Section 1: 10-Q (FCPT Q1 2017 10-Q)

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

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

For the quarterly period ended March 31, 2017

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)	(I.R.S. Employer Identification No.)
591 Redwood Highway, Suite 1150 **Mill Valley, California**	**94941**
(Address of principal executive offices)	(Zip Code)

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

Not applicable
(Former name or former address, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (do not check if a smaller reporting company)
Smaller reporting company ☐	Emerging growth company ☐	

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

Number of shares of common stock outstanding as of May 4, 2017: 60,023,593

FOUR CORNERS PROPERTY TRUST, INC.

FORM 10 - Q

THREE MONTHS ENDED MARCH 31, 2017

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Item 1. Financial Statements

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 31, 2017 (Unaudited)	December 31, 2016
ASSETS		
Real estate investments:		
Land	$ 425,401	$ 421,941
Buildings, equipment and improvements	1,065,212	1,055,624
Total real estate investments	1,490,613	1,477,565
Less: Accumulated depreciation	(586,486)	(583,307)
Total real estate investments, net	904,127	894,258
Real estate held for sale	1,710	—
Cash and cash equivalents	18,070	26,643
Deferred rent	13,967	11,594
Derivative assets	2,070	837
Other assets	3,954	3,819
Total Assets	$ 943,898	$ 937,151
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable, net of deferred financing costs	$ 439,293	$ 438,895
Dividends payable	14,536	14,519
Deferred rental revenue	7,972	7,974
Deferred tax liabilities	175	196
Other liabilities	4,375	5,450
Total liabilities	466,351	467,034
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, 60,022,912 and 59,923,557 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	6	6
Additional paid-in capital	440,342	438,864
Retained earnings	26,923	25,943
Accumulated other comprehensive income	1,482	207
Noncontrolling interest	8,794	5,097
Total equity	477,547	470,117
Total Liabilities and Equity	$ 943,898	$ 937,151

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except for share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Revenues:		
Rental income	$ 27,764	$ 26,192
Restaurant revenues	4,943	4,859
Total revenues	32,707	31,051
Operating expenses:		
General and administrative	2,863	3,317
Depreciation and amortization	5,409	5,187
Restaurant expenses	4,668	4,698
Interest expense	4,094	4,182
Total expenses	17,034	17,384
Other income	5	60
Income before income tax	15,678	13,727
(Provision for) benefit from income tax	(45)	80,556
Net income	15,633	94,283
Net income attributable to noncontrolling interest	(117)	—
Net Income Available to Common Shareholders	$ 15,516	$ 94,283
Basic net income per share:	$ 0.26	$ 1.95
Diluted net income per share:	$ 0.26	$ 1.61
Weighted average number of common shares outstanding:		
Basic	59,929,276	48,374,846
Diluted [(1)]	59,995,930	58,737,283
Dividends declared per common share	$ 0.2425	$ 0.2425

(1) Includes 17,085,566 shares issued on March 2, 2016 as part of our purging distribution to satisfy certain REIT requirements. For financial reporting purposes, these shares were assumed to have been issued on January 7, 2016.

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except for share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Net income	$ 15,633	$ 94,283
Realized and unrealized gain (loss) on hedging instruments	1,285	(6,458)
Comprehensive income	16,918	87,825
Comprehensive income attributable to noncontrolling interest	(127)	—
Comprehensive Income Attributable to Common Shareholders	$ 16,791	$ 87,825

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	Shares	Par Value					
Balance at December 31, 2016	59,923,557	$ 6	$ 438,864	$ 25,943	$ 207	$ 5,097	$ 470,117
Net income	—	—	—	15,516	—	117	15,633
Other comprehensive income	—	—	—	—	1,275	10	1,285
Issuance of OP units	—	—	—	—	—	3,608	3,608
ATM proceeds, net of issuance costs	49,900	—	984	—	—	—	984
Dividends and distributions to equity holders	—	—	—	(14,536)	—	(38)	(14,574)
Stock-based compensation, net	49,455		494	—		—	494
Balance at March 31, 2017	60,022,912	$ 6	$ 440,342	$ 26,923	$ 1,482	$ 8,794	$ 477,547

