on hand generated from other sources and we may also need to do so in future periods.

During the year ended December 31, 2019, cash used to pay our dividends was generated mainly from cash flows provided by operations and cash on hand, consisting of proceeds from borrowings. These sources of capital include proceeds received from our Revolving Credit Facility, proceeds from secured or unsecured financings from banks or other lenders, proceeds from our Common Stock ATM Program and Series A Preferred Stock ATM Program and proceeds from the sale of properties and undistributed funds from operations, if any. We expect these sources to continue (except the Series A Preferred Stock ATM Program which was terminated in November 2019) and such sources may also include proceeds received from the Series B Preferred Stock ATM Program (or any similar future program) and proceeds from other future offerings of debt or equity securities (including preferred equity securities).

### Acquisitions and Dispositions

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

#### *Acquisitions and Dispositions — Year Ended December 31, 2019*

During the year ended December 31, 2019, we acquired 39 properties for \$562.7 million, including capitalized acquisition costs, and funded \$11.4 million of capital expenditures to expand and remodel four properties that are leased to a single tenant, in exchange for increased annual rent at the respective properties. The acquisition of 19 of these properties for \$253.7 million, including capitalized acquisition costs, was completed during the three months ended December 31, 2019. During the three months ended December 31, 2019, our acquisitions were primarily funded with financing activity, which includes net proceeds from our financing activities and borrowings under the Revolving Credit Facility, and proceeds from our Common Stock ATM Program and Series A Preferred Stock ATM Program. During the year ended December 31, 2019, our acquisitions were primarily funded with the proceeds raised from our Common Stock ATM Program and our Series A Preferred Stock ATM Program. Acquisitions were also funded through proceeds from dispositions, as well as proceeds from our financing activity, including our refinancing activity and borrowings under the Revolving Credit Facility. For additional information on activity related to the Revolving Credit Facility, see “Borrowings” section below.

During the year ended December 31, 2019, we sold 97 properties located in the United States (94 Family Dollar retail stores and three industrial properties), one property located in the United Kingdom, two properties in the Netherlands and three properties in Germany for a total contract sales price of approximately \$311.3 million (based on USD equivalents on the date of sale), resulting in an aggregate gain of \$23.6 million, which is reflected in gain (loss) on dispositions of real estate investments in the consolidated statements of operations for the year ended December 31, 2019. Of these dispositions, we sold two properties located in the Netherlands and three properties in Germany for a total contract sales price of approximately \$165.5 million (based on USD equivalents on the date of sale) during the three months ended December 31, 2019, resulting in an aggregate gain of \$8.8 million. We have used, and expect to continue to use, these net proceeds primarily to fund future acquisitions.

#### *Acquisitions and Dispositions Subsequent to December 31, 2019 and Pending Transactions*

In January 2020, we acquired one property for a contract purchase price of \$9.4 million. In February 2020, through the date of this filing, we acquired four properties for an aggregate contract purchase price of 38.9 million. We have signed four definitive purchase and sale agreements (“PSAs”) to acquire a total of nine net lease properties, located in the U.S. and Canada, for an aggregate purchase price of approximately \$184.0 million. We have signed two non-binding letters of intent (“LOIs”) to acquire a total of 3 net lease properties, located in the United States, for an aggregate purchase price of \$47.7 million. The PSAs are subject to conditions and the LOIs may not lead to a definitive agreement. There can be no assurance we will complete any of these transactions, or any future acquisitions or other investments, on a timely basis or on acceptable terms and conditions, if at all.



## Equity Offerings

### *Common Stock*

We have the Common Stock ATM Program, an “at the market” equity offering program, pursuant to which we may sell shares of Common Stock, from time to time through our sales agents. During January 2019, we sold 7,759,322 shares of Common Stock through the Common Stock ATM Program for gross proceeds of \$152.7 million, before commissions paid of \$1.5 million and additional issuance costs of \$0.8 million. Following these sales, we had raised all \$175.0 million contemplated by our existing equity distribution agreement related to the Common Stock ATM Program. In February 2019, we terminated our existing equity distribution agreement and entered into a new equity distribution agreement with substantially the same sales agents on substantially the same terms. Under the new equity distribution agreement, through December 31, 2019, we sold 5,596,452 shares of Common Stock for gross proceeds of \$109.9 million, before commissions paid of \$1.6 million and additional issuance costs of \$0.4 million. In total, during the year ended December 31, 2019, we sold 13,355,773 shares of Common Stock for gross proceeds of \$262.6 million, before commissions paid of \$3.2 million and additional issuance costs of \$1.2 million. There were no shares of Common Stock sold under the Common Stock ATM Program during the fourth quarter of 2019.

### *Preferred Stock*

Prior to its termination in November 2019, we also had the Series A Preferred Stock ATM Program, an “at the market” equity offering program, for our Series A Preferred Stock, pursuant to which we could raise aggregate sales proceeds of \$200.0 million through sales of shares of Series A Preferred Stock from time to time through our sales agents. During the year ended December 31, 2019, we sold 1,382,577 shares of Series A Preferred Stock through the Series A Preferred Stock ATM Program for gross proceeds of \$35.3 million, before commissions paid of \$0.5 million and additional issuance costs of \$0.2 million.

On November 20, 2019, we completed the initial issuance and sale of 3,450,000 shares of Series B Preferred Stock (including 450,000 shares pursuant to the underwriters’ partial exercise of their option to purchase additional shares in accordance with terms of the underwriting agreement) in an underwritten public offering at a public offering price equal to the liquidation preference of \$25.00 per share. The gross proceeds from this offering were approximately \$86.2 million before deducting the underwriting discount of \$2.7 million and additional offering expenses of \$0.5 million.

Subsequently, in December 2019, we established an “at the market” equity offering program for our Series B Preferred Stock (the “Series B Preferred Stock ATM Program”) pursuant to which we may raise aggregate sales proceeds of \$200.0 million through sales of shares of Series B Preferred Stock from time to time through our sales agents. We did not sell any shares of Series B Preferred Stock through the Series B Preferred Stock ATM Program during 2019.

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

## Borrowings

As of December 31, 2019, we had total debt outstanding of \$1.9 billion with a weighted average interest rate per annum equal to 3.0%, consisting of secured mortgage notes payable of \$1.3 billion, net of mortgage discounts and deferred financing costs and outstanding advances under our Revolving Credit Facility of \$199.1 million and a total outstanding balance on our Term Loan of \$397.9 million, net of deferred financing costs.

During the year ended December 31, 2019, we repaid amounts outstanding under the Revolving Credit Facility using a portion of the proceeds from our Common Stock ATM Program and then re-borrowed additional amounts under the Revolving Credit Facility to fund our then-current pipeline of acquisitions and other investment transactions. This activity during the year ended December 31, 2019, as well as a reduction in the amount outstanding under the Revolving Credit Facility corresponding to an increase in the amount outstanding under the Term Loan in connection with an amendment and restatement of the credit agreement related to our Credit Facility (the “Credit Facility Amendment”), resulted in a \$164.8 million decrease in the amount outstanding under the Revolving Credit Facility from December 31, 2018 to December 31, 2019, including additional borrowings of \$94.0 million during the three months ended December 31, 2019. In the future, we may similarly use “at the market” equity offering programs, dispositions and other sources of capital to fund repayments of amounts under the Revolving Credit Facility and then re-borrow additional amounts to fund our existing pipeline of acquisitions and other investment transactions.

On August 1, 2019, we, through the OP, entered into the Credit Facility Amendment to, among other things, increase the aggregate total commitments, lower the interest rate, as a result of a lower range of applicable interest rate margins, and revise certain covenants. Following the closing of the Credit Facility Amendment, the aggregate amount outstanding under the Credit Facility increased by \$39.4 million based on USD equivalents. The additional borrowings are expected to be used for acquisitions.

The availability of borrowings under the Revolving Credit Facility is based on the value of a pool of eligible unencumbered real estate assets owned by us and compliance with various ratios related to those assets, and the Credit Facility Amendment also included amendments to provisions governing the calculation of the value of the borrowing base. As of December 31, 2019, approximately \$204.1 million was available for future borrowings under the Revolving Credit Facility.

As of December 31, 2019, 88.2% of our total debt outstanding either bore interest at fixed rates, or was swapped to a fixed rate, which bore interest at a weighted average interest rate of 3.1% per annum. As of December 31, 2019, 11.8% of our total debt outstanding was variable-rate debt, which bore interest at a weighted average interest rate of 2.4% per annum. The total gross carrying value of unencumbered assets as of December 31, 2019 was \$1.5 billion, and approximately \$1.3 billion of this amount was included in the unencumbered asset pool comprising the borrowing base under the Revolving Credit Facility and therefore is not available to serve as collateral for future borrowings.

Our debt leverage ratio was 49.3% (total debt as a percentage of total purchase price of real estate investments, based on the exchange rate at the time of purchase) as of December 31, 2019. See [Note 6 — Fair Value of Financial Instruments](#) to our consolidated financial statements included in this Annual Report on Form 10-K for fair value of such debt as of December 31, 2019. As of December 31, 2019 the weighted-average maturity of our indebtedness was 5.8 years. We believe we have the ability to service our obligations as they come due.

#### *Mortgage Notes Payable*

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

On June 12, 2019, we, through certain wholly owned subsidiaries, borrowed €120.0 million (approximately \$135.8 million based on the exchange rate on that date) secured by three of our properties located in the Netherlands and Luxembourg. The loan bears interest at a fixed rate of 1.38% and matures on June 11, 2024. The loan is interest-only, with the principal due at maturity. At the closing of the loan, approximately €80.3 million (approximately \$90.8 million based on the exchange rate on that date) of the net proceeds was used to repay all outstanding indebtedness encumbering two of the properties.

On May 10, 2019, we, through certain wholly owned subsidiaries, borrowed €51.5 million (approximately \$57.9 million based on the exchange rate on that date) from secured by five of our properties located in Germany. The loan is interest-only with the principal due at maturity, which is June 30, 2023. The maturity date may be extended at our option to February 29, 2024 subject to conditions. The loan initially bore interest at a rate of 3-month Euribor plus 1.80% per annum, but, following the replacement of an easement on one property, the loan will bear interest going forward at a rate of Euribor plus 1.55% per annum beginning on October 1, 2019. We also entered into a swap to fix the interest rate for 80% of the principal amount. The net proceeds from the loan were used to repay all €35.6 million (approximately \$40.0 million based on the exchange rate on that date) outstanding in mortgage indebtedness that previously encumbered three of the properties that secure the loan.

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

On February 6, 2019, we, through certain wholly owned subsidiaries, borrowed an aggregate of €74.0 million (\$84.3 million based on the prevailing exchange rate on that date) secured by mortgages on our five properties located in Finland. The maturity date of this loan is February 1, 2024, and it bears interest at a rate of 3-month Euribor plus 1.4% per year, with the interest rate for approximately €59.2 million (\$67.4 million based on the prevailing exchange rate on that date) fixed by an interest rate swap agreement. The amount fixed by swap agreement represents 80% of the principal amount of the loan and is fixed at 1.8% per year. The loan is interest-only with the principal due at maturity. At the closing of the loan, €57.4 million (\$65.4 million based on the prevailing exchange rate on that date) was used to repay all outstanding indebtedness encumbering the five properties, with the remaining proceeds, after costs and fees related to the loan, available for working capital and general corporate purposes.

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

During December 2019, we repaid €50 million (approximately \$55 million based on the prevailing exchange rate on the applicable dates) of mortgages encumbering three of our French properties, which were added to the borrowing base under our Revolving Credit Facility.

#### *Credit Facility*

On July 24, 2017, we, through the OP, entered into a credit agreement with KeyBank, and on August 1, 2019, we amended and restated our Credit Facility pursuant to the Credit Facility Amendment. Based on USD equivalents at closing of the Credit Facility Amendment, the aggregate total commitments under the Credit Facility were increased to \$1.235 billion from approximately \$906.2 million. As of June 30, 2019, we had an outstanding balance of \$259.5 million under the Revolving Credit Facility and an outstanding balance of \$277.4 million under the Term Loan, net of deferred financing costs. Following the closing of the Credit Facility Amendment, the entire €359.6 million (\$403.3 million based on USD equivalents as of December 31, 2019) total commitment with respect to the Term Loan component was outstanding and \$170.7 million of the \$835.0 million total commitment with respect to the Revolving Credit Facility component was outstanding. Based on USD equivalents, this represented an increase of \$39.4 million in the aggregate amount outstanding under the Credit Facility. As of December 31, 2019, we had an outstanding balance of \$199.1 million under the Revolving Credit Facility and an outstanding balance of \$397.9 million under the Term Loan, net of deferred financing costs.

Following the Credit Facility Amendment, upon our request, subject in all respects to the consent of the lenders in their sole discretion, the aggregate total commitments under the Credit Facility may be increased up to an aggregate additional amount of \$515.0 million, allocated to either or both portions of the Credit Facility, with total commitments under the Credit Facility not to exceed \$1.75 billion, increased from the previous maximum of \$950.0 million prior to the Credit Facility Amendment. Prior to the Credit Facility Amendment, the Revolving Credit Facility was scheduled to mature on July 24, 2021, subject to one one-year extension at our option, and the Term Loan was scheduled to mature on July 24, 2022. Following the Credit Facility Amendment, the Revolving Credit Facility matures on August 1, 2023, subject to two six-month extensions at our option, and the Term Loan matures on August 1, 2024. Borrowings under the Credit Facility bear interest at a variable rate per annum based on an applicable margin that varies based on the ratio of consolidated total indebtedness and our consolidated total asset value including our subsidiaries plus either (i) LIBOR, as applicable to the currency being borrowed, or (ii) a “base rate” equal to the greatest of (a) KeyBank’s “prime rate,” (b) 0.5% above the Federal Funds Effective Rate or (c) 1.0% above one-month LIBOR. Prior to the Credit Facility Amendment, the range of applicable interest rate margins was from 0.60% to 1.20% per annum with respect to base rate borrowings and 1.60% to 2.20% per annum with respect to LIBOR borrowings. Following the Credit Facility Amendment, the applicable interest rate margin is based on a range from 0.45% to 1.05% per annum with respect to base rate borrowings under the Revolving Credit Facility, 1.45% to 2.05% per annum with respect to LIBOR borrowings under the Revolving Credit Facility, 0.4% to 1.00% per annum with respect to base rate borrowings under the Term Loan and 1.40% to 2.00% per annum with respect to LIBOR borrowings under the Term Loan. The Credit Facility Amendment also added terms governing the establishment of a replacement index to serve as an alternative to LIBOR, if necessary. As of December 31, 2019, the Credit Facility had a weighted average effective interest rate of 2.2% after giving effect to interest rate swaps in place.

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

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

#### *Loan Obligations*

Our loan obligations generally require us to pay principal and interest on a monthly or quarterly basis with all unpaid principal and interest due at maturity. Our loan agreements (including the Credit Facility) stipulate compliance with specific reporting covenants. Our mortgage notes payable agreements require compliance with certain property-level financial covenants including

debt service coverage ratios. As of December 31, 2019, we were in compliance with the covenants under our Credit Facility and mortgage notes payable agreements.

## **Non-GAAP Financial Measures**

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

### ***Caution on Use of Non-GAAP Measures***

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

We consider FFO, Core FFO and AFFO useful indicators of our performance. Because FFO, Core FFO and AFFO calculations exclude such factors as depreciation and amortization of real estate assets and gain or loss from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), FFO, Core FFO and AFFO presentations facilitate comparisons of operating performance between periods and between other REITs.

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

### ***Funds from Operations, Core Funds from Operations and Adjusted Funds from Operations***

#### ***Funds from Operations***

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

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

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

#### ***Core Funds from Operations***

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

FFO provides useful supplemental information that is comparable for each type of real estate investment and is consistent with management's analysis of the investing and operating performance of our properties.

*Adjusted Funds from Operations*

In calculating AFFO, we start with Core FFO, then we exclude certain income or expense items from AFFO that we consider more reflective of investing activities, other non-cash income and expense items and the income and expense effects of other activities that are not a fundamental attribute of our business plan. These items include early extinguishment of debt and other items excluded in Core FFO as well as unrealized gain and loss, which may not ultimately be realized, such as gain or loss on derivative instruments, gain or loss on foreign currency transactions, and gain or loss on investments. In addition, by excluding non-cash income and expense items such as amortization of above-market and below-market leases intangibles, amortization of deferred financing costs, straight-line rent and equity-based compensation from AFFO, we believe we provide useful information regarding income and expense items which have a direct impact on our ongoing operating performance. We also include the realized gain or loss on foreign currency exchange contracts for AFFO as such items are part of our ongoing operations and affect our current operating performance.

In calculating AFFO, we exclude certain expenses which under GAAP are characterized as operating expenses in determining operating net income. All paid and accrued merger, acquisition, transaction and other costs (including prepayment penalties for debt extinguishments) and certain other expenses negatively impact our operating performance during the period in which expenses are incurred or properties are acquired will also have negative effects on returns to investors, but are not reflective of on-going performance. Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income. In addition, as discussed above, we view gain and loss from fair value adjustments as items which are unrealized and may not ultimately be realized and not reflective of ongoing operations and are therefore typically adjusted for when assessing operating performance. Excluding income and expense items detailed above from our calculation of AFFO provides information consistent with management's analysis of our operating performance. Additionally, fair value adjustments, which are based on the impact of current market fluctuations and underlying assessments of general market conditions, but can also result from operational factors such as rental and occupancy rates, may not be directly related or attributable to our current operating performance. By excluding such changes that may reflect anticipated and unrealized gain or loss, we believe AFFO provides useful supplemental information. By providing AFFO, we believe we are presenting useful information that can be used to better assess the sustainability of our ongoing operating performance without the impact of transactions or other items that are not related to the ongoing performance of our portfolio of properties. AFFO presented by us may not be comparable to AFFO reported by other REITs that define AFFO differently. Furthermore, we believe that in order to facilitate a clear understanding of our operating results, AFFO should be examined in conjunction with net income (loss) as presented in our consolidated financial statements. AFFO should not be considered as an alternative to net income (loss) as an indication of our performance or to cash flows as a measure of our liquidity or ability to make distributions.

[Table of Contents](#)

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

<i>(In thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net income attributable to common stockholders (in accordance with GAAP)	\$ 34,535	\$ 1,082	\$ 20,731
Impairment charges and related lease intangible write-offs	6,375	5,000	—
Depreciation and amortization	125,996	119,582	113,048
(Gain) loss on dispositions of real estate investments	(23,616)	5,751	(1,089)
Proportionate share of adjustments for non-controlling interest to arrive at FFO	—	—	(78)
<b>FFO (as defined by NAREIT) attributable to common stockholders <sup>(1)</sup></b>	<b>143,290</b>	<b>131,415</b>	<b>132,612</b>
Acquisition, transaction and other costs <sup>(2)</sup>	1,320	13,850	1,979
Loss on extinguishment of debt <sup>(3)</sup>	949	3,897	—
Fire (recovery) loss	—	(50)	45
Proportionate share of adjustments for non-controlling interest to arrive at Core FFO	—	—	(1)
<b>Core FFO attributable to common stockholders <sup>(1)</sup></b>	<b>145,559</b>	<b>149,112</b>	<b>134,635</b>
Non-cash equity-based compensation	9,530	2,649	(3,787)
Non-cash portion of interest expense	6,614	5,193	4,420
Amortization of above- and below- market leases and ground lease assets and liabilities, net	1,655	2,130	1,930
Straight-line rent	(6,758)	(6,310)	(10,537)
Unrealized (income) loss on undesignated foreign currency advances and other hedge ineffectiveness	(76)	434	3,679
Eliminate unrealized losses (gains) on foreign currency transactions <sup>(4)</sup>	2,919	(7,127)	10,182
Amortization of mortgage discounts and premiums, net and mezzanine discount	260	1,249	827
Deferred tax benefit	—	—	(693)
Proportionate share of adjustments for non-controlling interest to arrive at AFFO	—	—	(4)
<b>AFFO attributable to common stockholders <sup>(1)</sup></b>	<b>\$ 159,703</b>	<b>\$ 147,330</b>	<b>\$ 140,652</b>
<b>Summary</b>			
FFO (as defined by NAREIT) attributable to common stockholders	\$ 143,290	\$ 131,415	\$ 132,612
Core FFO attributable to common stockholders	\$ 145,559	\$ 149,112	\$ 134,635
AFFO attributable to common stockholders	\$ 159,703	\$ 147,330	\$ 140,652

<sup>(1)</sup> For the year ended December 31, 2018 includes income from a lease termination fee of \$3.0 million, which is recorded in rental income in the consolidated statements of operations, related to a real estate asset sold during the third quarter of 2018.

<sup>(2)</sup> For the year ended December 31, 2019, acquisition, transaction and other costs primarily related to litigation costs resulting from litigation with our former European service provider. For the year ended December 31, 2018, acquisition, transaction and other costs are comprised of expenses incurred in connection with litigation related to the termination of the Former Service Provider totaling \$10.3 million, of which \$7.4 million related to a reserve recorded for the then anticipated settlement of this litigation and \$2.9 million relates to legal costs. In addition, includes \$1.6 million in fees associated with the exploration of a potential foreign equity offering, \$1.3 million various legal and professional fees related to financing activities and \$0.7 million of other costs. For the year ended December 31, 2017, acquisition, transaction and other costs primarily comprised of approximately \$0.8 million of merger and deal related costs and also include approximately \$0.9 million in derivative novation costs in connection with the replacement of related counterparties, which are non-recurring costs and are considered to be non-core.

<sup>(3)</sup> For the year ended December 31, 2019, primarily includes non-cash write off of deferred financing costs. For the year ended December 31, 2018, includes non-cash write-off of deferred financing costs of \$1.5 million and prepayment penalties paid on early extinguishment of debt of \$2.4 million.

<sup>(4)</sup> For AFFO purposes, we adjust for unrealized gains and losses. For the year ended December 31, 2019, gains on derivative instruments were \$0.8 million which were comprised of unrealized losses of \$2.9 million and realized gains of \$3.7 million. For the year ended December 31, 2018, gains on derivative instruments were \$7.6 million which were comprised of unrealized gains of \$7.1 million and realized gains of \$0.5 million. For the year ended December 31, 2017, losses on derivative instruments were \$8.3 million which were comprised of unrealized losses of \$10.2 million and realized gains of \$1.9 million.



## **Dividends**

The amount of dividends payable to our stockholders is determined by our board of directors and is dependent on a number of factors, including funds available for dividends, our financial condition, provisions in our Credit Facility or other agreements that may restrict our ability to pay dividends, capital expenditure requirements, as applicable, requirements of Maryland law and annual distribution requirements needed to maintain our status as a REIT.

Through March 31, 2019, we generally paid dividends on our Common Stock on a monthly basis at an annualized rate of \$2.13 per share, or \$0.1775 per share per month. We generally pay dividends on our Common Stock on a quarterly basis on the 15th day of the month following the end of each fiscal quarter (unless otherwise specified) to common stockholders of record on the applicable record date at an annualized rate of \$2.13 per share or \$0.5325 per share on a quarterly basis.

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

Dividends on our Series B Preferred Stock, which was issued in November 2019, accrue in an amount equal to \$0.429688 per share per quarter to Series B Preferred Stock holders, which is equivalent to 6.875% of the \$25.00 liquidation preference per share of Series B Preferred Stock per annum. Dividends on the Series B Preferred Stock are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or, if not on a business day, on the next succeeding business day) to holders of record at the close of business on the record date set by our board of directors. The first quarterly dividend for the Series B Preferred Stock which was sold in an underwritten offering on November 20, 2019 (see [Note 8](#) — *Stockholders' Equity* to our consolidated financial statements included in this Annual Report on Form 10-K) were paid on January 15, 2020 and represented an accrual for less than a full quarter, covering the period from November 26, 2019 to December 31, 2019.

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

Our ability to pay dividends in the future and maintain compliance with the restrictions on the payment of dividends in our Credit Facility depends on our ability to operate profitably and to generate sufficient cash flows from the operations of our existing properties and any properties we may acquire. There can be no assurance that we will complete acquisitions on a timely basis or on acceptable terms and conditions, if at all. If we fail to do so (and we are not otherwise able to increase the amount of cash we have available to pay dividends and other distributions), our ability to comply with the restrictions on the payment of dividends in our Credit Facility may be adversely affected, and we might be required to reduce the amount of dividends we pay. In the past, the lenders under our Credit Facility have consented to increase the maximum amount of our Adjusted FFO we may use to pay cash dividends and other distributions and make redemptions and other repurchases in certain periods, most recently in connection with the amendment and restatement of our Credit Facility in August 2019. There can be no assurance that they will do so again in the future. See “Item 1A. Risk Factors - If we are not able to increase the amount of cash we have available to pay dividends, including through additional cash flows we expect to generate from completing acquisitions, we may have to reduce dividend payments or identify other financing sources to fund the payment of dividends at their current levels.”

[Table of Contents](#)

Cash used to pay dividends and distributions was generated from cash flows from operations and cash on hand, consisting of proceeds from borrowings. The following table shows the sources for the payment of dividends to holders of Common Stock, Series A Preferred Stock and distributions to holders of LTIP Units for the periods indicated:

(In thousands)	Three Months Ended								Year Ended	
	March 31, 2019		June 30, 2019		September 30, 2019		December 31, 2019		December 31, 2019	
		Percentage of Dividends		Percentage of Dividends		Percentage of Dividends		Percentage of Dividends		Percentage of Dividends
<b>Dividends and Distributions:</b>										
Dividends to holders of Common Stock	\$ 43,270		\$ 14,883		\$ 44,988		\$ 47,638		\$ 150,779	
Dividends to holders of Series A Preferred Stock	2,455		2,485		2,706		3,081		10,727	
Distributions to holders of LTIP Units	134		136		135		137		542	
<b>Total dividends and distributions</b>	<b>\$ 45,859</b>		<b>\$ 17,504</b>		<b>\$ 47,829</b>		<b>\$ 50,856</b>		<b>\$ 162,048</b>	
<b>Source of dividend coverage:</b>										
Cash flows provided by operations	\$ 24,751	54.0%	\$ 17,504	100.0%	\$ 26,605	55.6%	\$ 48,150	94.7%	\$ 145,999 <sup>(1)</sup>	90.1%
Available cash on hand	21,108	46.0%	—	—%	21,224	44.4%	2,706	5.3%	16,049 <sup>(1)</sup>	9.9%
<b>Total sources of dividend and distribution coverage</b>	<b>\$ 45,859</b>	<b>100.0%</b>	<b>\$ 17,504</b>	<b>100.0%</b>	<b>\$ 47,829</b>	<b>100.0%</b>	<b>\$ 50,856</b>	<b>100.0%</b>	<b>\$ 162,048</b>	<b>100.0%</b>
Cash flows provided by operations (GAAP basis)	\$ 24,751		\$ 46,493		\$ 26,605		\$ 48,150		\$ 145,999	
Net income attributable to common stockholders (in accordance with GAAP)	\$ 5,791		\$ 12,621		\$ 6,860		\$ 9,263		\$ 34,535	

<sup>(1)</sup> Year-to-date totals do not equal the sum of the quarters. Each quarter and year-to-date period is evaluated separately for purposes of this table.

**Foreign Currency Translation**

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



## Contractual Obligations

The following table presents our estimated future payments under contractual obligations at December 31, 2019 and the effect these obligations are expected to have on our liquidity and cash flow in the specified future periods:

<i>(In thousands)</i>	<b>Total</b>	<b>2020</b>	<b>2021-2022</b>	<b>2023-2024</b>	<b>Thereafter</b>
Principal on mortgage notes payable	\$ 1,287,448	\$ 18,872	\$ 44,327	\$ 534,499	\$ 689,750
Interest on mortgage notes payable <sup>(1)</sup>	310,876	33,566	51,823	48,802	176,685
Principal on Revolving Credit Facility	199,071	—	—	199,071	—
Interest on Revolving Credit Facility	18,587	5,171	10,298	3,118	—
Principal on Term Loan	403,258	—	—	403,258	—
Interest on Term Loan <sup>(1)</sup>	31,878	6,970	13,901	11,007	—
Operating ground lease rental payments due <sup>(2)</sup>	47,109	1,385	2,770	2,774	40,180
Total <sup>(3)(4)</sup>	<u>\$ 2,298,227</u>	<u>\$ 65,964</u>	<u>\$ 123,119</u>	<u>\$ 1,202,529</u>	<u>\$ 906,615</u>

<sup>(1)</sup> Based on exchange rates of £1.00 to \$1.32 for GBP and €1.00 to \$1.12 for EUR as of December 31, 2019.

<sup>(2)</sup> Ground lease rental payments due for our ING Amsterdam lease are not included in the table above as our ground rent for this property is prepaid through 2050.

<sup>(3)</sup> Amounts in the table above that relate to our foreign operations are based on the exchange rate of the local currencies at December 31, 2019, which consisted primarily of the Euro and the GBP. At December 31, 2019, we had no material capital lease obligations for which we were the lessee, either individually or in the aggregate.

<sup>(4)</sup> Derivative payments are not included in this table due to the uncertainty of the timing and amounts of payments. Additionally, as derivatives can be settled at any point in time, they are generally not considered long-term in nature.

## Election as a REIT

We elected to be taxed as a REIT under Sections 856 through 860 of the Code, effective for our taxable year ended December 31, 2013. We believe that, commencing with such taxable year, we have been organized and have operated in a manner so that we qualify for taxation as a REIT under the Code. We intend to continue to operate in such a manner to qualify for taxation as a REIT, but can provide no assurances that we will operate in a manner so as to remain qualified as a REIT. To continue to qualify for taxation as a REIT, we must distribute annually at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with GAAP), determined without regard for the deduction for dividends paid and excluding net capital gains, and must comply with a number of other organizational and operational requirements. If we continue to qualify for taxation as a REIT, we generally will not be subject to federal corporate income tax on the portion of our REIT taxable income that we distribute to our stockholders. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income and properties, as well as federal income and excise taxes on our undistributed income.

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

## Inflation

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

## Related-Party Transactions and Agreements

Please see [Note 10](#) — *Related Party Transactions* to our consolidated financial statements included in this Annual Report on Form 10-K for a discussion of the various related party transactions, agreements and fees.

## Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

### **Market Risk**

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, and equity prices. The primary risks to which we are exposed are interest rate risk and foreign currency exchange risk, and we are also exposed to further market risk as a result of concentrations of tenants in certain industries and/or geographic regions. Adverse market factors can affect the ability of tenants in a particular industry/region to meet their respective lease obligations. In order to manage this risk, we view our collective tenant roster as a portfolio, and in our investment decisions we attempt to diversify our portfolio so that we are not overexposed to a particular industry or geographic region.

Generally, we do not use derivative instruments to hedge credit risks or for speculative purposes. However, from time to time, we have entered and may continue to enter into foreign currency forward contracts to hedge our foreign currency cash flow exposures.

### **Interest Rate Risk**

The values of our real estate and related fixed-rate debt obligations are subject to fluctuations based on changes in interest rates. The value of our real estate is also subject to fluctuations based on local and regional economic conditions and changes in the creditworthiness of lessees, all of which may affect our ability to refinance property-level mortgage debt when balloon payments are scheduled, or otherwise if we do not choose to repay the debt when due. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. Increases in interest rates may have an impact on the credit profile of certain tenants.

We are exposed to the impact of interest rate changes primarily through our borrowing activities. We have obtained, and may in the future obtain, variable-rate, non-recourse mortgage loans, and as a result, we have entered into, and may continue to enter into, interest rate swap agreements or interest rate cap agreements with lenders. Interest rate swap agreements effectively convert the variable-rate debt service obligations of the loan to a fixed rate, while interest rate cap agreements limit the underlying interest rate from exceeding a specified strike rate. Interest rate swaps are agreements in which one party exchanges a stream of interest payments for a counterparty's stream of cash flows over a specific period, and interest rate caps limit the effective borrowing rate of variable-rate debt obligations while allowing participants to share in downward shifts in interest rates. These interest rate swaps and caps are derivative instruments designated as cash flow hedges on the interest payments on the debt obligation. The face amounts on which the swaps or caps, are based are not exchanged. Our objective in using these derivatives is to limit our exposure to interest rate movements. At December 31, 2019, we estimated that the total fair value of our interest rate swaps, which are included in Derivatives, at fair value in the consolidated financial statements, was in a net liability position of \$3.4 million (see [Note 7 — Derivatives and Hedging Activities](#) to our consolidated financial statements included in this Annual Report on Form 10-K).

As of December 31, 2019, our total consolidated debt, which includes borrowings under the Credit Facility and secured mortgage financings, had a total carrying value of \$1.9 billion, an estimated fair value of \$2.0 billion and a weighted average effective interest rate per annum of 3.0%. At December 31, 2019, a significant portion (approximately 88.2%) of our long-term debt either bore interest at fixed rates, or was swapped to a fixed rate. The annual interest rates on our fixed-rate debt mortgage debt at December 31, 2019 ranged from 1.3% to 4.9% and had a weighted average interest rate of 3.1%. The contractual annual interest rates on our variable-rate debt at December 31, 2019 ranged from 1.9% to 4.1% and had a weighted average interest rate of 2.4%. Our interest expense in future periods will vary based on our level of future borrowings, which will depend on our refinancing needs and acquisition activity. In addition, our interest expense will vary based on movements in interest rates, including LIBOR rates which increased through 2018 and may continue to increase in future periods. Our debt obligations are more fully described in [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations](#) above.

The following table presents future principal cash flows based upon expected maturity dates of our debt obligations outstanding at December 31, 2019:

<i>(In thousands)</i>	Fixed-rate debt <sup>(1) (2)</sup>		Variable-rate debt <sup>(1)</sup>		Total Debt
2020	\$	16,263	\$	—	\$ 16,263
2021		11,776		—	11,776
2022		2,087		522	2,609
2023		354,089		209,830	563,919
2024		620,065		20,555	640,620
Thereafter		661,622		(7,032)	654,590
Total	\$	1,665,902	\$	223,875	\$ 1,889,777

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP and €1.00 to \$1.12 for EUR as of December 31, 2019, for illustrative purposes, as applicable.

<sup>(2)</sup> Fixed-rate debt includes variable debt that bears interest at margin plus a floating rate which is fixed through our interest rate swap agreements.

The estimated fair value of our fixed-rate debt and our variable-rate debt that currently bears interest at fixed rates or has effectively been converted to a fixed rate through the use of interest rate swaps is affected by changes in interest rates. A decrease or increase in interest rates of 1% would change the estimated fair value of this debt at December 31, 2019 by an aggregate increase of \$67.2 million or an aggregate decrease of \$59.4 million, respectively.

Annual interest expense on our unhedged variable-rate debt that does not bear interest at fixed rates at December 31, 2019 would increase by \$18.2 million and decrease by \$6.5 million, respectively for each respective 1% change in annual interest rates.

#### **Foreign Currency Exchange Rate Risk**

We own foreign investments, primarily in Europe but also in Canada and as a result are subject to risk from the effects of exchange rate movements in the Euro, the GBP and the CAD which may affect future costs and cash flows, in our functional currency, the USD. We generally manage foreign currency exchange rate movements by matching our debt service obligation to the lender and the tenant's rental obligation to us in the same currency. This reduces our overall exposure to currency fluctuations. In addition, we have used and may continue to use currency hedging to further reduce the exposure to our net cash flow. We are generally a net receiver of the Euro, the GBP and the CAD (we receive more cash than we pay out), and therefore our results of operations of our foreign properties benefit from a weaker USD, and are adversely affected by a stronger USD, relative to the foreign currency subject to any impacts from our hedging activity.

We have designated all current foreign currency draws under the Credit Facility as net investment hedges to the extent of our net investment in foreign subsidiaries. To the extent foreign draws in each currency exceed the net investment, we reflect the effects of changes in currency on such excess in earnings. As of December 31, 2019, we did not have any draws in excess of our net investments (see [Note 8 — Derivatives and Hedging Activities](#) to our consolidated financial statements included in this Annual Report on Form 10-K).

We enter into foreign currency forward contracts and put options to hedge certain of our foreign currency cash flow exposures. A foreign currency forward contract is a commitment to deliver a certain amount of foreign currency at a certain price on a specific date in the future. By entering into forward contracts and holding them to maturity, we are locked into a future currency exchange rate for the term of the contract. A foreign currency put option contract consists of a right, but not the obligation, to sell a specified amount of foreign currency for a specified amount of another currency at a specific date. If the exchange rate of the currency fluctuates favorably beyond the strike rate of the put at maturity, the option would be considered "in-the-money" and exercised accordingly. The total estimated fair value of our foreign currency forward contracts and put options, which are included in derivatives, at fair value on the consolidated balance sheets, was in a net asset position of \$2.7 million at December 31, 2019 (see [Note 7 — Fair Value of Financial Instruments](#) to our consolidated financial statements included in this Annual Report on Form 10-K). We have obtained, and may in the future obtain, non-recourse mortgage financing in a foreign currency. To the extent that currency fluctuations increase or decrease rental revenues as translated to USD, the change in debt service, as translated to USD, will partially offset the effect of fluctuations in revenue and, to some extent, mitigate the risk from changes in foreign currency exchange rates.

Scheduled future minimum rents, exclusive of renewals, under non-cancelable operating leases, for our foreign operations as of December 31, 2019, during each of the next five calendar years and thereafter, are as follows:

<i>(In thousands)</i>	<b>Future Minimum Base Rent Payments (1)</b>			
	<b>EUR</b>	<b>GBP</b>	<b>CAD</b>	<b>Total</b>
2020	\$ 56,950	\$ 54,321	\$ 488	\$ 111,759
2021	57,253	54,983	488	112,724
2022	57,612	54,389	488	112,489
2023	56,598	51,536	488	108,622
2024	37,389	37,389	488	75,266
Thereafter	78,003	214,517	2,173	294,693
<b>Total</b>	<b>\$ 343,805</b>	<b>\$ 467,135</b>	<b>\$ 4,613</b>	<b>\$ 815,553</b>

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP, €1.00 to \$1.12 for EUR and \$1.00 CAD to \$0.77 as of December 31, 2019 for illustrative purposes, as applicable.

Scheduled debt service payments (principal and interest) for mortgage notes payable for our foreign operations as of December 31, 2019, during each of the next five calendar years and thereafter, are as follows (in thousands):

<i>(In thousands)</i>	<b>Future Debt Service Payments <sup>(1)(2)</sup></b>		
	<b>Mortgage Notes Payable</b>		
	<b>EUR</b>	<b>GBP</b>	<b>Total</b>
2020	\$ 19,597	\$ 12,369	\$ 31,966
2021	12,210	20,585	32,795
2022	102	27,503	27,605
2023	57,760	266,575	324,335
2024	217,583	5,682	223,265
Thereafter	—	—	—
<b>Total</b>	<b>\$ 307,252</b>	<b>\$ 332,714</b>	<b>\$ 639,966</b>

<i>(In thousands)</i>	<b>Future Debt Service Payments <sup>(1)(2)</sup></b>		
	<b>Credit Facility (Term Loan Portion)</b>		
	<b>EUR</b>	<b>GBP</b>	<b>Total</b>
2020	\$ 6,970	\$ —	\$ 6,970
2021	6,951	—	6,951
2022	6,951	—	6,951
2023	6,951	—	6,951
2024	407,313	—	407,313
Thereafter	—	—	—
<b>Total</b>	<b>\$ 435,136</b>	<b>\$ —</b>	<b>\$ 435,136</b>

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP and €1.00 to \$1.12 for EUR as of December 31, 2019 for illustrative purposes, as applicable. Contractual rents and debt obligations are denominated in the functional currency of the country of each property.

<sup>(2)</sup> Interest on variable-rate debt not fixed through our interest rate swap agreements was calculated using the applicable annual interest rates and balances outstanding at December 31, 2019.

We currently anticipate that, by their respective due dates, we will have repaid or refinanced certain of these loans, or extended it, but there can be no assurance that we will be able to refinance these loans on favorable terms, if at all. If refinancing has not occurred, we would expect to use our cash resources, including unused capacity on our Credit Facility, to make these payments, if necessary.

### **Concentration of Credit Risk**

Concentrations of credit risk arise when a number of tenants are engaged in similar business activities or have similar economic risks or conditions that could cause them to default on their lease obligations to us. We regularly monitor our portfolio to assess

potential concentrations of credit risk. While we believe our portfolio is reasonably well diversified, it does contain concentrations in excess of 10%, based on the percentage of our annualized rental income as of December 31, 2019, in certain areas. See [Item 2](#). Properties in this Annual Report on Form 10-K for further discussion on distribution across countries and industries.

Based on our annualized rental income, the majority of our directly owned real estate properties and related loans are located in the U.S. and Canada (63%) and the remaining are in Finland (5%), France (4%), Germany (3%), Luxembourg (2%), The Netherlands (5%) and the United Kingdom (18%). No individual tenant accounted for more than 10% of our annualized rental income at December 31, 2019. Based on annualized rental income, at December 31, 2019, our directly owned real estate properties contain significant concentrations in the following asset types: office (49%), industrial/distribution (46%), and retail (5%).

#### **Item 8. Financial Statements and Supplementary Data.**

The information required by this Item 8 is hereby incorporated by reference to our consolidated financial statements beginning on page [F-1](#) of this Annual Report on Form 10-K.

#### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

#### **Item 9A. Controls and Procedures.**

##### ***Disclosure Controls and Procedures***

In accordance with Rules 13a-15(b) and 15d-15(b) of the Exchange Act, we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded, as of December 31, 2019, the end of such period, that our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, within the time periods specified in the SEC rules and forms, information required to be disclosed by us in our reports that we file or submit under the Exchange Act, and in such information being accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

##### ***Management's Annual Reporting on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Exchange Act.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making that assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework* (2013).

Based on its assessment, our management concluded that, as of December 31, 2019, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated on its report, which is included on page [F-2](#) in this Annual Report on Form 10-K.

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

During the three months ended December 31, 2019, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information.**

None.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance.**

We have adopted a Code of Business Conduct and Ethics that applies to all of our executive officers and directors, including but not limited to, our principal executive officer and principal financial officer. A copy of our Code of Business Conduct and Ethics may be obtained, free of charge, by sending a written request to our executive office – 650 Fifth Avenue – 30<sup>th</sup> Floor, New York, NY 10019, attention Chief Financial Officer. Our Code of Business Conduct and Ethics is also available on our website, [www.globalnetlease.com](http://www.globalnetlease.com).

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2020 annual meeting of stockholders to be filed not later than 120 days after the end of the 2019 fiscal year, and is incorporated herein by reference.

### **Item 11. Executive Compensation.**

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2020 annual meeting of stockholders to be filed not later than 120 days after the end of the 2019 fiscal year, and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2020 annual meeting of stockholders to be filed not later than 120 days after the end of the 2019 fiscal year, and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2020 annual meeting of stockholders to be filed not later than 120 days after the end of the 2019 fiscal year, and is incorporated herein by reference.

### **Item 14. Principal Accounting Fees and Services.**

The information required by this Item will be set forth in our definitive proxy statement with respect to our 2020 annual meeting of stockholders to be filed not later than 120 days after the end of the 2019 fiscal year, and is incorporated herein by reference.

**PART IV****Item 15. Exhibits and Financial Statement Schedules.****(a) Financial Statement Schedules**

See the Index to audited consolidated financial statements at page [F-1](#) of this report.

The following financial statement schedule is included herein at page [F-52](#) of this report:

Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2019 and for the years ended December 31, 2019 and 2018.

