UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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, 2018

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: 1-37538

FOUR CORNERS PROPERTY TRUST, INC.

(Exact name of Registrant as specified in its charter)

Maryland	**47-4456296**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
591 Redwood Highway, Suite 1150, Mill Valley, California	**94941**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (415) 965-8030

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value	**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 Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark if 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒ Non-accelerated filer ☐ Emerging growth company ☐

Accelerated filer ☐ Smaller reporting company ☐

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

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

The aggregate market value of Common Stock held by non-affiliates of the Registrant, computed by reference to the closing sales price of such shares on the New York Stock Exchange as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately: $1,543,211,886.

Number of shares of Common Stock, par value $0.0001, outstanding as of February 19, 2019: 68,348,888

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for its Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission no later than April 30, 2019 are incorporated by reference into Part III of this Report.

FOUR CORNERS PROPERTY TRUST, INC.

FORM 10 - K

YEAR ENDED DECEMBER 31, 2018

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Signatures

PART I

Forward-Looking Statements

Statements contained in this Annual Report on Form 10-K, including the documents that are incorporated by reference, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Also, when Four Corners Property Trust, Inc. uses any of the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” or similar expressions, Four Corners Property Trust, Inc. is making forward-looking statements. Although management believes that the expectations reflected in such forward-looking statements are based upon present expectations and reasonable assumptions, actual results could differ materially from those set forth in the forward-looking statements. Certain factors that could cause actual results or events to differ materially from those anticipated or projected are described in “Item 1A. Risk Factors.” of this Annual Report on Form 10-K.

Given these uncertainties, readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this Annual Report on Form 10-K or any document incorporated herein by reference. Four Corners Property Trust, Inc. undertakes no obligation to publicly release any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this Annual Report on Form 10-K.

Item 1. Business.

Unless the context indicates otherwise, all references to “FCPT,” the “Company,” “we,” “our” or “us” include Four Corners Property Trust, Inc. and all of its consolidated subsidiaries.

History

We were incorporated as a Maryland corporation on July 2, 2015 as a wholly owned indirect subsidiary of Darden Restaurants, Inc. (together with its consolidated subsidiaries “Darden”), for the purpose of owning, acquiring and leasing properties on a net basis, for use in the restaurant and related food service industries . On November 9, 2015, Darden completed a spin-off of FCPT pursuant to which Darden contributed to us (i) 100% of the equity interest in entities that owned 418 properties in which Darden operates Olive Garden, LongHorn Steakhouse and other branded restaurants (the “Properties” or “Property”) and (ii) six LongHorn Steakhouse restaurants, including the properties or interests associated with such restaurants, located in the San Antonio, Texas area (the “Kerrow Restaurant Operating Business”). In exchange, we issued to Darden all of our common stock and paid to Darden $315.0 million in cash. Subsequently, Darden distributed all of our outstanding shares of common stock pro rata to holders of Darden common stock whereby each Darden shareholder received one share of our common stock for every three shares of Darden common stock held at the close of business on the record date as well as cash in lieu of any fractional shares of our common stock which they would have otherwise received (the “Spin-Off”).

Business Overview

We are a Maryland corporation and a real estate investment trust (“REIT”) which owns, acquires and leases properties for use in the restaurant and food-service related industries. Substantially all of our business is conducted through Four Corners Operating Partnership, LP (“FCPT OP”), a Delaware limited partnership of which we are a majority limited partner and our wholly owned subsidiary, Four Corners GP, LLC (“FCPT GP”), is its sole general partner. We believe that we have operated in conformity with the requirements for qualification and taxation as a REIT for the taxable year ended December 31, 2018, and we intend to continue to operate in a manner that will enable us to maintain our qualification as a REIT.

Our revenues are primarily generated by leasing properties to Darden and other tenants through net lease arrangements under which the tenants are primarily responsible for ongoing costs relating to the properties, including utilities, property taxes, insurance, common area maintenance charges, and maintenance and repair costs. We focus on income producing properties leased to high quality tenants in major markets across the United States. We also generate revenues by operating the Kerrow Restaurant Operating Business pursuant to franchise agreements with Darden.

In addition to managing our existing properties, our strategy includes investing in additional restaurant and food service real estate properties to grow and diversify our existing restaurant portfolio. We expect this acquisition strategy will decrease our reliance on Darden over time. We intend to purchase properties that are well located, occupied by durable concepts, with creditworthy tenants whose operating cash flows are expected to meaningfully exceed their lease payments to us. We seek to improve the probability of successful tenant renewal at the end of initial lease terms by acquiring properties that have high levels of operator profitability compared to rent payments and have absolute rent levels that generally reflect market rates.

In 2018, FCPT engaged in various real estate transactions for a total investment of $268.3 million, including capitalized transaction costs. Pursuant to these transactions, we acquired an additional 97 properties, aggregating 543 thousand square feet, and representing twenty brands, including Chili's Grill & Bar, Red Lobster, Buffalo Wild Wings, Starbucks, Chick-fil-A, McDonald's, Taco Bell, Texas Roadhouse, and BJ's Restaurants. During the same period, FCPT sold two properties for $21.1 million, net of transaction costs. The proceeds from the sales were used for subsequent acquisitions via 1031 exchange transactions.

As of December 31, 2018, our wholly-owned lease portfolio had the following characteristics:

- 610 free-standing properties located in 45 states and representing an aggregate leasable area of 4.1 million square feet;
- 99.9% occupancy (based on leasable square footage);
- An average remaining lease term of 12.2 years (weighted by annualized base rent);
- An average annual rent escalation of 1.5% through December 31, 2028 (weighted by annualized base rent); and
- 77.2% investment-grade tenancy (weighted by annualized base rent).

Segments

We operate in two segments, real estate operations and restaurant operations. Our segments are based on our organizational and management structure, which aligns with how our results are monitored and performance is assessed.

Our real estate operations segment consists of rental revenues primarily generated by leasing restaurant properties to tenants through net lease arrangements under which the tenant is primarily responsible for ongoing costs relating to the properties. Our real estate operations segment also includes expenses associated with continuing efforts to invest in additional restaurant and food service real estate properties and our corporate operating expenses.

Our restaurant operations segment is conducted through a taxable REIT subsidiary ("TRS") and consists of our Kerrow Restaurant Operating Business. The associated sales revenues, restaurant expenses and overhead on Kerrow Restaurant Operating Business's six buildings and equipment comprise our restaurant operations.

Our shares of common stock are listed on the New York Stock Exchange under the ticker symbol "FCPT".

Our executive offices are located at 591 Redwood Highway, Suite 1150, Mill Valley, California 94941, and our telephone number is (415) 965-8030.

Competitive Advantage

We believe that we have significant competitive advantages that support our core business of owning and leasing restaurant and food-service related properties as further outlined below.

Leading Nationwide REIT Focused on Restaurant Properties

We are focused on the ownership of properties used in the restaurant industry and have tailored our business strategy to address the needs of restaurant operators. We believe our scale, national reach, restaurant operations experience, and efficient lease structuring will help us achieve operational efficiencies and support future growth opportunities. In contrast to the majority of existing net-lease REITs that are diversified by retail industry and property type, we believe that our focus and expertise in the restaurant sector will generate data and insights to better support effective investment and asset management decisions.

Large Addressable Market Potential in US Food Service

By virtue of its large scale, we believe that the U.S. restaurant industry offers a sizable pool of attractive property acquisition targets across different types of restaurant properties, including quick service, take-out, casual dining, fast casual, and fine dining, to enable diversified growth for us. Our addressable market of restaurant real estate is substantial despite our narrow focus.

According to the Census Bureau and the Bureau of Economic Data, the food service industry had over $678 billion in sales in 2017, of which Quick Service Restaurants (“QSR”), Quick Casual Restaurants, and Casual Dining Restaurants (“CDR”) comprise approximately $485 billion combined. We plan to continue to focus on acquisitions that shift our portfolio to be more reflective of the national restaurant landscape, targeting QSR and some casual dining concepts, and with less focus on Italian and steak restaurants given the current portfolio concentration of Olive Garden and LongHorn Steakhouse restaurants.

Furthermore, implementation of “asset light” strategies by restaurant companies may provide landlords like us an opportunity to enter into sale-leaseback transactions with franchisees or corporate-operated restaurants for their existing properties and to finance future restaurant development by these restaurant companies. We also believe there may be other attractive opportunities for growth outside the traditional restaurant sector. This may include one or more of the following: food service distribution facilities, cold storage facilities, retail properties, including non-restaurant properties located in-line with other restaurants, and other net leased real estate.

Competitively Positioned to Capitalize on Expansion Opportunities

We believe there is a large market opportunity to acquire additional restaurant properties and that a number of restaurant operators would be willing to monetize their real estate holdings while continuing to operate their existing core businesses through sale-leaseback transactions with an unrelated party not perceived to be a competitor, such as us. These restaurant operators could use the proceeds from the sale of their real estate assets for several different business purposes, including (i) reducing bank loans and lines of credit, (ii) reinvestment in existing operations, or (iii) for new business initiatives including opening new locations or pursuing acquisitions. We may also provide such restaurant operators with capital for expansion opportunities that they may not otherwise be in a position to pursue or at a cost of capital that is more attractive to the restaurant or retail operators than they may be able to receive through traditional debt financing arrangements.

Geographically Diverse Asset Portfolio

Properties in our leasing portfolio are located in 45 different states across the continental United States. The leasing portfolio properties in any one state do not account for more than 13% of our total rental revenue. We believe this geographic diversification will limit the effect of changes in any one market on our overall performance.

Financially Secure Principal Tenant

Darden is currently our largest tenant representing approximately 77% of our tenant base by annualized base rent as of December 31, 2018. Darden owns and operates seven nationally recognized brands, including the five brands that are represented among the properties we lease to Darden: Olive Garden®, LongHorn Steakhouse®, Bahama Breeze®, Seasons 52® and Wildfish Seafood Grille®. Darden is investment grade rated at BBB/BBB/Baa2 (Fitch/S&P/Moody’s) and its liquidity position, leverage position and ability to generate significant free cash flow should provide it with the ability to pay the annual lease obligations to FCPT for the foreseeable future. Darden is subject to SEC reporting requirements, which provide ongoing transparency regarding its operating and financial performance. Darden’s filings with the SEC can be found on the SEC’s internet website at www.sec.gov. We do not intend the SEC’s website to be an active link or to otherwise incorporate the information contained on its website (including Darden’s filings with the SEC) into this report or other filings with the SEC.

Long-Term, Net Lease Structure

Our properties are leased to our tenants on a net lease basis with a weighted average remaining lease term of approximately 12.2 years before any renewals and a n average annual rent escalation of 1.5% through December 31, 2028 (weighted by annualized base rent), thereby providing a long-term, stable income stream. Under the leases, the tenant is responsible for maintaining the properties in accordance with prudent industry practice and in compliance with all federal and state standards. The maintenance responsibilities include, among others, maintaining the building, building systems including roofing systems and other improvements. In addition to maintenance requirements, the tenant is also generally responsible for insurance required to be carried under the leases, taxes levied on or with respect to the properties, payment of common area maintenance charges and all utilities and other services necessary or appropriate for the properties and the business conducted on the properties. At the option of the tenant, the leases will generally allow extensions for a certain number of multi-year renewal terms beyond the initial term and the tenant can elect which of the properties then subject to the leases to renew. The number and duration of the renewal terms for any given property may vary, however, based on the initial term of the relevant lease and other factors.

Brand Selection

We generally focus on nationally-recognized brands with hundreds of locations across the country. We believe this provides additional credit support in that our tenants' restaurant concepts will stay viable in the long-term even if there are changes in their corporate ownership or structure.

Management Team with Extensive Real Estate and Net Lease Experience

FCPT has a highly regarded management team with extensive retail net lease and public market REIT experience. The team is led by Bill Lenehan, President and Chief Executive Officer; Gerry Morgan, Chief Financial Officer; and James Brat, General Counsel. Prior to joining FCPT, Mr. Lenehan was on the Darden Board of Directors and chair of its Real Estate and Finance Committee.

Our Business Objectives and Strategy

Our primary goal is to create long-term stockholder value by executing our investment objectives to maximize the value of our assets, to acquire assets with growth and diversification opportunities due to favorable lease structures and attractive submarket demographics, and to provide attractive and growing quarterly cash dividends. We do not currently have a fixed schedule of the number of acquisitions we intend to make over a particular time period, but rather, we intend to pursue those acquisitions that meet our investing and financing objectives where we can earn a return above our weighted-average cost of capital adjusted to reflect counterparty risk.

The key components of our business strategy, beyond managing our properties in accordance with our leases, include:

Acquire Additional Restaurant Properties: We plan to continue to focus on growing and diversifying our property portfolio by acquiring restaurant properties in the QSR and some CDR segments. These transactions may take many forms including, sale-leaseback transactions with restaurant operators, one-off acquisitions or acquisitions of portfolios of properties, which may include non-restaurant properties, from other REITs and other public and private real estate owners. We will employ a disciplined, opportunistic acquisition strategy and price transactions appropriately based on, among other things, the mix of assets acquired, length and terms of the lease, location and submarket attractiveness, and the credit worthiness of the existing tenant.

Acquire Additional Outparcel Properties : We plan to continue to seek out opportunities to leverage our experience in past transactions and acquire additional outparcel properties from mall and shopping center companies, providing the mall and shopping center companies with capital to expand or reinvest into their existing operations.

Re-lease Properties: Over time we will face re-tenanting risk and opportunity. If our tenants elect to cease operations at any of our properties, we will need to find a replacement tenant at the end of the lease term or earlier if a tenant abandons one of our properties prior to the end of the lease term. We plan to use leasing expertise and relationships developed through our national operations to replace tenants under any expiring or abandoned leases.

Develop New Tenant Relationships: Our focus in the restaurant and related food service industry will allow us to cultivate new relationships with potential tenants and restaurant operators in order to expand the mix of tenants operating our properties and, in doing so, reduce our concentration with Darden.

Maintain Balance Sheet Strength and Liquidity: We intend to maintain a capital structure that provides the resources and financial flexibility to support the growth of our business. Our principal sources of liquidity will be our cash generated through operations, our revolving credit facility which has an undrawn capacity as of February 19, 2019 of $250 million, our ability to access the public equity markets, and our ability to access bank and private placement debt markets. Through disciplined capital spending and working capital management, we intend to maximize our cash flows and maintain our targeted balance sheet and leverage ratios.

Operate the Kerrow Restaurant Operating Business : We operate the Kerrow Restaurant Operating Business through Kerrow Holdings, LLC ("Kerrow"). Although we intend to derive the majority of our revenue from leasing properties on a net basis to restaurant and retail operators, the Kerrow Restaurant Operating Business will provide us with a diversified revenue stream and equip us with the expertise to better analyze other restaurant properties that could serve as expansion opportunities.

Investment and Financing Policies

Our investment objectives are to increase cash flow, provide quarterly cash dividends, maximize the value of our assets and acquire assets with cash flow growth potential. We intend to continue to invest primarily in restaurant properties. However, over time, we believe we have the potential to diversify into other food service and related retail property types beyond the restaurant industry.

We expect that future investments in properties, including any improvements or renovations of currently owned or newly-acquired restaurant properties, will be financed, in whole or in part, with cash flow from our operations, borrowings under our $250 million revolving credit facility, or the proceeds from issuances of common stock, preferred stock, debt or other securities. Our investment and financing policies and objectives are subject to change periodically at the discretion of our Board of Directors without a vote of stockholders. We also have an effective shelf registration statement on file with the SEC under which we may issue equity financing through the instruments and on the terms most attractive to us at such time. In December 2016, the Company entered into an “At-the-Market” (“ATM”) sales agreement under which it can sell common stock with an aggregate value of up to $150 million through broker-dealers. In January 2017, we achieved an investment grade rating of BBB- from Fitch Ratings.

Flexible UPREIT Structure

We operate in what is commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held through FCPT OP. It is managed by FCPT GP, which accordingly controls the management and decisions of FCPT OP. Conducting business through FCPT OP allows us flexibility in the manner in which we structure and acquire properties. In particular, an UPREIT structure enables us to acquire additional properties from sellers in exchange for limited partnership units in FCPT OP. As a result, this structure potentially may facilitate our acquisition of assets in a more efficient manner and may allow us to acquire assets that the owner would otherwise be unwilling to sell to us.

Our Portfolio

At December 31, 2018, we owned 616 properties, all within the continental United States. Of these properties, 610 were held for investment, with an aggregate leasable area of approximately 4.1 million square feet, were located in 45 states, and had a weighted average remaining lease term of 12.2 years before any lease renewals. The remaining six properties, representing the Kerrow Restaurant Operating Business, are operated by Kerrow subject to franchise agreements with Darden (“Franchise Agreements”). Three of these restaurants are subject to ground leases.

The following table summarizes the rental properties by brand as of December 31, 2018:

Brand	Number of FCPT Properties	Total Square Feet (000s)	Annual Cash Base Rent $(000s)	% Total Cash Base Rent (1)	Avg. Rent Per Square Foot ($)	Tenant EBITDAR Coverage (2)	Lease Term Remaining (Yrs) (2)
Olive Garden	299	2,554	$ 72,539	57.8%	$ 28	5.2x	11.7
Longhorn Steakhouse	105	585	19,712	15.7%	34	4.4x	10.7
Other Brands - non-Darden	193	881	29,205	23.2%	33	3.1x	14.9
Other Brands - Darden	13	120	4,096	3.3%	34	4.0x	9.9
Total	610	4,140	$ 125,552	100.0%	$ 30	4.6x	12.2

(1) Current scheduled minimum contractual rent as of December 31, 2018.

(2) EBITDAR Coverage is calculated by dividing our tenants estimated trailing 12-month EBITDAR by annual contractual cash rent paid to FCPT. EBITDAR is defined as earnings before interest, income taxes, depreciation, amortization, and rent. EBITDAR is derived from the most recent data from tenants who disclose this information, representing approximately 96% of our run-rate rental income. FCPT does not independently verify financial information provided by its tenants.

(3) Average Lease Expiration Date (assuming no renewals) is defined as the average ending date of the lease if there is no renewal of the initial term of the lease, weighted by cash base rent.

The following table summarizes the diversification of FCPT's leased portfolio by state as of December 31, 2018:

State	# of Properties	% of Annual Base Rent
Texas	64	12.3%
Florida	59	11.4%
Georgia	45	7.1%
Ohio	45	7.0%
Michigan	31	4.1%
Tennessee	27	3.8%
Indiana	33	3.6%
California	14	3.0%
Pennsylvania	16	3.0%
Illinois	23	2.9%
North Carolina	18	2.8%
Virginia	16	2.4%
Mississippi	16	2.3%
Maryland	13	2.2%
New York	11	2.0%
South Carolina	12	2.0%
Wisconsin	16	2.0%
Kentucky	11	1.9%
Arizona	11	1.8%
Iowa	14	1.8%
Alabama	13	1.8%
Minnesota	9	1.7%
Nevada	8	1.7%
Colorado	10	1.6%
Oklahoma	10	1.6%
Louisiana	8	1.4%
West Virginia	6	1.2%
Arkansas	7	1.1%
Kansas	5	1.1%
16 other states (none greater than 1%)	39	7.3%
Total	610	100.0%

Leases with Darden

The estimated annual cash rent based on current rates for the leases in place with Darden is approximately $96.3 million, with average annual rent escalations of 1.5% each year. Darden also entered into guaranties, pursuant to which it guarantied the obligations of the tenants under substantially all of the leases entered into in respect of the Properties. The Properties are leased to one or more of Darden's operating subsidiaries pursuant to the leases, which are net leases. The leases provide for an average remaining initial term of approximately 11.4 years as of December 31, 2018, with no purchase options provided that Darden will have a right of first offer with respect to our sale of any property, if there is no default under the lease, and we will be prohibited from selling any Properties to (i) any nationally recognized casual or fine dining brand restaurant or entity operating the same or (ii) any other regionally recognized casual or fine dining brand restaurant or entity operating the same, with 25 or more units. At the option of Darden, the leases will generally allow extensions for a certain number of renewal terms of five years each beyond the initial term and Darden can elect which of our properties then subject to the leases to renew. The number and duration of the renewal terms for any given Property may vary, however, based on the initial term of the relevant lease and other factors.

Darden is currently the source of a majority of our revenues, and its financial condition and ability and willingness to satisfy its obligations under the leases and its willingness to renew the leases upon expiration of the initial base term thereof significantly impacts our revenues and our ability to service our indebtedness and make distributions to our stockholders. There can be no assurance that Darden will have sufficient assets, income and access to financing to enable it to satisfy its obligations under its leases with us, and any inability or unwillingness on its part to do so would have a material adverse effect on our business, financial condition, results of operations and liquidity, on our ability to service our indebtedness and other obligations and on our ability to pay dividends to our shareholders. We also cannot assure you that Darden will elect to renew the lease arrangements with us upon expiration of the initial base terms or any renewal terms thereof or, if such leases are not renewed, that we can re-market the affected properties on the same or better terms. See "Risk Factors - Risks Related to Our Business - We are dependent on our major tenants successfully operating their businesses, and a failure to do so could have a material adverse effect on our business, financial position or results of operations."

Franchise Agreements

Pursuant to the Franchise Agreements, Darden grants the right and license to our subsidiary, Kerrow, to operate the Kerrow Restaurant Operating Business. The Franchise Agreements include, among other things, a license to display trademarks, utilize trade secrets and purchase proprietary products from Darden. Other services to be included pursuant to the Franchise Agreements are marketing services, training and access to certain LongHorn® operating procedures. The Franchise Agreements also contain provisions under which Darden may provide certain technical support for the Kerrow Restaurant Operating Business. The fees and conditions of these franchising services are on terms comparable to similar franchising services negotiated on an arm's length basis and consistent with industry standard provisions.

Competition

We operate in a highly competitive market and face competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, restaurant and retail operators, lenders and other investors, some of whom are significantly larger and have greater resources and lower costs of capital. These institutions may accept greater risk or lower returns, allowing them to offer more attractive terms to prospective tenants or for the acquisition of restaurant properties. Our restaurant operations also face active competition with national and regional chains and locally-owned restaurants for guests, management and hourly personnel.

Governmental Regulations Affecting Properties

Property Environmental Considerations

As an owner and operator of real property, we are subject to various federal, state and local environmental, health and safety laws and regulations. Although we do not operate or manage most of our properties, we may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of any of our current or former properties at or from which there has been a release or threatened release of hazardous material, as well as other affected properties, regardless of whether we knew of or caused the contamination.

In addition to these costs, which are typically not limited by law or regulation and could exceed the property's value, we or our tenants could be subject to other liabilities, including governmental penalties for violation of environmental, health and safety laws, liabilities for injuries to persons for exposure to hazardous materials, and damages to property or natural resources. Furthermore, some environmental laws can create a lien on the contaminated site in favor of the government for damages and the costs the government incurs in connection with such contamination or can restrict the manner in which a property may be used because of contamination. We also could be liable for the costs of remediating contamination at third party sites, e.g., landfills, where we send waste for disposal without regard to whether we comply with environmental laws in doing so.

Although the leases require our tenants to indemnify us for environmental liabilities, and although we intend to require our other operators and tenants to undertake to indemnify us for certain environmental liabilities, including environmental liabilities they cause, the amount of such liabilities could exceed the financial ability of Darden, or such other tenant or operator to indemnify us. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell, develop or lease the real estate or to borrow using the real estate as collateral.

As of February 19, 2019, we have not been notified by any governmental authority of, nor is management aware of, any non-compliance or liability with respect to environmental laws that management believes would have a material adverse effect on our business, financial position or results of operations.

Americans with Disabilities Act of 1990

The properties, as commercial facilities, are required to comply with Title III of the Americans with Disabilities Act of 1990 and similar state and local laws and regulations (collectively the “ADA”). Investigation of a property may reveal non-compliance with the ADA. The tenant has the primary responsibility for complying with the ADA, but we may incur costs if the tenant does not comply. As of February 18, 2019, we have not been notified by any governmental authority of, nor is management aware of, any non-compliance with the ADA that management believes would have a material adverse effect on our business, financial position or results of operations.

Other Regulations

State and local fire, life-safety and similar entities regulate the use of the properties. The tenant has the primary responsibility for complying with regulations but failure to comply could result in fines by governmental authorities, awards of damages to private litigants, or restrictions to conduct business on such properties.

Insurance

Our current lease agreements generally require, and new lease agreements that we enter are expected to require, that our tenants maintain all customary lines of insurance on our properties and their operations, including comprehensive insurance and hazard insurance. The tenants under the Leases may have the ability to self-insure or use a captive provider with respect to its insurance obligations. We believe that the amount and scope of insurance coverage provided by our policies and the policies maintained by our tenants are customary for similarly situated companies in our industry. However, we cannot make any assurances that Darden or any other tenants in the future will maintain the required insurance coverages, and the failure by any of them to do so could have a material adverse effect on us.

Employees

As of February 1, 2019, we had 361 employees, of which 345 were employed at our Kerrow Restaurant Operating Business . None of these employees are represented by a labor union.

Available Information

All filings we make with the Securities and Exchange Commission (the “SEC”), including this Annual Report on Form 10-K, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, and any amendments to those reports are available for free on our website, *www.fcpt.com,* as soon as reasonably practicable after they are filed with, or furnished to, the SEC. We do not intend our website to be an active link or to otherwise incorporate the information contained on our website into this report or other filings with the SEC. Our filings can also be obtained for free on the SEC’s Internet website at *www.sec.gov.* We are providing our website address solely for the information of investors.

Item 1A. Risk Factors.

Various risks and uncertainties could affect our business. Any of the risks described below or elsewhere in this report or our other filings with the SEC could have a material impact on our business, financial condition or results of operations. It is not possible to predict or identify all risk factors. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

Risks Related to Our Business

Risks related to real estate ownership could reduce the value of our properties, which could materially and adversely affect us.

Our core business is the ownership of real estate that is leased to tenants on a net basis. Accordingly, our performance is subject to risks inherent to the ownership of real estate, including:

- inability to collect rent from tenants due to financial hardship, including bankruptcy;
- changes in consumer trends and preferences that reduce demand for the products or services of our tenants;
- inability to lease at or above the current rental rates, or at all, or sell properties upon expiration or termination of existing leases;
- needing to make capital expenditures to renovate vacant properties;
- environmental risks related to the presence of hazardous or toxic substances or materials on our properties;
- subjectivity of real estate valuations and changes in such valuations over time;
- illiquid nature of real estate compared to most other financial assets;
- changes in laws and regulations, including those governing real estate usage and zoning;
- changes in interest rates and the availability of financing; and
- changes in the general economic and business climate.

The occurrence of any of the risks described above may cause the value of our real estate to decline, which could materially and adversely affect us.

We are dependent on Darden to make payments to us and fulfill its obligations under its leases, as well as to provide services to us under the Franchise Agreements, and an event that materially and adversely affects Darden's business, financial position or results of operations could materially and adversely affect our business, financial position or results of operations.

Currently, Darden is our primary lessee in our lease portfolio and, therefore, is the source of a majority of our revenues. Additionally, because Darden's leases with us are net leases, we depend on Darden to pay all insurance, taxes, utilities, common area maintenance charges, maintenance and repair expenses and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with its business, including any environmental liabilities. There can be no assurance that Darden will have sufficient assets, income and access to financing to enable it to satisfy its payment obligations to us under its leases. The inability or unwillingness of Darden to meet its rent obligations to us under any of its leases could materially adversely affect our business, financial position or results of operations, including our ability to pay dividends to our stockholders as required to maintain our status as a REIT. The inability of Darden to satisfy its other obligations under its leases with us, such as the payment of insurance, taxes and utilities could materially and adversely affect the condition of our properties.

Since Darden Restaurants, Inc. is a holding company, it is dependent to an extent on distributions from its direct and indirect subsidiaries in order to satisfy the payment obligations under its leases with us, and the ability of Darden to make such distributions may be adversely impacted in the event of the insolvency or bankruptcy of such entities or by covenants in its debt agreements or otherwise that restrict the amount of the distributions that may be made by such entities. For these reasons, if Darden were to experience a material and adverse effect on its business, financial position or results of operations, our business, financial position or results of operations could also be materially and adversely affected.

Due to our dependence on rental payments from Darden, we may be limited in our ability to enforce our rights under, or to terminate, our leases with Darden. Failure by Darden to comply with the terms of its leases with us could require us to find other lessees for some or all of the properties and there could be a decrease or cessation of rental payments by Darden.

There is no assurance that we would be able to lease any of our properties to other lessees on substantially equivalent or better terms than any of our leases with Darden, or at all, successfully reposition our properties for other uses or sell our properties on terms that are favorable to us. It may be more difficult to find a replacement tenant for a restaurant or retail property than it would be to find a replacement tenant for a general commercial property due to the specialized nature of the business.

In addition, our operation of the Kerrow Restaurant Operating Business depends on the provision of services to us by Darden pursuant to the Franchise Agreements. The Franchise Agreements provide that Darden agrees to provide certain franchising services to our subsidiary, Kerrow. The franchising services include licensing the right to use and display certain trademarks, utilize trade secrets and purchase proprietary products from Darden in connection with the operation of the Kerrow Restaurant Operating Business. Other services provided pursuant to the Franchise Agreements are marketing services, training and access to certain LongHorn operating procedures. The Franchise Agreements also contain provisions under which Darden may provide certain technical support for the Kerrow Restaurant Operating Business.

Additional information about Darden can be found in Darden's public filings with the SEC. Darden's filings with the SEC can be found on the SEC's Internet website at *www.sec.gov* . Reference to Darden's filings with the SEC is solely for the information of investors. We do not intend the SEC's website to be an active link or to otherwise incorporate the information contained on its website (including Darden's filings with the SEC) into this report or other filings with the SEC.

We are dependent on our major tenants successfully operating their businesses, and a failure to do so could have a material adverse effect on our business, financial position or results of operations.

For the year ended December 31, 2018, Darden and Brinker International, Inc. ("Brinker") constituted approximately 77% and 9%, respectively, of our annual cash base rent. As a result, we are dependent on Darden and Brinker successfully operating their businesses and fulfilling their obligations to us that depend, in part, on the overall performance and profitability of Darden and Brinker. Factors which may impact the business, financial position or results of operations of Darden and Brinker include the following:

- food safety and food-borne illness concerns throughout the supply chain; health concerns arising from food-related pandemics, outbreaks of flu viruses or other diseases;
- litigation, including allegations of illegal, unfair or inconsistent employment practices;
- unfavorable publicity, or a failure to respond effectively to adverse publicity;
- labor and insurance costs;
- insufficient guest or employee facing technology, or a failure to maintain a continuous and secure cyber network, free from material failure, interruption or security breach;
- inability or failure to execute a comprehensive business continuity plan following a major natural disaster such as a hurricane or man-made disaster, including terrorism;
- failure to drive both short-term and long-term profitable sales growth through brand relevance, operating excellence, opening new restaurants of existing brands and developing or acquiring new dining brands;
- a lack of suitable new restaurant locations or a decline in the quality of the locations of Darden's or Brinker's current restaurants;
- a failure to identify and execute innovative marketing and guest relationship tactics and ineffective or improper use of social media or other marketing initiatives; an inability or failure to recognize, respond to and effectively manage the accelerated impact of social media;
- a failure to address cost pressures, including rising costs for commodities, health care and utilities used by Darden's and Brinker's restaurants, and a failure to effectively deliver cost management activities and achieve economies of scale in purchasing;
- the impact of shortages or interruptions in the delivery of food and other products from third-party vendors and suppliers;

- disruptions in the financial markets that may impact consumer spending patterns, affect the availability and cost of credit and increase pension plan expenses;
- economic and business factors specific to the restaurant industry and other general macroeconomic factors including energy prices and interest rates that are largely out of Darden's or Brinker's control; and
- a failure of Darden's or Brinker's internal controls over financial reporting and future changes in accounting standards.

A significant portion of our restaurant properties are Olive Garden properties. Therefore, we are subject to risks associated with having a highly concentrated property brand base.

As of December 31, 2018, our restaurant properties include 299 Olive Garden restaurants. As a result, our success, at least in the short-term, is dependent on the continued success of the Olive Garden brand and, to a lesser extent, Darden's other restaurant brands. We believe that building brand value is critical to increasing demand and building customer loyalty. Consequently, if market recognition or the positive perception of the Olive Garden or other Darden brands is reduced or compromised, the value associated with Olive Garden or other Darden-branded properties in our portfolio may be adversely affected.

We intend to continue to pursue acquisitions of additional properties and seek other strategic opportunities, which may result in the use of a significant amount of management resources or significant costs, including the cost of accessing debt or equity markets, and we may not fully realize the potential benefits of such transactions.

In 2018, we acquired 97 properties in 22 transactions for a total investment of $268.3 million, including capitalized transaction costs, which were added to our leasing portfolio. We intend to continue to pursue acquisitions of additional properties and seek acquisitions and other strategic opportunities, including, but not limited to, continuing to expand our tenant base to third parties other than Darden and potentially acquiring non-restaurant properties. Accordingly, we may often be engaged in evaluating potential transactions, potential new tenants and other strategic alternatives. In addition, from time to time, we may engage in discussions that may result in one or more transactions. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transaction, we may devote a significant amount of our management resources to such a transaction, which could negatively impact our operations. We may incur significant costs in connection with seeking acquisitions or other strategic opportunities regardless of whether the transaction is completed and in combining our operations if such a transaction is completed. In addition, properties we acquire may be leased to unrated tenants, and the tools we use to measure credit quality may not be accurate. In the event that we consummate an acquisition or strategic alternative in the future, there is no assurance that we would fully realize the potential benefits of such a transaction.

We operate in a highly competitive market and face competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, restaurant and retail operators, lenders and other investors, some of whom are significantly larger and have greater resources and lower costs of capital. Increased competition will make it more challenging to identify and successfully capitalize on acquisition opportunities that meet our investment objectives. Our Board of Directors may change our investment objectives at any time without stockholder approval. If we cannot identify and purchase a sufficient quantity of suitable properties at favorable prices or if we are unable to finance acquisitions on commercially favorable terms, our business, financial position or results of operations could be materially and adversely affected. Additionally, the fact that we must distribute 90% of our net taxable income in order to maintain our qualification as a REIT may limit our ability to rely upon rental payments from our leased properties or subsequently acquired properties in order to finance acquisitions and other strategic opportunities. In addition, to pursue acquisitions we may have to access debt or equity markets and if financing is not available on acceptable terms, our ability to pursue further acquisitions might be limited or curtailed.

Acquisitions of properties we might seek to acquire entail risks associated with real estate investments generally, including that the investment's performance will fail to meet expectations or that the tenant, operator or manager will underperform.

Our level of indebtedness could materially and adversely affect our financial position, including reducing funds available for other business purposes and reducing our operational flexibility, and we may have future capital needs and may not be able to obtain additional financing on acceptable terms.

We have entered into a $650 million term loan and revolving credit facility providing for a $400 million term loan, $150 million of which matures on November 9, 2022, $150 million of which matures on November 9, 2023, and $100 million of which matures on March 9, 2024 and providing for a $250 million revolving credit facility with an available facility amount through November 2021, each of which are provided by a syndicate of banks and other financial institutions. As of December 31, 2018, the term loan facility is fully drawn and the undrawn revolving credit facility had $250 million remaining capacity. In addition, we have issued $225.0 million of senior unsecured fixed rate notes (the “Notes”). The Notes consist of $50.0 million of notes due in June 2024 priced at a fixed interest rate of 4.68%, $75.0 million of notes due in June 2027 priced at a fixed interest rate of 4.93%, $50 million of notes due in December 2026 priced at a fixed interest rate of 4.63% , and $50 million of notes due in December 2028 priced at a fixed interest rate of 4.76% . We may incur additional indebtedness in the future to refinance our existing indebtedness, to finance newly-acquired assets or for other purposes. Our governing documents do not contain any limitations on the amount of debt we may incur and we do not have a formal policy limiting the amount of debt we may incur in the future. Subject to the restrictions, if any, set forth in our debt agreements, our Board of Directors may establish and change our leverage policy at any time without stockholder approval. Any significant additional indebtedness could require a substantial portion of our cash flow to make interest and principal payments due on our indebtedness. Greater demands on our cash resources may reduce funds available to us to pay dividends, make capital expenditures and acquisitions, or carry out other aspects of our business strategy. Increased indebtedness can also limit our ability to adjust rapidly to changing market conditions, make us more vulnerable to general adverse economic and industry conditions and create competitive disadvantages for us compared to other companies with relatively lower debt levels. Increased future debt service obligations may limit our operational flexibility, including our ability to acquire assets, finance or refinance our assets, contribute assets to joint ventures or sell assets as needed.

Moreover, our ability to obtain additional financing and satisfy our financial obligations under our indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to then prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. A worsening of credit market conditions could materially and adversely affect our ability to obtain financing on favorable terms, if at all.

We also may be unable to obtain additional financing or financing on favorable terms or our operating cash flow may be insufficient to satisfy our financial obligations under our indebtedness outstanding from time to time. Among other things, although we received an investment grade credit rating of BBB- from Fitch Ratings in January 2017, any credit rating downgrade could increase our financing costs and could limit our access to financing sources. If financing is not available when needed, or is available on unfavorable terms, we may be unable to complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could materially and adversely affect our business, financial condition and results of operations.

Covenants in our debt agreements may limit our operational flexibility, and a covenant breach or default could materially and adversely affect our business, financial position or results of operations.

The agreements governing our indebtedness contain customary covenants that may limit our operational flexibility. The Credit Agreement (defined below) and the terms of the Notes contain customary affirmative and negative covenants that, among other things, restrict, subject to certain exceptions, the incurrence of debt, the incurrence of secured debt, the ability of FCPT OP and the guarantors to enter into mergers, consolidations, sales of assets and similar transactions, limitations on distributions and other restricted payments, and limitations on transactions with affiliates and customary reporting obligations.

In addition, we are required to comply with the following financial covenants: (1) total indebtedness to consolidated capitalization value not to exceed 60%; (2) mortgage-secured leverage ratio not to exceed 40%; (3) total secured recourse indebtedness not to exceed 5% of consolidated capitalization value; (4) minimum fixed charge coverage ratio of 1.50 to 1.00; (5) minimum consolidated tangible net worth; (6) maximum unencumbered leverage ratio not to exceed 60%; and (7) minimum unencumbered interest coverage ratio of 1.75 to 1.00. As of December 31, 2018, we are in compliance with our existing financial covenants.

The Credit Agreement and the terms of the Notes contain customary events of default including, without limitation, payment defaults, violation of covenants and other performance defaults, defaults on payment of indebtedness and monetary obligations, bankruptcy-related defaults, judgment defaults, REIT status default and the occurrence of certain change of control events. Breaches of certain covenants may result in defaults and cross-defaults under certain of our other indebtedness, even if we satisfy our payment obligations to the respective obligee.

Covenants that limit our operational flexibility, as well as covenant breaches or defaults under our debt instruments, could materially and adversely affect our business, financial position or results of operations, or our ability to incur additional indebtedness or refinance existing indebtedness.

An increase in market interest rates could increase our interest costs on existing and future debt and could adversely affect our stock price, and a decrease in market interest rates could lead to additional competition for the acquisition of real estate, which could adversely affect our results of operations.

If interest rates increase, so could our interest costs for any new debt and our variable rate debt obligations pursuant to the Credit Agreement. This increased cost could make the financing of any acquisition more expensive as well as lower our current period earnings. Rising interest rates could limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing. In addition, an increase in interest rates could decrease the access third parties have to credit, thereby decreasing the amount they are willing to pay to lease our assets and consequently limiting our ability to reposition our portfolio promptly in response to changes in economic or other conditions. Furthermore, the dividend yield on our common stock, as a percentage of the price of such common stock, will influence the price of such common stock. Thus, an increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield, which could adversely affect the market price of our common stock. In addition, decreases in interest rates may lead to additional competition for the acquisition of real estate due to a reduction in desirable alternative income-producing investments. Increased competition for the acquisition of real estate may lead to a decrease in the yields on real estate we have targeted for acquisition. In such circumstances, if we are not able to offset the decrease in yields by obtaining lower interest costs on our borrowings, our results of operations will be adversely affected.

Hedging transactions could have a negative effect on our results of operations.

We have entered into hedging transactions with respect to interest rate exposure on our term loan and we may enter into other hedging transactions, with respect to one or more of our assets or other liabilities. The use of hedging transactions involves certain risks, including: (1) the possibility that the market will move in a manner or direction that would have resulted in a gain for us had a hedging transaction not been used, in which case our performance would have been better had we not engaged in the hedging transaction; (2) the risk of an imperfect correlation between the risk sought to be hedged and the hedging transaction used; (3) the potential illiquidity for the hedging instrument used, which may make it difficult for us to close out or unwind a hedging transaction; (4) the possibility that our counterparty fails to honor its obligations; and (5) the possibility that we may have to post collateral to enter into hedging transactions, which we may lose if we are unable to honor our obligations. Our election to be subject to tax as a REIT will also result in limitations on our income sources, and the hedging strategies available to us will be more limited than those available to companies that are not REITs.

Our pursuit of investments in, and acquisitions or development of, additional properties may be unsuccessful or fail to meet our expectations.

Investments in and acquisitions of restaurant, retail and other properties we might seek to acquire entail risks associated with real estate investments generally, including that the investment’s performance will fail to meet expectations, that the cost estimates for necessary property improvements will prove inaccurate or that the tenant, operator or manager will underperform or become insolvent. Real estate development projects present other risks, including construction delays or cost overruns that increase expenses, the inability to obtain required zoning, occupancy and other governmental approvals and permits on a timely basis, the incurrence of significant development costs prior to completion of the project, abandonment of development activities after expending significant resources, and exposure to fluctuations in the general economy due to the significant time lag between commencement and completion of redevelopment projects.

Inflation may materially and adversely affect us and our tenants.

Increased inflation could have a negative impact on variable-rate debt we currently have or that we may incur in the future. Our leases typically contain provisions, such as rent escalators, designed to mitigate the adverse impact of inflation on our results of operations. Because tenants are typically required to pay all property operating expenses, increases in property-level expenses at our leased properties generally do not affect us. However, increased operating expenses at vacant properties and the limited number of properties that are not subject to full triple-net leases could cause us to incur additional operating expenses, which could increase our exposure to inflation. Additionally, the increases in rent provided by many of our leases may not keep up with the rate of inflation. Increased costs may also have an adverse impact on our tenants if increases in their operating expenses exceed increases in revenue, which may adversely affect the tenants' ability to pay rent owed to us.

Our charter restricts the ownership and transfer of our outstanding stock, which may have the effect of delaying, deferring or preventing a transaction or change of control of our company.