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows - operating activities		
Net income	$ 15,633	$ 94,283
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	5,409	5,187
Amortization of financing costs	398	398
Stock-based compensation expense	494	322
Deferred income taxes	(21)	(80,656)
Changes in assets and liabilities:		
Derivative assets	52	381
Deferred rental asset	(2,373)	(2,595)
Deferred rental revenue	(2)	(74)
Other assets and liabilities	(601)	(1,150)
Net cash provided by operating activities	18,989	16,096
Cash flows - investing activities		
Purchases of fixed assets	(11,722)	(5)
Cash used in investing activities	(11,722)	(5)
Cash flows - financing activities		
Proceeds from equity issuance (ATM)	984	—
Net distributions to parent	—	—
Payment of dividend to shareholders	(14,519)	(78,076)
Repayment of debt	(2,305)	—
Net cash used in financing activities	(15,840)	(78,076)
Net decrease in cash and cash equivalents	(8,573)	(61,985)
Cash and cash equivalents, beginning of period	26,643	98,073
Cash and cash equivalents, end of period	$ 18,070	$ 36,088
Supplemental disclosures:		
Dividends declared but not paid	$ 14,536	$ 14,509
Interest paid	$ 3,941	$ 3,319
Taxes paid	$ 199	$ 2,222
Non-cash investing and financing activities:		
Debt assumed in purchase of real estate investments	$ 2,305	$ —
Change in fair value of derivative instruments	$ 1,233	$ (6,839)
Operating partnership units issued in exchange for real estate investments	$ 3,608	$ —

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 (the "Properties" or "Property") 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 as well as cash in lieu of any fractional shares of our common stock which they would have otherwise received (the "Spin-Off"). The Spin-Off is intended to qualify as tax-free to Darden shareholders for U. S. federal income tax purposes, except for cash paid in lieu of fractional shares.

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 will make 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 include the accounts of Four Corners Property Trust, Inc. and its 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 statement of the results for the interim periods presented. These adjustments are considered to be of a normal, recurring nature.

Reclassifications

Certain amounts previously reported under specific financial statement captions have been reclassified to be consistent with the current period presentation.

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 as of the date of the combination. Actual results may differ from the estimates and assumptions used in preparing the accompanying 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-four years using the straight-line method. Leasehold improvements, which are reflected on our balance sheets as a component of buildings, equipment and improvements 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. Other 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 our accompanying consolidated statements of comprehensive income.

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 evaluated the acquisitions and concluded that the land, building, site improvements, and in-places leases (if any) were a single asset. 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. As substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset, the acquisitions do not qualify as a business and are accounted for as asset acquisitions. Related transaction costs are generally capitalized and amortized over the useful life of the acquired assets.

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

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, in-place lease intangibles are valued based on the Company's estimates of costs related to tenant acquisition and the carrying costs 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- 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, including renewal options. Should a lease terminate early, the unamortized portion of any related lease intangible is immediately recognized in impairment loss in the Company's consolidated statements of operations.

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.

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.

In the second quarter of 2017, the Company also expects to sell one property leased to Darden for $5.2 million. The potential sale is from an unsolicited offer and would result in a gain of $3.5 million.

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.

Derivative Instruments and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments as required by Financial Accounting Standards Board ("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 sheet 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.

See Note 7 - Derivative Financial Instruments for additional information.

Other Assets and Liabilities

Other assets primarily consist of prepaid assets, inventories, and accounts receivable. Other liabilities primarily consist of accrued compensation, accrued operating expenses, and deferred rent obligations on certain operating leases.

Notes Payable

Notes payable are carried at their unpaid principal balance, net of deferred financing costs. This long-term debt is unsecured and interest is paid monthly until it is paid in whole or matures at a future date.

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 balance sheets.

Revenue Recognition

Rental income

For those triple-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 straight-line rent receivable. Taxes collected from lessees and remitted to governmental authorities are presented on a net basis within rental income in our consolidated statements of comprehensive income.

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.

Income from rent, lease termination fees and all other income is recognized when all of the following criteria are met in accordance with SEC Staff Accounting Bulletin 104: (i) the applicable agreement has been fully executed and delivered; (ii) services have been rendered; (iii) the amount is fixed or determinable; and (iv) collectability is reasonably assured.

We assess the collectability of our lease receivables, including straight-line receivables. We base our assessment of the collectability of rent receivables (other than straight-line 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 straight-line 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 straight-line 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.

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 is recognized when food and beverage products are sold. 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 consolidated statements of income.