**(b) Exhibits****EXHIBITS INDEX**

The following exhibits are included, or incorporated by reference, in this Annual Report on Form 10-K for the year ended December 31, 2019 (and are numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Description
<a href="#">3.1</a> <sup>(1)</sup>	Articles of Restatement of Global Net Lease, Inc., effective February 26, 2018.
<a href="#">3.2</a> <sup>(2)</sup>	Amended and Restated Bylaws of Global Net Lease, Inc.
<a href="#">3.3</a> <sup>(3)</sup>	Articles Supplementary classifying additional shares of 7.25% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share filed on March 23, 2018.
<a href="#">3.4</a> <sup>(4)</sup>	Articles of Amendment filed on February 27, 2019
<a href="#">3.5</a> <sup>(5)</sup>	Articles Supplementary relating to the designation of shares of 6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, dated November 22, 2019.
<a href="#">3.6</a> <sup>(6)</sup>	Articles of Amendment filed on December 13, 2019.
<a href="#">3.7</a> <sup>(6)</sup>	Articles Supplementary classifying additional shares of 6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share filed on December 13, 2019
<a href="#">4.1</a> <sup>(7)</sup>	Second Amended and Restated Agreement of Limited Partnership of Global Net Lease Operating Partnership, L.P., dated June 2, 2015, between Global Net Lease, Inc. and Global Net Lease Special Limited Partner, LLC.
<a href="#">4.2</a> *	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
<a href="#">10.1</a> <sup>(7)</sup>	Fourth Amended and Restated Advisory Agreement, dated as of June 2, 2015, among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P. and Global Net Lease Advisors, LLC.
<a href="#">10.2</a> <sup>(8)</sup>	Property Management and Leasing Agreement, dated as of April 20, 2012, among Global Net Lease, Inc. (f/k/a American Realty Capital Global Trust, Inc.), Global Net Lease Operating Partnership, L.P. (f/k/a American Realty Capital Global Operating Partnership, L.P.) and Global Net Lease Properties, LLC) (f/k/a American Realty Capital Global Properties, LLC).
<a href="#">10.3</a> <sup>(9)</sup>	Amended and Restated Incentive Restricted Share Plan of Global Net Lease, Inc. (f/k/a American Realty Capital Global Trust, Inc.).
<a href="#">10.4</a> <sup>(8)</sup>	Global Net Lease, Inc. (f/k/a American Realty Capital Global Daily Net Asset Trust, Inc.) 2012 Stock Option Plan.
<a href="#">10.5</a> <sup>(10)</sup>	Second Amendment, dated as of September 11, 2017, to the Second Amended and Restated Agreement of Limited Partnership of Global Net Lease Operating Partnership, L.P., dated June 2, 2015.
<a href="#">10.6</a> <sup>(11)</sup>	Loan Agreement, dated as of October 27, 2017, by and among the wholly owned subsidiaries of Global Net Lease Operating Partnership, L.P. listed on Schedule I attached thereto, as borrower, and Column Financial, Inc. and Citi Real Estate Funding, Inc., as lender.
<a href="#">10.7</a> <sup>(11)</sup>	Guaranty Agreement, dated as of October 27, 2017, by Global Net Lease Operating Partnership, L.P. for the benefit of Column Financial, Inc. and Citi Real Estate Funding, Inc.
<a href="#">10.8</a> <sup>(11)</sup>	Environmental Indemnity Agreement, dated as of October 27, 2017, by Global Net Lease Operating Partnership, L.P. and the wholly owned subsidiaries of Global Net Lease Operating Partnership, L.P. listed on Schedule I attached thereto, in favor of Column Financial, Inc. and Citi Real Estate Funding, Inc.
<a href="#">10.9</a> <sup>(11)</sup>	Property Management and Leasing Agreement, dated as of October 27, 2017, among the entities listed on Exhibit A attached thereto and Global Net Lease Properties, LLC.

[Table of Contents](#)

Exhibit No.	Description
<a href="#">10.10</a> <sup>(11)</sup>	First Amendment, dated as of October 27, 2017, to the Property Management and Leasing Agreement, dated as of April 20, 2012, among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P. and Global Net Lease Properties, LLC.
<a href="#">10.11</a> <sup>(12)</sup>	Third Amendment, dated as of December 15, 2017, to the Second Amended and Restated Agreement of Limited Partnership of Global Net Lease Operating Partnership, L.P., dated June 2, 2015.
<a href="#">10.12</a> <sup>(1)</sup>	Second Amendment, dated as of February 27, 2018, to the Property Management and Leasing Agreement, dated as of April 20, 2012, among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P. and Global Net Lease Properties, LLC.
<a href="#">10.13</a> <sup>(3)</sup>	Fourth Amendment, dated as of March 23, 2018, to the Second Amended and Restated Agreement of Limited Partnership of Global Net Lease Operating Partnership, L.P., dated June 2, 2015.
<a href="#">10.14</a> <sup>(13)</sup>	Fifth Amendment, dated as of July 19, 2018, to the Second Amended and Restated Agreement of Limited Partnership of Global Net Lease Operating Partnership, L.P., dated June 2, 2015.
<a href="#">10.15</a> <sup>(13)</sup>	2018 Advisor Multi-Year Outperformance Award Agreement, dated as of July 19, 2018, between Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P. and Global Net Lease Advisors, LLC.
<a href="#">10.16</a> <sup>(14)</sup>	First Amendment to the Fourth Amended And Restated Advisory Agreement, dated as of August 14, 2018, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P., and Global Net Lease Advisors, LLC.
<a href="#">10.17</a> <sup>(15)</sup>	Second Amendment to the Fourth Amended And Restated Advisory Agreement, dated as of November 6, 2018, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P., and Global Net Lease Advisors, LLC.
<a href="#">10.18</a> <sup>(16)</sup>	Investment Facility Agreement, dated as August 13, 2018, among the borrower and guarantor entities thereto and Lloyds Bank PLC.
<a href="#">10.19</a> <sup>(4)</sup>	Form of Restricted Stock Unit Award Agreement.
<a href="#">10.20</a> <sup>(4)</sup>	Third Amendment, dated as of February 27, 2019, to the Property Management and Leasing Agreement, dated as of April 20, 2012, among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P. and Global Net Lease Properties, LLC.
<a href="#">10.21</a> <sup>(17)</sup>	First Amendment, dated as of February 27, 2019, to 2018 Advisor Multi-Year Outperformance Award Agreement, dated as of July 19, 2018, between Global Net Lease, Inc., Global Net Lease Operating Partnership, and Global Net Lease Advisors, LLC.
<a href="#">10.22</a> <sup>(4)</sup>	Equity Distribution Agreement, dated February 28, 2019, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P., UBS Securities LLC, Robert W. Baird & Co. Incorporated, Capital One Securities, Inc., Mizuho Securities USA LLC, B. Riley FBR, Inc., KeyBanc Capital Markets Inc., BMO Capital Markets Corp., BBVA Securities Inc., SMBC Nikko Securities America Inc., and Stifel, Nicolaus & Company Incorporated.
<a href="#">10.23</a> *	Property Management and Leasing Agreement, dated as of April 5, 2019 among the entities listed on Exhibit A attached thereto and Global Net Lease Properties, LLC.
<a href="#">10.24</a> <sup>(17)</sup>	Amendment No. 1, dated as of May 9, 2019, to Equity Distribution Agreement, dated February 28, 2019, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P., UBS Securities LLC, Robert W. Baird & Co. Incorporated, Capital One Securities, Inc., Mizuho Securities USA LLC (formerly known as Mizuho Securities USA Inc.), B. Riley FBR, Inc., KeyBanc Capital Markets Inc., BMO Capital Markets Corp., BBVA Securities Inc., SMBC Nikko Securities America, Inc., Stifel, Nicolaus & Company, Incorporated and Ladenburg Thalmann & Co. Inc.
<a href="#">10.25</a> <sup>(18)</sup>	Amendment No. 2, dated as of June 21, 2019, to Equity Distribution Agreement, dated February 28, 2019, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P., UBS Securities LLC, Robert W. Baird & Co. Incorporated, Capital One Securities, Inc., Mizuho Securities USA LLC (formerly known as Mizuho Securities USA Inc.), B. Riley FBR, Inc., KeyBanc Capital Markets Inc., BMO Capital Markets Corp., BBVA Securities Inc., SMBC Nikko Securities America, Inc., Stifel, Nicolaus & Company, Incorporated, and Ladenburg Thalmann & Co. Inc.
<a href="#">10.26</a> <sup>(19)</sup>	First Amended and Restated Credit Agreement, dated as of August 1, 2019, by and among the Global Net Lease Operating Partnership, L.P., as borrower, the lenders party thereto and KeyBank National Association, as agent.
<a href="#">10.27</a> <sup>(19)</sup>	First Amended and Restated Guaranty, dated as of August 1, 2019, by the Company, ARC Global Holdco, LLC, Global II Holdco, LLC and the other subsidiary parties thereto for the benefit of KeyBank National Association and the other lender parties thereto.
<a href="#">10.28</a> <sup>(19)</sup>	First Amended & Restated Contribution Agreement, dated as of August 1, 2019, by and among the Company, Global Net Lease Operating Partnership, L.P., ARC Global Holdco, LLC, ARC Global II Holdco, LLC, the other subsidiary parties thereto.



[Table of Contents](#)

Exhibit No.	Description
<a href="#">10.29</a> <sup>(20)</sup>	Loan Agreement, dated as of September 12, 2019, by and among the borrowers party thereto, and KeyBank National Association, as lender.
<a href="#">10.30</a> <sup>(20)</sup>	Form of Promissory Note, dated as of September 12, 2019, by the borrowers party thereto in favor of KeyBank National Association, as lender.
<a href="#">10.31</a> <sup>(20)</sup>	Guaranty Agreement, dated as of September 12, 2019, by Global Net Lease Operating Partnership, L.P. in favor of KeyBank National Association, as lender.
<a href="#">10.32</a> <sup>(20)</sup>	Environmental Indemnity Agreement, dated as of September 12, 2019, by the borrowers party thereto and Global Net Lease Operating Partnership, L.P. in favor of KeyBank National Association, as indemnitee.
<a href="#">10.33</a> <sup>(20)</sup>	Property Management and Leasing Agreement, dated as of September 12, 2019 among the entities listed on Exhibit A attached thereto and Global Net Lease Properties, LLC.
<a href="#">10.34</a> <sup>(21)</sup>	Amendment No. 3, dated as of November 12, 2019, to Equity Distribution Agreement, dated February 28, 2019, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P., Capital One Securities, Inc., Mizuho Securities USA LLC, B. Riley FBR, Inc., KeyBanc Capital Markets Inc., BMO Capital Markets Corp., BBVA Securities Inc., SMBC Nikko Securities America, Inc. Stifel, Nicolaus & Company, Incorporated and Ladenburg Thalmann & Co. Inc.
<a href="#">10.35</a> <sup>(22)</sup>	Underwriting Agreement, dated November 20, 2019, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P., B. Riley FBR, Inc., BMO Capital Markets Corp. and Ladenburg Thalmann & Co Inc. as representatives of the underwriters listed on Schedule I thereto.
<a href="#">10.36</a> <sup>(23)</sup>	Sixth Amendment, dated November 22, 2019, to the Second Amended and Restated Agreement of Limited Partnership of Global Net Lease Operating Partnership, L.P., dated June 2, 2015.
<a href="#">10.37</a> <sup>(6)</sup>	Seventh Amendment, dated December 13, 2019, to the Second Amended and Restated Agreement of Limited Partnership of Global Net Lease Operating Partnership, L.P., dated June 2, 2015.
<a href="#">10.38</a> <sup>(6)</sup>	Equity Distribution Agreement, dated December 13, 2019, by and among Global Net Lease, Inc., Global Net Lease Operating Partnership, L.P. and B. Riley FBR, Inc., BMO Capital Markets Corp., Ladenburg Thalmann & Co. Inc., D.A. Davidson & Co., and KeyBanc Capital Markets Inc.
<a href="#">10.39</a> *	First Amendment, dated as of December 31, 2019, to First Amended and Restated Credit Agreement, dated as of August 1, 2019, by and among the Global Net Lease Operating Partnership, L.P., as borrower, the lenders party thereto and KeyBank National Association, as agent.
<a href="#">10.40</a> *	Form of Indemnification Agreement.
<a href="#">21.1</a> *	List of Subsidiaries.
<a href="#">23.1</a> *	Consent of PricewaterhouseCoopers LLP.
<a href="#">31.1</a> *	Certification of the Principal Executive Officer of Global Net Lease, Inc. pursuant to Securities Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">31.2</a> *	Certification of the Principal Financial Officer of Global Net Lease, Inc. pursuant to Securities Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">32</a> *	Written statements of the Principal Executive Officer and Principal Financial Officer of Global Net Lease, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH *	XBRL Taxonomy Extension Schema Document.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document.
104 *	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

\* Filed herewith

- (1) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 28, 2018.
- (2) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on June 3, 2015.
- (3) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on March 23, 2018.
- (4) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 28, 2019.
- (5) Filed as an exhibit to our Registration Statement on Form 8-A filed with the SEC on November 22, 2019.

[Table of Contents](#)

- (6) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 13, 2019.
- (7) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on June 2, 2015.
- (8) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on March 11, 2013.
- (9) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on April 9, 2015.
- (10) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on September 11, 2017.
- (11) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed with the SEC on November 7, 2017.
- (12) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 18, 2017.
- (13) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on July 23, 2018.
- (14) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on August 14, 2018.
- (15) Filed as an exhibit to our Current Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 7, 2018.
- (16) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on August 16, 2018.
- (17) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed with the SEC on May 10, 2019.
- (18) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on June 21, 2019.
- (19) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on August 6, 2019.
- (20) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on September 18, 2019.
- (21) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 12, 2019.
- (22) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 22, 2019.
- (23) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 22, 2019.

**Item 16. Form 10-K Summary.**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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 this 28th day of February, 2020.

**GLOBAL NET LEASE, INC.**By: /s/ James L. Nelson

James L. Nelson

CHIEF EXECUTIVE OFFICER AND PRESIDENT

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Name</b>	<b>Capacity</b>	<b>Date</b>
<u>/s/ P. Sue Perrotty</u> P. Sue Perrotty	Non-Executive Chair of the Board of Directors, Audit Committee Chair and Nominating and Corporate Governance Committee Chair	February 28, 2020
<u>/s/ Edward M. Weil, Jr.</u> Edward M. Weil, Jr.	Director	February 28, 2020
<u>/s/ James L. Nelson</u> James L. Nelson	Chief Executive Officer, President and Director (Principal Executive Officer)	February 28, 2020
<u>/s/ Christopher J. Masterson</u> Christopher J. Masterson	Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)	February 28, 2020
<u>/s/ Lee M. Elman</u> Lee M. Elman	Independent Director	February 28, 2020
<u>/s/ Edward G. Rendell</u> Edward G. Rendell	Independent Director, Compensation Committee Chair	February 28, 2020
<u>/s/ Abby M. Wenzel</u> Abby M. Wenzel	Independent Director	February 28, 2020

GLOBAL NET LEASE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">F-2</a>
<a href="#">Consolidated Balance Sheets as of December 31, 2019 and 2018</a>	<a href="#">F-4</a>
<a href="#">Consolidated Statements of Operations for the Years Ended December 31, 2019, 2018 and 2017</a>	<a href="#">F-4</a>
<a href="#">Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2019, 2018 and 2017</a>	<a href="#">F-5</a>
<a href="#">Consolidated Statements of Equity for the Years Ended December 31, 2019, 2018 and 2017</a>	<a href="#">F-6</a>
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017</a>	<a href="#">F-6</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">F-8</a>
Financial Statement Schedule:	
<a href="#">Schedule III — Real Estate and Accumulated Depreciation</a> as of December 31, 2019	<a href="#">F-47</a>

Financial statement schedules other than those listed above are omitted because the required information is given in the financial statements, including the notes thereto, or because the conditions requiring their filing do not exist.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Global Net Lease, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Global Net Lease, Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income (loss), of equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Reporting on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### *Critical Audit Matters*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Purchase Price Allocations for Property Acquisitions*

As described in Notes 2 and 3 to the consolidated financial statements, the Company completed property acquisitions with cash paid for acquired real estate investments, net of liabilities assumed, of \$562.7 million during the year ended December 31, 2019. For acquired properties with leases classified as operating leases, management allocates the purchase price of acquired properties to tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values. Tangible assets include land, land improvements, buildings, fixtures and tenant improvements on an as-if vacant basis. Management utilizes various estimates, processes and information to determine the as-if vacant property value. Estimates of value are made by management using customary methods, including data from appraisals, comparable sales, discounted cash flow analysis and other methods. Fair value estimates are also made using significant assumptions such as capitalization rates, discount rates, fair market lease rates, and land values per square foot. Identifiable intangible assets include amounts allocated to acquire leases for above- and below-market lease rates, and the value of in-place leases, as applicable. Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease, and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases.

The principal considerations for our determination that performing procedures relating to purchase price allocations for property acquisitions is a critical audit matter are there was significant judgment by management to develop the fair value estimates of tangible and intangible assets and liabilities. This in turn led to a high degree of auditor judgment and subjectivity in applying procedures and evaluating audit evidence relating to these fair value estimates. In addition, significant audit effort was required in evaluating the significant assumptions relating to the discounted cash flows of tangible and intangible assets and liabilities, including capitalization rates, discount rates, fair market lease rates, and land values per square foot. The audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to purchase price allocations for property acquisitions, including controls over management's valuation of tangible and intangible assets and liabilities and controls over developing the related assumptions used in the discounted cash flow model, including capitalization rates, discount rates, fair market lease rates, and land values per square foot. Audit procedures also included, among others, (i) reading the executed purchase agreements and lease documents; (ii) testing management's process for estimating the fair value of tangible and intangible assets and liabilities; (iii) testing management's projected cash flows used to estimate the fair value of tangible and intangible assets and liabilities, using professionals with specialized skill and knowledge to assist in doing so; and (iv) evaluating the accuracy of discounted cash flow model outputs, using professionals with specialized skill and knowledge to assist in doing so. Testing management's process included evaluating the appropriateness of the valuation methods and the reasonableness of the significant assumptions used in the discounted cash flow model, including capitalization rates, discount rates, fair market lease rates, and land values per square foot. Evaluating the reasonableness of the significant assumptions included considering whether these assumptions were consistent with external market data, comparable transactions, and evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP  
New York, New York  
February 28, 2020

We have served as the Company's auditor since 2015.

GLOBAL NET LEASE, INC.

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

	December 31,	
	2019	2018
<b>ASSETS</b>		
Real estate investments, at cost (Note 3):		
Land	\$ 414,446	\$ 398,911
Buildings, fixtures and improvements	2,685,325	2,345,202
Construction in progress	11,725	1,235
Acquired intangible lease assets	651,768	675,551
Total real estate investments, at cost	3,763,264	3,420,899
Less accumulated depreciation and amortization	(517,123)	(437,974)
Total real estate investments, net	3,246,141	2,982,925
Assets held for sale	—	112,902
Cash and cash equivalents	270,302	100,324
Restricted cash	3,985	3,369
Derivative assets, at fair value (Note 7)	4,151	8,730
Unbilled straight-line rent	51,795	47,183
Operating lease right-of-use asset (Note 9)	50,211	—
Prepaid expenses and other assets	37,370	22,245
Due from related parties	351	16
Deferred tax assets	4,441	3,293
Goodwill and other intangible assets, net	21,920	22,180
Deferred financing costs, net	10,938	6,311
<b>Total Assets</b>	<b>\$ 3,701,605</b>	<b>\$ 3,309,478</b>
<b>LIABILITIES AND EQUITY</b>		
Mortgage notes payable, net (Note 4)	\$ 1,272,154	\$ 1,129,807
Revolving credit facility (Note 5)	199,071	363,894
Term loan, net (Note 5)	397,893	278,727
Acquired intangible lease liabilities, net	30,529	35,757
Derivative liabilities, at fair value (Note 7)	7,507	3,886
Due to related parties	342	790
Accounts payable and accrued expenses	22,903	31,529
Operating lease liability (Note 9)	23,985	—
Prepaid rent	17,236	16,223
Deferred tax liability	14,975	15,227
Taxes payable	1,046	2,228
Dividends payable	4,006	2,664
<b>Total Liabilities</b>	<b>1,991,647</b>	<b>1,880,732</b>
Commitments and contingencies (Note 9)	—	—
<b>Stockholders' Equity (Note 8):</b>		
7.25% Series A cumulative redeemable preferred stock, \$0.01 par value, liquidation preference \$25.00 per share, 9,959,650 shares authorized, 6,799,467 shares issued and outstanding as of December 31, 2019; 13,409,650 shares authorized, 5,416,890 shares issued and outstanding as of December 31, 2018	68	54
6.875% Series B cumulative redeemable perpetual preferred stock, \$0.01 par value, liquidation preference \$25.00 per share, 11,450,000 shares authorized, 3,450,000 shares issued and outstanding as of December 31, 2019 and no shares authorized, issued and outstanding as of December 31, 2018	35	—
Common stock, \$0.01 par value, 250,000,000 shares authorized, 89,458,752 shares issued and outstanding at December 31, 2019; 100,000,000 shares authorized, 76,080,625 shares issued and outstanding at December 31, 2018	2,225	2,091
Additional paid-in capital	2,408,353	2,031,981
Accumulated other comprehensive income	20,195	6,810
Accumulated deficit	(733,245)	(615,448)
<b>Total Stockholders' Equity</b>	<b>1,697,631</b>	<b>1,425,488</b>
Non-controlling interest	12,327	3,258
<b>Total Equity</b>	<b>1,709,958</b>	<b>1,428,746</b>

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

	Year Ended December 31,		
	2019	2018	2017
<b>Revenue from tenants</b>	\$ 306,214	\$ 282,207	\$ 259,295
<b>Expenses (income):</b>			
Property operating	28,314	28,732	28,857
Fire (recovery) loss	—	(50)	45
Operating fees to related parties	33,292	28,234	24,457
Impairment charges and related lease intangible write-offs	6,375	5,000	—
Acquisition, transaction and other costs (Note 9)	1,320	13,850	1,979
General and administrative	10,108	10,439	8,648
Equity-based compensation	9,530	2,649	(3,787)
Depreciation and amortization	125,996	119,582	113,048
Total expenses	214,935	208,436	173,247
Operating income before gain (loss) on dispositions of real estate investments	91,279	73,771	86,048
Gain (loss) on dispositions of real estate investments	23,616	(5,751)	1,089
Operating income	114,895	68,020	87,137
<b>Other income (expense):</b>			
Interest expense	(64,199)	(57,973)	(48,450)
Loss on extinguishment of debt	(949)	(3,897)	—
Gain (loss) on derivative instruments	769	7,638	(8,304)
Unrealized income (loss) on undesignated foreign currency advances and other hedge ineffectiveness	76	(434)	(3,679)
Other income (loss)	216	(23)	22
Total other expense, net	(64,087)	(54,689)	(60,411)
Net income before income tax	50,808	13,331	26,726
Income tax expense	(4,332)	(2,434)	(3,140)
<b>Net income</b>	46,476	10,897	23,586
Net income attributable to non-controlling interest	—	—	(21)
Preferred stock dividends	(11,941)	(9,815)	(2,834)
<b>Net income attributable to common stockholders</b>	\$ 34,535	\$ 1,082	\$ 20,731
<b>Basic and Diluted Earnings Per Common Share:</b>			
Basic net income per share attributable to common stockholders	\$ 0.40	\$ 0.01	\$ 0.30
Diluted net income per share attributable to common stockholders	\$ 0.39	\$ 0.01	\$ 0.30
<b>Weighted average common shares outstanding:</b>			
Basic	85,031,236	69,411,061	66,877,620
Diluted	86,349,645	69,663,208	66,877,620

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



GLOBAL NET LEASE, INC.

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

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 46,476	\$ 10,897	\$ 23,586
Other comprehensive income (loss)			
Cumulative translation adjustment	21,147	(17,555)	27,954
Designated derivatives, fair value adjustments	(7,430)	4,918	8,163
Other comprehensive income (loss)	13,717	(12,637)	36,117
Comprehensive income (loss)	60,193	(1,740)	59,703
Amounts attributable to non-controlling interest			
Net income	—	—	(21)
Cumulative translation adjustment	—	—	2
Designated derivatives, fair value adjustments	—	—	23
Comprehensive loss attributable to non-controlling interest	—	—	4
Preferred stock dividends	(11,941)	(9,815)	(2,834)
Comprehensive income (loss) attributable to common stockholders	\$ 48,252	\$ (11,555)	\$ 56,873

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

**GLOBAL NET LEASE, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**Years Ended December 31, 2019, 2018 and 2017**  
(In thousands, except share data)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders'	Non-controlling interest	Total Equity
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value						
<b>Balance, December 31, 2016</b>	—	\$ —	—	—	66,258,559	\$ 1,990	\$ 1,708,541	\$ (16,695)	\$ (346,058)	\$ 1,347,778	\$ 8,203	\$ 1,355,981
Conversion of OP Units to common stock	—	—	—	—	181,841	5	2,624	—	—	2,629	(2,629)	—
Issuance of Common Stock, net	—	—	—	—	820,988	8	18,287	—	—	18,295	—	18,295
Issuance of Series A Preferred Stock, net	5,409,650	54	—	—	—	—	129,997	—	—	130,051	—	130,051
Dividends declared:												
Common stock, \$2.13 per share	—	—	—	—	—	—	—	—	(142,427)	(142,427)	—	(142,427)
Series A preferred stock, \$1.81 per share	—	—	—	—	—	—	—	—	(2,834)	(2,834)	—	(2,834)
Equity-based compensation	—	—	—	—	25,843	—	662	—	—	662	(4,449)	(3,787)
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(642)	(642)	(97)	(739)
Net income	—	—	—	—	—	—	—	—	23,565	23,565	21	23,586
Cumulative translation adjustment	—	—	—	—	—	—	—	27,956	—	27,956	(2)	27,954
Designated derivatives, fair value adjustments	—	—	—	—	—	—	—	8,186	—	8,186	(23)	8,163
Rebalancing of ownership percentage	—	—	—	—	—	—	(53)	—	—	(53)	53	—
<b>Balance, December 31, 2017</b>	5,409,650	54	—	—	67,287,231	2,003	1,860,058	19,447	(468,396)	1,413,166	1,077	1,414,243
Issuance of Common Stock, net	—	—	—	—	8,793,394	88	171,682	—	—	171,770	—	171,770
Issuance of Series A Preferred Stock, net	7,240	—	—	—	—	—	(227)	—	—	(227)	—	(227)
Dividends declared:												
Common stock, \$2.13 per share	—	—	—	—	—	—	—	—	(147,549)	(147,549)	—	(147,549)
Series A preferred stock, \$1.81 per share	—	—	—	—	—	—	—	—	(9,815)	(9,815)	—	(9,815)
Equity-based compensation	—	—	—	—	—	—	468	—	—	468	2,181	2,649
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(585)	(585)	—	(585)
Net income	—	—	—	—	—	—	—	—	10,897	10,897	—	10,897
Cumulative translation adjustment	—	—	—	—	—	—	—	(17,555)	—	(17,555)	—	(17,555)
Designated derivatives, fair value adjustments	—	—	—	—	—	—	—	4,918	—	4,918	—	4,918
<b>Balance, December 31, 2018</b>	5,416,890	54	—	—	76,080,625	2,091	2,031,981	6,810	(615,448)	1,425,488	3,258	1,428,746
Adoption of ASU 2017-12 (Note 2)	—	—	—	—	—	—	—	(332)	332	—	—	—
Adoption of ASU 2016-02 (Note 2)	—	—	—	—	—	—	—	—	(1,200)	(1,200)	—	(1,200)
Issuance of Common Stock, net	—	—	—	—	13,355,773	134	258,288	—	—	258,422	—	258,422
Issuance of Series A Preferred Stock, net	1,382,577	14	—	—	—	—	34,590	—	—	34,604	—	34,604
Issuance of Series B Preferred Stock, net	—	—	3,450,000	35	—	—	83,033	—	—	83,068	—	83,068
Dividends declared:												
Common stock, \$2.13 per share	—	—	—	—	—	—	—	—	(150,922)	(150,922)	—	(150,922)
Series A preferred stock, \$1.81 per share	—	—	—	—	—	—	—	—	(11,353)	(11,353)	—	(11,353)
Series B preferred stock, \$1.72 per share	—	—	—	—	—	—	—	—	(588)	(588)	—	(588)
Equity-based compensation	—	—	—	—	22,354	—	461	—	—	461	9,069	9,530
Distributions to non-controlling interest holders	—	—	—	—	—	—	—	—	(542)	(542)	—	(542)
Net income	—	—	—	—	—	—	—	—	46,476	46,476	—	46,476
Cumulative translation adjustment	—	—	—	—	—	—	—	21,147	—	21,147	—	21,147
Designated derivatives, fair value adjustments	—	—	—	—	—	—	—	(7,430)	—	(7,430)	—	(7,430)
<b>Balance, December 31, 2019</b>	6,799,467	\$ 68	3,450,000	\$ 35	89,458,752	\$ 2,225	\$ 2,408,353	\$ 20,195	\$ (733,245)	\$ 1,697,631	\$ 12,327	\$ 1,709,958

	Year Ended December 31,		
	2019	2018	2017
<b>Cash flows from operating activities:</b>			
Net income	\$ 46,476	\$ 10,897	\$ 23,586
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	69,257	64,849	59,385
Amortization of intangibles	56,739	54,733	53,663
Amortization of deferred financing costs	6,614	5,193	4,420
Amortization of mortgage discounts and premiums, net	260	1,249	810
Amortization of mezzanine discount	—	—	17
Amortization of below-market lease liabilities	(3,518)	(3,463)	(3,364)
Amortization of above-market lease assets	4,328	4,614	4,346
Amortization of above- and below- market ground lease assets	845	979	948
Bad debt expense	—	835	1,185
Unbilled straight-line rent	(6,758)	(6,310)	(10,537)
Equity-based compensation	9,530	2,649	(3,787)
Unrealized losses (gains) on foreign currency transactions, derivatives, and other	2,919	(7,127)	10,182
Unrealized losses on undesignated foreign currency advances and other hedge ineffectiveness	76	434	3,679
Payments for settlement of derivatives	(1,879)	(1,926)	(1,547)
Loss on extinguishment of debt	949	3,897	—
(Gain) loss on dispositions of real estate investments	(23,616)	5,751	(1,089)
Impairment charges and related lease intangible write-offs	6,375	5,000	—
Changes in operating assets and liabilities, net:			
Prepaid expenses and other assets	(11,299)	(463)	(6,225)
Deferred tax assets	(1,148)	(2,264)	549
Accounts payable and accrued expenses	(9,730)	8,263	(593)
Prepaid rent	1,013	(2,312)	106
Deferred tax liability	(252)	(634)	1,804
Taxes payable	(1,182)	(247)	(6,584)
<b>Net cash, cash equivalents and restricted cash provided by operating activities</b>	<b>145,999</b>	<b>144,597</b>	<b>130,954</b>
<b>Cash flows from investing activities:</b>			
Investment in real estate and real estate related assets	(562,733)	(479,648)	(98,777)
Deposits for real estate investments	(2,795)	—	—
Capital expenditures	(17,346)	(1,454)	(3,118)
Proceeds from dispositions of real estate investments	288,398	23,717	12,292
(Payments for) proceeds from settlement of net investment hedges	—	(561)	10,625
<b>Net cash, cash equivalents and restricted cash used in investing activities</b>	<b>(294,476)</b>	<b>(457,946)</b>	<b>(78,978)</b>
<b>Cash flows from financing activities:</b>			
Borrowings under revolving credit facilities	209,995	247,000	647,353
Repayments on revolving credit facilities	(375,585)	(177,375)	(1,006,949)
Repayment of mezzanine facility	—	—	(56,537)
Proceeds from mortgage notes payable	579,285	494,689	187,000
Payments on mortgage notes payable	(433,555)	(313,225)	(21,918)
Payments on early extinguishment of debt charges	(137)	(2,398)	—
Proceeds from issuance of Common Stock, net	258,422	171,770	18,295
Proceeds from issuance of Series A Preferred Stock, net	34,604	(227)	130,434
Proceeds from issuance of Series B Preferred Stock, net	83,068	—	—
Proceeds from term loan	125,019	60,400	225,000
Payments of financing costs	(19,065)	(10,601)	(14,612)
Dividends paid on Common Stock	(150,779)	(147,444)	(142,739)
Dividends paid on Series A Preferred Stock	(10,727)	(9,812)	(383)
Distributions to non-controlling interest holders	(542)	(585)	(739)
Payments received on related party notes receivable acquired in merger	—	—	5,138
<b>Net cash, cash equivalents and restricted cash provided by (used in) financing activities</b>	<b>300,003</b>	<b>312,192</b>	<b>(30,657)</b>

<b>Net change in cash, cash equivalents and restricted cash</b>	151,526	(1,157)	21,319
<b>Effect of exchange rate changes on cash</b>	19,068	(2,877)	9,080
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	103,693	107,727	77,328
<b>Cash, cash equivalents and restricted cash at end of period</b>	<u>\$ 274,287</u>	<u>\$ 103,693</u>	<u>\$ 107,727</u>

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

**GLOBAL NET LEASE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
Cash and cash equivalents, end of period	\$ 270,302	\$ 100,324	\$ 102,425
Restricted cash, end of period	3,985	3,369	5,302
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 274,287</b>	<b>\$ 103,693</b>	<b>\$ 107,727</b>
<b>Supplemental Disclosures:</b>			
Cash paid for interest	\$ 58,323	\$ 49,113	\$ 43,555
Cash paid for income taxes	5,043	4,350	9,437
<b>Non-Cash Investing and Financing Activities:</b>			
Loss on extinguishment of debt	\$ 812	\$ 1,499	\$ —
Conversion of OP Units to common stock	\$ —	\$ —	\$ 2,629

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

# GLOBAL NET LEASE, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019

### Note 1 — Organization

Global Net Lease, Inc. (the “Company”), formerly known as American Realty Capital Global Trust, Inc., incorporated on July 13, 2011, is a Maryland corporation that elected to be taxed as a real estate investment trust (“REIT”) for United States (“U.S.”) federal income tax purposes beginning with the taxable year ended December 31, 2013. The Company’s common stock, \$0.01 par value per share (“Common Stock”) is listed on the New York Stock Exchange (“NYSE”) under the symbol “GNL.” In addition, the Company’s 7.25% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share (“Series A Preferred Stock”) and its 6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share (“Series B Preferred Stock”) are both listed on the NYSE under the symbols “GNL PR A” and “GNL PR B,” respectively.

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

As of December 31, 2019, the Company owned 278 properties (all references to number of properties and square footage are unaudited) consisting of 31.6 million rentable square feet, which were 99.6% leased, with a weighted average remaining lease term of 8.3 years. Based on the percentage of annualized rental income on a straight-line basis as of December 31, 2019, approximately 63% of the Company’s properties are located in the U.S. or Canada and approximately 37% are located in Europe. The Company may also originate or acquire first mortgage loans, mezzanine loans, preferred equity or securitized loans (secured by real estate). As of December 31, 2019, the Company did not own any first mortgage loans, mezzanine loans, preferred equity or securitized loans.

### Note 2 — Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying consolidated financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### *Principles of Consolidation*

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

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management makes significant estimates regarding revenue recognition, purchase price allocations to record investments in real estate, real estate taxes, income taxes, derivative financial instruments, hedging activities, equity-based compensation expenses related to multi-year outperformance agreements entered into with the Advisor in 2015 (the “2015 OPP”) and 2018 (the “2018 OPP”) and fair value measurements, as applicable.

#### *Reclassifications*

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

#### *Out-of-Period Adjustments*

During the year ended December 31, 2017, the Company recorded \$0.5 million of additional rental income and unbilled straight-line rent due to an error in the calculation of straight-line rent for one of the Company’s properties acquired during 2014.

The Company concluded that this adjustment was not material to the financial position or results of operations for the 2017 period or any prior period.

Also, during the year ended December 31, 2017, the Company identified certain historical errors in its current taxes payable as well as its statements of comprehensive income (loss), consolidated statements of changes in equity, and statements of cash flows since 2013 which impacted the quarterly financial statements and annual periods previously issued. Specifically, when recording its annual provision, the Company had adjusted its current taxes payable to the cumulative amount of taxes payable without consideration for cumulative payments. This adjustment was made with an offsetting amount in cumulative translation adjustments within other comprehensive income (“OCI”) and accumulated other comprehensive income (“AOCI”). As of December 31, 2016, income taxes payable were overstated and AOCI was understated by \$4.7 million. OCI was understated by \$2.9 million, \$1.9 million and overstated by \$0.1 million for the years ended December 31, 2016, 2015 and Pre-2015, respectively. The Company concluded that the errors noted above were not material for the 2017 period or any prior periods presented and has adjusted the amounts on a cumulative basis in the year ended December 31, 2017.

#### *Revenue Recognition*

The Company’s revenues, which are derived primarily from lease contracts, which include rents that each tenant pays in accordance with the terms of each lease reported on a straight-line basis over the initial term of the lease. As of December 31, 2019, these leases had an average remaining lease term of 8.3 years.

Because many of the Company's leases provide for rental increases at specified intervals, straight-line basis accounting requires the Company to record a receivable for, and include in revenue from tenants, unbilled rents receivable that the Company will only receive if the tenant makes all rent payments required through the expiration of the initial term of the lease. As of December 31, 2019 and 2018, the Company's cumulative straight-line rents receivable in the consolidated balance sheets was \$51.8 million and \$47.2 million, respectively. For the years ended December 31, 2019, 2018 and 2017, the Company's revenue from tenants included impacts of unbilled rental revenue of \$6.8 million, \$6.3 million and \$10.5 million, respectively, to adjust contractual rent to straight-line rent.

For new leases after acquisition, the commencement date is considered to be the date the lease is executed. The Company defers the revenue related to lease payments received from tenants in advance of their due dates. When the Company acquires a property, the acquisition date is considered to be the commencement date for purposes of this calculation. In addition to base rent, the Company's lease agreements generally require tenants to pay or reimburse the Company for all property operating expenses, which primarily reflect insurance costs and real estate taxes incurred by the Company and subsequently reimbursed by the tenant. However, some limited property operating expenses that are not the responsibility of the tenant are absorbed by the Company. Under ASC 842, the Company has elected to report combined lease and non-lease components in a single line "Revenue from tenants." For comparative purposes, the Company has also elected to reflect prior revenue and reimbursements previously reported under ASC 840 on a single line as well. For expenses paid directly by the tenant, under both ASC 842 and 840, the Company has reflected them on a net basis.

The following table presents future minimum base rental cash payments due to the Company over the next five calendar years and thereafter as of December 31, 2019. These amounts exclude tenant reimbursements and contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to sales thresholds and increases in annual rent based on exceeding certain economic indexes among other items:

<i>(In thousands)</i>	<b>Future Minimum Base Rent Payments</b>	
	<b>(1)</b>	
2020	\$	294,087
2021		295,428
2022		286,725
2023		264,583
2024		225,344
Thereafter		934,179
Total	\$	2,300,346

(1) Assumes exchange rates of £1.00 to \$1.32 for GBP, €1.00 to \$1.12 for EUR and \$1.00 Canadian Dollar ("CAD") to \$0.77 as of December 31, 2019 for illustrative purposes, as applicable.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

The following table presents future minimum base rental cash payments due to the Company over the next five calendar years and thereafter as of December 31, 2018:

<i>(In thousands)</i>	<b>Future Minimum Base Rent Payments <sup>(1)</sup></b>
2019	\$ 275,118
2020	278,651
2021	279,630
2022	270,569
2023	247,237
Thereafter	856,838
<b>Total</b>	<b>\$ 2,208,043</b>

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

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

Under ASC 842, uncollectible amounts are reflected as reductions in revenue. Under ASC 840, the Company recorded such amounts as bad debt expense as part of property operating expenses. During the years ended December 31, 2018 and 2017, such amounts were \$0.8 million and \$1.2 million, respectively. The Company did not record any uncollectible amounts as reductions of revenue during the year ended December 31, 2019.

**Investments in Real Estate**

Investments in real estate are recorded at cost. Improvements and replacements are capitalized when they extend the useful life of the asset. Costs of repairs and maintenance are expensed as incurred.

At the time an asset is acquired, the Company evaluates the inputs, processes and outputs of the asset acquired to determine if the transaction is a business combination or an asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations. If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and subsequently amortized over the useful life of the acquired assets. See the *Purchase Price Allocation* section in this Note for a discussion of the initial accounting for investments in Real Estate.

Disposal of real estate investments that represent a strategic shift in operations that will have a major effect on the Company's operations and financial results are required to be presented as discontinued operations in the consolidated statements of operations. No properties were presented as discontinued operations as of December 31, 2019 and 2018. Properties that are intended to be sold are to be designated as "held for sale" on the consolidated balance sheets at the lesser of carrying amount or fair value less estimated selling costs when they meet specific criteria to be presented as held for sale, most significantly that the sale is probable within one year. The Company evaluates probability of sale based on specific facts including whether a sales agreement is in place and the buyer has made significant non-refundable deposits. Properties are no longer depreciated when they are classified as held for sale. As of December 31, 2019, the Company did not have any properties classified as held for sale and as of December 31, 2018, the Company had had three properties classified as held for sale (see [Note 3](#) — *Real Estate Investments, Net* for additional information).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

As more fully discussed in [Note 2](#) — *Recently Issued Accounting Pronouncements - ASU No. 2016-02 Leases*, all of the Company's leases as lessor prior to adoption were accounted for as operating leases and will continue to be accounted for as operating leases under the transition guidance. The Company evaluates new leases originated after the adoption date (by the Company or by a predecessor lessor/owner) pursuant to the new guidance where a lease for some or all of a building is classified by a lessor as a sales-type lease if the significant risks and rewards of ownership reside with the tenant. This situation is met if, among other things, there is an automatic transfer of title during the lease, a bargain purchase option, the non-cancelable lease term is for more than major part of remaining economic useful life of the asset (e.g., equal to or greater than 75%), if the present value of the minimum lease payments represents substantially all (e.g., equal to or greater than 90%) of the leased property's fair value at lease inception, or if the asset so specialized in nature that it provides no alternative use to the lessor (and therefore would not provide any future value to the lessor) after the lease term. Further, such new leases would be evaluated to consider whether they would be failed sale-leaseback transactions and accounted for as financing transactions by the lessor. As of December 31, 2019, the Company has no leases as a lessor that would be considered as sales-type leases or financings under sale-leaseback rules.

The Company is also the lessee under certain land leases which were previously classified prior to adoption of lease accounting and will continue to be classified as operating leases under transition elections unless subsequently modified. These leases are reflected on the balance sheet and the rent expense is reflected on a straight line basis over the lease term.

**Purchase Price Allocation**

In both a business combination and an asset acquisition, the Company allocates the purchase price of acquired properties to tangible and identifiable intangible assets or liabilities based on their respective fair values. Tangible assets may include land, land improvements, buildings, fixtures and tenant improvements on an as if vacant basis. Intangible assets may include the value of in-place leases, and above- and below- market leases and other identifiable assets or liabilities based on lease or property specific characteristics. In addition, any assumed mortgages receivable or payable and any assumed or issued noncontrolling interests (in a business combination) are recorded at their estimated fair values. In allocating the fair value to assumed mortgages, amounts are recorded to debt premiums or discounts based on the present value of the estimated cash flows, which is calculated to account for either above or below-market interest rates. In a business combination, the difference between the purchase price and the fair value of identifiable net assets acquired is either recorded as goodwill or as a bargain purchase gain. In an asset acquisition, the difference between the acquisition price (including capitalized transaction costs) and the fair value of identifiable net assets acquired is allocated to the non-current assets. All acquisitions during the years ended December 31, 2019 and 2018 were asset acquisitions. During 2017, prior to our adoption of ASU No. 2017-01, *Business Combinations (Topic 805)* (see *Summary of Significant Accounting Policies* below), all of our acquisitions were accounted for as business combinations.

For acquired properties with leases classified as operating leases, the Company allocates the purchase price of acquired properties to tangible and identifiable intangible assets acquired and liabilities assumed, based on their respective fair values. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. The Company also considers information obtained about each property as a result of the Company's pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired and intangible liabilities assumed.

Tangible assets include land, land improvements, buildings, fixtures and tenant improvements on an as-if vacant basis. The Company utilizes various estimates, processes and information to determine the as-if vacant property value. Estimates of value are made using customary methods, including data from appraisals, comparable sales, discounted cash flow analysis and other methods. Fair value estimates are also made using significant assumptions such as capitalization rates, discount rates, fair market lease rates, and land values per square foot. Identifiable intangible assets include amounts allocated to acquire leases for above- and below-market lease rates, and the value of in-place leases, as applicable.

Factors considered in the analysis of the in-place lease intangibles include an estimate of carrying costs during the expected lease-up period for each property, taking into account current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at contract rates during the expected lease-up period, which typically ranges from 12 to 18 months. The Company also estimates costs to execute similar leases including leasing commissions, legal and other related expenses.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease, and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

The aggregate value of intangible assets related to customer relationship, as applicable, is measured based on the Company's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the tenant. Characteristics considered by the Company in determining these values include the nature and extent of its existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors.

***Impairment of Long-Lived Assets***

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

***Gain on Dispositions of Real Estate Investments***

Gains on sales of rental real estate after January 1, 2018 are not considered sales to customers and will generally be recognized pursuant to the provisions included in ASC 610-20, *Gains and Losses from the Derecognition of Nonfinancial Assets* ("ASC 610-20").

Gain on sales of real estate prior to January 1, 2018 are recognized pursuant to the provisions included in ASC 360-20, Real Estate Sales ("ASC 360-20"). The specific timing of a sale was measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, depending on the circumstances, the Company may not record a sale or it may record a sale but may defer some or all of the gain recognition. If the criteria for full accrual are not met, the Company may account for the transaction by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria for the full accrual method are met.

***Depreciation and Amortization***

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings, 15 years for land improvements, five years for fixtures and improvements and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

Capitalized above-market ground lease values are amortized as a reduction of property operating expense over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property operating expense over the remaining terms of the respective leases and expected below-market renewal option periods.

The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is amortized to expense over the remaining periods of the respective leases.

The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event does the amortization period for intangible assets exceed the remaining depreciable life of the building. If a tenant terminates its lease, the unamortized portion of the in-place lease value and customer relationship intangibles is charged to expense.