In order for us to qualify as a REIT, not more than 50% in value of our outstanding shares of stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year after the first year for which we elect to be subject to tax and qualify as a REIT. Additionally, at least 100 persons must beneficially own our stock during at least 335 days of a taxable year (other than the first taxable year for which we elect to be subject to tax and qualify as a REIT). Our charter, with certain exceptions, authorizes our Board of Directors to take such actions as are necessary or advisable to preserve our qualification as a REIT. Our charter also provides that, unless exempted by the Board of Directors, no person may own more than 9.8% in value or in number, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate of the outstanding shares of all classes and series of our stock. The constructive ownership rules are complex and may cause shares of stock owned directly or constructively by a group of related individuals or entities to be constructively owned by one individual or entity. These ownership limits could delay or prevent a transaction or a change in control of us that might involve a premium price for shares of our stock or otherwise be in the best interests of our stockholders. The acquisition of less than 9.8% of our outstanding stock by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% in value of our outstanding stock, and thus violate our charter's ownership limit. Our charter also prohibits any person from owning shares of our stock that would result in our being "closely held" under Section 856(h) of the Internal Revenue Code of 1986, as amended (the "Code") or otherwise cause us to fail to qualify as a REIT. In addition, our charter provides that (i) no person shall beneficially own shares of stock to the extent such beneficial ownership of stock would result in us failing to qualify as a "domestically controlled qualified investment entity" within the meaning of Section 897(h) of the Code, and (ii) no person shall beneficially or constructively own shares of stock to the extent such beneficial or constructive ownership would cause us to own, beneficially or constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in a tenant of our real property. Subject to certain exceptions, rents received or accrued by us from a tenant will not be treated as qualifying rent for purposes of the REIT gross income requirements if we or a beneficial or constructive owner of 10% or more of our stock beneficially or constructively owns 10% or more of the total combined voting power of all classes of the tenant's stock entitled to vote or 10% or more of the total value of all classes of the tenant's stock. Any attempt to own or transfer shares of our stock in violation of these restrictions may result in the transfer being automatically void. Our charter also provides that shares of our capital stock acquired or held in excess of the ownership limit will be transferred to a trust for the benefit of a charitable beneficiary that we designate, and that any person who acquires shares of our capital stock in violation of the ownership limit will not be entitled to any dividends on the shares or be entitled to vote the shares or receive any proceeds from the subsequent sale of the shares in excess of the lesser of the market price on the day the shares were transferred to the trust or the amount realized from the sale. We or our designee will have the right to purchase the shares from the trustee at this calculated price as well. A transfer of shares of our capital stock in violation of the limit may be void under certain circumstances. Our 9.8% ownership limitation may have the effect of delaying, deferring or preventing a change in control, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for our stockholders.

Maryland law and provisions in our charter and bylaws may delay or prevent takeover attempts by third parties and therefore inhibit our stockholders from realizing a premium on their stock.

Our charter and bylaws contain, and Maryland law contains, provisions that may deter coercive takeover practices and inadequate takeover bids and encourage prospective acquirors to negotiate with our Board of Directors, rather than to attempt a hostile takeover. Our charter and bylaws, among other things, (1) contain transfer and ownership restrictions on the percentage by number and value of outstanding shares of our stock that may be owned or acquired by any stockholders; (2) permit the Board of Directors, without further action of the stockholders, to increase or decrease the authorized number of shares, issue additional shares, classify or reclassify unissued shares, and issue and fix the terms of one or more classes or series of preferred stock, which may have rights senior to those of the common stock; (3) establish certain advance notice procedures for stockholder proposals and director nominations; and (4) provide that special meetings of stockholders may only be called by the company or upon written request of ten percent in voting power of our outstanding common stock.

Under Maryland law, any written consent of our stockholders must be unanimous. In addition, Maryland law allows a Maryland corporation with a class of equity securities registered under the Exchange Act to amend its charter without stockholder approval to effect a reverse stock split at a ratio of not more than ten shares of stock into one share of stock in any twelve-month period.

If we are not able to hire, or if we lose, key management personnel, we may not be able to successfully manage our business and achieve our objectives.

Our success depends in large part upon the leadership and performance of our executive management team and other key employees and our ability to attract other key personnel to our business. If we are unable to hire, or if we lose the services of, our executive management team or we are not able to hire or we lose other key employees, we may not be able to successfully manage our business or achieve our business objectives.

Failure by our tenants to make rental payments to us, because of a deterioration of their financial condition or otherwise, would have a material adverse effect on us.

We derive substantially all of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. At any time, our tenants may experience a downturn in their respective businesses that may significantly weaken their financial condition, particularly during periods of economic uncertainty. As a result, our tenants may delay lease commencements, decline to extend or renew leases upon expiration, fail to make rental payments when due, close a number of restaurants or declare bankruptcy. Any of these actions could result in the loss of rental income attributable to the terminated leases and write-downs of certain of our assets. In that event, we may be unable to re-lease the vacated space at attractive rents or at all. The occurrence of any of the situations described above would have a material adverse effect on our results of operations and our financial condition.

Bankruptcy laws will limit our remedies if a tenant becomes bankrupt and rejects its leases.

If a tenant becomes bankrupt or insolvent, that could diminish the income we receive from that tenant's leases. We may not be able to evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to terminate its leasehold with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be an unsecured pre-petition claim subject to statutory limitations, and therefore any amounts received in bankruptcy are likely to be substantially less valuable than the remaining rent we otherwise were owed under the leases. In addition, any claim we have for unpaid past rent could be substantially less than the amount owed.

The failure of any of our tenants to fulfill its maintenance obligations may have a materially adverse effect on our ability to operate and grow our business.

The failure of any of our tenants to fulfill its maintenance obligations may cause us to incur significant and unexpected expenses to remediate any resulting damage to the property. Furthermore, the failure by Darden, any other tenant or any future tenant to adequately maintain a leased property could adversely affect our ability to timely re-lease the property to a new tenant or otherwise monetize our investment in the property if we are forced to make significant repairs or changes to the property as a result of the tenant's neglect. If we incur significant additional expenses or are delayed in being able to pursue returns on our real estate investments, it may have a materially adverse effect on our ability to operate and grow our business and our ability to achieve our strategic objectives.

We or our tenants may experience uninsured or underinsured losses, which could result in a significant loss of the capital we have invested in a property, decrease anticipated future revenues or cause us to incur unanticipated expense.

Our current lease agreements generally require, and new lease agreements that we enter into are expected to require, that the tenant maintain comprehensive insurance and hazard insurance or self-insure its obligations. However, we cannot assure you that we will continue to require the same levels of insurance coverage under our lease agreements, that such insurance will be available at a reasonable cost in the future or that the insurance coverage provided will fully cover all losses on our properties upon the occurrence of a catastrophic event, nor can we assure you of the future financial viability of the insurers. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, may be uninsurable or not economically insurable by us or by our tenants. Insurance coverage may not be sufficient to pay the full current market value or current replacement cost of a loss. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also make it unfeasible to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore the economic position with respect to such property. While the tenants under our leases generally indemnify, defend and hold us harmless for the foregoing liabilities, there can be no assurance that the respective tenant will have sufficient assets, income or access to financing to enable it to satisfy its payment obligations to us under its lease.

Properties in our leasing portfolio and the Kerrow Restaurant Operating Business are located in 45 states, and if one of our properties experiences a loss that is uninsured or that exceeds policy coverage limits, we could lose the capital invested in the damaged property as well as the anticipated future cash flows from the property. If the damaged property is subject to recourse indebtedness, we could continue to be liable for the indebtedness even if the property is irreparably damaged.

In addition, even if damage to our properties is covered by insurance, a disruption of business caused by a casualty event may result in loss of revenue for our tenants or us. Any business interruption insurance may not fully compensate them or us for such loss of revenue. If one of our tenants experiences such a loss, it may be unable to satisfy its payment obligations to us under its lease with us.

Our relationship with Darden may adversely affect our ability to do business with third-party restaurant operators and other tenants.

Darden is our primary tenant in our lease portfolio, and a majority of our revenues consist of rental payments from Darden. We may be viewed by third-party restaurant operators and other potential tenants or parties to sale-leaseback transactions as being closely affiliated with Darden. As these third-party restaurant operators and other potential transaction parties may compete with Darden within the restaurant industry, our perceived affiliation with Darden could make it difficult for us to attract tenants and other transaction partners beyond Darden, particularly in the restaurant industry. If we are unable to diversify our tenant and transaction partner base further beyond Darden, it may have a materially adverse effect on our ability to operate and grow our business and our ability to achieve our strategic objectives.

The ownership by our executive officers and directors of common stock, options or other equity awards of Darden may create, or may create the appearance of, conflicts of interest.

As a result of his former positions with Darden, Mr. Lenehan owns common stock, including restricted stock, in both Darden and FCPT. In addition, there is no restriction on our executive officers and directors acquiring Darden common stock in the future, and, therefore, this ownership of common stock of both Darden and FCPT may be significant. Equity interests in Darden may create, or appear to create, conflicts of interest when any such director or executive officer is faced with decisions that could benefit or affect the equity holders of Darden in ways that do not benefit or affect us in the same manner. As of December 31, 2018, no other executive officer or director of FCPT owns common stock of Darden.

Real estate investments are relatively illiquid and provisions in our lease agreements may adversely impact our ability to sell properties and could adversely impact the price at which we can sell the properties.

Properties in our leasing portfolio and the properties leased to Kerrow represent a substantial portion of our total consolidated assets, and these investments are relatively illiquid. As a result, our ability to sell one or more of our properties or other investments in real estate we may make in response to any changes in economic or other conditions may be limited. If we want to sell a property, we cannot assure you that we will be able to dispose of it in the desired time period, or at all, or that the sale price of a property will exceed the cost of our investment in that property.

In addition, the properties subject to leases with Darden provide them a right of first offer with respect to our sale of any such Property, provided there is no default under the lease, and we are prohibited from selling any of our properties to (i) any nationally recognized casual or fine dining brand restaurant or entity operating the same or (ii) any other regionally recognized casual or fine dining brand restaurant or entity operating the same, with 25 or more units. The existence of these provisions in our leases with Darden, which survive for the full term of the relevant lease, could adversely impact our ability to sell any of the Properties and could adversely impact our ability to obtain the highest possible price for any of the Properties. If we seek to sell any of our properties, we would not be able to offer the properties to potential purchasers through a competitive bid process or in a similar manner designed to maximize the value obtained without first offering to sell to Darden and we would be restricted in the potential purchasers who could buy the properties, which may adversely impact our ability to sell any of the properties in a timely manner, or at all, or adversely impact the price we can obtain from such sale.

We are dependent on the restaurant industry and may be susceptible to the risks associated with it, which could materially adversely affect our business, financial position or results of operations.

As the owner of properties serving the restaurant industry, we are impacted by the risks associated with the restaurant industry. Therefore, our success is to some degree dependent on the restaurant industry, which could be adversely affected by economic conditions in general, changes in consumer trends and preferences and other factors over which we and any of our tenants in the restaurant industry have no control. As we are subject to risks inherent in substantial investments in a single industry, a decrease in the restaurant business would likely have a greater adverse effect on our revenues than if we owned a more diversified real estate portfolio.

The restaurant industry is characterized by a high degree of competition among a large number of participants. Competition is intense between national and regional restaurant chains and locally-owned restaurants in most of the markets where our properties are located. As competing properties are constructed, the lease rates we assess for our properties may be negatively impacted upon renewal or new tenant pricing events.

Our portfolio has some geographic concentration, which makes us more susceptible to adverse events in these areas.

Our properties are located throughout the United States and in particular, the States of Texas and Florida, where 12% and 11%, respectively, of our annualized base rent was derived as of December 31, 2018. An economic downturn or other adverse events or conditions such as natural disasters in these areas, or any other area where we may have significant concentration in the future, could result in a material reduction of our cash flows or material losses to our company.

Our tenants' businesses and our business through the operation of Kerrow are subject to government regulations and changes in current or future laws or regulations could restrict their ability to operate both their and our business in the manner currently contemplated.

The restaurant industry is subject to extensive federal, state and local and international laws and regulations. The development and operation of restaurants depend to a significant extent on the selection and acquisition of suitable sites, which are subject to building, zoning, land use, environmental, traffic and other regulations and requirements. Our tenants and Kerrow are subject to licensing and regulation by state and local authorities relating to wages and hours, healthcare, health, sanitation, safety and fire standards, the sale of alcoholic beverages, and information security. Our tenants and Kerrow are also subject to, among other laws and regulations, laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or an insufficient or ineffective response to significant regulatory or public policy issues, could have an adverse effect on our tenants' results of operations, which could also adversely affect our business, results of operations or financial condition as we depend on our tenants for almost the entirety of our revenue.

Environmental compliance costs and liabilities associated with real estate properties owned by us may materially impair the value of those investments.

As an owner and operator of real property, we are subject to various federal, state and local environmental, health and safety laws and regulations. We may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of any of our current or former properties at or from which there has been a release or threatened release of hazardous materials as well as other affected properties, regardless of whether we knew of or caused the contamination.

In addition to these costs, which are typically not limited by law or regulation and could exceed the property's value, we or our tenants could be subject to other liabilities, including governmental penalties for violation of environmental, health and safety laws, liabilities for injuries to persons for exposure to hazardous materials, and damages to property or natural resources. Furthermore, some environmental laws can create a lien on the contaminated site in favor of the government for damages and the costs the government incurs in connection with such contamination or can restrict the manner in which a property may be used because of contamination. We also could be liable for the costs of remediating contamination at third party sites, e.g., landfills, where we send waste for disposal without regard to whether we comply with environmental laws in doing so.

The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell, develop or lease the real estate or to borrow using the real estate as collateral.

In addition, regulations in response to climate change could result in increased compliance and energy costs.

While the tenants under our leases generally indemnify, defend and hold us harmless for the foregoing liabilities, there can be no assurance that the respective tenant will have sufficient assets, income or access to financing to enable it to satisfy its payment obligations to us under its lease.

We may be subject to liabilities and costs associated with the impacts of climate change.

The potential physical impacts of climate change on our properties or operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate, including Florida, Georgia and Texas. Such impacts may result from increased frequency of natural disasters, changes in rainfall and storm patterns and intensities, water shortages, changing sea levels, rising energy and environmental costs, and changing temperatures. These impacts may adversely impact our business, results of operations and financial condition, including our or our tenants' ability to obtain property insurance on acceptable terms. While the tenants under our leases generally indemnify, defend and hold us harmless for the foregoing liabilities, there can be no assurance that the respective tenant will have sufficient assets, income or access to financing to enable it to satisfy its payment obligations to us under its lease.

Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make unanticipated expenditures that materially adversely impact our cash flow.

All of our properties are required to comply with Title III of the Americans with Disabilities Act, or the ADA. The ADA generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require, for example, removal of access barriers and non-compliance could result in the imposition of fines by the U.S. Government or an award of damages to private litigants, or both. While the tenants to whom we lease properties are obligated by law to comply with the ADA provisions, under the law we are also legally responsible for our properties' ADA compliance. If required changes involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of our tenants to cover costs could be adversely affected and we could be required to expend our own funds to comply with the provisions of the ADA, which could have an adverse effect on our financial condition and our ability to make distributions. State and local laws may also require modifications to our properties related to access by disabled persons. In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our properties. We may be required to make substantial capital expenditures to comply with those requirements and these expenditures could have a material adverse effect on our cash flow and ability to make distributions to our security holders.

While the tenants under our leases generally indemnify, defend and hold us harmless for the foregoing liabilities, there can be no assurance that the respective tenant will have sufficient assets, income or access to financing to enable it to satisfy its payment obligations to us under its lease.

Our active management and operation of a restaurant business may expose us to potential liabilities beyond those traditionally associated with REITs.

In addition to our real estate investment activities, we also manage and operate the Kerrow Restaurant Operating Business, which consists of six LongHorn Steakhouse ® restaurants located in the San Antonio, Texas area. Managing and operating the Kerrow Restaurant Operating Business requires us to employ significantly more people than a REIT that does not operate a business of such type and scale. In addition, managing and operating an active restaurant business exposes us to potential liabilities associated with the operation of restaurants. Such potential liabilities are not typically associated with REITs and include potential liabilities for wage and hour violations, guest discrimination, food safety issues including poor food quality, food-borne illness, food tampering, food contamination, workplace injury, cyber attacks, and violation of "dram shop" laws (providing an injured party with recourse against an establishment that serves alcoholic beverages to an intoxicated party who then causes injury to himself or a third party). In the event that one or more of the potential liabilities associated with managing and operating an active restaurant business materializes, such liabilities could damage the reputation of the Kerrow Restaurant Operating Business as well as the reputation of FCPT, and could adversely affect our financial position and results of operations, possibly to a material degree.

If our security measures are breached, we may face liability and public perception of our services could be diminished, which would negatively impact our ability to attract business partners and advertisers.

Our security measures are not perfect or impenetrable, and we may be unable to anticipate or prevent unauthorized access. A cyber attack or other security breach could occur due to the actions of outside parties, employee error, malfeasance or a combination of these or other actions. If an actual or perceived breach of our security occurs, we could lose competitively sensitive business information or suffer disruptions to our business operations. In addition, the public perception of the effectiveness of our security measures or services could be harmed, we could lose consumers, business partners and advertisers, and we could suffer financial exposure in connection with remediation efforts, investigations and legal proceedings and changes in our security and system protection measures.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could materially and adversely affect our business and the market price of our common stock.

Under the Sarbanes-Oxley Act, we must maintain effective disclosure controls and procedures and internal control over financial reporting, which requires significant resources and management oversight. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. Matters impacting our internal controls may cause us to be unable to report our financial data on a timely basis, or may cause us to restate previously issued financial data, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in the market price for our common stock and impairing our ability to raise capital.

If our reputation or our tenants' reputation are damaged, our business and operating results may be harmed.

Our reputation and our tenants' reputations are important to our business. Our reputation affects our ability to access capital, acquire additional properties and recruit and retain talented employees. Our tenants' reputations affect their ability to continue to operate profitably and make payments under their lease agreements with us on time. There are numerous ways our reputation or our tenants' reputation could be damaged. These include unethical behavior or misconduct, workplace safety incidents, environmental impact, corporate governance issues, data breaches or human rights records. We or our tenants may experience backlash from customers, government entities, advocacy groups, employees, and other stakeholders that disagree with our operating decisions or public policy positions. The proliferation of social media may increase the likelihood, speed, and magnitude of negative events. If our or our tenants' reputation is damaged, it could adversely affect our business, results of operations, financial condition or ability to attract the most highly qualified employees.

Risks Related to Our Common Stock

The market price and trading volume of our common stock may be volatile and may face negative pressure including as a result of future sales or distributions of our common stock.

The market price of our common stock may be volatile in the future. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur. It is not possible to accurately predict how investors in our common stock will behave.

Any disposition by a significant stockholder of our common stock, or the perception in the market that such dispositions could occur, may cause the price of our common stock to fall. Any such decline could impair our ability to raise capital through future sales of our common stock. Furthermore, our common stock may not qualify for investment indices, including indices specific to REITs, and any such failure may discourage new investors from investing in our common stock.

If and when additional funds are raised through the issuance of equity securities, including our common stock, our stockholders may experience significant dilution.

We cannot assure shareholders of our ability to pay dividends in the future.

Our current dividend rate is $1.15 per share per annum. We may pay a portion of our dividends in common stock. In no event will the annual dividend be less than 90% of our REIT taxable income on an annual basis, determined without regard to the dividends paid deduction and excluding any net capital gains. Our ability to pay dividends may be adversely affected by a number of factors, including the risk factors described in this Annual Report on Form 10-K. Dividends will be authorized by our Board of Directors and declared by us based upon a number of factors, including actual results of operations, restrictions under Maryland law or applicable debt covenants, our financial condition, our taxable income, the annual distribution requirements under the REIT provisions of the Code, our operating expenses and other factors our directors deem relevant. We cannot assure shareholders that we will achieve investment results that will allow us to make a specified level of cash dividends or year-to-year increases in cash dividends in the future.

Furthermore, while we are required to pay dividends in order to maintain our REIT status (as described below in the risk factor "-- *REIT distribution requirements could adversely affect our ability to execute our business plan* "), we may elect not to maintain our REIT status, in which case we would no longer be required to pay such dividends. Moreover, even if we do elect to maintain our REIT status, after completing various procedural steps, we may elect to comply with the applicable distribution requirements by distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively affect our business and financial condition as well as the market price of our common stock. No assurance can be given that we will pay any dividends on shares of our common stock in the future.

Risks Related to Our Taxation as a REIT

If we do not qualify as a REIT, or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our stockholders.

We believe that we were organized and have operated and we intend to continue to operate in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ended January 1, 2016. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended (the "Code"), for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset requirements depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. Our compliance with the REIT income and asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of one or more of our investments may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. In addition, our ability to satisfy the requirements to qualify as a REIT may depend in part on the actions of third parties over which we have no control or only limited influence. Accordingly, there can be no assurance that the Internal Revenue Service (the "IRS") will not contend that our investments violate the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including (for taxable years beginning before December 31, 2017) any applicable alternative minimum tax, on our taxable income at the regular corporate rate, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and trading prices for, our common stock. Unless entitled to relief under certain provisions of the Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT.

The rule against re-electing REIT status following a loss of such status could also apply to us if it were determined that a former subsidiary of Darden failed to qualify as a REIT for certain taxable years and we were treated as a successor to such entity for U.S. federal income tax purposes. Although Darden has represented to us that it has no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT and covenanted to use its reasonable best efforts to cure any issue with respect to the REIT status of any such predecessor entity, no assurance can be given that such representation and covenant would prevent us from failing to qualify as a REIT. If we fail to qualify as a REIT due to the REIT status of a predecessor, we would be subject to corporate income tax as described in the preceding paragraph.

We could fail to qualify as a REIT if income we receive from Darden and other tenants is not treated as qualifying income.

Under applicable provisions of the Code, we will not be treated as a REIT unless we satisfy various requirements, including requirements relating to the sources of our gross income. Rents received or accrued by us from Darden and other tenants will not be treated as qualifying rent for purposes of these requirements if our leases are not respected as true leases for U.S. federal income tax purposes and are instead treated as service contracts, joint ventures or other types of arrangements. If our leases are not respected as true leases for U.S. federal income tax purposes, we may fail to qualify as a REIT.

In addition, subject to certain exceptions, rents received or accrued by us from Darden will not be treated as qualifying rent for purposes of the REIT gross income requirements if we or a beneficial or constructive owner of 10% or more of our stock beneficially or constructively owns 10% or more of the total combined voting power of all classes of Darden stock entitled to vote or 10% or more of the total value of all classes of Darden stock. Our charter provides for restrictions on ownership and transfer of our shares of stock, including restrictions on such ownership or transfer that would cause the rents received or accrued by us from Darden to be treated as non-qualifying rent for purposes of the REIT gross income requirements. Nevertheless, there can be no assurance that such restrictions will be effective in ensuring that rents received or accrued by us from Darden will not be treated as qualifying rent for purposes of REIT qualification requirements.

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

The maximum U.S. federal income tax rate applicable to income from “qualified dividends” payable by non-REIT “C” corporations to certain non-corporate U.S. stockholders is currently 23.8% (taking into account the 3.8% Medicare tax applicable to net investment income). Dividends payable by REITs, however, generally are not qualified dividends. Effective for taxable years beginning after December 31, 2017 and before January 1, 2026, non-corporate U.S. stockholders may deduct 20% of their dividends from REITs (excluding qualified dividend income and capital gains dividends). For non-corporate U.S. stockholders in the top marginal tax bracket of 37%, the deduction for REIT dividends yields an effective income tax rate of 29.6% on REIT dividends, which is higher than the 20% tax rate on qualified dividend income paid by “C” corporations. This does not adversely affect the taxation of REITs; however, the more favorable rates applicable to regular corporate qualified dividends could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT “C” corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify as a REIT (assuming that certain other requirements are also satisfied). To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. We intend to continue to make distributions to our stockholders to comply with the REIT requirements of the Code.

Currently our funds from operations are generated primarily by rents paid under our lease agreements. From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. Further, income must be accrued for U.S. federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, subject to certain exceptions, which could also create mismatches between REIT taxable income and the receipt of cash attributable to such income. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distributions requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity or adversely impact our ability to raise short and long-term debt. Furthermore, the REIT distribution requirements may increase the financing needed to fund capital expenditures, further growth and expansion initiatives. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state, and local taxes on our income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. While we will undertake sales of assets if those assets become inconsistent with our long-term strategic or return objectives, we do not believe that those sales should be considered prohibited transactions, but there can be no assurance that the IRS would not contend otherwise. The need to avoid prohibited transactions could cause us to forego or defer sales of properties that might otherwise be in our best interest to sell. In addition, any net taxable income earned directly by our TRSs will be subject to U.S. federal, state, and local corporate-level income taxes and we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's-length basis. Any of these taxes would decrease cash available for distribution to our stockholders.

Complying with the REIT requirements may cause us to forego otherwise attractive acquisition and business opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for U.S. federal income tax purposes, we must ensure 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 "real estate assets" (as defined in the Code). The remainder of our investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 20% (25% effective for taxable years beginning before January 1, 2018) of the value of our total assets can be represented by securities of one or more TRSs and no more than 25% of the value of our assets can be represented by certain debt instruments issued by "publicly offered REITs." If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within thirty 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 or forego otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

In addition to the asset tests set forth above, to qualify as a REIT we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our stockholders and the ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell or refinance such assets.

We have in the past and may in the future acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership units in an operating partnership, which could result in stockholder dilution through the issuance of operating partnership units that, under certain circumstances, may be exchanged for shares of our common stock. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to restrictions on our ability to dispose of, or refinance the debt on, the acquired properties in order to protect the contributors' ability to defer recognition of taxable gain. Similarly, we may be required to incur or maintain debt we would otherwise not incur so we can allocate the debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell or refinance an asset at a time, or on terms, that would be favorable absent such r estrictions. See "Our tax protection agreement could limit our ability to sell or otherwise dispose of certain properties."

There are uncertainties relating to the Purging Distribution.

Darden has allocated its accumulated earnings and profits (as determined for U.S. federal income tax purposes) for periods prior to the Spin-Off between Darden and FCPT in a manner that, in its best judgment, is in accordance with the provisions of the Code. The amount of earnings and profits to be distributed is a complex factual and legal determination. We believe that our Purging Distribution (defined below) made on March 2, 2016 has satisfied the requirements relating to the distribution of our pre-REIT accumulated earnings and profits. No assurance can be given, however, that the IRS will agree with our calculation or Darden's allocation of earnings and profits to FCPT. If the IRS finds additional amounts of pre-REIT earnings and profits, there are procedures generally available to cure any failure to distribute all of our pre-REIT earnings and profits, but there can be no assurance that we will be able to successfully implement such procedures.

We may pay dividends on our common stock in common stock and/or cash. Our stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock.

In connection with our qualification as a REIT, we are required to annually distribute to its stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. Although we do not currently intend to do so, in order to satisfy this requirement, we are permitted, subject to certain conditions and limitations, to make distributions that are in part payable in shares of our common stock. Taxable stockholders receiving such distributions will be required to report dividend income as a result of such distribution for both the cash and stock components of the distribution and even though we distributed no cash or only nominal amounts of cash to such shareholder.

If we make any taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells shares of our stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in our stock. If, in any taxable dividend payable in cash and stock, a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may be viewed as economically equivalent to a dividend reduction and put downward pressure on the market price of our stock.

If the Spin-Off were to fail to qualify as a tax-free transaction for U.S. federal income tax purposes, Darden and Darden's shareholders could be subject to significant tax liabilities and, pursuant to indemnification obligations under the Tax Matters Agreement that we entered into with Darden, we could be required to indemnify Darden for material taxes.

Darden has received a private letter ruling (the "IRS Ruling") from the IRS on certain specific issues relevant to the qualification of the Spin-Off as tax-free under Sections 368(a)(1)(D) and 355 of the Code, based on certain facts and representations set forth in such request. Although a private letter ruling from the IRS generally is binding on the IRS, if the factual representations made in the ruling request are untrue or incomplete in any material respect, then Darden will not be able to rely on the IRS Ruling. The IRS Ruling does not address all of the requirements for tax-free treatment of the Spin-Off under Sections 355 and 368(a)(1)(D) of the Code; however, Darden has received an opinion from Skadden, Arps, Slate, Meagher & Flom LLP (the "Spin-Off Tax Opinion") to the effect that the Spin-Off qualifies as tax-free under Sections 368(a)(1)(D) and 355 of the Code. The Spin-Off Tax Opinion relies on the IRS Ruling as to matters covered by such ruling and is based on, among other things, current law and certain assumptions and representations as to factual matters made by Darden and us. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could adversely affect the conclusions reached by counsel in the Spin-Off Tax Opinion. The Spin-Off Tax Opinion is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. The Spin-Off Tax Opinion is expressed as of the date issued and does not cover subsequent periods. An opinion of counsel represents counsel's best legal judgment based on current law and is not binding on the IRS or any court. We cannot assure you that the IRS will agree with the conclusions set forth in the Spin-Off Tax Opinion, and it is possible that the IRS or another tax authority could adopt a position contrary to one or all of those conclusions and that a court could sustain that contrary position. If any of the facts, representations, assumptions, or undertakings described or made in connection with the IRS Ruling or the Spin-Off Tax Opinion are not correct, are incomplete or have been violated, the IRS Ruling could be revoked retroactively or modified by the IRS, and our ability to rely on the Spin-Off Tax Opinion could be jeopardized. We are not aware of any facts or circumstances, however, that would cause these facts, representations, or assumptions to be untrue or incomplete, or that would cause any of these undertakings to fail to be complied with, in any material respect.

If the Spin-Off ultimately were determined to be taxable, then a shareholder of Darden that received shares of our common stock in the Spin-Off would be treated as having received a distribution of property in an amount equal to the fair market value of such shares on the distribution date and could incur significant income tax liabilities. Such distribution would be taxable to such shareholder as a dividend to the extent of Darden's current and accumulated earnings and profits (including earnings and profits resulting from the recognition of gain by Darden in the Spin-Off). Any amount that exceeded Darden's earnings and profits would be treated first as a non-taxable return of capital to the extent of such shareholder's tax basis in its shares of Darden stock with any remaining amount being taxed as a capital gain. In addition, if the Spin-Off were determined to be taxable, in general, Darden would be required to recognize a taxable gain as if it had sold our common stock in a taxable sale for its fair market value.

Under the terms of the tax matters agreement that we entered into with Darden (the "Tax Matters Agreement"), we generally will be responsible for any taxes imposed on Darden that arise from the failure of the Spin-Off to qualify as tax-free for U.S. federal income tax purposes to the extent such failure to qualify is attributable to certain actions, events or transactions relating to our stock, assets or business, or a breach of the relevant representations or any covenants made by us in the Tax Matters Agreement, the materials submitted to the IRS in connection with the request for the IRS Ruling or the representations provided in connection with the Spin-Off Tax Opinion. Our indemnification obligations to Darden will not be limited by any maximum amount. If we are required to indemnify Darden under the circumstances set forth in the Tax Matters Agreement, we may also be subject to substantial tax liabilities.

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

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Income from certain hedging transactions that we may enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets or manages the risk of certain currency fluctuations does not constitute "gross income" for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because the TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates that we would otherwise want to bear. In addition, losses in the TRS will generally not provide any tax benefit, except that such losses could theoretically be carried forward against future taxable income in the TRS.

The ability of our Board of Directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

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 regular corporation, without the approval of our stockholders. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our net taxable income and we generally would no longer be required to distribute any of our net taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Even if we qualify to be subject to tax as a REIT, we could be subject to tax on any unrealized net built-in gains in our assets held before electing to be treated as a REIT.

Following our REIT election, we owned appreciated assets that were previously held by Darden, a C corporation, and were acquired by us in the Spin-Off in a transaction in which the adjusted tax basis of the assets in our hands was determined by reference to the adjusted basis of the assets in the hands of the C corporation. If we dispose of any such appreciated assets during the five-year period following the effective date of our REIT election, we will be subject to tax at the highest corporate tax rates on the lesser of (i) the amount of gain that we recognize at the time of the sale or disposition; and (ii) the amount of gain that we would have recognized if we had sold the assets at the time we acquired them (i.e., the effective date of our REIT election) (such gain referred to as “built-in gains”). We would be subject to this tax liability even if we qualify and maintain our status as a REIT. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and our distribution requirement. Any tax on the recognized built-in gain will reduce REIT taxable income. We may choose not to sell in a taxable transaction appreciated assets we might otherwise sell during the five-year period in which the built-in gain tax applies in order to avoid the built-in gain tax. However, there can be no assurances that such a taxable transaction will not occur. If we sell such assets in a taxable transaction, the amount of corporate tax that we will pay will vary depending on the actual amount of net built-in gain or loss present in those assets as of the time we became a REIT. The amount of tax could be significant. The same rules would apply to any assets we acquire in the future from a C corporation in a carryover basis transaction with built-in gain at the time of the acquisition by us. If we choose to dispose of any assets within the specified period, we will attempt to utilize various tax planning strategies, including Section 1031 of the Code like-kind exchanges, to mitigate the exposure to the built-in-gains tax. Gain from a sale of an asset occurring after the specified period ends will not be subject to this corporate level tax.

Our tax protection agreement could limit our ability to sell or otherwise dispose of certain properties.

In connection with the acquisition of ten properties from U.S. Restaurant Properties, Inc. (“USRP”) in November 2016 and four additional properties from USRP in January 2017, in exchange for FCPT OP units, we entered into a tax protection agreement with affiliates of USRP. The tax protection agreement provides that, if we dispose of any of those 14 properties in a taxable transaction through November 2023 for the initial ten properties or January 2024 for the additional four properties, we will indemnify the USRP partners for their tax liabilities attributable to the built-in gain that existed with respect to those properties as of the time of the acquisition of those properties in November 2016 or January 2017, respectively (and tax liabilities incurred as a result of the reimbursement payment). Consequently, although it otherwise may be in our best interest to sell one of those properties, these obligations may make it prohibitive for us to do so.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the Treasury Department. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in us. Also, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT.

The Tax Cuts and Jobs Act of 2017 ("TCJA") significantly changed the U.S. federal income taxation of U.S. businesses and their owners, including REITs and their stockholders. Changes made by the TCJA that could affect the Company and its stockholders include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate has been reduced from 39.6% to 37% for taxable years beginning after December 31, 2017 and before January 1, 2026;

- permanently eliminating the progressive corporate tax rate structure, which previously imposed a maximum corporate tax rate of 35%, and replacing it with a flat corporate tax rate of 21%;
- permitting a deduction for certain pass-through business income, including dividends received by our stockholders from us that are not designated by us as capital gain dividends or qualified dividend income, which will allow individuals, trusts, and estates to deduct up to 20% of such amounts for taxable years beginning after December 31, 2017 and before January 1, 2026;
- reducing the highest rate of withholding with respect to our distributions to non-U.S. stockholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;
- limiting our deduction for net operating losses arising in taxable years beginning after December 31, 2017 to 80% of our REIT taxable income (prior to the application of the dividends paid deduction);
- generally limiting the deduction for net business interest expense in excess of 30% of a business's “adjusted taxable income,” except for taxpayers that engage in certain real estate businesses (including most equity REITs) and elect out of this rule (provided that such electing taxpayers must use an alternative depreciation system with longer depreciation periods); and
- eliminating the corporate alternative minimum tax.

The TCJA is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the Treasury Department and IRS, any of which could lessen or increase the impact of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While some of the changes made by the TCJA may adversely affect the Company in one or more reporting periods and prospectively, other changes may be beneficial on a going forward basis.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Please refer to “Item1. Business.”

Item 3. Legal Proceedings.

In the ordinary course of our business, we are party to various claims and legal proceedings that management believes are routine in nature and incidental to the operation of our business. Management believes that the outcome of these proceedings will not have a material adverse effect upon our operations, financial condition or liquidity.

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 for Common Stock

Our common stock has been listed on the New York Stock Exchange under the ticker symbol "FCPT" since November 10, 2015.

Dividends

The following table presents the characterizations for tax purposes of such common stock dividends for the year ended December 31, 2018.

Record Date	Payment Date	Total Distribution ($ per share)	Form 1099 Box 1a Ordinary Taxable Dividend ($ per share)	Form 1099 Box 1b Qualified Taxable Dividend ($ per share)	Form 1099 Box 3 Return of Capital ($ per share)	Form 1099 Box 5 Section 199A Dividends ($ per share)
12/29/2017	1/12/2018	$ 0.275	$ 0.2298	$ —	$ 0.0452	$ 0.2298
3/30/2018	4/13/2018	0.275	0.2298	—	0.0452	0.2298
6/29/2018	7/13/2018	0.275	0.2298	—	0.0452	0.2298
9/28/2018	10/12/2018	0.275	0.2298	—	0.0452	0.2298
Totals		$ 1.1000	$ 0.9192	$ —	$ 0.1808	$ 0.9192

We intend to pay regular quarterly dividends to our stockholders, although future distributions will be declared and paid at the discretion of the Board of Directors and will depend upon cash generated by operating activities, our financial condition, capital requirements, annual distribution requirements under the REIT provision of the Code and such other factors as the Board of Directors deems relevant.

Holders

As of February 15, 2019, there were approximately 9,015 registered holders of record of our common stock.

Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Company and Affiliated Purchasers

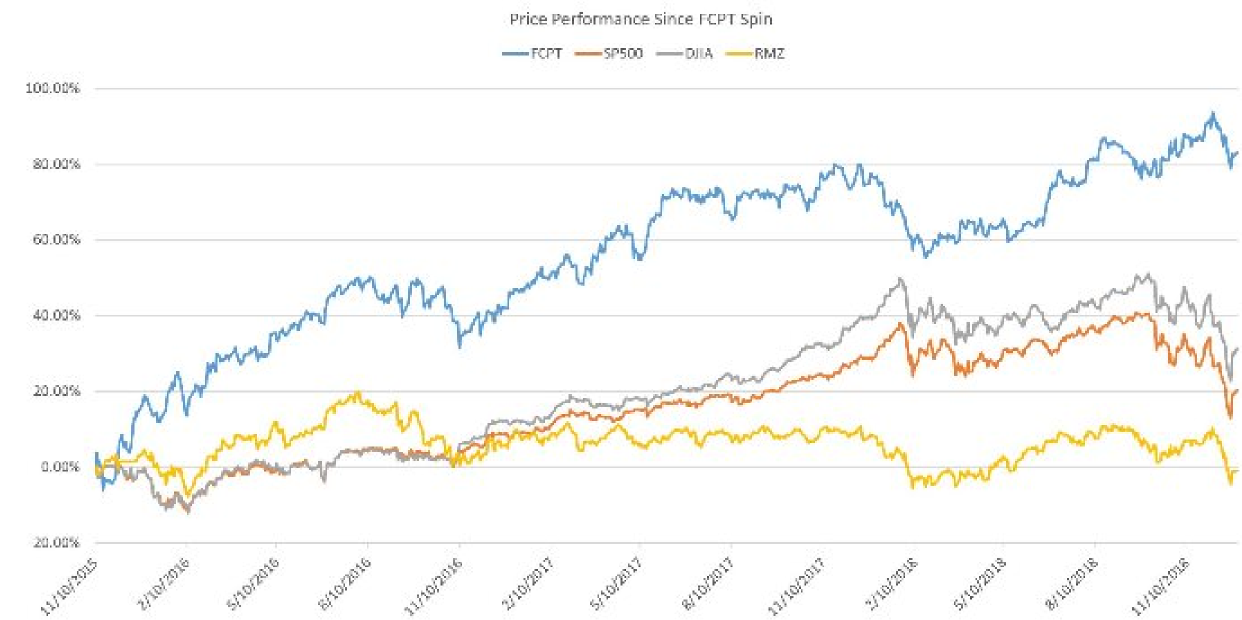
None.

Equity Compensation Plan

For information about our equity compensation plan, please see Note 10 of our consolidated financial statements, included in Part II, Item 8 of this Annual Report on Form 10-K.

Performance Graph

The following performance graph compares, for the period from November 10, 2015, the date the Company's shares of common stock began trading on the New York Stock Exchange, through December 31, 2018, the cumulative total stockholder return on the Company's common stock, based on the market price of the common stock and assuming reinvestments of dividends, with (i) the cumulative total return of the S&P 500 Index, (ii) the cumulative total return of the MSCI US REIT Index ("RMZ") and (iii) the cumulative total return of Dow Jones Industrial Average.



Item 6. Selected Financial Data.

The following selected historical financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017, and 2016, and the related notes included elsewhere in this Annual Report on Form 10-K.

The Company completed the Spin-Off on November 9, 2015. Due to the timing of the Spin-off, the Company presents herein consolidated financial data for the Company from the date of consummation of the Spin-off through December 31, 2015 and for the Kerrow Restaurant Operating Business for all periods. Our real estate operations business was not operated by Darden as a stand-alone business and, accordingly, there are no historical results of operations related to that business. The Kerrow Restaurant Operating Business and our real estate operations business were not legal entities, but rather a portion of the real estate assets, liabilities and operations of Darden. The historical financial data for Kerrow Restaurant Operating Business is not necessarily indicative of the Company' results of operations, cash flows or financial position following the completion of the Spin-Off.

The selected historical financial information as of and for the years ended December 31, 2018, 2017, 2016, 2015, and 2014 has been derived from our audited historical financial statements. The Comprehensive Income Statement include allocations of certain costs from Darden incurred on the Kerrow Restaurants Operating Business' behalf. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the historical Darden expenses allocable to the Kerrow Restaurants Operating Business for purposes of the combined financial statements. However, the expenses reflected in the combined financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if the Kerrow Restaurants Operating Business had operated as a separate, stand-alone entity. Due to the timing of the Spin-Off, the results of operations for the year ended December 31, 2014 reflect the financial condition and results of operations of Kerrow Restaurant Operating Business. The results of operations for the years ended December 31, 2018, 2017, 2016, and 2015 reflect the financial condition and results of operations of the Company, together with the Kerrow Restaurant Operating Business prior to the Spin-Off.

Operating Data

	Year Ended December 31,				
(In thousands, except per share data)	**2018**	**2017**	**2016**	**2015**	**2014**
Revenues	$ 143,635	$ 133,209	$ 124,018	$ 33,456	$ 17,695
Net income available to common shareholders [1]	$ 82,398	$ 71,394	$ 156,809	$ 5,699	$ 32
Earnings per share:					
Basic	$ 1.29	$ 1.18	$ 2.75	$ 0.92	NA
Diluted	$ 1.28	$ 1.18	$ 2.63	$ 0.91	NA
Cash dividends declared per share of common stock	$ 1.1125	$ 1.0025	$ 0.97	NA	NA

(1) For the year ended December 31, 2016, net income available to common shareholders includes a deferred tax benefit of $80.4 million resulting from our REIT election.