Assumed mortgage premiums or discounts are amortized as an increase or reduction to interest expense over the remaining terms of the respective mortgages.

***Above-Market Lease Amortization***

Capitalized above-market lease values are amortized as a reduction of revenue from tenants over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to revenue from tenants over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. If a tenant with a below market rent renewal does not renew, any remaining unamortized amount will be taken into income at that time.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash in bank accounts as well as investments in highly-liquid money market funds with original maturities of three months or less. The Company deposits cash with high quality financial institutions. Deposits in the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

U.S. and other countries where we have deposits are guaranteed by the Federal Deposit Insurance Company (“FDIC”) in the U.S., Financial Services Compensation Scheme (“FSCS”) in the United Kingdom, Duchy Deposit Guarantee Scheme (“DDGS”) in Luxembourg and by similar agencies in the other countries, up to insurance limits. The Company had deposits in the U.S., United Kingdom, Luxembourg, Germany, Finland, France and The Netherlands totaling \$270.3 million at December 31, 2019, of which \$213.7 million, \$25.3 million and \$18.0 million are currently in excess of amounts insured by the FDIC, FSCS and European equivalent deposit insurance companies including DDGS, respectively. At December 31, 2018, the Company had deposits in the U.S., United Kingdom, Luxembourg, Germany, Finland and The Netherlands totaling \$100.3 million, of which \$14.3 million, \$35.4 million and \$41.8 million were in excess of the amounts insured by the FDIC, FSCS and European equivalent deposit insurance companies including DDGS, respectively. Although the Company bears risk to amounts in excess of those insured, losses are not anticipated.

***Restricted Cash***

Restricted cash primarily consists of debt service and real estate tax reserves. The Company had restricted cash of \$4.0 million and \$3.4 million as of December 31, 2019 and 2018, respectively.

***Goodwill***

The Company evaluates goodwill for impairment at least annually or upon the occurrence of a triggering event. A triggering event is an event or circumstance that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company performed a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Based on our assessment we determined that the goodwill is not impaired as of December 31, 2019.

***Derivative Instruments***

The Company may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with its borrowings. Certain of the Company’s foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of the Company’s cash receipts and payments in the Company’s functional currency, the U.S. dollar (“USD”). The Company enters into derivative financial instruments to protect the value or fix the amount of certain obligations in terms of its functional currency.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019***Deferred Financing Costs, Net***

Deferred financing costs, net are costs associated with the Revolving Credit Facility (as defined in [Note 5 — Credit Facilities](#)) and represent commitment fees, legal fees, and other costs associated with obtaining commitments for financing. These costs are amortized over the terms of the respective financing agreements using the effective interest method. Unamortized deferred financing costs are expensed when the associated debt is refinanced or paid down before maturity. Costs incurred in seeking financial transactions that do not close are expensed in the period in which it is determined that the financing will not close.

***Equity-Based Compensation***

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

**Multi-Year Outperformance Agreements**

Concurrent with the listing of the Company's common stock on the NYSE (the "Listing") and modifications to the Fourth Amended and Restated Advisory Agreement (the "Advisory Agreement") by and among the Company, the OP and the Advisor, the Company entered into the 2015 OPP with the Advisor. Also, in July 2018, the Company entered into the 2018 OPP, a new multi-year outperformance agreement with the Advisor. Under the 2015 OPP, which expired on June 2, 2018, the Company recorded equity-based compensation expense associated with the awards over the requisite service period on a graded basis. Under the 2018 OPP, effective June 2, 2018, the Company records equity-based compensation evenly over the requisite service period of approximately 2.8 years from the grant date. The equity-based compensation expense was adjusted each reporting period for changes in the estimated market-related performance. Under new accounting guidance adopted by the Company on January 1, 2019, total equity-based compensation expense calculated as of adoption of the new guidance will be fixed as of that date and reflected as a charge to earnings evenly over the service period. Further, in the event of a modification, any incremental increase in the value of the instrument measured on the date of the modification both before and after the modification, will result in an incremental amount to be reflected prospectively as a charge to earnings over the remaining service period. The expense for these non-employee awards is included in the equity-based compensation line item of the consolidated statements of operations. For additional information on the original terms, a February 2019 modification of the 2018 OPP, and accounting for these awards see *Recently Issued Accounting Pronouncements* section below and [Note 12 — Equity-based compensation](#).

***Income Taxes***

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

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

Significant judgment is required in determining the Company's tax provision and in evaluating its tax positions. The Company establishes tax reserves based on a benefit recognition model, which the Company believes could result in a greater amount of benefit (and a lower amount of reserve) being initially recognized in certain circumstances. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50 percent likely of being ultimately realized upon settlement. The Company derecognizes the tax position when the likelihood of the tax position being sustained is no longer more likely than not.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

The Company recognizes deferred income taxes in certain of its subsidiaries taxable in the U.S. or in foreign jurisdictions. Deferred income taxes are generally the result of temporary differences (items that are treated differently for tax purposes than for GAAP purposes). In addition, deferred tax assets arise from unutilized tax net operating losses, generated in prior years. The Company provides a valuation allowance against its deferred income tax assets when it believes that it is more likely than not that all or some portion of the deferred income tax asset may not be realized. Whenever a change in circumstances causes a change in the estimated realizability of the related deferred income tax asset, the resulting increase or decrease in the valuation allowance is included in deferred income tax expense (benefit).

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

The Company's deferred tax assets and liabilities are primarily the result of temporary differences related to the following:

- Basis differences between tax and GAAP for certain international real estate investments. For income tax purposes, in certain acquisitions, the Company assumes the seller's basis, or the carry-over basis, in the acquired assets. The carry-over basis is typically lower than the purchase price, or the GAAP basis, resulting in a deferred tax liability with an offsetting increase to goodwill or the acquired tangible or intangible assets;
- Timing differences generated by differences in the GAAP basis and the tax basis of assets such as those related to capitalized acquisition costs and depreciation expense; and
- Tax net operating losses in certain subsidiaries, including those domiciled in foreign jurisdictions that may be realized in future periods if the respective subsidiary generates sufficient taxable income.

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

The Company's current income tax provision for the years ended December 31, 2019, 2018 and 2017 was \$4.7 million, \$2.4 million, and \$2.1 million, respectively. The Company's deferred income tax (benefit) provision for the years ended December 31, 2019, 2018, and 2017 was \$(0.4) million, \$3.3 million, and \$1.0 million, respectively. Deferred income tax (expense) benefit is generally a function of the period's temporary differences and the utilization of net operating losses generated in prior years that had been previously recognized as deferred income tax assets from state and local taxes in the U.S. or in foreign jurisdictions. For the years ended December 31, 2019, 2018 and 2017 the Company recognized income tax expense of \$4.3 million, \$2.4 million and \$3.1 million, respectively.

Deferred tax assets on the consolidated balance sheets are net of valuation allowances of \$4.3 million and \$3.0 million as of December 31, 2019 and 2018, respectively.

The amount of dividends payable to the Company's stockholders is determined by the board of directors and is dependent on a number of factors, including funds available for distributions, financial condition, capital expenditure requirements, as applicable, and annual dividend requirements needed to qualify and maintain the Company's status as a REIT under the Code.

#### ***Foreign Currency Translation***

The Company's reporting currency is the USD. The functional currency of the Company's foreign operations is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries (including intercompany balances for which settlement is not anticipated in the foreseeable future) are translated at the spot rate in effect at the applicable reporting date. The amounts reported in the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment is recorded as a component of AOCI in the consolidated statements of equity.

#### ***Per Share Data***

The Company calculates basic earnings per share of Common Stock by dividing net income (loss) for the period by weighted-average shares of its Common Stock outstanding for a respective period. Diluted income per share takes into account the effect of dilutive instruments such as unvested restricted stock units in respect of shares of Common Stock ("RSUs") and long term incentive plan units of limited partner interest in the OP ("LTIP Units"), based on the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding (see [Note 13—Earnings Per Share](#)).

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

**Reportable Segments**

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

The Company owns and invests in commercial properties, principally in the U.S., United Kingdom, and continental Europe, that are then leased to companies, primarily on a triple-net lease basis. The Company earns lease revenues from its wholly owned real estate investments. The Company's portfolio was comprised of full ownership interests in 278 properties totaling approximately 31.6 million square feet substantially all of which were net leased to 124 tenants, with an occupancy rate of 99.6%.

The Company evaluates its results from operations in one reportable segment by its local currency. Other than the U.S. and United Kingdom, no country or tenant individually comprised more than 10% of the Company's annualized revenue from tenants on a straight-line basis, or total long-lived assets at December 31, 2019. The termination, delinquency or non-renewal of leases by any major tenant may have a material adverse effect on revenues.

The following tables present the geographic information for Revenue from tenants and Investments in real estate:

<i>(In thousands)</i>	Year Ended December 31,		
	2019	2018	2017
<b>Revenue from tenants:</b>			
United States and Puerto Rico	\$ 180,100	\$ 148,588	\$ 133,060
United Kingdom	51,215	54,025	52,567
Europe (Finland, France, Germany, Luxembourg, and the Netherlands)	74,881	79,594	73,668
Canada	18	—	—
Total	<u>\$ 306,214</u>	<u>\$ 282,207</u>	<u>\$ 259,295</u>

<i>(In thousands)</i>	As of December 31,	
	2019	2018
<b>Investments in real estate:</b>		
United States	\$ 2,496,960	\$ 2,073,022
United Kingdom	593,845	586,836
Europe (Finland, France, Germany, Luxembourg, and the Netherlands)	665,236	761,041
Canada	7,223	—
Total	<u>\$ 3,763,264</u>	<u>\$ 3,420,899</u>

**Recently Issued Accounting Pronouncements**

**Adopted as of January 1, 2019**

ASU No. 2016-02 — Leases

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019**

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

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

*Lessor Accounting*

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

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

*Lessee Accounting*

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

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

Other Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This standard simplifies subsequent measurements of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, entities will perform their interim or annual goodwill impairment testing by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge based on the amount that the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total goodwill allocated to the reporting unit. In 2019, the Company early adopted this guidance, in connection with the reassessments and impairment of goodwill during the year ended December 31, 2019.



GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

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

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

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

**Pending Adoption as of December 31, 2019**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes how entities measure credit losses for financial assets carried at amortized cost. The update eliminates the requirement that a credit loss must be probable before it can be recognized and instead requires an entity



GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

to recognize the current estimate of all expected credit losses. Additionally, the update requires credit losses on available-for-sale debt securities to be carried as an allowance rather than as a direct write-down of the asset. The amendments become effective for reporting periods beginning after December 15, 2019. On July 25, 2018, the FASB proposed an amendment to ASU 2016-13 to clarify that operating lease receivables recorded by lessors (including unbilled straight-line rent) are explicitly excluded from the scope of ASU 2016-13. The revised guidance became effective for the Company effective January 1, 2020 and it is not expected to have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of ASU 2018-13 is to improve the effectiveness of disclosures in the notes to the financial statements by removing, modifying, and adding certain fair value disclosure requirements to facilitate clear communication of the information required by generally accepted accounting principles. The amended guidance is effective for the Company beginning on January 1, 2020 and it is not expected to have a material impact on the Company's financial statements.

**Note 3 — Real Estate Investments, Net**

**Property Acquisitions**

The following table presents the allocation of the assets acquired and liabilities assumed during the years ended December 31, 2019, 2018 and 2017, in the case of assets located outside of the United States, based on the applicable exchange rate at the time of purchase. All acquisitions in these periods were considered asset acquisitions for accounting purposes.

<i>(Dollar amounts in thousands)</i>	Year Ended December 31,		
	2019	2018	2017
Real estate investments, at cost:			
Land	\$ 43,259	\$ 34,291	\$ 18,410
Buildings, fixtures and improvements	449,745	384,603	66,704
Total tangible assets	493,004	418,894	85,114
Acquired intangible lease assets:			
In-place leases	70,628	70,414	15,365
Above-market lease assets	1,051	48	235
Below-market lease liabilities	(1,950)	(9,708)	(1,937)
Cash paid for acquired real estate investments	\$ 562,733	\$ 479,648	\$ 98,777
Number of properties purchased	39	23	12

**Acquired Intangible Lease Assets**

The Company allocates a portion of the fair value of real estate acquired to identified intangible assets and liabilities, consisting of the value of origination costs (tenant improvements, leasing commissions, and legal and marketing costs), the value of above-market and below-market leases, and the value of tenant relationships, if applicable, based in each case on their relative fair values. The Company periodically assesses whether there are any indicators that the value of the intangible assets may be impaired by performing a net present value analysis of future cash flows, discounted for the inherent risk associated with each investment. During the year ended December 31, 2018, the Company wrote off certain lease intangibles related to terminated leases (see the "Impairment Charges and Related Lease Intangible Write-offs" section below). The Company did not record an impairment to its intangible assets associated with our real estate investments during the years ended December 31, 2019 and 2017.

**Dispositions**

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

During the year ended December 31, 2019, the Company sold 97 properties located in the United States (94 Family Dollar retail stores and three industrial properties), one property located in the United Kingdom, two properties in the Netherlands and three properties in Germany for a total contract sales price of \$311.3 million, resulting in an aggregate gain of \$23.6 million, which

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

is reflected in gain (loss) on dispositions of real estate investments in the consolidated statements of operations for the year ended December 31, 2019.

During the year ended December 31, 2018 the Company sold two properties for a total contract sales price of \$25.3 million. At closing, the Company paid approximately \$1.7 million, net, in excess of proceeds received from the sales for the repayment of mortgage debt and a recorded a loss of \$5.8 million, net. Prior to the sale of one of the properties, the Company agreed to terminate the lease with the existing tenant and received a termination fee of \$3.0 million in accordance with the terms of the lease. This amount is recorded in revenue from tenants in the consolidated statements of operations for the year ended December 31, 2018.

During the year ended December 31, 2017, the Company sold its property located in Fort Washington, Pennsylvania for net proceeds of \$12.3 million, resulting in a net gain of \$1.1 million, comprised of a \$0.4 million gain on sale and a reduction of approximately \$0.8 million in the Gain Fee payable to the Advisor (see [Note 10](#) — *Related Party Transactions* for details).

The following table summarizes the aforementioned properties sold:

Portfolio	State	Disposition Date	Number of Properties	Square Feet
<b>Properties Sold in 2019:</b>				
Crowne Group	Indiana	March 7, 2019	1	21,562
Crowne Group	Michigan	May 17, 2019	1	92,244
Talk Talk	Manchester UK	May 23, 2019	1	48,415
Family Dollar	Various U.S. States	June 28, 2019	62	518,634
Family Dollar	Various U.S. States	September 20, 2019	32	265,596
Panasonic	New Jersey	September 30, 2019	1	48,497
Achmea	Netherlands	November 1, 2019	2	190,252
RWE	Germany	December 27, 2019	3	198,138
			103	1,383,338
<b>Properties Sold in 2018:</b>				
Western Digital	California	June 8, 2018	1	286,330
Veolia Water	Ohio	July 31, 2018	1	70,000
			2	356,330
<b>Properties Sold in 2017:</b>				
Kulicke & Soffa	Pennsylvania	February 17, 2017	1	88,000

**Impairment Charges and Related Lease Intangible Write-offs**

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

During the year ended December 31, 2018, certain related entity tenants in six of the Company's properties affiliated by a common guarantor were in financial difficulties. As part of negotiations, the Company terminated the leases for the tenants of four of the properties, while the tenants of the remaining two properties continue to operate under their existing lease terms. Of these four properties with lease terminations, two were re-leased to other tenants and two were sold. Based on expected future cash flows, the Company concluded that the carrying amount was in excess of the estimated fair value of one of the properties being sold, resulting in an impairment charge of \$1.6 million. Due to the four lease terminations, the Company wrote-off related lease intangibles of \$3.4 million associated with the original tenants.

**Assets Held for Sale**

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

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

As of December 31, 2019, the Company did not have any assets held for sale. As of December 31, 2018, the Company had three properties which were not considered discontinued operations and therefore were recorded and classified as held for sale. Accordingly, the operating results of these properties remain classified within continuing operations for all periods presented. The following table details the major classes of assets associated with the properties that were classified as held for sale as of December 31, 2018:

<i>(Dollar amounts in thousands)</i>	<b>December 31, 2018</b>
Real estate investments held for sale, at cost:	
Land	\$ 19,250
Buildings, fixtures and improvements	104,221
Total real estate assets held for sale, at cost	123,471
Less accumulated depreciation and amortization	(10,569)
Total real estate investments held for sale, net	<u>\$ 112,902</u>

**Intangible Lease Assets and Lease Liabilities**

Acquired intangible lease assets and lease liabilities consist of the following:

<i>(In thousands)</i>	<b>December 31, 2019</b>			<b>December 31, 2018</b>		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying amount</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying amount</b>
<b>Intangible assets:</b>						
In-place leases	\$ 620,123	\$ 237,585	\$ 382,538	\$ 602,631	\$ 201,344	\$ 401,287
Above-market leases	31,645	12,816	18,829	41,049	14,020	27,029
Below-market ground leases <sup>(1)</sup>	—	—	—	31,871	2,384	29,487
Total acquired intangible lease assets	<u>\$ 651,768</u>	<u>\$ 250,401</u>	<u>\$ 401,367</u>	<u>\$ 675,551</u>	<u>\$ 217,748</u>	<u>\$ 457,803</u>
<b>Intangible liabilities:</b>						
Below-market leases	\$ 42,413	\$ 11,884	\$ 30,529	\$ 43,708	\$ 9,857	\$ 33,851
Above-market ground lease <sup>(1)</sup>	—	—	—	2,108	202	1,906
Total acquired intangible lease liabilities	<u>\$ 42,413</u>	<u>\$ 11,884</u>	<u>\$ 30,529</u>	<u>\$ 45,816</u>	<u>\$ 10,059</u>	<u>\$ 35,757</u>

<sup>(1)</sup> Upon adoption of ASC 842 effective January 1, 2019, intangible assets related to ground leases were reclassified to be included as part of Operating lease right-of-use assets presented on the Company's consolidated balance sheet. See [Note 2](#) — *Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements* for additional information.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

*Projected Amortization for intangible lease assets and liabilities*

The following table provides the weighted-average amortization periods as of December 31, 2019 for intangible assets and liabilities and the projected amortization expense and adjustments to revenues and property operating expense for the next five calendar years:

<i>(In thousands)</i>	Weighted-Average Amortization Years	2020	2021	2022	2023	2024
In-place leases	8.0	\$ 57,673	\$ 57,050	\$ 53,560	\$ 46,339	\$ 36,825
Total to be included as an increase to depreciation and amortization		<u>\$ 57,673</u>	<u>\$ 57,050</u>	<u>\$ 53,560</u>	<u>\$ 46,339</u>	<u>\$ 36,825</u>
Above-market lease assets	6.0	\$ 3,448	\$ 3,448	\$ 3,412	\$ 3,235	\$ 2,317
Below-market lease liabilities	11.9	(3,318)	(3,318)	(3,225)	(3,199)	(2,501)
Total to be included as a decrease to rental income		<u>\$ 130</u>	<u>\$ 130</u>	<u>\$ 187</u>	<u>\$ 36</u>	<u>\$ (184)</u>

*Geographic Concentrations*

The following table lists the countries and states where the Company has concentrations of properties where annualized rental income on a straight-line basis represented greater than 10% of consolidated annualized rental income on a straight-line basis as of December 31, 2019, 2018 and 2017.

Country / U.S. State	December 31,		
	2019	2018	2017
United States	63.0%	55.7%	48.9%
Michigan	14.6%	13.7%	*
United Kingdom	18.2%	19.0%	22.1%

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

Note 4 — Mortgage Notes Payable, Net

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

Country	Portfolio	Encumbered Properties	Outstanding Loan Amount <sup>(1)</sup>		Effective Interest Rate	Interest Rate	Maturity
			December 31, 2019	December 31, 2018			
			(In thousands)	(In thousands)			
Finland:	Finnair <sup>(2)</sup>	—	\$ —	\$ 32,501	—	—	—
	Tokmanni <sup>(2)</sup>	—	—	33,159	—	—	—
	Finland	5	82,996	—	1.8% <sup>(10)</sup>	Fixed/Variable	Feb. 2024
France:	Auchan <sup>(3)</sup>	—	—	9,498	—%	—%	—
	Pole Emploi <sup>(3)</sup>	—	—	6,637	—%	—%	—
	Sagemcom <sup>(3)</sup>	—	—	41,083	—%	—%	—
	Worldline	1	5,608	5,722	1.9% <sup>(11)</sup>	Fixed	Jul. 2020
	DCNS	1	10,655	10,872	1.5% <sup>(11)</sup>	Fixed	Dec. 2020
	ID Logistics II	2	11,776	12,016	1.3%	Fixed	Jun. 2021
Germany	Rheinmetall <sup>(4)</sup>	—	—	12,130	—	—	—
	OBI DIY <sup>(4)</sup>	—	—	5,150	—	—	—
	RWE AG <sup>(3)</sup>	—	—	71,524	—%	—%	—
	Rexam <sup>(5)</sup>	—	—	5,876	—	—	—
	Metro Tonic <sup>(5)</sup>	—	—	30,326	—	—	—
	ID Logistics I <sup>(5)</sup>	—	—	4,578	—	—	—
	Germany	5	57,761	—	1.8% <sup>(12)</sup>	Fixed/Variable	Jun. 2023
Luxembourg:	DB Luxembourg <sup>(6)</sup>	—	—	41,198	—	—	—
The Netherlands:	ING Amsterdam <sup>(6)</sup>	—	—	50,353	—	—	—
Luxembourg/The Netherlands	Benelux	3	134,587	—	1.4%	Fixed	Jun. 2024
	Total EUR denominated	17	303,383	372,623			
United Kingdom:	UK Multi-Property Cross Collateralized Loan	42	294,315	292,890	3.2% <sup>(13)</sup>	Fixed/Variable	Aug. 2023
	Total GBP denominated	42	294,315	292,890			
United States:	Quest Diagnostics <sup>(7)</sup>	—	—	52,800	—	—	—
	AT&T Services <sup>(7)</sup>	—	—	33,550	—	—	—
	Penske Logistics <sup>(8)</sup>	1	70,000	70,000	4.7%	Fixed	Nov. 2028
	Multi-Tenant Mortgage Loan I <sup>(8)</sup>	12	187,000	187,000	4.4%	Fixed	Nov. 2027
	Multi-Tenant Mortgage Loan II <sup>(8)</sup>	8	32,750	32,750	4.4%	Fixed	Feb. 2028
	Multi-Tenant Mortgage Loan III <sup>(8)</sup>	7	98,500	98,500	4.9%	Fixed	Dec. 2028
	Multi-Tenant Mortgage Loan IV <sup>(8)</sup>	16	97,500	—	4.6%	Fixed	May 2029
	Multi-Tenant Mortgage Loan V <sup>(8)</sup>	12	204,000	—	3.7%	Fixed	Oct. 2029
	Total USD denominated	56	689,750	474,600			
	Gross mortgage notes payable	115	1,287,448	1,140,113	3.4%		
Mortgage discount		(26)	(569)	—			
Deferred financing costs, net of accumulated amortization <sup>(9)</sup>		(15,268)	(9,737)	—			
Mortgage notes payable, net of deferred financing costs	115	\$ 1,272,154	\$ 1,129,807	3.4%			

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

<sup>(2)</sup> These loans were refinanced in February 2019 as part of the Finland Refinancing (see below for further details).

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

- (3) These loans were repaid in full upon maturity in December 2019.
- (4) These loans were repaid in full upon maturity in January 2019 and later encumbered in May 2019 as part of the German Refinancing (see below for further details).
- (5) These loans were refinanced in May 2019 as part of the German Refinancing (see below for further details).
- (6) These loans were refinanced in June 2019 as part of the Benelux Refinancing (see below for further details).
- (7) This loan was refinanced in September 2019 as part of the Multi-Tenant Mortgage Loan V.
- (8) The borrower's (wholly owned subsidiaries of the Company) financial statements are included within the Company's consolidated financial statements, however, the borrowers' assets and credit are only available to pay the debts of the borrowers and their liabilities constitute obligations of the borrowers.
- (9) Deferred financing costs represent commitment fees, legal fees, and other costs associated with obtaining commitments for financing. These costs are amortized over the terms of the respective financing agreements using the effective interest method. Unamortized deferred financing costs are expensed when the associated debt is refinanced or paid down before maturity. Costs incurred in seeking financial transactions that do not close are expensed in the period in which it is determined that the financing will not close.
- (10) 80% fixed as a result of a "pay-fixed" interest rate swap agreement and 20% variable. Variable portion is approximately 1.4% plus 3-month Euribor. Euribor rate in effect as of September 30, 2019.
- (11) Fixed as a result of a "pay-fixed" interest rate swap agreement.
- (12) The loan initially bore interest at a rate of 3-month Euribor plus 1.80% per annum, but, following the replacement of an easement on one property, the loan bears interest at a rate of Euribor plus 1.55% per annum beginning on October 1, 2019. 80% fixed as a result of a "pay-fixed" interest rate swap agreement and 20% variable.
- (13) 80% fixed as a result of an interest rate swap agreement and 20% variable. Variable portion is approximately 2.0% plus 3-month GBP LIBOR. LIBOR rate in effect is as of December 31, 2019.

The following table presents future scheduled aggregate principal payments on the mortgage notes payable over the next five calendar years and thereafter as of December 31, 2019:

<i>(In thousands)</i>	<b>Future Principal Payments <sup>(1)</sup></b>
2020	\$ 18,872
2021	24,548
2022	19,779
2023	316,916
2024	217,583
Thereafter	689,750
<b>Total</b>	<b>\$ 1,287,448</b>

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP and €1.00 to \$1.12 for EUR as of December 31, 2019 for illustrative purposes, as applicable.

The Company's mortgage notes payable agreements require compliance with certain property-level financial covenants including debt service coverage ratios. As of December 31, 2019, the Company was in compliance with all financial covenants under its mortgage notes payable agreements.

The total gross carrying value of unencumbered assets as of December 31, 2019 was \$1.5 billion, and approximately \$1.3 billion of this amount was included in the unencumbered asset pool comprising the borrowing base under the Revolving Credit Facility (as defined in [Note 5 — Credit Facilities](#)) and therefore is not available to serve as collateral for future borrowings.

**Multi-Tenant Mortgage Loan V**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019***Benelux Refinancing***

On June 12, 2019, the Company, through certain wholly owned subsidiaries, borrowed €120.0 million (approximately \$135.8 million based on the exchange rate on that date) from Landesbank Hessen-Thüringen Girozentrale, secured by three of the Company's properties located in the Netherlands and Luxembourg. The loan bears interest at a fixed rate of 1.38% and matures on June 11, 2024. The loan is interest-only, with the principal due at maturity. At the closing of the loan, approximately €80.3 million (approximately \$90.8 million based on the exchange rate on that date) of the net proceeds was used to repay all outstanding indebtedness encumbering two of the properties.

***German Refinancing***

On May 10, 2019, the Company, through certain wholly owned subsidiaries, borrowed €51.5 million (approximately \$57.9 million based on the exchange rate on that date) from Landesbank Hessen-Thüringen Girozentrale, secured by five of the Company's properties located in Germany. The loan is interest-only with the principal due at maturity, which is June 30, 2023. The maturity date may be extended at the Company's option to February 29, 2024, subject to conditions. The loan initially bore interest at a rate of 3-month Euribor plus 1.80% per annum, but, following the replacement of an easement on one property, the loan will bear interest going forward at a rate of Euribor plus 1.55% per annum beginning on October 1, 2019. The amount fixed by swap agreement represents 80% of the principal amount and the interest rate is fixed at 1.8%, for that portion. The net proceeds from the loan were used to repay all €35.6 million (approximately \$40.0 million based on the exchange rate on that date) outstanding in mortgage indebtedness that previously encumbered three of the properties that secure the loan.

***Multi-Tenant Mortgage Loan IV***

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

***Finland Refinancing***

On February 6, 2019, the Company, through certain wholly owned subsidiaries, borrowed an aggregate of €74.0 million (\$84.3 million based on the prevailing exchange rate on that date) secured by mortgages on the Company's five properties located in Finland. The maturity date of this loan is February 1, 2024, and it bears interest at a rate of 3-month Euribor plus 1.4% per year, with the interest rate for approximately €59.2 million (\$67.4 million based on the prevailing exchange rate on that date) fixed by an interest rate swap agreement. The amount fixed by swap agreement represents 80% of the principal amount and the interest rate is fixed at 1.8% per year. The loan is interest-only with the principal due at maturity. At the closing of the loan, €57.4 million (\$65.4 million based on the prevailing exchange rate on that date) was used to repay all outstanding indebtedness encumbering the five properties, with the remaining proceeds, after costs and fees related to the loan, available for working capital and general corporate purposes.

***Penske Logistics***

On November 14, 2018, the Company, through certain wholly owned subsidiaries entered into a mortgage loan, yielding gross proceeds of approximately \$70.0 million with a fixed rate of 4.6% and a 10-year maturity. Proceeds were used to fund a portion of the \$126.6 million purchase price to acquire a cold storage facility located in Romulus, Michigan. The borrower's (a wholly owned subsidiary of ours) financial statements are included within the Company's consolidated financial statements, however, the borrowers' assets and credit are only available to pay the debts of the borrowers and their liabilities constitute obligations of the borrowers.

***U.S. Multi-Tenant Mortgage Loan III***

On November 9, 2018, the Company, through certain wholly owned subsidiaries, entered into a multi-tenant mortgage loan, yielding gross proceeds of \$98.5 million with a fixed interest rate of 4.9% and 10-year maturity in December 2028. This multi-tenant mortgage loan is interest-only with a principal balance due on maturity, and it is secured by seven properties in six states, totaling approximately 651,313 square feet. Proceeds were used to pay down \$90.0 million of outstanding indebtedness under the Revolving Credit Facility.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

**U.K. Multi-Property Loan**

On August 13, 2018, the Company, through certain wholly owned subsidiaries, entered into a multi-tenant mortgage loan, yielding gross proceeds of £230.0 million and bearing interest at a rate of approximately 2.0% plus 3-month GBP LIBOR, maturing in August 2023. With respect to the interest, 80% of the principal amount is fixed by a swap agreement, while the remaining 20.0% of the principal remains variable. The loan is interest-only for the first two years, followed by scheduled principal amortization of £37.9 million in the final three years of the loan, with the remaining principal balance due on maturity. The loan is secured by all 43 of the Company's properties located in the United Kingdom. At closing, £209.0 million of the net proceeds were used to repay all outstanding mortgage indebtedness encumbering 38 of the 43 properties. The other five properties were unencumbered prior to the loan.

**U.S. Multi-Tenant Mortgage Loan II**

On January 26, 2018, the Company entered into a multi-tenant mortgage loan, yielding gross proceeds of \$32.8 million with a fixed interest rate of 4.3% and a 10-year maturity in February 2028. This multi-tenant mortgage loan is interest-only with a principal balance due on maturity, and it is secured by eight properties in six states, totaling approximately 627,500 square feet. Proceeds were used to pay down approximately \$30.0 million of outstanding indebtedness under the Revolving Credit Facility and for general corporate purposes and acquisitions.

**U.S. Multi-Tenant Mortgage Loan I**

On October 27, 2017, 12 wholly owned subsidiaries of the OP closed on a loan agreement with Column Financial, Inc. and Citi Real Estate Funding Inc. The Company received gross proceeds of \$187.0 million with a fixed interest rate of 4.4% and a maturity date of November 2027. This multi-tenant mortgage loan is interest-only with the principal balance due on maturity, and it is secured by 12 single tenant net leased office and industrial properties in nine states totaling approximately 2.6 million square feet.

At the closing of this multi-tenant mortgage loan, the net proceeds after accrued interest and closing costs (including \$2.2 million in expenses related to the mortgaged properties) were used to repay approximately \$120.0 million of indebtedness that was outstanding under the Revolving Credit Facility, while the remaining balance was used by the Company for general corporate purposes, including acquisitions.

**Note 5 — Credit Facilities**

The table below details the outstanding balances as of December 31, 2019 and 2018 under the credit agreement with KeyBank National Association ("KeyBank"), as agent, and the other lender parties thereto, which provides for a \$835.0 million senior unsecured multi-currency revolving credit facility (the "Revolving Credit Facility") and a €359.6 million (\$403.3 million USD based on the prevailing exchange rate as of December 31, 2019) senior unsecured term loan facility (the "Term Loan" and, together with the Revolving Credit Facility, the "Credit Facility"). On August 1, 2019, the Company, through the OP, entered into an amendment and restatement of the credit agreement related to the Credit Facility (the "Credit Facility Amendment") to, among other things, increase the aggregate total commitments, lower the interest rate and revise certain covenants.

(In thousands)	December 31, 2019				December 31, 2018			
	TOTAL USD <sup>(1)</sup>	USD	GBP	EUR	TOTAL USD <sup>(2)</sup>	USD	GBP	EUR
<b>Revolving Credit Facility</b>	\$ 199,071	\$ 62,211	£ 40,000	€ 75,000	\$ 363,894	\$ 278,625	£ 40,000	€ 30,000
Term Loan	403,258	—	—	359,551	282,069	—	—	246,481
Deferred financing costs	(5,365)	—	—	—	(3,342)	—	—	—
<b>Term Loan, Net</b>	<b>397,893</b>	<b>—</b>	<b>—</b>	<b>359,551</b>	<b>278,727</b>	<b>—</b>	<b>—</b>	<b>246,481</b>
<b>Total Credit Facility</b>	<b>\$ 596,964</b>	<b>\$ 62,211</b>	<b>£ 40,000</b>	<b>€ 434,551</b>	<b>\$ 642,621</b>	<b>\$ 278,625</b>	<b>£ 40,000</b>	<b>€ 276,481</b>

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP and €1.00 to \$1.12 for EUR as of December 31, 2019 for illustrative purposes, as applicable.

<sup>(2)</sup> Assumes exchange rates of £1.00 to \$1.27 for GBP and €1.00 to \$1.14 for EUR as of December 31, 2018 for illustrative purposes, as applicable.

**Credit Facility - Terms**

On July 24, 2017, the Company, through the OP, entered into a credit agreement with KeyBank. Based on USD equivalents at closing, on July 24, 2017, the aggregate total commitments under the Credit Facility were \$725.0 million. On July 2, 2018, upon



GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

the Company's request, the lenders under the Credit Facility increased the aggregate total commitments from \$722.2 million to \$914.4 million, based on prevailing exchange rates on that date, with approximately \$132.0 million of the increase allocated to the Revolving Credit Facility and approximately €51.8 million (\$60.2 million based on the prevailing exchange rate on that date) allocated to the Term Loan. The Company used all the proceeds from the increased borrowings under the Term Loan to repay amounts outstanding under the Revolving Credit Facility. Under the Credit Facility Amendment, the aggregate total commitments under the Credit Facility were increased to \$1.235 billion, based on the USD equivalent on August 1, 2019, the date of the closing.

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

The Credit Facility consists of two components, a Revolving Credit Facility and a Term Loan, both of which are interest only. Prior to the Credit Facility Amendment, the Revolving Credit Facility was scheduled to mature on July 24, 2021, subject to one one-year extension at the Company's option, and the Term Loan was scheduled to mature on July 24, 2022. Following the Credit Facility Amendment, the Revolving Credit Facility matures on August 1, 2023, subject to two six-month extensions at the Company's option, and the Term Loan matures on August 1, 2024. Borrowings under the Credit Facility bear interest at a variable rate per annum based on an applicable margin that varies based on the ratio of consolidated total indebtedness and the consolidated total asset value of the Company and its subsidiaries plus either (i) LIBOR, as applicable to the currency being borrowed, or (ii) a "base rate" equal to the greatest of (a) KeyBank's "prime rate," (b) 0.5% above the Federal Funds Effective Rate or (c) 1.0% above one-month LIBOR. Prior to the Credit Facility Amendment, the range of applicable interest rate margins was from 0.60% to 1.20% per annum with respect to base rate borrowings and 1.60% to 2.20% per annum with respect to LIBOR borrowings. Following the Credit Facility Amendment, the applicable interest rate margin is based on a range from 0.45% to 1.05% per annum with respect to base rate borrowings under the Revolving Credit Facility, 1.45% to 2.05% per annum with respect to LIBOR borrowings under the Revolving Credit Facility, 0.4% to 1.00% per annum with respect to base rate borrowings under the Term Loan and 1.40% to 2.00% per annum with respect to LIBOR borrowings under the Term Loan. The Credit Facility Amendment also added terms governing the establishment of a replacement index to serve as an alternative to LIBOR, if necessary. As of December 31, 2019, the Credit Facility had a weighted average effective interest rate of 2.2% after giving effect to interest rate swaps in place.

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

The availability of borrowings under the Revolving Credit Facility is based on the value of a pool of eligible unencumbered real estate assets owned by the Company and compliance with various ratios related to those assets and the Credit Facility Amendment also included amendments to provisions governing the calculation of the value of the borrowing base. As of December 31, 2019, approximately \$204.1 million was available for future borrowings under the Revolving Credit Facility. Any future borrowings may, at the option of the Company, be denominated in USD, EUR, Canadian Dollars, British Pounds Sterling ("GBP") or Swiss Francs. Amounts borrowed may not, however, be converted to, or repaid in, another currency once borrowed. The Term Loan is denominated in EUR.

The availability of borrowings under the Revolving Credit Facility is based on the value of a pool of eligible unencumbered real estate assets owned by the Company and compliance with various ratios related to those assets. As of June 30, 2019, the Company had an outstanding balance of \$259.5 million under the Revolving Credit Facility and an outstanding balance of \$277.4 million under the Term Loan, net of deferred financing costs. Following the closing of the Credit Facility Amendment, the entire €359.6 million (\$400.0 million based on USD equivalents) total commitment with the respect to the Term Loan component was outstanding, and \$170.7 million of the \$835.0 million total commitment with the respect to the Revolving Credit Facility component was outstanding. Based on USD equivalents, this represented an increase of \$39.4 million in the aggregate amount outstanding under the Credit Facility. In April 2019, the Company, through certain wholly owned subsidiaries, entered into a new loan agreement with Column Financial, Inc. and Société Générale Financial Corporation secured by 16 of the Company's single tenant net leased

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

office and industrial properties located in 12 states that were simultaneously removed from the borrowing base under the Revolving Credit Facility. For additional information, see [Note 4](#) — *Mortgage Notes Payable, net*.

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

The Credit Facility Amendment also revised certain affirmative and negative covenants on the OP, the Company and certain of its subsidiaries including financial covenants and the covenant restricting the payment of distributions. The revisions to the restrictive covenants with respect to distributions increased the maximum amount the Company may use to pay cash distributions. Under the terms of the Credit Facility, the Company may not pay distributions, including cash dividends payable with respect to Common Stock, Series A Preferred Stock, Series B Preferred Stock or any other class or series of stock the Company may issue in the future, or redeem or otherwise repurchase shares of Common Stock, Series A Preferred Stock, Series B Preferred Stock, or any other class or series of stock the Company may issue in the future that exceed a threshold level of the Company’s Adjusted FFO, as defined in the Credit Facility (which is different from AFFO disclosed in this Annual Report on Form 10-K). Pursuant to the Credit Facility Amendment, this maximum threshold was increased from 95% to 100% of the Company’s Adjusted FFO for any period of four consecutive fiscal quarters, except in limited circumstances, including that for one fiscal quarter in each calendar year, the Company may pay cash dividends and other distributions, and make redemptions and other repurchases in an aggregate amount equal to no more than 100% of its Adjusted FFO prior to the Credit Facility Amendment and 105% of Adjusted AFFO after the Credit Facility Amendment. Following the Credit Facility Amendment, from and after the time the Company obtains and continues to maintain an investment grade rating, the limitation on distributions discussed above will not be applicable. The Company used the exception to pay dividends that were between 95% of Adjusted FFO to 100% of Adjusted FFO during the quarter ended on March 31, 2019.

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

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

In connection with the Company’s replacement of its Prior Credit Facility (see definition below) with its Credit Facility, and the change in borrowings by currency resulting therefrom, the Company terminated its existing £160.3 million notional GBP-LIBOR interest rate swap and entered into a new £150.0 million notional five year USD-LIBOR interest rate swap. Additionally, the Company novated its existing £224.4 million notional Euribor interest rate swap from its existing counterparty to a new counterparty.

Prior Credit Facility

On July 24, 2017, the Company terminated a credit facility (as amended from time to time, the “Prior Credit Facility”) and repaid the outstanding balance of \$725.8 million (based on USD equivalents on that date comprising €255.7 million, £160.2 million and \$221.6 million) of which \$720.9 million was repaid with proceeds from the Credit Facility (as described below) and \$4.9 million from cash on hand.

The Prior Credit Facility, which was entered into in July 25, 2013, provided for borrowings of up to \$740.0 million (subject to borrowing base availability). Under the Prior Credit Facility, the Company had the option to have draws under the Prior Credit Facility priced at either the Alternate Base Rate (as described below) plus, depending upon the Company’s consolidated leverage ratio, 0.60% to 1.20% or at Adjusted LIBOR (as described below) plus, depending upon the Company’s consolidated leverage ratio, 1.60% to 2.20%. The Alternate Base Rate was defined in the Prior Credit Facility as a rate per annum equal to the greatest of (a) the fluctuating annual rate of interest announced from time to time by the lender as its “prime rate” in effect on such day,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019**

(b) the federal funds effective rate in effect on such day plus half of 1%, and (c) the Adjusted LIBOR for a one-month interest period on such day plus 1%. Adjusted LIBOR was defined as LIBOR multiplied by the statutory reserve rate, as determined by the Federal Reserve System of the United States. The Prior Credit Facility agreement required the Company to pay an unused fee per annum of 0.25% if the unused balance of the Prior Credit Facility exceeded or was equal to 50% of the available facility or a fee per annum of 0.15% if the unused balance of the Prior Credit Facility was less than 50% of the available facility.

***Mezzanine Facility***

In December 2016, in connection with the Company's merger with American Realty Capital Global Trust II, Inc., which was then advised by an affiliate of the Advisor, the Company assumed the mezzanine loan agreement (the "Mezzanine Facility") with an estimated aggregate fair value of \$107.0 million and which provided for aggregate borrowings up to €128.0 million subject to certain conditions. The Mezzanine Facility bore interest at 8.25% per annum, payable quarterly, and was scheduled to mature on August 13, 2017. On March 30, 2017, the Company terminated the Mezzanine Facility agreement and repaid in full the outstanding balance of \$56.5 million (or €52.7 million).

**Note 6 — Fair Value of Financial Instruments**

The Company determines fair value based on quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. This alternative approach also reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The guidance defines three levels of inputs that may be used to measure fair value:

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

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

*Level 3* — Unobservable inputs that reflect the entity's own assumptions about the assumptions that market participants would use in the pricing of the asset or liability and are consequently not based on market activity, but rather through particular valuation techniques.

The determination of where an asset or liability falls in the hierarchy requires significant judgment and considers factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company evaluates its hierarchy disclosures each quarter and depending on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter. However, the Company expects that changes in classifications between levels will be rare.

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

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

***Financial Instruments Measured at Fair Value on a Recurring Basis***

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

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

<i>(In thousands)</i>	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
<b>December 31, 2019</b>				
Foreign currency forwards, net (GBP & EUR)	\$ —	\$ 2,726	\$ —	\$ 2,726
Interest rate swaps, net (USD, GBP & EUR)	\$ —	\$ (6,082)	\$ —	\$ (6,082)
<b>December 31, 2018</b>				
Foreign currency forwards, net (GBP & EUR)	\$ —	\$ 5,472	\$ —	\$ 5,472
Interest rate swaps, net (USD, GBP & EUR)	\$ —	\$ (628)	\$ —	\$ (628)
2018 OPP <sup>(1)</sup>	\$ —	\$ —	\$ (18,804)	\$ (18,804)

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

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

A review of the fair value hierarchy classification is conducted on a quarterly basis. Changes in the type of inputs may result in a reclassification for certain assets. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the years ended December 31, 2019 or 2018.

**Level 3 Valuations**

As discussed above, the 2018 OPP is no longer measured at fair value on a recurring basis and in accordance with newly adopted accounting rules is being amortized on a straight-line basis beginning on January 1, 2019 (see [Note 2](#) — *Summary of Significant Accounting Policies — Recently Issued Accounting Pronouncements* and see [Note 12](#) — *Equity-Based Compensation* for additional information). The following is a reconciliation of the beginning and ending balance for the changes in the fair value of the 2018 OPP, prior to the adoption on ASU 2018-07 described above, for the year ended December 31, 2019:

<i>(In thousands)</i>	<b>2018 OPP</b>
Beginning Value as of December 31, 2017	\$ —
Initial value	27,600
Fair value adjustment	(8,796)
Ending Value as of December 31, 2018	\$ 18,804

The following table provides quantitative information about the significant Level 3 inputs used (in thousands):

<b>Financial Instrument</b>	<b>Fair Value at December 31, 2019</b>	<b>Principal Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Input Value</b>
	<i>(In thousands)</i>			
2018 OPP	\$ 18,804	Monte Carlo Simulation	Expected volatility	23.0%

The following discussion provides a description of the impact on a fair value measurement of a change in each unobservable input in isolation. For the relationship described below, the inverse relationship would also generally apply.

Expected volatility is a measure of the variability in possible returns for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time. Generally, the higher the expected volatility of the underlying instrument, parameter or market index, the wider the range of potential future returns. An increase in expected volatility, in isolation, would generally result in an increase in the fair value measurement of an instrument.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

**Financial Instruments not Measured at Fair Value on a Recurring Basis**

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

(In thousands)	Level	December 31, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage notes payable <sup>(1)(2)</sup>	3	\$ 1,272,154	\$ 1,339,931	\$ 1,129,807	\$ 1,157,710
Revolving Credit Facility <sup>(3)</sup>	3	\$ 199,071	\$ 210,997	\$ 363,894	\$ 365,591
Term Loan <sup>(3) (4)</sup>	3	\$ 397,893	\$ 403,631	\$ 278,727	\$ 283,558

<sup>(1)</sup> Carrying value includes \$1.3 billion gross mortgage notes payable less \$26,000 of mortgage discounts and \$15.3 million of deferred financing costs as of December 31, 2019.

<sup>(2)</sup> Carrying value includes \$1.1 billion gross mortgage notes payable less \$0.6 million of mortgage discounts and \$9.7 million of deferred financing costs as of December 31, 2018.

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

<sup>(4)</sup> Carrying value includes \$403.3 million and \$282.1 million gross Term Loan payable less \$5.4 million and \$3.3 million of deferred financing costs as of December 31, 2019 and 2018, respectively.

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

**Note 7 — Derivatives and Hedging Activities**

**Risk Management Objective of Using Derivatives**

The Company may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with its borrowings. Certain of the Company's foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of the Company's cash receipts and payments in terms of the Company's functional currency. The Company enters into derivative financial instruments to help protect the value or fix the amount of certain obligations in terms of its functional currency, the USD.

The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure as well as to hedge specific anticipated transactions. The Company does not intend to utilize derivatives for speculative or other purposes other than interest rate and currency risk management. The use of derivative financial instruments carries certain risks, including the risk that any counterparty to a contractual arrangement may not be able to perform under the agreement. To mitigate this risk, the Company only enters into a derivative financial instrument with a counterparty with a high credit rating with a major financial institution which the Company and its affiliates may also have other financial relationships with. The Company does not anticipate that any such counterparty will fail to meet its obligations.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

<i>(In thousands)</i>	Balance Sheet Location	December 31,	
		2019	2018
<b>Derivatives designated as hedging instruments:</b>			
Interest rate "pay-fixed" swaps (USD)	Derivative assets, at fair value	\$ —	\$ 3,258
Interest rate "pay-fixed" swaps (USD)	Derivative liabilities, at fair value	(939)	—
Interest rate "pay-fixed" swaps (GBP)	Derivative assets, at fair value	366	—
Interest rate "pay-fixed" swaps (GBP)	Derivative liabilities, at fair value	(4,524)	(1,157)
Interest rate "pay-fixed" swaps (EUR)	Derivative assets, at fair value	228	—
Interest rate "pay-fixed" swaps (EUR)	Derivative liabilities, at fair value	(1,139)	(1,443)
Total		\$ (6,008)	\$ 658
<b>Derivatives not designated as hedging instruments:</b>			
Foreign currency forwards (GBP-USD)	Derivative assets, at fair value	\$ 1,205	\$ 3,247
Foreign currency forwards (GBP-USD)	Derivative liabilities, at fair value	(831)	—
Foreign currency forwards (EUR-USD)	Derivative assets, at fair value	2,352	2,225
Interest rate swaps (EUR)	Derivative liabilities, at fair value	(74)	(1,286)
Total		\$ 2,652	\$ 4,186

**Cash Flow Hedges of Interest Rate Risk**

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

Effective January 1, 2019, all of the changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in AOCI and are subsequently reclassified into earnings in the period that the hedged forecasted transaction impacts earnings. During the year ended December 31, 2019, such derivatives were used to hedge the variable cash flows associated with variable-rate debt. Prior to January 1, 2019, the ineffective portion of the change in fair value of the derivatives was recognized directly in earnings and as a result, during the years ended December 31, 2018 and 2017, the Company recorded a loss of \$0.4 million and a gain of \$0.2 million respectively.

Additionally, during the years ended December 31, 2019, 2018 and 2017, the Company accelerated the reclassification of amounts in other comprehensive income to earnings as a result of the hedged forecasted transactions becoming probable not to occur. The accelerated amounts were losses of \$0.1 million, \$0.1 million and \$1.1 million for the years ended December 31, 2019, 2018 and 2017, respectively. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next 12 months ending December 31, 2020, the Company estimates that an additional \$3.0 million will be reclassified from other comprehensive income as an increase to interest expense.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

As of December 31, 2019 and 2018, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Derivatives	December 31,			
	2019		2018	
	Number of Instruments	Notional Amount	Number of Instruments	Notional Amount
		<i>(In thousands)</i>		<i>(In thousands)</i>
Interest rate “pay-fixed” swaps (GBP)	49	\$ 290,965	48	\$ 234,312
Interest rate “pay-fixed” swaps (EUR)	16	521,471	13	212,255
Interest rate “pay-fixed” swaps (USD)	3	150,000	3	150,000
Total	68	\$ 962,436	64	\$ 596,567

In connection with a multi-property loan which refinanced all of the Company’s mortgage notes payable secured by its properties located in Finland during the first quarter of 2019 (see [Note 4 — Mortgage Notes Payable, Net](#)), the Company terminated five interest rate swaps with an aggregate notional amount of €57.4 million for a payment of approximately \$0.8 million. Following these terminations, \$0.7 million was recorded in AOCI and is being recorded as an adjustment to interest expense over the term of the original EUR hedges and respective borrowings. Of the amount recorded in AOCI following these terminations, approximately \$0.4 million was recorded as an increase to interest expense for the year ended December 31, 2019 and approximately \$0.3 million remained in AOCI as of December 31, 2019.

In connection with a multi-property loan which refinanced all of the Company’s mortgage notes payable denominated in GBP (see [Note 4 — Mortgage Notes Payable, Net](#)) the Company terminated 15 interest rate swaps with an aggregate notional amount of £208.8 million and one floor with a notional amount of £28.1 million. Following these terminations, the amount relating to GBP borrowings still outstanding of approximately \$1.2 million was recorded in AOCI and is being recorded as an adjustment to interest expense over the term of the original GBP hedges and respective borrowings. Of the amount recorded in AOCI following these terminations, \$0.6 million and \$0.4 million was recorded as an increase to interest expense for the years ended December 31, 2019 and 2018 and approximately \$0.2 million remained in AOCI as of December 31, 2019.

In connection with the July 24, 2017 refinancing of the Prior Credit Facility, the Company terminated an interest rate swap with notional amount of £160.0 million for a payment of \$1.5 million. This swap was designated as a cash flow hedge on the Company’s GBP borrowings which were partially paid off. As a result of the termination, the Company accelerated the reclassification of amounts in other comprehensive income to earnings as a result of the hedged forecasted transactions becoming probable not to occur. The portion of the termination payment relating to the GBP borrowings that were paid off resulted in a charge to earnings of \$1.1 million, included in losses on derivative instruments for the year ended December 31, 2017. The remaining amount relating to GBP borrowings still outstanding remained in AOCI and was recorded as an adjustment to interest expense over the term of the related GBP borrowings. During the remainder of 2017 and the year ended December 31, 2018, \$0.2 million and \$0.2 million, respectively, was recorded as an increase to interest expense and there was no remaining amount in AOCI as of December 31, 2018.

In connection with the July 24, 2017 refinancing of the Prior Credit Facility, the Company novated an interest rate swap with a notional amount of €224.0 million. Subsequent to the novation, the swap no longer qualified for hedge accounting. The interest swap liability of \$0.7 million at was recorded in AOCI and was recorded as an adjustment to interest expense over the term of the related LIBOR borrowings. During the remainder of 2017 and the year ended December 31, 2018, \$0.3 million and \$0.4 million was recorded as an increase to interest expense and there was no remaining amount in AOCI as of December 31, 2018. Subsequent changes in the value of the swap were reflected in earnings.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

The table below details the location in the consolidated financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for the years ended December 31, 2019, 2018 and 2017:

<i>(In thousands)</i>	Year Ended December 31,		
	2019	2018	2017
Amount of gain (loss) recognized in AOCI from derivatives	\$ (9,047)	\$ 2,739	\$ (12,893)
Amount of loss reclassified from AOCI into income as interest expense	\$ (2,439)	\$ (3,746)	\$ (6,029)
Amount of loss recognized on derivative instruments (ineffective portion, reclassifications of missed forecasted transactions and amounts excluded from effectiveness testing)	\$ —	\$ (559)	\$ (931)
Total interest expense recorded in the consolidated statements of operations	\$ 64,199	\$ 57,973	\$ 48,450

**Net Investment Hedges**

The Company is exposed to fluctuations in foreign currency exchange rates on property investments in foreign countries which pay rental income, incur property related expenses and hold debt instruments in currencies other than its functional currency, the USD. Until the third quarter of 2018, when it ceased doing so the Company used foreign currency derivatives that were designated as net investment hedges, including cross currency swaps to hedge its exposure to changes in foreign exchange rates on certain of its foreign investments. Cross currency swaps involve fixing the applicable exchange rate for delivery of a specified amount of foreign currency on specified dates. As of December 31, 2019 and 2018 the Company did not have foreign currency derivatives that were designated as net investment hedges used to hedge its net investments in foreign operation.

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

**Foreign Denominated Debt Designated as Net Investment Hedges**

Effective May 17, 2015, all foreign currency draws under the Prior Credit Facility were designated as net investment hedges. As such, the effective portion of changes in value due to currency fluctuations are reported in AOCI (outside of earnings) as part of the cumulative translation adjustment. The undesignated portion of the change in fair value of the derivatives is recognized directly in earnings. Amounts are reclassified out of AOCI into earnings when the hedged net investment is either sold or substantially liquidated, or if the Company should no longer possess a controlling interest. The Company records adjustments to earnings for currency impacts related to undesignated excess positions, if any. There were no undesignated excess positions at any time during the years ended December 31, 2019 and 2018. The Company recorded a loss of \$3.7 million for the year ended December 31, 2017 due to currency changes on the undesignated excess foreign currency advances over the related net investments.

Additionally, in connection with the July 24, 2017 refinancing of the Prior Credit Facility, the Company terminated a cross-currency swap with a notional amount of £49.1 million for a payment of \$10.6 million. This swap was designated as a net investment hedge on the Company's EUR investments, and this swap is still outstanding. The termination payment amount will remain in AOCI until the hedged item is liquidated.

**Non-Designated Derivatives**

The Company is exposed to fluctuations in the exchange rates of its functional currency, the USD, against the GBP and the EUR. The Company has used and may continue to use foreign currency derivatives including options, currency forward and cross currency swap agreements to manage its exposure to fluctuations in GBP-USD and EUR-USD exchange rates. While these derivatives are economically hedging the fluctuations in foreign currencies, they do not meet the strict hedge accounting requirements to be classified as hedging instruments. Changes in the fair value of derivatives not designated as hedges under qualifying hedging relationships are recorded directly in net income (loss). The Company recorded a gain of \$0.9 million, a gain of \$7.8 million and a loss of \$7.1 million on the non-designated hedges for the years ended December 31, 2019, 2018 and 2017, respectively.



GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

Derivatives	December 31, 2019		December 31, 2018	
	Number of Instruments	Notional Amount	Number of Instruments	Notional Amount
		<i>(In thousands)</i>		<i>(In thousands)</i>
Foreign currency forwards (GBP - USD)	38	\$ 38,898	50	\$ 43,000
Foreign currency forwards (EUR - USD)	32	27,478	38	39,500
Interest rate swaps (EUR)	1	10,655	5	138,625
Total	71	\$ 77,031	93	\$ 221,125

**Offsetting Derivatives**

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

<i>(In thousands)</i>	Gross Amounts of Recognized Assets	Gross Amounts of Recognized (Liabilities)	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets (Liabilities) presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet		Net Amount
					Financial Instruments	Cash Collateral Received (Posted)	
December 31, 2019	\$ 4,151	\$ (7,507)	\$ —	\$ (3,356)	\$ —	\$ —	\$ (3,356)
December 31, 2018	\$ 8,730	\$ (3,886)	\$ —	\$ 4,844	\$ —	\$ —	\$ 4,844

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

**Credit-Risk-Related Contingent Features**

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

As of December 31, 2019, the fair value of derivatives in net liability position including accrued interest but excluding any adjustment for nonperformance risk related to these agreements was \$7.8 million. As of December 31, 2019, the Company had not posted any collateral related to these agreements and was not in breach of any agreement provisions. If the Company had breached any of these provisions, it could have been required to settle its obligations under the agreements at their aggregate termination value.

**Note 8 — Stockholders' Equity**

**Common Stock**

As of December 31, 2019 and 2018, the Company had 89,458,752 and 76,080,625, respectively, shares of Common Stock outstanding, respectively, excluding unvested restricted stock units in respect of shares of Common Stock ("RSUs") and long-term incentive plan units of limited partner interest in the OP ("LTIP Units"). LTIP Units may be convertible into shares of Common Stock in the future.

**ATM Program — Common Stock**

The Company has an "at the market" equity offering program (the "Common Stock ATM Program") pursuant to which the Company may sell shares of Common Stock, from time to time through its sales agents.

- During the three months ended March 31, 2019, the Company sold 7,759,322 shares of Common Stock through the Common Stock ATM Program for gross proceeds of \$152.7 million, before commissions paid of \$1.5 million and additional issuance costs of \$0.8 million. Following these sales, the Company had raised all \$175.0 million contemplated by its existing equity distribution agreement related to the Common Stock ATM Program. In February 2019, the Company terminated its existing equity distribution agreement and entered into a new equity distribution agreement with substantially

the same sales agents on substantially the same terms. Under the new equity distribution agreement, through December 31, 2019, the Company sold 5,596,452 shares of Common Stock for gross proceeds of \$109.9 million, before commissions paid of \$1.6 million and additional issuance costs of \$0.4 million. In total, during the year ended December 31, 2019, the Company sold 13,355,773 shares of Common Stock for gross proceeds of \$262.6 million, before commissions paid of \$3.2 million and additional issuance costs of \$1.2 million.

- During the year ended December 31, 2018, the Company sold 164,927 shares of Common Stock through the Common Stock ATM Program for gross proceeds of \$3.5 million, before commissions paid of \$35,140 and additional issuance costs of \$0.3 million.
- During the year ended December 31, 2017, the Company sold 820,988 shares of Common Stock through the Common Stock ATM Program for gross sales proceeds of \$18.7 million, before issuance costs of \$0.4 million.

Commissions paid and issuance cost are recorded in additional paid-in capital on the consolidated balance sheets.

#### Underwritten Offerings — Common Stock

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

On November 28, 2018, the Company completed the issuance and sale of 4,000,000 shares of Common Stock in an underwritten public offering at a price per share of \$20.20. The gross proceeds from this offering were \$80.8 million before deducting the underwriting discount of \$3.2 million and additional offering expenses of \$0.1 million.

#### ***Preferred Stock***

The Company is authorized, after an amendment to its charter on December 13, 2019, to issue up to 30,000,000 shares of Preferred Stock.

- The Company has classified and designated 9,959,650 and 13,409,650 as authorized shares of its 7.25% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share ("Series A Preferred Stock"), as of December 31, 2019 and December 31, 2018, respectively. The Company had 6,799,467 and 5,416,890 shares of Series A Preferred Stock issued and outstanding, as of December 31, 2019 and December 31, 2018, respectively.
- The Company has classified and designated, after an amendment to its charter on December 13, 2019, 11,450,000 as authorized shares of its 6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share ("Series B Preferred Stock"), as of December 31, 2019. The Company had 3,450,000 shares of Series B Preferred Stock issued and outstanding, as of December 31, 2019 (see the *Underwritten Offering — Series B Preferred Stock* section below for additional information).

#### ATM Programs — Series A Preferred Stock and Series B Preferred Stock

In March 2018, the Company established an "at the market" equity offering program for its Series A Preferred Stock (the "Series A Preferred Stock ATM Program") pursuant to which the Company was permitted to raise aggregate sales proceeds of \$200.0 million through sales of shares of Series A Preferred Stock from time to time through its sales agents. In November 2019, the Company terminated the Series A Preferred Stock ATM Program.

- During the year ended December 31, 2019, the Company sold 1,382,577 shares of Series A Preferred Stock through the Series A Preferred Stock ATM Program for gross proceeds of \$35.3 million, before commissions paid of \$0.5 million and additional issuance costs of \$0.2 million. In November 2019, the Company terminated the Series A Preferred Stock ATM Program.
- During the year ended December 31, 2018, the Company sold 7,240 shares of Series A Preferred Stock through the Series A Preferred Stock ATM Program for gross proceeds of \$0.2 million, before commissions paid of \$2,724 and additional issuance costs of \$0.4 million.

In December 2019, the Company established an "at the market" equity offering program for its Series B Preferred Stock (the "Series B Preferred Stock ATM Program") pursuant to which the Company may raise aggregate sales proceeds of \$200.0 million through sales of Series B Preferred Stock from time to time through its sales agents. The Company did not sell any shares of Series B Preferred Stock through the Series B Preferred Stock ATM Program during 2019.

#### Underwritten Offerings — Series A Preferred Stock

On September 7, 2017, the Company completed the initial issuance and sale of 4,000,000 shares of the Series A Preferred Stock in an underwritten public offering at a public offering price equal to the liquidation preference of \$25.00 per share, and, on October 11, 2017, the Company issued and sold an additional 259,650 shares of Series A Preferred Stock pursuant to the underwriters' partial exercise of their option to purchase additional shares in accordance with terms of the underwriting agreement. The gross proceeds from this offering were \$106.5 million before deducting the underwriting discount of \$3.4 million and additional offering expenses of \$0.5 million.

On December 14, 2017, the Company completed the issuance and sale of 1,150,000 shares of the Series A Preferred Stock (including 150,000 shares pursuant to the underwriter's exercise of its option to purchase additional shares in full) in an underwritten public offering at a public offering price equal to the liquidation preference of \$25.00 per share. The gross proceeds from this offering were \$28.8 million before deducting the underwriting discount of \$0.8 million and additional offering expenses of \$0.2 million.

#### Series A Preferred Stock - Terms

Holders of Series A Preferred Stock are entitled to cumulative dividends in an amount equal to \$1.8125 per share each year, which is equivalent to the rate of 7.25% of the \$25.00 liquidation preference per share per annum. The Series A Preferred Stock has no stated maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. On and after September 12, 2022, at any time and from time to time, the Series A Preferred Stock is redeemable in whole or in part, at the Company's option, at a cash redemption price of \$25.00 per share plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date. In addition, upon the occurrence of a Delisting Event or a Change of Control (each as defined in the articles supplementary governing the terms of the Series A Preferred Stock (the "Articles Supplementary"), the Company may, subject to certain conditions, at its option, redeem the Series A Preferred Stock, in whole but not in part, within 90 days after the first date on which the Delisting Event occurred or within 120 days after the first date on which the Change of Control occurred, as applicable, by paying the liquidation preference of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date. If the Company does not exercise these redemption rights upon the occurrence of a Delisting Event or a Change of Control, the holders of Series A Preferred Stock will have certain rights to convert Series A Preferred Stock into shares of Common Stock based on a defined formula subject to a cap whereby the holders of Series A Preferred Stock may receive a

maximum of 2.301 shares of Common Stock (as adjusted for any stock splits) per share of Series A Preferred Stock. The necessary conditions to convert the Series A Preferred Stock into Common Stock have not been met as of December 31, 2019. Therefore, Series A Preferred Stock will not impact Company's earnings per share calculations.

The Series A Preferred Stock ranks senior to the Common Stock, with respect to dividend rights and rights upon the Company's voluntary or involuntary liquidation, dissolution or winding up.

Voting rights for holders of Series A Preferred Stock exist primarily with respect to the ability to elect two additional directors to the Company's board of directors if six or more quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on amendments to the Company's charter (which includes the Articles Supplementary) that materially and adversely affect the rights of the Series A Preferred Stock or create additional classes or series of shares of the Company's capital stock that are senior to the Series A Preferred Stock. Other than the limited circumstances described above and in the Articles Supplementary, holders of Series A Preferred Stock do not have any voting rights.

#### Underwritten Offering — Series B Preferred Stock

On November 20, 2019, the Company completed the issuance and sale of 3,450,000 shares of Series B Preferred Stock (including 450,000 shares pursuant to the underwriters' partial exercise of their option to purchase additional shares in accordance with terms of the underwriting agreement) in an underwritten public offering at a public offering price equal to the liquidation preference of \$25.00 per share. The gross proceeds from this offering were approximately \$86.2 million before deducting the underwriting discount of \$2.7 million and additional offering expenses of \$0.5 million.

#### Series B Preferred Stock - Terms

Holders of Series B Preferred Stock are entitled to cumulative dividends in an amount equal to \$1.71875 per share each year, which is equivalent to the rate of 6.875% of the \$25.00 liquidation preference per share per annum. The Series B Preferred Stock has no stated maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. On and after November 26, 2024, at any time and from time to time, the Series B Preferred Stock will be redeemable in whole or in part, at the Company's option, at a cash redemption price of \$25.00 per share plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date. In addition, upon the occurrence of a Delisting Event or a Change of Control (each as defined in the articles supplementary governing the terms of the Series B Preferred Stock (the "Series B Articles Supplementary"), the Company may, subject to certain conditions, at its option, redeem the Series B Preferred Stock, in whole but not in part, within 90 days after the first date on which the Delisting Event occurred or within 120 days after the first date on which the Change of Control occurred, as applicable, by paying the liquidation preference of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date. If the Company does not exercise these redemption rights upon the occurrence of a Delisting Event or a Change of Control, the holders of Series B Preferred Stock will have certain rights to convert Series B Preferred Stock into shares of Common Stock based on a defined formula subject to a cap whereby the holders of Series B Preferred Stock may receive a maximum of 2.5126 shares of Common Stock (as adjusted for any stock splits) per share of Series B Preferred Stock. The necessary conditions to convert the Series B Preferred Stock into Common Stock have not been met as of December 31, 2019. Therefore, Series B Preferred Stock will not impact Company's earnings per share calculations.

The Series B Preferred Stock ranks senior to the Common Stock, with respect to dividend rights and rights upon the Company's voluntary or involuntary liquidation, dissolution or winding up, and on parity with the Series A Preferred Stock.

Voting rights for holders of Series B Preferred Stock exist primarily with respect to the ability to elect two additional directors to the Company's board of directors if six or more quarterly dividends (whether or not consecutive) payable on the Series B Preferred Stock are in arrears, and with respect to voting on amendments to the Company's charter (which includes the Series B Articles Supplementary) that materially and adversely affect the rights of the Series B Preferred Stock or create additional classes or series of shares of the Company's capital stock that are senior to the Series B Preferred Stock. Other than the limited circumstances described above and in the Series B Articles Supplementary, holders of Series B Preferred Stock do not have any voting rights.

#### Dividends

##### Common Stock Dividends

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

The following table details from a tax perspective, the portion of cash paid for common stock dividends, during the years presented, classified as return of capital and ordinary dividend income, per share per annum:

<i>(In thousands)</i>	Year Ended December 31,					
	2019		2018		2017	
Return of capital	\$ 1.23	69.1%	\$ 1.57	73.7%	\$ 0.39	18.3%
Ordinary dividend income	0.55	30.9%	0.56	26.3%	1.74	81.7%
Total	\$ 1.78	100.0%	\$ 2.13	100.0%	\$ 2.13	100.0%

##### Series A Preferred Stock Dividends

Dividends on Series A Preferred Stock accrue in an amount equal to \$0.453125 per share per quarter to Series A Preferred Stock holders, which is equivalent to 7.25% of the \$25.00 liquidation preference per share of Series A Preferred Stock per annum. Dividends on the Series A Preferred Stock are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or, if not on a business day, on the next succeeding business day) to holders of record at the close of business on the record date set by the Company's board of directors, which must be not more than 30 nor fewer than 10 days prior to the applicable payment date. All dividends paid on the Series A Preferred Stock were considered 100% ordinary dividend income.

#### Series B Preferred Stock Dividends

Dividends on Series B Preferred Stock accrue in an amount equal to \$0.429688 per share per quarter to Series B Preferred Stock holders, which is equivalent to 6.875% of the \$25.00 liquidation preference per share of Series B Preferred Stock per annum. Dividends on the Series B Preferred Stock are payable quarterly in arrears on the 15th day of January, April, July and October of each year (or, if not on a business day, on the next succeeding business day) to holders of record at the close of business on the record date set by the Company's board of directors.

#### **Note 9 — Commitments and Contingencies**

##### *Lessee Arrangements — Ground Leases*

The Company leases land under ground leases for eight of its properties with lease durations ranging from 16 to 85 years as of December 31, 2019. On January 1, 2019, the Company adopted ASU 2016- 02 and recorded ROU assets and lease liabilities related to these ground leases, which are all considered operating leases under the new standard (see [Note 2](#) — *Summary of Significant Accounting Policies* for additional information on the impact of adopting the new standard).

As of December 31, 2019, the Company's balance sheet includes ROU assets and liabilities of \$50.2 million and \$24.0 million, respectively. In determining operating ROU assets and lease liabilities for the Company's existing operating leases upon the adoption of the new lease guidance as well as for new operating leases in the current period, the Company was required to estimate an appropriate incremental borrowing rate on a fully-collateralized basis for the terms of the leases. Since the terms of the Company's ground leases are significantly longer than the terms of borrowings available to the Company on a fully-collateralized basis, the Company's estimate of this rate required significant judgment.

The Company's ground operating leases have a weighted-average remaining lease term of approximately 33.3 years and a weighted-average discount rate of 4.33% as of December 31, 2019. For the year ended December 31, 2019, the Company paid cash of approximately \$1.4 million for amounts included in the measurement of lease liabilities and recorded expense of \$1.3 million, respectively, on a straight-line basis in accordance with the standard. The lease expense is recorded in property operating expenses in the consolidated statements of operations and comprehensive loss. The Company entered into one additional ground lease during the year ended December 31, 2019. The Company incurred rent expense on ground leases of \$1.3 million during the years ended December 31, 2018 and 2017, respectively.

The following table reflects the base cash rental payments due from the Company as of December 31, 2019:

<i>(In thousands)</i>	<b>Future Base Rent Payments <sup>(1)</sup></b>
2020	\$ 1,385
2021	1,385
2022	1,385
2023	1,385
2024	1,389
Thereafter	40,180
Total minimum lease payments <sup>(2)</sup>	47,109
Less: Effects of discounting	(23,124)
Total present value of lease payments	\$ 23,985

<sup>(1)</sup> Assumes exchange rates of £1.00 to \$1.32 for GBP and €1.00 to \$1.12 for EUR as of December 31, 2019 for illustrative purposes, as applicable.

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

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

<i>(In thousands)</i>	<b>Future Base Rent Payments <sup>(1)</sup></b>
2019	\$ 1,371
2020	1,371
2021	1,371
2022	1,371
2023	1,371
Thereafter	40,519
<b>Total <sup>(2)</sup></b>	<b>\$ 47,374</b>

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

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

***Litigation and Regulatory Matters***

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

On January 16, 2018, the Company notified Moor Park Capital Partners LLP (the "Former Service Provider"), an entity that had, subject to the Advisor's oversight and pursuant to a service provider agreement, provided certain real estate and investment-related services with respect to the Company's investments in Europe, that it was being terminated, and this termination became effective as of March 17, 2018. On January 25, 2018, the Former Service Provider filed a complaint against (i) the Company and the OP; (ii) the Property Manager, Global Net Lease Special Limited Partner, LLC, an affiliate of AR Global that directly owns the Advisor and the Property Manager, and the Advisor (collectively, the "GNL Advisor Defendants"); and (iii) AR Capital Global Holdings, LLC, and AR Global (together, the "AR Defendants"), in the Supreme Court of the State of New York, County of New York ("New York Supreme Court"). The complaint alleged that the notice sent to the Former Service Provider by the Company on January 15, 2018, terminating the service provider agreement, was a pretext to enable the AR Defendants to seize the Former Service Provider's business. The complaint alleged breach of contract against the Company, the OP and the GNL Advisor Defendants, and tortious interference against the AR Defendants. The complaint sought: (i) monetary damages against the defendants, (ii) to enjoin the termination of the Service Provider Agreement, and (iii) judgment declaring the termination to be void. On March 4, 2019, the parties entered into a settlement agreement pursuant to which the lawsuit was dismissed.

During the years ended December 31, 2019 and 2018 the Company incurred \$1.0 million and \$2.9 million, respectively, of litigation costs relating to the matter. In the fourth quarter of 2018, the Company recorded a reserve of \$7.4 million related to the then anticipated settlement payment and subsequently paid the settlement amount to the Former Service Provider during the first quarter of 2019. These costs are included in acquisition, transaction and other costs in the consolidated statements of operations.

***Environmental Matters***

In connection with the ownership and operation of real estate, the Company may potentially be liable for costs and damages related to environmental matters. As of December 31, 2019, the Company had not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition that it believes will have a material adverse effect on the results of operations.

**Note 10 — Related Party Transactions**

As of December 31, 2019 and 2018, AR Global and certain affiliates owned, in the aggregate, 35,900 shares of the Company's outstanding Common Stock, respectively. The Advisor, which is an affiliate of AR Global, and its affiliates currently may incur, and, the Former Service Provider previously incurred costs and fees on behalf of the Company. As of December 31, 2019 and 2018, the Company had \$351,000 and \$16,000, respectively, of receivables from former affiliates of the Advisor and \$0.3 million and \$0.8 million of payables to their affiliates, respectively.

As of December 31, 2019, AR Global indirectly owned 95% of the membership interests in the Advisor and Scott J. Bowman, the Company's former chief executive officer and president, directly owned the other 5% of the membership interests in the Advisor. James L. Nelson, the Company's chief executive officer and president, holds a non-controlling profit interest in the Advisor and Property Manager. Mr. Nelson was appointed the Company's chief executive officer and president, effective as of August 8, 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019**

The Company is the sole general partner of the OP. During the first half of 2017, 181,841 OP Units, representing all of remaining OP Units outstanding, and which were held by individual members and employees of AR Global, were redeemed on a one-for-one basis for shares of Common Stock. There were no OP Units held by anyone other than the Company outstanding as of December 31, 2019, 2018 and 2017. The OP made distributions to holders of OP Units other than the Company of \$0.1 million during the year ended December 31, 2017.

In addition, the Company paid \$0.5 million in distributions to the Advisor as the sole holder of LTIP Units (as defined in [Note 12 — Equity-Based Compensation](#)) during the year ended December 31, 2019 and \$0.6 million during the years ended December 31, 2018 and 2017, which are included in accumulated deficit in the consolidated statements of equity. As of December 31, 2019 and 2018, the Company had no unpaid distributions on the LTIP Units.

***Fees Paid in Connection with the Operations of the Company***

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

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

- (i) a base fee of \$18.0 million per annum payable in cash monthly in advance (“Minimum Base Management Fee”); and
- (ii) a variable fee, equal to 1.25% per annum of the cumulative net proceeds realized by the Company from the issuance of any common equity, including any common equity issued in exchange for or conversion of preferred stock or exchangeable notes, as well as, from any other issuances of common, preferred, or other forms of common, preferred, or other forms of equity of the Company, including units of any operating partnership (“Variable Base Management Fee”).

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

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

Under the Advisory Agreement, as amended by the August Amendment, the Incentive Fee Lower Hurdle (as defined in the Advisory Agreement) was decreased from \$2.37 to (a) \$2.15 for the 12 months ending June 30, 2019, and (b) \$2.25 for the 12 months ending June 30, 2020, and the Incentive Fee Upper Hurdle (as defined in the Advisory Agreement) was decreased from \$3.08 to (a) \$2.79 for the 12 months ending June 30, 2019, and (b) \$2.92 for the 12 months ending June 30, 2020. During the years ended December 31, 2019, 2018 and 2017, no Incentive Compensation was earned.

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019**

- <sup>(1)</sup> For purposes of the Advisory Agreement, as amended by the November Amendment, Core AFFO per share means (i) net income adjusted for the following items (to the extent they are included in net income): (a) real estate related depreciation and amortization; (b) net income from unconsolidated partnerships and joint ventures; (c) one-time costs that the Advisor deems to be non-recurring; (d) non-cash equity compensation (other than any Restricted Share Payments (as defined in the Advisory Agreement)); (e) other non-cash income and expense items; (f) certain non-cash interest expenses related to securities that are convertible to Common Stock; (g) gain (or loss) from the sale of investments; (h) impairment loss on real estate; (i) acquisition and transactions related costs (now known as acquisition, transaction and other costs on the face of the Company's income statement); (j) straight-line rent; (k) amortization of above and below market leases assets and liabilities; (l) amortization of deferred financing costs; (m) accretion of discounts and amortization of premiums on debt investments; (n) marked-to-market adjustments included in net income; (o) unrealized gain (loss) resulting from consolidation from, or deconsolidation to, equity accounting, (p) consolidated and unconsolidated partnerships and joint ventures and (q) Incentive Compensation, (ii) divided by the weighted-average outstanding shares of Common Stock on a fully-diluted basis for such period.
- <sup>(2)</sup> For purposes of the Advisory Agreement, AUM means, for a specified period, an amount equal to (A) (i) the aggregate costs of the Company's investments (including acquisition fees and expenses) at the beginning of such period (before reserves for depreciation of bad debts, or similar non-cash reserves) plus (ii) the aggregate cost of the Company's investment at the end of such period (before reserves from depreciation or bad debts, or similar non-cash reserves) divided by (B) two (2).

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

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

#### Property Management Fees

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

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

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



GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

Professional Fees and Other Reimbursements

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

In certain instances, to improve the Company's working capital, the Advisor may elect to absorb a portion of the Company's general and administrative costs or property operating expenses. These absorbed costs are presented net in the accompanying consolidated statements of operations. During the years ended December 31, 2019 and 2018, there were no property operating and general administrative expenses absorbed by the Advisor. During the year ended December 31, 2017, the Advisor elected to forgive \$1.2 million of property management fees, and \$4.2 million of property management fees were incurred.



GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

(In thousands)	Year Ended December 31,						(Receivable) Payable as of December 31,	
	2019		2018		2017		2019	2018
	Incurred	Forgiven	Incurred	Forgiven	Incurred	Forgiven		
<b>One-time fees and reimbursements:</b>								
Fees on gain from sale of investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 875	\$ —	\$ 49 <sup>(4)</sup>
<b>Ongoing fees <sup>(1)</sup>:</b>								
Asset management fees <sup>(2)</sup>	27,530	—	23,212	—	21,353	—	—	—
Property management fees <sup>(3)</sup>	5,762	—	5,022	—	4,281	1,177	—	—
Total related party operational fees and reimbursements	\$ 33,292	\$ —	\$ 28,234	\$ —	\$ 25,634	\$ 2,052	\$ —	\$ 49

<sup>(1)</sup> The Company incurred general and administrative costs and other expense reimbursements of approximately \$1.1 million, \$1.1 million and \$0.1 million for the years ended December 31, 2019, 2018 and 2017, respectively, which are recorded within general and administrative expenses on the consolidated statements of operations and are not reflected in the table above.

<sup>(2)</sup> The Advisor, in accordance with the Advisory Agreement, received asset management fees in cash equal to the annual Minimum Base Management Fee of \$18.0 million and the Variable Base Management Fee. The Variable Base Management Fee was \$9.5 million, \$5.2 million and \$3.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

<sup>(3)</sup> For all periods through the six months ended June 30, 2017, the Advisor waived 100% of fees from U.S. assets and its allocated portion of fees from European assets.

<sup>(4)</sup> Balance included within due to related parties on the consolidated balance sheets as of December 31, 2019 and 2018.

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

In connection with any sale or similar transaction involving any investment, subject to the terms of the Advisory Agreement, the Company will pay to the Advisor a fee in connection with net gain recognized by the Company in connection with the sale or transaction (the "Gain Fee") unless the proceeds of such transaction or series of transactions are reinvested in one or more investments within 180 days thereafter. The Gain Fee is calculated at the end of each month and paid, to the extent due, with the next installment of the Base Management Fee. The Gain Fee is calculated by aggregating all of the gains and losses from the preceding month. During the year ended December 31, 2017, the Company reinvested proceeds of \$30.3 million and sold one property which resulted in a reduction to the Gain Fee of \$0.8 million. As of December 31, 2018, the Gain Fee due to the Advisor was approximately \$49,000. There was no Gain Fee for the years ended December 31, 2019 or 2018.

**Note 11 — Economic Dependency**

Under various agreements, the Company has engaged or will engage the Advisor, its affiliates and entities under common control with the Advisor, to provide certain services that are essential to the Company, including asset management services, supervision of the management and leasing of properties owned by the Company, asset acquisition and disposition decisions, the sale of shares of Common Stock available for issue, transfer agency services, as well as other administrative responsibilities for the Company including accounting services and investor relations.

As a result of these relationships, the Company is dependent upon the Advisor and its affiliates. In the event that these companies are unable to provide the Company with the respective services, the Company will be required to find alternative providers of these services.

**Note 12 — Equity-Based Compensation**

**Stock Option Plan**

The Company has a stock option plan (the "Plan") which authorizes the grant of nonqualified Common Stock options to the Company's directors, officers, advisors, consultants and other personnel of the Company, the Advisor and the Property Manager and their affiliates, subject to the absolute discretion of the board of directors and the applicable limitations of the Plan. The exercise price for any stock options granted under the Plan will be equal to the closing price of a share of Common Stock on the last trading day preceding the date of grant. A total of 0.5 million shares have been authorized and reserved for issuance under the Plan. As of December 31, 2019, 2018 and 2017, no stock options were issued under the Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

*Restricted Share Plan*

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

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

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

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

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

The following table reflects equity awards activity for the years ended December 31, 2019, 2018 and 2017.

	Number of RSUs/Restricted Shares	Weighted-Average Issue Price
Unvested, December 31, 2016	61,099	\$ 25.07
Granted	13,861	22.54
Vested	(25,848)	25.25
Unvested, December 31, 2017	49,112	24.29
Granted	17,039	18.34
Vested	(19,799)	24.40
Unvested, December 31, 2018	46,352	22.04
Granted	16,543	18.89
Vested	(22,354)	22.58
Unvested, December 31, 2019	40,541	20.47

The fair value of the equity awards in the form of Restricted Shares granted prior to the listing of the Company's common stock on the NYSE on June 2, 2015 was based on the per share price in the Company's initial public offering of Common Stock completed prior to the listing, and the fair value of the equity awards in the form of RSUs granted on or after the listing is based on the market price of Common Stock as of the grant date. The fair value of equity awards is expensed over the vesting period. Compensation expense related to RSUs was approximately \$0.5 million, \$0.5 million and \$0.7 million during the years ended December 31, 2019, 2018 and 2017, respectively, and is recorded as equity-based compensation in the accompanying consolidated statements of operations. As of December 31, 2019, the Company had \$0.5 million of unrecognized compensation cost related to unvested RSUs granted under the RSP. That cost is expected to be recognized over a weighted average period of 1.5 years.

**Multi-Year Outperformance Agreement**

On July 16, 2018, the Company's compensation committee approved the 2018 OPP, which was subsequently entered into by the Company and the OP with the Advisor on July 19, 2018. The 2018 OPP was entered into in connection with the conclusion of the performance period under the 2015 OPP on June 2, 2018. Because no performance goals under the 2015 OPP were achieved during the performance period, no LTIP Units issued under the 2015 OPP were earned and all LTIP Units issued under the 2015 OPP were automatically forfeited without the payment of any consideration by the Company or the OP effective as of June 2, 2018.

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

During the years ended December 31, 2019 and 2018, the Company recorded expense of \$9.1 million and \$3.3 million related to the 2018 OPP and during the years ended December 31, 2018 and 2017, the Company recorded reductions in expense of \$1.1 million and \$4.4 million, respectively, for the 2015 OPP.

**LTIP Units/Distributions/Redemption**

The rights of the Advisor as the holder of the LTIP Units are governed by the terms of the LTIP Units contained in the agreement of limited partnership of the OP. The agreement of limited partnership of the OP was amended in July 2018 in connection with the execution of the 2018 OPP to reflect the issuance of LTIP Units thereunder and to make certain clarifying and ministerial

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

revisions, but these amendments did not alter the terms of the LTIP Units established in connection with the Company's entry into the 2015 OPP in June 2015.

The Advisor, as the holder of the LTIP Units is entitled to distributions on the LTIP Units equal to 10% of the distributions made per OP Unit (other than distributions of sale proceeds) until the LTIP Units are earned. The Company paid approximately \$0.5 million in distributions related to LTIP Units during the years ended December 31, 2019 and \$0.6 million for the years ended 2018 and 2017, which is included in accumulated deficit in the consolidated statements of changes in equity. These distributions are not subject to forfeiture, even if the LTIP Units are ultimately forfeited. If any LTIP Units are earned, the Advisor will be entitled to a priority catch-up distribution on each earned LTIP Unit equal to the aggregate distributions paid on OP Units during the applicable performance period, less the aggregate distributions paid on the LTIP Unit during the performance period. As of the valuation date on the final day of the applicable performance period, the earned LTIP Units will become entitled to receive the same distributions paid on the OP Units. Further, at the time the Advisor's capital account with respect to an LTIP Unit is economically equivalent to the average capital account balance of an OP Unit, the LTIP Unit has been earned and it has been vested for 30 days, the Advisor, as the holder of the earned LTIP Unit, in its sole discretion, will in accordance with the limited partnership agreement of the OP, be entitled to convert the LTIP Unit into an OP Unit, which may, in turn, be redeemed on a one-for-one basis for, at the Company's election, a share of Common Stock or the cash equivalent thereof.

2018 OPP

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

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

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

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

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

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

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

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

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

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

2015 OPP

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

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

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

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

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

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

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

**Other Equity-Based Compensation**

The Company may issue Common Stock in lieu of cash to pay fees earned by the Company's directors at each director's election. There are no restrictions on the shares issued since these payments in lieu of cash relate to fees earned for services performed. There were no such shares of Common Stock issued in lieu of cash during the years ended December 31, 2019, 2018 and 2017.

**Note 13 — Earnings Per Share**

The following is a summary of the basic and diluted net income per share computation for the years ended December 31, 2019, 2018 and 2017:

<i>(In thousands, except share and per share data)</i>	Year Ended December 31,		
	2019	2018	2017
Net income attributable to common stockholders	\$ 34,535	\$ 1,082	\$ 20,731
Adjustments to net income attributable to common stockholders for common share equivalents	(660)	(689)	(742)
Adjusted net income attributable to common stockholders	\$ 33,875	\$ 393	\$ 19,989
Basic net income per share attributable to common stockholders	\$ 0.40	\$ 0.01	\$ 0.30
Diluted net income per share attributable to common stockholders	\$ 0.39	\$ 0.01	\$ 0.30
Basic weighted average common shares outstanding	85,031,236	69,411,061	66,877,620
Diluted weighted average common shares outstanding	86,349,645	69,663,208	66,877,620

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

Diluted net income per share assumes the conversion of all Common Stock share equivalents into an equivalent number of shares of Common Stock, unless the effect is anti-dilutive. The Company considers unvested RSUs and unearned LTIP Units to be common share equivalents. The following table shows common share equivalents on a weighted average basis that were excluded from the calculation of diluted earnings per share for the years ended December 31, 2019, 2018 and 2017:

	December 31,		
	2019	2018	2017
Unvested RSUs	40,541	46,352	49,112
LTIP Units <sup>(1)</sup>	1,277,465	970,173	3,013,933
Total anti-dilutive common share equivalents	1,318,006	1,016,525	3,063,045

<sup>(1)</sup> Weighted-average number of LTIP Units outstanding. There were 2,554,930 LTIP Units issued and outstanding under the 2018 OPP as of December 31, 2019. The 3,013,933 LTIP Units issued under the 2015 OPP were forfeited as of June 2, 2018 since no LTIP Units were earned under the 2015 OPP. See [Note 12 — Equity-Based Compensation](#) for additional information on the 2018 OPP and 2015 OPP.

GLOBAL NET LEASE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019

Conditionally issuable shares relating to the 2018 OPP award (see [Note 12](#) — *Equity-Based Compensation*) are included in the computation of fully diluted EPS on a weighted average basis for the years ended December 31, 2019 and 2018 based on shares that would have been issued if the balance sheet dates were the end of the measurement period. No LTIP Unit share equivalents were included in the computation for the year ended December 31, 2017 because no LTIP Units would have been earned based on the trading price of Common Stock at December 31, 2017.