Balance Sheet Data

(In thousands)	At December 31, 2018	2017	2016	2015	2014
Real estate investments:					
Land	$ 569,057	$ 449,331	$ 421,941	$ 404,812	$ 3,069
Buildings, equipment and improvements	1,236,224	1,115,624	1,055,624	992,418	12,513
Total real estate investments	1,805,281	1,564,955	1,477,565	1,397,230	15,582
Less: accumulated depreciation	(614,584)	(598,846)	(583,307)	(568,539)	(3,860)
Total real estate investments, net	$ 1,190,697	$ 966,109	$ 894,258	$ 828,691	$ 11,722
Total assets	$ 1,343,098	$ 1,068,659	$ 937,151	$ 929,437	$ 11,949
Total liabilities	644,134	546,391	467,034	487,795	2,951
Total equity	698,964	522,268	470,117	441,642	8,998

Other Statistics

(In thousands)	Year Ended December 31, 2018	2017	2016	2015	2014
Cash flows provided by operating activities	$ 80,882	$ 78,909	$ 70,939	$ 21,693	$ 961
Cash flows used in investing activities	(247,046)	(80,414)	(59,322)	(556)	(55)
Cash flows provided by (used in) financing activities	190,034	44,197	(83,047)	76,929	(906)

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

Statements contained in this Annual Report on Form 10-K, including the documents that are incorporated by reference, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Also, when Four Corners Property Trust, Inc. uses any of the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” or similar expressions, Four Corners Property Trust, Inc. is making forward-looking statements. Although management believes that the expectations reflected in such forward-looking statements are based upon present expectations and reasonable assumptions, actual results could differ materially from those set forth in the forward-looking statements. Certain factors that could cause actual results or events to differ materially from those anticipated or projected are described in the section entitled “Risk Factors”. These factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission. Given these uncertainties, readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this Annual Report on Form 10-K or any document incorporated herein by reference. Four Corners Property Trust, Inc. undertakes no obligation to publicly release any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this Annual Report on Form 10-K. Any references to “FCPT,” “the Company,” “we,” “us,” or “our” refer to Four Corners Property Trust, Inc. as an independent, publicly traded, self-administered company.

Overview

We are a Maryland corporation and a real estate investment trust (“REIT”) which owns, acquires and leases properties for use in the restaurant and food-service related industries. Substantially all of our business is conducted through Four Corners Operating Partnership, LP (“FCPT OP”), a Delaware limited partnership of which we are a majority limited partner and our wholly owned subsidiary, Four Corners GP, LLC (“FCPT GP”), is its sole general partner. We believe that we have operated in conformity with the requirements for qualification and taxation as a REIT for the taxable year ended December 31, 2018, and we intend to continue to operate in a manner that will enable us to maintain our qualification as a REIT.

Our revenues are primarily generated by leasing properties to Darden and other tenants through net lease arrangements under which the tenants are primarily responsible for ongoing costs relating to the properties, including utilities, property taxes, insurance, common area maintenance charges, and maintenance and repair costs. We focus on income producing properties leased to high quality tenants in major markets across the United States. We also generate revenues by operating six LongHorn Steakhouse restaurants, including the properties or interests associated with such restaurants, located in the San Antonio, Texas area (the “Kerrow Restaurant Operating Business”) pursuant to franchise agreements with Darden.

In addition to managing our existing properties, our strategy includes investing in additional restaurant and food service real estate properties to grow and diversify our existing restaurant portfolio. We expect this acquisition strategy will decrease our reliance on Darden over time. We intend to purchase properties that are well located, occupied by durable restaurant concepts, with creditworthy tenants whose operating cash flows are expected to meaningfully exceed their lease payments to us. We seek to improve the probability of successful tenant renewal at the end of initial lease terms by acquiring properties that have high levels of restaurant operator profitability compared to rent payments and have absolute rent levels that are not artificially higher than market rates.

In 2018, FCPT engaged in various real estate transactions for a total investment of $268.3 million, including capitalized transaction costs. Pursuant to these transactions, we acquired an additional 97 properties, aggregating 543 thousand square feet, and representing twenty brands, including Chili’s Grill & Bar, Red Lobster, Buffalo Wild Wings, Starbucks, Chick-fil-A, McDonald’s, Taco Bell, Texas Roadhouse, and BJ’s Restaurants. During the same period, FCPT sold two properties for $21.1 million, net of transaction costs. The proceeds from the sales were used for subsequent acquisitions via 1031 exchange transactions.

As of December 31, 2018, our wholly-owned lease portfolio had the following characteristics:

- 610 free-standing properties located in 45 states and representing an aggregate leasable area of 4.1 million square feet;
- 99.9% occupancy (based on leasable square footage);
- An average remaining lease term of 12.2 years (weighted by annualized base rent);
- An average annual rent escalation of 1.5% through December 31, 2028 (weighted by annualized base rent); and
- 77.2% investment-grade tenancy (weighted by annualized base rent).

Results of Operations

The results of operations for the accompanying consolidated financial statements discussed below are derived from our consolidated statements of comprehensive income ("Comprehensive Income Statement") found elsewhere in this Annual Report on Form 10-K. The following discussion includes the results of our continuing operations as summarized in the table below.

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Revenues:			
Rental	$ 123,665	$ 113,937	$ 105,624
Restaurant	19,970	19,272	18,394
Total revenues	143,635	133,209	124,018
Operating expenses:			
General and administrative	13,639	12,259	10,977
Depreciation and amortization	23,884	21,811	20,577
Restaurant expenses	19,014	18,652	17,853
Interest expense	19,959	19,469	14,828
Total operating expenses	76,496	72,191	64,235
Other income, net	781	324	97
Realized gain on sale, net	15,271	10,532	16,623
Income before income taxes	83,191	71,874	76,503
Income tax (expense) benefit	(262)	18	80,347
Net income	82,929	71,892	156,850
Net income attributable to noncontrolling interest	(531)	(498)	(41)
Net Income Available to Common Shareholders	$ 82,398	$ 71,394	$ 156,809

Analysis of Results of Operations

We operate in two segments, real estate operations and restaurant operations. Our real estate operations generate rental income from leases primarily with restaurant brands, which we recognize on a straight-line basis to include the effect of base rent escalators. Our restaurant operations generate restaurant revenue from operating six Longhorn Steakhouse restaurants.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Rental Revenue

Rental revenue increased $9.7 million during the year ended December 31, 2018 compared to the year ended December 31, 2017. This increase is due to recognizing a full year of revenue from the acquisitions completed in 2017 during 2018, and the acquisition of 97 restaurant properties in 2018, which was partially offset by the sale of two restaurant properties, resulting in a net addition of annualized rental income of $16.0 million for the year ended December 31, 2018.

Operating Expenses

General and Administrative Expense

General and administrative expense is comprised of costs associated with personnel, office rent, legal, accounting, information technology and other professional and administrative services in association with our real estate operations, our REIT structure and public company reporting requirements. General and administrative expense increased $1.4 million in the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily as a result of an increase in non-cash stock compensation expense.

Depreciation and Amortization Expense

Depreciation and amortization expense represents the depreciation on real estate investments and equipment that have estimated lives ranging from 2 to 55 years. Depreciation and amortization expense increased by approximately $2.1 million for the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to impairment expense of $1.5 million recorded in the year ended December 31, 2018 as well as the acquisition of 97 properties classified as depreciable assets in 2018.

Interest Expense

We incur interest expense on our $400 million of term loans, any outstanding borrowings on our revolving credit facility, interest rate swaps, and our $225 million of senior unsecured fixed rate notes.

Interest expense increased by approximately $0.5 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. This was primarily due to an increase of $2.9 million in interest expense for the full year on the $125 million of FCPT OP's 4.68% senior unsecured fixed rate notes due 2024 and 4.93% senior unsecured fixed rate notes due 2027 issued in June 2017, offset by a decrease of $1.5 million of term loan interest expense and $0.9 million of revolving credit facility expense, respectively, due to amended term loan margin pricing and drawdowns and repayments of the revolving credit facility.

Interest expense, excluding deferred financing costs, on the $400 million of term loans and the interest rate swaps we entered into to hedge the variability associated with the term loans was $11.2 million and $12.2 million for the years ended December 31, 2018 and 2017, respectively. This interest expense includes hedge ineffectiveness incurred during the periods and the reclassification of other comprehensive income into interest expense. Interest expense from term loans decreased fr om 2017 to 2018 as a result of the Credit Facility Amendment (defined below). Interest expense and fees on our revolving credit facility was $0.8 million and $1.7 million , for the years ended December 31, 2018 and 2017, respectively. Amortization of deferred financing costs was $1.8 million and $2.1 million , respectively, for the years ended December 31, 2018 and 2017. For the year ended December 31, 2017, i nterest expense included a one-time write-off of $424 thousand for deferred financing costs as a result of the the Credit Facility Amendment.

For additional information on the Company's debt instruments, see "Liquidity and Financial Condition" below.

Realized Gain on Sale, Net

Realized gain on sale, net increased by approximately $4.8 million for the year ended December 31, 2018 compared to the year ended December 31, 2017. During the years ended December 31, 2018 and 2017, the Company sold two and three properties, respectively, leased to Darden for total consideration of $21.7 million and $16.1 million , respectively, exclusive of $0.6 million and $0.2 million costs to sell, respectively. The sales were the result of unsolicited offers and resulted in net gains of $15.3 million and $10.5 million , respectively, after costs to sell. These sales qualified as 1031 exchanges, and the consideration received was used to purchase other properties during 2018 and 2019.

Income Taxes

During the years ended December 31, 2018 and 2017, our income tax expense was $262 thousand and a benefit of $18 thousand , respectively. I ncome tax expense consists of federal, state, and local income taxes incurred by the Kerrow Restaurant Operating Business, and state and local income taxes incurred by FCPT on its lease portfolio. As FCPT acquires additional properties in states subject to state income taxes, income tax expense will continue to increase.

Restaurant Operations

The following table sets forth our restaurant operating segment revenues and expenses data for the periods indicated.

	Year Ended December 31,					
	2018		**2017**		**2016**	
(Dollars in thousands)	**$**	**% of Segment Revenues**	**$**	**% of Segment Revenues**	**$**	**% of Segment Revenues**
Restaurant revenues	$ 19,970	100.0%	$ 19,272	100.0%	$ 18,394	100.0%
Restaurant expenses:						
Food and beverage	7,594	38.0%	7,404	38.4%	7,213	39.2%
Restaurant labor	6,180	30.9%	6,062	31.5%	5,391	29.3%
Other restaurant expenses (1)	5,641	28.2%	5,581	29.0%	5,638	30.7%
Total restaurant expenses	19,415	97.2%	19,047	98.8%	18,242	99.2%
Restaurant Operations, Net	$ 555		$ 225		$ 152	

(1) Other restaurant expenses include $401 thousand, $395 thousand, and $389 thousand, respectively, of intercompany rent paid to FCPT for the years ended December 31, 2018, 2017, and 2016, which is eliminated for financial reporting purposes.

Restaurant revenues increased approximately $0.7 million in the year ended December 31, 2018 compared to the year ended December 31, 2017, driven primarily by a 1.2% increase in the average meal check and a 2.3% increase in average guest counts. The increase in average meal check amounts for 2018 was primarily due to an increase in dessert sales through better offerings, meal check add-ons, and a small price increase taken in September. Increased to-go orders, catering, and local marketing impacted guest count growth.

Total restaurant expenses increased approximately $0.4 million in the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to increased administrative overhead. As a percent of revenues, total restaurant expenses decreased from 98.8% in the year ended December 31, 2017 to 97.2% in the year ended December 31, 2018. Food and beverage costs increased approximately $0.2 million in the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to increased sales year over year, along with a 0.4% improvement in cost of sales compared to 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Rental Revenue

Rental revenue increased $8.3 million during the year ended December 31, 2017 compared to the year ended December 31, 2016. This increase is due to recognizing a full year of revenue from the acquisitions completed in 2016 during 2017 and the acquisition of 43 restaurant properties in 2017, which was partially offset by the sale of 3 restaurant properties, resulting in a net addition of annualized rental income of $5.9 million for the year ended December 31, 2017.

Operating Expenses

General and administrative expense is comprised of costs associated with personnel, office rent, legal, accounting, information technology and other professional and administrative services in association with our real estate operations and our REIT structure and public company reporting requirements. General and administrative expense increased $1.3 million in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily as a result of an increase in non-cash stock compensation expense.

Depreciation and amortization expense represents the depreciation on real estate investments and equipment that have estimated lives ranging from 2 to 55 years. Depreciation and amortization expense increased by approximately $1.2 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 primarily due to the acquisition of 43 properties classified as depreciable assets in 2017.

Interest Expense

Interest expense increased by approximately $4.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to interest expense on the $125 million of senior unsecured fixed rate notes issued in 2017, which was $3.4 million for the year ended December 31, 2017. Additionally, amortization of deferred financing costs related to the senior unsecured fixed rate notes was $123 thousand for the year ended December 31, 2017. Interest expense also increased due to a one-time charge of $424 thousand for deferred financing costs expensed as a result of the execution of the amended and restated credit agreement on October 2, 2017.

Interest expense on the $400 million term loan and the interest rate swaps entered into to hedge the variability associated with the term loan was $12.2 million and $11.8 million for the years ended December 31, 2017 and 2016, respectively. This interest expense includes hedge ineffectiveness incurred during the periods and the reclassification of other comprehensive income into interest expense. Interest expense and fees on our revolving credit facility was $1.7 million and $1.4 million, for the years ended December 31, 2017 and 2016, respectively. Amortization of deferred financing costs was $2.1 million and $1.6 million, respectively, for the years ended December 31, 2017 and 2016.

For additional information on the Company’s debt instruments, see “Liquidity and Financial Condition” below.

Realized Gain on Sale, Net

Realized gain on sale, net decreased by approximately $6.1 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. During the years ended December 31, 2017 and 2016, the Company sold three and two properties, respectively, leased to Darden for total consideration of $16.1 million and $24.8 million, respectively, exclusive of $0.2 million and $0.7 million costs to sell, respectively. The sales were the result of unsolicited offers and resulted in net gains of $10.5 million and $16.6 million, respectively, after costs to sell. These sales qualified as 1031 exchanges, and the consideration received was used to purchase other properties in the fourth quarter of 2017 and future periods.

Income Taxes

During the years ended December 31, 2017 and 2016 our income tax benefit was $18 thousand and $80.4 million, respectively. The income tax benefit for the year ended December 31, 2017 primarily consisted of the reversal of deferred tax liabilities offset by state taxes incurred at the Kerrow Restaurant Operating Business, a taxable REIT subsidiary. The income tax benefit recognized during the year ended December 31, 2016 was principally the result of the reversal of deferred tax liabilities associated with activities no longer expected to be subject to federal taxation as a result of our satisfaction of all requirements, including payment of a earnings and profit purging distribution to our shareholders and our election to be taxed as a REIT commencing with the year ending December 31, 2016.

Restaurant Operations

Restaurant revenues increased approximately $0.9 million in the year ended December 31, 2017 compared to the year ended December 31, 2016, driven primarily by a 2.8% increase in the average meal check and a 1.9% increase in average guest counts. The increase in average meal check amounts for 2017 was primarily due to the addition of higher-end entrées, increased liquor sales and meal check-add-ons, and price increases.

Total restaurant expenses increased approximately $0.8 million in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to an increase in hourly wages, increased management overhead, and a change in incentive compensation structure. As a percent of revenues, total restaurant expenses decreased from 99.2% in the year ended December 31, 2016 to 98.8% in the year ended December 31, 2017. Food and beverage costs increased approximately $0.2 million in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to increased sales year over year. Other restaurant expenses decreased approximately $0.1 million in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to a reduction of one-time Spin-Off expenses.

Critical Accounting Policies and Estimates

The preparation of FCPT’s consolidated financial statements in conformance with accounting principles generally accepted in the United States of America requires management to make estimates on assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as other disclosures in the financial statements. On an ongoing basis, management evaluates its estimates and assumptions; however, actual results may differ from these estimates and assumptions, which in turn could have a material impact on our financial statements. Estimates and assumptions include, among other things, subjective judgments regarding the fair values and useful lives of our properties for depreciation and lease classification purposes, and asset impairment analysis.

A summary of FCPT's accounting policies and procedures are included in Note 2 of our consolidated financial statements, included in Part II, Item 8 of this Annual Report on Form 10-K. Management believes the following critical accounting policies, among others, affect its more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Real Estate Investments, Net

Real estate investments, net are recorded at cost less accumulated depreciation. Building components are depreciated over estimated useful lives using the straight-line method. Leasehold improvements, which are reflected on our Consolidated Balance Sheets as a component of buildings, within land, buildings and equipment, net, are amortized over the lesser of the non-cancelable lease term or the estimated useful lives of the related assets using the straight-line method. Equipment is depreciated over estimated useful lives also using the straight-line method. Real estate development and construction costs for newly constructed restaurants are capitalized in the period in which they are incurred. Gains and losses on the disposal of land, buildings and equipment are included in our accompanying consolidated statements of income ("Income Statement").

Our accounting policies regarding land, buildings and equipment, including leasehold improvements, include our judgments regarding the estimated useful lives of these assets, the residual values to which the assets are depreciated or amortized, the determination of what constitutes a reasonably assured lease term, and the determination as to what constitutes enhancing the value of or increasing the life of existing assets. These judgments and estimates may produce materially different amounts of reported depreciation and amortization expense if different assumptions were used. As discussed further below, these judgments may also impact our need to recognize an impairment charge on the carrying amount of these assets as the cash flows associated with the assets are realized, or as our expectations of estimated future cash flows change.

Acquisition of Real Estate

The Company evaluates acquisitions to determine whether transactions should be accounted for as asset acquisitions or business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2017-01. Since adoption in the fourth quarter of 2016, the Company has determined the land, building, site improvements, and in-places leases (if any) of assets acquired were each single assets as the building and property improvements are attached to the land and cannot be physically removed and used separately from the land without incurring significant costs or reducing their fair value. Additionally, the Company has not acquired a substantive process used to generate outputs. As substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset and there were no processes acquired, the acquisitions do not qualify as businesses and are accounted for as asset acquisitions. Related transaction costs are generally capitalized and amortized over the useful lives of the acquired assets.

The Company allocates the purchase price (including acquisition and closing costs) of real estate acquisitions to land, building, and improvements based on their relative fair values, as-if-vacant, and lease intangibles (if any). In making estimates of fair values for this purpose, the Company uses a third-party specialist that obtains various information about each property, as well as the pre-acquisition due diligence of the Company and prior leasing activities at the site.

Lease Intangibles

Lease intangibles, if any, acquired in conjunction with the purchase of real estate represent the value of in-place leases and above- or below-market leases. For real estate acquired subject to existing lease agreements, acquired lease intangibles are valued based on the Company's estimates of costs related to tenant acquisition and the asset carrying costs, including lost revenue, that would be incurred during the time it would take to locate a tenant if the property were vacant, considering current market conditions and costs to execute similar leases at the time of the acquisition. Above-market and below-market lease intangibles are recorded based on the present value of the difference between the contractual amounts to be paid pursuant to the leases at the time of acquisition of the real estate and the Company's estimate of current market lease rates for the property, measured over a period equal to the remaining initial term of the lease.

In-place lease intangibles are amortized on a straight-line basis over the remaining initial term of the related lease and included in depreciation and amortization expense. Above-market lease intangibles are amortized over the remaining initial terms of the respective leases as a decrease in rental revenue. Below-market lease intangibles are generally amortized as an increase to rental revenue over the remaining initial term of the respective leases, but may be amortized over the renewal periods if the Company believes it is likely the tenant will exercise the renewal option. Should a lease terminate early, the unamortized portion of any related lease intangible is immediately recognized as an impairment loss included in depreciation and amortization expense. To date, the Company has not had significant early terminations.

Impairment of Long-Lived Assets

Land, buildings and equipment and certain other assets, including definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. If these assets are determined to be impaired, the amount of impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined by appraisals or sales prices of comparable assets.

The judgments we make related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amounts of these assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions, changes in usage or operating performance, desirability of the restaurant sites and other factors, such as our ability to sell our assets held for sale. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, significant adverse changes in these factors could cause us to realize a material impairment loss.

Exit or disposal activities include the cost of disposing of the assets and are generally expensed as incurred. Upon disposal of the assets, any gain or loss is recorded in the same caption within our Comprehensive Income Statements as the original impairment.

Derivative Instruments and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments as required by FASB ASC Topic 815, Derivatives and Hedging, and those utilized as economic hedges. Our use of derivative instruments is currently limited to interest rate hedges. These instruments are generally structured as hedges of the variability of cash flows related to forecasted transactions (cash flow hedges). We do not enter into derivative instruments for trading or speculative purposes, where changes in the cash flows of the derivative are not expected to offset changes in cash flows of the hedged item. All derivatives are recognized on the balance sheet at fair value. For those derivative instruments for which we intend to elect hedge accounting, at the time the derivative contract is entered into, we document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the various hedge transactions. This process includes linking all derivatives designated as cash flow hedges to specific assets and liabilities on the Consolidated Balance Sheets or to specific forecasted transactions. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

To the extent our derivatives are effective in offsetting the variability of the hedged cash flows, and otherwise meet the cash flow hedge accounting criteria in accordance with GAAP, changes in the derivatives' fair value are not included in current earnings but are included in accumulated other comprehensive income (loss), net of tax. These changes in fair value will be reclassified into earnings at the time of the forecasted transaction. Ineffectiveness measured in the hedging relationship is recorded currently in earnings in the period in which it occurs.

Revenue Recognition

Effective January 1, 2018, the Company adopted FASB ASU No. 2014-09, "Revenue from Contracts with Customers" using the modified retrospective method. The standard outlines a single comprehensive revenue recognition model for entities to follow in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those goods or services. Effective January 1, 2018, the Company also adopted FASB ASU No. 2017-05, "Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." Through the evaluation and implementation process, we have determined FCPT's key revenue stream that could be impacted by FASB ASU No. 2014-09, as amended by FASB ASU No. 2017-05, is the gain on disposition of real estate reported on the Income Statements and Comprehensive Income Statement. We previously recognized revenue from asset sales, upon satisfaction of the criteria set forth in ASC 360, usually at the time of closing (i.e., transfer of asset). After adoption of FASB No. ASU 2014-09, as amended by FASB ASU No. 2017-05, we will evaluate the transaction to determine if control of the asset, as well as other specified criteria, has been transferred to the buyer to determine proper timing of revenue recognition, as well as transaction price allocation. Adoption of this guidance did not have a material impact on our Consolidated Financial Statements or related disclosures.

Rental Revenue

For those net leases that provide for periodic and determinable increases in base rent, base rental revenue is recognized on a straight-line basis over the applicable lease term when collectability is reasonably assured. Recognizing rental income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a deferred rent receivable. Lease origination fees are deferred and amortized over the related lease term as an adjustment to depreciation expense. Taxes collected from lessees and remitted to governmental authorities are presented on a net basis within rental revenue in our Income Statements. .

For those leases that provide for periodic increases in base rent only if certain revenue parameters or other substantive contingencies are met, the increased rental revenue is recognized as the related parameters or contingencies are met, rather than on a straight-line basis over the applicable lease term.

We assess the collectability of our lease receivables, including deferred rent receivables. We base our assessment of the collectability of rent receivables (other than deferred rent receivables) on several factors, including payment history, the financial strength of the tenant and any guarantors, the value of the underlying collateral, if any, and current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. We also base our assessment of the collectability of deferred rent receivables on several factors, including among other things, the financial strength of the tenant and any guarantors, the historical operations and operating trends of the property, the historical payment pattern of the tenant and the type of property. If our evaluation of these factors indicates it is probable that we will be unable to receive the rent payments due in the future, we provide a reserve against the recognized deferred rent receivable asset for the portion, up to its full value, that we estimate may not be recovered. If we change our assumptions or estimates regarding the collectability of future rent payments required by a lease, we may adjust our reserve or reduce the rental revenue recognized in the period we make such change in our assumptions or estimates.

New Accounting Standards

A discussion of new accounting standards and the possible effects of these standards on our Consolidated Financial Statements is included in Note 2 of our consolidated financial statements, included in Part II, Item 8 of this Annual Report on Form 10-K.

Liquidity and Financial Condition

At December 31, 2018, we had $92 million of cash and cash equivalents and $250 million of borrowing capacity under our revolving credit facility. The revolving credit facility provides for a letter of credit sub-limit of $25 million. As of February 19, 2019, we had $250 million of borrowing capacity under the revolving credit facility.

Debt Instruments

At December 31, 2018, our long-term debt consisted of $400 million of non-amortizing term loans and $225 million aggregate principal amount of senior unsecured fixed rate notes issued by FCPT OP. At December 31, 2017, our long-term debt consisted of a $400 million, non-amortizing term loan and $125 million aggregate principal amount of senior unsecured fixed rate notes issued by FCPT OP.

On December 13, 2018, the Company and its subsidiary, FCPT OP, entered into Amendment No. 2 to Amended and Restated Revolving Credit and Term Loan Agreement (the “Credit Facility Amendment”) with JPMorgan Chase Bank, N.A., as administrative agent (the “Agent”), and the lenders (the “Lenders”) and other agents party thereto, which amended the existing Amended and Restated Revolving Credit and Term Loan Agreement, dated as of October 2, 2017, as amended (the “Credit Agreement”), by and among the Company, FCPT OP, the Agent, the Lenders and the other agents party thereto.

Prior to the Credit Facility Amendment, $400 million aggregate principal amount outstanding under the Company's term loan facility was scheduled to mature on November 9, 2022. The Credit Facility Amendment extends the maturity date of certain of the Company's term loan facility such that $150 million , the non-extended portion of the term loan facility, will mature on November 9, 2022, $150 million will mature on November 9, 2023, and $100 million will mature on March 9, 2024. The interest rate charged on the non-extended portion of the term loan facility remained unchanged; however, as of the date of the Credit Facility Amendment, the interest rate charged on the extended portions of the term loan facility was reduced by ten basis points from the interest rate charged prior to the Credit Facility Amendment. The aggregate principal amount of $400 million outstanding under the term loan facility prior to the Credit Facility Amendment as well as the lenders and allocation by lender remained unchanged. The revolving credit facility portion was not amended and remained unchanged, maturing on November 9, 2021 with a one year extension option.

At December 31, 2018 and 2017, the weighted average interest rate on the term loans, after consideration of the interest rate hedges, was 3.14% and 2.71% , respectively. As of December 31, 2018 and 2017, there were no outstanding borrowings under the revolving credit facility and no outstanding letters of credit.

We have entered into interest rate swaps to hedge the interest rate variability associated with the Credit Agreement. On November 9, 2015, we entered into two interest rate swaps with aggregate notional values totaling $400 million . One swap had a fixed notional value of $200 million that matured on November 9, 2018, where the fixed rate paid by FCPT OP was 1.16% and the variable rate received resets monthly to the one-month LIBOR rate. The second swap has a fixed notional value of $200 million that matures on November 9, 2020, where the fixed rate paid by FCPT OP is 1.56% and the variable rate received resets monthly to the one month LIBOR rate. On July 12, 2017, we entered into a swap with a fixed notional value of $100 million , an effective date of November 9, 2018, and a maturity date of November 9, 2021, where the fixed rate paid by FCPT OP is 1.960% and the variable rate received resets monthly to the one month LIBOR rate. On July 12, 2017, we entered into a swap with a fixed notional value of $100 million, an effective date of November 9, 2020, a maturity date of November 9, 2023, where the fixed rate paid by FCPT OP is 2.302% and the variable rate received resets monthly to the one-month LIBOR rate. A fifth swap, which was entered into on August 29, 2017, is a 10-year swap with a fixed notional value of $100 million for its first twelve months and $200 million for its second twelve months with an effective date of November 9, 2020, a maturity date of November 9, 2022 and where the fixed rate paid by FCPT is 2.002% and the variable rate received resets monthly to the one month LIBOR rate.

These seven hedging agreements were entered into to mitigate the interest rate risk inherent in FCPT OP’s variable rate debt and not for trading purposes. These swaps are accounted for as cash flow hedges with all interest income and expense recorded as a component of net income and other valuation changes recorded as a component of other comprehensive income.

On June 7, 2017 and December 20, 2018, FCPT OP issued $125 million and $100 million , respectively, of senior unsecured fixed rate notes (together, the “Notes”) in private placements pursuant to note purchase agreements with the various purchasers. The Notes issued on June 7, 2017 consist of $50 million of notes with a term ending in June 2024 and priced at a fixed interest rate of 4.68% , $75 million of notes with a term ending in June 2027 and priced at a fixed interest rate of 4.93% . The Notes issued on December 20, 2018 consist of $50 million of notes with a term ending in December 2026 and priced at a fixed interest rate of 4.63% and $50 million of notes with a term ending in December 2028 and priced at a fixed interest rate of 4.76% .

Financing Strategy

On a short-term basis, our principal demands for funds will be for operating expenses, distributions to stockholders and interest and principal on current and any future debt financings. We expect to fund our operating expenses and other short-term liquidity requirements, capital expenditures, payment of principal and interest on our outstanding indebtedness, property improvements, re-leasing costs and cash distributions to common stockholders, primarily through cash provided by operating activities, and, for acquisitions, investments, and other capital expenditures, from borrowings under our $250 million revolving credit facility.

In August 2018, the Company completed a stock offering pursuant to which we sold 4,025,000 shares of our common stock, par value $0.01 per share, at a price of $25.00 per share. We raised $100.6 million in aggregate gross proceeds.

We have an effective shelf registration statement on file with the SEC under which we may issue equity financing through the instruments and on the terms most attractive to us at such time. During 2018, we sold 2,716,090 shares under the "At-the-Market" ("ATM") program at a weighted-average selling price of $24.68 per share, for net proceeds of approximately $65.5 million (after issuance costs). The net proceeds were employed to fund acquisitions and for general corporate purposes. At December 31, 2018, there was $49.5 million available for issuance under the ATM program.

On a long-term basis, our principal demands for funds include payment of dividends, financing of property acquisitions and scheduled debt maturities. We plan to meet our long-term capital needs by issuing debt or equity securities or by obtaining asset level financing, subject to market conditions. In addition, we may issue common stock to permanently finance properties that were financed on an intermediate basis by our revolving credit facility or other indebtedness. In the future, we may also acquire properties by issuing partnership interests of our operating partnership in exchange for property owned by third parties. Our common partnership interests would be redeemable for cash or shares of our common stock. In addition, we plan to use the proceeds from any future sales we may make for subsequent acquisitions via a 1031 exchange.

We continually evaluate alternative financing and believe that we can obtain financing on reasonable terms. However, we cannot assure you that we will have access to the capital markets at times and at terms that are acceptable to us.

Because the properties in our portfolio are generally leased to tenants under net leases, where the tenant is responsible for property operating costs and expenses, our exposure to rising property operating costs due to inflation is mitigated. Interest rates and other factors, such as occupancy, rental rate and the financial condition of our tenants, influence our performance more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. As described above, we currently offer leases that provide for payments of base rent with scheduled annual fixed increases.

Contractual Obligations

The following table provides information with respect to our commitments as of December 31, 2018. The table does not reflect available debt or operating lease extensions.

(In millions)	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years	Total
Long-term debt [1]	$ —	$ —	$ 150.0	$ 475.0	$ 625.0
Interest payments on long-term obligations [2]	23.8	47.4	49.7	24.0	144.9
Commitments under non-cancellable operating leases	0.5	0.5	—	—	1.0
Total Contractual Obligations and Commitments	$ 24.3	$ 47.9	$ 199.7	$ 499.0	$ 770.9

(1) Long-term debt includes the $400 million of term loans and $225 million of senior unsecured fixed rate notes.

(2) Interest payments computed using the all-in rate as of December 31, 2018 of 2.98% for $300 million of the term loan that is hedged and 3.68% for the $100 million of the term loan that is unhedged using the December 31, 2018 LIBOR. The payments also assume on undrawn commitment fee of 0.30% on the $250 million revolving credit facility. Interest on private placement notes is calculated at 4.68%, 4.93%, 4.63%, and 4.76% on the $50 million June 2024, $75 million June 2027, $50 million December 2026, and $50 million December 2028 senior unsecured fixed rate notes, respectively.

Off-Balance Sheet Arrangements

At December 31, 2018, we had no off-balance sheet arrangements.

Supplemental Financial Measures

The following table presents a reconciliation of GAAP net income to Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO") for the years ended December 31, 2018, 2017, and 2016.

	Year Ended December 31,		
(In thousands, except share and per share data)	2018	2017	2016
Net income	$ 82,929	$ 71,892	$ 156,850
Depreciation and amortization	22,287	21,547	20,550
Realized gain on sales of real estate	(15,271)	(10,532)	(16,623)
Provision for impairment	1,530	228	
Realized gain on exchange of real estate (1)	(228)	—	—
Deferred tax benefit from REIT election	—	—	(80,410)
Funds from Operations (FFO) (as defined by NAREIT)	91,247	83,135	80,367
Straight-line rent adjustment	(9,288)	(9,536)	(10,095)
Non-cash stock-based compensation expense	3,967	2,676	1,550
Non-cash amortization of deferred financing costs	1,834	2,144	1,592
Other non-cash interest expense (income)	29	145	(610)
Non-real estate investment depreciation	67	36	27
Amortization of above and below market leases, net	64	—	—
Adjusted Funds from Operations (AFFO)	$ 87,920	$ 78,600	$ 72,831
Fully diluted shares outstanding (2)	64,798,250	61,014,256	59,607,852
FFO per diluted share	$ 1.41	$ 1.36	$ 1.35
AFFO per diluted share	$ 1.36	$ 1.29	$ 1.22

(1) Non-cash gain recognized for GAAP purposes on the transfer of nonfinancial assets related to an excess land parcel exchange.

(2) Assumes the issuance of common shares for OP units held by non-controlling interests.

Non-GAAP Definitions

The certain non-GAAP financial measures included above management believes are helpful in understanding our business, as further described below. Our definition and calculation of non-GAAP financial measures may differ from those of other REITs and therefore may not be comparable. The non-GAAP measures should not be considered an alternative to net income as an indicator of our performance and should be considered only a supplement to net income, and to cash flows from operating, investing or financing activities as a measure of profitability and/or liquidity, computed in accordance with GAAP.

Funds From Operations ("FFO") is a supplemental measure of our performance which should be considered along with, but not as an alternative to, net income and cash provided by operating activities as a measure of operating performance and liquidity. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"). FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property and undepreciated land and impairment write-downs of depreciable real estate, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. We also omit the tax impact of non-FFO producing activities from FFO determined in accordance with the NAREIT definition.

Our management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We offer this measure because we recognize that FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our financial condition and results from operations, the utility of FFO as a measure of our performance is limited. FFO is a non-GAAP measure and should not be considered a measure of liquidity including our ability to pay dividends or make distributions. In addition, our calculations of FFO are not necessarily comparable to FFO as calculated by other REITs that do not use the same definition or implementation guidelines or interpret the standards differently from us. Investors in our securities should not rely on these measures as a substitute for any GAAP measure, including net income.

Adjusted Funds From Operations ("AFFO") is a non-GAAP measure that is used as a supplemental operating measure specifically for comparing year over year ability to fund dividend distribution from operating activities. We calculate AFFO by adding to or subtracting from FFO:

1. Transaction costs incurred in connection with the acquisition of real estate investments accounted for as business combinations
2. Non-cash stock-based compensation expense
3. Amortization of deferred financing costs
4. Other non-cash interest (income) expense
5. Non-real estate investment depreciation
6. Merger, restructuring and other related costs
7. Impairment charges on non-real estate assets
8. Amortization of capitalized leasing costs
9. Straight-line rent revenue adjustment
10. Amortization of above and below market leases, net
11. Debt extinguishment gains and losses
12. Recurring capital expenditures and tenant improvements

AFFO is not intended to represent cash flow from operations for the period, and is only intended to provide an additional measure of performance by adjusting the effect of certain items noted above included in FFO. AFFO is a widely reported measure by other REITs; however, other REITs may use different methodologies for calculating AFFO and, accordingly, our AFFO may not be comparable to other REITs.

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

We are exposed to financial market risks, especially interest rate risk. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and global economic and political conditions, and other factors which are beyond our control. Our operating results will depend heavily on the difference between the revenue from our assets and the interest expense incurred on our borrowings. We may incur additional variable rate debt in the future, including amounts that we may borrow under our revolving credit facility. We consider certain risks associated with the use of variable rate debt, including those described under "Item 1A. Risk Factors - Risks Related to Our Business - An increase in market interest rates could increase our interest costs on existing and future debt and could adversely affect our stock price, and a decrease in market interest rates could lead to additional competition for the acquisition of real estate, which could adversely affect our results of operations." The objective of our interest rate risk management policy is to match fund fixed-rate assets with fixed-rate liabilities and variable-rate assets with variable-rate liabilities. As of December 31, 2018, our assets were primarily long-term, fixed-rate leases (though most have scheduled rental increases during the terms of the leases).

As of December 31, 2018, $225 million of our total indebtedness consisted of senior unsecured fixed rated notes. The remaining $400 million of our total indebtedness consisted of three to five-year variable-rate obligations for which we have entered into swaps that effectively fix $300 million through November 2020. We intend to continue our practice of employing interest rate derivative contracts, such as interest rate swaps and futures, to reduce our exposure, on specific transactions or on a portfolio basis, to changes in cash flows as a result of interest rate changes. We do not intend to enter into derivative contracts for speculative or trading purposes. We generally intend to utilize derivative instruments to hedge interest rate risk on our liabilities and not use derivatives for other purposes, such as hedging asset-related risks. We consider certain risks associated with the use of derivative instruments, including those described under "Item 1A. Risk Factors - Risks Related to Our Business - Hedging transactions could have a negative effect on our results of operations."

Due to the fixed rate nature of $225 million of our indebtedness and the hedging transactions described above, a hypothetical one percentage point decline in interest rates would not have materially affected our consolidated financial position, results of operations or cash flows as of December 31, 2018.

Item 8. Financial Statements and Supplementary Data.

Financial Statements and Supplementary Data consist of financial statements as indexed on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosure.

Our management, with participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2018. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in Internal Control-Integrated Framework. Based on its assessment and those criteria, our management concluded that, as of December 31, 2018 our internal control over financial reporting is effective.

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this annual report on Form 10-K and, as part of their audit, has issued a report, included herein, on the effectiveness of the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2018 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Our discussion of federal income tax considerations in Exhibit 99.2 attached hereto, which is incorporated herein by reference, supersedes and replaces, in its entirety, the disclosure under the heading "United States Federal Income Tax Considerations" in Exhibit 99.1 to our Current Report on Form 8-K, filed with the SEC on October 31, 2018 (File No. 001-37538).

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The information required by Item 11 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

The information required by Item 12 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

The information required by Item 13 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) For Financial Statements, see Index to Financial Statements on page F-1.

(b) For Exhibits, see Index to Exhibits on page E-1.

Item 16. Form 10-K Summary

None.

FOUR CORNERS PROPERTY TRUST, INC.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Four Corners Property Trust, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Four Corners Property Trust, Inc. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and the financial statement schedule III - Real Estate Assets and Accumulated Depreciation (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 19, 2019 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company’s auditor since 2015

San Francisco, California

February 19, 2019

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Four Corners Property Trust, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Four Corners Property Trust, Inc.'s and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III (collectively, the consolidated financial statements), and our report dated February 19, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

/s/ KPMG LLP

San Francisco, California

February 19, 2019

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	December 31, 2018	December 31, 2017
ASSETS		
Real estate investments:		
Land	$ 569,057	$ 449,331
Buildings, equipment and improvements	1,236,224	1,115,624
Total real estate investments	1,805,281	1,564,955
Less: Accumulated depreciation	(614,584)	(598,846)
Real estate investments, net	1,190,697	966,109
Intangible real estate assets, net	18,998	3,835
Total real estate investments and intangible real estate assets, net	1,209,695	969,944
Cash and cash equivalents	92,041	64,466
Straight-line rent adjustment	30,141	21,130
Derivative assets	5,982	4,997
Other assets	5,239	8,122
Total Assets	$ 1,343,098	$ 1,068,659
LIABILITIES AND EQUITY		
Liabilities:		
Long-term debt, net of deferred financing costs	$ 615,892	$ 515,539
Dividends payable	19,580	16,843
Rent received in advance	1,609	8,295
Other liabilities	7,053	5,714
Total liabilities	644,134	546,391
Equity:		
Preferred stock, par value $0.0001 per share, 25,000,000 authorized, zero shares issued and outstanding.	—	—
Common stock, par value $0.0001 per share; 500,000,000 shares authorized, 68,204,045 and 61,329,489 shares issued and outstanding at December 31, 2018 and 2017, respectively	7	6
Additional paid-in capital	639,116	473,685
Retained earnings	46,018	36,318
Accumulated other comprehensive income	5,956	4,478
Noncontrolling interests	7,867	7,781
Total equity	698,964	522,268
Total Liabilities and Equity	$ 1,343,098	$ 1,068,659

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
Rental	$ 123,665	$ 113,937	$ 105,624
Restaurant	19,970	19,272	18,394
Total revenues	143,635	133,209	124,018
Operating expenses:			
General and administrative	13,639	12,259	10,977
Depreciation and amortization	23,884	21,811	20,577
Restaurant expenses	19,014	18,652	17,853
Interest expense	19,959	19,469	14,828
Total operating expenses	76,496	72,191	64,235
Other income, net	781	324	97
Realized gain on sale, net	15,271	10,532	16,623
Income before income tax	83,191	71,874	76,503
Income tax (expense) benefit	(262)	18	80,347
Net income	82,929	71,892	156,850
Net income attributable to noncontrolling interest	(531)	(498)	(41)
Net Income Available to Common Shareholders	$ 82,398	$ 71,394	$ 156,809
Basic net income per share:	$ 1.29	$ 1.18	2.75
Diluted net income per share:	$ 1.28	$ 1.18	2.63
Weighted average number of common shares outstanding:			
Basic	64,041,255	60,627,423	56,984,561
Diluted	64,388,929	60,695,834	59,568,067
Dividends declared per common share	$ 1.1125	$ 1.0025	$ 0.9700

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31,		
	2018	**2017**	**2016**
Net income	$ 82,929	$ 71,892	$ 156,850
Realized and unrealized gain on hedging instruments	1,022	4,297	540
Comprehensive income	83,951	76,189	157,390
Less: comprehensive income attributable to noncontrolling interest	(542)	(524)	(58)
Comprehensive Income Attributable to Common Shareholders	$ 83,409	$ 75,665	$ 157,332

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
	Shares	Amount					
Balance at December 31, 2015	42,741,995	$ 4	$ 436,697	$ 5,257	$ (316)	$ —	$ 441,642
Issuance of OP units	—	—	—	—	—	5,039	5,039
Net income	—	—	—	156,809	—	41	156,850
Realized and unrealized gain on derivative instruments	—	—	—	—	523	17	540
Earnings and profits distribution	17,085,566	2	(2)	(78,076)	—	—	(78,076)
Dividends paid and declared on common stock	—	—	—	(58,047)	—	—	(58,047)
ATM proceeds, net of issuance costs	32,513	—	640	—	—	—	640
Stock-based compensation, net	63,483	—	1,529	—	—	—	1,529
Balance at December 31, 2016	59,923,557	6	438,864	25,943	207	5,097	470,117
Issuance of OP units	—	—	—	—	—	2,620	2,620
Net income	—	—	—	71,394	—	498	71,892
Realized and unrealized gain on derivative instruments	—	—	—	—	4,271	26	4,297
Dividends and distributions paid and declared on common stock and OP units	—	—	—	(61,019)	—	(460)	(61,479)
ATM proceeds, net of issuance costs	1,347,010	—	32,145	—	—	—	32,145
Stock-based compensation, net	58,922	—	2,676	—	—	—	2,676
Balance at December 31, 2017	61,329,489	6	473,685	36,318	4,478	7,781	522,268
ASU 2017-12 Transition Adjustment	—	—	—	(467)	467	—	—
Net income	—	—		82,398	—	531	82,929
Realized and unrealized gain on derivative instruments	—	—	—	—	1,011	11	1,022
Equity offering, net of issuance costs	4,025,000	1	96,324	—			96,325
Dividends and distributions paid and declared on common stock and OP units	—	—	—	(72,231)	—	(456)	(72,687)
ATM proceeds, net of issuance costs	2,716,090	—	65,533		—	—	65,533
Stock-based compensation, net	133,466	—	3,574	—	—	—	3,574
Balance at December 31, 2018	68,204,045	$ 7	$ 639,116	$ 46,018	$ 5,956	$ 7,867	$ 698,964

The accompanying notes are an integral part of this financial statement.