**Note 14 — Quarterly Results (Unaudited)**

Presented below is a summary of the unaudited quarterly financial information for years ended December 31, 2019 and 2018:

*(In thousands, except share and per share data)*

2019	Quarters Ended			
	March 31,	June 30,	September 30, (1)	December 31,
Revenue from tenants	\$ 75,468	\$ 76,119	\$ 77,942	\$ 76,685
Net income attributable to common stockholders	\$ 5,791	\$ 12,621	\$ 6,860	\$ 9,263
Adjustments to net income attributable to common stockholders for common share equivalents	(160)	(174)	(176)	(150)
Adjusted net income attributable to common stockholders	\$ 5,631	\$ 12,447	\$ 6,684	\$ 9,113
Basic weighted average shares outstanding	81,474,615	83,847,120	85,254,638	89,458,381
Diluted weighted average shares outstanding	82,798,432	85,165,549	86,202,582	90,776,790
Basic and diluted net income per share attributable to common stockholders	\$ 0.07	\$ 0.15	\$ 0.08	\$ 0.10

*(In thousands, except share and per share data)*

2018	Quarters Ended			
	March 31,	June 30,	September 30,	December 31, (2)
Revenue from tenants	\$ 68,086	\$ 70,971	\$ 71,924	\$ 71,226
Net income (loss) attributable to common stockholders	\$ 2,361	\$ 5,288	\$ 177	\$ (6,744)
Adjustments to net income (loss) attributable to common stockholders for common share equivalents	(184)	(26)	(316)	(163)
Adjusted net income (loss) attributable to common stockholders	\$ 2,177	\$ 5,262	\$ (139)	\$ (6,907)
Basic weighted average shares outstanding	67,287,231	67,292,021	69,441,639	73,554,137
Diluted weighted average shares outstanding	67,287,231	67,292,021	69,441,639	74,001,250
Basic and diluted net income (loss) per share attributable to common stockholders	\$ 0.03	\$ 0.08	\$ —	\$ (0.09)

(1) During the three months ended September 30, 2019, the Company recorded an impairment charge of \$6.4 million for two properties which it sold in the fourth quarter of 2019. For additional details see [Note 3](#) — *Real Estate Investments, Net*.

(2) During the three months ended December 31, 2018, the Company recorded (i) impairment charges and related lease intangible write-offs of lease intangibles of \$5.0 million which are more fully discussed in [Note 3](#) — *Real Estate Investments, Net* and (ii) a litigation reserve of \$7.4 million related to the anticipated settlement of the litigation with the Former Service Provider, which is more fully discussed in [Note 9](#) — *Commitments and Contingencies*.

**Note 15 — Subsequent Events**

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

**GLOBAL NET LEASE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019**

*Acquisitions*

In January 2020 the Company acquired one property for a contract purchase price of \$9.4 million. In February 2020, through the date of this filing, the Company acquired four properties for an aggregate contract purchase price of \$38.9 million.



Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
McDonalds Corporation	Carlisle	United Kingdom	Oct. 2012	\$ — (6)	\$ 423	\$ 803	\$ —	\$ —	\$ 1,226	\$ 144
Wickes	Blackpool	United Kingdom	May 2013	— (6)	1,780	1,778	—	—	3,558	434
Everything Everywhere	Merthyr Tydfil	United Kingdom	Jun. 2013	— (6)	3,626	2,100	—	—	5,726	460
Thames Water	Swindon	United Kingdom	Jul. 2013	— (6)	3,626	3,900	—	11	7,537	832
Wickes	Tunstall	United Kingdom	Jul. 2013	— (6)	923	1,962	—	—	2,885	461
PPD Global Labs	Highland Heights	KY	Aug. 2013	— (9)	2,001	5,162	—	167	7,330	992
Northern Rock	Sunderland	United Kingdom	Sep. 2013	— (6)	1,319	4,200	—	—	5,519	884
Wickes	Clifton	United Kingdom	Nov. 2013	— (6)	1,319	1,717	—	—	3,036	388
Con-Way Freight, Inc.	Aurora	NE	Nov. 2013	— (13)	295	1,470	—	—	1,765	376
Con-Way Freight, Inc.	Grand Rapids	MI	Nov. 2013	— (13)	945	1,247	—	—	2,192	319
Con-Way Freight, Inc.	Riverton	IL	Nov. 2013	— (13)	344	707	—	—	1,051	181
Con-Way Freight, Inc.	Salina	KS	Nov. 2013	— (13)	461	1,622	—	—	2,083	415
Con-Way Freight, Inc.	Uhrichsville	OH	Nov. 2013	— (13)	380	780	—	—	1,160	199
Con-Way Freight, Inc.	Vincennes	IN	Nov. 2013	— (13)	220	633	—	—	853	167
Con-Way Freight, Inc.	Waite Park	MN	Nov. 2013	— (13)	366	700	—	—	1,066	165
Wolverine	Howard City	MI	Dec. 2013	— (13)	719	12,027	—	—	12,746	3,034
Encanto Restaurants	Baymon	PR	Dec. 2013	—	1,150	1,552	—	—	2,702	366
Encanto Restaurants	Caguas	PR	Dec. 2013	—	—	2,233	—	—	2,233	527
Encanto Restaurants	Carolina	PR	Dec. 2013	—	1,840	2,485	—	—	4,325	587
Encanto Restaurants	Carolina	PR	Dec. 2013	—	615	676	—	—	1,291	160
Encanto Restaurants	Guayama	PR	Dec. 2013	—	673	740	—	—	1,413	175
Encanto Restaurants	Mayaguez	PR	Dec. 2013	—	410	862	—	—	1,272	203
Encanto Restaurants	Ponce	PR	Dec. 2013	—	600	1,218	—	—	1,818	263
Encanto Restaurants	Ponce	PR	Dec. 2013	—	655	1,375	—	—	2,030	325
Encanto Restaurants	Puerto Nuevo	PR	Dec. 2013	—	—	704	—	—	704	166
Encanto Restaurants	Quebrada Arena	PR	Dec. 2013	—	843	1,410	—	—	2,253	333
Encanto Restaurants	Rio Piedras	PR	Dec. 2013	—	963	1,609	—	—	2,572	380
Encanto Restaurants	Rio Piedras	PR	Dec. 2013	—	505	1,061	—	—	1,566	251
Encanto Restaurants	San German	PR	Dec. 2013	—	391	631	—	—	1,022	136
Encanto Restaurants	San Juan	PR	Dec. 2013	—	153	551	—	—	704	130
Encanto Restaurants	San Juan	PR	Dec. 2013	—	1,235	1,358	—	—	2,593	321
Encanto Restaurants	San Juan	PR	Dec. 2013	—	389	1,051	—	—	1,440	248
Encanto Restaurants	Toa Baja	PR	Dec. 2013	—	68	536	—	—	604	116
Encanto Restaurants	Vega Baja	PR	Dec. 2013	—	822	1,374	—	—	2,196	324
Rheinmetall	Neuss	Germany	Jan. 2014	— (11)	5,767	16,191	—	73	22,031	2,648

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
GE Aviation	Grand Rapids	MI	Jan. 2014	— (7)	3,174	27,076	—	102	30,352	4,327
Provident Financial	Bradford	United Kingdom	Feb. 2014	— (6)	1,330	24,674	—	—	26,004	3,721
Crown Crest	Leicester	United Kingdom	Feb. 2014	— (6)	7,578	31,293	—	—	38,871	5,377
Trane	Davenport	IA	Feb. 2014	—	291	1,968	—	—	2,259	376
Aviva	Sheffield	United Kingdom	Mar. 2014	— (6)	2,865	32,463	—	—	35,328	4,984
DFS Trading	Brigg	United Kingdom	Mar. 2014	— (6)	1,338	3,795	—	—	5,133	654
DFS Trading	Carcroft	United Kingdom	Mar. 2014	— (6)	1,125	4,456	—	—	5,581	711
DFS Trading	Carcroft	United Kingdom	Mar. 2014	— (6)	305	2,193	—	—	2,498	398
DFS Trading	Darley Dale	United Kingdom	Mar. 2014	— (6)	1,317	3,380	—	—	4,697	595
DFS Trading	Somercotes	United Kingdom	Mar. 2014	— (6)	774	2,762	—	—	3,536	573
Government Services Administration (GSA)	Fanklin	TN	Mar. 2014	—	4,160	30,083	—	—	34,243	4,600
National Oilwell	Williston	ND	Mar. 2014	—	211	3,513	—	—	3,724	725
Government Services Administration (GSA)	Dover	DE	Apr. 2014	—	1,097	1,715	—	—	2,812	291
Government Services Administration (GSA)	Germantown	PA	Apr. 2014	—	1,097	3,573	—	—	4,670	544
OBI DIY	Mayen	Germany	Apr. 2014	— (11)	1,257	7,501	—	—	8,758	1,295
DFS Trading	South Yorkshire	United Kingdom	Apr. 2014	— (6)	—	1,378	—	—	1,378	316
DFS Trading	Yorkshire	United Kingdom	Apr. 2014	— (6)	—	1,797	—	—	1,797	277
Government Services Administration (GSA)	Dallas	TX	Apr. 2014	—	484	2,934	—	—	3,418	446
Government Services Administration (GSA)	Mission	TX	Apr. 2014	—	618	3,145	—	—	3,763	505
Government Services Administration (GSA)	International Falls	MN	May 2014	— (7)	350	11,182	—	63	11,595	1,748
Indiana Department of Revenue	Indianapolis	IN	May 2014	—	891	7,677	—	—	8,568	1,228
National Oilwell	Pleasanton	TX	May 2014	—	202	1,643	—	—	1,845	318
Nissan	Murfreesboro	TN	May 2014	— (7)	966	19,573	—	—	20,539	2,866
Government Services Administration (GSA)	Lakewood	CO	Jun. 2014	—	1,220	7,928	—	—	9,148	1,164
Lippert Components	South Bend	IN	Jun. 2014	— (7)	3,195	6,883	—	—	10,078	1,032
Axon Energy Products	Conroe	TX	Jun. 2014	—	826	6,132	—	—	6,958	870
Axon Energy Products	Houston	TX	Jun. 2014	—	294	2,310	—	—	2,604	366
Axon Energy Products	Houston	TX	Jun. 2014	—	416	5,186	—	—	5,602	796
Bell Supply Co	Carrizo Springs	TX	Jun. 2014	—	260	1,445	—	—	1,705	263
Bell Supply Co	Cleburne	TX	Jun. 2014	—	301	323	—	—	624	66
Bell Supply Co	Frierson	LA	Jun. 2014	—	260	1,054	—	—	1,314	266
Bell Supply Co	Gainesville	TX	Jun. 2014	—	131	1,420	—	—	1,551	219

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
Bell Supply Co	Killdeer	ND	Jun. 2014	—	307	1,250	—	—	1,557	222
Bell Supply Co	Williston	ND	Jun. 2014	—	162	2,323	—	—	2,485	372
GE Oil & Gas	Canton	OH	Jun. 2014	—	437	3,039	—	300	3,776	483
GE Oil & Gas	Odessa	TX	Jun. 2014	—	1,611	3,322	—	—	4,933	951
Lhoist	Irving	TX	Jun. 2014	—	173	2,154	—	—	2,327	400
Select Energy Services	DeBerry	TX	Jun. 2014	—	533	7,551	—	—	8,084	1,841
Select Energy Services	Gainesville	TX	Jun. 2014	—	519	7,482	—	—	8,001	1,082
Select Energy Services	Victoria	TX	Jun. 2014	—	354	1,698	—	—	2,052	322
Bell Supply Co	Jacksboro	TX	Jun. 2014	—	51	657	—	—	708	165
Bell Supply Co	Kenedy	TX	Jun. 2014	—	190	1,669	—	—	1,859	331
Select Energy Services	Alice	TX	Jun. 2014	—	518	1,331	—	—	1,849	227
Select Energy Services	Dilley	TX	Jun. 2014	—	429	1,777	—	—	2,206	357
Select Energy Services	Kenedy	TX	Jun. 2014	—	815	8,355	—	—	9,170	1,438
Select Energy Services	Laredo	TX	Jun. 2014	—	2,472	944	—	—	3,416	241
Superior Energy Services	Gainesville	TX	Jun. 2014	—	322	480	—	—	802	75
Superior Energy Services	Jacksboro	TX	Jun. 2014	—	408	312	—	—	720	67
Amcor Packaging	Workington	United Kingdom	Jun. 2014	— (6)	1,148	6,767	—	—	7,915	1,203
Government Services Administration (GSA)	Raton	NM	Jun. 2014	—	93	875	—	—	968	142
Nimble Storage	San Jose	CA	Jun. 2014	— (9)	30,227	10,795	—	180	41,202	1,637
FedEx	Amarillo	TX	Jul. 2014	—	889	6,446	—	—	7,335	1,151
FedEx	Chicopee	MA	Jul. 2014	—	1,030	7,022	—	—	8,052	1,313
FedEx	San Antonio	TX	Jul. 2014	— (13)	3,283	17,756	—	—	21,039	2,636
Sandoz	Princeton	NJ	Jul. 2014	— (7)	7,766	31,994	—	11,648	51,408	9,481
Wyndham	Branson	MO	Jul. 2014	—	881	3,307	—	—	4,188	520
Valassis	Livonia	MI	Jul. 2014	—	1,735	8,119	—	—	9,854	1,170
Government Services Administration (GSA)	Fort Fairfield	ME	Jul. 2014	—	26	9,315	—	—	9,341	1,288
AT&T Services, Inc.	San Antonio	TX	Jul. 2014	— (14)	5,312	41,201	—	—	46,513	5,636
PNC Bank	Erie	PA	Jul. 2014	— (9)	242	6,195	—	—	6,437	865
PNC Bank	Scranton	PA	Jul. 2014	— (7)	1,324	3,004	—	—	4,328	430
Continental Tire	Fort Mill	SC	Jul. 2014	—	780	14,259	—	—	15,039	1,987
Fujitsu Office Properties	Manchester	United Kingdom	Jul. 2014	— (6)	3,724	40,307	—	—	44,031	5,704
BP Oil	Wootton Bassett	United Kingdom	Aug. 2014	— (6)	604	2,611	—	—	3,215	393
HBOS	Derby	United Kingdom	Aug. 2014	— (6)	606	6,105	—	—	6,711	948
HBOS	St. Helens	United Kingdom	Aug. 2014	— (6)	230	3,460	—	—	3,690	542

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
HBOS	Warrington	United Kingdom	Aug. 2014	— (6)	438	2,067	—	—	2,505	349
Malthurst	Shiptonthorpe	United Kingdom	Aug. 2014	— (6)	278	1,975	—	—	2,253	327
Malthurst	Yorkshire	United Kingdom	Aug. 2014	— (6)	493	1,293	—	—	1,786	280
Stanley Black & Decker	Westerville	OH	Aug. 2014	—	958	6,933	—	—	7,891	1,001
Thermo Fisher	Kalamazoo	MI	Aug. 2014	—	1,176	10,179	—	—	11,355	1,396
Capgemini	Birmingham	United Kingdom	Aug. 2014	— (6)	1,641	15,561	—	—	17,202	2,314
Merck	Madison	NJ	Aug. 2014	— (7)	10,290	32,530	—	—	42,820	4,425
Government Services Administration (GSA)	Rangeley	ME	Aug. 2014	—	1,377	4,746	—	262	6,385	721
Hewlett-Packard	Newcastle	United Kingdom	Sep. 2014	— (6)	1,134	18,877	—	—	20,011	2,628
Intier Automotive	Redditch	United Kingdom	Sep. 2014	— (6)	1,171	9,270	—	—	10,441	1,436
Waste Management	Winston-Salem	NC	Sep. 2014	—	494	3,235	—	—	3,729	461
FedEx	Winona	MN	Sep. 2014	—	83	1,785	—	—	1,868	292
Dollar General	Allen	OK	Sep. 2014	—	99	793	—	—	892	118
Dollar General	Cherokee	KS	Sep. 2014	—	27	769	—	—	796	116
Dollar General	Clearwater	KS	Sep. 2014	—	90	785	—	—	875	118
Dollar General	Dexter	NM	Sep. 2014	—	329	585	—	—	914	88
Dollar General	Elmore City	OK	Sep. 2014	—	21	742	—	—	763	114
Dollar General	Eunice	NM	Sep. 2014	—	269	569	—	—	838	87
Dollar General	Gore	OK	Sep. 2014	—	143	813	—	—	956	123
Dollar General	Kingston	OK	Sep. 2014	—	81	778	—	—	859	118
Dollar General	Lordsburg	NM	Sep. 2014	—	212	719	—	—	931	108
Dollar General	Lyons	KS	Sep. 2014	—	120	970	—	—	1,090	145
Dollar General	Mansfield	LA	Sep. 2014	—	169	812	—	—	981	122
Dollar General	Neligh	NE	Sep. 2014	—	83	1,045	—	—	1,128	152
Dollar General	Norman	OK	Sep. 2014	—	40	913	—	—	953	137
Dollar General	Peggs	OK	Sep. 2014	—	72	879	—	—	951	131
Dollar General	Santa Rosa	NM	Sep. 2014	—	324	575	—	—	899	87
Dollar General	Sapulpa	OK	Sep. 2014	—	143	745	—	—	888	115
Dollar General	Schuyler	NE	Sep. 2014	—	144	905	—	—	1,049	133
Dollar General	Tahlequah	OK	Sep. 2014	—	132	925	—	—	1,057	137
Dollar General	Townville	PA	Sep. 2014	—	78	882	—	—	960	139
Dollar General	Valley Falls	KS	Sep. 2014	—	51	922	—	—	973	134
Dollar General	Wymore	NE	Sep. 2014	—	21	872	—	—	893	129
FedEx	Bohemia	NY	Sep. 2014	— (7)	4,838	19,596	—	—	24,434	2,965
FedEx	Watertown	NY	Sep. 2014	—	561	4,757	—	—	5,318	758

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
Shaw Aero	Naples	FL	Sep. 2014	—	998	22,332	—	—	23,330	3,050
Mallinckrodt	St. Louis	MO	Sep. 2014	— (9)	1,499	16,828	—	—	18,327	2,322
Kuka Warehouse	Sterling Heights	MI	Sep. 2014	—	1,227	10,790	—	—	12,017	1,489
Trinity Health	Livonia	MI	Sep. 2014	—	4,273	16,574	—	2,075	22,922	2,696
Trinity Health	Livonia	MI	Sep. 2014	—	4,680	11,568	—	2,423	18,671	2,243
FedEx	Hebron	KY	Sep. 2014	—	1,106	7,750	—	109	8,965	1,149
FedEx	Lexington	KY	Sep. 2014	—	1,118	7,961	—	—	9,079	1,145
GE Aviation	Cincinnati	OH	Sep. 2014	—	1,393	10,490	—	—	11,883	1,450
Bradford & Bingley	Bingley	United Kingdom	Oct. 2014	— (6)	4,397	11,041	—	—	15,438	1,651
DNV GL	Dublin	OH	Oct. 2014	—	2,509	3,140	—	126	5,775	472
Rexam	Reckinghausen	Germany	Oct. 2014	— (11)	791	11,131	—	—	11,922	1,529
C&J Energy	Houston	TX	Oct. 2014	— (7)	3,865	9,457	—	—	13,322	1,371
FedEx	Lake Charles	LA	Oct. 2014	— (14)	255	7,485	—	—	7,740	1,215
Onguard	Havre De Grace	MD	Oct. 2014	—	2,216	6,585	—	—	8,801	1,278
Axon Energy Products	Houston	TX	Oct. 2014	—	297	2,432	—	—	2,729	327
Metro Tonic	Halle Peissen	Germany	Oct. 2014	— (11)	6,816	47,750	—	—	54,566	7,265
Tokmanni	Matsala	Finland	Nov. 2014	— (10)	1,766	53,455	—	—	55,221	7,663
Fife Council	Dunfermline	United Kingdom	Nov. 2014	— (6)	347	4,479	—	—	4,826	623
Government Services Administration (GSA)	Rapid City	SD	Nov. 2014	—	504	7,837	—	—	8,341	1,096
KPN BV	Houten	The Netherlands	Nov. 2014	— (12)	1,581	19,345	—	—	20,926	2,537
Follett School	McHenry	IL	Dec. 2014	—	3,423	15,600	—	—	19,023	2,533
Quest Diagnostics, Inc.	Santa Clarita	CA	Dec. 2014	— (14)	10,714	69,018	—	—	79,732	8,923
Diebold	North Canton	OH	Dec. 2014	— (13)	—	9,142	—	—	9,142	1,416
Weatherford International	Odessa	TX	Dec. 2014	— (9)	665	1,795	—	78	2,538	399
AM Castle	Wichita	KS	Dec. 2014	—	426	6,681	—	509	7,616	845
FedEx	Billerica	MA	Dec. 2014	—	1,138	6,674	—	752	8,564	1,038
Constellium Auto	Wayne	MI	Dec. 2014	— (7)	1,180	13,781	—	7,875	22,836	4,518
C&J Energy	Houston	TX	Mar. 2015	— (7)	6,196	21,745	—	—	27,941	2,739
FedEx	Salina	UT	Mar. 2015	—	428	3,447	—	—	3,875	615
FedEx	Pierre	SD	Apr. 2015	—	—	3,288	—	—	3,288	563
Crowne Group	Fraser	MI	Aug. 2015	—	350	3,865	—	—	4,215	472
Crowne Group	Jonesville	MI	Aug. 2015	—	101	3,136	—	—	3,237	394
Crowne Group	Logansport	IN	Aug. 2015	—	1,843	5,430	—	—	7,273	769
Crowne Group	Marion	SC	Aug. 2015	—	386	7,993	—	—	8,379	1,034
JIT Steel	Chattanooga	TN	Sep. 2015	—	582	3,122	—	—	3,704	358

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
JIT Steel	Chattanooga	TN	Sep. 2015	—	316	1,986	—	—	2,302	222
Mapes & Sprowl	Elk Grove Village	IL	Sep. 2015	— (13)	954	4,619	—	—	5,573	546
Beacon Health	South Bend	IN	Sep. 2015	—	1,636	8,190	—	—	9,826	982
National Oilwell	Pleasanton	TX	Sep. 2015	—	80	3,372	—	—	3,452	418
Office Depot	Venlo	The Netherlands	Sep. 2015	—	3,498	15,468	—	—	18,966	1,991
Finnair	Helsinki	Finland	Sep. 2015	— (10)	2,524	71,920	—	—	74,444	8,306
Hannibal	Houston	TX	Sep. 2015	—	2,090	11,138	—	—	13,228	1,247
FedEx	Mankato	MN	Sep. 2015	—	472	6,780	—	—	7,252	973
Auchan	Beychac-et-Caillau	France	Dec. 2016	—	4,061	13,207	—	—	17,268	1,338
DCNS	Guipavas	France	Dec. 2016	10,655	1,895	14,377	—	—	16,272	1,200
Deutsche Bank	Kirchberg	Luxembourg	Dec. 2016	— (12)	14,486	49,274	—	474	64,234	3,822
FedEx	Greensboro	NC	Dec. 2016	—	1,820	8,252	—	—	10,072	866
Foster Wheeler	Reading	United Kingdom	Dec. 2016	— (6)	27,893	76,305	—	—	104,198	5,900
Harper Collins	Glasgow	United Kingdom	Dec. 2016	— (6)	10,417	53,213	—	—	63,630	4,452
ID Logistics	Landersheim	France	Dec. 2016	6,169	1,933	8,122	—	—	10,055	670
ID Logistics	Moreuil	France	Dec. 2016	5,608	2,983	6,034	—	—	9,017	523
ID Logistics	Weilbach	Germany	Dec. 2016	— (11)	1,335	8,826	—	—	10,161	695
ING Bank	Amsterdam Zuidoois	The Netherlands	Dec. 2016	— (12)	—	73,034	—	269	73,303	5,575
NCR Financial Solutions Group	Dundee	United Kingdom	Dec. 2016	— (6)	2,651	8,479	—	—	11,130	797
Pole Emploi	Marseille	France	Dec. 2016	—	800	8,429	—	—	9,229	649
Sagemcom	Rueil Malmaison	France	Dec. 2016	—	3,014	72,394	—	2,474	77,882	5,597
Worldline SA	Blois	France	Dec. 2016	5,608	1,133	5,392	—	—	6,525	572
Cott Beverages	Sikeston	MO	Feb. 2017	—	456	8,291	—	—	8,747	632
FedEx	Great Falls	MT	Mar. 2017	— (9)	326	5,439	—	—	5,765	543
FedEx	Morgantown	WV	Mar. 2017	— (7)	4,661	8,401	—	—	13,062	662
Bridgestone Tire	Mt. Olive Township	NJ	Sep. 2017	— (8)	916	5,088	—	—	6,004	326
NSA Industries	St. Johnsbury	VT	Oct. 2017	— (8)	210	1,753	—	—	1,963	111
NSA Industries	St. Johnsbury	VT	Oct. 2017	— (8)	300	3,936	—	—	4,236	282
NSA Industries	St. Johnsbury	VT	Oct. 2017	— (8)	270	3,858	—	—	4,128	249
GKN Aerospace	Blue Ash	OH	Oct. 2017	— (8)	790	4,079	—	—	4,869	255
Tremec	Wixom	MI	Nov. 2017	— (8)	1,002	17,376	—	—	18,378	1,092
NSA Industries	Groveton	NH	Dec. 2017	— (8)	59	3,517	—	—	3,576	181
Cummins	Omaha	NE	Dec. 2017	— (8)	1,448	6,469	—	—	7,917	405
Government Services Administration (GSA)	Gainesville	FL	Dec. 2017	—	451	6,016	—	—	6,467	315
Chemours	Pass Christian	MS	Feb. 2018	— (13)	382	16,149	—	—	16,531	899

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
Lee Steel	Wyoming	MI	Mar. 2018	—	504	7,256	—	—	7,760	333
LSI Steel	Chicago	IL	Mar. 2018	—	3,341	1,181	—	—	4,522	54
LSI Steel	Chicago	IL	Mar. 2018	—	1,792	5,615	—	—	7,407	247
LSI Steel	Chicago	IL	Mar. 2018	—	2,856	948	—	—	3,804	47
Fiat Chrysler	Sterling Heights	MI	Mar. 2018	—	1,855	13,623	—	—	15,478	718
Contractors Steel	Belleville	MI	May 2018	—	2,862	25,878	—	6,296	35,036	1,129
Contractors Steel	Hammond	IN	May 2018	—	1,970	8,859	—	—	10,829	453
Contractors Steel	Livonia	MI	May 2018	—	933	8,554	—	1,357	10,844	384
Contractors Steel	Twinsburg	OH	May 2018	—	729	8,707	—	2,500	11,936	431
Contractors Steel	Wyoming	MI	May 2018	—	970	12,426	—	1,232	14,628	568
FedEx	Blackfoot	ID	Jun. 2018	— (13)	350	6,882	—	—	7,232	497
DuPont Pioneer	Spencer	IA	Jun. 2018	—	273	6,718	—	—	6,991	317
Rubbermaid	Akron	OH	Jul. 2018	— (13)	1,221	17,145	—	—	18,366	624
NetScout	Allen	TX	Aug. 2018	— (9)	2,115	41,486	—	—	43,601	1,492
Bush Industries	Jamestown	NY	Sep. 2018	— (13)	1,535	14,818	—	—	16,353	501
FedEx	Greenville	NC	Sep. 2018	— (13)	581	9,744	—	—	10,325	616
Penske	Romulus	MI	Nov. 2018	70,000	4,701	105,826	—	—	110,527	3,319
NSA Industries	Georgetown	MA	Nov. 2018	—	1,100	6,059	—	—	7,159	225
LKQ Corp.	Cullman	AL	Dec. 2018	—	61	3,781	—	—	3,842	108
Grupo Antolin North America, Inc.	Shelby Township	MI	Dec. 2018	—	1,941	41,648	—	—	43,589	1,153
Walgreens	Pittsburgh	PA	Dec. 2018	—	1,701	13,718	—	16	15,435	384
VersaFlex	Kansas City	KS	Dec. 2018	—	519	7,581	—	—	8,100	197
Cummins	Gillette	WY	Mar. 2019	— (14)	1,197	5,470	—	35	6,702	139
Stanley Security	Fishers	IN	Mar. 2019	— (14)	1,246	11,879	—	—	13,125	245
Sierra Nevada	Colorado Springs	CO	Apr. 2019	—	—	16,105	—	—	16,105	328
EQT	Waynesburg	PA	Apr. 2019	— (14)	875	11,126	—	—	12,001	220
Hanes	Calhoun	GA	Apr. 2019	— (14)	731	8,104	—	—	8,835	171
Union Partners	Aurora	IL	May. 2019	—	929	11,621	—	—	12,550	183
Union Partners	Dearborn	MI	May. 2019	— (14)	3,028	11,645	—	—	14,673	192
ComDoc	North Canton	OH	Jun. 2019	— (14)	602	15,128	—	—	15,730	225
Metal Technologies	Bloomfield	IN	Jun. 2019	— (14)	277	9,552	—	—	9,829	148
Encompass Health	Birmingham	AL	Jun. 2019	— (14)	1,746	55,568	—	—	57,314	706
Heatcraft	Tifton	GA	Jun. 2019	— (14)	346	9,064	—	—	9,410	115
CF Sauer SLB	Mauldin	SC	Aug. 2019	—	40	343	—	—	383	4
CF Sauer SLB	Mauldin	SC	Aug. 2019	—	232	15,488	—	—	15,720	173

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

Portfolio	City	U.S. State/Territory or Country	Acquisition Date	Encumbrances at December 31, 2019 (1)	Initial Costs		Costs Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2019 (2)(3)	Accumulated Depreciation (4)(5)
					Land	Building and Improvements	Land	Building and Improvements		
CF Sauer SLB	Mauldin	SC	Aug. 2019	—	348	4,747	—	—	5,095	65
CF Sauer SLB	Mauldin	SC	Aug. 2019	—	190	9,488	—	—	9,678	105
CF Sauer SLB	Orange	FL	Aug. 2019	—	237	351	—	—	588	5
CF Sauer SLB	San Luis Obispo	CA	Aug. 2019	—	2,201	12,884	—	—	15,085	149
SWECO	Florence	KY	Sep. 2019	—	2,080	21,924	—	—	24,004	170
Viavi Solutions	Santa Rosa	CA	Sep. 2019	—	3,061	5,929	—	22	9,012	45
Viavi Solutions	Santa Rosa	CA	Sep. 2019	—	3,073	7,130	—	22	10,225	54
Faurecia	Auburn Hills	MI	Dec. 2019	—	3,310	38,278	—	456	42,044	89
Plasma	Garland	TX	Dec. 2019	—	595	2,421	—	—	3,016	7
Plasma	El Paso	TX	Dec. 2019	—	72	2,478	—	—	2,550	5
Plasma	Bradenton	FL	Dec. 2019	—	185	3,747	—	—	3,932	8
Plasma	Hickory	NC	Dec. 2019	—	494	3,702	—	—	4,196	9
Plasma	Irving	TX	Dec. 2019	—	673	3,916	—	—	4,589	11
Plasma	Lake Charles	LA	Dec. 2019	—	301	1,730	—	—	2,031	4
Plasma	Mission	TX	Dec. 2019	—	275	1,735	—	—	2,010	4
Plasma	Meridian	MS	Dec. 2019	—	203	2,965	—	—	3,168	7
Plasma	Peoria	IL	Dec. 2019	—	206	2,578	—	—	2,784	6
Whirlpool	Cleveland	TN	Dec. 2019	—	2,230	20,923	—	—	23,153	51
Whirlpool	Clyde	OH	Dec. 2019	—	1,641	20,072	—	—	21,713	48
Whirlpool	Clyde	OH	Dec. 2019	—	3,559	17,283	—	—	20,842	48
Whirlpool	Findlay	OH	Dec. 2019	—	1,344	22,624	—	—	23,968	51
Whirlpool	Marion	OH	Dec. 2019	—	1,876	27,850	—	—	29,726	63
Whirlpool	Ottawa	OH	Dec. 2019	—	3,155	19,919	—	—	23,074	41
FedEx	Bathurst	Canada	Dec. 2019	—	39	2,205	—	—	2,244	—
FedEx	Woodstock	Canada	Dec. 2019	—	430	3,857	—	—	4,287	—
NSA Industries	Franklin	NH	Dec. 2019	—	237	7,968	—	—	8,205	—
Encumbrances allocated based on notes below				1,189,408						
				\$ 1,287,448	\$ 414,446	\$ 2,655,144	—	\$ 41,906	\$ 3,111,496	\$ 266,722

(1) These are stated principal amounts at spot rates for those in local currency and exclude \$15.3 million of deferred financing costs and \$26,000 of mortgage discounts, net.

(2) Acquired intangible lease assets allocated to individual properties in the amount of \$651.8 million are not reflected in the table above.

(3) The tax basis of aggregate land, buildings and improvements as of December 31, 2019 is \$3.8 billion.



**Global Net Lease, Inc.**

**Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)**

- (4) The accumulated depreciation column excludes approximately \$250.4 million of accumulated amortization associated with acquired intangible lease assets.
- (5) Each of the properties has a depreciable life of: 40 years for buildings, 15 years for improvements and five years for fixtures.
- (6) These properties collateralize the UK Multi-Property Cross Collateralized Loan of \$294.3 million as of December 31, 2019.
- (7) These properties collateralize the U.S. Multi-Property Loan I of \$187.0 million as of December 31, 2019.
- (8) These properties collateralize the U.S. Multi-Property Loan II of \$32.8 million as of December 31, 2019.
- (9) These properties collateralize the U.S. Multi-Property Loan III of \$98.5 million as of December 31, 2019.
- (10) These properties collateralize the loan on the Finland properties of \$83.0 million as of December 31, 2019.
- (11) These properties collateralize the loan on the Germany properties of \$57.8 million as of December 31, 2019.
- (12) These properties collateralize the loan on the Luxembourg and Netherlands properties of \$134.6 million as of December 31, 2019.
- (13) These properties collateralize the U.S. Multi-Property Loan IV of \$97.5 million as of December 31, 2019.
- (14) These properties collateralize the U.S. Multi-Property Loan V of \$204.0 million as of December 31, 2019.

Global Net Lease, Inc.

Real Estate and Accumulated Depreciation  
Schedule III  
December 31, 2019  
(dollar amounts in thousands)

A summary of activity for real estate and accumulated depreciation for the years ended December 31, 2019, 2018 and 2017:

	December 31,		
	2019	2018	2017
<b>Real estate investments, at cost:</b>			
Balance at beginning of year	\$ 2,745,348	\$ 2,543,052	\$ 2,344,634
Additions-Acquisitions	511,378	420,529	88,231
Asset remeasurement	—	—	(8,559)
Asset dispositions	(143,004)	(32,110)	—
Transfer to assets held for sale	—	(123,021)	—
Impairment charge	(6,299)	(1,603)	—
Currency translation adjustment	4,073	(61,499)	133,891
Balance at end of the year	<u>\$ 3,111,496</u>	<u>\$ 2,745,348</u>	<u>\$ 2,543,052</u>
<b>Accumulated depreciation:</b>			
Balance at beginning of year	\$ 220,225	\$ 174,452	\$ 111,321
Depreciation expense	69,257	64,849	59,385
Asset dispositions	(22,821)	(3,861)	(2,122)
Transfer to assets held for sale	—	(10,633)	—
Currency translation adjustment	61	(4,582)	5,868
Balance at end of the year	<u>\$ 266,722</u>	<u>\$ 220,225</u>	<u>\$ 174,452</u>

**DESCRIPTION OF REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

The following is a description of Global Net Lease, Inc.'s securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2019 and certain provisions of the Maryland General Corporation Law (the "MGCL"), our charter and bylaws. The description is a summary, does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and to our charter (including any applicable articles supplementary classifying a class or series of preferred stock) and bylaws, copies of which are filed as exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and are incorporated by reference herein.

As used herein, the terms "Company," "we," "our" and "us" refer to Global Net Lease, Inc., a Maryland corporation.

**General**

Our charter authorizes us to issue up to 280,000,000 shares of stock, consisting of 250,000,000 shares of common stock, par value \$0.01 per share, and 30,000,000 shares of preferred stock, par value \$0.01 per share. As of December 31, 2019, we had the following stock issued and outstanding: (i) 89,458,752 shares of common stock, (ii) 6,799,467 shares of 7.25% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") and (iii) 3,450,000 shares of 6.875% Series B Cumulative Redeemable Perpetual Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock").

Our board of directors, with the approval of a majority of the entire board of directors and without any action taken by our stockholders, may amend our charter from time to time to increase or decrease the aggregate number of our authorized shares of stock or the number of shares of stock of any class or series that we have authority to issue. Under Maryland law, stockholders are not generally liable for our debts or obligations solely as a result of their status as stockholders.

The transfer agent and registrar for our common stock, Series A Preferred Stock and Series B Preferred Stock is American Stock Transfer and Trust Company, LLC. The principal business address of the transfer agent and registrar is 6201 15th Avenue, Brooklyn, NY 11219.

Our shares of common stock are listed on the New York Stock Exchange (the "NYSE"), under the symbol "GNL," our Series A Preferred Stock is listed on the NYSE, under the symbol "GNL PR A," and our Series B Preferred Stock is listed on the NYSE, under the symbol "GNL PR B."

**Common Stock**

Subject to the preferential rights, if any, of holders of any other class or series of our stock and to the provisions of our charter relating to the restrictions on ownership and transfer of our stock, the holders of our common stock:

- have the right to receive ratably any distributions from funds legally available therefor, when, as and if authorized by our board of directors and declared by us; and
- are entitled to share ratably in all of our assets available for distribution to holders of our common stock upon liquidation, dissolution or winding up of our affairs.

Upon issuance for full payment therefor, all common stock issued by us will be fully paid and non-assessable. There are no redemption, sinking fund, conversion or preemptive rights with respect to the shares of our common stock. Holders of our common stock generally will have no appraisal rights.

---

Subject to the provisions of our charter relating to the restrictions on ownership and transfer of our stock and except as may otherwise be provided in the charter, holders of our common stock are entitled to one vote per share on all matters on which holders of our common stock are entitled to vote at all meetings of our stockholders. The holders of our common stock do not have cumulative voting rights.

## **Preferred Stock**

### *General*

Under our charter, our board of directors, without stockholder approval, is authorized to provide for the issuance of shares of preferred stock in one or more classes or series, to establish the number of shares in each class or series and to fix the terms thereof. Our board of directors could authorize the issuance of additional shares of preferred stock with terms and conditions that could have the effect of discouraging a takeover or other transaction that holders of common stock might believe to be in their best interests or in which holders of some, or a majority, of the shares of common stock might receive a premium for their shares over the then market price of such shares of common stock.

Some of the rights, preferences, privileges and restrictions of the shares of preferred stock of a class or series may include the following:

- distribution rights;
- conversion rights;
- voting rights;
- redemption rights and terms of redemptions; and
- liquidation preferences.

### *Series A Preferred Stock*

As of December 31, 2019, 9,959,650 shares of preferred stock were classified and designated as Series A Preferred Stock pursuant to our charter.

### *Ranking*

The Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding-up, ranks:

- senior to our common stock and to all other equity securities ranking junior to the Series A Preferred Stock;
- on parity with the Series B Preferred Stock and all other equity securities ranking on parity with the Series A Preferred Stock; and
- junior to any class or series of equity securities ranking senior to the Series A Preferred Stock.

The authorization or issuance of equity securities ranking senior to the Series A Preferred Stock would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock and of any other similarly-affected classes and series of preferred stock ranking on parity with the Series A Preferred Stock, including the Series B Preferred Stock. Any convertible debt securities that we may issue will not be considered to be “equity securities” for these purposes prior to the time of conversion. The Series A Preferred Stock ranks junior to all our existing and future indebtedness. The terms of the Series A Preferred Stock do not limit our ability to (i) incur indebtedness or (ii) issue additional equity securities that rank junior to or on parity with the

---

Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up.

#### *Dividends*

Holders of Series A Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends in the amount of \$1.8125 per share each year, which is equivalent to the rate of 7.25% of the \$25.00 liquidation preference per share per annum. Dividends are payable quarterly in arrears on the 15th day of January, April, July and October of each year or, if not a business day, the next succeeding business day, for each quarterly period commencing on and including the 1st day of January, April, July and October of each year and ending on and including the day preceding the first day of the next succeeding dividend period to all holders of record on the applicable record date, when and as authorized by our board of directors and declared by us. Holders of record of all shares of Series A Preferred Stock issued and outstanding on the record date fixed by our board of directors for any dividend will be entitled to receive the full quarterly dividend paid on the applicable dividend payment date even if such shares were not issued and outstanding for the full dividend period.

Any dividend, including any dividend payable on the Series A Preferred Stock for any partial dividend period, is computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends are payable to holders of record of Series A Preferred Stock as they appear in the transfer agent's records at the close of business on the applicable record date, which will be the date that our board of directors sets as the record date for the payment of a dividend that is not more than 30 nor fewer than 10 days prior to the applicable dividend payment date.

Our board of directors will not authorize, and we will not pay or declare and set apart for payment, any dividend on the Series A Preferred Stock at any time that:

- the terms and conditions of any of our agreements, including our credit facility or any other agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment;
- the terms and conditions of any of our agreements, including our credit facility or any other agreement relating to our indebtedness, provide that the authorization, payment or setting apart for payment would constitute a breach of, or a default under, the agreement; or
- the law restricts or prohibits the authorization, payment or setting apart for payment.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock will accrue whether or not the dividends are authorized by our board of directors and declared by us, from the later of the first date on which the Series A Preferred Stock is issued and the most recent dividend payment date on which dividends have been paid.

Accrued and unpaid dividends on the Series A Preferred Stock do not bear interest.

We will not pay or declare and set apart for payment any dividends (other than a dividend paid in common stock or other stock ranking junior to the Series A Preferred Stock with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up) or declare or make any distribution of cash or other property on common stock or other stock that ranks junior to or on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up or redeem or otherwise acquire common stock or other stock that ranks junior to or on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up (except (i) by conversion into or exchange for common stock or other stock ranking junior to the Series A Preferred Stock with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up, (ii) for the redemption of shares of our stock pursuant to the provisions of our charter relating to the restrictions upon ownership and transfer of our equity securities and (iii) for a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock and any other stock that ranks on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our

---

voluntary or involuntary liquidation, dissolution or winding up), unless we also have either paid or declared and set apart for payment full cumulative dividends on the Series A Preferred Stock for all past dividend periods.

Notwithstanding the foregoing, if we do not either pay or declare and set apart for payment full cumulative dividends on the Series A Preferred Stock and all stock that ranks on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividends, the amount which we have declared will be allocated pro rata to the holders of Series A Preferred Stock and to each equally ranked class or series of stock, including the Series B Preferred Stock, so that the amount declared for each share of Series A Preferred Stock and for each share of each equally ranked class or series of stock, including the Series B Preferred Stock, is proportionate to the accrued and unpaid dividends on those shares. Any dividend payment made on the Series A Preferred Stock will first be credited against the earliest accrued and unpaid dividend.

If, for any taxable year, we elect to designate as “capital gain dividends” (as defined in Section 857 of the Code) a portion (the “Capital Gains Amount”) of the dividends not in excess of our earnings and profits that are paid or made available for the year to the holders of all classes or series of stock outstanding (the “Total Dividends”), then the portion of the Capital Gains Amount that will be allocable to the holders of Series A Preferred Stock will be in the same proportion that the Total Dividends paid or made available to the holders of Series A Preferred Stock for the taxable year bears to the Total Dividends for the taxable year made with respect to all classes or series of stock outstanding.

#### *Liquidation Preference*

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of Series A Preferred Stock are entitled to be paid out of our assets legally available for distribution to our stockholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends (whether or not declared) to, but not including, the date of payment, before any distribution or payment may be made to holders of common stock or any other class or series of our equity stock ranking junior to the Series A Preferred Stock with respect to liquidation rights. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all shares of each other class or series of stock ranking on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to liquidation rights, then the holders of Series A Preferred Stock and any other class or series of stock ranking on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to liquidation rights will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled. Holders of Series A Preferred Stock are entitled to written notice of any voluntary or involuntary liquidation, dissolution or winding up at least 20 days before the payment date of the liquidating distribution. After the holders of Series A Preferred Stock have received the full amount of the liquidating distributions to which they are entitled, they will have no right or claim to any of our remaining assets.

In determining whether any distribution (other than upon voluntary or involuntary dissolution) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the MGCL, amounts that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of the holders of Series A Preferred Stock will not be added to the Company’s total liabilities.

Our consolidation, conversion or merger with or into any other person or entity or the sale, lease, transfer or conveyance of all or substantially all of our property or business, whether in connection with a Change of Control or otherwise, will not be deemed to constitute our liquidation, dissolution or winding up.

#### *Optional Redemption*

The Series A Preferred Stock is not redeemable prior to September 12, 2022, except in the circumstances described in this section, in the section below titled “Special Optional Redemption,” or pursuant to certain provisions of our charter. See “—Restrictions on Transfer and Ownership of Stock” below.

Notwithstanding any other provision relating to redemption or repurchase of the Series A Preferred Stock, we may redeem any or all of the Series A Preferred Stock at any time, whether before or after September 12, 2022,

---

at a redemption price of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), pursuant to the restrictions on ownership and transfer of our equity securities set forth in our charter or if our board of directors otherwise determines that redemption is necessary for us to preserve our status as a REIT for federal income tax purposes.

On and after September 12, 2022, the Series A Preferred Stock may be redeemed at our option, in whole or in part, at any time or from time to time, at a redemption price of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date (unless the redemption date is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in the redemption price), without interest, upon the giving of notice, as provided below.

If less than all of the outstanding Series A Preferred Stock is to be redeemed, the shares to be redeemed will be determined pro rata (as nearly as may be practicable without creating fractional shares) or by lot. If the redemption is to be by lot, and if as a result of the redemption any holder of Series A Preferred Stock would own, or be deemed by virtue of certain attribution provisions of the Code to own, in excess of 9.8% in value of our issued and outstanding equity securities (which includes the Series A Preferred Stock) or 9.8% in value or number of shares (whichever is more restrictive) of any class or series of our issued and outstanding equity securities or violate any of the other restrictions on ownership and transfer of our equity securities set forth in our charter, then, except in certain instances, we will redeem the requisite number of shares of Series A Preferred Stock of that holder so that the holder will not own or be deemed by virtue of certain attribution provisions of the Code to own, subsequent to the redemption, in excess of 9.8% in value of our issued and outstanding equity securities or 9.8% in value or number of shares (whichever is more restrictive) of any class or series of our issued and outstanding equity securities or violate any of the other restrictions on ownership and transfer set forth in our charter.

We will mail to record holders of the Series A Preferred Stock, a notice of redemption no less than 30 days nor more than 60 days prior to the redemption date. We will send the notice to the record holder's address, as shown on our share transfer books. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series A Preferred Stock except as to shares held by any holder to whom notice was defective or not given. Each notice will state the following:

- the redemption date;
- the redemption price;
- the total number of shares of Series A Preferred Stock to be redeemed (and, if less than all the shares held by any holder are to be redeemed, the number of shares to be redeemed from the holder);
- the place or places where the shares of Series A Preferred Stock are to be surrendered for payment, together with the certificates, if any, representing the shares (duly endorsed for transfer) and any other documents we require in connection with redemption; and
- that dividends on the Series A Preferred Stock will cease to accrue on the redemption date.

Unless full cumulative dividends on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no shares of Series A Preferred Stock may be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed. In addition, unless full cumulative dividends on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, we will not purchase or otherwise acquire directly or indirectly any Series A Preferred Stock (except (i) by exchange for our equity securities ranking junior to the Series A Preferred Stock with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up, (ii) pursuant to the provisions of our charter relating to restrictions on ownership and transfer of our equity securities and (iii) pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding shares of Series A Preferred Stock and any other stock that ranks on parity with the

---

Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up). So long as no dividends on Series A Preferred Stock for any past dividend period are in arrears, we are entitled at any time and from time to time to repurchase Series A Preferred Stock in open-market transactions duly authorized by our board of directors and effected in compliance with applicable laws and these requirements will not prevent our purchase or acquisition of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series A Preferred Stock and any other stock that ranks on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up or our redemption of Series A Preferred Stock pursuant to the provisions of our charter relating to the restrictions on ownership and transfer of our equity securities.

#### *Special Optional Redemption*

During any period of time (whether before or after September 12, 2022) that both (i) the Series A Preferred Stock is not listed on the NYSE, the NYSE American LLC or the Nasdaq Stock Market (“Nasdaq”), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, NYSE American LLC or Nasdaq, and (ii) we are not subject to the reporting requirements of the Exchange Act, but any shares of Series A Preferred Stock are outstanding (a “Delisting Event”), we have the option to redeem the outstanding Series A Preferred Stock, in whole but not in part, within 90 days after the occurrence of the Delisting Event, for a redemption price of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date (unless the redemption date is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in the redemption price), upon the giving of notice, as provided below.

In addition, upon the occurrence of a Change of Control, we may, at our option, redeem the Series A Preferred Stock, in whole but not in part, within 120 days after the first date on which the Change of Control occurred, by paying \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date (unless the redemption date is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in the redemption price). If, prior to the Delisting Event Conversion Date or Change of Control Conversion Date (each as defined below), as applicable, we provide notice of redemption with respect to the Series A Preferred Stock (whether pursuant to our optional redemption right or our special optional redemption rights), you will not have the conversion right described below under “— Conversion Rights.”

Notwithstanding the foregoing, we do not have the right to redeem the Series A Preferred Stock upon any Delisting Event occurring in connection with a transaction set forth in the first bullet point of the definition of Change of Control unless the Delisting Event also constitutes a Change of Control wherein following the closing of any such transaction, neither we nor the acquiring or surviving entity, or a parent of us or the acquiring or surviving entity, has a class of common equity securities listed on the NYSE, the NYSE American LLC or the Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, NYSE American LLC or Nasdaq.

We will mail record holders of Series A Preferred Stock, a notice of redemption no less than 30 days nor more than 60 days prior to the redemption date. We will send the notice to the record holder’s address, as shown on our share transfer books. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series A Preferred Stock except as to the holder to whom notice was defective or not given. Each notice will state the following:

- the redemption date;
  - the redemption price;
  - the total number of shares of Series A Preferred Stock to be redeemed;
  - the place or places where the shares of Series A Preferred Stock are to be surrendered for payment, together with the certificates, if any, representing the shares (duly endorsed for transfer) and any other documents we require in connection with the redemption;
-



- that the Series A Preferred Stock is being redeemed pursuant to our special optional redemption right in connection with the occurrence of a Change of Control or a Delisting Event, as applicable, and a brief description of the transaction or transactions constituting the Change of Control or Delisting Event, as applicable;
- that holders of Series A Preferred Stock to which the notice relates will not be able to tender the Series A Preferred Stock for conversion in connection with the Delisting Event or Change of Control, as applicable, and each Series A Preferred Stock tendered for conversion that is selected, prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, for redemption will be redeemed on the related redemption date instead of converted on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable; and
- that dividends on the Series A Preferred Stock to be redeemed will cease to accrue on the redemption date.

A “Change of Control” occurs when, after the original issuance of the Series A Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a “person” under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger, conversion or other acquisition transaction or series of purchases, mergers, conversions or other acquisition transactions, of shares of our stock entitling that person to exercise more than 50% of the total voting power of all outstanding shares of our stock entitled to vote generally in the election of directors (except that the person will be deemed to have beneficial ownership of all securities that the person has the right to acquire, whether the right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common equity securities listed on the NYSE, the NYSE American LLC or Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, NYSE American LLC or Nasdaq.

#### *Additional Provisions Relating to Optional Redemption and Special Optional Redemption*

If (i) we have given a notice of redemption, (ii) we have set apart sufficient funds for the redemption of the shares of Series A Preferred Stock called for redemption and (iii) irrevocable instructions have been given to pay the redemption price and an amount equal to all accrued and unpaid dividends to, but not including, the redemption date, then from and after the redemption date, those shares of Series A Preferred Stock so called for redemption will no longer be outstanding, no further dividends will accrue and all other rights of the holders of those shares of Series A Preferred Stock will terminate, except the right to receive the redemption price, without interest. The holders of those shares of Series A Preferred Stock will retain their right to receive the redemption price for their shares and an amount equal to any accrued and unpaid dividends payable upon redemption, without interest.

The holders of Series A Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable with respect to the Series A Preferred Stock on the corresponding dividend payment date notwithstanding the redemption of the Series A Preferred Stock between the record date and the corresponding dividend payment date.

All shares of Series A Preferred Stock that we redeem or reacquire in any manner will return to the status of authorized but unissued shares of preferred stock, without further designation as to series or class and may thereafter be classified, reclassified or issued as any series or class of preferred stock.

#### *Conversion Rights*

---

Upon the occurrence of a Delisting Event or a Change of Control, as applicable, each holder of Series A Preferred Stock has the right, unless, prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, we have provided or provide notice of our election to redeem the shares of Series A Preferred Stock as described under “— Optional Redemption” or “— Special Optional Redemption,” to convert some of or all the shares of Series A Preferred Stock held by the holder (the “Delisting Event Conversion Right” or “Change of Control Conversion Right,” as applicable) on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, into a number of shares of common stock per share of Series A Preferred Stock (the “Common Stock Conversion Consideration”) equal to the lesser of:

- the quotient of (i) the sum of the \$25.00 liquidation preference per share of Series A Preferred Stock to be converted plus an amount equal to all dividends accrued and unpaid (whether or not declared) on the Series A Preferred Stock to, but not including, the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable (unless the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in this sum), divided by (ii) the Common Stock Price; and
- 2.3010 (the “Share Cap”).

The Share Cap is subject to pro rata adjustments for any stock splits (including those effected pursuant to a common stock dividend), subdivisions or combinations (in each case, a “Stock Split”) with respect to shares of our common stock as follows: the adjusted Share Cap as the result of a Stock Split will be the number of shares of our common stock that is equivalent to the product of (i) the Share Cap in effect immediately prior to the Stock Split, multiplied by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to the Stock Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to the Stock Split.

If a Delisting Event or a Change of Control occurs, pursuant to or in connection with which shares of our common stock will be converted into cash, securities or other property or assets (including any combination thereof) (the “Alternative Form Consideration”), a holder of shares of Series A Preferred Stock will receive upon conversion of the shares of Series A Preferred Stock the kind and amount of Alternative Form Consideration which the holder would have owned or been entitled to receive had the holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Delisting Event or Change of Control, as applicable (the “Alternative Conversion Consideration,” and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Delisting Event or a Change of Control, is referred to as the “Conversion Consideration”).

If the holders of shares of our common stock have the opportunity to elect the form of consideration to be received in connection with the Delisting Event or Change of Control, the Conversion Consideration that holders of Series A Preferred Stock will receive will be the form of consideration elected by the holders of a plurality of the shares of common stock held by stockholders who participate in the election and will be subject to any limitations to which all holders of shares of common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in connection with the Delisting Event or Change of Control, as applicable.

We will not issue fractional shares of common stock upon the conversion of the Series A Preferred Stock. Instead, we will pay the cash value of any fractional shares based on the Common Stock Price.

Within 15 days following the occurrence of a Delisting Event or a Change of Control, as applicable, unless we have then provided notice of our election to redeem the shares of Series A Preferred Stock as described under “— Optional Redemption” or “— Special Optional Redemption,” we will provide to holders of record of outstanding shares of Series A Preferred Stock a notice of occurrence of the Delisting Event or Change of Control that describes the resulting Delisting Event Conversion Right or Change of Control Conversion Right, as applicable. A failure to give notice of conversion or any defect in the notice or in its mailing will not affect the validity of the proceedings for the conversion of any Series A Preferred Stock except as to the holder to whom this notice was defective or not given. This notice will state the following:

---

- the events constituting the Delisting Event or Change of Control, as applicable;
- the date of the Delisting Event or Change of Control, as applicable;
- the last date on which the holders of shares of Series A Preferred Stock may exercise their Delisting Event Conversion Right or Change of Control Conversion Right, as applicable;
- the method and period for calculating the Common Stock Price;
- the “Delisting Event Conversion Date” or “Change of Control Conversion Date,” as applicable, which will be a business day fixed by our board of directors that is not fewer than 20 and not more than 35 days following the date of the notice;
- that if, prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, we provide notice of our election to redeem all or any portion of the shares of Series A Preferred Stock, holders of the Series A Preferred Stock will not be able to convert the shares of Series A Preferred Stock so called for redemption and the shares of Series A Preferred Stock will be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series A Preferred Stock;
- the name and address of the paying agent and the conversion agent; and
- the procedures that the holders of shares of Series A Preferred Stock must follow to exercise the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable.

We will issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, another news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public) containing the information stated in the notice, and post the notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of record of Series A Preferred Stock.

To exercise the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, a holder of record of Series A Preferred Stock will be required to deliver, on or before the close of business on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, the certificates, if any, representing any certificated shares of Series A Preferred Stock to be converted, duly endorsed for transfer, together with a completed written conversion notice and any other documents we reasonably require in connection with the conversion, to our conversion agent. The conversion notice must state:

- the relevant Delisting Event Conversion Date or Change of Control Conversion Date, as applicable; and
- the number of shares of Series A Preferred Stock to be converted.

The “Common Stock Price” for any Change of Control will be (i) if the consideration to be received in the Change of Control by holders of shares of our common stock is solely cash, the amount of cash consideration per share of common stock, and (ii) if the consideration to be received in the Change of Control by holders of shares of our common stock is other than solely cash, the average of the closing price per share of our common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Change of Control. The “Common Stock Price” for any Delisting Event will be the average of the closing price per share of our

---

common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Delisting Event.

Holders of Series A Preferred Stock may withdraw any notice of exercise of a Delisting Event Conversion Right or a Change of Control Conversion Right, as applicable, (in whole or in part) by a written notice of withdrawal delivered to our conversion agent prior to the close of business on the business day prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable. The notice of withdrawal must state:

- the number of withdrawn shares of Series A Preferred Stock;
- if certificated shares of Series A Preferred Stock have been tendered for conversion and withdrawn, the certificate numbers of the withdrawn certificated shares of Series A Preferred Stock; and
- the number of shares of Series A Preferred Stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the Series A Preferred Stock is held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of DTC.

Shares of Series A Preferred Stock as to which the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration on the applicable Delisting Event Conversion Date or Change of Control Conversion Date, unless prior thereto we provide notice of our election to redeem those shares of Series A Preferred Stock, whether pursuant to our optional redemption right or our special optional redemption right. If we elect to redeem shares of Series A Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, the shares of Series A Preferred Stock will not be so converted and the holders of the shares will be entitled to receive on the applicable redemption date the redemption price for the shares.

We will deliver amounts owing upon conversion no later than the third business day following the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable.

In connection with the exercise of any Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, we will be required to comply with all U.S. federal and state securities laws and stock exchange rules in connection with any conversion of shares of Series A Preferred Stock into shares of common stock. Notwithstanding any other provision of the Series A Preferred Stock, no holder of Series A Preferred Stock will be entitled to convert shares of Series A Preferred Stock for shares of our common stock to the extent that receipt of the shares of common stock would cause the holder (or any other person) to violate the restrictions on ownership and transfer of our equity securities contained in our charter. See “— Restrictions on Transfer and Ownership of Stock” below.

These Change of Control conversion and redemption features may make it more difficult for or discourage a party from pursuing a takeover or other transaction that holders of common stock might believe to be in their best interests or in which holders of some, or a majority, of the shares of common stock might receive a premium for their shares over the then market price of such shares of common stock.

Except as provided above in connection with a Delisting Event or a Change of Control, the Series A Preferred Stock is not convertible into or exchangeable for any other property or securities.

#### *Voting Rights*

Except as described below, holders of Series A Preferred Stock have no voting rights. On any matter in which the Series A Preferred Stock may vote (as expressly provided in our charter), each share of Series A Preferred Stock entitles the holder thereof to cast one vote, except that, when voting together as a single class with shares of any other class or series of voting preferred stock, shares of different classes or series will vote in proportion to the liquidation preference of the shares.

---

Holders of the Series A Preferred Stock have the right to vote whenever dividends on the Series A Preferred Stock are in arrears, whether or not declared, for six or more quarterly periods, whether or not these quarterly periods are consecutive. In this case, holders of Series A Preferred Stock and any other class or series of preferred stock ranking on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, which we refer to as “voting preferred stock,” and with which the holders of Series A Preferred Stock are entitled to vote together as a single class, will have the exclusive power, voting together as a single class, to elect, at any special meeting called by our secretary at the written request of holders of record of at least 10% of the outstanding shares of Series A Preferred Stock and any class or series of voting preferred stock (unless the request is received more than 45 days and less than 90 days before our next annual meeting of stockholders at which the vote would occur) and at each subsequent annual meeting of stockholders, two additional directors to serve on our board of directors. The right of holders of Series A Preferred Stock to vote in the election of directors will terminate when all dividends accrued and unpaid on the outstanding shares of Series A Preferred Stock for all past dividend periods and the then-current dividend period have been fully paid. Unless the number of our directors has previously been increased pursuant to the terms of any other class or series of voting preferred stock with which the holders of Series A Preferred Stock are entitled to vote together as a single class in the election of directors, the number of our directors will automatically increase by two at the time as holders of Series A Preferred Stock become entitled to vote in the election of two additional directors. Unless shares of voting preferred stock remain outstanding and entitled to vote in the election of directors, the term of office of these directors will terminate, and the number of our directors will automatically decrease by two, when all dividends accrued and unpaid for all past dividend periods and the then-current dividend period on the Series A Preferred Stock have been fully paid. If the right of holders of Series A Preferred Stock to elect the two additional directors terminates after the record date for determining holders of shares of Series A Preferred Stock entitled to vote in any election of directors but before the closing of the polls in the election, holders of Series A Preferred Stock outstanding as of the applicable record date will not be entitled to vote in the election of directors. The right of the holders of Series A Preferred Stock to elect the additional directors will again vest if and whenever dividends are in arrears for six quarterly periods, as described above. In no event will the holders of Series A Preferred Stock be entitled to nominate or elect an individual as a director, and no individual will be qualified to be nominated for election or to serve as a director, if the individual’s service as a director would cause us to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of our stock is listed or otherwise conflict with our charter or bylaws.

The additional directors will be elected by a plurality of the votes cast in the election of directors, and each of these directors will serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies, or until the director’s term of office terminates as described above. Any director elected by the holders of Series A Preferred Stock and any class or series of voting preferred stock may be removed, with or without cause, only by a vote of the holders of a majority of the outstanding shares of Series A Preferred Stock and all classes or series of voting preferred stock with which the holders of Series A Preferred Stock are entitled to vote together as a single class in the election of directors. At any time that the holders of Series A Preferred Stock are entitled to vote in the election of the two additional directors, holders of Series A Preferred Stock will be entitled to vote in the election of a successor to fill any vacancy on our board of directors that results from the removal of the director.

At any time that holders of Series A Preferred Stock, and any other class or series of voting preferred stock with which the holders of Series A Preferred Stock will be entitled to vote as a single class in the election of directors, have the right to elect two additional directors as described above but these directors have not been elected, our secretary must call a special meeting for the purpose of electing the additional directors upon the written request of the holders of record of 10% of the outstanding shares of Series A Preferred Stock and any other class or series of voting preferred stock with which the holders of Series A Preferred Stock are entitled to vote together as a single class with respect to the election of directors, unless the request is received more than 45 days and less than 90 days before the date fixed for the next annual meeting of our stockholders at which the vote would occur, in which case, the additional directors may be elected either at the annual meeting or at a separate special meeting of our stockholders at our discretion.

---

So long as any shares of Series A Preferred Stock are outstanding, the approval of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock and of any equally-affected class or series of voting preferred stock, including the Series B Preferred Stock, with which the holders of Series A Preferred Stock are entitled to vote (voting together as a single class), is required to authorize (a) any amendment, alteration, repeal or other change to any provision of our charter, including the articles supplementary setting forth the terms of the Series A Preferred Stock (whether by merger, conversion, consolidation, transfer or conveyance of all or substantially all of our assets or otherwise), that would materially and adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock, or (b) the creation, issuance or increase in the authorized number of shares of any class or series of stock ranking senior to the Series A Preferred Stock (or any equity securities convertible into or exchangeable for any such shares) with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up. Notwithstanding the foregoing, holders of voting preferred stock will not be entitled to vote together as a class with the holders of Series A Preferred Stock on any amendment, alteration, repeal or other change to any provision of our charter unless the action affects the holders of Series A Preferred Stock and the voting preferred stock equally.

The following actions will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock:

- any increase or decrease in the number of authorized shares of common stock or preferred stock of any class or series or the classification or reclassification of any unissued shares, or the creation or issuance of equity securities, of any class or series ranking, junior to or on parity with the Series A Preferred Stock, including the Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up;
- any amendment, alteration or repeal or other change to any provision of our charter, including the articles supplementary setting forth the terms of the Series A Preferred Stock, as a result of a merger, conversion, consolidation, transfer or conveyance of all or substantially all of our assets or other business combination, whether or not we are the surviving entity, if the Series A Preferred Stock (or stock into which the Series A Preferred Stock has been converted in any successor person or entity to us) remains outstanding with the terms thereof unchanged in all material respects or is exchanged for stock of the successor person or entity with substantially identical rights; or
- any amendment, alteration or repeal or other change to any provision of our charter, including the articles supplementary setting forth the terms of the Series A Preferred Stock, as a result of a merger, conversion, consolidation, transfer or conveyance of all or substantially all of our assets or other business combination, if the holders of Series A Preferred Stock receive the \$25.00 liquidation preference per share of Series A Preferred Stock, plus an amount equal to accrued and unpaid dividends to, but not including, the date of the event.

The voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, we have redeemed or called for redemption all outstanding shares of Series A Preferred Stock.

#### *No Maturity, Sinking Fund or Mandatory Redemption*

The Series A Preferred Stock has no stated maturity date and is not subject to any sinking fund or mandatory redemption provisions.

#### *Summary of Restrictions on Transfer and Ownership of Stock*

Our charter contains restrictions on the ownership and transfer of shares of our common stock and other outstanding shares of stock, including the Series A Preferred Stock. The relevant sections of our charter provide that, subject to certain exceptions, no person or entity may own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% in value of the aggregate of the outstanding shares of our capital stock or more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class

---

or series of shares of our capital stock. For further information regarding the restrictions on ownership and transfer of the Series A Preferred Stock, see “— Restrictions on Transfer and Ownership of Stock” below.

#### *Conversion*

The Series A Preferred Stock is not convertible into or exchangeable for any other property or securities, except as provided under “— Conversion Rights.”

#### *Information Rights*

During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series A Preferred Stock are outstanding, we will (i) transmit by mail or other permissible means under the Exchange Act to all holders of Series A Preferred Stock as their names and addresses appear in our record books and without cost to the holders, copies of the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) within 15 days after the respective dates by which we would have been required to file these reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act and (ii) within 15 days following written request, supply copies of these reports to any prospective holder of Series A Preferred Stock.

#### *Preemptive Rights*

No holders of Series A Preferred Stock shall, as a result of his, her or its status as such holder, have any preemptive rights to purchase or subscribe for shares of our common stock or any of our other securities.

#### ***Series B Preferred Stock***

As of December 31, 2019, 11,450,000 shares of preferred stock were classified and designated as Series B Preferred Stock pursuant to our charter.

#### *Ranking*

The Series B Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding-up, ranks:

- senior to our common stock and to all other equity securities ranking junior to the Series B Preferred Stock;
- on parity with the Series A Preferred Stock and all other equity securities ranking on parity with the Series B Preferred Stock; and
- junior to any class or series of equity securities ranking senior to the Series B Preferred Stock.

The authorization or issuance of equity securities ranking senior to the Series B Preferred Stock would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock and of any other similarly-affected classes and series of preferred stock ranking on parity with the Series B Preferred Stock, including the Series A Preferred Stock. Any convertible debt securities that we may issue will not be considered to be “equity securities” for these purposes prior to the time of conversion. The Series B Preferred Stock ranks junior to all our existing and future indebtedness. The terms of the Series B Preferred Stock do not limit our ability to (i) incur indebtedness or (ii) issue additional equity securities that rank junior to or on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up.

#### *Dividends*

---

Holders of Series B Preferred Stock are entitled to receive, when, as and if authorized by our board of directors and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends in the amount of \$1.71875 per share each year, which is equivalent to the rate of 6.875% of the \$25.00 liquidation preference per share per annum. Dividends are payable quarterly in arrears on the 15th day of January, April, July and October of each year or, if not a business day, the next succeeding business day, for each quarterly period commencing on and including the 1st day of January, April, July and October of each year and ending on and including the day preceding the first day of the next succeeding dividend period to all holders of record on the applicable record date, when and as authorized by our board of directors and declared by us. Holders of record of all shares of Series B Preferred Stock issued and outstanding on the record date fixed by our board of directors for any dividend will be entitled to receive the full dividend paid on the applicable dividend payment date even if such shares were not issued and outstanding for the full dividend period.

Any dividend, including any dividend payable on the Series B Preferred Stock for any partial dividend period, is computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends are payable to holders of record of Series B Preferred Stock as they appear in the transfer agent's records at the close of business on the applicable record date, which will be the date that our board of directors sets as the record date for the payment of a dividend that is not more than 30 nor fewer than 10 days prior to the applicable dividend payment date.

Our board of directors will not authorize, and we will not pay or declare and set apart for payment, any dividend on the Series B Preferred Stock at any time that:

- the terms and conditions of any of our agreements, including our credit facility or any other agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment;
- the terms and conditions of any of our agreements, including our credit facility or any other agreement relating to our indebtedness, provide that the authorization, payment or setting apart for payment would constitute a breach of, or a default under, the agreement; or
- the law restricts or prohibits the authorization, payment or setting apart for payment.

Notwithstanding the foregoing, dividends on the Series B Preferred Stock will accrue whether or not the dividends are authorized by our board of directors and declared by us, from the later of the first date on which the Series B Preferred Stock is issued and the most recent dividend payment date on which dividends have been paid.

Accrued and unpaid dividends on the Series B Preferred Stock do not bear interest.

We will not pay or declare and set apart for payment any dividends (other than a dividend paid in common stock or other stock ranking junior to the Series B Preferred Stock with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up) or declare or make any distribution of cash or other property on common stock or other stock that ranks junior to or on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up or redeem or otherwise acquire common stock or other stock that ranks junior to or on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up (except (i) by conversion into or exchange for common stock or other stock ranking junior to the Series B Preferred Stock with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up, (ii) for the redemption of shares of our stock pursuant to the provisions of our charter relating to the restrictions upon ownership and transfer of our equity securities and (iii) for a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series B Preferred Stock and any other stock that ranks on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up), unless we also have either paid or declared and set apart for payment full cumulative dividends on the Series B Preferred Stock for all past dividend periods.

Notwithstanding the foregoing, if we do not either pay or declare and set apart for payment full cumulative dividends on the Series B Preferred Stock and all stock that ranks on parity with the Series B Preferred Stock,

---



including the Series A Preferred Stock, with respect to dividends, the amount which we have declared will be allocated pro rata to the holders of Series B Preferred Stock and to each equally ranked class or series of stock, including the Series A Preferred Stock, so that the amount declared for each share of Series B Preferred Stock and for each share of each equally ranked class or series of stock, including the Series A Preferred Stock, is proportionate to the accrued and unpaid dividends on those shares. Any dividend payment made on the Series B Preferred Stock will first be credited against the earliest accrued and unpaid dividend.

If, for any taxable year, we elect to designate as “capital gain dividends” (as defined in Section 857 of the Code) a portion (the “Capital Gains Amount”) of the dividends not in excess of our earnings and profits that are paid or made available for the year to the holders of all classes or series of stock outstanding (the “Total Dividends”), then the portion of the Capital Gains Amount that will be allocable to the holders of Series B Preferred Stock will be in the same proportion that the Total Dividends paid or made available to the holders of Series B Preferred Stock for the taxable year bears to the Total Dividends for the taxable year made with respect to all classes or series of stock outstanding.

#### *Liquidation Preference*

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of Series B Preferred Stock are entitled to be paid out of our assets legally available for distribution to our stockholders a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends (whether or not declared) to, but not including, the date of payment, before any distribution or payment may be made to holders of common stock or any other class or series of our equity stock ranking junior to the Series B Preferred Stock with respect to liquidation rights. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of Series B Preferred Stock and the corresponding amounts payable on all shares of each other class or series of stock ranking on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to liquidation rights, then the holders of Series B Preferred Stock and any other class or series of stock ranking on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to liquidation rights will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled. Holders of Series B Preferred Stock are entitled to written notice of any voluntary or involuntary liquidation, dissolution or winding up at least 20 days before the payment date of the liquidating distribution. After the holders of Series B Preferred Stock have received the full amount of the liquidating distributions to which they are entitled, they will have no right or claim to any of our remaining assets.

In determining whether any distribution (other than upon voluntary or involuntary dissolution) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the MGCL, amounts that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of the holders of Series B Preferred Stock will not be added to the Company’s total liabilities.

Our consolidation, conversion or merger with or into any other person or entity or the sale, lease, transfer or conveyance of all or substantially all of our property or business, whether in connection with a Change of Control or otherwise, will not be deemed to constitute our liquidation, dissolution or winding up.

#### *Optional Redemption*

The Series B Preferred Stock is not redeemable prior to November 26, 2024, except in the circumstances described in this section, in the section below titled “Special Optional Redemption,” or pursuant to certain provisions of our charter. See “—Restrictions on Transfer and Ownership of Stock” below.

Notwithstanding any other provision relating to redemption or repurchase of the Series B Preferred Stock, we may redeem any or all of the Series B Preferred Stock at any time, whether before or after November 26, 2024, at a redemption price of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), pursuant to the restrictions on ownership and transfer of our equity securities set forth in our charter or if our board of directors otherwise determines that redemption is necessary for us to preserve our status as a REIT for federal income tax purposes.

---

On and after November 26, 2024, the Series B Preferred Stock may be redeemed at our option, in whole or in part, at any time or from time to time, at a redemption price of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date (unless the redemption date is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in the redemption price), without interest, upon the giving of notice, as provided below.

If less than all of the outstanding Series B Preferred Stock is to be redeemed, the shares to be redeemed will be determined pro rata (as nearly as may be practicable without creating fractional shares) or by lot. If the redemption is to be by lot, and if as a result of the redemption any holder of Series B Preferred Stock would own, or be deemed by virtue of certain attribution provisions of the Code to own, in excess of 9.8% in value of our issued and outstanding equity securities (which includes the Series B Preferred Stock) or 9.8% in value or number of shares (whichever is more restrictive) of any class or series of our issued and outstanding equity securities or violate any of the other restrictions on ownership and transfer of our equity securities set forth in our charter, then, except in certain instances, we will redeem the requisite number of shares of Series B Preferred Stock of that holder so that the holder will not own or be deemed by virtue of certain attribution provisions of the Code to own, subsequent to the redemption, in excess of 9.8% in value of our issued and outstanding equity securities or 9.8% in value or number of shares (whichever is more restrictive) of any class or series of our issued and outstanding equity securities or violate any of the other restrictions on ownership and transfer set forth in our charter.

We will mail to record holders of the Series B Preferred Stock, a notice of redemption no less than 30 days nor more than 60 days prior to the redemption date. We will send the notice to the record holder's address, as shown on our share transfer books. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series B Preferred Stock except as to shares held by any holder to whom notice was defective or not given. Each notice will state the following:

- the redemption date;
- the redemption price;
- the total number of shares of Series B Preferred Stock to be redeemed (and, if less than all the shares held by any holder are to be redeemed, the number of shares to be redeemed from the holder);
- the place or places where the shares of Series B Preferred Stock are to be surrendered for payment, together with the certificates, if any, representing the shares (duly endorsed for transfer) and any other documents we require in connection with redemption; and
- that dividends on the Series B Preferred Stock will cease to accrue on the redemption date.

Unless full cumulative dividends on all shares of Series B Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no shares of Series B Preferred Stock may be redeemed unless all outstanding shares of Series B Preferred Stock are simultaneously redeemed. In addition, unless full cumulative dividends on all shares of Series B Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, we will not purchase or otherwise acquire directly or indirectly any Series B Preferred Stock (except (i) by exchange for our equity securities ranking junior to the Series B Preferred Stock with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up, (ii) pursuant to the provisions of our charter relating to restrictions on ownership and transfer of our equity securities and (iii) pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding shares of Series B Preferred Stock and any other stock that ranks on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up). So long as no dividends on Series B Preferred Stock for any past dividend period are in arrears, we are entitled at any time and from time to time to repurchase Series B Preferred Stock in open-market transactions duly authorized by our board of directors and effected in compliance with applicable laws and these requirements will not prevent our purchase or acquisition of Series B

---

Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series B Preferred Stock and any other stock that ranks on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up or our redemption of Series B Preferred Stock pursuant to the provisions of our charter relating to the restrictions on ownership and transfer of our equity securities.

#### *Special Optional Redemption*

During any period of time (whether before or after November 26, 2024) that both (i) the Series B Preferred Stock is not listed on the NYSE, the NYSE American LLC or the Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, NYSE American LLC or Nasdaq, and (ii) we are not subject to the reporting requirements of the Exchange Act, but any shares of Series B Preferred Stock are outstanding (a “Delisting Event”), we have the option to redeem the outstanding Series B Preferred Stock, in whole but not in part, within 90 days after the occurrence of the Delisting Event, for a redemption price of \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date (unless the redemption date is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in the redemption price), upon the giving of notice, as provided below.

In addition, upon the occurrence of a Change of Control, we may, at our option, redeem the Series B Preferred Stock, in whole but not in part, within 120 days after the first date on which the Change of Control occurred, by paying \$25.00 per share, plus an amount equal to all dividends accrued and unpaid (whether or not declared), if any, to, but not including, the redemption date (unless the redemption date is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in the redemption price). If, prior to the Delisting Event Conversion Date or Change of Control Conversion Date (each as defined below), as applicable, we provide notice of redemption with respect to the Series B Preferred Stock (whether pursuant to our optional redemption right or our special optional redemption rights), you will not have the conversion right described below under “— Conversion Rights.”

Notwithstanding the foregoing, we do not have the right to redeem the Series B Preferred Stock upon any Delisting Event occurring in connection with a transaction set forth in the first bullet point of the definition of Change of Control unless the Delisting Event also constitutes a Change of Control wherein following the closing of any such transaction, neither we nor the acquiring or surviving entity, or a parent of us or the acquiring or surviving entity, has a class of common equity securities listed on the NYSE, the NYSE American LLC or the Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, NYSE American LLC or Nasdaq.

We will mail record holders of Series B Preferred Stock, a notice of redemption no less than 30 days nor more than 60 days prior to the redemption date. We will send the notice to the record holder’s address, as shown on our share transfer books. A failure to give notice of redemption or any defect in the notice or in its mailing will not affect the validity of the redemption of any Series B Preferred Stock except as to the holder to whom notice was defective or not given. Each notice will state the following:

- the redemption date;
  - the redemption price;
  - the total number of shares of Series B Preferred Stock to be redeemed;
  - the place or places where the shares of Series B Preferred Stock are to be surrendered for payment, together with the certificates, if any, representing the shares (duly endorsed for transfer) and any other documents we require in connection with the redemption;
  - that the Series B Preferred Stock is being redeemed pursuant to our special optional redemption right in connection with the occurrence of a Change of Control or a Delisting Event, as applicable, and a brief description of the transaction or transactions constituting the Change of Control or Delisting Event, as applicable;
-

- that holders of Series B Preferred Stock to which the notice relates will not be able to tender the Series B Preferred Stock for conversion in connection with the Delisting Event or Change of Control, as applicable, and each Series B Preferred Stock tendered for conversion that is selected, prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, for redemption will be redeemed on the related redemption date instead of converted on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable; and
- that dividends on the Series B Preferred Stock to be redeemed will cease to accrue on the redemption date.

A Change of Control occurs when, after the original issuance of the Series B Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a “person” under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger, conversion or other acquisition transaction or series of purchases, mergers, conversions or other acquisition transactions, of shares of our stock entitling that person to exercise more than 50% of the total voting power of all outstanding shares of our stock entitled to vote generally in the election of directors (except that the person will be deemed to have beneficial ownership of all securities that the person has the right to acquire, whether the right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity, or a parent of us or the acquiring or surviving entity, has a class of common equity securities listed on the NYSE, the NYSE American LLC or Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, NYSE American LLC or Nasdaq.

#### *Additional Provisions Relating to Optional Redemption and Special Optional Redemption*

If (i) we have given a notice of redemption, (ii) we have set apart sufficient funds for the redemption of the shares of Series B Preferred Stock called for redemption and (iii) irrevocable instructions have been given to pay the redemption price and an amount equal to all accrued and unpaid dividends to, but not including, the redemption date, then from and after the redemption date, those shares of Series B Preferred Stock so called for redemption will no longer be outstanding, no further dividends will accrue and all other rights of the holders of those shares of Series B Preferred Stock will terminate, except the right to receive the redemption price, without interest. The holders of those shares of Series B Preferred Stock will retain their right to receive the redemption price for their shares and an amount equal to any accrued and unpaid dividends payable upon redemption, without interest.

The holders of Series B Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable with respect to the Series B Preferred Stock on the corresponding dividend payment date notwithstanding the redemption of the Series B Preferred Stock between the record date and the corresponding dividend payment date.

All shares of Series B Preferred Stock that we redeem or reacquire in any manner will return to the status of authorized but unissued shares of preferred stock, without further designation as to series or class and may thereafter be classified, reclassified or issued as any series or class of preferred stock.

#### *Conversion Rights*

Upon the occurrence of a Delisting Event or a Change of Control, as applicable, each holder of Series B Preferred Stock has the right, unless, prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, we have provided or provide notice of our election to redeem the shares of Series B Preferred Stock as described under “— Optional Redemption” or “— Special Optional Redemption,” to convert some of or all

---

the shares of Series B Preferred Stock held by the holder (the “Delisting Event Conversion Right” or “Change of Control Conversion Right,” as applicable) on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, into a number of shares of common stock per share of Series B Preferred Stock (the “Common Stock Conversion Consideration”) equal to the lesser of:

- the quotient of (i) the sum of the \$25.00 liquidation preference per share of Series B Preferred Stock to be converted plus an amount equal to all dividends accrued and unpaid (whether or not declared) on the Series B Preferred Stock to, but not including, the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable (unless the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, is after a dividend record date and prior to the corresponding dividend payment date, in which case no additional amount for the accrued and unpaid dividend will be included in this sum), divided by (ii) the Common Stock Price; and
- 2.5126 (the “Share Cap”).

The Share Cap is subject to pro rata adjustments for any stock splits (including those effected pursuant to a common stock dividend), subdivisions or combinations (in each case, a “Stock Split”) with respect to shares of our common stock as follows: the adjusted Share Cap as the result of a Stock Split will be the number of shares of our common stock that is equivalent to the product of (i) the Share Cap in effect immediately prior to the Stock Split, multiplied by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to the Stock Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to the Stock Split.

If a Delisting Event or a Change of Control occurs, pursuant to or in connection with which shares of our common stock will be converted into cash, securities or other property or assets (including any combination thereof) (the “Alternative Form Consideration”), a holder of shares of Series B Preferred Stock will receive upon conversion of the shares of Series B Preferred Stock the kind and amount of Alternative Form Consideration which the holder would have owned or been entitled to receive had the holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Delisting Event or Change of Control, as applicable (the “Alternative Conversion Consideration,” and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Delisting Event or a Change of Control, is referred to as the “Conversion Consideration”).

If the holders of shares of our common stock have the opportunity to elect the form of consideration to be received in connection with the Delisting Event or Change of Control, the Conversion Consideration that holders of Series B Preferred Stock will receive will be the form of consideration elected by the holders of a plurality of the shares of common stock held by stockholders who participate in the election and will be subject to any limitations to which all holders of shares of common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in connection with the Delisting Event or Change of Control, as applicable.

We will not issue fractional shares of common stock upon the conversion of the Series B Preferred Stock. Instead, we will pay the cash value of any fractional shares based on the Common Stock Price.

Within 15 days following the occurrence of a Delisting Event or a Change of Control, as applicable, unless we have then provided notice of our election to redeem the shares of Series B Preferred Stock as described under “— Optional Redemption” or “— Special Optional Redemption,” we will provide to holders of record of outstanding shares of Series B Preferred Stock a notice of occurrence of the Delisting Event or Change of Control that describes the resulting Delisting Event Conversion Right or Change of Control Conversion Right, as applicable. A failure to give notice of conversion or any defect in the notice or in its mailing will not affect the validity of the proceedings for the conversion of any Series B Preferred Stock except as to the holder to whom this notice was defective or not given. This notice will state the following:

- the events constituting the Delisting Event or Change of Control, as applicable;
  - the date of the Delisting Event or Change of Control, as applicable;
-

- the last date on which the holders of shares of Series B Preferred Stock may exercise their Delisting Event Conversion Right or Change of Control Conversion Right, as applicable;
- the method and period for calculating the Common Stock Price;
- the “Delisting Event Conversion Date” or “Change of Control Conversion Date,” as applicable, which will be a business day fixed by our board of directors that is not fewer than 20 and not more than 35 days following the date of the notice;
- that if, prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, we provide notice of our election to redeem all or any portion of the shares of Series B Preferred Stock, holders of the Series B Preferred Stock will not be able to convert the shares of Series B Preferred Stock so called for redemption and the shares of Series B Preferred Stock will be redeemed on the related redemption date, even if they have already been tendered for conversion pursuant to the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series B Preferred Stock;
- the name and address of the paying agent and the conversion agent; and
- the procedures that the holders of shares of Series B Preferred Stock must follow to exercise the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable.

We will issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, another news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public) containing the information stated in the notice, and post the notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of record of Series B Preferred Stock.

To exercise the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, a holder of record of Series B Preferred Stock will be required to deliver, on or before the close of business on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, the certificates, if any, representing any certificated shares of Series B Preferred Stock to be converted, duly endorsed for transfer, together with a completed written conversion notice and any other documents we reasonably require in connection with the conversion, to our conversion agent. The conversion notice must state:

- the relevant Delisting Event Conversion Date or Change of Control Conversion Date, as applicable; and
- the number of shares of Series B Preferred Stock to be converted.

The “Common Stock Price” for any Change of Control will be (i) if the consideration to be received in the Change of Control by holders of shares of our common stock is solely cash, the amount of cash consideration per share of common stock, and (ii) if the consideration to be received in the Change of Control by holders of shares of our common stock is other than solely cash, the average of the closing price per share of our common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Change of Control. The “Common Stock Price” for any Delisting Event will be the average of the closing price per share of our common stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Delisting Event.

Holders of Series B Preferred Stock may withdraw any notice of exercise of a Delisting Event Conversion Right or a Change of Control Conversion Right, as applicable, (in whole or in part) by a written notice of

---

withdrawal delivered to our conversion agent prior to the close of business on the business day prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable. The notice of withdrawal must state:

- the number of withdrawn shares of Series B Preferred Stock;
- if certificated shares of Series B Preferred Stock have been tendered for conversion and withdrawn, the certificate numbers of the withdrawn certificated shares of Series B Preferred Stock; and
- the number of shares of Series B Preferred Stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the Series B Preferred Stock is held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of DTC.

Shares of Series B Preferred Stock as to which the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration on the applicable Delisting Event Conversion Date or Change of Control Conversion Date, unless prior thereto we provide notice of our election to redeem those shares of Series B Preferred Stock, whether pursuant to our optional redemption right or our special optional redemption right. If we elect to redeem shares of Series B Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, the shares of Series B Preferred Stock will not be so converted and the holders of the shares will be entitled to receive on the applicable redemption date the redemption price for the shares.

We will deliver amounts owing upon conversion no later than the third business day following the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable.

In connection with the exercise of any Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, we will be required to comply with all U.S. federal and state securities laws and stock exchange rules in connection with any conversion of shares of Series B Preferred Stock into shares of common stock. Notwithstanding any other provision of the Series B Preferred Stock, no holder of Series B Preferred Stock will be entitled to convert shares of Series B Preferred Stock for shares of our common stock to the extent that receipt of the shares of common stock would cause the holder (or any other person) to violate the restrictions on ownership and transfer of our equity securities contained in our charter. See “— Restrictions on Transfer and Ownership of Stock” below.

These Change of Control conversion and redemption features may make it more difficult for or discourage a party from pursuing a takeover or other transaction that holders of common stock might believe to be in their best interests or in which holders of some, or a majority, of the shares of common stock might receive a premium for their shares over the then market price of such shares of common stock.

Except as provided above in connection with a Delisting Event or a Change of Control, the Series B Preferred Stock is not convertible into any other property or securities.

#### *Voting Rights*

Except as described below, holders of Series B Preferred Stock have no voting rights. On any matter in which the Series B Preferred Stock may vote (as expressly provided in our charter), each share of Series B Preferred Stock entitles the holder thereof to cast one vote, except that, when voting together as a single class with shares of any other class or series of voting preferred stock, shares of different classes or series will vote in proportion to the liquidation preference of the shares.