FOUR CORNERS PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flows - operating activities			
Net income	$ 82,929	$ 71,892	156,850
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	22,354	21,547	20,577
Impairment of long-lived assets	1,530	228	—
Gain on disposal of land, building, and equipment	(15,271)	(10,532)	(16,623)
Gain on exchange of non-financial assets	(228)	—	—
Amortization of financing costs	1,834	2,144	1,592
Stock-based compensation expense	3,967	2,676	1,550
Deferred income taxes	—	(196)	(80,685)
Changes in assets and liabilities:			
Derivative assets and liabilities	29	145	(609)
Straight-line rent adjustment	(9,288)	(9,536)	(10,095)
Rent received in advance	(6,686)	321	34
Other assets and liabilities	(288)	220	(1,652)
Net cash provided by operating activities	80,882	78,909	70,939
Cash flows - investing activities			
Purchases of operating real estate	(268,266)	(95,112)	(83,263)
Net proceeds from sale of operating real estate	21,139	15,645	24,091
Advance deposits on acquisition of operating real estate	81	(947)	(150)
Net cash used in investing activities	(247,046)	(80,414)	(59,322)
Cash flows - financing activities			
Net proceeds from ATM equity issuance	65,533	32,145	640
Net proceeds from equity offering	96,325	—	—
Proceeds from issuance of senior notes	100,000	125,000	—
Payment of deferred financing costs	(1,481)	(5,500)	—
Proceeds from revolving credit facility	25,000	36,000	45,000
Repayment of revolving credit facility	(25,000)	(81,000)	—
Payment of dividend to shareholders	(69,494)	(58,695)	(121,604)
Distribution to non-controlling interests	(456)	(460)	—
Redemption of non-controlling interests	—	(988)	—
Repayment of debt assumed in purchase of real estate investments	—	(2,305)	(7,083)
Shares withheld for taxes upon vesting	(393)	—	—
Net cash provided by (used in) financing activities	190,034	44,197	(83,047)
Net increase (decrease) in cash and cash equivalents, including restricted cash	23,871	42,692	(71,430)
Cash and cash equivalents, including restricted cash, beginning of year	69,371	26,643	98,073
Cash and cash equivalents, including restricted cash, ending of year	$ 93,242	$ 69,371	$ 26,643
Supplemental disclosures:			
Interest paid	$ 14,180	$ 14,102	$ 13,493
Taxes paid	$ 470	$ 561	$ 2,168
Non - cash investing and financing activities:			
Dividends declared but not paid	$ 19,580	$ 16,843	$ 14,519
Debt assumed in acquisition of real estate investments	$ —	$ 2,305	$ 7,083
Change in fair value of derivative instruments	$ 993	$ 4,152	$ 1,149
Operating partner units issued in exchange for real estate investments	$ —	$ 3,609	$ 5,039

The accompanying notes are an integral part of this financial statement.

NOTE 1 – ORGANIZATION

Four Corners Property Trust, Inc. (together with its subsidiaries, "FCPT") is an independent, publicly traded, self-administered company, primarily engaged in the ownership, acquisition and leasing of restaurant properties. Substantially all of our business is conducted through Four Corners Operating Partnership, LP ("FCPT OP"), a Delaware limited partnership of which we are the initial and substantial limited partner. Our wholly owned subsidiary, Four Corners GP, LLC ("FCPT GP"), is its sole general partner.

FCPT was incorporated as a Maryland corporation on July 2, 2015 as a wholly owned indirect subsidiary of Darden Restaurants, Inc., (together with its consolidated subsidiaries "Darden"), for the purpose of owning, acquiring and leasing properties on a triple-net basis, for use in the restaurant and related food service industries. On November 9, 2015, Darden completed a spin-off of FCPT whereby Darden contributed to us 100% of the equity interest in entities that own 418 properties in which Darden operates restaurants, representing five of their brands, and six LongHorn Steakhouse® restaurants located in the San Antonio, Texas area (the "Kerrow Restaurant Operating Business") along with the underlying properties or interests therein associated with the Kerrow Restaurant Operating Business. In exchange, we issued to Darden all of our common stock and paid to Darden $315.0 million in cash. Subsequently, Darden distributed all of our outstanding shares of common stock pro-rata to holders of Darden common stock whereby each Darden shareholder received one share of our common stock for every three shares of Darden common stock held at the close of business on the record date, which was November 2, 2015, as well as cash in lieu of any fractional shares of our common stock which they would have otherwise received (the "Spin-Off").

We believe that we have been organized and have operated in conformity with the requirements for qualification and taxation as a real estate investment trust (a "REIT") for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2016, and we intend to continue to operate in a manner that will enable us to maintain our qualification as a REIT. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our adjusted taxable income to our shareholders, subject to certain adjustments and excluding any net capital gain. As a REIT, we will not be subject to federal corporate income tax on that portion of net income that is distributed to our shareholders. However, FCPT's taxable REIT subsidiaries ("TRS") will generally be subject to federal, state, and local income taxes. We made our REIT election upon the filing of our 2016 tax return.

Any references to "the Company," "we," "us," or "our," refer to FCPT as an independent, publicly traded, self-administered company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements ("the Consolidated Financial Statements") include the accounts of Four Corners Property Trust, Inc. and its consolidated subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The Consolidated Financial Statements reflect all adjustments which are, in the opinion of management, necessary to a fair presentation of the results for the interim periods presented. These adjustments are considered to be of a normal, recurring nature.

Noncontrolling Interest

Noncontrolling interest represents the aggregate limited partnership interests in FCPT OP held by third parties. In accordance with GAAP, the noncontrolling interest of FCPT OP is shown as a component of equity on our Consolidated Balance Sheets, and the portion of income allocable to third parties is shown as net income attributable to noncontrolling interests in our consolidated statements of income ("Income Statements") and consolidated statements of comprehensive income ("Comprehensive Income Statement"). T he Company follows the guidance issued by the FASB regarding the classification and measurement of redeemable securities. At FCPT OP's option, it may satisfy this redemption with cash or by exchanging non-registered shares of FCPT common stock on a one-for-one basis. Accordingly, the Company has determined that the common OP units meet the requirements to be classified as permanent equity. A reconciliation of equity attributable to noncontrolling interest is disclosed in our consolidated statement of changes in equity.

Use of Estimates

The preparation of these Consolidated Financial Statements 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 sales and expenses during the reporting period. The estimates and assumptions used in the accompanying Consolidated Financial Statements are based on management's evaluation of the relevant facts and circumstances. Actual results may differ from the estimates and assumptions used in preparing the accompanying Consolidated Financial Statements, and such differences could be material.

Real Estate Investments, Net

Real estate investments, net are recorded at cost less accumulated depreciation. Building components are depreciated over estimated useful lives ranging from seven to fifty-five years using the straight-line method. Leasehold improvements, which are reflected on our Consolidated Balance Sheets as a component of buildings, equipment, and improvements, net, are amortized over the lesser of the non-cancelable lease term or the estimated useful lives of the related assets using the straight-line method. Equipment is depreciated over estimated useful lives ranging from two to fifteen years also using the straight-line method. Real estate development and construction costs for newly constructed restaurants are capitalized in the period in which they are incurred. Gains and losses on the disposal of land, buildings and equipment are included in realized gain on sale, net in our accompanying Income Statements.

Our accounting policies regarding land, buildings, equipment, and improvements, include our judgments regarding the estimated useful lives of these assets, the residual values to which the assets are depreciated or amortized, the determination of what constitutes a reasonably assured lease term, and the determination as to what constitutes enhancing the value of or increasing the life of existing assets. These judgments and estimates may produce materially different amounts of reported depreciation and amortization expense if different assumptions were used. As discussed further below, these judgments may also impact our need to recognize an impairment charge on the carrying amount of these assets as the cash flows associated with the assets are realized, or as our expectations of estimated future cash flows change.

Acquisition of Real Estate

The Company evaluates acquisitions to determine whether transactions should be accounted for as asset acquisitions or business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2017-01. Since adoption in the fourth quarter of 2016, the Company has determined the land, building, site improvements, and in-places leases (if any) of assets acquired were each single assets as the building and property improvements are attached to the land and cannot be physically removed and used separately from the land without incurring significant costs or reducing their fair value. Additionally, the Company has not acquired a substantive process used to generate outputs. As substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset and there were no processes acquired, the acquisitions do not qualify as businesses and are accounted for as asset acquisitions. Related transaction costs are generally capitalized and amortized over the useful lives of the acquired assets.

The Company allocates the purchase price (including acquisition and closing costs) of real estate acquisitions to land, building, and improvements based on their relative fair values. The determination of the building fair value is on an 'as-if-vacant' basis. Value is allocated to acquired lease intangibles (if any) based on the costs avoided and revenue recognized by acquiring the property subject to lease and avoiding an otherwise 'dark period'. In making estimates of fair values for this purpose, the Company uses a third-party specialist that obtains various information about each property, as well as the pre-acquisition due diligence of the Company and prior leasing activities at the site.

Lease Intangibles

Lease intangibles, if any, acquired in conjunction with the purchase of real estate represent the value of in-place leases and above- or below-market leases. For real estate acquired subject to existing lease agreements, acquired lease intangibles are valued based on the Company's estimates of costs related to tenant acquisition and the asset carrying costs, including lost revenue, that would be incurred during the time it would take to locate a tenant if the property were vacant, considering current market conditions and costs to execute similar leases at the time of the acquisition. Above-market and below-market lease intangibles are recorded based on the present value of the difference between the contractual amounts to be paid pursuant to the leases at the time of acquisition of the real estate and the Company's estimate of current market lease rates for the property, measured over a period equal to the remaining initial term of the lease.

In-place lease intangibles are amortized on a straight-line basis over the remaining initial term of the related lease and included in depreciation and amortization expense. Above-market lease intangibles are amortized over the remaining initial terms of the respective leases as a decrease in rental revenue. Below-market lease intangibles are generally amortized as an increase to rental revenue over the remaining initial term of the respective leases, but may be amortized over the renewal periods if the Company believes it is likely the tenant will exercise the renewal option. Should a lease terminate early, the unamortized portion of any related lease intangible is immediately recognized as an impairment loss included in depreciation and amortization expense. To date, the Company has not had significant early terminations.

Impairment of Long-Lived Assets

Land, buildings and equipment and certain other assets, including definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. If these assets are determined to be impaired, the amount of impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined by appraisals or sales prices of comparable assets.

The judgments we make related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amounts of these assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions, changes in usage or operating performance, desirability of the restaurant sites and other factors, such as our ability to sell our assets held for sale. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, significant adverse changes in these factors could cause us to realize a material impairment loss.

Exit or disposal activities include the cost of disposing of the assets and are generally expensed as incurred. Upon disposal of the assets, any gain or loss is recorded in the same caption within our Comprehensive Income Statement as the original impairment. Provisions for impairment are included in depreciation and amortization expense.

During the years ended December 31, 2018 and 2017, we recorded impairment expense of $1.5 million and $228 thousand , respectively, due to the bankruptcy and court ordered termination of a lease by one tenant. No impairments were recorded in 2016. These amounts are included in depreciation and amortization in the accompanying Income Statements.

Real Estate Held for Sale

Real estate is classified as held for sale when the sale is probable, will be completed within one year, purchase agreements are executed, the buyer has a significant deposit at risk, and no financing contingencies exist which could prevent the transaction from being completed in a timely manner. Restaurant sites and certain other assets to be disposed of are included in assets held for sale when the likelihood of disposing of these assets within one year is probable. Assets whose disposal is not probable within one year remain in land, buildings, equipment and improvements until their disposal within one year is probable. Disposals of assets that have a major effect on our operations and financial results or that represent a strategic shift in our operating businesses meet the requirements to be reported as discontinued operations. Real estate held for sale is reported at the lower of carrying amount or fair value, less estimated costs to sell.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents can consist of cash and money market accounts. Restricted cash consists of 1031 exchange proceeds and is included in Other assets on our Consolidated Balance Sheets.

Effective January 1, 2018, the Company adopted FASB ASU No. 2016-18, “Statement of Cash Flows - Restricted Cash.” FASB No. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. This adoption did not have a material impact on our financial statements and as a result of adoption, restricted cash is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statement of Cash Flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash in our Consolidated Balance Sheets to the total amount shown in our Consolidated Statements of Cash Flows.

	December 31,		
(In thousands)	2018	2017	2016
Cash and cash equivalents	$ 92,041	$ 64,466	$ 26,643
Restricted cash (included in Other assets)	1,201	4,905	—
Total Cash, Cash Equivalents, and Restricted Cash	$ 93,242	$ 69,371	$ 26,643

Long-term Debt

Long-term debt is carried at unpaid principal balance, net of deferred financing costs. All of our long-term debt is currently unsecured and interest is paid monthly on our non-amortizing term loans and revolving credit facility and semi-annually on our senior unsecured fixed rate notes.

Deferred Financing Costs

Financing costs related to long-term debt are deferred and amortized over the remaining life of the debt using the effective interest method. These costs are presented as a direct deduction from their related liabilities on the Consolidated Balance Sheets.

See Note 6 - Long-term Debt, Net of Deferred Financing Costs for additional information.

Derivative Instruments and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments as required by FASB ASC Topic 815, Derivatives and Hedging, and those utilized as economic hedges. Our use of derivative instruments is currently limited to interest rate hedges. These instruments are generally structured as hedges of the variability of cash flows related to forecasted transactions (cash flow hedges). We do not enter into derivative instruments for trading or speculative purposes, where changes in the cash flows of the derivative are not expected to offset changes in cash flows of the hedged item. All derivatives are recognized on the balance sheet at fair value. For those derivative instruments for which we intend to elect hedge accounting, at the time the derivative contract is entered into, we document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the various hedge transactions. This process includes linking all derivatives designated as cash flow hedges to specific assets and liabilities on the Consolidated Balance Sheets or to specific forecasted transactions. We also formally assess, both at the hedge’s inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

To the extent our derivatives are effective in offsetting the variability of the hedged cash flows, and otherwise meet the cash flow hedge accounting criteria in accordance with GAAP, changes in the derivatives’ fair value are not included in current earnings but are included in accumulated other comprehensive income (loss), net of tax. These changes in fair value will be reclassified into earnings at the time of the forecasted transaction. Ineffectiveness measured in the hedging relationship is recorded in earnings in the period in which it occurs.

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities.” ASU 2017-12 is intended to simplify hedge accounting by better aligning an entity’s financial reporting for hedging relationships with its risk management activities. We adopted ASU 2017-12 in January 2018, and as a result recorded a cumulative effect adjustment of $467 thousand to retained earnings and other comprehensive income.

See Note 7 - Derivative Financial Instruments for additional information.

Other Assets and Liabilities

Other assets primarily consist of pre-acquisition costs, prepaid assets, food and beverage inventories for use by our Kerrow operating subsidiary, escrow deposits, lease origination fees, and accounts receivable. Other liabilities primarily consist of accrued compensation, accrued interest, accrued operating expenses, derivative liabilities, and deferred rent obligations on certain operating leases.

See Note 5 - Supplemental detail for certain components of Consolidated Balance Sheets

Revenue Recognition

Effective January 1, 2018, the Company adopted FASB ASU No. 2014-09, “Revenue from Contracts with Customers” using the modified retrospective method. The standard outlines a single comprehensive revenue recognition model for entities to follow in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those goods or services. Effective January 1, 2018, the Company also adopted FASB ASU No. 2017-05, “Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.” Through the evaluation and implementation process, we have determined FCPT’s key revenue stream that could be impacted by FASB ASU No. 2014-09, as amended by FASB ASU No. 2017-05, is the gain on disposition of real estate reported on the Consolidated Income Statements. We previously recognized revenue from asset sales upon satisfaction of the criteria set forth in ASC 360, usually at the time of closing (i.e., transfer of asset). After adoption of FASB No. ASU 2014-09, as amended by FASB ASU No. 2017-05, we will evaluate the transaction to determine if control of the asset, as well as other specified criteria, has been transferred to the buyer to determine proper timing of revenue recognition, as well as transaction price allocation. Adoption of this guidance did not have a material impact on our Consolidated Financial Statements or related disclosures.

Rental revenue

For those net leases that provide for periodic and determinable increases in base rent, base rental revenue is recognized on a straight-line basis over the applicable lease term when collectability is reasonably assured. Recognizing rental income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a deferred rent receivable. Lease origination fees are deferred and amortized over the related lease term as an adjustment to depreciation expense. Taxes collected from lessees and remitted to governmental authorities are presented on a net basis within rental revenue in our Income Statements and Comprehensive Income Statement.

For those leases that provide for periodic increases in base rent only if certain revenue parameters or other substantive contingencies are met, the increased rental revenue is recognized as the related parameters or contingencies are met, rather than on a straight-line basis over the applicable lease term.

We assess the collectability of our lease receivables, including deferred rent receivables. We base our assessment of the collectability of rent receivables (other than deferred rent receivables) on several factors, including payment history, the financial strength of the tenant and any guarantors, the value of the underlying collateral, if any, and current economic conditions. If our evaluation of these factors indicates it is probable that we will be unable to recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. We also base our assessment of the collectability of deferred rent receivables on several factors, including among other things, the financial strength of the tenant and any guarantors, the historical operations and operating trends of the property, the historical payment pattern of the tenant and the type of property. If our evaluation of these factors indicates it is probable that we will be unable to receive the rent payments due in the future, we provide a reserve against the recognized deferred rent receivable asset for the portion, up to its full value, that we estimate may not be recovered. If we change our assumptions or estimates regarding the collectability of future rent payments required by a lease, we may adjust our reserve or reduce the rental revenue recognized in the period we make such change in our assumptions or estimates. Refer to the Application of New Accounting Standards section below for discussion of FASB ASU 2016-02, “Leases (Topic 842)”.

Restaurant revenue

Restaurant revenue represents food, beverage, and other products sold and is presented net of the following discounts: coupons, employee meals, complimentary meals and gift cards. Revenue from restaurant sales, whether received in cash or by credit card, is recognized when food and beverage products are sold. At December 31, 2018 and 2017, credit card receivables, included in other assets, totaled $82 thousand and $90 thousand , respectively. We recognize sales from our gift cards when the gift card is redeemed by the customer. Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis within restaurant revenue on our Income Statements.

Restaurant Expenses

Restaurant expenses include restaurant labor, general and administrative expenses, and food and beverage costs. Food and beverage costs include inventory, warehousing, related purchasing and distribution costs. Vendor allowances received in connection with the purchase of a vendor's products are recognized as a reduction of the related food and beverage costs as earned.

Income Taxes

We believe that we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT commencing with our taxable year ended December 31, 2016, and we intend to continue to operate in a manner that will enable us to maintain our qualification as a REIT. So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our net income. To maintain our qualification as a REIT, we are required under the Code to distribute at least 90% of our REIT taxable income (without regard to the deduction for dividends paid and excluding net capital gains) to our shareholders and meet certain other requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax on our taxable income at regular corporate rates. Even if we qualify as a REIT, we are subject to certain state, local and franchise taxes. Under certain circumstances, U.S. federal income and excise taxes may be due on our undistributed taxable income.

The Kerrow Restaurant Operating Business is a TRS and is taxed as a C corporation.

We provide for federal and state income taxes currently payable as well as for those deferred because of temporary differences between reporting income and expenses for financial statement purposes versus tax purposes. Federal income tax credits are recorded as a reduction of income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Interest recognized on reserves for uncertain tax positions is included in interest, net in our Comprehensive Income Statement. A corresponding liability for accrued interest is included as a component of other liabilities on our Consolidated Balance Sheets. Penalties, when incurred, are recognized in general and administrative expenses.

We estimate certain components of our provision for income taxes. These estimates include, among other items, depreciation and amortization expense allowable for tax purposes, allowable tax credits for items such as taxes paid on reported employee tip income, effective rates for state and local income taxes and the valuation and tax deductibility of certain other items. We adjust our annual effective income tax rate as additional information on outcomes or events becomes available.

We base our estimates on the best available information at the time that we prepare the provision. We will generally file our annual income tax returns several months after our year end. Income tax returns are subject to audit by state and local governments, generally years after the returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws. The major jurisdictions in which we will file income tax returns are the U.S. federal jurisdiction and all states in the U.S. in which we own properties that have an income tax.

U.S. GAAP requires that a position taken or expected to be taken in a tax return be recognized (or derecognized) in the financial statements when it is more likely than not (i.e., a likelihood of more than 50 percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. We include within our current tax provision the balance of unrecognized tax benefits related to tax positio ns for which it is reasonably possible that the total amounts could change during the next 12 months based on the outcome of examinations.

See Note 8 - Income Taxes for additional information.

Earnings Per Share

Basic earnings per share ("EPS") are computed by dividing net income allocated to common shareholders by the weighted-average number of common shares outstanding for the reporting period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. No effect is shown for any securities that are anti-dilutive. Net income allocated to common shareholders represents net income less income allocated to participating securities and non-controlling interests. None of the Company's equity awards are participating securities.

See Note 9 - Equity for additional information.

Stock-Based Compensation

The Company's stock-based compensation plan provides for the grant of restricted stock awards ("RSAs"), deferred stock units ("DSUs"), performance-based awards including performance stock units ("PSUs"), dividend equivalents ("DEUs"), restricted stock units ("RSUs"), and other types of awards to eligible participants. DEUs are earned during the vesting period and received upon vesting of award. Upon forfeiture of an award, DEUs earned during the vesting period are also forfeited. We classify stock-based payment awards either as equity awards or liability awards based upon cash settlement options. Equity classified awards are measured based on the fair value on the date of grant. Liability classified awards are remeasured to fair value each reporting period. We recognize costs resulting from the Company's stock-based compensation awards on a straight-line basis over their vesting periods, which range between one and three years, less forfeitures. No compensation cost is recognized for awards for which employees do not render the requisite services.

Effective January 1, 2017, the Company adopted ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which amends how companies account for certain aspects of share-based payments to employees. The new guidance required all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also allowed an employer to repurchase more of an employee's shares than it could prior to adoption for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The Company's adoption of this guidance did not have a material impact on our Consolidated Financial Statements or related disclosures.

See Note 10 - Stock-based Compensation for additional information.

Fair Value of Financial Instruments

We use a fair value approach to value certain assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We use a fair value hierarchy, which distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than level 1 inputs that are either directly or indirectly observable; and
- Level 3 - Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Application of New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. We have completed our initial inventory and evaluation, and upon adoption, we will recognize lease obligations for the three ground leases at our Kerrow Restaurant Operating Business and our corporate office leases, with corresponding right of use assets. We estimate that the right of use assets and lease liabilities to be recognized upon adoption will represent less than 2% of consolidated total assets. We will continue to recognize lease expense for these leases, expected to be included in Restaurant expenses and General and administrative expenses, respectively, in our Income Statements.

ASU 2016-02 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In addition, the guidance requires lessors to capitalize and amortize only incremental direct leasing costs. The FASB subsequently issued an amendment that allows entities to present comparative periods, in the year of adoption, under ASC 840, which effectively allows for an initial date of adoption of January 1, 2019. The amendment also provides a practical expedient to lessors that removes the requirement to separate lease and non-lease components, provided certain conditions are met.

We believe the lease component is the predominant component, that the timing and pattern of transfer of our material non-lease components (primarily cost recovery income) are the same as the lease components. Thus the lease component, if it were accounted for separately, would be classified as an operating lease. As such, we believe the adoption of the ASU will not significantly change the accounting for rental and other revenues from operating leases where we are the lessor, and that such leases will be accounted for in a manner similar to existing standards with the underlying leased asset being reported and recognized as a real estate asset. Upon the adoption of the ASU, we will no longer capitalize and amortize certain leasing related costs and instead will expense these costs as incurred.

The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief.

NOTE 3 – CONCENTRATION OF CREDIT RISK

Our tenant base and the restaurant brands operating our properties are highly concentrated. With respect to our tenant base, Darden leases represent approximately 77% of the scheduled base rents of the properties we own. As our revenues predominately consist of rental payments, we are dependent on Darden for a significant portion of our leasing revenues. The audited and unaudited financial statements for Darden are included in its filings with the SEC, which can be found on the SEC's internet website at www.sec.gov. Reference to Darden's filings with the SEC is solely for the information of investors. We do not intend this website to be an active link or to otherwise incorporate the information contained on such website (including Darden's filings with the SEC) into this report or our other filings with the SEC.

We are also subject to concentration risk in terms of restaurant brands that occupy our properties. With 299 locations in our portfolio, Olive Garden branded restaurants comprise approximately 49% of our leased properties and approximately 58% of the revenues received under leases. Our properties, including the Kerrow Operating Business, are located in 45 states with lease revenue concentrations of 10% or greater in two states: Texas (12%) and Florida (11%).

We are exposed to credit risk with respect to cash held at various financial institutions, access to our credit facility, and amounts due or payable under our derivative contracts. At December 31, 2018, our exposure to risk related to amounts due to us on our derivative instruments totaling $6 million , and the counterparty to such instruments is an investment grade financial institution. Our credit risk exposure with regard to our cash deposits and the $250 million available capacity under the revolver portion of our credit facility is spread among a diversified group of investment grade financial institutions.

NOTE 4 – REAL ESTATE INVESTMENTS, NET AND INTANGIBLE ASSETS AND LIABILITIES, NET

Real Estate Investments

Real estate investments, net, which consist of land, buildings and improvements leased to others subject to net operating leases and those utilized in the operations of Kerrow Restaurant Operating Business is summarized as follows:

(In thousands)	December 31, 2018	December 31, 2017
Land	$ 569,057	$ 449,331
Buildings and improvements	1,099,591	977,783
Equipment	136,633	137,841
Total gross real estate investments	1,805,281	1,564,955
Less: accumulated depreciation	(614,584)	(598,846)
Real estate investments, net	$ 1,190,697	$ 966,109
Intangible real estate assets, net	18,998	3,835
Total Real Estate Investments and Intangible Real Estate Assets, Net	$ 1,209,695	$ 969,944

During the year ended December 31, 2018, the Company invested $268.3 million , including transaction costs, in 97 restaurant properties located in twenty-eight states, and allocated the investment as follows: $122.6 million to land, $130.1 million to buildings and improvements, and $15.6 million to intangible assets principally related to the value of the in-place leases acquired. There was no contingent consideration associated with these acquisitions. These properties are 100% occupied under net leases, with a weighted average remaining lease term of 13.7 years as of December 31, 2018. During the year ended December 31, 2018, the Company sold two properties with a net book value of $5.8 million for a realized gain on sale of $15.3 million .

During the year ended December 31, 2017, the Company invested $100.7 million , including debt assumed, the issuance OP units consideration and transaction costs, in 43 restaurant properties located in fifteen states, and allocated the investment as follows: $30.1 million to land, $68.0 million to buildings and improvements, and $2.6 million to intangible assets principally related to the value of the in-place leases acquired. There was no contingent consideration associated with these acquisitions. These properties were 100% occupied under net leases, with a weighted average remaining lease term of 18.1 years as of December 31, 2017. During the year ended December 31, 2017, the Company sold three properties with a net book value of $5.1 million for a realized gain on sale of $10.5 million .

Operating Leases as Lessor

The following table presents the scheduled minimum future contractual rent to be received under the remaining non-cancelable term of the operating leases. The table does not include the extension periods as they are not bargain options.

(In thousands)	December 31, 2018
2019	$ 126,001
2020	127,521
2021	128,893
2022	130,519
2023	131,997
Thereafter	1,052,378
Total Future Minimum Rentals	$ 1,697,309

Intangible Lease Assets and Liabilities, Net

The following tables detail intangible lease assets and liabilities. Intangible lease liabilities are included in Other liabilities on our Consolidated Balance Sheets. Acquired in-place lease intangibles are amortized over the remaining lease term as depreciation and amortization expense. Above-market and below-market leases are amortized over the initial term of the respective leases as an adjustment to rental revenue.

	December 31,	
(In thousands)	**2018**	**2017**
Acquired in-place lease intangibles	$ 19,079	$ 4,169
Above-market leases	1,318	—
Total	20,397	4,169
Less: accumulated amortization	(1,399)	(334)
Intangible Lease Assets, Net	$ 18,998	$ 3,835

	December 31,	
(In thousands)	**2018**	**2017**
Below-market leases	$ 610	$ —
Less: accumulated amortization	(33)	—
Intangible Lease Liabilities, Net	$ 577	$ —

The value of acquired in-place leases amortized and included in depreciation and amortization expense was $970 thousand , and $298 thousand , for the years ended December 31, 2018 , and 2017 , respectively. The value of above-market and below-market leases amortized as a net adjustment to revenue was $62 thousand for the year ended December 31, 2018 . There was no amortization for adjustments to revenue for the years ended December 31, 2017 and 2016. At December 31, 2018, the total weighted average amortization period remaining for our intangible lease assets and liabilities was 12.7 years, and the individual weighted average amortization period remaining for acquired in-place lease intangibles, above-market leases, below-market leases, and lease incentives was 12.6 years, 12.5 years, 9.4 years, and 18.6 years, respectively.

Based on the balance of intangible assets at December 31, 2018, the net aggregate amortization expense for the next five years and thereafter is expected to be as follows:

(In thousands)	**December 31, 2018**
2019	$ 2,280
2020	2,086
2021	1,865
2022	1,734
2023	1,444
Thereafter	9,012
Total Future Amortization Expense	$ 18,421

NOTE 5 – SUPPLEMENTAL DETAIL FOR CERTAIN COMPONENTS OF CONSOLIDATED BALANCE SHEETS

Other Assets

The components of Other assets were as follows:

	December 31,	
(In thousands)	2018	2017
Prepaid acquisition costs	$ 1,802	$ 1,385
Escrow deposits	1,201	4,905
Prepaid assets	815	616
Inventories	183	186
Accounts receivable	782	383
Other	456	647
Total Other Assets	$ 5,239	$ 8,122

Other Liabilities

The components of Other liabilities were as follows:

	December 31,	
(In thousands)	2018	2017
Accrued compensation	$ 1,714	$ 1,543
Accrued interest expense	1,586	1,290
Accrued operating expenses	486	488
Accounts payable	986	1,055
Deferred rent	712	663
Below-market rent liabilities, net	577	—
Other	992	675
Total Other Liabilities	$ 7,053	$ 5,714

NOTE 6 – LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS

At December 31, 2018, our long-term debt consisted of $400 million in non-amortizing term loans, no outstanding borrowings under the revolving credit facility, and $225 million of senior unsecured fixed rate notes. At December 31, 2017, our long-term debt consisted of a $400 million , non-amortizing term loan, no outstanding borrowings under the revolving credit facility and $125 million of senior unsecured fixed rate notes.

At December 31, 2018 and 2017, the net unamortized deferred financing costs were approximately $9.1 million and $9.5 million , respectively. The weighted average interest rate on the term loan before consideration of the interest rate hedges described below was 3.68% and 2.79% at December 31, 2018 and 2017, respectively.

During the years ended December 31, 2018, 2017 and 2016, amortization of deferred financing costs was $1.8 million , $2.1 million , $1.6 million , respectively. Amortization in the year ended December 31, 2017 includes a one-time charge of $424 thousand for deferred financing costs expensed as a result of the execution of the Credit Agreement in December 2017.

At both December 31, 2018, and December 31, 2017, there was no balance outstanding under the $250 million revolving credit facility nor any outstanding letters of credit.

Credit Agreement

On December 13, 2018, the Company and its subsidiary, FCPT OP, entered into Amendment No. 2 to Amended and Restated Revolving Credit and Term Loan Agreement (the “Credit Facility Amendment”) with JPMorgan Chase Bank, N.A., as administrative agent (the “Agent”), and the lenders (the “Lenders”) and other agents party thereto, which amended the existing Amended and Restated Revolving Credit and Term Loan Agreement, dated as of October 2, 2017, as amended (the “Credit Agreement”), by and among the Company, FCPT OP, the Agent, the Lenders and the other agents party thereto. Prior to the Credit Facility Amendment, $400 million aggregate principal amount outstanding under the Company's term loan facility was scheduled to mature on November 9, 2022. The Credit Facility Amendment extends the maturity date of certain of the Company's term loan facility such that $150 million , the non-extended portion of the term loan facility, will mature on November 9, 2022, $150 million will mature on November 9, 2023, and $100 million will mature on March 9, 2024. The interest rate charged on the non-extended portion of the term loan facility remained unchanged; however, as of the date of the Credit Facility Amendment, the interest rate charged on the extended portions of the term loan facility will be reduced by ten basis points from the interest rate charged prior to the Credit Facility Amendment. The aggregate principal amount of $400 million outstanding under the term loan facility prior to the Credit Facility Amendment as well as the lenders and allocation by lender remained unchanged. The revolving credit facility portion of the Credit Agreement was not amended and remained unchanged.

The following table presents the Term Loan balances as of December 31, 2018, and 2017.

(Dollars in thousands)	Maturity Date	Interest Rate		Outstanding Balance December 31, 2018	Outstanding Balance December 31, 2017
Term Loans:					
Term Loan 2022, amended and restated October 2017 & December 2018	Nov 2022	3.74%	(a)	$ 150,000	$ 400,000
Term Loan 2023, extended December 2018	Nov 2023	3.64%	(a)	150,000	—
Term Loan 2024, extended December 2018	Mar 2024	3.64%	(a)	100,000	—
Total Term Loans				$ 400,000	$ 400,000

(a) Loan is a variable-rate loan which resets monthly at one-month LIBOR + the applicable credit spread which was 1.25-1.35% at December 31, 2018.

Note Purchase Agreements

The Company has entered into note purchase agreements with institutional purchasers to provide for the private placement of four series of senior unsecured fixed rate notes aggregating to $225 million . The following table presents the senior unsecured fixed rate notes balance as of December 31, 2018, and 2017.

(Dollars in thousands)	Maturity Date	Interest Rate	Outstanding Balance December 31, 2018	Outstanding Balance December 31, 2017
Notes Payable:				
Senior unsecured fixed rate note, issued June 2017	Jun 2024	4.68%	$ 50,000	$ 50,000
Senior unsecured fixed rate note, issued June 2017	Jun 2027	4.93%	75,000	75,000
Senior unsecured fixed rate note, issued December 2018	Dec 2026	4.63%	50,000	—
Senior unsecured fixed rate note, issued December 2018	Dec 2028	4.76%	50,000	—
Total Notes			$ 225,000	$ 125,000

For the December 2018 notes, the all-in pricing represented 182 basis points and 192 basis points above the 8-year interpolated U.S. Treasury rate and the 10-year U.S. Treasury rate, respectively, at the time of pricing. For the June 2017 notes, the all-in pricing represented 235 basis points and 240 basis points above the 7-year and 10-year U.S. Treasury rates, respectively, at the time of pricing.

The Note Purchase Agreements contains customary events of default, including payment defaults, cross defaults with certain other indebtedness, breaches of covenants and bankruptcy events. In the case of an event of default, the purchasers may, among other remedies, accelerate the payment of all obligations.

The Note Purchase Agreements have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States or any other jurisdiction absent registration or an applicable exemption from the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction. FCPT OP offered and sold the Note Purchase Agreements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.

Debt Covenants

Under the terms of the Note Purchase Agreement and Credit Agreement (the “Agreements”), the Agreements have the same guarantors. The Agreements contain customary financial covenants, including a total leverage ratio, a mortgage-secured leverage ratio, a secured recourse leverage ratio, a fixed charge coverage ratio, a minimum net worth requirement, an unencumbered leverage ratio and an unencumbered interest coverage ratio status. They also contain restrictive covenants that, among other things, restrict the ability of FCPT OP, the Company and their subsidiaries to enter into transactions with affiliates, merge, consolidate, create liens or make certain restricted payments. In addition, the Agreements include provisions providing that certain of such covenants will be automatically amended in the Note Purchase Agreement to conform to certain amendments that may from time to time be implemented to corresponding covenants under the Credit Agreement. At December 31, 2018, the Company was in compliance with all debt covenants.

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in our payment of future cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash payments principally related to our borrowings.

Cash Flow Hedges of Interest Rate Risk

Our objective in using interest rate derivatives is to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded on our Consolidated Balance Sheets in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the year ended December 31, 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

We have entered into interest rate swaps to hedge the variability associated with the Credit Agreement. The following table presents the swaps held as of December 31, 2018, and 2017.

Product	Fixed Rate		Notional (in thousands)	Index	Effective Date	Maturity Date
Swap	1.16%	$	200,000	1 mo. USD-LIBOR-BBA	11/12/2015	11/9/2018
Swap	1.56%	$	200,000	1 mo. USD-LIBOR-BBA	11/12/2015	11/9/2020
Swap	1.96%	$	100,000	1 mo. USD-LIBOR-BBA	11/9/2018	11/9/2021
Swap	2.30%	$	100,000	1 mo. USD-LIBOR-BBA	11/9/2020	11/9/2023
Swap (1)	2.00%	$	100,000	1 mo. USD-LIBOR-BBA	11/9/2020	11/9/2022

(1) In November 2021, the notional amount of the swap increases to $200 million.

For the years ended December 31, 2018, 2017, and 2016, we recorded approximately $0 , $54 thousand , and $792 thousand of income, respectively, related to hedge ineffectiveness in earnings. The hedge ineffectiveness is attributable to zero-percent floor and rounding mismatches in the hedging relationships.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. We estimate that during 2019 an additional $2.5 million will be reclassified to earnings as a decrease to interest expense.

As of December 31, 2018, we had two interest rate swaps outstanding with current notionals of $300 million that were designated as cash flow hedges of interest rate risk.

Non-designated Hedges

We do not use derivatives for trading or speculative purposes. During the years ended December 31, 2018 and 2017, we did not have any derivatives that were not designated as cash flow hedges for accounting purposes.

Tabular Disclosure of Fair Values of Derivative Instruments on the Consolidated Balance Sheets

The table below presents the fair value of our derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2018 and 2017.

	Derivative Assets					Derivative Liabilities				
	Balance Sheet Location	Fair Value at December 31,				Balance Sheet Location	Fair Value at December 31,			
(Dollars in thousands)		2018		2017			2018		2017	
Derivatives designated as hedging instruments:										
Interest rate swaps	Derivative assets	$	5,982	$	4,997	Derivative liabilities	$	—	$	8
Total		$	5,982	$	4,997		$	—	$	8

Tabular Disclosure of the Effect of Derivative Instruments on the Comprehensive Income Statement

The table below presents the effect of our interest rate swaps on the Comprehensive Income Statement for the years ending December 31, 2018, 2017, and 2016.

(Dollars in thousands)	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amounts Excluded from Effectiveness Testing)	Total Amount of Interest Expense Presented in the Consolidated Income Statements
Interest rate swaps						
Year Ended December 31, 2018	$ 3,257	Interest expense	$ 2,235	Interest expense	$ —	$ 19,959
Year Ended December 31, 2017	2,942	Interest expense	(1,355)	Interest expense	54	19,469
Year Ended December 31, 2016	(3,226)	Interest expense	(3,765)	Interest expense	792	14,828

Tabular Disclosure Offsetting Derivatives

The table below presents a gross presentation, the effects of offsetting, and a net presentation of our derivatives as of December 31, 2018 and 2017. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value which provides the location that derivative assets and liabilities are presented on the Consolidated Balance Sheets.

Offsetting of Derivative Assets

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
(In thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2018	$ 5,982	$ —	$ 5,982	$ —	$ —	$ 5,982
December 31, 2017	4,997	—	4,997	(8)	—	4,989

Offsetting of Derivative Liabilities

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
(In thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Posted	Net Amount
December 31, 2018	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2017	8	—	8	(8)	—	—

Credit-risk-related Contingent Features

The agreement with our derivative counterparties provides that if we default on any of our indebtedness, including default for which repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our derivative obligations.

At December 31, 2018 and 2017, the fair value of derivatives in a net asset position related to these agreements was approximately $6.1 million and $5.0 million , respectively. As of December 31, 2018, we have not posted any collateral related to these agreements. If we or our counterparty had breached any of these provisions at December 31, 2018, we would have been entitled to the termination value of approximately $6.1 million .

NOTE 8 – INCOME TAXES

The income tax expense (benefit) was composed as follows:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Current:			
Federal	$ —	$ —	$ 29
Current state and local	262	178	317
Total current	262	178	346
Deferred:			
Federal deferred	—	(196)	(74,876)
State deferred	—	—	(5,817)
Total deferred	—	(196)	(80,693)
Total Income Tax Expense (Benefit)	$ 262	$ (18)	$ (80,347)

The following table is a reconciliation of the U.S. statutory income tax rate to the effective income tax rate included in the accompanying consolidated statements of operations:

	Year Ended December 31,		
	2018	2017	2016
U.S. statutory rate	21.0 %	34.0 %	35.0 %
Current benefit or REIT election (1)	(21.0)	(34.1)	(140.4)
State and local income taxes, net of federal tax benefits	0.7	0.1	0.5
Benefit of federal income tax credits	—	(0.5)	(0.1)
Valuation allowance	—	0.4	—
Permanent differences	—	0.1	—
Effective Income Tax Rate	0.7 %	0.0 %	(105.0)%

(1) The portion of the current benefit attributable to the REIT election in 2016 was 105.4% .