Holders of the Series B Preferred Stock have the right to vote whenever dividends on the Series B Preferred Stock are in arrears, whether or not declared, for six or more quarterly periods, whether or not these quarterly periods are consecutive. In this case, holders of Series B Preferred Stock and any other class or series of preferred stock ranking on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up and upon which

---

like voting rights have been conferred and are exercisable, which we refer to as “voting preferred stock,” and with which the holders of Series B Preferred Stock are entitled to vote together as a single class, will have the exclusive power, voting together as a single class, to elect, at any special meeting called by our secretary at the written request of holders of record of at least 10% of the outstanding shares of Series B Preferred Stock and any class or series of voting preferred stock (unless the request is received more than 45 days and less than 90 days before our next annual meeting of stockholders at which the vote would occur) and at each subsequent annual meeting of stockholders, two additional directors to serve on our board of directors. The right of holders of Series B Preferred Stock to vote in the election of directors will terminate when all dividends accrued and unpaid on the outstanding shares of Series B Preferred Stock for all past dividend periods and the then-current dividend period have been fully paid. Unless the number of our directors has previously been increased pursuant to the terms of any other class or series of voting preferred stock with which the holders of Series B Preferred Stock are entitled to vote together as a single class in the election of directors, the number of our directors will automatically increase by two at the time as holders of Series B Preferred Stock become entitled to vote in the election of two additional directors. Unless shares of voting preferred stock remain outstanding and entitled to vote in the election of directors, the term of office of these directors will terminate, and the number of our directors will automatically decrease by two, when all dividends accrued and unpaid for all past dividend periods and the then-current dividend period on the Series B Preferred Stock have been fully paid. If the right of holders of Series B Preferred Stock to elect the two additional directors terminates after the record date for determining holders of shares of Series B Preferred Stock entitled to vote in any election of directors but before the closing of the polls in the election, holders of Series B Preferred Stock outstanding as of the applicable record date will not be entitled to vote in the election of directors. The right of the holders of Series B Preferred Stock to elect the additional directors will again vest if and whenever dividends are in arrears for six quarterly periods, as described above. In no event will the holders of Series B Preferred Stock be entitled to nominate or elect an individual as a director, and no individual will be qualified to be nominated for election or to serve as a director, if the individual’s service as a director would cause us to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of our stock is listed or otherwise conflict with our charter or bylaws.

The additional directors will be elected by a plurality of the votes cast in the election of directors, and each of these directors will serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies, or until the director’s term of office terminates as described above. Any director elected by the holders of Series B Preferred Stock and any class or series of voting preferred stock, voting together as a single class, may be removed, with or without cause, only by a vote of the holders of a majority of the outstanding shares of Series B Preferred Stock and all classes or series of voting preferred stock with which the holders of Series B Preferred Stock are entitled to vote together as a single class in the election of directors. At any time that the holders of Series B Preferred Stock are entitled to vote in the election of the two additional directors, holders of Series B Preferred Stock will be entitled to vote in the election of a successor to fill any vacancy on our board of directors that results from the removal of the director.

At any time that holders of Series B Preferred Stock, and any other class or series of voting preferred stock with which the holders of Series B Preferred Stock will be entitled to vote as a single class in the election of directors, have the right to elect two additional directors as described above but these directors have not been elected, our secretary must call a special meeting for the purpose of electing the additional directors upon the written request of the holders of record of 10% of the outstanding shares of Series B Preferred Stock and any other class or series of voting preferred stock with which the holders of Series B Preferred Stock are entitled to vote together as a single class with respect to the election of directors, unless the request is received more than 45 days and less than 90 days before the date fixed for the next annual meeting of our stockholders at which the vote would occur, in which case, the additional directors may be elected either at the annual meeting or at a separate special meeting of our stockholders at our discretion.

So long as any shares of Series B Preferred Stock are outstanding, the approval of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock and of any equally-affected class or series of voting preferred stock, including the Series A Preferred Stock, with which the holders of Series B Preferred Stock are entitled to vote (voting together as a single class), is required to authorize (a) any amendment, alteration, repeal or other change to any provision of our charter, including the articles supplementary setting forth the terms of the Series B Preferred Stock (whether by merger, conversion, consolidation, transfer or conveyance of all or

---



substantially all of our assets or otherwise), that would materially and adversely affect the rights, preferences, privileges or voting powers of the Series B Preferred Stock, or (b) the creation, issuance or increase in the authorized number of shares of any class or series of stock ranking senior to the Series B Preferred Stock (or any equity securities convertible into or exchangeable for any such shares) with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up. Notwithstanding the foregoing, holders of voting preferred stock will not be entitled to vote together as a class with the holders of Series B Preferred Stock on any amendment, alteration, repeal or other change to any provision of our charter unless the action affects the holders of Series B Preferred Stock and the voting preferred stock equally.

The following actions will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of the Series B Preferred Stock:

- any increase or decrease in the number of authorized shares of common stock or preferred stock of any class or series or the classification or reclassification of any unissued shares, or the creation or issuance of equity securities, of any class or series ranking, junior to or on parity with the Series B Preferred Stock, including the Series A Preferred Stock, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up;
- any amendment, alteration or repeal or other change to any provision of our charter, including the articles supplementary setting forth the terms of the Series B Preferred Stock, as a result of a merger, conversion, consolidation, transfer or conveyance of all or substantially all of our assets or other business combination, whether or not we are the surviving entity, if the Series B Preferred Stock (or stock into which the Series B Preferred Stock has been converted in any successor person or entity to us) remains outstanding with the terms thereof unchanged in all material respects or is exchanged for stock of the successor person or entity with substantially identical rights; or
- any amendment, alteration or repeal or other change to any provision of our charter, including the articles supplementary setting forth the terms of the Series B Preferred Stock, as a result of a merger, conversion, consolidation, transfer or conveyance of all or substantially all of our assets or other business combination, if the holders of Series B Preferred Stock receive the \$25.00 liquidation preference per share of Series B Preferred Stock, plus an amount equal to accrued and unpaid dividends to, but not including, the date of the event.

The voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, we have redeemed or called for redemption all outstanding shares of Series B Preferred Stock.

#### *No Maturity, Sinking Fund or Mandatory Redemption*

The Series B Preferred Stock has no stated maturity date and is not subject to any sinking fund or mandatory redemption provisions.

#### *Summary of Restrictions on Transfer and Ownership of Stock*

Our charter contains restrictions on the ownership and transfer of shares of our common stock and other outstanding shares of stock, including the Series B Preferred Stock. The relevant sections of our charter provide that, subject to certain exceptions, no person or entity may own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% in value of the aggregate of the outstanding shares of our capital stock or more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of shares of our capital stock. For further information regarding the restrictions on ownership and transfer of the Series B Preferred Stock, see “Certain Provisions of the Maryland General Corporation Law and our Charter and Bylaws — Restrictions on Transfer and Ownership of Stock” below.

#### *Conversion*

---

The Series B Preferred Stock is not convertible into any other property or securities, except as provided under “— Conversion Rights.”

#### *Information Rights*

During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series B Preferred Stock are outstanding, we will (i) transmit by mail or other permissible means under the Exchange Act to all holders of Series B Preferred Stock as their names and addresses appear in our record books and without cost to the holders, copies of the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) within 15 days after the respective dates by which we would have been required to file these reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act and (ii) within 15 days following written request, supply copies of these reports to any prospective holder of Series B Preferred Stock.

#### *Preemptive Rights*

No holders of Series B Preferred Stock shall, as a result of his, her or its status as such holder, have any preemptive rights to purchase or subscribe for shares of our common stock or any of our other securities.

#### **Certain Provisions of the Maryland General Corporation Law and our Charter and Bylaws**

##### ***Power to Reclassify Shares of Our Stock***

Our board of directors may classify any unissued shares of preferred stock, and reclassify any unissued shares of common stock or any previously classified but unissued shares of preferred stock, into other classes or series of stock, including one or more classes or series of stock that have priority over our common stock with respect to voting rights, distributions or upon liquidation, and authorize us to issue the newly classified shares. Prior to the issuance of shares of each class or series, our board of directors is required by the MGCL and our charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption for each such class or series. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law, the terms of any other class or series of our stock or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded.

##### ***Power to Increase Authorized Stock and Issue Additional Shares of Our Common Stock and Preferred Stock***

We believe that the power of our board of directors to amend our charter from time to time to increase the aggregate number of authorized shares of stock and the number of shares of stock of any class or series that we have the authority to issue, to issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock into other classes or series of stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. Shares of additional classes or series of stock, as well as additional shares of common stock, will be available for issuance without further action by our stockholders, unless stockholder consent is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities are then listed or traded. Although our board of directors does not intend to do so, it could authorize us to issue a class or series of common stock or preferred stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of us that might involve a premium price for our stockholders or otherwise be in their best interest.

##### ***Restrictions on Transfer and Ownership of Stock***

In order for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, shares of our stock must be owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be taxed as a REIT has been made) or during a proportionate part

---

of a shorter taxable year. Also, under Section 856(h) of the Code, a REIT cannot be “closely held.” In this regard, not more than 50% of the value of the outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of shares of our common stock and other outstanding shares of our capital stock. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of our shares of stock; we refer to these limitations as the “ownership limits.”

The constructive ownership rules under the Code are complex and may cause shares of stock owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% in value of the aggregate of our outstanding shares of stock or 9.8% (in value or in number of shares, whichever is more restrictive) of any class or series of our shares of stock (or the acquisition of an interest in an entity that owns, actually or constructively, shares of our stock by an individual or entity), could, nevertheless, cause that individual or entity, or another individual or entity, to violate the ownership limits.

Our board of directors may, upon receipt of certain representations, undertakings and agreements and in its sole discretion, exempt (prospectively or retroactively) any person from the ownership limits and establish a different limit, or excepted holder limit, for a particular person if the person’s ownership in excess of the ownership limits will not then or in the future result in our being “closely held” under Section 856(h) of the Code (without regard to whether the person’s interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT. In order to be considered by our board of directors for exemption, a person also must not own, actually or constructively, an interest in one of our tenants (or a tenant of any entity which we own or control) that would cause us to own, actually or constructively, more than a 9.9% interest in the tenant unless the revenue derived by us from such tenant is sufficiently small that, in the opinion of our board of directors, rent from such tenant would not adversely affect our ability to qualify as a REIT. The person seeking an exemption must provide such representations and undertakings to the satisfaction of our board of directors that it will not violate these two restrictions. The person also must agree that any violation or attempted violation of these restrictions will result in the automatic transfer to a charitable trust of the shares of stock causing the violation. As a condition of granting an exemption or creating an excepted holder limit, our board of directors may, but is not be required to, obtain an opinion of counsel or Internal Revenue Service, or IRS, ruling satisfactory to our board of directors with respect to our qualification as a REIT and may impose such other conditions or restrictions as it deems appropriate.

In connection with granting an exemption from the ownership limits or establishing an excepted holder limit or at any other time, our board of directors may increase or decrease the ownership limits. Any decrease in the ownership limits will not be effective for any person whose percentage ownership of shares of our stock is in excess of such decreased limits until such person’s percentage ownership of shares of our stock equals or falls below such decreased limits (other than a decrease as a result of a retroactive change in existing law, which will be effective immediately), but any further acquisition of shares of our stock in excess of such percentage ownership will be in violation of the applicable decreased limits. Our board of directors may not increase or decrease the ownership limits if, after giving effect to such increase or decrease, five or fewer persons could beneficially own or constructively own in the aggregate more than 49.9% in value of the shares of our stock then outstanding. Prior to any modification of the ownership limits, our board of directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure our qualification as a REIT.

Our charter further prohibits:

- any person from beneficially or constructively owning, applying certain attribution rules of the Code, shares of our stock that would result in our being “closely held” under Section 856(h) of the Code (without regard to whether the stockholder’s interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT; and
-

- any person from transferring shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate the ownership limits or any of the other foregoing restrictions on ownership and transfer of our stock will be required to immediately give written notice to us or, in the case of a proposed or attempted transaction, give at least 15 days' prior written notice to us, and provide us with such other information as we may request in order to determine the effect of such transfer on our qualification as a REIT. The ownership limits and the other restrictions on ownership and transfer of our stock will not apply if our board of directors determines that it is no longer in our best interests to continue to qualify as a REIT or that compliance with the restrictions on ownership and transfer of our stock is no longer required in order for us to qualify as a REIT.

If any transfer of shares of our stock would result in shares of our stock being beneficially owned by fewer than 100 persons, such transfer will be void from the time of such purported transfer and the intended transferee will acquire no rights in such shares. In addition, if any purported transfer of shares of our stock or any other event would otherwise result in:

- any person violating the ownership limits or such other limit established by our board of directors; or
- our company being "closely held" under Section 856(h) of the Code (without regard to whether the stockholder's interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then that number of shares (rounded up to the nearest whole share) that would cause us to violate such restrictions will automatically be transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable organizations selected by us, and the intended transferee will acquire no rights in such shares. The transfer will be deemed to be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the charitable trust. A person who, but for the transfer of the shares to the charitable trust, would have beneficially or constructively owned the shares so transferred is referred to as a "prohibited owner," which, if appropriate in the context, also means any person who would have been the record owner of the shares that the prohibited owner would have so owned. If the transfer to the charitable trust as described above would not be effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer contained in our charter, then our charter provides that the transfer of the shares will be void from the time of such purported transfer.

Shares of stock transferred to a charitable trust are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price paid per share in the transaction that resulted in such transfer to the charitable trust (or, if the event that resulted in the transfer to the charitable trust did not involve a purchase of such shares of stock at market price, defined generally as the last reported sales price reported on the NYSE (or other applicable exchange), the market price per share of such stock on the day of the event which resulted in the transfer of such shares of stock to the charitable trust) and (2) the market price on the date we, or our designee, accept such offer. We may reduce the amount payable to the charitable trust by the amount of dividends and other distributions which have been paid to the prohibited owner and are owed by the prohibited owner to the charitable trust as described below. We may pay the amount of such reduction to the charitable trust for the benefit of the charitable beneficiary. We have the right to accept such offer until the trustee of the charitable trust has sold the shares held in the charitable trust as discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates, and the charitable trustee must distribute the net proceeds of the sale to the prohibited owner.

Within 20 days of receiving notice from us of the transfer of the shares to the charitable trust, the charitable trustee will sell the shares to a person or entity designated by the charitable trustee who could own the shares without violating the ownership limits or the other restrictions on ownership and transfer of our stock described above. After that, the charitable trustee must distribute to the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited owner for the shares in the transaction that resulted in the transfer to the charitable trust (or, if the event that resulted in the transfer to the charitable trust did not involve a purchase of such shares at market price, the market price per share of such stock on the day of the event that resulted in the transfer to

---

the charitable trust) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the charitable trust for the shares. The charitable trustee may reduce the amount payable to the prohibited owner by the amount of dividends and other distributions which have been paid to the prohibited owner and are owed by the prohibited owner to the charitable trust. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends and other distributions thereon. In addition, if, prior to discovery by us that shares of stock have been transferred to a charitable trust, such shares of stock are sold by a prohibited owner, then such shares will be deemed to have been sold on behalf of the charitable trust and to the extent that the prohibited owner received an amount for or in respect of such shares that exceeds the amount that such prohibited owner was entitled to receive, such excess amount will be paid to the charitable trust upon demand by the charitable trustee. The prohibited owner will have no rights in the shares held by the charitable trust.

The charitable trustee will be designated by us and will be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the charitable trust, the charitable trustee will receive, in trust for the charitable beneficiary, all distributions made by us with respect to such shares and may also exercise all voting rights with respect to such shares. Any dividend or other distribution paid prior to our discovery that shares of stock have been transferred to the charitable trust will be paid by the recipient to the charitable trust upon demand by the charitable trustee. These rights will be exercised for the exclusive benefit of the charitable beneficiary.

Subject to Maryland law, effective as of the date that the shares have been transferred to the charitable trust, the charitable trustee will have the authority, at the charitable trustee's sole discretion:

- to rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transferred to the charitable trustee; and
- to recast the vote in accordance with the desires of the charitable trustee acting for the benefit of the charitable beneficiary.

However, if we have already taken irreversible corporate action, then the charitable trustee may not rescind and recast the vote.

If our board of directors determines in good faith that a proposed transfer would violate the restrictions on ownership and transfer of our stock set forth in our charter, our board of directors may take such action as it deems advisable to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem shares of stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) of the outstanding shares of all classes or series of our stock, including common stock, will be required to give written notice to us within 30 days after the end of each taxable year stating the name and address of such owner, the number of shares of each class and series of our stock that the person beneficially owns and a description of the manner in which such shares are held. Each such owner will be required to provide to us such additional information as we may request in order to determine the effect, if any, of such beneficial ownership on our qualification as a REIT and to ensure compliance with the ownership limits. In addition, each stockholder will, upon demand, be required to provide to us such information as we may request, in good faith, in order to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

Any certificates representing shares of our stock, or any written statements of information delivered in lieu of certificates, will bear a legend referring to the restrictions described above.

These restrictions on ownership and transfer of our stock could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

#### ***Number of Directors; Vacancies; Removal***

---

We are presently required to have six directors. This number may be increased or decreased from time to time pursuant to the bylaws, but may never be less than one or more than fifteen. Our board of directors is divided into three classes of directors serving staggered three-year terms. At each annual meeting, directors of one class are elected to serve until the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify.

We have elected by a provision of our charter to be subject to a provision of Maryland law requiring that, except as otherwise provided in the terms of any class or series of preferred stock, vacancies on our board of directors may be filled only by the remaining directors and that any individual elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until his or her successor is duly elected and qualifies. Any director may resign at any time by delivering his or her notice to the board of directors, the chairman of the board of directors, the chief executive officer or the Company's secretary.

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock, any or all directors may be removed from office only for "cause" by the affirmative vote of the stockholders entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors. For the purpose of this provision of our charter, "cause" means, with respect to any particular director, conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to us through bad faith or active and deliberate dishonesty.

#### ***Action by Stockholders***

Under the MGCL, common stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting (unless the charter provides for a lesser percentage, which our charter does not). These provisions, combined with the requirements of our charter and bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

#### ***Meetings and Special Voting Requirements***

Subject to our charter restrictions on ownership and transfer of our stock and the terms of each class or series of stock, including with respect to the vote by the stockholders for the election of the directors, each holder of common stock is entitled at each meeting of stockholders to one vote per share owned by such stockholder on all matters submitted to a vote of stockholders. There is no cumulative voting in the election of our board of directors, which means that the holders of a majority of shares of our outstanding common stock can elect all the directors then standing for election and the holders of the remaining shares of common stock will not be able to elect any directors.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless declared advisable by the board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters (except for certain charter amendments relating to director resignation and removal and the vote required for certain amendments) by a lesser percentage, but not less than a majority of all the votes entitled to be cast on the matter. Our charter provides for approval of these matters by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Also, our operating assets are held by our subsidiaries and these subsidiaries may be able to merge or sell all or substantially all of their assets without the approval of our stockholders.

Pursuant to our charter and bylaws, an annual meeting of our stockholders for the purpose of the election of directors and the transaction of any business will be held annually on a date and at the time and place set by our board of directors. Special meetings of stockholders to act on any matter that may properly be considered at a meeting of stockholders may be called upon the request of the board of directors, the chairman of the board of directors, the president or the chief executive officer and, subject to the satisfaction of certain procedural requirements, must be called by our secretary upon the written request of stockholders entitled to cast not less than a

---

majority of all the votes entitled to be cast on the matter at the meeting. The presence of stockholders entitled to cast at least a majority of all the votes entitled to be cast at such meeting on any matter, either in person or by proxy, will constitute a quorum.

Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

#### ***No Appraisal Rights***

As permitted by the MGCL, our charter provides that stockholders will not be entitled to exercise appraisal rights unless a majority of our board of directors determines that appraisal rights apply, with respect to all or any classes or series of stock, to one or more transactions occurring after the date of such determination in connection with which stockholders would otherwise be entitled to exercise appraisal rights.

#### ***Dissolution***

Our dissolution must be declared advisable by a majority of our entire board of directors and approved by the affirmative vote of stockholders entitled to cast not less than a majority of the votes entitled to be cast on such matter.

#### ***Business Combinations***

Under the MGCL, certain “business combinations,” including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities, between a Maryland corporation and an “interested stockholder” or, generally, any person who beneficially owns directly or indirectly, 10% or more of the voting power of the corporation’s outstanding voting stock or an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding stock of the corporation, or an affiliate of such an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder. The super-majority vote requirements do not apply if the corporation’s common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. Under the MGCL, a person is not an “interested stockholder” if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. A corporation’s board of directors may provide that its approval is subject to compliance with any terms and conditions determined by it.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. As permitted by the MGCL, our board of directors has by resolution exempted business combinations between us and any person, provided that such business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such person). Consequently, the five-year prohibition and the supermajority vote requirements will not apply to such business combinations. As a result, any person described above may be able to enter into business combinations with us that may not be in the best interest of our stockholders without compliance by us with the supermajority vote requirements and other provisions of the statute. This resolution, however, may be altered or repealed in whole or in part at any time by our board of directors. If this resolution is repealed, or our board of directors does not otherwise approve a business combination with a person, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

#### ***Control Share Acquisitions***

---

The MGCL provides that “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights except to the extent approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter, excluding shares of stock in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of such shares in the election of directors: (1) the person that has made or proposed to make the control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. “Control shares” are shares of voting stock which, if aggregated with all other such shares owned by the acquirer, or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (A) one-tenth or more but less than one-third, (B) one-third or more but less than a majority or (C) a majority or more of all voting power. Control shares do not include shares that the acquirer is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A “control share acquisition” means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an “acquiring person statement” as described in MGCL), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders’ meeting.

If voting rights are not approved at the meeting or if the acquirer does not deliver an “acquiring person statement” as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of any meeting of stockholders at which the voting rights of such shares are considered and not approved, or, if no such meeting is held, as of the date of the last control share acquisition by the acquirer. If voting rights for control shares are approved at a stockholders’ meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights, unless the corporation’s charter provides otherwise. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to (1) shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our stock. There is no assurance that such provision will not be amended or eliminated at any time in the future.

#### ***Subtitle 8***

Subtitle 8 of Title 3 of the MGCL permits the board of directors of a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board;
  - a two-thirds vote requirement for removing a director;
  - a requirement that the number of directors be fixed only by vote of the directors;
  - a requirement that a vacancy on the board be filled only by the remaining directors and, if the board is classified, for the remainder of the full term of the class of directors in which the vacancy occurred; and
  - a majority requirement for the calling of a stockholder-requested special meeting of stockholders.
-



We have elected to be subject to the provisions of Subtitle 8 relating to a classified board of directors and the filling of vacancies on our board of directors. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) require a two-thirds vote for the removal of any director from the board, which removal will be allowed only for cause, (2) vest in the board the exclusive power to fix the number of directorships, and (3) require, unless called by the chairman of our board of directors, our president, our chief executive officer or our board of directors, the written request of stockholders entitled to cast not less than a majority of all votes entitled to be cast on any matter that may properly be considered at a meeting of stockholders in order to call a special meeting to act on such matter.

#### ***Advance Notice of Director Nominations and New Business***

Our bylaws provide that nominations of individuals for election to the board of directors or proposals of other business may be made at an annual meeting (1) pursuant to our notice of meeting, (2) by or at the direction of our board of directors, or (3) by any stockholder of record both at the time of giving of notice pursuant to the bylaws and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with the advance notice procedures set forth in our bylaws. Our bylaws currently require the stockholder to provide notice to the secretary containing the information required by our bylaws not earlier than the 150th day nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of our proxy statement for the preceding year's annual meeting.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to the board of directors may be made at a special meeting, (1) by or at the direction of the board of directors, or (2) provided that the special meeting has been called in accordance with our bylaws for the purpose of electing directors, by any stockholder who is a holder of record both at the time of giving of notice and at the time of the special meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who complies with the notice procedures set forth in our bylaws. Such stockholder may nominate one or more individuals, as the case may be, for election as a director if the stockholder's notice containing the information required by our bylaws is delivered to the secretary not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Eastern Time, on the later of (1) the 90th day prior to such special meeting or (2) the tenth day following the day on which public announcement is first made of the date of the special meeting and the proposed nominees of our board of directors to be elected at the meeting.

#### ***Indemnification and Limitation of Directors' and Officers' Liability***

Maryland law permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law. This provision does not reduce the exposure of directors and officers to liability under federal or state securities laws, nor does it limit the stockholders' ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to us, although the equitable remedies may not be an effective remedy in some circumstances.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (A) was committed in bad faith or (B) was the result of active and deliberate dishonesty, (2) the director or officer actually received an improper personal benefit in money, property or services, or (3) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or in the right of the corporation or for a

---

judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (1) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (2) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the appropriate standard of conduct was not met.

Our charter authorizes us to obligate ourselves and our bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made or threatened to be made a party to or witness in the proceeding by reason of his or her service in that capacity; or
- any individual who, while our director or officer and at our request, serves or has served as a director, officer, member, manager, partner or trustee of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to or witness in the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of us or a predecessor of us.

We have entered into an indemnification agreement with each of our directors and officers, and certain former directors and officers, providing for indemnification of such directors and officers consistent with the provisions of our charter. The indemnification agreements provide that each indemnitee is entitled to indemnification unless it is established that (1) the act or omission of an indemnitee was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (2) such indemnitee actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, such indemnitee had reasonable cause to believe that his or her conduct was unlawful. The indemnification agreements further limit each indemnitee's entitlement to indemnification in cases where (1) the proceeding was one by or in the right of us and such indemnitee was adjudged to be liable to us, (2) such indemnitee was adjudged to be liable on the basis that personal benefit was improperly received in any proceeding charging improper personal benefit to such indemnitee or (3) the proceeding was brought by such indemnitee, except in certain circumstances.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

#### ***Exclusive Forum***

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a duty owed by an director, officer or other employee of our company to our company or to our stockholders, (c) any action asserting a claim pursuant to any provision of the MGCL, or (d) any action asserting a claim governed by the internal affairs doctrine.

**PROPERTY MANAGEMENT AND LEASING AGREEMENT**  
**(GNL – CS/SOCGEN APRIL 2019 LOAN)**

This Property Management and Leasing Agreement (this “Management Agreement”), is dated as of April 5, 2019 (the “Effective Date”), by and among the parties identified on **Exhibit A** attached hereto (collectively, “Owner”), and GLOBAL NET LEASE PROPERTIES, LLC, a Delaware limited liability company (the “Manager”).

WHEREAS, the Owner desires to retain the Manager to manage and coordinate the leasing of the real estate properties identified on **Exhibit A** attached hereto (the “Properties”), and the Manager desires to be so retained, all under the terms and conditions set forth in this Management Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

ARTICLE I  
DEFINITIONS

Except as otherwise specified or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Management Agreement:

1.1 “Account” has the meaning set forth in Section 2.3(i) hereof.

1.2 “Affiliate” means with respect to any Person, (i) any Person directly or indirectly owning, controlling or holding, with the power to vote, ten percent (10%) or more of the outstanding voting securities of such other Person; (ii) any Person ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with the power to vote, by such other Person; (iii) any Person directly or indirectly controlling, controlled by or under common control with such other Person; (iv) any executive officer, director, trustee or general partner of such other Person; and (v) any legal entity for which such Person acts as an executive officer, director, trustee or general partner. For purposes of this definition, the terms “controls,” “is controlled by,” or “is under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership or voting rights, by contract or otherwise.

1.3 “Budget” has the meaning set forth in Section 2.5(c) hereof.

1.4 “Effective Date” has the meaning set forth in the preamble.

1.5 “Gross Revenues” means all amounts actually collected as rents or other charges for the use and occupancy of the Properties, but shall exclude interest and other investment income of

the Owner and proceeds received by the Owner for a sale, exchange, condemnation, eminent domain taking, casualty or other disposition of assets of the Owner.

1.6 “Improvements” means buildings, structures, equipment from time to time located on the Properties and all parking and common areas located on the Properties.

1.7 “Independent Director” has the meaning set forth in the Limited Liability Company Agreement of the Owner, as applicable.

1.8 “Limited Liability Company Agreement” shall mean, collectively, the Amended and Restated Limited Liability Company Agreements of each Owner.

1.9 “Management Fees” has the meaning set forth in Section 4.1(a) hereof.

1.10 “Owner” has the meaning set forth in the preamble.

1.11 “Ownership Agreements” has the meaning set forth in Section 2.3(k) hereof.

1.12 “Person” means an individual, corporation, partnership, joint venture, association, company (whether of limited liability or otherwise), trust, bank or other entity, or government or any agency or political subdivision of a government.

1.13 “Plan” has the meaning set forth in Section 2.5(c) hereof.

1.14 “Properties” has the meaning set forth in the recitals.

## ARTICLE II APPOINTMENT OF THE MANAGER; SERVICES TO BE PERFORMED

2.1 Appointment of the Manager. The Owner hereby engages and retains the Manager as the sole and exclusive manager and agent of the Properties, and the Manager hereby accepts such appointment, all on the terms and conditions hereinafter set forth, it being understood that this Management Agreement shall cause the Manager to be, at law, the Owner’s agent upon the terms contained herein.

2.2 General Duties. The Manager shall use commercially reasonable efforts in performing its duties hereunder to manage, operate, maintain and lease the Properties in a diligent, careful and vigilant manner. The services of the Manager are to be of scope and quality not less than those generally performed by professional property managers of other similar properties in the area. The Manager shall make available to the Owner the full benefit of the judgment, experience and advice of its members and staff with respect to the policies to be pursued by the Owner relating to the operation and leasing of the Properties.

2.3 Specific Duties. The Manager’s duties include the following:

(a) ***Lease Obligations***. The Manager shall perform all duties of the landlord under all leases insofar as such duties relate to the operation, maintenance, and day-to-day

management of the Properties. The Manager shall also provide or cause to be provided, at the Owner's expense, all services normally provided to tenants of like premises, including, where applicable and without limitation, gas, electricity or other utilities required to be furnished to tenants under leases, normal repairs and maintenance, and cleaning and janitorial service. The Manager shall arrange for and supervise the performance of all installations and improvements in space leased to any tenant which are either expressly required under the terms of the lease of such space or which are customarily provided to tenants.

(b) **Maintenance.** The Manager shall cause the Properties to be maintained in the same manner as similar properties in the area. The Manager's duties and supervision in this respect shall include, without limitation, cleaning of the interior and the exterior of the Improvements and the public common areas on the Properties and the making and supervision of repair, alterations, and decoration of the Improvements, subject to and in strict compliance with this Management Agreement and any applicable leases. Construction and rehabilitation activities undertaken by the Manager, if any, will be limited to activities related to the management, operation, maintenance, and leasing of the Property (e.g., repairs, renovations, and leasehold improvements).

(c) **Leasing Functions.** The Manager shall coordinate the leasing of the Properties and shall negotiate and use its best efforts to secure executed leases from qualified tenants, and to execute same on behalf of the Owner, if requested, for available space in the Properties, such leases to be in form and on terms approved by the Owner and the Manager, and to bring about complete leasing of the Properties. The Manager shall be responsible for the hiring of all leasing agents, as necessary for the leasing of the Properties, and to otherwise oversee and manage the leasing process on behalf of the Owner.

(d) **Notice of Violations.** The Manager shall forward to the Owner, promptly upon receipt, all notices of violation or other notices from any governmental authority, and board of fire underwriters or any insurance company, and shall make such recommendations regarding compliance with such notice as shall be appropriate.

(e) **Personnel.** Any personnel hired by the Manager to maintain, operate and lease the Property shall be the employees or independent contractors of the Manager and not of the Owner. The Manager shall use due care in the selection and supervision of such employees or independent contractors. The Manager shall be responsible for the preparation of and shall timely file all payroll tax reports and timely make payments of all withholding and other payroll taxes with respect to each employee.

(f) **Utilities and Supplies.** The Manager shall enter into or renew contracts for electricity, gas, steam, landscaping, fuel, oil, maintenance and other services as are customarily furnished or rendered in connection with the operation of similar rental property in the area.

(g) **Expenses.** The Manager shall analyze all bills received for services, work and supplies in connection with maintaining and operating the Properties, pay all such bills, and, if requested by the Owner, pay, when due, utility and water charges, sewer rent and

assessments, any applicable taxes, including, without limitation, any real estate taxes, and any other amount payable in respect to the Properties. All bills shall be paid by the Manager within the time required to obtain discounts, if any. The Owner may from time to time request that the Manager forward certain bills to the Owner promptly after receipt, and the Manager shall comply with any such request. The payment of all bills, real property taxes, assessments, insurance premiums and any other amounts payable with respect to the Properties shall be paid out of the Account by the Manager. All expenses shall be billed at net cost (i.e., less all rebates, commissions, discounts and allowances, however designed).

(h) **Monies Collected.** The Manager shall collect all rent and other monies from tenants and any sums otherwise due to the Owner with respect to the Properties in the ordinary course of business. In collecting such monies, the Manager shall inform tenants of the Properties that all remittances are to be in the form of a check or money order. The Owner authorizes the Manager to request, demand, collect and provide receipts for all such rent and other monies and to institute legal proceedings in the name of the Owner for the collection thereof and for the dispossession of any tenant in default under its lease.

(i) **Banking Accommodations.** The Manager shall establish and maintain a separate checking account (the "Account") for funds relating to the Properties. All monies deposited from time to time in the Account shall be deemed to be trust funds and shall be and remain the property of the Owner and shall be withdrawn and disbursed by the Manager for the account of the Owner only as expressly permitted by this Management Agreement for the purposes of performing the obligations of the Manager hereunder. No monies collected by the Manager on the Owner's behalf shall be commingled with funds of the Manager. The Account shall be maintained, and monies shall be deposited therein and withdrawn therefrom, in accordance with the following:

(i) All sums received from rents and other income from the Properties shall be promptly deposited by the Manager in the Account. The Manager shall have the right to designate two (2) or more persons who shall be authorized to draw against the Account, but only for purposes authorized by this Management Agreement.

(ii) All sums due to the Manager hereunder, whether for compensation, reimbursement for expenditures, or otherwise, as herein provided, shall be a charge against the operating revenues of the Properties and shall be paid and/or withdrawn by the Manager from the Account prior to the making of any other disbursements therefrom.

(iii) On or before the 30<sup>th</sup> day following the end of each calendar quarter during the term of this Management Agreement, the Manager shall forward to the Owner all net operating proceeds from the preceding quarter, retaining at all times, however, a reserve of \$5,000, in addition to any other amounts otherwise provided in the Budget.

(j) **Tenant Complaints.** The Manager shall maintain business-like relations with the tenants of the Properties.

(k) **Ownership Agreements.** The Manager has received copies of the Delaware certificate of formation, the Limited Liability Company Agreement and the other constitutive documents of each entity constituting Owner (collectively, the “**Ownership Agreements**”) and is familiar with the terms thereof. The Manager shall use reasonable care to avoid any act or omission which, in the performance of its duties hereunder, shall in any way conflict with the terms of the Ownership Agreements.

(l) **Signs.** The Manager shall place and remove, or cause to be placed and removed, such signs upon the Properties as the Manager deems appropriate, subject, however, to the terms and conditions of the leases and to any applicable ordinances and regulations.

2.4 **Approval of Leases, Contracts, Etc.** In fulfilling its duties to the Owner, the Manager may and hereby is authorized to enter into any leases, contracts or agreements on behalf of the Owner in the ordinary course of the management, operation, maintenance and leasing of the Properties.

2.5 **Accounting, Records and Reports.**

(a) **Records.** The Manager shall maintain all office records and books of account and shall record therein, and keep copies of, each invoice received from services, work and supplies ordered in connection with the maintenance and operation of the Properties. Such records shall be maintained on a double entry basis. The Owner and persons designated by the Owner shall at all reasonable times have access to and the right to audit and make independent examinations of such records, books and accounts and all vouchers, files and all other material pertaining to the Properties and this Management Agreement, all of which the Manager agrees to keep safe, available and separate from any records not pertaining to the Properties, at a place recommended by the Manager and approved by the Owner.

(b) **Quarterly Reports.** On or before the 30<sup>th</sup> day following the end of each calendar quarter during the term of this Management Agreement, the Manager shall prepare and submit to the Owner the following reports and statements:

- (i) Rental collection record;
- (ii) Quarterly operating statement;
- (iii) Copy of cash disbursements ledger entries for such period, if requested;
- (iv) Copy of cash receipts ledger entries for such period, if requested;
- (v) The original copies of all contracts entered into by the Manager on behalf of the Owner during such period, if requested; and
- (vi) Copy of ledger entries for such period relating to security deposits maintained by the Manager, if requested.

(c) **Budgets and Leasing Plans.** On or before November 15 of each calendar year, the Manager shall prepare and submit to the Owner for its approval an operating budget (a “Budget”) and a marketing and leasing plan (a “Plan”) on the Properties for the calendar year immediately following such submission. Each Budget and Plan shall be in the form approved by the Owner prior to the date thereof. As often as reasonably necessary during the period covered by any Budget or Plan, the Manager may submit to the Owner for its approval an updated Budget or Plan incorporating such changes as shall be necessary to reflect cost overruns and the like during such period. If the Owner does not disapprove a Budget or Plan within thirty (30) days after receipt thereof by the Owner, such Budget or Plan shall be deemed approved. If the Owner shall disapprove any Budget or Plan, it shall so notify the Manager within said thirty (30) day period and explain the reasons therefor. The Manager will not incur any costs other than those estimated in an approved Budget except for:

(i) maintenance or repair costs under \$5,000 per Property;

(ii) costs incurred in emergency situations in which action is immediately necessary for the preservation or safety of the Property, or for the safety of occupants or other persons on the Property (or to avoid the suspension of any necessary service of the Property);

(iii) expenditures for real estate taxes and assessments; and

(iv) maintenance supplies calling for an aggregate purchase price of less than \$25,000 for all Properties.

(d) **Returns Required by Law.** The Manager shall execute and file when due all forms, reports, and returns required by law relating to the employment of its personnel.

(e) **Notices.** Promptly after receipt, the Manager shall deliver to the Owner all notices, from any tenant, or any governmental authority, that are not of a routine nature. The Manager shall also report expeditiously to the Owner notice of any extensive damage to any part of the Properties.

2.6 **Subcontracting.** Notwithstanding anything to the contrary contained in this Agreement, the Manager may subcontract any of its duties hereunder, without the consent of the Owner, for a fee that may be less than the Management Fees paid hereunder. In the event that the Manager does so subcontract any its duties hereunder, such fees payable to such third parties may, at the instruction of the Manager, be deducted from the Management Fees and paid by the Owner to such parties, or paid directly by the Manager to such parties, in its discretion.

### ARTICLE III EXPENSES

3.1 **Owner’s Expenses.** Except as otherwise specifically provided, all costs and expenses incurred hereunder by the Manager in fulfilling its duties to the Owner shall be for the account of



and on behalf of the Owner. Such costs and expenses may include, without limitation, reasonable wages and salaries and other employee-related expenses of all on-site and off-site employees of the Manager who are engaged in the operation, management, maintenance and leasing of the Properties, including taxes, insurance and benefits relating to such employees, and legal, travel and other out-of-pocket expenses which are directly related to the operation, management, maintenance and leasing of specific Properties. All costs and expenses for which the Owner is responsible under this Management Agreement shall be paid by the Manager out of the Account. In the event the Account does not contain sufficient funds to pay all of the costs and expenses, the Owner shall fund all sums necessary to meet such additional costs and expenses.

3.2 Manager's Expenses. The Manager shall, out of its own funds, pay all of its general overhead and administrative expenses.

#### ARTICLE IV MANAGER'S COMPENSATION

##### 4.1 Management Fees.

(a) The Owner shall pay the Manager or any of its Affiliates property management and leasing fees (the "Management Fees"), on a monthly basis, equal to: two percent (2%) of Gross Revenues from the Properties managed, plus market-based leasing commissions applicable to the geographic location of the Property. Except as otherwise set forth herein, the Owner shall also reimburse the Manager for any costs and expenses incurred by the Manager in connection with managing the Properties.

(b) Notwithstanding the foregoing, the Manager may be entitled to receive higher fees in the event the Manager can demonstrate to the satisfaction of the Owner (including a majority of the Independent Directors) through empirical data that a higher competitive fee is justified for the services rendered and the type of Property managed. As described in Section 2.6 above, in the event that the Manager properly engages one or more third parties to perform the services described herein, the fees payable to such parties for such services will be deducted from the Management Fees, or paid directly by the Manager, at the Manager's option. The Manager's compensation under this Section 4.1 shall apply to all renewals, extensions or expansions of leases which the Manager originally negotiated.

4.2 Additional Fees. If the Manager provides services other than those specified herein, the Owner shall pay to the Manager a monthly fee equal to no more than that which the Owner would pay to a third party that is not an Affiliate of the Owner or the Manager to provide such services.

4.3 Audit Adjustment. If any audit of the records, books or accounts relating to the Properties discloses an overpayment or underpayment of fees, the Owner or the Manager shall promptly pay to the other party the amount of such overpayment or underpayment, as the case may be. If such audit discloses an overpayment of fees for any fiscal year of more than the correct fees for such fiscal year, the Manager shall bear the cost of such audit.

ARTICLE V  
INSURANCE AND INDEMNIFICATION

5.1 Insurance to be Carried.

(a) The Manager shall obtain and keep in full force and effect insurance on the Properties against such hazards as the Owner and the Manager shall deem appropriate, but in any event, insurance sufficient to comply with the leases and the Ownership Agreements shall be maintained. All liability policies shall provide sufficient insurance satisfactory to both the Owner and the Manager and shall contain waivers of subrogation for the benefit of the Manager.

(b) The Manager shall obtain and keep in full force and effect, in accordance with the laws of the state in which each Property is located, employer's liability insurance applicable to and covering all employees of the Manager at the Properties and all persons engaged in the performance of any work required hereunder, and the Manager shall furnish the Owner certificates of insurers naming the Owner as a co-insured and evidencing that such insurance is in effect. If any of the Manager's duties hereunder are subcontracted as permitted under Section 2.6, the Manager shall include in each subcontract a provision that the subcontractor shall also furnish the Owner with such a certificate.

5.2 Cooperation with Insurers. The Manager shall cooperate with and provide reasonable access to the Properties to representatives of insurance companies and insurance brokers or agents with respect to insurance which is in effect or for which application has been made. The Manager shall use its best efforts to comply with all requirements of insurers.

5.3 Accidents and Claims. The Manager shall promptly investigate and report in detail to the Owner all accidents, claims for damage relating to the ownership, operation or maintenance of the Properties, and any damage or destruction to the Properties and the estimated costs of repair thereof, and shall prepare for approval by the Owner all reports required by an insurance company in connection with any such accident, claim, damage, or destruction. Such reports shall be given to the Owner promptly and any report not so given within ten (10) days after the occurrence of any such accident, claim, damage or destruction shall be noted in the report delivered to the Owner pursuant to Section 2.5(b). The Manager is authorized to settle any claim against an insurance company arising out of any policy and, in connection with such claim, to execute proofs of loss and adjustments of loss and to collect and provide receipts for loss proceeds.

5.4 Indemnification. The Manager shall hold the Owner harmless from and indemnify and defend the Owner against any and all claims or liability for any injury or damage to any person or property whatsoever for which the Manager is responsible occurring in, on, or about the Properties, including, without limitation, the Improvements when such injury or damage is caused by the negligence or misconduct of the Manager, its agents, servants, or employees, except to the extent that the Owner recovers insurance proceeds with respect to such matter. The Owner will indemnify and hold the Manager harmless against all liability for injury to persons and damage to property caused by the Owner's negligence and which did not result from the negligence or misconduct of

the Manager, except to the extent the Manager recovers insurance proceeds with respect to such matter.

ARTICLE VI  
TERM; TERMINATION

6.1 Term. This Management Agreement shall commence on the Effective Date and shall continue until terminated in accordance with the earliest to occur of the following:

(a) One (1) year from the date of the commencement of the term hereof. However, this Management Agreement will be automatically extended for an unlimited number of successive one year terms at the end of each year unless any party gives sixty (60) days' written notice to the other parties of its intention to terminate this Management Agreement;

(b) Immediately upon the occurrence of any of the following:

(i) A decree or order is rendered by a court having jurisdiction (A) adjudging the Manager as bankrupt or insolvent, (B) approving as properly filed a petition seeking reorganization, readjustment, arrangement, composition or similar relief for the Manager under the federal bankruptcy laws or any similar applicable law or practice, or (C) appointing a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of the Manager or a substantial part of the Manager's assets, or for the winding up or liquidation of its affairs, or

(ii) The Manager (A) voluntarily institutes proceedings to be adjudicated bankrupt or insolvent, (B) consents to the filing of a bankruptcy proceeding against it, (C) files a petition, answer or consent seeking reorganization, readjustment, arrangement, composition or relief under any similar applicable law or practice, (D) consents to the filing of any such petition, or to the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency for it or for a substantial part of its assets, (E) makes an assignment for the benefit of creditors, (F) is unable to or admits in writing its inability to pay its debts generally as they become due, unless such inability shall be the fault of the Owner, or (G) takes corporate or other action in furtherance of any of the aforesaid purposes; and

(c) Upon written notice from the Owner in the event that the Manager commits an act of gross negligence or willful misconduct in the performance of its duties hereunder.

Upon termination, the obligations of the parties hereto shall cease; *provided, however*; that the Manager shall comply with the provisions hereof applicable in the event of termination and shall be entitled to receive all compensation which may be due to the Manager hereunder up to the date of such termination; *provided, further, however*; that if this Management Agreement terminates pursuant to clauses (b) or (c) of this Section 6.1, the Owner shall have other remedies as may be available at law or in equity.