In December 2017, the Tax Cuts and Jobs Act lowered the federal corporate income tax rate to 21% effective for taxable years after December 31, 2017. Due to FCPT's REIT status, we did not recognize a significant impact to our reported results resulting from this change.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes, as well as operating loss and tax credit carryforwards. The Company evaluates the realizability of its deferred tax assets and recognizes a valuation allowance if, based on the available evidence, both positive and negative, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers, among other matters, estimates of expected future taxable income, nature of current and cumulative losses, existing and projected book/tax differences, tax planning strategies available, and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Based on an assessment of all factors, including historical losses of the Kerrow Restaurants Operating Business, it was determined that full valuation allowances were required on the net deferred tax assets as of December 31, 2018. Changes in estimates of deferred tax asset realizability are included in Income tax expense in the Income Statements.

The tax effects of temporary differences that gave rise to deferred tax assets and liabilities were as follows:

	December 31,		
(In thousands)	2018	2017	2016
Compensation and employee benefits	$ 37	$ 30	$ 67
Charitable contribution and credit carryforwards	484	366	—
Net operating losses	—	26	—
Lease payable	148	137	205
UNICAP	12	13	20
Gross deferred tax assets	681	572	292
Prepaid expenses	(24)	(23)	—
Straight-line rent	—	—	—
Buildings and equipment (1)	(284)	(273)	(488)
Gross deferred tax liabilities	(308)	(296)	(488)
Valuation allowance	(373)	(276)	—
Net Deferred Tax Assets (Liabilities)	$ —	$ —	$ (196)

(1) These buildings and equipment in 2018, 2017 and 2016 relate to the Kerrow Restaurant Operating Business.

NOTE 9 – EQUITY

Preferred Stock

At December 31, 2018, the Company was authorized to issue 25,000,000 shares of $0.0001 par value per share of preferred stock. There were no shares issued and outstanding at December 31, 2018 or December 31, 2017.

Common Stock

At December 31, 2018 the Company was authorized to issue 500,000,000 shares of $0.0001 par value per share of common stock. Each holder of common stock is entitled to vote on all matters and is entitled to one vote for each share held.

In August 2018, the Company completed a stock offering pursuant to which we sold 4,025,000 shares of our common stock, par value $0.01 per share, at a price of $25.00 per share. We raised $100.6 million in gross proceeds, resulting in net proceeds of approximately $96.3 million .

In March 2018, we declared a dividend of $0.275 per share, which was paid in April 2018 to common stockholders of record as of March 30, 2018. In June 2018, we declared a dividend of $0.275 per share, which was paid in July 2018 to common stockholders of record as of June 29, 2018. In September 2018, we declared a dividend of $0.275 per share, which was paid in October 2018 to common stockholders of record as of September 28, 2018. In November 2018 we declared a dividend of $0.2875 per share, which was payable on January 14, 2019 to common stockholders of record as of January 4, 2019.

As of December 31, 2018, there were 68,204,045 shares of the Company's common stock issued and outstanding.

Common Stock Issuance Under the At-The-Market Program

In December 2016, the Company entered into an “At-the-Market” (“ATM”) equity issuance program under which the Company may, at its discretion, issue and sell its common stock with a sales value of up to a maximum of $150.0 million through ATM offerings on the New York Stock Exchange through broker-dealers. During the year ended December 31, 2016, we sold 32,513 shares under the ATM program at a weighted-average selling price of $20.01 per share, for net proceeds of approximately $640 thousand (after issuance costs). During the year ended December 31, 2017, we sold 1,347,010 shares under the ATM program at a weighted-average selling price of $24.35 per share, for net proceeds of approximately $32.1 million (after issuance costs). During the year ended December 31, 2018, we sold 2,716,090 shares under the ATM program at a weighted-average selling price of $24.68 per share, for net proceeds of approximately $65.5 million (after issuance costs). At December 31, 2018, there was $49.5 million available for issuance under the ATM program.

Noncontrolling Interest

At December 31, 2018, there were 409,320 FCPT OP units ("OP units") outstanding held by third parties. During the year ended December 31, 2018, FCPT OP did not issue any OP units for consideration in real estate transactions. Generally, OP Units participate in net income allocations and distributions and entitle their holder the right, subject to the terms set forth in the partnership agreement, to require the Operating Partnership to redeem all or a portion of the OP Units held by such limited partner. At FCPT OP's option, it may satisfy this redemption with cash or by exchanging non-registered shares of FCPT common stock on a one-for-one basis. Prior to the redemption of units, the limited partners participate in net income allocations and distributions in a manner equivalent to the common stock holders. The redemption value of outstanding non-controlling interest OP units was $10.8 million , $10.6 million , and $5.5 million as of December 31, 2018, 2017, and 2016, respectively.

As of December 31, 2018, FCPT is the owner of approximately 99.4% of FCPT's OP units. The remaining 0.6% , or 409,320 , of FCPT's OP units are held by unaffiliated limited partners. For the year ended December 31, 2018, FCPT OP distributed $456 thousand to limited partners.

Earnings Per Share

The following table presents the computation of basic and diluted net earnings per common share for the years ended December 31, 2018, 2017, and 2016.

	Year Ended December 31,		
(In thousands except share and per share data)	**2018**	**2017**	**2016**
Average common shares outstanding – basic	64,041,255	60,627,423	56,984,561
Effect of dilutive stock based compensation	347,674	68,411	16,003
Net effect of shares issued with respect to E&P dividend	—	—	2,567,503
Average common shares outstanding – diluted	64,388,929	60,695,834	59,568,067
Net income	$ 82,929	$ 71,892	$ 156,850
Basic net earnings per share	$ 1.29	$ 1.18	$ 2.75
Diluted net earnings per share	$ 1.28	$ 1.18	$ 2.63

For the years ended December 31, 2018, 2017, and 2016, the number of outstanding equity awards that were anti-dilutive totaled 176,946 , 320,332 , and 149,943 , respectively . Exchangeable OP units have been omitted from the denominator for the purpose of computing diluted earnings per share since FCPT OP, at its option, may satisfy a redemption with cash or by exchanging non-registered shares of FCPT common stock. The we ighted average exchangeable OP units outstanding for the year ended December 31, 2018, 2017 and 2016 totaled 409,320 , 318,422 , and 39,785 , respectively.

NOTE 10 – STOCK-BASED COMPENSATION

On October 20, 2015, the Board of Directors of FCPT adopted, and FCPT's sole shareholder, Rare Hospitality International, Inc., approved, the Four Corners Property Trust, Inc. 2015 Omnibus Incentive Plan (the "Plan"). The Plan provides for the grant of awards of nonqualified stock options, stock appreciation rights, RSAs, RSUs, DSUs, unrestricted stock, dividend equivalent rights, performance shares and other performance-based awards, other equity-based awards, and cash bonus awards (each, an "Award" and collectively, the "Awards") to eligible participants. Subject to adjustment, the maximum number of shares of stock reserved for issuance under the Plan is equal to 2,100,000 shares.

At December 31, 2018, 1,619,807 shares of common stock were available for award under the Plan. The unamortized compensation cost of awards issued under the Incentive Plan totaled $3.07 million at December 31, 2018 as shown in the following table.

Equity Compensation Costs by Award Type

(In thousands)	Restricted Stock Units	Restricted Stock Awards	Performance Stock Units	Total
Unrecognized compensation cost at January 1, 2018	$ 523	$ 1,052	$ 2,302	$ 3,877
Equity grants	415	1,612	1,180	3,207
Equity grant forfeitures	—	(49)	—	(49)
Equity compensation expense	(750)	(1,346)	(1,871)	(3,967)
Unrecognized Compensation Cost at December 31, 2018	$ 188	$ 1,269	$ 1,611	$ 3,068

At December 31, 2018, the weighted average amortization period remaining for all of our equity awards was 1.4 years .

Restricted Stock Units

RSUs are granted at a value equal to the five -day average closing market price of our common stock on the date of grant and are settled in stock at the end of their vesting periods, which range between one and three years, at the then market price of our common stock.

The following table summarizes the activities related to RSUs for the years ended December 31, 2018, 2017, and 2016.

	Year Ended December 31,					
	2018		2017		2016	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	64,983	$ 23.34	65,207	$ 22.64	57,546	$ 23
Units granted	17,896	23.19	9,379	25.78	14,285	19.95
Units vested	(49,287)	23.60	(9,603)	20.96	(6,624)	23.4
Units forfeited	—	—	—	—	—	—
Outstanding at End of Period	33,592	$ 22.88	64,983	$ 23.34	65,207	$ 22.64

Expenses related to RSUs were $750 thousand , $695 thousand , and $639 thousand for the years ended December 31, 2018 2017, and 2016, respectively. Remaining unrecognized compensation cost related to RSU will be recognized over a weighted average period of less than two years. Restrictions on shares of restricted stock outstanding lapse through 2019. The Company expects all RSUs to vest.

Restricted Stock Awards

The following table summarizes the activities related to RSAs for the years ended December 31, 2018, 2017, and 2016.

	Year Ended December 31,					
	2018		2017		2016	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	81,909	$ 19.40	53,280	$ 16.55	—	$ —
Units granted	67,845	23.76	48,378	21.58	53,589	16.55
Units vested	(47,292)	$ 20.45	(19,749)	16.55	—	—
Units forfeited	(2,060)	23.87	—		(309)	16.17
Outstanding at End of Period	100,402	$ 21.76	81,909	$ 19.40	53,280	$ 16.55

Expenses related to RSAs were $1.3 million , $617 thousand , and $257 thousand for the years ended December 31, 2018, 2017, and 2016, respectively. The remaining unrecognized compensation cost will be recognized over a weighted average period of less than three years. Restrictions on shares of RSAs outstanding lapse through 2021. The Company expects all RSAs to vest.

Performance-Based Restricted Stock Awards

During the years ended December 31, 2018, 2017, and 2016, there were 68,490 , 63,538 , and 72,040 PSUs as well as dividend equivalent rights granted under the Plan, respectively. The performance period of these grants runs from January 1, 2018 through December 31, 2020, January 1, 2017 through December 31, 2019, and from January 1, 2016 through December 31, 2018, respectively. Pursuant to the performance share award agreement, each participant is eligible to vest in and receive shares of the Company's common stock based on the initial target number of shares granted multiplied by a percentage range between 0% and 200% . The percentage range is based on the attainment of a total shareholder return of the Company compared to certain specified peer groups of companies during the performance period. The fair value of the performance shares were estimated on the date of grant using a Monte Carlo Simulation model.

During the years ended December 31, 2018, 2017, and 2016, PSUs were granted at a weighted average fair value of $23.64 , $21.55 , and $16.60 per unit, respectively. During the year ended December 31, 2018, there were no target number of PSUs forfeited due to employee departures. The Company expects all PSUs to vest.

The grant date fair values of PSUs were determined through Monte-Carlo simulations using the following assumptions: our common stock closing price at the grant date, the average closing price of our common stock price for the 20 trading days prior to the grant date and a range of performance-based vesting based on estimated total stockholder return over three years from the grant date. For the 2018 PSU grant, the Company used an implied volatility assumption of 20.4% (based on historical volatility), risk free rates of 2.2% , 2.26% , and 2.33% (the three-year Treasury rates on the grant dates), and a 0% dividend yield (the mathematical equivalent to reinvesting the dividends over the three-year performance period as is consistent with the terms of the PSUs). For the 2017 PSU grant, the Company used an implied volatility assumption of 19.9% (based on historical volatility), risk free rates of 1.52% and 1.67% (the one-year Treasury rates on the grant dates), and a 0% dividend yield (the mathematical equivalent to reinvesting the dividends over the three-year performance period as is consistent with the terms of the PSUs). For the 2016 PSU grant, the Company used an implied volatility assumption of 19.3% (based on historical volatility), risk free rates of 0.54 % and 0.91% (the one-year and three-year Treasury rates on the grant date), and a 0% dividend yield (the mathematical equivalent to reinvesting the dividends over the three-year performance period as is consistent with the terms of the PSUs).

Expenses related to PSUs were $1.9 million , $1.4 million and $0.7 million for the year ended December 31, 2018, 2017, and 2016, respectively.

NOTE 11 – FAIR VALUE MEASUREMENTS

The carrying amounts of certain of the Company's financial instruments including cash equivalents, accounts receivable, accounts payable, accrued liabilities, and derivative financial instruments approximate fair value due either to length of maturity or interest rates that approximate prevailing market rates.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. We evaluate hierarchy disclosures each reporting period. The following table presents the derivative assets recorded that are reported at fair value on our Consolidated Balance Sheets on a recurring basis.

Derivative Assets and Liabilities Measured at Fair Value on a Recurring Basis

(In thousands)	Level 1	Level 2	Level 3	Total
Derivative Assets				
December 31, 2018	$ —	$ 5,982	$ —	$ 5,982
December 31, 2017	—	4,997	—	4,997
Derivative Liabilities				
December 31, 2018	$ —	$ —	$ —	$ —
December 31, 2017	—	8	—	8

Derivative Financial Instruments

Currently, we use interest rate swaps to manage our interest rate risk associated with our note payable. The valuation of these instruments is determined using widely accepted valuation techniques, including 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, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The fair values of interest rate options will be determined using the market standard methodology of discounting the future expected cash receipts that would occur if variable interest rates rise above the strike rate of the caps. The variable interest rates used in the calculation of projected receipts on the cap are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

To comply with the provisions of ASC 820, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. We have determined that the significance of the impact of the credit valuation adjustments made to our derivative contracts, which determination was based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all of our derivatives held as of December 31, 2018 were classified as Level 2 of the fair value hierarchy.

The following table presents the carrying value and fair value of certain financial liabilities that are recorded on our Consolidated Balance Sheets.

Fair Value of Certain Financial Liabilities

December 31, 2018 (In thousands)	**Carrying Value**	**Fair Value**
Liabilities		
Term loan due 2022, excluding deferred financing costs	$ 100,000	$ 100,453
Term loan due 2023, excluding deferred financing costs	150,000	150,651
Term loan due 2024, excluding deferred financing costs	150,000	151,042
Senior note due June 2024, excluding deferred financing costs	50,000	50,834
Senior note due June 2027, excluding deferred financing costs	75,000	77,471
Senior note due June 2026, excluding deferred financing costs	50,000	50,533
Senior note due June 2028, excluding deferred financing costs	50,000	50,917

December 31, 2017 (In thousands)	**Carrying Value**	**Fair Value**
Liabilities		
Term loan, excluding deferred financing costs	$ 400,000	$ 406,637
Senior note due June 2024, excluding deferred financing costs	50,000	50,043
Senior note due June 2027, excluding deferred financing costs	75,000	75,184

The fair value of the Notes payable (Level 2) is determined using the present value of the contractual cash flows, discounted at the current market cost of debt.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases as Lessee

The table below presents the annual future lease commitments under non-cancelable operating leases for each of the five years subsequent to December 31, 2018 and thereafter. The table does not reflect available operating lease extensions.

(In thousands)	**December 31, 2018**
2019	$ 550
2020	400
2021	103
2022	—
2023	—
Thereafter	—
Total Future Lease Commitments	$ 1,053

Rent expense on ground leases, under which our Kerrow subsidiary is lessee to third-party owners, was $466 thousand , $448 thousand , and $441 thousand for the years ended December 31, 2018, 2017, and 2016, respectively. Rent expense at FCPT was $250 thousand , $160 thousand , and $154 thousand for the years ended December 31, 2018, 2017, and 2016, respectively.

Litigation

We are subject to private lawsuits, administrative proceedings and claims that arise in the ordinary course of our business. A number of these lawsuits, proceedings and claims may exist at any given time. These matters typically involve claims from guests, employee wage and hour claims and others related to operational issues common to the restaurant industry. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits, proceedings or claims. While the resolution of a lawsuit, proceeding or claim may have an impact on our financial results for the period in which it is resolved, we believe that the maximum liability related to probable lawsuits, proceedings and claims in which we are currently involved, individually and in the aggregate, will not have a material adverse effect on our financial position, results of operations or liquidity.

NOTE 13 – SEGMENTS

During 2018, 2017, and 2016, we operated in two segments: real estate operations and restaurant operations. Our segments are based on our organizational and management structure, which aligns with how our results are monitored and performance is assessed. The accounting policies of the reportable segments are the same as those described in Note 2 - Summary of Significant Accounting Policies.

The following tables present financial information by segment for the years ended December 31, 2018, 2017 and 2016.

For the Year Ended December 31, 2018

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	$ 123,665	—	$ —	$ 123,665
Intercompany rental revenue	401	—	(401)	—
Restaurant revenues	—	19,970	—	19,970
Total revenues	124,066	19,970	(401)	143,635
Operating expenses:				
General and administrative	13,639	—	—	13,639
Depreciation and amortization	23,373	511	—	23,884
Restaurant expenses	—	19,415	(401)	19,014
Interest expense	19,959	—	—	19,959
Total operating expenses	56,971	19,926	(401)	76,496
Other income	781	—	—	781
Realized gain on sale, net	15,271	—	—	15,271
Income before income tax	83,147	44	—	83,191
Income tax expense	(156)	(106)	—	(262)
Net Income (Loss)	$ 82,991	$ (62)	$ —	$ 82,929

For the Year Ended December 31, 2017

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	$ 113,937	$ —	$ —	$ 113,937
Intercompany rental revenue	395	—	(395)	—
Restaurant revenues	—	19,272	—	19,272
Total revenues	114,332	19,272	(395)	133,209
Operating expenses:				
General and administrative	12,259	—	—	12,259
Depreciation and amortization	21,237	574	—	21,811
Restaurant expenses	—	19,047	(395)	18,652
Interest expense	19,469	—	—	19,469
Total operating expenses	52,965	19,621	(395)	72,191
Other income	324	—	—	324
Realized gain on sale, net	10,532	—	—	10,532
Income before income tax	72,223	(349)	—	71,874
Income tax (expense) benefit	(77)	95	—	18
Net Income (Loss)	$ 72,146	$ (254)	$ —	$ 71,892

For the Year Ended December 31, 2016

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	$ 105,624	$ —	$ —	$ 105,624
Intercompany rental revenue	389	—	(389)	—
Restaurant revenues	—	18,394	—	18,394
Total revenues	106,013	18,394	(389)	124,018
Operating expenses:				
General and administrative	10,977	—	—	10,977
Depreciation and amortization	19,933	644	—	20,577
Restaurant expenses	—	18,242	(389)	17,853
Interest expense	14,828	—	—	14,828
Total operating expenses	45,738	18,886	(389)	64,235
Other income	97	—	—	97
Realized gain on sale, net	16,623	—	—	16,623
Income before income taxes	76,995	(492)	—	76,503
Income tax benefit (expense)	80,409	(62)	—	80,347
Net Income (Loss)	$ 157,404	$ (554)	$ —	$ 156,850

The following table presents supplemental information by segment at December 31, 2018 and 2017.

December 31, 2018

(In thousands)	Real Estate Operations	Restaurant Operations	Total
Total real estate investments	$ 1,788,462	$ 16,819	$ 1,805,281
Accumulated depreciation	(607,556)	(7,028)	(614,584)
Total real estate investments, net	1,180,906	9,791	1,190,697
Cash and cash equivalents	90,690	1,351	92,041
Total assets	1,331,213	11,885	1,343,098
Long-term debt, net of deferred financing costs	615,892	—	615,892

December 31, 2017

(In thousands)	Real Estate Operations	Restaurant Operations	Total
Total real estate investments	$ 1,548,259	$ 16,696	$ 1,564,955
Accumulated depreciation	(592,293)	(6,553)	(598,846)
Total real estate investments, net	955,966	10,143	966,109
Cash and cash equivalents	63,229	1,237	64,466
Total assets	1,056,500	12,159	1,068,659
Long-term debt, net of deferred financing costs	515,539	—	515,539

NOTE 14 – SUBSEQUENT EVENTS

In the first quarter through February 19, 2019, the Company invested $18.8 million , net of transaction costs, in acquisitions of eleven restaurant properties located in four states. These properties are 100% occupied under net leases. The Company funded the acquisitions with cash on hand and 1031 like-kind exchange proceeds. The Company anticipates accounting for these acquisitions as asset acquisitions in accordance with GAAP. There were no material contingent liabilities associated with these transactions at December 31, 2018.

NOTE 15 – SELECTED QUARTERLY FINANCIAL DATA

(In thousands, except per share amounts)	January 1, 2018 - March 31, 2018	April 1, 2018 - June 30, 2018	July 1, 2018 - September 30, 2018	October 1, 2018 - December 31, 2018
Revenues:				
Rental	$ 29,589	$ 29,596	$ 31,324	$ 33,156
Restaurant	5,214	5,079	4,798	4,879
Total revenues	34,803	34,675	36,122	38,035
Operating expenses:				
General and administrative	3,653	3,188	3,208	3,590
Depreciation and amortization	5,345	5,225	5,743	7,571
Restaurant expense	4,870	4,786	4,713	4,645
Interest expense	4,855	4,877	4,934	5,293
Total expenses	18,723	18,076	18,598	21,099
Other income	342	215	147	77
Realized gain on sale, net	—	10,879	—	4,392
Income Before Income Taxes	$ 16,422	$ 27,693	$ 17,671	$ 21,405
Earnings per share:				
Basic	$ 0.27	$ 0.44	$ 0.27	$ 0.31
Diluted	0.26	0.44	0.27	0.31
Distributions declared per share	$ 0.2750	$ 0.2750	$ 0.2750	$ 0.2875

(In thousands, except per share amounts)	January 1, 2017 - March 31, 2017	April 1, 2017 - June 30, 2017	July 1, 2017 - September 30, 2017	October 1, 2017 - December 31, 2017
Revenues:				
Rental	$ 27,764	$ 28,327	$ 28,835	$ 29,011
Restaurant	4,943	4,826	4,676	4,827
Total revenues	32,707	33,153	33,511	33,838
Operating expenses:				
General and administrative	2,863	3,459	2,899	3,044
Depreciation and amortization	5,409	5,426	5,425	5,557
Restaurant expense	4,668	4,583	4,571	4,829
Interest expense	4,094	4,508	5,463	5,403
Total expenses	17,034	17,976	18,358	18,833
Other income	5	34	172	113
Realized gain on sale, net	—	3,291	4,042	3,198
Income Before Income Taxes	$ 15,678	$ 18,502	$ 19,367	$ 18,316
Earnings per share [1] :				
Basic	$ 0.26	$ 0.30	$ 0.31	$ 0.30
Diluted	0.26	0.30	0.31	0.30
Distributions declared per share	$ 0.2425	$ 0.2425	$ 0.2425	$ 0.2750

(In thousands, except per share amounts)	January 1, 2016 - March 31, 2016	April 1, 2016 - June 30, 2016	July 1, 2016 - September 30, 2016	October 1, 2016 - December 31, 2016
Revenues:				
Rental	$ 26,192	$ 26,192	$ 26,363	$ 26,877
Restaurant	4,859	4,701	4,443	4,391
Total revenues	31,051	30,893	30,806	31,268
Operating expenses:				
General and administrative	3,317	2,508	2,608	2,545
Depreciation and amortization	5,187	5,101	5,059	5,230
Restaurant expense	4,698	4,593	4,308	4,254
Interest expense	4,182	3,858	3,549	3,239
Total expenses	17,384	16,060	15,524	15,268
Other income	60	18	10	9
Realized gain on sale, net	—	—	—	16,623
Income Before Income Taxes	$ 13,727	$ 14,851	$ 15,292	$ 32,632
Earnings per share:				
Basic	$ 1.95	$ 0.25	$ 0.25	$ 0.54
Diluted	1.61	0.25	0.25	0.54
Distributions declared per share	$ 0.2425	$ 0.2425	$ 0.2425	$ 0.2425

FOUR CORNERS PROPERTY, TRUST, INC.
SCHEDULE III
SCHEDULE OF REAL EATATE ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
OG	Kissimmee, FL	$400	$710	$2	$—	$1,803	$615	$400	$2,513	$617	$3,530	$2,415	1985	8/5/1985	2 - 42
OG	Greenwood, IN	400	749	1	—	1,883	625	400	2,632	626	3,658	2,207	1985	7/15/1985	2 - 49
OG	Indianapolis, IN	333	755	15	—	1,839	541	333	2,594	556	3,483	2,013	1985	7/15/1985	2 - 49
OG	Las Vegas, NV	597	557	12	—	1,108	316	597	1,665	328	2,590	1,714	1986	3/31/1986	2 - 42
OG	Ocala, FL	470	416	11	—	2,112	383	470	2,528	394	3,392	2,027	1986	7/14/1986	2 - 48
OG	Huntsville, AL	317	719	1	—	1,092	338	317	1,811	339	2,467	1,698	1986	3/3/1986	2 - 36
OG	Granger, IN	220	650	15	—	1,309	348	220	1,959	363	2,542	2,003	1986	9/8/1986	2 - 42
OG	Toledo, OH	275	343	6	—	1,146	244	275	1,489	250	2,014	1,548	1986	9/15/1986	2 - 35
OG	Bradenton, FL	207	837	4	—	1,779	602	207	2,616	606	3,429	2,174	1986	11/3/1986	2 - 48
OG	Clearwater, FL	717	593	17	—	1,521	446	717	2,114	463	3,294	1,920	1986	12/2/1986	2 - 47
OG	Mesquite, TX	721	772	10	238	1,650	435	959	2,422	445	3,826	2,110	1987	7/20/1987	2 - 46
OG	North Richland Hills, TX	468	1,187	19	—	1,414	342	468	2,601	361	3,430	2,410	1986	12/15/1986	2 - 42
OG	Fort Worth, TX	654	626	29	—	1,273	403	654	1,899	432	2,985	1,831	1987	5/25/1987	2 - 46
OG	Indianapolis, IN	526	82	2	—	2,534	406	526	2,616	408	3,550	1,786	1987	7/20/1987	2 - 49
OG	Austin, TX	492	1,183	6	—	1,690	440	492	2,873	446	3,811	2,612	1987	1/12/1987	2 - 46
OG	Morrow, GA	446	813	10	—	1,448	423	446	2,261	433	3,140	2,224	1987	3/23/1987	2 - 42
OG	Fort Myers, FL	289	1,124	14	—	1,786	550	289	2,910	564	3,763	2,426	1987	5/25/1987	2 - 48
OG	Tulsa, OK	702	637	23	—	1,137	291	702	1,774	314	2,790	1,678	1987	6/22/1987	2 - 42
OG	Mobile, AL	698	872	31	—	1,209	479	698	2,081	510	3,289	1,925	1987	5/18/1987	2 - 42
OG	Canton, OH	275	834	8	—	829	426	275	1,663	434	2,372	1,718	1987	9/21/1987	2 - 40
OG	Bakersfield, CA	529	861	54	—	1,294	264	529	2,155	318	3,002	2,049	1987	5/25/1987	2 - 36
OG	Duluth, GA	675	906	18	351	1,247	313	1,026	2,153	331	3,510	2,043	1987	11/2/1987	2 - 42
OG	Middleburg Heights, OH	555	882	18	—	1,285	400	555	2,167	418	3,140	2,135	1988	3/7/1988	2 - 42
OG	Fairview Heights, IL	735	1,162	19	—	1,163	518	735	2,325	537	3,597	2,329	1988	5/9/1988	2 - 35
OG	Orlando, FL	—	894	6	1,585	1,792	614	1,585	2,686	620	4,891	2,610	1988	2/1/1988	2 - 42
OG	Sterling Heights, MI	855	1,158	32	—	984	403	855	2,142	435	3,432	2,236	1988	10/17/1988	2 - 37
OG	Reno, NV	—	639	29	1,215	1,581	560	1,215	2,220	589	4,024	2,387	1988	1/18/1988	2 - 35
OG	Akron, OH	577	1,048	6	—	879	281	577	1,927	287	2,791	1,779	1988	4/4/1988	2 - 40
OG	Grand Rapids, MI	—	959	14	749	753	288	749	1,712	302	2,763	1,744	1988	5/9/1988	2 - 35
OG	Montclair, CA	—	873	44	1,231	736	238	1,231	1,609	282	3,122	1,682	1988	9/5/1988	2 - 40
OG	Knoxville, TN	375	1,397	33	—	700	220	375	2,097	253	2,725	2,015	1988	3/14/1988	2 - 40
OG	Fairfield, OH	325	1,230	15	—	1,303	276	325	2,533	291	3,149	2,302	1988	3/21/1988	2 - 46
OG	Toledo, OH	—	891	38	652	726	201	652	1,617	239	2,508	1,660	1988	5/23/1988	2 - 35
OG	Lansing, IL	—	814	18	912	1,200	379	912	2,014	397	3,323	1,903	1988	6/20/1988	2 - 42

FOUR CORNERS PROPERTY, TRUST, INC.
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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
OG	Bloomington, MN	525	1,779	20	—	1,212	393	525	2,991	413	3,929	2,952	1988	6/28/1988	2 - 41
OG	Vernon Hills, IL	750	1,252	17	—	1,289	474	750	2,541	491	3,782	2,332	1988	10/24/1988	2 - 47
OG	Chattanooga, TN	604	760	19	—	937	405	604	1,697	424	2,725	1,714	1988	6/6/1988	2 - 35
OG	Flint, MI	426	1,089	14	—	882	234	426	1,971	248	2,645	1,877	1988	9/5/1988	2 - 35
OG	Plantation, FL	888	982	27	—	1,189	392	888	2,171	419	3,478	1,964	1989	5/8/1989	2 - 42
OG	Livonia, MI	—	459	25	890	2,624	331	890	3,083	356	4,329	2,910	1988	8/1/1988	2 - 37
OG	Sarasota, FL	1,136	725	24	—	1,427	570	1,136	2,152	594	3,882	2,002	1988	10/10/1988	2 - 48
OG	Saginaw, MI	828	813	22	—	787	340	828	1,600	362	2,790	1,642	1989	7/31/1989	2 - 40
OG	Irving, TX	710	647	33	—	1,603	309	710	2,250	342	3,302	1,948	1988	8/22/1988	2 - 46
OG	Brandon, FL	700	967	24	—	1,566	577	700	2,533	601	3,834	2,224	1989	3/27/1989	2 - 47
OG	Columbus, OH	740	909	38	—	1,057	232	740	1,966	270	2,976	1,792	1988	11/14/1988	2 - 40
OG	North Olmsted, OH	931	1,060	63	—	925	343	931	1,985	406	3,322	1,880	1988	12/5/1988	2 - 40
OG	York, PA	555	931	31	—	1,048	462	555	1,979	493	3,027	1,963	1989	3/6/1989	2 - 42
OG	Oklahoma City, OK	280	1,043	58	—	1,095	371	280	2,138	429	2,847	1,855	1989	1/16/1989	2 - 42
OG	West Des Moines, IA	—	377	24	1,130	2,047	338	1,130	2,424	362	3,916	2,143	1988	12/12/1988	2 - 36
OG	San Antonio, TX	400	783	17	—	1,458	449	400	2,241	466	3,107	2,096	1989	2/13/1989	2 - 41
OG	Kennesaw, GA	754	824	32	—	1,233	390	754	2,057	422	3,233	1,790	1989	5/1/1989	2 - 47
OG	Portage, MI	325	1,290	32	—	892	266	325	2,182	298	2,805	2,047	1989	7/31/1989	2 - 35
OG	West Dundee, IL	828	1,167	32	—	964	325	828	2,131	357	3,316	2,015	1989	8/28/1989	2 - 40
OG	Saint Peters, MO	697	930	134	—	1,034	292	697	1,964	426	3,087	1,871	1989	7/3/1989	2 - 35
OG	San Antonio, TX	—	720	1	677	1,330	395	677	2,050	396	3,123	1,877	1989	5/22/1989	2 - 41
OG	Corpus Christi, TX	—	713	21	880	1,463	553	880	2,176	574	3,630	2,002	1989	7/3/1989	2 - 36
OG	Houston, TX	616	746	40	—	1,228	492	616	1,974	532	3,122	1,877	1989	7/10/1989	2 - 39
OG	Beaumont, TX	608	721	33	—	1,163	375	608	1,884	408	2,900	1,790	1989	8/14/1989	2 - 40
OG	Winter Haven, FL	—	832	49	563	1,673	543	563	2,505	592	3,660	2,266	1989	8/14/1989	2 - 47
OG	Southgate, MI	476	1,138	31	—	1,103	242	476	2,241	273	2,990	2,047	1990	1/22/1990	2 - 37
OG	Champaign, IL	521	1,158	26	—	1,009	343	521	2,167	369	3,057	2,073	1989	10/30/1989	2 - 35
OG	Orlando, FL	787	998	17	—	1,877	431	787	2,875	448	4,110	2,386	1990	1/29/1990	2 - 48
OG	Fort Wayne, IN	700	1,045	23	—	927	320	700	1,972	343	3,015	1,847	1989	12/11/1989	2 - 42
OG	Fargo, ND	313	864	20	—	680	264	313	1,544	284	2,141	1,491	1989	12/11/1989	2 - 40
OG	North Little Rock, AR	—	437	94	766	1,623	293	766	2,060	387	3,213	1,930	1989	10/30/1989	2 - 42
OG	Jacksonville, FL	—	755	39	905	1,137	487	905	1,892	526	3,323	1,862	1990	4/30/1990	2 - 42
OG	Las Vegas, NV	1,085	1,191	47	—	967	310	1,085	2,158	357	3,600	2,092	1990	3/26/1990	2 - 42
OG	Victorville, CA	603	985	31	—	888	271	603	1,873	302	2,778	1,669	1990	9/10/1990	2 - 42
OG	Naples, FL	992	677	40	—	1,201	526	992	1,878	566	3,436	1,844	1990	3/26/1990	2 - 40

FOUR CORNERS PROPERTY, TRUST, INC.
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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
OG	Rochester, NY	1,104	1,113	61	—	1,102	376	1,104	2,215	437	3,756	2,056	1990	5/14/1990	2 - 36
OG	Chesapeake, VA	506	863	44	0	1,046	344	506	1,909	388	2,803	1,876	1990	3/5/1990	2 - 40
OG	Maplewood, MN	556	1,009	86	0	1,126	250	556	2,135	336	3,027	2,072	1990	4/16/1990	2 - 40
OG	Fayetteville, NC	637	856	56	0	879	461	637	1,735	517	2,889	1,751	1990	2/26/1990	2 - 35
OG	Lynnwood, WA	875	1,132	66	0	855	316	875	1,987	382	3,244	1,862	1990	8/20/1990	2 - 35
OG	Columbia, MO	602	983	53	0	1,070	327	602	2,053	380	3,035	1,893	1990	6/4/1990	2 - 42
OG	Topeka, KS	701	812	18	0	1,658	381	701	2,470	399	3,570	2,128	1990	10/22/1990	2 - 47
OG	Wichita, KS	779	802	80	0	1,022	274	779	1,824	354	2,957	1,741	1990	10/1/1990	2 - 42
OG	Antioch, TN	—	811	61	892	628	241	892	1,439	302	2,633	1,456	1990	10/15/1990	2 - 40
OG	Greenfield, WI	956	802	29	114	1,174	295	1,070	1,976	324	3,370	1,829	1990	8/13/1990	2 - 42
OG	Orange City, FL	551	727	16	0	1,163	479	551	1,890	495	2,936	1,641	1990	10/29/1990	2 - 48
OG	Terre Haute, IN	560	1,128	34	0	872	355	560	2,000	389	2,949	1,892	1990	12/3/1990	2 - 35
OG	Richmond, VA	467	1,363	93	0	966	399	467	2,329	492	3,288	2,237	1990	9/17/1990	2 - 42
OG	Columbia, SC	613	782	35	0	1,055	230	613	1,837	265	2,715	1,659	1990	12/3/1990	2 - 42
OG	Talleyville, DE	737	1,278	95	0	805	377	737	2,083	472	3,292	2,120	1991	4/22/1991	2 - 40
OG	Littleton, CO	750	859	79	0	1,324	359	750	2,183	438	3,371	2,052	1991	1/21/1991	2 - 40
OG	Miami, FL	1,059	879	89	0	1,413	549	1,059	2,292	638	3,989	2,207	1991	1/28/1991	2 - 42
OG	Roseville, MN	754	1,106	90	0	784	178	754	1,890	268	2,912	1,725	1991	3/25/1991	2 - 40
OG	Colorado Springs, CO	—	690	87	571	2,173	415	571	2,863	502	3,936	2,686	1991	1/21/1991	2 - 41
OG	Aurora, CO	803	1,169	14	0	1,368	343	803	2,537	357	3,697	2,207	1991	4/1/1991	2 - 41
OG	Boise, ID	627	839	76	0	858	386	627	1,697	462	2,786	1,682	1991	4/29/1991	2 - 42
OG	Eastpointe, MI	897	1,367	75	0	598	244	897	1,965	319	3,181	1,885	1991	3/25/1991	2 - 40
OG	Parkersburg, WV	454	1,096	60	0	723	323	454	1,819	383	2,656	1,764	1991	2/11/1991	2 - 42
OG	Clovis, CA	489	796	62	0	787	300	489	1,583	362	2,434	1,607	1991	2/18/1991	2 - 42
OG	Dallas, TX	750	776	36	70	1,001	305	820	1,777	341	2,938	1,638	1991	2/25/1991	2 - 41
OG	Houston, TX	723	960	87	0	1,234	498	723	2,194	585	3,502	2,165	1991	5/20/1991	2 - 40
OG	Columbia, MD	1,283	1,199	92	0	1,020	297	1,283	2,219	389	3,891	2,113	1991	11/4/1991	2 - 42
OG	McAllen, TX	803	857	76	0	1,160	476	803	2,017	552	3,372	1,824	1991	4/29/1991	2 - 42
OG	Jacksonville, FL	1,124	863	74	0	1,185	438	1,124	2,048	512	3,684	1,888	1991	8/12/1991	2 - 42
OG	Boardman, OH	675	993	48	0	1,208	329	675	2,201	377	3,253	2,085	1991	8/5/1991	2 - 38
OG	San Bernardino, CA	1,393	1,210	83	0	756	301	1,393	1,966	384	3,743	1,902	1992	3/9/1992	2 - 42
OG	West Melbourne, FL	983	953	22	0	1,390	578	983	2,343	600	3,926	2,075	1991	8/19/1991	2 - 47
OG	Houston, TX	627	947	68	0	1,084	435	627	2,031	503	3,161	1,967	1991	11/11/1991	2 - 40
OG	Palmdale, CA	679	1,080	109	0	1,093	315	679	2,173	424	3,276	1,943	1992	8/3/1992	2 - 39
OG	Woodbridge, VA	1,228	1,071	56	0	1,163	444	1,228	2,234	500	3,962	2,100	1992	2/3/1992	2 - 41

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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
OG	Roanoke, VA	607	714	33	0	783	350	607	1,497	383	2,487	1,421	1991	12/9/1991	2 - 42
OG	Provo, UT	702	714	128	—	805	284	702	1,519	412	2,633	1,508	1991	11/11/1991	2 - 40
OG	Omaha, NE	315	1,230	51	—	1,642	341	315	2,872	392	3,579	2,269	1991	10/28/1991	2 - 42
OG	Pittsburgh, PA	1,125	1,170	65	—	1,202	279	1,125	2,372	344	3,841	2,058	1991	12/9/1991	2 - 38
OG	Harrisburg, PA	769	837	108	—	1,117	328	769	1,954	436	3,159	1,841	1991	12/9/1991	2 - 35
OG	Pineville, NC	1,018	972	71	—	950	281	1,018	1,922	352	3,292	1,854	1992	1/27/1992	2 - 42
OG	Palm Desert, CA	607	987	100	—	617	185	607	1,604	285	2,496	1,545	1992	1/27/1992	2 - 40
OG	Elkhart, IN	381	724	145	—	683	281	381	1,407	426	2,214	1,496	1992	2/3/1992	2 - 40
OG	Lafayette, LA	555	751	69	—	997	304	555	1,748	373	2,676	1,671	1992	1/27/1992	2 - 42
OG	Little Rock, AR	335	895	105	—	749	265	335	1,644	370	2,349	1,619	1992	3/9/1992	2 - 40
OG	Cincinnati, OH	842	953	107	—	986	344	842	1,939	451	3,232	1,926	1992	3/16/1992	2 - 38
OG	Myrtle Beach, SC	520	872	51	—	845	386	520	1,717	437	2,674	1,648	1992	3/16/1992	2 - 42
OG	Louisville, KY	492	1,571	76	—	869	254	492	2,440	330	3,262	2,161	1992	6/15/1992	2 - 42
OG	Highlands Ranch, CO	813	980	49	—	1,177	380	813	2,157	429	3,399	1,911	1992	5/11/1992	2 - 41
OG	Novi, MI	866	1,629	31	—	867	296	866	2,496	327	3,689	2,246	1992	5/25/1992	2 - 42
OG	Longview, TX	505	816	90	—	1,133	290	505	1,949	380	2,834	1,690	1993	2/22/1993	2 - 45
OG	Erie, PA	1,078	1,412	91	—	1,129	408	1,078	2,541	499	4,118	2,310	1992	11/2/1992	2 - 42
OG	Greensburg, PA	579	1,272	143	—	1,026	352	579	2,298	495	3,372	1,896	1992	8/31/1992	2 - 40
OG	Roswell, GA	838	897	79	—	764	339	838	1,661	418	2,917	1,657	1992	9/14/1992	2 - 40
OG	Clarksville, TN	302	771	101	—	443	207	302	1,214	308	1,824	1,207	1992	8/3/1992	2 - 38
OG	Green Bay, WI	453	789	97	—	675	260	453	1,464	357	2,274	1,501	1992	9/14/1992	2 - 40
OG	Cincinnati, OH	917	939	62	—	1,041	360	917	1,980	422	3,319	1,829	1992	8/17/1992	2 - 38
OG	Sioux Falls, SD	247	1,325	78	—	917	217	247	2,242	295	2,784	1,953	1992	9/7/1992	2 - 40
OG	Yakima, WA	—	1,296	124	409	568	294	409	1,864	418	2,691	1,948	1993	3/22/1993	2 - 40
OG	Harlingen, TX	453	803	107	—	1,013	426	453	1,816	533	2,802	1,561	1992	10/19/1992	2 - 42
OG	Chico, CA	984	923	95	—	850	308	984	1,773	403	3,160	1,644	1992	11/9/1992	2 - 40
OG	Las Vegas, NV	1,055	1,005	108	—	849	297	1,055	1,854	405	3,314	1,834	1992	12/14/1992	2 - 42
OG	Laurel, MD	1,241	1,552	121	—	1,403	388	1,241	2,955	509	4,705	2,726	1993	1/25/1993	2 - 42
OG	Arlington, TX	782	766	70	—	795	441	782	1,561	511	2,854	1,596	1993	3/29/1993	2 - 44
OG	Racine, WI	608	1,247	140	—	914	198	608	2,161	338	3,107	1,959	1993	2/1/1993	2 - 40
OG	Mesa, AZ	551	888	97	—	803	274	551	1,691	371	2,613	1,582	1993	4/12/1993	2 - 40
OG	Fort Collins, CO	809	1,105	97	—	1,011	350	809	2,116	447	3,372	2,061	1993	2/8/1993	2 - 41
OG	Raleigh, NC	855	877	76	—	855	318	855	1,732	394	2,981	1,719	1993	3/8/1993	2 - 42
OG	Dover, DE	614	1,055	127	—	656	279	614	1,711	406	2,731	1,627	1993	4/19/1993	2 - 38