6.2 Manager's Obligations after Termination. Upon the termination of this Management Agreement, the Manager shall have the following duties:

(a) The Manager shall deliver to the Owner, or its designee, all books and records with respect to the Properties.

(b) The Manager shall transfer and assign to the Owner, or its designee, all service contracts and personal property relating to or used in the operation and maintenance of the Properties, except personal property paid for and owned by the Manager. Manager shall also, for a period of sixty (60) days immediately following the date of such termination, make itself available to consult with and advise the Owner, or its designee, regarding the operation, maintenance and leasing of the Properties.

(c) The Manager shall render to the Owner an accounting of all funds of the Owner in its possession and shall deliver to the Owner a statement of Management Fees claimed to be due the Manager and shall cause funds of the Owner held by the Manager relating to the Properties to be paid to the Owner or its designee.

(d) The Manager shall cooperate with the Owner to provide an orderly transition of the Manager's duties hereunder.

ARTICLE VII  
MISCELLANEOUS

7.1 Notices. All notices, approvals, consents and other communications hereunder shall be in writing, and, except when receipt is required to start the running of a period of time, shall be deemed given when delivered in person or on the fifth day after its mailing by either party by registered or certified United States mail, postage prepaid and return receipt requested, to the other party, at the addresses set forth after their respect name below or at such different addresses as either party shall have theretofore advised the other party in writing in accordance with this Section 7.1.

To the Owner:

[Applicable Owner Name]  
c/o Global Net Lease, Inc.  
405 Park Avenue  
New York, NY 10022  
Attention: James L. Nelson, CEO and President  
with a copy to:

[Applicable Owner Name]  
Global Net Lease, Inc.  
405 Park Avenue  
New York, NY 10022  
Attention: Michael Anderson, Senior Vice President, Chief Corporate Counsel

To the Manager:

Global Net Lease Properties, LLC  
405 Park Avenue  
New York, NY 10022  
Attention: Michael Anderson, Senior Vice President, Chief Corporate Counsel

7.2 Governing Law. This Management Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the principles of conflicts of law thereof.

7.3 Assignment. Except as permitted in Section 2.6 hereof, this Management Agreement may not be assigned by the Manager, except to an Affiliate of the Manager, and then only upon the consent of the Owner and the approval of a majority of the Independent Directors. Any assignee of the Manager shall be bound hereunder to the same extent as the Manager. This Agreement shall not be assigned by the Owner without the written consent of the Manager, except to a Person which is a successor to such Owner. Such successor shall be bound hereunder to the same extent as such Owner. Notwithstanding anything to the contrary contained herein, the economic rights of the Manager hereunder, including the right to receive all compensation hereunder, may be sold, transferred or assigned by the Manager without the consent of the Owner.

7.4 No Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Management Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrences. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

7.5 Amendments. This Management Agreement may be amended only by an instrument in writing signed by the party against whom enforcement of the amendment is sought.

7.6 Headings. The headings of the various subdivisions of this Management Agreement are for reference only and shall not define or limit any of the terms or provisions hereof.

7.7 Counterparts. This Management Agreement may be executed (including by facsimile transmission) with counterpart signature pages or in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument.

7.8 Entire Agreement. This Management Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof.

7.9 Disputes. If there shall be a dispute between the Owner and the Manager relating to this Management Agreement resulting in litigation, the prevailing party in such litigation shall be entitled to recover from the other party to such litigation such amount as the court shall fix as reasonable attorneys' fees.

7.10 Activities of the Manager. The obligations of the Manager pursuant to the terms and provisions of this Management Agreement shall not be construed to preclude the Manager from engaging in other activities or business ventures, whether or not such other activities or ventures are in competition with the Owner or the business of the Owner.

7.11 Independent Contractor. The Manager and the Owner shall not be construed as joint venturers or partners of each other pursuant to this Management Agreement, and neither party shall have the power to bind or obligate the other except as set forth herein. In all respects, the status of the Manager to the Owner under this Management Agreement is that of an independent contractor.

7.12 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Management Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the parties have executed this Management Agreement as of the date first above written.

ARC CWARANE001, LLC  
ARC CWGRDMI001, LLC  
ARC CWRVTIL001, LLC  
ARC CWSALKS001, LLC  
ARC CWUVLOH001, LLC  
ARC CWVININ001, LLC  
ARC CWWPKMN001, LLC  
ARC DINCNOH001, LLC  
ARC FESANTX001, LLC  
ARC MSELGIL001, LLC  
ARC WWHWCMI001, LLC  
ARG BIJTNNY001, LLC  
ARG CMPCRMS001, LLC  
ARG FEBLCID001, LLC  
ARG FEGRNNC001, LLC  
ARG RMAKROH001, LLC

By: Global Net Lease Operating Partnership, L.P.  
Its sole member

By: Global Net Lease, Inc.  
its General Partner

By: /s/James Nelson  
Name: James Nelson  
Title: Chief Executive Officer

GLOBAL NET LEASE PROPERTIES, LLC

By: Global Net Lease Special Limited Partner, LLC, its Member

By: AR Capital Global Holdings, LLC.  
its Managing Member

By: /s/ Michael Anderson  
Name: Michael Anderson  
Title: Authorized Signatory

**FIRST AMENDMENT TO FIRST AMENDED AND RESTATED CREDIT AGREEMENT**

**THIS FIRST AMENDMENT TO FIRST AMENDED AND RESTATED CREDIT AGREEMENT** (this "Amendment") made as of the 31st day of December, 2019, by and among **GLOBAL NET LEASE OPERATING PARTNERSHIP, L.P.**, a Delaware limited partnership ("Borrower"), **GLOBAL NET LEASE, INC.**, a Maryland corporation ("REIT"), **ARC GLOBAL HOLDCO, LLC**, a Delaware limited liability company ("International Holdco"), **ARC GLOBAL II HOLDCO, LLC**, a Delaware limited liability company ("Global II Holdco"), **THE PARTIES EXECUTING BELOW AS SUBSIDIARY GUARANTORS** (the "Subsidiary Guarantors"; REIT, International Holdco, Global II Holdco and the Subsidiary Guarantors, collectively the "Guarantors"), **KEYBANK NATIONAL ASSOCIATION** ("KeyBank"), individually and as Agent for itself and the other Lenders from time to time a party to the Credit Agreement (as hereinafter defined) (KeyBank, in its capacity as Agent, is hereinafter referred to as "Agent"), and **THE OTHER "LENDERS" WHICH ARE SIGNATORIES HERETO** (KeyBank and such Lenders hereinafter referred to collectively as the "Lenders").

**WITNESSETH:**

**WHEREAS**, Borrower, Agent and certain of the Lenders entered into that certain First Amended and Restated Credit Agreement dated as of August 1, 2019 (collectively, the "Credit Agreement"); and

**WHEREAS**, Borrower has requested that the Agent and the Lenders make certain modifications to the terms of the Credit Agreement; and

**WHEREAS**, the Agent and the Lenders have agreed to make such modifications subject to the execution and delivery by Borrower and Guarantors of this Amendment.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

1. Definitions. All the terms used herein which are not otherwise defined herein shall have the meanings set forth in the Credit Agreement (as modified and amended by this Amendment).

2. Modification of the Credit Agreement. Borrower, the Lenders and Agent do hereby modify and amend the Credit Agreement as follows:

(a) By deleting in its entirety the definition of "Approved Foreign Country" appearing in §1.1 of the Credit Agreement, and inserting in lieu thereof the following new definition:

"Approved Foreign Country. Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom.";

(b) By inserting the following new definition in §1.1 of the Credit Agreement, in appropriate alphabetical order:



“Excluded Foreign Subsidiary. A business entity organized under the laws of any jurisdiction other than the laws of a State or Commonwealth of the United States or of the District of Columbia which indirectly owns Eligible Real Estate located in an Approved Foreign Country and which, in each case as determined by Agent in its reasonable discretion, (i) is prohibited from becoming a Guarantor by the terms of any agreement governing Non-Recourse Indebtedness owed to a non-affiliate permitted under this Agreement (or by the terms of the relevant organizational agreement or other governing document of the entity that is the borrower (or the direct parent of the borrower) under such Non-Recourse Indebtedness), (ii) is a Person for which becoming a Guarantor would violate or conflict with Applicable Law (including, without limitation, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules and similar laws or regulations which limit the ability of such Person to provide a guaranty of the Obligations) or with any fiduciary duties of officers or directors of such Person, or (iii) is a Person with respect to which the cost of obtaining a Guaranty from such Person exceeds the practical benefit to the Lenders afforded thereby (including, without limitation, in the nature of stamp duties, notarization, registration or other costs that are disproportionate to the benefit afforded by such Person providing a Guaranty, or that cause such benefit to be otherwise unavailable in a practicable manner).”; and

(c) By inserting the following new sentence after the first (1st) sentence of §5.2 of the Credit Agreement:

“Notwithstanding the foregoing, Agent may, in its reasonable discretion, permit Real Estate located in an Approved Foreign Country to be included as an Unencumbered Pool Asset without requiring any Excluded Foreign Subsidiary which indirectly owns such Real Estate to become a Guarantor so long as such Real Estate otherwise satisfies all of the conditions to be included as an Unencumbered Pool Asset hereunder.”

3. References to Loan Documents. All references in the Loan Documents to the Credit Agreement shall be deemed a reference to the Credit Agreement as modified and amended herein.

4. Consent and Acknowledgment of Borrower and Guarantors. By execution of this Amendment, the Guarantors hereby expressly consent to the modifications and amendments relating to the Credit Agreement as set forth herein and any other agreements or instruments executed in connection herewith, and Borrower and Guarantors hereby acknowledge, represent and agree that (a) the Credit Agreement, as modified and amended herein, and the other Loan Documents remains in full force and effect and constitutes the valid and legally binding obligation of Borrower and Guarantors, as applicable, enforceable against such Persons in accordance with their respective terms, (b) that the Guaranty extends to and applies to the Credit Agreement as modified and amended herein, and (c) that the execution and delivery of this Amendment and any other agreements or instruments executed in connection herewith does not constitute, and shall not be deemed to constitute, a release, waiver or satisfaction of Borrower’s or any Guarantor’s obligations under the Loan Documents.

5. Representations and Warranties. Borrower and Guarantors represent and warrant to Agent and the Lenders as follows:

(a) Authorization. The execution, delivery and performance of this Amendment and any other agreements or instruments executed in connection herewith and the transactions contemplated hereby and thereby (i) are within the authority of Borrower and Guarantors, (ii) have been duly authorized by all necessary proceedings on the part of the Borrower and Guarantors, (iii) do not and will not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which Borrower or any Guarantor is subject or any judgment, order, writ, injunction, license or permit applicable to Borrower or any Guarantor, (iv) do not and will not conflict with or constitute a default (whether with the passage of time or the giving of notice, or both) under any provision of the partnership agreement, articles of incorporation or other charter documents or bylaws of, or any agreement or other instrument binding upon, Borrower or any Guarantor or any of their respective properties, (v) do not and will not result in or require the imposition of any lien or other encumbrance on any of the properties, assets or rights of Borrower or any Guarantor, other than those in favor of Agent, on behalf of itself and the other Lenders, pursuant to the Loan Documents, and (vi) do not require the approval or consent of any Person other than those already obtained and delivered to the Agent.

(b) Enforceability. This Amendment and any other agreements or instruments executed in connection herewith to which Borrower or any Guarantor is a party are the valid and legally binding obligations of Borrower and Guarantors enforceable in accordance with the respective terms and provisions hereof, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and the effect of general principles of equity.

(c) Governmental Approvals. The execution, delivery and performance of this Amendment and any other agreements or instruments executed in connection herewith and the transactions contemplated hereby and thereby do not require the approval or consent of, or any filing or registration with, or the giving of any notice to, any court, department, board, governmental agency or authority other than those already obtained, and filings after the date hereof of disclosures with the SEC, or as may be required hereafter with respect to tenant improvements, repairs or other work with respect to any Real Estate.

(d) Reaffirmation of Representations and Warranties. Each of the representations and warranties made by or on behalf of the Borrower, the Guarantors or any of their respective Subsidiaries contained in the Credit Agreement, the other Loan Documents or in any document or instrument delivered pursuant to or in connection with the Credit Agreement or this Amendment is true and correct in all material respects as of the date hereof, with the same effect as if made at and as of the date hereof, except to the extent of changes resulting from transactions permitted by the Loan Documents (it being understood and agreed that, with respect to any representation or warranty which by its terms is made as of a specified date, such representation or warranty is reaffirmed hereby only as of such specified date). To the extent that any of the representations and warranties contained in the Credit Agreement, any other Loan Document or in any document or instrument delivered pursuant to or in connection with the Credit Agreement or this Amendment is qualified by "Material Adverse Effect" or any other materiality qualifier, then

the qualifier “in all material respects” contained in this Paragraph 5(d) shall not apply with respect to any such representations and warranties.

6. No Default. By execution hereof, the Borrower and the Guarantors certify that, immediately after giving effect to this Amendment, there exists no Default or Event of Default as of the date of this Amendment.

7. Waiver of Claims. Borrower and Guarantors acknowledge, represent and agree that none of such Persons has any defenses, setoffs, claims, counterclaims or causes of action of any kind or nature whatsoever arising on or before the date hereof with respect to the Loan Documents, the administration or funding of the Loan or the Letters of Credit or with respect to any acts or omissions of Agent or any Lender, or any past or present officers, agents or employees of Agent or any Lender pursuant to or relating to the Loan Documents, and each of such Persons does hereby expressly waive, release and relinquish any and all such defenses, setoffs, claims, counterclaims and causes of action arising on or before the date hereof, if any.

8. Ratification. Except as hereinabove set forth, all terms, covenants and provisions of the Credit Agreement remain unaltered and in full force and effect, and the parties hereto do hereby expressly ratify and confirm the Credit Agreement as modified and amended herein. Nothing in this Amendment or any other document delivered in connection herewith shall be deemed or construed to constitute, and there has not otherwise occurred, a novation, cancellation, satisfaction, release, extinguishment or substitution of the indebtedness evidenced by the Notes or the other obligations of Borrower and Guarantors under the Loan Documents.

9. Effective Date. This Amendment shall be deemed effective and in full force and effect (the “Effective Date”) upon confirmation by the Agent of the satisfaction of the following conditions:

- (a) the execution and delivery of this Amendment by Borrower, Guarantors, Agent and the Majority Lenders;
- (b) receipt by Agent of evidence that the Borrower shall have paid all fees due and payable with respect to this Amendment;
- (c) receipt by Agent of such other resolutions, certificates, documents, instruments and agreements as the Agent may reasonably request; and
- (d) the Borrower shall have paid the reasonable fees and expenses of Agent in connection with this Amendment.

10. Amendment as Loan Document. This Amendment shall constitute a Loan Document.

11. Counterparts. This Amendment may be executed in any number of counterparts which shall together constitute but one and the same agreement.

12. MISCELLANEOUS. THIS AMENDMENT SHALL, PURSUANT TO NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401, BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors, successors-in-title and assigns as provided in the Credit Agreement.

*[Signatures Begin On Next Page]*

**IN WITNESS WHEREOF**, the parties hereto have hereto set their hands and affixed their seals as of the day and year first above written.

**BORROWER:**

**GLOBAL NET LEASE OPERATING PARTNERSHIP, L.P.**, a Delaware limited partnership

By: GLOBAL NET LEASE, INC., a Maryland corporation, its general partner

By: /s/ James L. Nelson  
Name: James L. Nelson  
Title: Chief Executive Officer

**REIT:**

**GLOBAL NET LEASE, INC.**, a Maryland corporation

By: /s/ James L. Nelson  
Name: James L. Nelson  
Title: Chief Executive Officer

**INTERNATIONAL HOLDCO:**

**ARC GLOBAL HOLDCO, LLC**, a Delaware limited liability company

By: /s/ Michael R. Anderson  
Name: Michael R. Anderson  
Title: Authorized Signatory

**GLOBAL II HOLDCO:**

**ARC GLOBAL II HOLDCO, LLC**, a Delaware limited liability company

By: /s/ Michael R. Anderson

Name: Michael R. Anderson

Title: Authorized Signatory

*[Signatures Continue on Following Page]*

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

---

**SUBSIDIARY GUARANTORS:**

**ARC GSRNTN001, LLC,  
ARC TFDPTIA001, LLC,  
ARC NOWILND001, LLC,  
ARC GSDVRDE001, LLC,  
ARC GSGTNPA001, LLC,  
ARC GSMSSTX001, LLC,  
ARC GSDALTX001, LLC,  
ARC NOPLNTX001, LLC,  
ARC DRINDIN001, LLC,  
ARC VALWDCO001, LLC,  
ARC GBLMESA001, LLC,  
ARC FEAMOTX001, LLC,  
ARC FECPEMA001, LLC,  
ARC WNBRNMO001, LLC,  
ARC VCLIVMI001, LLC,  
ARC CTFTMSC001, LLC, each a Delaware limited liability company**

By: /s/ Michael R. Anderson  
Name: Michael R. Anderson  
Title: Authorized Signatory

[Signatures Continue on Following Page]

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

---

**ARC TFKMZMI001, LLC,  
ARC SWWSVOH001, LLC,  
ARC FD73SLB001, LLC,  
ARC WMWSLNC001, LLC,  
ARC SANPLFL001, LLC,  
ARC FEWNAMN001, LLC,  
ARC DG40PCK001, LLC,  
ARC FEWTRNY001, LLC,  
ARC KUSTHMI001, LLC,  
ARC FELEXKY001, LLC,  
ARC GECINOH001, LLC,  
ARC DNDUBOH001, LLC,  
ARC FELKCLA001, LLC,  
ARC FD34PCK001, LLC,  
ARC OGHGMD001, LLC,  
ARC FSMCHIL001, LLC,  
ARC FEBILMA001, LLC,  
ARC AMWCHKS001, LLC,  
ARC FESALUT001, LLC,  
ARC CGJNSMI001, LLC;  
ARC CGFRSMI001, LLC,** each a Delaware limited liability company

By: /s/ Michael R. Anderson  
Name: Michael R. Anderson  
Title: Authorized Signatory

[Signatures Continue on Following Page]

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

---

ARC FEPIESD001, LLC,  
ARC GSFFDME001, LLC,  
ARC GSRNGME001, LLC,  
ARC GSRPCSD001, LLC,  
ARC TRLIVMI001, LLC,  
ARC FEHBRKY001, LLC,  
ARC CGMARSC001, LLC,  
ARC CGLGNIN001, LLC,  
ARC JTCHATN001, LLC,  
ARC JTCHATN002, LLC,  
ARC BHSBDIN001, LLC,  
ARC HLHSNTX001, LLC,  
ARC FEMANMN001, LLC,  
ARC GSRTNNM001, LLC,  
ARC ACHNETH001, LLC,  
ARG CBSKSMO001, LLC,  
ARC ODVLONET001, LLC  
ARG VAGNVFL001, LLC,  
ARG LSWYGMI001, LLC,  
ARG LSCHIL001, LLC,  
ARG LSCHIL002, LLC,  
ARG LSCHIL003, LLC, each a Delaware limited liability company

By: /s/ Michael R. Anderson  
Name: Michael R. Anderson  
Title: Authorized Signatory

*[Signatures Continue on Following Page]*

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

---



**ARG CSBLVMI001, LLC,  
ARG CSHMDIN001, LLC,  
ARG CSLIVMI001, LLC,  
ARG CSTWBOH001, LLC,  
ARG CSWYGMI001, LLC,  
ARG FCSTHMI001, LLC,  
ARG DPSPNIA001, LLC,  
ARC FEGBRNC001, LLC,  
ARC DBGESRG001, LLC,  
ARG NIGTNMA001, LLC,  
ARG LKCLLAL001, LLC,  
ARG GASTNMI001, LLC,  
ARG WGPTBPA001, LLC,  
ARG VFKCYKS001, LLC,  
ARG CMGLTWY001, LLC,  
ARG SSFSRIN001, LLC,  
ARG EQWBGPA001, LLC,  
ARG HCCLHGA001, LLC,  
ARG SNCSPCO001, LLC,** each a Delaware limited liability company

By: /s/ Michael R. Anderson  
Name: Michael R. Anderson  
Title: Authorized Signatory

*[Signatures Continue on Following Page]*

**ARG CFSRSLB001, LLC,  
ARG CFSRSLB002, LLC,  
ARG VSSRACA001, LLC,  
ARG VSSRACA002, LLC, and  
ARC WHAMSNE001, LLC,** each a Delaware limited liability  
company

By: /s/ Michael R. Anderson  
Name: Michael R. Anderson  
Title: Authorized Signatory

*[Signatures Continue on Following Page]*

**LENDERS:**

**KEYBANK NATIONAL ASSOCIATION**, individually as a Lender and as the Agent

By: /s/ Sara Jo Smith

Name: Sara Jo Smith

Title: Vice President

**CAPITAL ONE, NATIONAL ASSOCIATION**

By: /s/ Jessica W. Philips

Name: Jessica W. Philips

Title: Authorized Signatory / Senior Vice President

**CITIZENS BANK, N.A.**

By: /s/ Michelle M. Dawson

Name: Michelle M. Dawson

Title: Vice President

**BMO HARRIS BANK, N.A.**

By: /s/ Lloyd Baron

Name: Lloyd Baron

Title: Director

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

---

**MIZUHO BANK, LTD.**

By: /s/ Donna DeMagistris

Name: Donna DeMagistris

Title: Authorized Signatory

*[Signatures Continue on Following Page]*

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

---

**SUMITOMO MITSUI BANKING CORPORATION**

By: /s/ Keith J. Connolly  
Name: Keith J. Connolly  
Title: General Manager

**BBVA USA**, an Alabama banking corporation

By: /s/ Scott Childs

Name: Scott Childs

Title: Senior Vice President

**SOCIÉTÉ GÉNÉRALE**

By: /s/ John Hogan  
Name: John Hogan

Title: Director

**COMERICA BANK**

By: /s/ Charles Weddell  
Name: Charles Weddell  
Title: Vice President

**SYNOVUS BANK**

By: /s/ David W. Bowman  
Name: David W. Bowman  
Title: Director

*[Signatures Continue on Following Page]*

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

---

**DEUTSCHE BANK AG NEW YORK BRANCH**

By: /s/ Annie Chung

Name: Annie Chung

Title: Director

By: /s/ Ming K Chu

Name: Ming K Chu

Title: Director

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**

By: /s/ Doreen Barr

Name: Doreen Barr

Title: Authority Signatory

By: /s/ Komal Shah

Name: Komal Shah

Title: Authority Signatory

*KeyBank/Global Net Lease Operating Partnership, L.P.  
Signature Page to First Amendment to First Amended and Restated Credit Agreement*

**INDEMNIFICATION AGREEMENT**

THIS INDEMNIFICATION AGREEMENT (“Agreement”) is made and entered into as of the [ ] day of [ ], [ ] (the “Effective Date”), by and between Global Net Lease, Inc., a Maryland corporation (the “Company”), and [ ] (the “Indemnitee”).

WHEREAS, at the request of the Company, Indemnitee currently serves as a director, officer or service provider of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his or her service; and

WHEREAS, as an inducement to Indemnitee to serve or continue to serve as a director, officer or service provider, the Company has agreed to indemnify Indemnitee and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) “Change in Control” means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of all of the Company’s then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person’s attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) at any time, a majority of the members of the Board of Directors are not individuals (A) who were directors as of the Effective Date or (B) whose election by the Board of Directors or nomination for election by the Company’s stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election or nomination for election was previously so approved.

(b) “Corporate Status” means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company: (i) if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise (1) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (2) the management of which is controlled directly or indirectly by the Company and (ii) if, as a result of Indemnitee’s service to the Company or any of its affiliated entities, Indemnitee is subject to duties by, or required

---

to perform services for, an employee benefit plan or its participants or beneficiaries, including as deemed fiduciary thereof.

(c) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(d) “Effective Date” means the date set forth in the first paragraph of this Agreement.

(e) “Expenses” means any and all reasonable and out-of-pocket attorneys’ fees and costs, retainers, court costs, arbitration and mediation costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties and any other disbursements or expenses incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium for, security for and other costs relating to any cost bond supersedes bond or other appeal bond or its equivalent.

(f) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(g) “Proceeding” means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing, claim, demand, discovery request or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

Section 2. Services by Indemnitee. Indemnitee will serve as a director, officer or service provider of the Company. However, this Agreement shall not impose any independent obligation on Indemnitee or the Company to continue Indemnitee’s service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. Existing Agreement Superseded. The parties hereto agree that all of their rights and obligations under the Existing Agreement are hereby replaced and superseded by the rights and obligations provided hereunder.

Section 4. General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 4 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by the Maryland General Corporation Law (the “MGCL”), including, without limitation, Section 2-418(g) of the MGCL.

Section 5. Standard for Indemnification. If, by reason of Indemnitee’s Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall indemnify Indemnitee against all judgments,



penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any such Proceeding unless it is established by clear and convincing evidence that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

Section 6. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 7), Indemnitee shall not be entitled to:

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable to the Company;

(b) indemnification hereunder if Indemnitee is adjudged, in a final adjudication of the Proceeding not subject to further appeal, to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in the Indemnitee's Corporate Status; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee, unless: (i) the Proceeding was brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Section 13 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

Section 7. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances:

(a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification contemplated by Section 2-418(d)(2)(ii) of the MGCL.

Section 8. Indemnification for Expenses of an Indemnitee Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is, by reason of his or her Corporate Status, made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, Indemnitee shall be indemnified for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 8 for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 8, and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 9. Advance of Expenses for an Indemnitee. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, advance all Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding. The Company shall make such advance within ten days after the receipt by the Company of a statement or statements requesting such advance from time to time, whether prior to or after final disposition of such Proceeding and may be in the form of, in the reasonable discretion of the Indemnitee (but without duplication) (a) payment of such Expenses directly to third parties on behalf of Indemnitee, (b) advance of funds to Indemnitee in an amount sufficient to pay such Expenses or (c) reimbursement to Indemnitee for Indemnitee's payment of such Expenses. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 9 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 10. Indemnification and Advance of Expenses as a Witness or Other Participant. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of Indemnitee's Corporate Status, made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other person, and to which Indemnitee is not a party, Indemnitee shall be advanced and indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting any such advance or indemnification from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. In connection with any such advance of Expenses, the Company may require Indemnitee to provide an undertaking and affirmation substantially in the form attached hereto as Exhibit A.

Section 11. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary or appropriate to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in Indemnitee's sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 11(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval shall not be unreasonably withheld; or (ii) if a Change in Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors or, if such a quorum cannot be obtained, then by a majority vote of a duly authorized committee of the Board of Directors consisting solely of one or more Disinterested Directors, (B) if Independent Counsel has been selected by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by Indemnitee, which approval shall not be unreasonably withheld or delayed, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee or (C) if so directed by the Board of Directors, by the stockholders of the Company, other than directors or officers who are parties to the Proceeding. If it is so determined that Indemnitee is entitled to indemnification, the Company shall make payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such

determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary or appropriate to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 11(b). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(c) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

#### Section 12. Presumptions and Effect of Certain Proceedings.

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall have the burden of overcoming that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of nolo contendere or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

#### Section 13. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 11(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Sections 9 or 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Sections 8 or 10 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 13(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce his or her rights under Section 8 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 13, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this

Agreement and the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 13, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 9 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 11(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification that was not disclosed in connection with the determination.

(d) In the event that Indemnitee is successful in seeking, pursuant to this Section 13, a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by him or her in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(e) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with either the tenth day after the date on which the Company was requested to advance Expenses in accordance with Sections 9 or 10 of this Agreement or the 60<sup>th</sup> day after the date on which the Company was requested to make the determination of entitlement to indemnification under Section 11(b) of this Agreement, as applicable, and (ii) and ending on the date such payment is made to Indemnitee by the Company.

#### Section 14. Defense of the Underlying Proceeding.

(a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 14(b) and of Section 14(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 14(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee, or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnitee. This Section 14(b) shall not apply to a Proceeding brought by Indemnitee under Section 13 of this Agreement.

(c) Notwithstanding the provisions of Section 14(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld or delayed, that Indemnitee may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld or delayed, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld or delayed, at the expense of the Company (subject to Section 13(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 15. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of the charter or Bylaws of the Company, this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 16. Insurance. (a) The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of Indemnitee's Corporate Status and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of Indemnitee's Corporate Status. In the event of a Change in Control, the Company shall maintain in force any and all directors and officers liability insurance policies that were maintained by the Company immediately prior to the Change in Control for a period of six years with the insurance carrier or carriers and through the insurance broker in place at the time of the Change in Control; provided, however, (i) if the carriers will not offer the same policy and an expiring policy needs to be replaced, a policy substantially comparable in scope and amount shall be obtained and (ii) if any replacement insurance carrier is necessary to obtain a policy substantially comparable in scope and amount, such insurance carrier shall have an AM Best rating that is the same or better than the AM Best rating of the existing insurance carrier; provided, further, however, in no event shall the Company be required to expend in the aggregate in excess of 250% of the annual premium or premiums paid by the Company for directors and officers liability insurance in effect on the date of the Change in Control. In the event that 250% of the annual premium paid by the Company for such existing directors and officers liability insurance is insufficient for such coverage, the Company shall spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

(b) Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee which would otherwise be indemnifiable hereunder arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in Section 16(a). The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

(c) The Indemnitee shall cooperate with the Company or any insurance carrier of the Company with respect to any Proceeding.

Section 17. Coordination of Payments. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 18. Contribution. If the indemnification provided in this Agreement is unavailable in whole or in part and may not be paid to Indemnitee for any reason, other than for failure to satisfy the standard of conduct set forth in Section 5 or due to the provisions of Section 6, then, in respect to any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), to the fullest extent permissible under applicable law, the Company, in lieu of indemnifying and holding harmless Indemnitee, shall pay, in the first instance, the entire amount incurred by Indemnitee, whether for Expenses, judgments, penalties, and/or amounts paid or to be paid in settlement, in connection with any Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have at any time against Indemnitee.

Section 19. Reports to Stockholders. To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

Section 20. Duration of Agreement; Binding Effect.

(a) This Agreement shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement).

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability

company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(d) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 21. Severability. If any provision or provisions of this Agreement shall be held to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 22. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 23. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 24. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor, unless otherwise expressly stated, shall such waiver constitute a continuing waiver.

Section 25. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, on the day of such delivery, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to:

Global Net Lease, Inc.  
405 Park Avenue, 4th Floor  
New York, NY 10022  
Attn: General Counsel

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 26. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

[SIGNATURE PAGE FOLLOWS]



IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

GLOBAL NET LEASE, INC.

By: \_\_\_\_\_

Name:

Title:

INDEMNITEE

By: \_\_\_\_\_

Name:

**EXHIBIT A**

**AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED**

To: The Board of Directors of Global Net Lease, Inc.

Re: Affirmation and Undertaking

Ladies and Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement, dated the [ ] day of [ ], [ ], by and between Global Net Lease, Inc., a Maryland corporation (the "Company"), and the undersigned Indemnatee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as a director of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance by the Company for Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses, relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
Name:

**EXHIBIT 21.1****Subsidiaries of Global Net Lease, Inc.**

<b>Name</b>	<b>Jurisdiction of Formation/Incorporation</b>
ACR Global II NCR Sarl	Luxembourg
ARC ACHNETH001, LLC	Delaware
ARC ALSFDUK001, LLC	Delaware
ARC AMWCHKS001, LLC	Delaware
ARC AMWORUK001, LLC	Delaware
ARC ATSNTTX001, LLC	Delaware
ARC BBWYKUK001, LLC	Delaware
ARC BHSBDIN001, LLC	Delaware
ARC BKSCOUK001, LLC	Delaware
ARC CABIRUK001, LLC	Delaware
ARC CCLTRUK001, LLC	Delaware
ARC CGFRSMI001, LLC	Delaware
ARC CGJNSMI001, LLC	Delaware
ARC CGLGNIN001, LLC	Delaware
ARC CGMADIN001, LLC	Delaware
ARC CGMARSC001, LLC	Delaware
ARC CGWRNMI001, LLC	Delaware
ARC CJHSNTX001, LLC	Delaware
ARC CJHSNTX002, LLC	Delaware
ARC CRVANOHO01, LLC	Delaware
ARC CSVBTMI001, LLC	Delaware
ARC CTFTMSC001, LLC	Delaware
ARC CWARANE001, LLC	Delaware
ARC CWGRDMI001, LLC	Delaware
ARC CWRVTIL001, LLC	Delaware
ARC CWSALKS001, LLC	Delaware
ARC CWUVLOH001, LLC	Delaware
ARC CWVININ001, LLC	Delaware
ARC CWWPKMN001, LLC	Delaware
ARC DBGESRG001, LLC	Delaware
ARC DBGWSDG001, LLC	Delaware
ARC DFSMCUK001, LLC	Delaware
ARC DG40PCK001, LLC	Delaware
ARC DINCNOH001, LLC	Delaware
ARC DNDUBOH001, LLC	Delaware
ARC DRINDIN001, LLC	Delaware
ARC EEMTRUK001, LLC	Delaware
ARC FD34PCK001, LLC	Delaware
ARC FD73SLB001, LLC	Delaware
ARC FEAMOTX001, LLC	Delaware
ARC FEBHMNY001, LLC	Delaware

ARC FEBILMA001, LLC	Delaware
ARC FECPEMA001, LLC	Delaware
ARC FEGBRNC001, LLC	Delaware
ARC FEHBRKY001, LLC	Delaware
ARC FELEXKY001, LLC	Delaware
ARC FELKCLA001, LLC	Delaware
ARC FEMANMN001, LLC	Delaware
ARC FEPIESD001, LLC	Delaware
ARC FESALUT001, LLC	Delaware
ARC FESANTX001, LLC	Delaware
ARC FEWNAMN001, LLC	Delaware
ARC FEWTRNY001, LLC	Delaware
ARC FMHEPGA001, LLC	Delaware
ARC FMSUMSCO01, LLC	Delaware
ARC FSMCHIL001, LLC	Delaware
ARC FUMANUK001, LLC	Delaware
ARC GBLMESA001, LLC	Delaware
ARC GECINOH001, LLC	Delaware
ARC GEGRDMI001, LLC	Delaware
ARC GLOBAL HOLDCO, LLC	Delaware
ARC Global II (France) Holdings S.à r.l.	Luxembourg
ARC Global II (Germany) Holdings S.à r.l.	Luxembourg
ARC Global II (holding)	France
ARC Global II (Luxembourg) Holdings S.à r.l.	Luxembourg
ARC Global II (Midco) S.à r.l.	Luxembourg
ARC Global II (Netherlands) Holdings S.à r.l.	Luxembourg
ARC Global II (UK) Holdings S.à r.l.	Luxembourg
ARC Global II Amiens	France
ARC Global II Blois	France
ARC Global II Bordeaux	France
ARC Global II Brest	France
ARC Global II DB Lux S.à r.l.	Luxembourg
ARC Global II Foster Wheeler S.à r.l.	Luxembourg
ARC GLOBAL II HOLDCO, LLC	Delaware
ARC Global II ING Netherlands S.à.r.l.**	Luxembourg
ARC Global II ING S.à r.l.	Luxembourg
ARC GLOBAL II INTERNATIONAL HOLDCO, LLC	Delaware
ARC Global II Marseille	France
ARC Global II Rueil	France
ARC Global II S.à r.l.	Luxembourg
ARC Global II Strasbourg	France
ARC Global II Weilbach S.à r.l.	Luxembourg
ARC Global Organisme de Placement Collectif en Immobilier (OPCI)	France
ARC GRLBKT001, LLC	Delaware
ARC GRLOUKY001, LLC	Delaware
ARC GRMSAAZ001, LLC	Delaware

---

ARC GRRALNC001, LLC	Delaware
ARC GSDALTX001, LLC	Delaware
ARC GSDVRDE001, LLC	Delaware
ARC GSFFDME001, LLC	Delaware
ARC GSFRNTN001, LLC	Delaware
ARC GSGTNPA001, LLC	Delaware
ARC GSIFLMN001, LLC	Delaware
ARC GSMSTX001, LLC	Delaware
ARC GSRNGME001, LLC	Delaware
ARC GSRPCSD001, LLC	Delaware
ARC GSRTNNM001, LLC	Delaware
ARC HLHSNTX001, LLC	Delaware
ARC HPDFS HOLDCO, LLC	Delaware
ARC HPNEWUK001, LLC	Delaware
ARC HVHELFI001, LLC	Delaware
ARC IAREDUK001, LLC	Delaware
ARC JTCHATN001, LLC	Delaware
ARC JTCHATN002, LLC	Delaware
ARC KPHTNNE001, LLC	Delaware
ARC KSFTWPA001, LLC	Delaware
ARC KUSTHMI001, LLC	Delaware
ARC LPSBDIN001, LLC	Delaware
ARC MCCARUK001, LLC	Delaware
ARC MEROXUK001, LLC	Delaware
ARC MKMDNNJ001, LLC	Delaware
ARC MPSTLMO001, LLC	Delaware
ARC MSELGIL001, LLC	Delaware
ARC NNMFBTN001, LLC	Delaware
ARC NOPLNTX001, LLC	Delaware
ARC NOWILND001, LLC	Delaware
ARC NRSLDUK001, LLC	Delaware
ARC NSSNJCA001, LLC	Delaware
ARC OBMYNAGER01, LLC	Delaware
ARC ODVLONET001, LLC	Delaware
ARC OGHGMD001, LLC	Delaware
ARC PFBFDUK001, LLC	Delaware
ARC PNEREPA001, LLC	Delaware
ARC PNSCRPA001, LLC	Delaware
ARC PPHHTKY001, LLC	Delaware
ARC REXREGER01, LLC	Delaware
ARC RMNUSGER01, LLC	Delaware
ARC SANPLFL001, LLC	Delaware
ARC SLKRFCP001, LLC	Delaware
ARC SLSTCCA001, LLC	Delaware
ARC SPHRSNJ001 Urban Renewal Entity, LLC	Delaware
ARC SWWSVOH001, LLC	Delaware

---

ARC SZPTNNJ001, LLC	Delaware
ARC TFDPTIA001, LLC	Delaware
ARC TFKMZM1001, LLC	Delaware
ARC TFKMZMI001, LLC	Delaware
ARC TKMANUK001, LLC	Delaware
ARC TOMANFI001, LLC	Delaware
ARC TRLIVMI001, LLC	Delaware
ARC TWSWDUK001, LLC	Delaware
ARC VALWDCO001, LLC	Delaware
ARC VCLIVMI001, LLC	Delaware
ARC WIODSTX001, LLC	Delaware
ARC WKBPLUK001, LLC	Delaware
ARC WKMCruk001, LLC	Delaware
ARC WKSOTUK001, LLC	Delaware
ARC WMWSLNC001, LLC	Delaware
ARC WNBRNMO001, LLC	Delaware
ARC WWHWCMI001, LLC	Delaware
ARG BIJTNNY001, LLC	Delaware
ARG BSMTONJ001, LLC	Delaware
ARG CBSKSMO001, LLC	Delaware
ARG CDNCNOH001, LLC	Delaware
ARG CFSRSLB001, LLC	Delaware
ARG CMGLTWY001, LLC	Delaware
ARG CMOMHNE001, LLC	Delaware
ARG CMPCRMS001, LLC	Delaware
ARG CSBLVMI001, LLC	Delaware
ARG CSHMDIN001, LLC	Delaware
ARG CSLIVMI001, LLC	Delaware
Arg Csstlmo001, LLC	Delaware
ARG CSTWBOH001, LLC	Delaware
ARG CSWYGMI001, LLC	Delaware
ARG DI51PCK001 LLC	Delaware
ARG DPSPNIA001, LLC	Delaware
ARG EHBIRAL001, LLC	Delaware
ARG EQWBGPA001, LLC	Delaware
ARG FCSTHMI001, LLC	Delaware
ARG FEBLCID001, LLC	Delaware
ARG FEGRFMT001, LLC	Delaware
ARG FEGRNNC001, LLC	Delaware
ARG FEMRGWV001, LLC	Delaware
ARG FMCHIL001, LLC	Delaware
ARG GASTNMI001, LLC	Delaware
ARG GKCNCOH001, LLC	Delaware
ARG GRD4SLB001, LLC	Delaware
ARG HCCLHGA001, LLC	Delaware

---

ARG HISRPAZ001, LLC	Delaware
ARG HIVRNCA001, LLC	Delaware
ARG HRTFTGA001, LLC	Delaware
Arg Klslbnc001, LLC	Delaware
ARG LKCLLAL001, LLC	Delaware
ARG LSCHIL001, LLC	Delaware
ARG LSCHIL002, LLC	Delaware
ARG LSCHIL003, LLC	Delaware
ARG LSWYGMIO01, LLC	Delaware
ARG MT2PKSLB001, LLC	Delaware
ARG NIFLNNH002, LLC	Delaware
ARG NIGTNMA001, LLC	Delaware
ARG NIGVTNH001, LLC	Delaware
ARG NIJNBVT001, LLC	Delaware
ARG NIJNBVT002, LLC	Delaware
ARG NIJNBVT003, LLC	Delaware
ARG NSALNTX001, LLC	Delaware
ARG PLRMLMIO01, LLC	Delaware
ARG PSBRDFLO01, LLC	Delaware
ARG PSELPTX001, LLC	Delaware
ARG PSGRLTX001, LLC	Delaware
ARG PSHCKNC001, LLC	Delaware
ARG PSIRVTX001, LLC	Delaware
ARG PSLKCLA001, LLC	Delaware
ARG PSMRDMS001, LLC	Delaware
ARG PSMSNTX001, LLC	Delaware
ARG PSPRAIL001, LLC	Delaware
ARG RMAKROH001, LLC	Delaware
ARG SNCSPCO001, LLC	Delaware
ARG SSFSRIN001, LLC	Delaware
ARG TRWXMMIO01, LLC	Delaware
ARG UPARAIL001, LLC	Delaware
ARG UPDBNMI001, LLC	Delaware
ARG VAGNVFL001, LLC	Delaware
ARG VSSRACA001, LLC	Delaware
ARG VSSRACA002, LLC	Delaware
ARG VSSRACA003, LLC	Delaware
ARG WGPTBPA001, LLC	Delaware
ARG WPCLDOH001, LLC	Delaware
ARG WPCLDOH002, LLC	Delaware
ARG WPCLVTN001, LLC	Delaware
ARG WPFBRIT001, S.r.l	Italy
ARG WPFNDOH001, LLC	Delaware
ARG WPMRNOH001, LLC	Delaware
ARG WPOTWOH001, LLC	Delaware
ARHC ALCFBTX01 TRS, LLC	Delaware

---

ARHC ALCLKTX01 TRS, LLC	Delaware
ARHC ALMEYTX01 TRS, LLC	Delaware
ARHC ALWOOTX01 TRS, LLC	Delaware
Crown Portfolio S.à r.l.	Luxembourg
GLOBAL NET LEASE OPERATING PARTNERSHIP, L.P.	Delaware
HC Glasgow S.à r.l.	Luxembourg
Kiinteistö Oy Vantaan Pyhtäänkorventien KOKE (MREC)	Finland
Kiinteistö Oy Vantaan Teknikontien LEKO 7 (MREC)	Finland
Kiinteistö Oy Vantaan Teknikontien MAKE (MREC)	Finland
Kiinteistö Oy Vantaan Teknikontien MAKO (MREC)	Finland
Koy Mäntsälän Logistiikkakeskus (MREC)	Finland
MAYFLOWER ACQUISITION, LLC	Delaware
METHAGER01, LLC	Delaware
ROCHESSGER01, LLC	Delaware
ROCHESSGER01, LLC ROCHESSGER02, LLC ROCHESSGER03, LLC	Delaware
ROCHESSGER02, LLC	Delaware
ROCHESSGER03, LLC	Delaware



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-214582) and Form S-3 (No. 333-234631) of Global Net Lease, Inc. of our report dated February 28, 2020 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
New York, New York  
February 28, 2020

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

I, James L. Nelson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Global Net Lease, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated the 28th day of February, 2020

/s/ James L. Nelson

James L. Nelson

Chief Executive Officer and President

(Principal Executive Officer)

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

I, Christopher J. Masterson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Global Net Lease, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated the 28th day of February, 2020

/s/ Christopher J. Masterson

---

Christopher J. Masterson

Chief Financial Officer, Treasurer and Secretary

(Principal Financial Officer and Principal Accounting Officer)

## SECTION 1350 CERTIFICATIONS

This Certificate is being delivered pursuant to the requirements of Section 1350 of Chapter 63 (Mail Fraud) of Title 18 (Crimes and Criminal Procedures) of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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

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

Dated the 28th day of February, 2020

/s/ James L. Nelson

James L. Nelson

Chief Executive Officer and President

(Principal Executive Officer)

/s/ Christopher J. Masterson

Christopher J. Masterson

Chief Financial Officer, Treasurer and Secretary

(Principal Financial Officer and Principal Accounting Officer)