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Restaurant Property (1)	Location	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
OG	Lafayette, IN	455	875	98	—	635	221	455	1,510	319	2,284	1,526	1993	3/22/1993	2 - 40
OG	Addison, TX	1,221	1,746	79	—	1,032	374	1,221	2,778	453	4,452	2,554	1993	4/26/1993	2 - 41
OG	Appleton, WI	424	956	117	—	646	216	424	1,602	333	2,359	1,522	1993	5/17/1993	2 - 40
OG	Panama City, FL	465	957	84	—	1,082	400	465	2,039	484	2,988	1,746	1993	10/11/1993	2 - 42
OG	Texas City, TX	732	1,093	97	—	871	319	732	1,964	416	3,112	1,811	1993	7/19/1993	2 - 44
OG	Muncie, IN	454	1,003	92	—	1,065	296	454	2,068	388	2,910	1,542	1993	8/23/1993	2 - 49
OG	Kenner, LA	695	969	86	—	1,112	361	695	2,081	447	3,223	2,009	1993	7/5/1993	2 - 40
OG	Duncanville, TX	835	1,057	91	—	945	370	835	2,002	461	3,298	1,832	1993	6/28/1993	2 - 40
OG	Poughkeepsie, NY	873	1,613	108	—	823	174	873	2,436	282	3,591	1,975	1993	11/29/1993	2 - 40
OG	Billings, MT	479	1,107	89	—	775	301	479	1,882	390	2,751	1,744	1993	10/18/1993	2 - 42
OG	Rochester, NY	974	1,108	101	—	824	243	974	1,932	344	3,250	1,634	1993	11/15/1993	2 - 42
OG	Whitehall, PA	936	1,291	90	—	1,025	331	936	2,316	421	3,673	2,149	1993	11/8/1993	2 - 36
OG	Paducah, KY	452	1,083	82	—	700	288	452	1,783	370	2,605	1,647	1993	11/8/1993	2 - 40
OG	Dearborn, MI	542	1,219	59	—	713	242	542	1,932	301	2,775	1,729	1994	1/10/1994	2 - 40
OG	Bangor, ME	357	1,120	96	—	1,027	282	357	2,147	378	2,882	1,865	1993	12/13/1993	2 - 42
OG	Grand Rapids, MI	804	866	87	—	637	257	804	1,503	344	2,651	1,474	1994	1/24/1994	2 - 40
OG	Peoria, IL	668	1,204	81	—	914	323	668	2,118	404	3,190	1,857	1994	2/14/1994	2 - 42
OG	Newington, NH	915	1,051	103	—	803	355	915	1,854	458	3,227	1,755	1994	1/17/1994	2 - 42
OG	Tyler, TX	485	1,041	92	—	1,279	340	485	2,320	432	3,237	1,972	1994	1/17/1994	2 - 47
OG	Janesville, WI	370	1,069	86	—	712	287	370	1,781	373	2,524	1,560	1994	3/7/1994	2 - 40
OG	Las Vegas, NV	879	1,344	95	—	596	317	879	1,940	412	3,231	1,774	1994	3/7/1994	2 - 40
OG	Middletown, OH	424	1,044	95	—	863	318	424	1,907	413	2,744	1,793	1994	3/7/1994	2 - 42
OG	Concord, NH	469	1,284	115	—	594	194	469	1,878	309	2,656	1,636	1994	2/14/1994	2 - 38
OG	Branson, MO	1,056	1,893	69	—	785	295	1,056	2,678	364	4,098	2,271	1994	5/16/1994	2 - 40
OG	Coon Rapids, MN	514	1,248	67	—	588	245	514	1,836	312	2,662	1,661	1994	9/26/1994	2 - 40
OG	Amherst, NY	1,215	1,394	88	—	891	307	1,215	2,285	395	3,895	2,004	1994	12/12/1994	2 - 38
OG	Dallas, TX	764	1,212	55	—	811	281	764	2,023	336	3,123	1,854	1994	10/10/1994	2 - 44
OG	Asheville, NC	2,651	1,198	94	—	655	292	2,651	1,853	386	4,890	1,724	1994	10/31/1994	2 - 40
OG	Waldorf, MD	779	1,152	81	—	1,258	357	779	2,410	438	3,627	2,172	1995	5/22/1995	2 - 42
OG	Fairborn, OH	804	1,290	82	—	681	221	804	1,971	303	3,078	1,739	1995	2/20/1995	2 - 40
OG	Joplin, MO	654	1,219	102	—	662	323	654	1,881	425	2,960	1,729	1995	1/9/1995	2 - 40
OG	Middletown, NY	807	1,581	97	—	592	345	807	2,173	442	3,422	1,943	1995	1/30/1995	2 - 40
OG	Cedar Rapids, IA	510	1,148	105	—	608	311	510	1,756	416	2,682	1,642	1994	12/5/1994	2 - 40
OG	Eau Claire, WI	600	1,193	110	—	538	268	600	1,731	378	2,709	1,620	1995	1/23/1995	2 - 40
OG	Voorhees, NJ	804	1,696	101	—	600	303	804	2,296	404	3,504	2,025	1995	2/20/1995	2 - 38

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Restaurant Property (1)	Location	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
OG	Henderson, NV	1,109	1,289	74	—	826	383	1,109	2,115	457	3,681	1,973	1995	2/20/1995	2 - 42
OG	Clay, NY	782	1,705	98	—	866	356	782	2,571	454	3,807	2,092	1995	4/24/1995	2 - 42
OG	Norman, OK	596	1,246	96	—	449	172	596	1,695	268	2,559	1,499	1995	3/7/1995	2 - 38
OG	Heath, OH	599	1,353	65	—	971	331	599	2,324	396	3,319	1,945	1995	5/22/1995	2 - 46
OG	Jackson, MI	699	1,156	73	—	764	320	699	1,920	393	3,012	1,649	1995	3/20/1995	2 - 42
OG	Hampton, VA	1,074	1,061	86	—	674	225	1,074	1,735	311	3,120	1,548	1995	3/13/1995	2 - 40
OG	Tempe, AZ	703	1,131	75	—	746	353	703	1,877	428	3,008	1,812	1995	5/15/1995	2 - 40
OG	Waterloo, IA	466	891	79	—	873	331	466	1,764	410	2,640	1,524	1995	5/22/1995	2 - 42
OG	Barboursville, WV	1,139	1,062	84	—	731	203	1,139	1,793	287	3,219	1,532	1995	2/27/1995	2 - 40
OG	Peoria, AZ	551	1,294	81	—	623	242	551	1,917	323	2,791	1,693	1995	5/22/1995	2 - 38
OG	Onalaska, WI	603	1,283	102	—	339	197	603	1,622	299	2,524	1,481	1995	4/24/1995	2 - 38
OG	Grapevine, TX	752	1,026	99	—	793	404	752	1,819	503	3,074	1,802	1995	5/8/1995	2 - 40
OG	Midland, TX	400	1,340	88	—	566	314	400	1,906	402	2,708	1,683	1995	10/16/1995	2 - 40
OG	Spring, TX	780	1,329	80	—	1,289	327	780	2,618	407	3,805	2,176	1995	9/11/1995	2 - 40
OG	Colonie, NY	966	1,862	57	—	984	273	966	2,846	330	4,142	2,197	1995	11/27/1995	2 - 42
OG	Fort Smith, AR	527	893	113	—	427	187	527	1,320	300	2,147	1,172	1996	2/19/1996	2 - 38
OG	Jackson, MS	641	1,195	110	—	846	268	641	2,041	378	3,060	1,767	1996	3/25/1996	2 - 42
OG	Lancaster, OH	372	846	115	—	603	284	372	1,449	399	2,220	1,324	1996	5/6/1996	2 - 40
OG	Lima, OH	471	930	67	—	387	282	471	1,317	349	2,137	1,226	1996	5/20/1996	2 - 38
OG	Williamsburg, VA	673	1,268	31	—	743	202	673	2,011	233	2,917	1,575	1996	8/19/1996	2 - 40
OG	Dubuque, IA	518	1,103	76	—	391	221	518	1,494	297	2,309	1,127	1996	5/20/1996	2 - 38
OG	Zanesville, OH	707	1,065	25	—	673	323	707	1,738	348	2,793	1,446	1996	8/5/1996	2 - 40
OG	Frederick, MD	638	1,276	79	—	787	344	638	2,063	423	3,124	1,695	1996	10/21/1996	2 - 40
OG	Westminster, MD	595	1,741	124	—	452	204	595	2,193	328	3,116	1,671	1998	4/20/1998	2 - 38
OG	Hyannis, MA	664	2,097	90	—	665	175	664	2,762	265	3,691	2,209	1997	11/17/1997	2 - 35
OG	Wyomissing, PA	963	1,926	109	—	498	206	963	2,424	315	3,702	1,909	1998	5/11/1998	2 - 38
OG	Eugene, OR	761	1,486	91	—	356	200	761	1,842	291	2,894	1,557	1998	5/11/1998	2 - 38
OG	Savannah, GA	952	1,781	189	—	660	147	952	2,441	336	3,729	1,808	2,000	4/10/2000	2 - 35
OG	Mentor, OH	—	1,955	138	1,474	288	241	1,474	2,243	379	4,096	1,748	2,000	5/22/2000	2 - 35
OG	Douglasville, GA	1,189	1,978	144	—	406	248	1,189	2,384	392	3,965	1,869	2000	5/1/2000	2 - 35
OG	Buford, GA	1,493	1,688	179	—	542	203	1,493	2,230	382	4,105	1,704	2000	5/22/2000	2 - 35
OG	Maple Grove, MN	807	1,924	176	—	227	124	807	2,151	300	3,258	1,598	2000	5/22/2000	2 - 35
OG	Olathe, KS	796	2,121	109	—	489	256	796	2,610	365	3,771	1,878	2001	3/12/2001	2 - 36
OG	Austin, TX	1,239	2,295	154	—	168	96	1,239	2,463	250	3,952	1,667	2002	9/3/2002	2 - 37
OG	Coeur D'Alene, ID	681	1,661	131	—	278	305	681	1,939	436	3,056	1,482	2001	1/29/2001	2 - 36

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Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
OG	Frisco, TX	1,029	2,038	139	—	279	218	1,029	2,317	357	3,703	1,785	2001	6/25/2001	2 - 36
OG	Bolingbrook, IL	1,006	2,424	147	—	253	129	1,006	2,677	276	3,959	1,878	2001	7/23/2001	2 - 36
OG	Muskegon, MI	691	1,704	168	—	108	41	691	1,812	209	2,712	1,286	2001	10/8/2001	2 - 36
OG	Memphis, TN	1,142	1,790	100	—	246	171	1,142	2,036	271	3,449	1,431	2001	10/8/2001	2 - 36
OG	Kennewick, WA	763	1,980	149	—	259	158	763	2,239	307	3,309	1,642	2001	5/14/2001	2 - 36
OG	Round Rock, TX	953	2,090	149	—	335	153	953	2,425	302	3,680	1,598	2002	3/25/2002	2 - 37
OG	Killeen, TX	806	1,705	187	—	322	118	806	2,027	305	3,138	1,522	2002	8/5/2002	2 - 37
OG	Los Angeles, CA	1,701	2,558	202	—	170	70	1,701	2,728	272	4,701	1,755	2003	3/24/2003	2 - 38
OG	Omaha, NE	1,202	1,778	120	—	217	147	1,202	1,995	267	3,464	1,383	2002	10/7/2002	2 - 37
OG	Bloomington, IN	947	1,747	150	—	419	94	947	2,166	244	3,357	1,444	2002	11/18/2002	2 - 37
OG	Dayton, OH	677	1,675	172	—	210	72	677	1,885	244	2,806	1,261	2003	5/1/2003	2 - 38
OG	Fayetteville, AR	849	1,845	160	—	138	79	849	1,983	239	3,071	1,356	2002	12/11/2002	2 - 37
OG	Oklahoma City, OK	925	2,053	158	—	128	43	925	2,181	201	3,307	1,338	2005	3/14/2005	2 - 40
OG	Lithonia, GA	1,403	1,872	174	—	306	122	1,403	2,178	296	3,877	1,457	2002	11/18/2002	2 - 37
OG	Rochester, MN	829	1,889	192	—	146	140	829	2,035	332	3,196	1,431	2002	12/16/2002	2 - 37
OG	Newport News, VA	796	1,989	172	—	88	63	796	2,077	235	3,108	1,384	2003	5/5/2003	2 - 38
OG	Albuquerque, NM	771	1,716	179	—	131	104	771	1,847	283	2,901	1,249	2003	5/19/2003	2 - 38
OG	Fort Gratiot, MI	604	2,246	186	—	132	57	604	2,378	243	3,225	1,501	2003	11/17/2003	2 - 38
OG	Denton, TX	869	1,946	177	—	182	94	869	2,128	271	3,268	1,485	2003	6/9/2003	2 - 38
OG	Lynchburg, VA	771	2,304	125	—	103	54	771	2,407	179	3,357	1,431	2004	2/16/2004	2 - 39
OG	Duluth, MN	886	2,043	173	—	123	58	886	2,166	231	3,283	1,397	2003	11/10/2003	2 - 38
OG	Tucson, AZ	1,019	2,073	104	—	121	135	1,019	2,194	239	3,452	1,333	2004	9/20/2004	2 - 39
OG	Columbia, SC	1,119	2,175	161	—	110	85	1,119	2,285	246	3,650	1,373	2005	4/5/2005	2 - 40
OG	Visalia, CA	1,151	1,830	151	—	133	46	1,151	1,963	197	3,311	1,193	2004	3/15/2004	2 - 39
OG	San Antonio, TX	932	2,582	191	—	190	103	932	2,772	294	3,998	1,607	2005	6/27/2005	2 - 40
OG	Anderson, SC	903	1,841	133	—	181	111	903	2,022	244	3,169	1,334	2004	3/29/2004	2 - 39
OG	Lake Charles, LA	806	2,070	161	—	174	87	806	2,244	248	3,298	1,461	2004	4/5/2004	2 - 39
OG	Houma, LA	736	2,190	150	—	185	148	736	2,375	298	3,409	1,470	2005	2/14/2005	2 - 40
OG	Tupelo, MS	823	2,102	193	—	127	82	823	2,229	275	3,327	1,408	2005	1/31/2005	2 - 40
OG	Jackson, TN	874	1,964	151	—	175	36	874	2,139	187	3,200	1,279	2005	2/7/2005	2 - 40
OG	College Station, TX	581	2,236	173	—	42	44	581	2,278	217	3,076	1,421	2005	1/24/2005	2 - 40
OG	Newnan, GA	829	2,239	157	—	152	55	829	2,391	212	3,432	1,391	2005	5/23/2005	2 - 40

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OG	Owensboro, KY	762	2,134	173	—	70	57	762	2,204	230	3,196	1,404	2005	5/23/2005	2 - 40
OG	Mesa, AZ	598	1,844	132	—	110	129	598	1,954	261	2,813	1,193	2005	10/3/2005	2 - 40
OG	Southaven, MS	1,048	2,209	158	—	117	50	1,048	2,326	208	3,582	1,309	2005	11/21/2005	2 - 40
OG	Yuma, AZ	842	2,037	160	—	62	87	842	2,099	247	3,188	1,207	2005	12/5/2005	2 - 40
OG	Oakdale, MN	956	2,355	185	—	30	35	956	2,385	220	3,561	1,371	2005	12/5/2005	2 - 40
OG	Garland, TX	903	2,271	156	—	115	94	903	2,386	250	3,539	1,447	2005	10/31/2005	2 - 40
OG	Tarentum, PA	1,119	2,482	148	—	179	47	1,119	2,661	195	3,975	1,412	2006	2/20/2006	2 - 41
OG	Texarkana, TX	871	2,279	151	—	90	87	871	2,369	238	3,478	1,374	2006	3/27/2006	2 - 41
OG	Hot Springs, AR	797	2,415	186	—	84	73	797	2,499	259	3,555	1,315	2006	10/23/2006	2 - 41
OG	Florence, SC	—	1,817	169	1,503	119	84	1,503	1,936	253	3,692	1,156	2006	8/21/2006	2 - 41
OG	Victoria, TX	782	2,327	240	—	39	30	782	2,366	270	3,418	1,352	2007	1/15/2007	2 - 42
OG	Dothan, AL	850	2,242	131	—	62	92	850	2,304	223	3,377	1,258	2006	8/28/2006	2 - 41
OG	San Angelo, TX	360	2,020	157	—	74	104	360	2,094	261	2,715	1,240	2006	9/11/2006	2 - 41
OG	New Braunfels, TX	1,049	2,162	147	—	32	83	1,049	2,194	230	3,473	1,206	2006	9/25/2006	2 - 41
OG	Grove City, OH	1,200	2,271	140	—	63	55	1,200	2,334	195	3,729	1,262	2006	9/25/2006	2 - 41
OG	Opelika, AL	878	2,255	154	—	54	43	878	2,309	197	3,384	1,237	2006	11/13/2006	2 - 41
OG	West Wichita, KS	1,227	1,801	154	—	84	86	1,227	1,885	240	3,352	1,020	2006	11/6/2006	2 - 41
OG	Pueblo, CO	770	2,330	212	—	51	76	770	2,381	288	3,439	1,345	2007	2/5/2007	2 - 42
OG	Sioux City, IA	1,304	2,114	137	—	89	99	1,304	2,203	236	3,743	1,206	2006	12/11/2006	2 - 41
OG	Detroit, MI	1,400	2,956	234	—	81	87	1,400	3,037	321	4,758	1,499	2007	5/21/2007	2 - 42
OG	Phoenix, AZ	753	2,153	246	—	97	72	753	2,250	318	3,321	1,298	2007	4/23/2007	2 - 42
OG	Jacksonville, NC	1,174	2,287	239	—	32	81	1,174	2,319	320	3,813	1,298	2007	11/19/2007	2 - 42
OG	Columbus, OH	995	2,286	184	—	61	27	995	2,347	211	3,553	1,177	2007	12/17/2007	2 - 42
OG	Mount Juliet, TN	873	2,294	212	—	76	47	873	2,370	259	3,502	1,274	2007	10/22/2007	2 - 42
OG	Triadelphia, WV	970	2,342	225	—	58	76	970	2,400	301	3,671	1,304	2007	12/17/2007	2 - 42
OG	Reynoldsburg, OH	1,208	2,183	242	—	48	37	1,208	2,231	279	3,718	1,182	2008	4/21/2008	2 - 43
OG	Florence, KY	1,007	2,099	155	—	52	88	1,007	2,151	243	3,401	1,154	2008	8/4/2008	2 - 43
OG	Cincinnati, OH	1,072	2,170	236	—	57	43	1,072	2,227	279	3,578	1,208	2008	4/28/2008	2 - 43
OG	Bismarck, ND	1,156	2,319	263	—	31	38	1,156	2,350	301	3,807	1,216	2008	11/24/2008	2 - 43
OG	Spring Hill, TN	1,295	2,269	228	—	29	45	1,295	2,298	273	3,866	1,102	2009	2/16/2009	2 - 44
OG	San Antonio, TX	1,359	2,492	230	—	23	33	1,359	2,515	263	4,137	1,141	2009	3/30/2009	2 - 44
OG	Michigan City, IN	762	2,646	238	—	17	39	762	2,663	277	3,702	1,208	2009	7/13/2009	2 - 44
OG	Broken Arrow, OK	1,461	2,261	231	—	73	57	1,461	2,334	288	4,083	1,092	2009	5/25/2009	2 - 44
OG	Bossier City, LA	1,006	2,405	264	—	51	32	1,006	2,456	296	3,758	1,115	2009	7/27/2009	2 - 44

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OG	Jacksonville, FL	1,006	2,001	263	—	21	30	1,006	2,022	293	3,321	963	2009	10/5/2009	2 - 44
OG	Richmond, KY	1,054	1,974	236	—	14	32	1,054	1,988	268	3,310	947	2009	9/14/2009	2 - 44
OG	Ankeny, IA	704	2,218	248	—	9	17	704	2,227	265	3,196	881	2011	1/10/2011	2 - 46
OG	Kingsport, TN	1,071	1,840	282	—	11	22	1,071	1,851	304	3,226	821	2010	5/3/2010	2 - 45
OG	Las Cruces, NM	839	2,201	297	—	15	34	839	2,216	331	3,386	982	2010	5/10/2010	2 - 45
OG	Manhattan, KS	791	2,253	237	—	33	69	791	2,286	306	3,383	1,028	2010	4/26/2010	2 - 45
OG	Pleasant Prairie, WI	1,101	2,134	303	—	36	—	1,101	2,170	303	3,574	923	2010	9/27/2010	2 - 45
OG	Morehead City, NC	853	1,864	315	—	62	23	853	1,926	338	3,117	897	2010	7/19/2010	2 - 45
OG	Louisville, KY	—	2,072	266	904	12	38	904	2,084	304	3,292	932	2010	11/1/2010	2 - 45
OG	Wilson, NC	528	1,948	268	—	24	29	528	1,972	297	2,797	879	2010	10/11/2010	2 - 45
OG	Council Bluffs, IA	955	2,051	254	—	4	32	955	2,055	286	3,296	871	2010	10/25/2010	2 - 45
OG	Queen Creek, AZ	875	2,377	307	—	30	(1)	875	2,407	306	3,588	876	2011	1/10/2011	2 - 46
OG	Utica, NY	908	2,728	362	—	(470)	—	908	2,258	362	3,528	669	2013	8/12/2013	2 - 48
OG	Niagara Falls, NY	1,057	2,187	327	—	38	15	1,057	2,225	342	3,624	871	2011	9/19/2011	2 - 46
OG	Gainesville, GA	985	1,915	274	—	—	5	985	1,915	279	3,179	751	2011	6/20/2011	2 - 46
OG	Cleveland, TN	962	1,941	324	—	14	6	962	1,955	330	3,247	786	2011	11/28/2011	2 - 46
OG	Katy, TX	1,602	2,170	285	—	—	5	1,602	2,170	290	4,062	769	2012	4/9/2012	2 - 47
OG	Beckley, WV	1,013	2,105	314	—	25	1	1,013	2,130	315	3,458	689	2012	10/1/2012	2 - 47
OG	Chicago, IL	942	2,626	337	—	(484)	—	942	2,142	337	3,421	876	2012	3/26/2012	2 - 47
OG	Oklahoma City, OK	1,204	2,370	403	—	(221)	—	1,204	2,149	403	3,756	684	2013	4/29/2013	2 - 48
OG	Columbus, OH	954	2,236	324	—	4	—	954	2,240	324	3,518	641	2013	3/18/2013	2 - 48
BB	Raleigh, NC	2,507	3,230	155	—	918	314	2,507	4,148	469	7,124	3,001	1999	5/17/1999	2 - 38
BB	Duluth, GA	1,292	2,362	254	—	1,378	274	1,292	3,740	528	5,560	2,908	1999	5/24/1999	2 - 38
BB	Miami, FL	1,731	3,427	222	—	1,162	422	1,731	4,589	644	6,964	3,224	2000	4/4/2000	2 - 35
BB	Fort Myers, FL	1,914	2,863	186	—	916	398	1,914	3,779	584	6,277	2,552	2000	5/16/2000	2 - 35
BB	Pembroke Pines, FL	1,808	2,999	207	—	1,039	382	1,808	4,038	589	6,435	2,686	2000	12/18/2000	2 - 35
BB	Livonia, MI	2,105	3,856	286	—	362	138	2,105	4,218	424	6,747	2,977	2001	2/6/2001	2 - 36
BB	Sunrise, FL	1,515	3,251	138	—	450	224	1,515	3,701	362	5,578	2,249	2002	10/22/2002	2 - 37
BB	Jacksonville, FL	2,235	2,295	344	—	50	13	2,235	2,345	357	4,937	1,068	2010	3/29/2010	2 - 45
BB	Orlando, FL	1,659	2,340	356	—	324	41	1,659	2,664	397	4,720	906	2012	2/27/2012	2 - 47
S52	Naples, FL	2,912	3,619	447	—	7	37	2,912	3,626	484	7,022	1,367	2011	10/10/2011	2 - 46
S52	Jacksonville, FL	2,216	2,729	416	—	6	3	2,216	2,735	419	5,370	1,086	2011	10/24/2011	2 - 46
LH	Tucker, GA	1,407	923	10	—	339	214	1,407	1,262	224	2,893	969	1986	10/1/2007	2 - 43

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LH	Snellville, GA	1,911	925	76	—	422	147	1,911	1,347	223	3,481	1,001	1,992	10/1/2007	2 - 43
LH	Macon, GA	1,249	718	30	—	420	204	1,249	1,138	234	2,621	1,037	1992	10/1/2007	2 - 44
LH	Augusta, GA	1,631	845	46	—	300	103	1,631	1,145	149	2,925	918	1993	10/1/2007	2 - 42
LH	Ocala, FL	1,210	1,100	17	—	579	112	1,210	1,679	129	3,018	1,329	1993	10/1/2007	2 - 42
LH	Altamonte Springs, FL	1,649	974	22	—	450	135	1,649	1,424	157	3,230	949	1994	10/1/2007	2 - 44
LH	Florence, KY	—	741	52	1,191	347	165	1,191	1,088	217	2,496	809	1994	10/1/2007	2 - 47
LH	Gainesville, GA	1,537	965	19	—	348	140	1,537	1,313	159	3,009	942	1995	10/1/2007	2 - 43
LH	Peachtree City, GA	1,485	1,080	9	—	457	159	1,485	1,537	168	3,190	1,089	1995	10/1/2007	2 - 43
LH	Lawrenceville, GA	1,865	1,116	17	—	451	117	1,865	1,567	134	3,566	1,028	1996	10/1/2007	2 - 42
LH	Jensen Beach, FL	1,322	1,082	33	—	347	153	1,322	1,429	186	2,937	1,022	1996	10/1/2007	2 - 42
LH	Destin, FL	2,053	793	16	—	357	224	2,053	1,150	240	3,443	896	1996	10/1/2007	2 - 42
LH	Albany, GA	1,500	988	34	—	422	126	1,500	1,410	160	3,070	910	1997	10/1/2007	2 - 42
LH	Dublin, OH	1,572	1,205	18	—	510	259	1,572	1,715	277	3,564	1,109	1997	10/1/2007	2 - 42
LH	Columbia, SC	1,677	1,291	23	—	495	176	1,677	1,786	199	3,662	1,157	1997	10/1/2007	2 - 42
LH	Pineville, NC	1,262	879	11	—	495	195	1,262	1,374	206	2,842	864	1998	10/1/2007	2 - 44
LH	Johns Creek, GA	1,694	1,089	18	—	203	123	1,694	1,292	141	3,127	813	1998	10/1/2007	2 - 42
LH	Greensboro, NC	1,438	1,017	16	—	270	152	1,438	1,287	168	2,893	755	1999	10/1/2007	2 - 44
LH	Huntsville, AL	1,443	983	7	—	350	194	1,443	1,333	201	2,977	788	1999	10/1/2007	2 - 44
LH	Hickory, NC	1,333	1,029	7	—	313	166	1,333	1,342	173	2,848	735	1999	10/1/2007	2 - 44
LH	Tampa, FL	1,488	1,078	6	—	297	189	1,488	1,375	195	3,058	885	2000	10/1/2007	2 - 35
LH	Clarksville, TN	1,662	1,097	15	—	449	112	1,662	1,546	127	3,335	808	1999	10/1/2007	2 - 43
LH	Orlando, FL	1,165	749	21	—	264	137	1,165	1,013	158	2,336	657	2000	10/1/2007	2 - 35
LH	Concord, NH	1,329	935	7	—	359	172	1,329	1,294	179	2,802	663	2000	10/1/2007	2 - 35
LH	Orlando, FL	1,492	1,277	52	—	297	150	1,492	1,574	202	3,268	881	2000	10/1/2007	2 - 35
LH	Medina, OH	1,189	820	12	—	268	168	1,189	1,088	180	2,457	636	2000	10/1/2007	2 - 35
LH	Hoover, AL	1,401	966	17	—	350	160	1,401	1,316	177	2,894	754	2001	10/1/2007	2 - 36
LH	Boardman, OH	954	673	17	—	285	151	954	958	168	2,080	540	2001	10/1/2007	2 - 36
LH	Prattville, AL	1,481	1,016	27	—	336	134	1,481	1,352	161	2,994	761	2001	10/1/2007	2 - 36
LH	Bensalem, PA	1,645	600	17	—	346	160	1,645	946	177	2,768	535	2001	10/1/2007	2 - 36
LH	Lee's Summit, MO	1,705	1,219	34	—	285	88	1,705	1,504	122	3,331	720	2002	10/1/2007	2 - 37
LH	Germantown, MD	1,439	1,069	27	—	306	138	1,439	1,375	165	2,979	746	2002	10/1/2007	2 - 37
LH	Independence, OH	1,241	686	26	—	231	106	1,241	917	132	2,290	492	2002	10/1/2007	2 - 37
LH	Hiram, GA	1,639	1,033	25	—	374	130	1,639	1,407	155	3,201	743	2002	10/1/2007	2 - 37
LH	Louisville, KY	1,405	980	18	—	238	113	1,405	1,218	131	2,754	611	2002	10/1/2007	2 - 37

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LH	Bowie, MD	1,871	1,230	21	—	257	147	1,871	1,487	168	3,526	762	2002	10/1/2007	2 - 37
LH	Waldorf, MD	1,929	1,167	26	—	245	162	1,929	1,412	188	3,529	750	2002	10/1/2007	2 - 37
LH	West Palm Beach, FL	1,781	1,228	27	—	297	132	1,781	1,525	159	3,465	769	2002	10/1/2007	2 - 37
LH	Columbia, MD	1,918	1,439	40	—	268	161	1,918	1,707	201	3,826	856	2003	10/1/2007	2 - 38
LH	East Point, GA	1,052	1,232	21	—	291	143	1,052	1,523	164	2,739	782	2003	10/1/2007	2 - 38
LH	Lexington, KY	1,251	874	16	—	238	162	1,251	1,112	178	2,541	616	2003	10/1/2007	2 - 42
LH	Winter Haven, FL	1,285	1,149	39	—	276	124	1,285	1,425	163	2,873	733	2003	10/1/2007	2 - 38
LH	Jacksonville, FL	795	1,302	32	—	210	128	795	1,512	160	2,467	746	2003	10/1/2007	2 - 38
LH	Daphne, AL	1,130	757	30	—	308	111	1,130	1,065	141	2,336	621	2003	10/1/2007	2 - 38
LH	Anderson, SC	1,445	990	41	—	240	111	1,445	1,230	152	2,827	635	2004	10/1/2007	2 - 39
LH	Palm Harbor, FL	1,406	917	32	—	263	93	1,406	1,180	125	2,711	652	2004	10/1/2007	2 - 39
LH	West Chester, OH	1,371	927	31	—	248	79	1,371	1,175	110	2,656	626	2004	10/1/2007	2 - 39
LH	Jefferson City, MO	1,342	875	60	—	196	68	1,342	1,071	128	2,541	567	2004	10/1/2007	2 - 39
LH	Chantilly, VA	1,568	882	50	—	262	66	1,568	1,144	116	2,828	569	2004	10/1/2007	2 - 39
LH	Dawsonville, GA	1,084	1,321	51	—	188	100	1,084	1,509	151	2,744	735	2004	10/1/2007	2 - 39
LH	Opelika, AL	1,427	1,244	36	—	202	58	1,427	1,446	94	2,967	714	2004	10/1/2007	2 - 39
LH	Indianapolis, IN	1,298	854	55	—	211	51	1,298	1,065	106	2,469	565	2005	10/1/2007	2 - 40
LH	Grove City, OH	1,566	1,067	53	—	191	61	1,566	1,258	114	2,938	632	2005	10/1/2007	2 - 40
LH	Springfield, IL	1,573	1,451	65	—	182	79	1,573	1,633	144	3,350	813	2005	10/1/2007	2 - 40
LH	Covington, GA	887	1,212	70	—	45	49	887	1,257	119	2,263	617	2005	10/1/2007	2 - 40
LH	West Homestead, PA	1,418	947	79	—	33	91	1,418	980	170	2,568	529	2005	10/1/2007	2 - 40
LH	Carrollton, GA	1,192	1,227	75	—	15	49	1,192	1,242	124	2,558	627	2005	10/1/2007	2 - 40
LH	Tarentum, PA	1,414	931	91	—	84	46	1,414	1,015	137	2,566	538	2005	10/1/2007	2 - 40
LH	Commerce, GA	647	1,476	60	—	57	84	647	1,533	144	2,324	695	2006	10/1/2007	2 - 41
LH	East Ellijay, GA	1,126	1,272	70	—	21	82	1,126	1,293	152	2,571	644	2006	10/1/2007	2 - 41
LH	Acworth, GA	1,941	1,255	70	—	23	82	1,941	1,278	152	3,371	619	2006	10/1/2007	2 - 41
LH	Peoria, IL	1,299	848	81	—	143	46	1,299	991	127	2,417	544	2006	10/1/2007	2 - 41
LH	Hixson, TN	1,676	1,263	84	—	40	44	1,676	1,303	128	3,107	624	2006	10/1/2007	2 - 41
LH	Fredericksburg, VA	1,734	1,174	89	—	42	35	1,734	1,216	124	3,074	647	2006	10/1/2007	2 - 41
LH	Morgantown, WV	1,223	812	89	—	27	44	1,223	839	133	2,195	496	2006	10/1/2007	2 - 41
LH	Florence, SC	1,628	1,352	90	—	28	35	1,628	1,380	125	3,133	622	2006	10/1/2007	2 - 41
LH	Portage, IN	901	1,652	105	—	59	26	901	1,711	131	2,743	769	2006	10/1/2007	2 - 41
LH	Macon, GA	1,052	1,840	97	—	135	38	1,052	1,975	135	3,162	921	2007	10/1/2007	2 - 42

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LH	Panama City Beach, FL	1,379	1,736	99	—	47	95	1,379	1,783	194	3,356	892	2007	10/1/2007	2 - 42
LH	LaGrange, GA	979	1,527	111	—	36	52	979	1,563	163	2,705	777	2007	10/1/2007	2 - 42
LH	Calhoun, GA	765	1,760	109	—	(4)	36	765	1,756	145	2,666	833	2007	10/1/2007	2 - 42
LH	Dublin, GA	389	1,910	140	—	27	23	389	1,937	163	2,489	836	2008	1/14/2008	2 - 43
LH	Monroe, GA	966	1,549	164	—	30	13	966	1,579	177	2,722	714	2008	4/28/2008	2 - 43
LH	Denham Springs, LA	1,306	2,049	283	—	35	12	1,306	2,084	295	3,685	1,132	2008	8/25/2008	2 - 43
LH	Cornelia, GA	106	1,542	281	282	52	8	388	1,594	289	2,271	867	2008	12/1/2008	2 - 43
LH	Richmond, VA	1,442	1,758	207	—	24	9	1,442	1,782	216	3,440	851	2009	2/23/2009	2 - 44
LH	Hanover, MD	1,437	2,258	252	—	45	2	1,437	2,303	254	3,994	799	2011	5/16/2011	2 - 46
LH	Orlando, FL	1,406	1,701	253	—	23	6	1,406	1,724	259	3,389	741	2010	3/8/2010	2 - 45
LH	San Antonio, TX	907	1,504	—	—	699	777	907	2,203	777	3,887	1,348	2010	1/18/2010	2 - 40
LH	Conyers, GA	589	1,797	198	—	30	21	589	1,827	219	2,635	762	2010	8/2/2010	2 - 45
LH	San Antonio, TX	1,206	1,583	—	—	245	807	1,206	1,828	807	3,841	1,241	2010	7/5/2010	2 - 40
LH	Thomasville, GA	730	1,688	229	—	19	5	730	1,707	234	2,671	773	2010	4/19/2010	2 - 45
LH	San Antonio, TX	947	1,436	—	—	444	845	947	1,880	845	3,672	1,325	2010	5/10/2010	2 - 40
LH	Whitehall, PA	1,307	1,901	270	—	24	7	1,307	1,925	277	3,509	799	2010	12/6/2010	2 - 45
LH	Fort Smith, AR	953	1,610	252	—	23	10	953	1,633	262	2,848	719	2010	11/1/2010	2 - 45
LH	Jackson, TN	1,398	1,257	204	—	16	8	1,398	1,273	212	2,883	580	2010	7/19/2010	2 - 45
LH	San Antonio, TX	—	1,382	735	—	249	93	—	1,631	828	2,459	1,238	2010	10/11/2010	2 - 40
LH	New Braunfels, TX	—	1,330	681	—	145	100	—	1,475	781	2,256	1,102	2011	1/24/2011	2 - 40
LH	San Antonio, TX	—	278	383	—	35	2	—	313	385	698	677	2011	6/20/2011	2 - 40
LH	Kingsland, GA	849	1,564	236	—	13	5	849	1,577	241	2,667	622	2011	4/25/2011	2 - 46
LH	Jonesboro, AR	902	1,704	234	—	15	1	902	1,719	235	2,856	680	2011	4/25/2011	2 - 46
LH	McAllen, TX	1,128	1,600	284	—	13	13	1,128	1,613	297	3,038	684	2011	3/28/2011	2 - 46
LH	Council Bluffs, IA	869	1,827	236	—	31	7	869	1,858	243	2,970	706	2011	5/31/2011	2 - 46
LH	Tupelo, MS	771	1,717	236	—	13	1	771	1,730	237	2,738	607	2011	8/29/2011	2 - 46
LH	Champaign, IL	1,499	1,725	267	—	4	3	1,499	1,729	270	3,498	647	2011	10/10/2011	2 - 46
LH	Rapid City, SD	965	1,869	252	—	2	3	965	1,871	255	3,091	719	2011	10/10/2011	2 - 46
LH	West Melbourne, FL	1,144	1,858	266	—	4	3	1,144	1,862	269	3,275	683	2011	11/21/2011	2 - 46
LH	Athens, GA	970	1,744	289	—	35	13	970	1,779	302	3,051	573	2012	10/29/2012	2 - 47
LH	Flowood, MS	1,088	1,803	327	34	—	2	1,122	1,803	329	3,254	722	2012	2/6/2012	2 - 47
LH	Deptford, NJ	1,799	1,694	287	—	3	(2)	1,799	1,697	285	3,781	611	2012	3/26/2012	2 - 47
LH	McAllen, TX	1,339	1,775	319	—	3	12	1,339	1,778	331	3,448	680	2012	2/27/2012	2 - 47

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(Dollars in thousands)

		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
LH	Wilkes Barre, PA	859	2,227	278	—	6	—	859	2,233	278	3,370	514	2014	1/27/2014	2 - 49
LH	Morehead City, NC	975	1,941	340	—	2	1	975	1,943	341	3,259	607	2013	1/14/2013	2 - 48
LH	Columbus, MS	1,155	1,993	256	—	4	4	1,155	1,997	260	3,412	546	2013	2/18/2013	2 - 48
LH	Sandusky, OH	1,081	2,027	263	—	—	2	1,081	2,027	265	3,373	557	2013	4/22/2013	2 - 48
LH	Coralville, IA	953	2,135	288	—	—	(3)	953	2,135	285	3,373	594	2013	5/13/2013	2 - 48
LH	Cincinnati, OH	1,205	1,758	291	—	—	3	1,205	1,758	294	3,257	480	2013	8/26/2013	2 - 48
LH	Cleveland, TN	1,054	1,776	337	—	—	1	1,054	1,776	338	3,168	528	2013	5/13/2013	2 - 48
LH	Minot, ND	887	2,230	314	—	15	17	887	2,245	331	3,463	565	2013	9/23/2013	2 - 48
LH	Bethlehem, GA	936	1,684	286	—	—	—	936	1,684	286	2,906	411	2014	1/20/2014	2 - 49
WFG	San Antonio, TX	—	—	8	2,790	2,069	69	2,790	2,069	77	4,936	476	2008	11/14/2011	2 - 43
PH	Joliet, IL	173	890	—	—	—	—	173	890	—	1,063	53	1970	7/18/2016	5 - 45
PH	Morris, IL	248	533	—	—	—	—	248	533	—	781	51	1972	7/18/2016	5 - 40
PH	Yorkville, IL	200	581	—	—	—	—	200	581	—	781	51	1976	7/18/2016	5 - 40
PH	Lowell, IN	258	611	—	—	—	—	258	611	—	869	57	1978	7/18/2016	5 - 40
PH	Schereville, IN	243	942	—	—	—	—	243	942	—	1,185	71	1975	7/18/2016	5 - 40
PH	Portage, IN	330	1,016	—	—	—	—	330	1,016	—	1,346	83	2002	7/18/2016	5 - 40
WEN	Odessa, TX	822	1,327	—	—	—	—	822	1,327	—	2,149	104	1995	8/2/2016	10 - 45
ARB	Birch Run, MI	590	777	—	—	—	—	590	777	—	1,367	66	1991	11/9/2016	10 - 40
ARB	Brighton, MI	456	990	—	—	—	—	456	990	—	1,446	68	1987	11/9/2016	10 - 40
BK	Madisonville, KY	1,071	1,257	—	—	—	—	1,071	1,257	—	2,328	93	1986	11/9/2016	10 - 45
DEN	Amherst, OH	460	998	—	—	—	—	460	998	—	1,458	76	1971	11/9/2016	10 - 40
FAZ	Lafayette, IN	244	522	—	—	—	—	244	522	—	766	48	1996	11/9/2016	5 - 40
SNS	Peru, IL	560	813	—	—	—	—	560	813	—	1,373	74	1996	11/9/2016	5 - 40
SNS	Vero Beach, FL	435	930	—	—	—	—	435	930	—	1,365	72	1998	11/9/2016	10 - 40
WEN	Wheat Ridge, CO	453	467	—	—	—	—	453	467	—	920	47	1978	11/9/2016	5 - 40
WEN	Warren, MI	323	946	—	—	—	—	323	946	—	1,269	67	2003	11/9/2016	10 - 40
ZAX	Snellville, GA	859	1,168	—	—	—	—	859	1,168	—	2,027	75	2003	11/9/2016	10 - 45
BK	Keysville, VA	571	1,424	—	—	—	—	571	1,424	—	1,995	84	1996	10/28/2016	10 - 50
BK	Roxboro, NC	601	2,089	—	—	—	—	601	2,089	—	2,690	111	1989	10/28/2016	10 - 50
BK	Oxford, NC	449	1,892	—	—	—	—	449	1,892	—	2,341	104	1982	10/28/2016	10 - 50
BK	Huntsville, AL	460	1,549	—	—	—	—	460	1,549	—	2,009	93	2000	10/28/2016	10 - 50
BK	Amory, MS	570	2,159	—	—	—	—	570	2,159	—	2,729	103	2016	10/28/2016	14 - 54
BK	Monterey, TN	429	1,611	—	—	—	—	429	1,611	—	2,040	81	2000	12/28/2016	10 - 50
BK	Crossville, TN	397	1,873	—	—	—	—	397	1,873	—	2,270	93	1987	12/28/2016	10 - 50

FOUR CORNERS PROPERTY, TRUST, INC.
SCHEDULE III
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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
BK	Livingston, TN	481	1,354	—	—	—	—	481	1,354	—	1,835	68	2015	12/28/2016	13 - 53
BK	Mount Juliet, TN	683	1,101	—	—	—	—	683	1,101	—	1,784	92	1988	12/28/2016	7 - 40
ARB	Rocky Mount, NC	261	1,405	—	—	—	—	261	1,405	—	1,666	87	2004	9/6/2016	10 - 45
ARB	Roanoke Rapids, NC	288	1,563	—	—	—	—	288	1,563	—	1,851	103	2003	9/6/2016	10 - 45
KFC	Detroit, MI	294	916	—	—	—	—	294	916	—	1,210	59	1997	9/14/2016	5 - 43
KFC	Auburn Hills, MI	98	925	—	—	—	—	98	925	—	1,023	65	2002	9/14/2016	5 - 43
KFC	Detroit, MI	75	732	—	—	—	—	75	732	—	807	53	1984	9/14/2016	5 - 40
KFC	Detroit, MI	323	635	—	—	—	—	323	635	—	958	54	1984	9/14/2016	5 - 40
BWW	Burlington, IA	137	2,530	—	—	—	—	137	2,530	—	2,667	148	2010	9/15/2016	10 - 49
BWW	Galesburg, IL	157	2,510	—	—	—	—	157	2,510	—	2,667	158	2009	9/15/2016	10 - 46
BWW	Macomb, IL	138	2,528	—	—	—	—	138	2,528	—	2,666	151	2009	9/15/2016	10 - 48
DQ	Tulsa, OK	485	388	—	—	—	—	485	388	—	873	89	2015	10/20/2016	14 - 54
TB	Newburgh, IN	139	1,069	—	—	—	—	139	1,069	—	1,208	55	1994	11/15/2016	14 - 53
KFC	Altoona, WI	195	1,714	—	—	—	—	195	1,714	—	1,909	98	1993	11/10/2016	10 - 45
KFC	LaCrosse, WI	216	893	—	—	—	—	216	893	—	1,109	73	1979	11/10/2016	5 - 40
KFC	Rice Lake, WI	215	1,045	—	—	—	—	215	1,045	—	1,260	84	1991	11/10/2016	5 - 40
KFC	Chippewa Falls, WI	167	924	—	—	—	—	167	924	—	1,091	65	2003	11/10/2016	5 - 40
KFC	LaCrosse, WI	245	1,042	—	—	—	—	245	1,042	—	1,287	80	1972	11/10/2016	5 - 40
KFC	Stevens Point, WI	92	697	—	—	—	—	92	697	—	789	51	1984	11/10/2016	5 - 40
KFC	Wisconsin Rapids, WI	179	1,928	—	—	—	—	179	1,928	—	2,107	108	1991	11/10/2016	10 - 45
KFC	Wausau, WI	126	1,387	—	—	—	—	126	1,387	—	1,513	77	1979	11/10/2016	10 - 45
KFC	Escanaba, MI	143	1,362	—	—	—	—	143	1,362	—	1,505	81	1985	11/10/2016	10 - 43
KFC	Menominee, MI	93	862	—	—	—	—	93	862	—	955	63	1995	11/10/2016	10 - 40
KFC	Goshen, IN	95	1,041	—	—	—	—	95	1,041	—	1,136	74	1976	11/10/2016	5 - 40
KFC	South Bend, IN	141	868	—	—	—	—	141	868	—	1,009	72	1970	11/10/2016	5 - 40
KFC	South Bend, IN	155	774	—	—	—	—	155	774	—	929	68	1973	11/10/2016	5 - 40
KFC	Mishawaka, IN	72	1,510	—	—	—	—	72	1,510	—	1,582	80	1978	11/10/2016	10 - 45
KFC	Kokomo, IN	118	1,093	—	—	—	—	118	1,093	—	1,211	71	1994	11/10/2016	10 - 40
KFC	Kokomo, IN	141	1,798	—	—	—	—	141	1,798	—	1,939	101	1994	11/10/2016	10 - 45
ARB	South Hill, VA	538	1,283	—	—	—	—	538	1,283	—	1,821	75	2002	11/3/2016	10 - 50
ARB	Wake Forest, NC	805	1,344	—	—	—	—	805	1,344	—	2,149	96	2005	11/3/2016	9 - 49
HAR	Gadsden, AL	464	1,064	—	—	—	—	464	1,064	—	1,528	80	1985	12/15/2016	10 - 40
HAR	Baxley, GA	644	1,258	—	—	—	—	644	1,258	—	1,902	102	1983	12/15/2016	10 - 40
HAR	Vidalia, GA	364	1,232	—	—	—	—	364	1,232	—	1,596	65	2007	12/15/2016	10 - 50

FOUR CORNERS PROPERTY, TRUST, INC.
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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
HAR	Hazlehurst, GA	461	1,516	—	—	—	—	461	1,516	—	1,977	78	2013	12/15/2016	12 - 52
TB	Columbia, SC	1,161	1,086	—	—	—	—	1,161	1,086	—	2,247	74	2009	1/13/2017	12 - 50
MCA	Andrews, TX	283	1,772	—	—	—	—	283	1,772	—	2,055	77	2014	1/27/2017	14 - 54
MCA	San Angelo, TX	248	1,913	—	—	—	—	248	1,913	—	2,161	78	2014	1/27/2017	14 - 54
MCA	Shavano Park, TX	486	1,915	—	—	—	—	486	1,915	—	2,401	92	2014	2/16/2017	14 - 54
MCA	New Braunfels, TX	472	1,932	—	—	—	—	472	1,932	—	2,404	87	2017	3/16/2017	14 - 54
BK	Herkimer, NY	308	1,460	—	—	—	—	308	1,460	—	1,768	63	2002	1/12/2017	13 - 53
BK	Chattanooga, TN	485	894	—	—	—	—	485	894	—	1,379	54	1998	1/12/2017	10 - 45
SNS	Indianapolis, IN	571	1,050	—	—	—	—	571	1,050	—	1,621	70	1989	1/12/2017	10 -40
TB	Anniston, AL	200	611	—	—	—	—	200	611	—	811	38	2000	1/12/2017	8 - 48
BE	Dover, DE	591	1,713	—	—	—	—	591	1,713	—	2,304	81	1993	4/28/2017	10 - 50
BE	Indianapolis, IN	603	1,701	—	—	—	—	603	1,701	—	2,304	77	1991	4/28/2017	10 - 50
BE	Bowie, MD	506	1,940	—	—	—	—	506	1,940	—	2,446	90	1995	4/28/2017	10 - 50
BE	Catonsville, MD	170	1,091	—	—	—	—	170	1,091	—	1,261	55	2003	4/28/2017	10 - 50
BE	Midland, MI	1,060	1,567	—	—	—	—	1,060	1,567	—	2,627	73	1998	4/28/2017	10 - 50
BE	Niagara Falls, NY	304	1,892	—	—	—	—	304	1,892	—	2,196	88	1992	4/28/2017	10 - 50
BE	Independence, OH	1,161	1,847	—	—	—	—	1,161	1,847	—	3,008	80	1994	4/28/2017	11 - 51
BE	Centerville, OH	947	1,209	—	—	—	—	947	1,209	—	2,156	66	1997	4/28/2017	7 - 45
BE	Blacklick, OH	1,178	1,269	—	—	—	—	1,178	1,269	—	2,447	77	1999	4/28/2017	7 - 45
BE	Celina, OH	944	1,431	—	—	—	—	944	1,431	—	2,375	69	2005	4/28/2017	9 - 49
BE	Canton, OH	755	1,441	—	—	—	—	755	1,441	—	2,196	63	2005	4/28/2017	10 - 50
BE	Kent, OH	814	1,215	—	—	—	—	814	1,215	—	2,029	56	1994	4/28/2017	10 - 50
BE	Waynesburg, PA	389	1,758	—	—	—	—	389	1,758	—	2,147	89	2006	4/28/2017	10 - 50
BE	Fredericksburg, VA	218	1,068	—	—	—	—	218	1,068	—	1,286	56	2006	4/28/2017	7 - 45
BE	Kanawha City, WV	405	1,899	—	—	—	—	405	1,899	—	2,304	85	2000	4/28/2017	10 - 50
BE	Lima, OH	1,382	1,461	—	—	—	—	1,382	1,461	—	2,843	75	1988	4/28/2017	9 - 49
BK	Salem, IN	534	1,608	—	—	—	—	534	1,608	—	2,142	58	2016	6/30/2017	14 - 54
BK	Tupelo, MS	772	1,765	—	—	—	—	772	1,765	—	2,537	62	2016	6/30/2017	14 - 54
BK	Booneville, MS	448	1,253	—	—	—	—	448	1,253	—	1,701	46	2016	6/30/2017	14 - 54
BK	Tupelo, MS	953	1,418	—	—	—	—	953	1,418	—	2,371	61	1998	6/30/2017	10 - 50
BK	Memphis, TN	739	1,708	—	—	—	—	739	1,708	—	2,447	57	1996	6/30/2017	15 - 55
BK	Columbus, MS	922	1,633	—	—	—	—	922	1,633	—	2,555	65	2000	6/30/2017	12 - 52
BK	Tupelo, MS	826	1,774	—	—	—	—	826	1,774	—	2,600	68	1998	6/30/2017	10 - 50
TB	Gas City, IN	503	951	—	—	—	—	503	951	—	1,454	57	1999	7/26/2017	5 - 40

FOUR CORNERS PROPERTY, TRUST, INC.
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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
TB	Logansport, IN	447	1,261	—	—	—	—	447	1,261	—	1,708	40	1990	7/26/2017	10 - 50
DT/MP	New Baltimore, MI	435	2,351	—	—	—	—	435	2,351	—	2,786	68	2016	9/15/2017	14 - 54
RL	Canton, GA	761	2,323	—	—	—	—	761	2,323	—	3,084	70	1999	11/2/2017	10 - 50
RL	Grandville, MI	1,119	2,462	—	—	—	—	1,119	2,462	—	3,581	83	2001	11/2/2017	10 - 50
RL	Cincinnati, OH	1,394	2,348	—	—	—	—	1,394	2,348	—	3,742	82	1975	11/2/2017	10 - 45
RL	Toledo, OH	1,355	2,514	—	—	—	—	1,355	2,514	—	3,869	86	1974	11/2/2017	10 - 45
RL	Erie, PA	978	2,948	—	—	—	—	978	2,948	—	3,926	97	1987	11/2/2017	10 - 45
LH	Columbia, SC	1,407	—	—	—	—	—	1,407	—	—	1,407	—	1997	12/7/2017	0 0
BK	Olive Branch, MS	521	1,317	—	—	—	—	521	1,317	—	1,838	36	2016	12/19/2017	14 - 54
BK	Holly Springs, MS	335	1,253	—	—	—	—	335	1,253	—	1,588	31	2016	12/19/2017	14 - 54
BWW	Springfield, IL	825	2,352	—	—	—	—	825	2,352	—	3,177	63	2006	1/10/2018	10 - 50
BWW	Quincy, IL	676	2,378	—	—	—	—	676	2,378	—	3,054	60	2007	1/10/2018	10 - 50
CGR	Bloomingdale, IL	1,111	—	—	—	—	—	1,111	—	—	1,111	—	1990	1/12/2018	0
OG	Bloomingdale, IL	1,601	—	—	—	—	—	1,601	—	—	1,601	—	1986	1/12/2018	0
CFA	Cedar Rapids, IA	1,894	—	—	—	—	—	1,894	—	—	1,894	—	2012	1/12/2018	0
PE	Cedar Rapids, IA	1,252	—	—	—	—	—	1,252	—	—	1,252	—	2016	1/12/2018	0
ARB	Cedar Rapids, IA	485	—	—	—	—	—	485	—	—	485	—	1987	1/12/2018	0
RL	Cedar Rapids, IA	654	—	—	—	—	—	654	—	—	654	—	1997	1/12/2018	0
STB	Beavercreek, OH	582	710	—	—	—	—	582	710	—	1,292	25	2014	1/12/2018	11 - 51
BWW	Orange Park, FL	1,768	—	—	—	—	—	1,768	—	—	1,768	—	1997	1/12/2018	0
BJ	Youngstown, OH	1,125	—	—	—	—	—	1,125	—	—	1,125	—	2017	1/12/2018	0
MCD	Altamonte Springs, FL	1,489	—	—	—	—	—	1,489	—	—	1,489	—	1991	1/12/2018	0
PLK	Kingsport, TN	496	1,221	—	—	—	—	496	1,221	—	1,717	20	2013	4/30/2018	11 - 51
RL	Uniontown, PA	1,682	—	—	—	—	—	1,682	—	—	1,682	—	1992	5/29/2018	0
PLK	Morristown, TN	552	1,167	—	—	—	—	552	1,167	—	1,719	19	2014	6/15/2018	11 - 51
BWW	Florence, SC	1,638	—	—	—	—	—	1,638	—	—	1,638	—	2011	6/29/2018	0
STB	Orland Park (Chicago), IL	954	847	—	—	—	—	954	847	—	1,801	18	1993	6/29/2018	5 - 30
PB	Beavercreek, OH	851	—	—	—	—	—	851	—	—	851	—	2000	6/29/2018	0
MCD	Kokoma, IN	1,671	—	—	—	—	—	1,671	—	—	1,671	—	2016	6/29/2018	0
OG	El Paso, TX	1,833	—	—	—	—	—	1,833	—	—	1,833	—	1990	6/29/2018	0
CSK	Pensacola, FL	1,530	—	—	—	—	—	1,530	—	—	1,530	—	1991	6/29/2018	0
BWW	Austin, TX	1,250	—	—	—	—	—	1,250	—	—	1,250	—	2010	7/16/2018	0
OG	Manchester, CT	1,669	—	—	—	—	—	1,669	—	—	1,669	—	1993	7/27/2018	0
TB	Manchester, CT	1,393	—	—	—	—	—	1,393	—	—	1,393	—	2013	7/27/2018	0

FOUR CORNERS PROPERTY, TRUST, INC.
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		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
ARB	Plainwell, MI	696	837	—	—	—	—	696	837	—	1,533	17	1999	8/6/2018	3 - 36
BWW	Hendersonville, TN	1,401	—	—	—	—	—	1,401	—	—	1,401	—	2009	8/8/2018	0
CGR	Baton Rouge, LA	1,146	1,077	—	—	—	—	1,146	1,077	—	2,223	20	1985	8/8/2018	5 - 30
CGR	Mesquite, TX	2,180	2,938	—	—	—	—	2,180	2,938	—	5,118	29	2012	8/8/2018	13 - 53
CGR	Palm Bay, FL	1,666	2,881	—	—	—	—	1,666	2,881	—	4,547	30	1994	8/8/2018	12 - 52
CGR	Madison, TN	1,178	2,372	—	—	—	—	1,178	2,372	—	3,550	25	1989	8/8/2018	11 - 51
CGR	Ocala, FL	2,017	2,216	—	—	—	—	2,017	2,216	—	4,233	25	1989	8/8/2018	11 - 51
CGR	Palmdale, CA	1,234	2,573	—	—	—	—	1,234	2,573	—	3,807	27	1991	8/8/2018	9 - 49
CGR	Sebring, FL	1,568	2,275	—	—	—	—	1,568	2,275	—	3,843	25	1992	8/8/2018	11 - 51
CGR	Tarpon Springs, FL	1,394	2,232	—	—	—	—	1,394	2,232	—	3,626	26	1994	8/8/2018	10 - 50
CGR	Peoria, AZ	867	1,199	—	—	—	—	867	1,199	—	2,066	22	1993	8/8/2018	5 - 31
CGR	The Woodlands, TX	1,445	1,218	—	—	—	—	1,445	1,218	—	2,663	21	1995	8/8/2018	5 - 35
CGR	Orlando, FL	2,106	1,376	—	—	—	—	2,106	1,376	—	3,482	23	1994	8/8/2018	5 - 35
CGR	Kissimmee, FL	2,101	2,052	—	—	—	—	2,101	2,052	—	4,153	25	1994	8/8/2018	7 - 47
CGR	Mesa, AZ	1,295	1,628	—	—	—	—	1,295	1,628	—	2,923	24	1994	8/8/2018	5 - 40
CGR	Katy, TX	1,930	1,907	—	—	—	—	1,930	1,907	—	3,837	24	1995	8/8/2018	10 - 45
CGR	McAllen, TX	759	1,691	—	—	—	—	759	1,691	—	2,450	25	1994	8/8/2018	5 - 35
CGR	Winter Haven, FL	922	1,926	—	—	—	—	922	1,926	—	2,848	24	1995	8/8/2018	7 - 47
CGR	Ormond Beach, FL	545	1,104	—	—	—	—	545	1,104	—	1,649	21	1995	8/8/2018	3 - 32
CGR	Pembroke Pines, FL	1,757	1,514	—	—	—	—	1,757	1,514	—	3,271	26	1996	8/8/2018	5 - 40
CGR	High Point, NC	955	1,446	—	—	—	—	955	1,446	—	2,401	18	1996	8/8/2018	5 - 55
CGR	Anderson, SC	1,647	2,252	—	—	—	—	1,647	2,252	—	3,899	23	1995	8/8/2018	13 - 53
CGR	Burleson, TX	2,612	2,321	—	—	—	—	2,612	2,321	—	4,933	31	1998	8/8/2018	5 - 45
CGR	Brownsville, TX	2,111	2,868	—	—	—	—	2,111	2,868	—	4,979	30	1999	8/8/2018	12 -52
CGR	Hermitage, TN	1,226	1,564	—	—	—	—	1,226	1,564	—	2,790	24	2000	8/8/2018	5 - 39
CGR	Reno, NV	723	2,496	—	—	—	—	723	2,496	—	3,219	24	2002	8/8/2018	10 - 50
CGR	Bartlesville, OK	1,497	1,571	—	—	—	—	1,497	1,571	—	3,068	19	2002	8/8/2018	10 - 50
CGR	Gallatin, TN	821	1,613	—	—	—	—	821	1,613	—	2,434	19	2002	8/8/2018	10 - 50
CGR	Tampa, FL	920	1,839	—	—	—	—	920	1,839	—	2,759	24	2002	8/8/2018	7 - 40
CGR	Atascocita, TX	1,953	2,256	—	—	—	—	1,953	2,256	—	4,209	24	2002	8/8/2018	12 - 52
CGR	Canon City, CO	709	1,928	—	—	—	—	709	1,928	—	2,637	21	2002	8/8/2018	10 - 50
CGR	Chattanooga, TN	350	1,852	—	—	—	—	350	1,852	—	2,202	17	2003	8/8/2018	11 - 51
CGR	Hobbs, NM	1,424	1,746	—	—	—	—	1,424	1,746	—	3,170	20	2003	8/8/2018	10 - 50

FOUR CORNERS PROPERTY, TRUST, INC.
SCHEDULE III
SCHEDULE OF REAL EATATE ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
(Dollars in thousands)

		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
CGR	Gonzales, LA	1,681	2,292	—	—	—	—	1,681	2,292	—	3,973	25	2003	8/8/2018	10 - 50
CGR	Tupelo, MS	890	1,514	—	—	—	—	890	1,514	—	2,404	23	2003	8/8/2018	5 - 40
CGR	Las Cruces, NM	1,645	1,720	—	—	—	—	1,645	1,720	—	3,365	23	1991	8/8/2018	7 - 45
CGR	Carson City, NV	775	467	—	—	—	—	775	467	—	1,242	10	2004	8/8/2018	5 - 41
CGR	Lady Lake, FL	2,474	2,618	—	—	—	—	2,474	2,618	—	5,092	30	2004	8/8/2018	12 - 52
CGR	Lone Tree, CO	753	1,511	—	—	—	—	753	1,511	—	2,264	22	2004	8/8/2018	5 - 41
CGR	Bristol, VA	1,059	1,563	—	—	—	—	1,059	1,563	—	2,622	24	2004	8/8/2018	5 - 41
CGR	Trinity, FL	1,701	2,613	—	—	—	—	1,701	2,613	—	4,314	27	2004	8/8/2018	13 - 53
CGR	Kingsville, TX	1,254	1,719	—	—	—	—	1,254	1,719	—	2,973	20	2004	8/8/2018	9 - 49
CGR	Conroe, TX	1,224	1,661	—	—	—	—	1,224	1,661	—	2,885	23	2004	8/8/2018	7 - 45
CGR	Portland, TX	1,537	2,089	—	—	—	—	1,537	2,089	—	3,626	25	2005	8/8/2018	10 - 45
CGR	Plainview, TX	657	1,302	—	—	—	—	657	1,302	—	1,959	17	2005	8/8/2018	5 - 45
CGR	Pinellas Park, FL	2,857	2,352	—	—	—	—	2,857	2,352	—	5,209	26	2005	8/8/2018	10 - 50
CGR	Conyers, GA	1,049	2,168	—	—	—	—	1,049	2,168	—	3,217	26	2000	8/8/2018	7 - 45
CGR	Eagle Pass, TX	1,338	1,859	—	—	—	—	1,338	1,859	—	3,197	25	2007	8/8/2018	5 - 45
CGR	Enid, OK	1,712	2,805	—	—	—	—	1,712	2,805	—	4,517	26	1996	9/14/2018	10 - 45
CGR	Lawton, OK	1,072	1,197	—	—	—	—	1,072	1,197	—	2,269	16	1999	9/14/2018	3 - 36
CGR	Austin, TX	988	1,330	—	—	—	—	988	1,330	—	2,318	17	2003	9/14/2018	1 - 41
CGR	Greenville, TX	1,495	1,431	—	—	—	—	1,495	1,431	—	2,926	12	2002	9/28/2018	10 - 45
CGR	Arcadia, FL	1,575	1,408	—	—	—	—	1,575	1,408	—	2,983	12	2005	9/28/2018	5 - 45
STB	Hagerstown, MD	755	1,620	—	—	—	—	755	1,620	—	2,375	11	2014	10/11/2018	11 - 51
CGR	Aurora, CO	649	1,534	—	—	—	—	649	1,534	—	2,183	8	1990	10/23/2018	5 - 40
STB	Decatur, AL	473	627	—	—	—	—	473	627	—	1,100	3	2007	10/30/2018	25 - 45
TB	Greenwood, IN	540	—	—	—	—	—	540	—	—	540	—	2007	10/31/2018	0
RDI	Greenwood, IN	653	—	—	—	—	—	653	—	—	653	—	1989	10/31/2018	0
BJ	Longview, TX	1,508	—	—	—	—	—	1,508	—	—	1,508	—	2015	11/16/2018	0
TR	Fort Gratiot, MI	1,248	—	—	—	—	—	1,248	—	—	1,248	—	2007	11/20/2018	0
TR	Sierra Vista, AZ	1,305	—	—	—	—	—	1,305	—	—	1,305	—	2007	11/20/2018	0
PB	Carpentersville, IL	326	514	—	—	—	—	326	514	—	840	2	1992	11/20/2018	5 - 30
APB	Tracy, CA	1,267	—	—	—	—	—	1,267	—	—	1,267	—	2004	11/20/2018	0
OG	Tracy, CA	1,313	—	—	—	—	—	1,313	—	—	1,313	—	2003	11/20/2018	0
SDI	Tracy, CA	979	—	—	—	—	—	979	—	—	979	—	2004	11/20/2018	0
RL	Louisville, KY	1,188	2,087	—	—	—	—	1,188	2,087	—	3,275	—	1991	12/17/2018	5 - 40
RL	Grand Forks, ND	1,357	2,435	—	—	—	—	1,357	2,435	—	3,792	—	1992	12/17/2018	10 - 45
RL	Talleyville, DE	1,222	3,402	—	—	—	—	1,222	3,402	—	4,624	—	1991	12/17/2018	10 - 45

FOUR CORNERS PROPERTY, TRUST, INC.
SCHEDULE III
SCHEDULE OF REAL EATATE ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
(Dollars in thousands)

		Initial Cost to Company			Cost Capitalized Since Acquisition			Gross Carrying Value (2)							
Restaurant Property (1)	Location	Land	Buildings and Improvements	Equipment	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment	Total	Accumulated Depreciation	Construction Date	Acquisition Date	Life on which Depreciation in latest Statement of Income is Computed
RL	Southaven, MS	1,967	2,521	—	—	—	—	1,967	2,521	—	4,488	—	2005	12/17/2018	10 - 50
RL	St. Cloud, MN	1,490	3,665	—	—	—	—	1,490	3,665	—	5,155	—	1990	12/17/2018	10 - 45
RL	Columbus, IN	1,220	1,575	—	—	—	—	1,220	1,575	—	2,795	—	1991	12/17/2018	5 -40
BJ	Livonia, MI	638	3,259	—	—	—	—	638	3,259	—	3,897	—	2018	12/28/2018	14 - 54
BWW	Suffolk, VA	602	1,779	—	—	—	—	602	1,779	—	2,381	—	2012	12/31/2018	9 - 49
		$ 546,079	$ 854,905	$ 48,022	$ 22,978	$ 244,687	$ 88,610	$ 569,057	$ 1,099,592	$ 136,632	$ 1,805,281	$ 614,584			

(1) OG refers to Olive Garden ® properties.

BB refers to Bahama Breeze ® properties.

S52 refers to Seasons 52 ® properties.

LH refers to LongHorn Steakhouse ® properties.

WFG refers to the Wildfish Seafood Grille ® property.

PH refers to the Pizza Hut ® properties.

WEN refers to the Wendy's ® properties.

ARB refers to the Arby's ® properties.

BK refers to the Burger King ® properties.

DEN refers to the Denny's ® property.

FAZ refers to the Fazoli's ® property.

SNS refers to the Steak N' Shake ® properties.

ZAX refers to the Zaxby's ® property.

KFC refers to the KFC ® properties.

BWW refers to the Buffalo Wild Wings ® properties.

DQ refers to the Dairy Queen ® property.

TB refers to the Taco Bell ® property.

HAR refers to the Hardee’s ® properties.

MCA refers to the McAlister’s Deli ® properties.

BE refers to the Bob Evans ® properties.

DT/MP refers to the Del Taco ® and MOD Pizza ® properties.

RL refers to the Red Lobster ® properties.

APB refers to the Applebee's® property.

BJS refers to BJ's Restaurants and Brewhouse® properties.

CFA refers to the Chick-fil-A® property.

CGR refers to the Chili's Grill & Bar® properties.

CSK refers to the Cheddar's Scratch Kitchen® property.

MCD refers to the McDonald's® properties.

PB refers to Panera Bread® property.

PE refers to Panda Express® property.

PLK refers to Popeyes Louisiana Kitchen® properties.

RDI refers to Rally's Drive-in® properties.

SDI refers to Sonic Drive-In® property.

STB refers to the Starbucks® properties.

TR refers to the Texas Roadhouse® property.

(2) Aggregate cost for income tax purposes is $1.79 billion (unaudited) with a net book value of $0.94 billion (unaudited)

SCHEDULE III

REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION

(Dollars in thousands)

	December 31, 2018	December 31, 2017
Carrying Costs		
Balance - beginning of period	$ 1,564,955	$ 1,477,565
Additions placed in service	253,035	98,182
Dispositions	$ (12,709)	$ (10,792)
Balance - end of year	$ 1,805,281	$ 1,564,955
Accumulated Depreciation		
Balance - beginning of year	$ (598,846)	$ (583,307)
Depreciation expense	(21,256)	(21,219)
Dispositions	$ 5,518	$ 5,680
Balance - end of year	$ (614,584)	$ (598,846)

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 27, 2015).
3.2	Amended and Restated Bylaws of Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on October 27, 2015).
4.1	Specimen Stock Certificate of Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 4.1 to the Company Registration Statement on Form 10/A filed on October 5, 2015).
10.1	Amended and Restated Agreement of Limited Partnership of Four Corners Operating Partnership, L.P., dated November 7, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 10, 2016).
10.2	Employment Agreement dated as of November 27, 2018, by and between Four Corners Property Trust, Inc. and William Lenehan (incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 28, 2018).
10.3	Employment Agreement dated as of November 27, 2018, by and between Four Corners Property Trust, Inc. and Gerald Morgan (incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 28, 2018).
10.4	Employment Agreement dated as of November 27, 2018, by and between Four Corners Property Trust, Inc. and James Brat (incorporated by reference to exhibit 10.3 to the Company's Current Report on Form 8-K filed on November 28, 2018).
10.5	Tax Matters Agreement, dated as of November 9, 2015, by and between Darden Restaurants, Inc. and Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 10, 2015).
10.6	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of October 2, 2017, among Four Corners Operating Partnership, LP, Four Corners Property Trust, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 2, 2017).
10.7	Amendment No. 1 to Amended and Restated Revolving Credit and Term Loan, dated as of January 30, 2018, among Four Corners Operating Partnership, LP, Four Corners Property Trust, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017).
10.8	Amendment No. 2 to Amended and Restated Revolving Credit and Term Loan Agreement, dated December 13, 2018, among Four Corners Operating Partnership, LP, Four Corners Property Trust, Inc., certain lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 13, 2018).
10.9	Amended and Restated Parent Guaranty, dated October 2, 2017, by Four Corners Property Trust, Inc. and Four Corners GP, LLC, for the benefit of JP Morgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 10, 2017).
10.10	Four Corners Property Trust, Inc. 2015 Omnibus Incentive Plan† (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on November 10, 2015).
10.11	Amendment No. 1 to the Four Corners Property Trust, Inc. 2015 Omnibus Incentive Plan† (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed December 24, 2015).
10.12	Form of Lease (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form 10/A filed on October 5, 2015).
10.13	Form of Guaranty by Darden Restaurants, Inc. in respect of certain Leases (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form 10/A filed on October 5, 2015).

10.14	Form of Franchise Agreement (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form 10/A filed on October 5, 2015).
10.15	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017).
10.16	Form of FY 2015 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 24, 2015).
10.17	Amendment to Form of FY 2015 Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.18	Form of Performance-based Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 9, 2016).
10.19	Amendment to Form of Performance-based Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.20	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 9, 2016).
10.21	Amendment to Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
10.22	Note Purchase Agreement, dated April 19, 2017, among Four Corners Operating Partnership, LP, Four Corners Property Trust, Inc. and the purchasers party thereto (incorporated be reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 20, 2017).
21.1*	List of Subsidiaries of Four Corners Property Trust, Inc.
23.1*	Consent of Independent Accountants
31 (a)*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31 (b)*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 (a)*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32 (b)*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Form of Lease (incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015).
99.2*	United States Federal Income Tax Considerations
101.INS*	XBRL Instance 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

* Filed herewith.

† Denotes a management contract or compensatory plan, contract or arrangement.

SIGNATURE

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.

FOUR CORNERS PROPERTY TRUST, INC.

Dated: February 19, 2018	By: /s/ William H. Lenehan
	President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ WILLIAM H. LENEHAN **William H. Lenehan**	Director and Chief Executive Officer *(Principal Executive Officer)*	February 19, 2018
/S/ GERALD R. MORGAN **Gerald R. Morgan**	Chief Financial Officer *(Principal Financial Officer)*	February 19, 2018
/S/ NICCOLE M. STEWART **Niccole M. Stewart**	Chief Accounting Officer *(Principal Accounting Officer)*	February 19, 2018
/S/ JOHN S. MOODY **John S. Moody**	Director and Chairman of the Board of Directors	February 19, 2018
/S/ DOUGLAS B. HANSEN **Douglas B. Hansen**	Director	February 19, 2018
/S/ MARRAN H. OGILVIE **Marran H. Ogilvie**	Director	February 19, 2018
/S/ PAUL E. SZUREK **Paul E. Szurek**	Director	February 19, 2018
/S/ CHARLES L. JEMLEY **Charles L. Jemley**	Director	February 19, 2018
/S/ ERIC HIRSCHHORN **Eric Hirschhorn**	Director	February 19, 2018

Exhibit 21.1

Subsidiaries of Four Corners Property Trust, Inc. (a Maryland corporation)

Name of Subsidiary	Jurisdiction of Incorporation/Formation
Four Corners GP, LLC	Delaware
FCPT TRS, LLC	Delaware
FCPT OP Holdings, LP	Delaware
Four Corners Operating Partnership, LP	Delaware
Kerrow Holdings, LLC	Texas
Kerrow Restaurants, LLC	Texas
FCPT Garden Properties, LLC	Delaware
FCPT Hospitality Properties, LLC	Delaware
FCPT International Drive, LLC	Delaware
FCPT Keystone Properties 11, LLC	Delaware
FCPT Keystone Properties, LLC	Delaware
FCPT PA Hospitality Properties 11, LLC	Delaware
FCPT PA Hospitality Properties, LLC	Delaware
FCPT Remington Properties, LLC	Texas
FCPT Restaurant Properties, LLC	Texas
FCPT Sunshine Properties, LLC	Delaware
FCPT SW Properties, LLC	Delaware
FCPT Acquisitions, LLC	Delaware
FCPT Holdings, LLC	Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Four Corners Property Trust, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-214908) on Form S-3ASR of Four Corners Property Trust, Inc. of our reports dated February 19, 2019, with respect to the consolidated balance sheets of Four Corners Property Trust, Inc. as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedule III - Real Estate Assets and Accumulated Depreciation (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2018, which reports appear in the December 31, 2018 annual report on Form 10-K of Four Corners Property Trust, Inc.

/s/ KPMG LLP

San Francisco, California
February 19, 2019

EXHIBIT 31(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William H. Lenehan, certify that:

1. I have reviewed this annual report on Form 10-K of Four Corners Property Trust, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2019

/s/ William H. Lenehan

President and Chief Executive Officer

EXHIBIT 31(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, Gerald R. Morgan, certify that:

1. I have reviewed this annual report on Form 10-K of Four Corners Property Trust, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: February 19, 2019

/s/ Gerald R. Morgan

Chief Financial Officer

EXHIBIT 32(a)

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Four Corners Property Trust, Inc. (“Company”) on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, William H. Lenehan, President and Chief Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2019

/s/ William H. Lenehan

President and Chief Executive Officer

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Four Corners Property Trust, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

EXHIBIT 32(b)

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Four Corners Property Trust, Inc. (“Company”) on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Gerald R. Morgan, Chief Financial Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2019

/s/ Gerald R. Morgan

Chief Financial Officer

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Four Corners Property Trust, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

Exhibit 99.2

The following discussion supersedes and replaces, in its entirety, the discussion under the heading "United States Federal Income Tax Considerations" in Exhibit 99.1 to Four Corners Property Trust, Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 30, 2018.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations regarding our election to be taxed as a real estate investment trust ("REIT") and the acquisition, ownership or disposition of our capital stock. Supplemental U.S. federal income tax considerations relevant to holders of the securities offered by the prospectus dated December 5, 2016 (the "Base Prospectus") (including warrants, rights, preferred stock and depositary shares) may be provided in the prospectus supplement that relates to those securities. For purposes of this discussion, references to "we," "our" and "us" mean only Four Corners Property Trust, Inc. and do not include any of its subsidiaries, except as otherwise indicated. This summary is for general information only and is not tax advice. The information in this summary is based on:

- the Internal Revenue Code of 1986, as amended (the "Code");
- current, temporary and proposed Treasury regulations promulgated under the Code (the "Treasury Regulations");
- the legislative history of the Code;
- administrative interpretations and practices of the Internal Revenue Service (the "IRS"); and
- court decisions;

in each case, as of the date hereof. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. The sections of the Code and the corresponding Treasury Regulations that relate to qualification and taxation as a REIT are highly technical and complex. The following discussion sets forth certain material aspects of the sections of the Code that govern the U.S. federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations promulgated under the Code, and administrative and judicial interpretations thereof. Potential tax reforms may result in significant changes to the rules governing U.S. federal income taxation. New legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may significantly and adversely affect our ability to qualify as a REIT, the U.S. federal income tax consequences of such qualification, or the U.S. federal income tax consequences of an investment in us, including those described in this discussion. Moreover, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT. Any such changes could apply retroactively to transactions preceding the date of the change. We have not requested, and do not plan to request, any rulings from the IRS that we qualify as a REIT, and the statements in the Base Prospectus are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state, local or non-U.S. tax consequences, or any tax consequences arising under any U.S. federal tax laws other than U.S. federal income tax laws, associated with the acquisition, ownership or disposition of our capital stock, or our election to be taxed as a REIT.

You are urged to consult your tax advisor regarding the tax consequences to you of:

- **the acquisition, ownership and disposition of our capital stock, including the U.S. federal, state, local, non-U.S. and other tax consequences;**
- **our election to be taxed as a REIT for U.S. federal income tax purposes; and**
- **potential changes in applicable tax laws.**

Taxation of Our Company

General . We were incorporated as a Maryland corporation on July 2, 2015 as a wholly owned indirect subsidiary of Darden Restaurants, Inc. ("Darden"). On November 9, 2015, Darden completed a spin-off of us (the "Spin-Off") whereby we became an independent, publicly traded, self-administered company, primarily engaged in the ownership, acquisition and leasing of restaurant properties. We have elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2016. We believe that we have been organized and have operated in a manner that has allowed us to qualify for taxation as a REIT under the Code commencing with such taxable year, and we intend to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including through actual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized and have operated, or will continue to be organized and operate, in a manner so as to qualify or remain qualified as a REIT. See "—Failure to Qualify" for potential tax consequences if we fail to qualify as a REIT. Further, the anticipated U.S. federal income tax treatment described herein may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time.

Provided we qualify for taxation as a REIT, we generally will not be required to pay U.S. federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that ordinarily results from investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. We will, however, be required to pay U.S. federal income tax as follows:

- First, we will be required to pay regular U.S. federal corporate income tax on any undistributed REIT taxable income, including undistributed capital gain.
- Second, if we have (1) net income from the sale or other disposition of "foreclosure property" held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay regular U.S. federal corporate income tax on this income. To the extent that income from foreclosure property is otherwise qualifying income for purposes of the 75% gross income test, this tax is not applicable. Subject to certain other requirements, foreclosure property generally is defined as property we acquired through foreclosure or after a default on a loan secured by the property or a lease of the property. See "—Foreclosure Property."
- Third, we will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held as inventory or primarily for sale to customers in the ordinary course of business.
- Fourth, if we fail to satisfy the 75% gross income test or the 95% gross income test, as described below, but have otherwise maintained our qualification as a REIT because certain other requirements are met, we will be required to pay a tax equal to (1) the greater of (A) the amount by which we fail to satisfy the 75% gross income test and (B) the amount by which we fail to satisfy the 95% gross income test, multiplied by (2) a fraction intended to reflect our profitability.
- Fifth, if we fail to satisfy any of the asset tests (other than a *de minimis* failure of the 5% or 10% asset tests), as described below, due to reasonable cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the U.S. federal corporate income tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.
- Sixth, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the gross income tests or certain violations of the asset tests, as described below) and the violation is due to reasonable cause and not due to willful neglect, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.
- Seventh, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of (1) 85% of our ordinary income for the year, (2) 95% of our capital gain net income for the year, and (3) any undistributed taxable income from prior periods.
- Eighth, if we acquire any asset from a corporation that is or has been a C corporation in a transaction in which our tax basis in the asset is less than the fair market value of the asset, in each case determined as of the date on

which we acquired the asset, and we subsequently recognize gain on the disposition of the asset during the five-year period beginning on the date on which we acquired the asset, then we generally will be required to pay regular U.S. federal corporate income tax on this gain to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted tax basis in the asset, in each case determined as of the date on which we acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation. These rules also apply to the sale of any asset we held on January 1, 2016 (the effective date of our REIT election) to the extent the basis of such asset was less than the fair market value of such asset on January 1, 2016. In addition, under applicable Treasury Regulations, any gain from the sale of property we acquired in an exchange under Section 1031 (a like-kind exchange) or Section 1033 (an involuntary conversion) of the Code generally is excluded from the application of this built-in gains tax.

- Ninth, our subsidiaries that are C corporations, including our "taxable REIT subsidiaries" described below, generally will be required to pay regular U.S. federal corporate income tax on their earnings.
- Tenth, we will be required to pay a 100% tax on any "redetermined rents," "redetermined deductions," "excess interest" or "redetermined TRS service income," as described below under "—Penalty Tax." In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a taxable REIT subsidiary of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations. Redetermined TRS service income generally represents income of a taxable REIT subsidiary that is understated as a result of services provided to us or on our behalf.
- Eleventh, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include its proportionate share of our undistributed capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the tax basis of the stockholder in our capital stock.
- Twelfth, if we fail to comply with the requirement to send annual letters to our stockholders holding at least a certain percentage of our stock, as determined under applicable Treasury Regulations, requesting information regarding the actual ownership of our stock, and the failure is not due to reasonable cause or is due to willful neglect, we will be subject to a $25,000 penalty, or if the failure is intentional, a $50,000 penalty.

We and our subsidiaries may be subject to a variety of taxes other than U.S. federal income tax, including payroll taxes and state and local income, property and other taxes on our assets and operations.

From time to time, we may own properties in other countries, which may impose taxes on our operations within their jurisdictions. To the extent possible, we will structure our activities to minimize our non-U.S. tax liability. However, there can be no assurance that we will be able to eliminate our non-U.S. tax liability or reduce it to a specified level. Furthermore, as a REIT, both we and our stockholders will derive little or no benefit from foreign tax credits arising from those non-U.S. taxes.

Requirements for Qualification as a REIT . The Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;

(3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;

(4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code;

(5) that is beneficially owned by 100 or more persons;

(6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including certain specified entities, during the last half of each taxable year;

(7) that elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status; and

(8) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term "individual" includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or profit sharing trust.

We believe that we have been organized and have operated in a manner that has allowed us, and will continue to allow us, to satisfy conditions (1) through (8) inclusive, during the relevant time periods. In addition, our charter provides for restrictions regarding ownership and transfer of our shares that are intended to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. A description of the share ownership and transfer restrictions relating to our capital stock is contained in the discussion in the Base Prospectus under the heading "Restrictions on Ownership and Transfer." These restrictions, however, do not ensure that we have previously satisfied, and may not ensure that we will, in all cases, be able to continue to satisfy, the share ownership requirements described in conditions (5) and (6) above. If we fail to satisfy these share ownership requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement. See "—Failure to Qualify."

In addition, we may not maintain our status as a REIT unless our taxable year is the calendar year. We have and will continue to have a calendar taxable year.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries . In the case of a REIT that is a partner in a partnership (for purposes of this discussion, references to "partnership" include a limited liability company treated as a partnership for U.S. federal income tax purposes, and references to "partner" include a member in such a limited liability company), Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership based on its interest in partnership capital, subject to special rules relating to the 10% asset test described below. Also, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership's share of these items of any partnership or disregarded entity for U.S. federal income tax purposes in which it owns an interest, is treated as our assets and items of income for purposes of applying the requirements described in this discussion, including the gross income and asset tests described below. A brief summary of the rules governing the U.S. federal income taxation of partnerships is set forth below in "—Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies."

We have control of our operating partnership and the subsidiary partnerships and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or take other corrective action on a timely basis. In such a case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own and operate certain properties through wholly-owned subsidiaries that we intend to be treated as "qualified REIT subsidiaries" under the Code. A corporation will qualify as our qualified REIT subsidiary if we own 100% of the corporation's outstanding stock and do not elect with the subsidiary to treat it as a "taxable REIT subsidiary," as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit of the parent REIT for all purposes under the Code, including all REIT qualification tests. Thus, in applying the U.S. federal income tax requirements described in this discussion, any qualified REIT subsidiaries we own are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such corporations are treated as our assets, liabilities and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not subject to U.S. federal income tax, and our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under "—Asset Tests."

Ownership of Interests in Taxable REIT Subsidiaries . We own interests in companies that have elected, together with us, to be treated as our taxable REIT subsidiaries, and we and our operating partnership may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to U.S. federal income tax as a regular C corporation. A REIT's ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset test described below. Overall, no more than 20% (25% for taxable years beginning before January 1, 2018) of the value of a REIT's assets may consist of stock or securities of one or more TRSs. See "—Asset Tests." For taxable years beginning after December 31, 2017, taxpayers are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. See "—Annual Distribution Requirements." While not certain, this provision may limit the ability of our taxable REIT subsidiaries to deduct interest, which could increase their taxable income.

Income Tests . We must satisfy two gross income requirements annually to maintain our qualification as a REIT. First, in each taxable year we must derive directly or indirectly at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions and certain foreign currency gains) from investments relating to real property or mortgages on real property, including "rents from real property," gain from the sale of real estate assets not held for sale to customers, dividends from other REITs and, in certain circumstances, interest, or certain types of temporary investments. Second, in each taxable year we must derive at least 95% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions and certain foreign currency gains) from the real property investments described above or dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing. For these purposes, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents we receive from a tenant will qualify as "rents from real property" for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

- The amount of rent is not based in whole or in part on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term "rents from real property" solely because it is based on a fixed percentage or percentages of receipts or sales;
- Neither we nor an actual or constructive owner of 10% or more of our capital stock actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock of the tenant. Rents we receive from such a tenant that is a taxable REIT subsidiary of ours, however, will not be excluded from the definition of "rents from real property" as a result of this condition if at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by our other tenants for comparable space. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a "controlled taxable REIT subsidiary" is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as "rents from real property." For purposes of this rule, a "controlled taxable REIT subsidiary" is a taxable REIT

subsidiary in which the parent REIT owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;

- Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as "rents from real property." To the extent that rent attributable to personal property, leased in connection with a lease of real property, exceeds 15% of the total rent received under the lease, we may transfer a portion of such personal property to a taxable REIT subsidiary; and
- We generally may not operate or manage the property or furnish or render services to our tenants, subject to a 1% *de minimis* exception and except as provided below. We may, however, perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we may employ an independent contractor from whom we derive no revenue to provide customary services to our tenants, or a taxable REIT subsidiary (which may be wholly or partially owned by us) to provide both customary and non-customary services to our tenants without causing the rent we receive from those tenants to fail to qualify as "rents from real property."

We lease restaurant properties to one of our taxable REIT subsidiaries, Kerrow Holdings, LLC. We have structured these leases and currently intend to structure future leases, if any, to qualify as true leases for U.S. federal income tax purposes. However, because we own 100% of our taxable REIT subsidiaries and do not expect to qualify for the exception described above for rents received from our taxable REIT subsidiaries, we expect that all of the rent received from any such subsidiaries will not be treated as "rents from real property."

We generally do not intend, and, as the sole owner of the general partner of our operating partnership, we do not intend to permit our operating partnership, to take actions we believe will cause us to fail to satisfy the rental conditions described above. However, we may intentionally fail to satisfy some of these conditions to the extent we determine, based on the advice of our tax counsel, that the failure will not jeopardize our tax status as a REIT. In addition, with respect to the limitation on the rental of personal property, we generally have not obtained appraisals of the real property and personal property leased to tenants. Accordingly, there can be no assurance that the IRS will not disagree with our determinations of value.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income under, and thus will be exempt from, the 75% and 95% gross income tests. The term "hedging transaction," as used above, generally means (A) any transaction we enter into in the normal course of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets, or (2) currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test or any property which generates such income and (B) new transactions entered into to hedge the income or loss from prior hedging transactions, where the property or indebtedness which was the subject of the prior hedging transaction was extinguished or disposed of. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

To the extent our taxable REIT subsidiaries pay dividends or interest, our allocable share of such dividend or interest income will qualify under the 95%, but not the 75%, gross income test (except that our allocable share of such interest would also qualify under the 75% gross income test to the extent the interest is paid on a loan that is adequately secured by real property). In addition, under IRS guidance, certain income inclusions from equity investments in certain foreign corporations, such as controlled foreign corporations and passive foreign investment companies, as defined in the Code, will be treated as qualifying income for purposes of the 95% gross income test.

We will monitor the amount of the dividend and other income from our taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the gross income tests.

Although we expect these actions will be sufficient to prevent a violation of the gross income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. We generally may make use of the relief provisions if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year in accordance with Treasury Regulations to be issued; and
- our failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. See "—Failure to Qualify" below. As discussed above in "—General," even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our nonqualifying income. We may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of our income.

Prohibited Transaction Income . Any gain that we realize on the sale of property (other than any foreclosure property) held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax, unless certain safe harbor exceptions apply. This prohibited transaction income may also adversely affect our ability to satisfy the gross income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. As the sole owner of the general partner of our operating partnership, we intend to cause our operating partnership to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our investment objectives. We do not intend, and do not intend to permit our operating partnership or its subsidiary partnerships, to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of the sales made by our operating partnership or its subsidiary partnerships are prohibited transactions. We would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales. The 100% penalty tax will not apply to gains from the sale of assets that are held through a taxable REIT subsidiary, but such income will be subject to regular U.S. federal corporate income tax.

Penalty Tax . Any redetermined rents, redetermined deductions, excess interest or redetermined TRS service income we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary of ours, redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations, and redetermined TRS service income is income of a taxable REIT subsidiary that is understated as a result of services provided to us or on our behalf. Rents we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

We do not believe we have been, and do not expect to be, subject to this penalty tax, although any rental or service arrangements we enter into from time to time may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on any overstated rents paid to us, or any excess deductions or understated income of our taxable REIT subsidiaries.

Asset Tests . At the close of each calendar quarter of our taxable year, we must also satisfy certain tests relating to the nature and diversification of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and U.S. government securities. For purposes of this test, the term "real estate assets" generally means real property (including interests in real property and interests in mortgages on real property or on both real property and, to a limited extent, personal property), shares (or transferable certificates of beneficial interest) in other REITs, any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years (but only for the one-year period beginning on the date the REIT receives such proceeds), debt instruments of publicly offered REITs, and personal property leased in connection with a lease of real property for which the rent attributable to personal property is not greater than 15% of the total rent received under the lease.

Second, not more than 25% of the value of our total assets may be represented by securities (including securities of taxable REIT subsidiaries), other than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class, and except for certain investments in other REITs, our qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer's securities may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer. Certain types of securities we may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, securities satisfying the "straight debt" safe-harbor, securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of our interest in the assets of a partnership in which we own an interest will be based on our proportionate interest in any securities issued by the partnership, excluding for this purpose certain securities described in the Code. From time to time we may own securities (including debt securities) of issuers that do not qualify as a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary. We intend that our ownership of any such securities will be structured in a manner that allows us to comply with the asset tests described above.

Fourth, not more than 20% (25% for taxable years beginning before January 1, 2018) of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries. We own interests in companies that have elected, together with us, to be treated as our taxable REIT subsidiaries, and we and our operating partnership may acquire securities in additional taxable REIT subsidiaries in the future. So long as each of these companies qualifies as a taxable REIT subsidiary of ours, we will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value limitation with respect to our ownership of the securities of such companies. We believe that the aggregate value of our taxable REIT subsidiaries has not exceeded, and in the future will not exceed, 20% (25% for taxable years beginning before January 1, 2018) of the aggregate value of our gross assets. We generally do not obtain independent appraisals to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with our determinations of value.

Fifth, not more than 25% of the value of our total assets may be represented by debt instruments of publicly offered REITs to the extent those debt instruments would not be real estate assets but for the inclusion of debt instruments of publicly offered REITs in the meaning of real estate assets, as described above (e.g., a debt instrument issued by a publicly offered REIT that is not secured by a mortgage on real property).

The asset tests must be satisfied at the close of each calendar quarter of our taxable year in which we (directly or through any partnership or qualified REIT subsidiary) acquire securities in the applicable issuer, and also at the close of each calendar quarter in which we increase our ownership of securities of such issuer (including as a result of an increase in our interest in any partnership that owns such securities). For example, our indirect ownership of securities of each issuer will increase as a result of our capital contributions to our operating partnership or as limited partners exercise any redemption/exchange rights. Also, after initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy an asset test because we acquire securities or other property during a quarter (including as a result of an increase in our interest in any partnership), we may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. We believe that we have maintained, and we intend to maintain, adequate records of the value of our assets to ensure compliance with the asset tests. If we fail to cure any noncompliance with the asset tests within the 30-day cure period, we would cease to qualify as a REIT unless we are eligible for certain relief provisions discussed below.

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% asset tests if the value of our nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (ii) we dispose of the nonqualifying assets or otherwise satisfy such tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case of the 5% and 10% asset tests, in excess of the *de minimis* exception described above, we may avoid disqualification as a REIT after the 30-day cure period by taking steps including (i) the disposition of sufficient nonqualifying assets, or the taking of other actions, which allow us to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued, (ii) paying a tax equal to the greater of (a) $50,000 or (b) the U.S. federal corporate income tax rate multiplied by the net income generated by the nonqualifying assets, and (iii) disclosing certain information to the IRS.

Although we believe we have satisfied the asset tests described above and plan to take steps to ensure that we satisfy such tests for any quarter with respect to which retesting is to occur, there can be no assurance that we will always be successful, or will not require a reduction in our operating partnership's overall interest in an issuer (including in a taxable REIT subsidiary). If we fail to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, we would cease to qualify as a REIT.

Annual Distribution Requirements . To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

- 90% of our REIT taxable income; and
- 90% of our after-tax net income, if any, from foreclosure property; minus
- the excess of the sum of certain items of non-cash income over 5% of our REIT taxable income.

For these purposes, our REIT taxable income is computed without regard to the dividends paid deduction and our net capital gain. In addition, for purposes of this test, non-cash income generally means income attributable to leveled stepped rents, original issue discount, cancellation of indebtedness, or a like-kind exchange that is later determined to be taxable.

In addition, our REIT taxable income will be reduced by any taxes we are required to pay on any gain we recognize from the disposition of any asset we acquired from a corporation that is or has been a C corporation in a transaction in which our tax basis in the asset is less than the fair market value of the asset, in each case determined as of the date on which we acquired the asset, within the five-year period following our acquisition of such asset, as described above under "—General."

For taxable years beginning after December 31, 2017, and except as provided below, a taxpayer's deduction for net business interest expense will generally be limited to 30% of its taxable income, as adjusted for certain items of income, gain, deduction or loss. Any business interest deduction that is disallowed due to this limitation may be carried forward to future taxable years. If we or any of our subsidiary partnerships (including our operating partnership) are subject to this interest expense limitation, our REIT taxable income for a taxable year may be increased. Taxpayers that conduct certain real estate businesses may elect not to have this interest expense limitation apply to them, provided that they use an alternative depreciation system to depreciate certain property. If such election is made, although we or such subsidiary partnership, as applicable, would not be subject to the interest expense limitation described above, our depreciation deductions may be reduced and, as a result, our REIT taxable income for a taxable year may be increased.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which they are paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, except as provided below, the amount distributed must not be preferential— *i.e.* , every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. This preferential limitation will not apply to distributions made by us, provided we qualify as a "publicly offered REIT." We believe that we are, and expect we will continue to be, a publicly offered REIT. However, subsidiary REITs we may own from time to time may not be publicly offered REITs. We do not currently own an interest in any subsidiary REITs. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be required to pay regular U.S. federal corporate income tax on the undistributed amount. We believe that we have made, and we intend to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the partnership agreement of our operating partnership authorizes us, as the sole owner of the general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. In addition, we may decide to retain our cash, rather than distribute it, in order to repay debt or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock distributions in order to meet the distribution requirements, while preserving our cash.

Under some circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying “deficiency dividends” to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In that case, we may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends. While the payment of a deficiency dividend will apply to a prior year for purposes of our REIT distribution requirements, it will be treated as an additional distribution to our stockholders in the year such dividend is paid.

Furthermore, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of 85% of our ordinary income for such year, 95% of our capital gain net income for the year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which corporate income tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating this excise tax.

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year, will be treated as paid by us and received by our stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges . We may dispose of real property that is not held primarily for sale in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay U.S. federal income tax, possibly including the 100% prohibited transaction tax, or deficiency dividends, depending on the facts and circumstances surrounding the particular transaction.

Tax Liabilities and Attributes Inherited in Connection with Acquisitions . From time to time, we or our operating partnership may acquire other corporations or entities and, in connection with such acquisitions, we may succeed to the historical tax attributes and liabilities of such entities. For example, if we acquire a C corporation and subsequently dispose of its assets within five years of the acquisition, we could be required to pay the built-in gain tax described above under “—General.” These rules also apply to the sale of any asset we held on January 1, 2016 (the effective date of our REIT election) to the extent the basis of such asset was less than their fair market value of such asset on January 1, 2016. In addition, in order to qualify as a REIT, at the end of any taxable year, we must not have any earnings and profits accumulated in a non-REIT year. As a result, if we acquire a C corporation, we must distribute the corporation’s earnings and profits accumulated prior to the acquisition before the end of the taxable year in which we acquire the corporation. We also could be required to pay the acquired entity’s unpaid taxes even though such liabilities arose prior to the time we acquired the entity.

To qualify as a REIT, we may not have any earnings and profits attributable to non-REIT years. In connection with our Spin-Off from Darden, Darden allocated its accumulated earnings and profits (as determined for U.S. federal income tax purposes) for periods prior to the consummation of the Spin-Off between Darden and us in a manner that, in Darden’s best judgment, was in accordance with provisions of the Code. In order to comply with the requirement that we distribute accumulated earnings and profits attributable to non-REIT years, we declared and paid a special dividend to our stockholders on March 2, 2016 (the “Purging Distribution”). The Purging Distribution was designed to distribute our accumulated earnings and profits attributable to our non-REIT years, including the earnings and profits allocated to us by Darden in connection with the Spin-Off and the earnings and profits we generated in our short taxable year ended December 31, 2015.

Moreover, we may from time to time acquire other REITs through a merger or acquisition. If any such REIT failed to qualify as a REIT for any of its taxable years, such REIT would be liable for (and we, as the surviving corporation in the merger or acquisition, would be obligated to pay) regular U.S. federal corporate income tax on its taxable income for such taxable years. In addition, if such REIT was a C corporation at the time of the merger or acquisition, the tax consequences described in the preceding paragraph generally would apply. If such REIT failed to qualify as a REIT for any of its taxable years, but qualified as a REIT at the time of such merger or acquisition, and we acquired such REIT's assets in a transaction in which our tax basis in the assets of such REIT is determined, in whole or in part, by reference to such REIT's tax basis in such assets, we generally would be subject to tax on the built-in gain on each asset of such REIT as described above if we were to dispose of the asset in a taxable transaction during the five-year period following such REIT's requalification as a REIT, subject to certain exceptions. Moreover, even if such REIT qualified as a REIT at all relevant times, we would similarly be liable for other unpaid taxes (if any) of such REIT (such as the 100% tax on gains from any sales treated as "prohibited transactions" as described above under "—Prohibited Transaction Income").

Furthermore, after our acquisition of another corporation or entity, the asset and income tests will apply to all of our assets, including the assets we acquire from such corporation or entity, and to all of our income, including the income derived from the assets we acquire from such corporation or entity. As a result, the nature of the assets that we acquire from such corporation or entity and the income we derive from those assets may have an effect on our tax status as a REIT.

Foreclosure Property . The foreclosure property rules permit us (by our election) to foreclose or repossess properties without being disqualified as a REIT as a result of receiving income that does not qualify under the gross income tests. However, in such a case, we would be subject to the U.S. federal corporate income tax on the net non-qualifying income from "foreclosure property," and the after-tax amount would increase the dividends we would be required to distribute to stockholders. See "—Annual Distribution Requirements." This corporate tax would not apply to income that qualifies under the REIT 75% income test.

Foreclosure property treatment will end on the first day on which we enter into a lease of the applicable property that will give rise to income that does not qualify under the REIT 75% income test, but will not end if the lease will give rise only to qualifying income under such test. Foreclosure property treatment also will end if any construction takes place on the property (other than completion of a building or other improvement that was more than 10% complete before default became imminent). Foreclosure property treatment is generally available for an initial period of three years and may, in certain circumstances, be extended for an additional three years.

Failure to Qualify . If we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT, certain specified cure provisions may be available to us. Except with respect to violations of the gross income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to satisfy the requirements for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be required to pay regular U.S. federal corporate income tax, including any applicable alternative minimum tax for taxable years beginning before January 1, 2018, on our taxable income. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us. As a result, we anticipate that our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, we will not be required to distribute any amounts to our stockholders and all distributions to stockholders will be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. In such event, corporate distributees may be eligible for the dividends-received deduction. In addition, non-corporate stockholders, including individuals, may be eligible for the preferential tax rates on qualified dividend income. Non-corporate stockholders, including individuals, generally may deduct up to 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026 for purposes of determining their U.S. federal income tax (but not for purposes of the 3.8% Medicare tax), subject to certain limitations. If we fail to qualify as a REIT, such stockholders may not claim this deduction with respect to dividends paid by us. Unless entitled to relief under specific statutory provisions, we would also be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lose our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies

General . We hold substantially all of our investments indirectly through our operating partnership. In addition, our operating partnership holds certain of its investments indirectly through subsidiary partnerships and limited liability companies that we believe are and will continue to be treated as partnerships or disregarded entities for U.S. federal income tax purposes. In general, entities that are treated as partnerships or disregarded entities for U.S. federal income tax purposes are "pass-through" entities which are not required to pay U.S. federal income tax. Rather, partners of such partnerships are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership, and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership. We will include in our income our share of these partnership items for purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requirements. Moreover, for purposes of the asset tests, we will include our pro rata share of assets held by our operating partnership, including its share of the assets of its subsidiary partnerships, based on our capital interests in each such entity. See "—Taxation of Our Company—Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries." A disregarded entity is not treated as a separate entity for U.S. federal income tax purposes, and all assets, liabilities and items of income, gain, loss, deduction and credit of a disregarded entity are treated as assets, liabilities and items of income, gain, loss, deduction and credit of its parent that is not a disregarded entity (e.g., our operating partnership) for all purposes under the Code, including all REIT qualification tests.

Entity Classification . Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships or disregarded entities for U.S. federal income tax purposes. For example, an entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership" and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. We do not anticipate that our operating partnership or any subsidiary partnership will be treated as a publicly traded partnership that is taxable as a corporation. However, if any such entity were treated as a corporation, it would be required to pay an entity-level tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the REIT income tests. See "—Taxation of Our Company—Asset Tests" and "—Income Tests." This, in turn, could prevent us from qualifying as a REIT. See "—Taxation of Our Company—Failure to Qualify" for a discussion of the effect of our failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary treated as a partnership or disregarded entity to a corporation might be treated as a taxable event. If so, we might incur a tax liability without any related cash payment. We believe our operating partnership and each of the subsidiary partnerships and limited liability companies are and will continue to be treated as partnerships or disregarded entities for U.S. federal income tax purposes.

Allocations of Items of Income, Gain, Loss and Deduction . A partnership agreement (or, in the case of a limited liability company treated as a partnership for U.S. federal income tax purposes, the limited liability company agreement) generally will determine the allocation of income and loss among partners. These allocations, however, will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the Treasury Regulations thereunder. Generally, Section 704(b) of the Code and the Treasury Regulations thereunder require that partnership allocations respect the economic arrangement of the partners. If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. The allocations of taxable income and loss of our operating partnership and any subsidiaries that are treated as partnerships for U.S. federal income tax purposes are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder.

Tax Allocations With Respect to the Properties . Under Section 704(c) of the Code, items of income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution (this difference is referred to as a book-tax difference), as adjusted from time to time. These allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Our operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnership. In that case, the tax basis of these property interests generally will carry over to our operating partnership, notwithstanding their different book (*i.e.* , fair market) value. The partnership agreement requires that income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. Depending on the method we choose in connection with any particular contribution, the carryover basis of each of the contributed interests in the properties in the hands of our operating partnership (1) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if any of the contributed properties were to have a tax basis equal to its respective fair market value at the time of the contribution and (2) could cause us to be allocated taxable gain in the event of a sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale, with a corresponding benefit to the other partners in our operating partnership. An allocation described in clause (2) above might cause us or the other partners to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements. See "—Taxation of Our Company—Requirements for Qualification as a REIT" and "—Annual Distribution Requirements."

Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code generally will not apply.

Partnership Audit Rules . The Bipartisan Budget Act of 2015 changed the rules applicable to U.S. federal income tax audits of partnerships. Under the new rules (which are generally effective for taxable years beginning after December 31, 2017), among other changes and subject to certain exceptions, any audit adjustment to items of income, gain, loss, deduction, or credit of a partnership (and any partner's distributive share thereof) is determined, and taxes, interest, or penalties attributable thereto are assessed and collected, at the partnership level. Although it is uncertain how certain aspects of these new rules will be implemented, it is possible that they could result in partnerships in which we directly or indirectly invest, including our operating partnership, being required to pay additional taxes, interest and penalties as a result of an audit adjustment, and we, as a direct or indirect partner of these partnerships, could be required to bear the economic burden of those taxes, interest, and penalties even though we, as a REIT, may not otherwise have been required to pay additional corporate-level taxes as a result of the related audit adjustment. Investors are urged to consult their tax advisors with respect to these changes and their potential impact on their investment in our capital stock.

Material U.S. Federal Income Tax Consequences to Holders of Our Capital Stock

The following discussion is a summary of the material U.S. federal income tax consequences to you of purchasing, owning and disposing of our capital stock. This discussion is limited to holders who hold our capital stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances. In addition, except where specifically noted, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding our capital stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- REITs or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);

- tax-exempt organizations (except to the extent discussed in "—Taxation of Tax-Exempt Holders of Our Capital Stock" below) or governmental organizations;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our capital stock being taken into account in an applicable financial statement;
- persons deemed to sell our capital stock under the constructive sale provisions of the Code; and
- persons who hold or receive our capital stock pursuant to the exercise of any employee stock option or otherwise as compensation.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR CAPITAL STOCK ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of our capital stock that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

For purposes of this discussion, a "non-U.S. holder" is any beneficial owner of our capital stock that is neither a U.S. holder nor an entity treated as a partnership for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds our capital stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our capital stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

Taxation of Taxable U.S. Holders of Our Capital Stock

Distributions Generally . Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax, as discussed below, will be taxable to our taxable U.S. holders as ordinary income when actually or constructively received. See "—Tax Rates" below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. holders that are corporations or, except to the extent described in "—Tax Rates" below, the preferential rates on qualified dividend income applicable to non-corporate U.S. holders, including individuals. For purposes of determining whether distributions to holders of our capital stock are out of our current or accumulated earnings and profits, our earnings and profits will be allocated first to our outstanding preferred stock, if any, and then to our outstanding common stock.

To the extent that we make distributions on our capital stock in excess of our current and accumulated earnings and profits allocable to such stock, these distributions will be treated first as a tax-free return of capital to a U.S. holder to the extent of the U.S. holder's adjusted tax basis in such shares of stock. This treatment will reduce the U.S. holder's adjusted tax basis in such shares of stock by such amount, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. holder's adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in

October, November, or December of any year and which are payable to a holder of record on a specified date in any of these months will be treated as both paid by us and received by the holder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. holders may not include in their own income tax returns any of our net operating losses or capital losses.

U.S. holders that receive taxable stock distributions, including distributions partially payable in our capital stock and partially payable in cash, would be required to include the full amount of the distribution (*i.e.* , the cash and the stock portion) as a dividend (subject to limited exceptions) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes, as described above. The amount of any distribution payable in our capital stock generally is equal to the amount of cash that could have been received instead of the capital stock. Depending on the circumstances of a U.S. holder, the tax on the distribution may exceed the amount of the distribution received in cash, in which case such U.S. holder would have to pay the tax using cash from other sources. If a U.S. holder sells the capital stock it received in connection with a taxable stock distribution in order to pay this tax and the proceeds of such sale are less than the amount required to be included in income with respect to the stock portion of the distribution, such U.S. holder could have a capital loss with respect to the stock sale that could not be used to offset such income. A U.S. holder that receives capital stock pursuant to such distribution generally has a tax basis in such capital stock equal to the amount of cash that could have been received instead of such capital stock as described above, and has a holding period in such capital stock that begins on the day immediately following the payment date for the distribution.

Capital Gain Dividends . Dividends that we properly designate as capital gain dividends will be taxable to our taxable U.S. holders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the taxable year and may not exceed our dividends paid for the taxable year, including dividends paid the following year that are treated as paid in the current year. U.S. holders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income. If we properly designate any portion of a dividend as a capital gain dividend, then, except as otherwise required by law, we presently intend to allocate a portion of the total capital gain dividends paid or made available to holders of all classes of our capital stock for the year to the holders of each class of our capital stock in proportion to the amount that our total dividends, as determined for U.S. federal income tax purposes, paid or made available to the holders of each such class of our capital stock for the year bears to the total dividends, as determined for U.S. federal income tax purposes, paid or made available to holders of all classes of our capital stock for the year. In addition, except as otherwise required by law, we will make a similar allocation with respect to any undistributed long-term capital gains which are to be included in our stockholders' long-term capital gains, based on the allocation of the capital gain amount which would have resulted if those undistributed long-term capital gains had been distributed as "capital gain dividends" by us to our stockholders.

Retention of Net Capital Gains . We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, our earnings and profits (determined for U.S. federal income tax purposes) would be adjusted accordingly, and a U.S. holder generally would:

- include its pro rata share of our undistributed capital gain in computing its long-term capital gains in its return for its taxable year in which the last day of our taxable year falls, subject to certain limitations as to the amount that is includable;
- be deemed to have paid its share of the capital gains tax imposed on us on the designated amounts included in the U.S. holder's income as long-term capital gain;
- receive a credit or refund for the amount of tax deemed paid by it;
- increase the adjusted tax basis of its capital stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and
- in the case of a U.S. holder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

Passive Activity Losses and Investment Interest Limitations . Distributions we make and gain arising from the sale or exchange by a U.S. holder of our capital stock will not be treated as passive activity income. As a result, U.S. holders generally will not be able to apply any "passive losses" against this income or gain. A U.S. holder generally may elect to treat capital gain dividends, capital gains from the disposition of our capital stock and income designated as qualified dividend income, as described in "—Tax Rates" below, as investment income for purposes of computing the investment interest limitation, but in such case, the holder will be taxed at ordinary income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Dispositions of Our Capital Stock . Except as described below under "—Taxation of Taxable U.S. Holders of Our Capital Stock—Redemption or Repurchase by Us," if a U.S. holder sells or disposes of shares of our capital stock, it will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder's adjusted tax basis in the shares. This gain or loss, except as provided below, will be long-term capital gain or loss if the holder has held such capital stock for more than one year. However, if a U.S. holder recognizes a loss upon the sale or other disposition of capital stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. holder received distributions from us which were required to be treated as long-term capital gains.

Redemption or Repurchase by Us . A redemption or repurchase of shares of our capital stock will be treated under Section 302 of the Code as a distribution (and taxable as a dividend to the extent of our current and accumulated earnings and profits as described above under "—Distributions Generally") unless the redemption or repurchase satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed or repurchased shares. The redemption or repurchase generally will be treated as a sale or exchange if it:

- is "substantially disproportionate" with respect to the U.S. holder,
- results in a "complete redemption" of the U.S. holder's stock interest in us, or
- is "not essentially equivalent to a dividend" with respect to the U.S. holder,

all within the meaning of Section 302(b) of the Code.

In determining whether any of these tests has been met, shares of our capital stock, including common stock and other equity interests in us, considered to be owned by the U.S. holder by reason of certain constructive ownership rules set forth in the Code, as well as shares of our capital stock actually owned by the U.S. holder, generally must be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to the U.S. holder depends upon the facts and circumstances at the time that the determination must be made, U.S. holders are advised to consult their tax advisors to determine such tax treatment.

If a redemption or repurchase of shares of our capital stock is treated as a distribution, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received. See "—Distributions Generally." A U.S. holder's adjusted tax basis in the redeemed or repurchased shares generally will be transferred to the holder's remaining shares of our capital stock, if any. If a U.S. holder owns no other shares of our capital stock, under certain circumstances, such basis may be transferred to a related person or it may be lost entirely. Proposed Treasury Regulations issued in 2009, if enacted in their current form, would affect the basis recovery rules described above. It is not clear whether these proposed regulations will be enacted in their current form or at all. Prospective investors should consult their tax advisors regarding the U.S. federal income tax consequences of a redemption or repurchase of our capital stock.

If a redemption or repurchase of shares of our capital stock is not treated as a distribution, it will be treated as a taxable sale or exchange in the manner described under "—Dispositions of Our Capital Stock."

Tax Rates . The maximum tax rate for non-corporate taxpayers for (1) long-term capital gains, including certain "capital gain dividends," generally is 20% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) "qualified dividend income" generally is 20%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding period requirements have been met and the REIT's dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if the REIT distributed taxable income that it retained and paid tax on in the prior taxable year). Capital gain dividends will only be eligible for the rates described above to the extent that they are properly designated by the REIT as "capital gain dividends." U.S. holders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income. In addition, non-corporate U.S. holders, including individuals, generally may deduct up to 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026 for purposes of determining their U.S. federal income tax (but not for purposes of the 3.8% Medicare tax), subject to certain limitations.

Taxation of Tax-Exempt Holders of Our Capital Stock

Dividend income from us and gain arising upon a sale of shares of our capital stock generally should not be unrelated business taxable income ("UBTI") to a tax-exempt holder, except as described below. This income or gain will be UBTI, however, to the extent a tax-exempt holder holds its shares as "debt-financed property" within the meaning of the Code. Generally, "debt-financed property" is property the acquisition or holding of which was financed through a borrowing by the tax-exempt holder.

For tax-exempt holders that are social clubs, voluntary employee benefit associations or supplemental unemployment benefit trusts exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9) or (c)(17) of the Code, respectively, income from an investment in our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" may be treated as UBTI as to certain trusts that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a "pension-held REIT" if it is able to satisfy the "not closely held" requirement without relying on the "look-through" exception with respect to certain trusts or if such REIT is not "predominantly held" by "qualified trusts." As a result of restrictions on ownership and transfer of our stock contained in our charter, we do not expect to be classified as a "pension-held REIT," and as a result, the tax treatment described above should be inapplicable to our holders. However, because our capital stock is (and, we anticipate, will continue to be) publicly traded, we cannot guarantee that this will always be the case.

Taxation of Non-U.S. Holders of Our Capital Stock

The following discussion addresses the rules governing U.S. federal income taxation of the acquisition, ownership and disposition of our capital stock by non-U.S. holders. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of U.S. federal income taxation and does not address other federal, state, local or non-U.S. tax consequences that may be relevant to a non-U.S. holder in light of its particular circumstances. We urge non-U.S. holders to consult their tax advisors to determine the impact of U.S. federal, state, local and non-U.S. income and other tax laws and any applicable tax treaty on the acquisition, ownership and disposition of shares of our capital stock, including any reporting requirements.

Distributions Generally . Distributions (including any taxable stock distributions) that are neither attributable to gains from sales or exchanges by us of United States real property interests ("USRPIs") nor designated by us as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable). Under certain treaties, however, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT. Certain certification and disclosure requirements must be satisfied for a non-U.S. holder to be exempt from withholding under the effectively connected income exemption. Dividends that are treated as effectively connected with a U.S. trade or business generally will not be subject to withholding but will be subject to U.S. federal income tax on a net basis at the regular graduated rates, in the same manner as dividends paid to U.S. holders are subject to U.S. federal income tax. Any such dividends received by a non-U.S. holder that is a corporation may also be subject to an additional branch profits tax at a 30% rate (applicable after deducting U.S. federal income taxes paid on such effectively connected income) or such lower rate as may be specified by an applicable income tax treaty.

Except as otherwise provided below, we expect to withhold U.S. federal income tax at the rate of 30% on any distributions made to a non-U.S. holder unless:

(1) a lower treaty rate applies and the non-U.S. holder furnishes an IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) evidencing eligibility for that reduced treaty rate; or

(2) the non-U.S. holder furnishes an IRS Form W-8ECI (or other applicable documentation) claiming that the distribution is income effectively connected with the non-U.S. holder's trade or business.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. holder to the extent that such distributions do not exceed the adjusted tax basis of the holder's capital stock, but rather will reduce the adjusted tax basis of such stock. To the extent that such distributions exceed the non-U.S. holder's adjusted tax basis in such capital stock, they generally will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below. However, such excess distributions may be treated as dividend income for certain non-U.S. holders. For withholding purposes, we expect to treat all distributions as made out of our current or accumulated earnings and profits. However, amounts withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits, provided that certain conditions are met.

Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of United States Real Property Interests . Distributions to a non-U.S. holder that we properly designate as capital gain dividends, other than those arising from the disposition of a USRPI, generally should not be subject to U.S. federal income taxation, unless:

(1) the investment in our capital stock is treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain, except that a non-U.S. holder that is a corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or

(2) the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the non-U.S. holder will be subject to U.S. federal income tax at a rate of 30% on the non-U.S. holder's capital gains (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of such non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

Pursuant to the Foreign Investment in Real Property Tax Act, which is referred to as "FIRPTA," distributions to a non-U.S. holder that are attributable to gain from sales or exchanges by us of USRPIs, whether or not designated as capital gain dividends, will cause the non-U.S. holder to be treated as recognizing such gain as income effectively connected with a U.S. trade or business. Non-U.S. holders generally would be taxed at the regular graduated rates applicable to U.S. holders, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. We also will be required to withhold and to remit to the IRS 21% of any distribution to non-U.S. holders attributable to gain from sales or exchanges by us of USRPIs. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. holder that is a corporation. The amount withheld is creditable against the non-U.S. holder's U.S. federal income tax liability. However, any distribution with respect to any class of stock that is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market located in the United States is not subject to FIRPTA, and therefore, not subject to the 21% U.S. withholding tax described above, if the non-U.S. holder did not own more than 10% of such class of stock at any time during the one-year period ending on the date of the distribution. Instead, such distributions generally will be treated as ordinary dividend distributions and subject to withholding in the manner described above with respect to ordinary dividends. In addition, distributions to certain non-U.S. publicly traded shareholders that meet certain record-keeping and other requirements ("qualified shareholders") are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. Furthermore, distributions to "qualified foreign pension funds" or entities all of the interests of which are held by "qualified foreign pension funds" are exempt from FIRPTA. Non-U.S. holders should consult their tax advisors regarding the application of these rules.

Retention of Net Capital Gains . Although the law is not clear on the matter, it appears that amounts we designate as retained net capital gains in respect of our capital stock should be treated with respect to non-U.S. holders as actual distributions of capital gain dividends. Under this approach, the non-U.S. holders may be able to offset as a credit against their U.S. federal income tax liability their proportionate share of the tax paid by us on such retained net capital gains and to receive from the IRS a refund to the extent their proportionate share of such tax paid by us exceeds their actual U.S. federal income tax liability. If we were to designate any portion of our net capital gain as retained net capital gain, non-U.S. holders should consult their tax advisors regarding the taxation of such retained net capital gain.

Sale of Our Capital Stock . Except as described below under "—Redemption or Repurchase by Us," gain realized by a non-U.S. holder upon the sale, exchange or other taxable disposition of our capital stock generally will not be subject to U.S. federal income tax unless such stock constitutes a USRPI. In general, stock of a domestic corporation that constitutes a "United States real property holding corporation," or USRPHC, will constitute a USRPI. We believe that we are a USRPHC. Our capital stock will not, however, constitute a USRPI so long as we are a "domestically controlled qualified investment entity." A "domestically controlled qualified investment entity" includes a REIT in which at all times during a five-year testing period less than 50% in value of its stock is held directly or indirectly by non-United States persons, subject to certain rules. For purposes of determining whether a REIT is a "domestically controlled qualified investment entity," a person who at all applicable times holds less than 5% of a class of stock that is "regularly traded" is treated as a United States person unless the REIT has actual knowledge that such person is not a United States person. We believe, but cannot guarantee, that we are a "domestically controlled qualified investment entity." Because our capital stock is (and, we anticipate, will continue to be) publicly traded, no assurance can be given that we will continue to 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. holder sells our capital stock, gain realized from the sale or other taxable disposition by a non-U.S. holder of such stock would not be subject to U.S. federal income tax under FIRPTA as a sale of a USRPI if:

(1) such class of stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market such as the New York Stock Exchange; and

(2) such non-U.S. holder owned, actually and constructively, 10% or less of such class of stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the non-U.S. holder's holding period.

In addition, dispositions of our capital stock by qualified shareholders are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. Furthermore, dispositions of our capital stock by "qualified foreign pension funds" or entities all of the interests of which are held by "qualified foreign pension funds" are exempt from FIRPTA. Non-U.S. holders should consult their tax advisors regarding the application of these rules.

Notwithstanding the foregoing, gain from the sale, exchange or other taxable disposition of our capital stock not otherwise subject to FIRPTA will be taxable to a non-U.S. holder if either (a) the investment in our capital stock is treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable), in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain, except that a non-U.S. holder that is a corporation may also be subject to the 30% branch profits tax (or such lower rate as may be specified by an applicable income tax treaty) on such gain, as adjusted for certain items, or (b) the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the non-U.S. holder will be subject to a 30% tax on the non-U.S. holder's capital gains (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our capital stock, a non-U.S. holder may be treated as having gain from the sale or other taxable disposition of a USRPI if the non-U.S. holder (1) disposes of such stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, or is deemed to acquire, other shares of that stock during the 61-day period beginning with the first day of the 30-day period described in clause (1), unless such stock is "regularly traded" and the non-U.S. holder did not own more than 10% of the stock at any time during the one-year period ending on the date of the distribution described in clause (1).

If gain on the sale, exchange or other taxable disposition of our capital stock were subject to taxation under FIRPTA, the non-U.S. holder would be required to file a U.S. federal income tax return and would be subject to regular U.S. federal income tax with respect to such gain in the same manner as a taxable U.S. holder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, if the sale, exchange or other taxable disposition of our capital stock were subject to taxation under FIRPTA, and if shares of the applicable class of our capital stock were not “regularly traded” on an established securities market, the purchaser of such stock generally would be required to withhold and remit to the IRS 15% of the purchase price.

Redemption or Repurchase by Us . A redemption or repurchase of shares of our capital stock will be treated under Section 302 of the Code as a distribution (and taxable as a dividend to the extent of our current and accumulated earnings and profits) unless the redemption or repurchase satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed or repurchased shares. See “—Taxation of Taxable U.S. Holders of Our Capital Stock—Redemption or Repurchase by Us.” Qualified shareholders and their owners may be subject to different rules, and should consult their tax advisors regarding the application of such rules. If the redemption or repurchase of shares is treated as a distribution, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received. See “—Taxation of Non-U.S. Holders of Our Capital Stock—Distributions Generally” above. If the redemption or repurchase of shares is not treated as a distribution, it will be treated as a taxable sale or exchange in the manner described above under “—Sale of Our Capital Stock.”

Information Reporting and Backup Withholding

U.S. Holders . A U.S. holder may be subject to information reporting and backup withholding when such holder receives payments on our capital stock or proceeds from the sale or other taxable disposition of such stock. Certain U.S. holders are exempt from backup withholding, including corporations and certain tax-exempt organizations. A U.S. holder will be subject to backup withholding if such holder is not otherwise exempt and:

- the holder fails to furnish the holder’s taxpayer identification number, which for an individual is ordinarily his or her social security number;
- the holder furnishes an incorrect taxpayer identification number;
- the applicable withholding agent is notified by the IRS that the holder previously failed to properly report payments of interest or dividends; or
- the holder fails to certify under penalties of perjury that the holder has furnished a correct taxpayer identification number and that the IRS has not notified the holder that the holder is subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder’s U.S. federal income tax liability, provided the required information is timely furnished to the IRS. U.S. holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

Non-U.S. Holders . Payments of dividends on our capital stock generally will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our capital stock paid to the non-U.S. holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of such stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of such stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder’s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Medicare Contribution Tax on Unearned Income

Certain U.S. holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends on stock and capital gains from the sale or other disposition of stock, subject to certain limitations. U.S. holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of our capital stock.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such sections commonly referred to as the Foreign Account Tax Compliance Act ("FATCA")) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on our capital stock or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of our capital stock, in each case paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our capital stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of stock on or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued. Because we may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of these withholding rules we may treat the entire distribution as a dividend.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our capital stock.

Other Tax Consequences

State, local and non-U.S. income tax laws may differ substantially from the corresponding U.S. federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or non-U.S. jurisdiction, or any U.S. federal tax other than the income tax. You should consult your tax advisor regarding the effect of state, local and non-U.S. tax laws with respect to our tax treatment as a REIT and on an investment in our capital stock.

Tax Matters Agreement

In connection with the Spin-Off, we entered into a Tax Matters Agreement with Darden on November 9, 2015 (the "Tax Matters Agreement") that governs our and Darden's respective rights, responsibilities and obligations with respect to taxes (including taxes arising in the ordinary course of business and taxes, if any, incurred as a result of any failure of the Spin-Off and certain related transactions to qualify as tax-free for U.S. federal income tax purposes), tax attributes, tax returns, tax contests and certain other tax matters.

The Tax Matters Agreement provides special rules allocating tax liabilities in the event the Spin-Off, together with certain related transactions, was not tax-free. In general, under the Tax Matters Agreement, each party is expected to be responsible for any taxes imposed on Darden that arise from the failure of the Spin-Off and certain related transactions to qualify as a tax-free transaction for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, as applicable, and certain other relevant provisions of the Code, to the extent that the failure to qualify is attributable to actions taken by such party.