In the first quarter of 2017, the Company adopted ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first-in, first-out or average cost. Under the updated guidance,

an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, first-out. Adoption of this guidance did not have a material impact on our consolidated financial statements or related disclosures.

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 that we distribute currently to our shareholders. 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 may also be 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 will continue to be 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 consolidated statements of comprehensive income. 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.

Tax accounting guidance 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 positions 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. At March 31, 2017, none of the Company's equity awards qualified as 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")), forfeitable dividend equivalent units ("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 five years, less estimated forfeitures. No compensation cost is recognized for awards for which employees do not render the requisite services.

In the first quarter of 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 can today 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 one 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 May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". 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 to which the entity expects to be entitled to receive for those goods or services. On July 9, 2015, the FASB decided to delay the effective date of ASU 2014-09 for one year. The standard is now effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption for annual periods beginning after

December 15, 2016 and interim periods within those annual periods is permitted. We do not expect adoption of this guidance to have a material impact on our consolidated financial statements or related disclosures.

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. 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. We are currently evaluating the impact of adopting this guidance.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 provides guidance on certain specific cash flow issues, including, but not limited to, debt prepayment or extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees. ASU 2016-15 is effective for periods beginning after December 15, 2017, with early adoption permitted and shall be applied retrospectively where practicable. We do not expect adoption of this guidance to have a material impact on our consolidated financial statements or related disclosures.

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 93% of the scheduled base rents from the properties we own. As our revenues predominately consist of rental payments, we are dependent on Darden for substantially all of our leasing revenues. The audited financial statements for Darden can be found in the Investor Relations section at www.darden.com. We are providing this website address solely for the information of our stockholders. We do not intend this website to be an active link or to otherwise incorporate the information contained on such website into this report or other filings with the SEC.

We also are subject to concentration risk in terms of the restaurant brands that operate our properties. With 299 locations in our portfolio, Olive Garden branded restaurants comprise approximately 62% of our leased properties and approximately 69% of the revenues received under leases. Our properties, including our Kerrow restaurants, are located in 44 states, with concentrations of 10% or greater of total rental revenue in two states: Florida (12%) and Texas (11%).

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. 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 March 31, 2017, our exposure to risk related to our derivative instruments totaled $2.1 million and the counterparty to such instruments is an investment grade financial institution. Our credit risk exposure with regard to our cash and the $305 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 INVESMENTS, NET

Real Estate Investments, Net

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

(In thousands)	March 31, 2017	December 31, 2016
Land	$ 425,401	$ 421,941
Buildings and improvements	926,560	916,444
Equipment	138,652	139,180
Total gross real estate investments	1,490,613	1,477,565
Less: accumulated depreciation	(586,486)	(583,307)
Total Real Estate Investments, Net	$ 904,127	$ 894,258

During the three months ended March 31, 2017, the Company invested $17.5 million, including transaction costs, in nine restaurant properties located in six states, and allocated the investment as follows: $4.2 million to land, $12.6 million to buildings and improvements, and $0.7 million to intangible assets related to leases. There was no contingent consideration associated with these acquisitions. These properties are 100% occupied under triple-net leases, with a weighted average lease term of 13.5 years. The Company accounted for these transactions as asset acquisitions in accordance with GAAP.

Operating Leases

The following table presents the scheduled minimum future contractual rent to be received under the remaining non-cancelable term of the operating leases. Because lease renewal periods are exercisable at the option of the lessee, the table presents future minimum lease payments due during the initial lease term only.

(In thousands)		March 31, 2017
2017 (nine months)	$	76,630
2018		103,450
2019		104,951
2020		106,448
2021		107,901
Thereafter		1,016,821
Total Future Minimum Lease Payments	$	1,516,201

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

Other Assets

The components of other assets were as follows:

(In thousands)		March 31, 2017		December 31, 2016
Intangible lease assets	$	2,381	$	1,772
Prepaid acquisition costs		155		438
Prepaid assets		576		614
Inventories		178		202
Accounts receivable		241		162
Other		423		631
Total Other Assets	$	3,954	$	3,819

Lease Intangibles, Net

The following table details lease intangible assets, net of accumulated amortization, which are included in Other Assets on our consolidated balance sheets:

(In thousands)		March 31, 2017		December 31, 2016
In-place leases	$	2,498	$	1,809
Less: Accumulated amortization		(117)		(37)
Intangible Lease Assets, Net	$	2,381	$	1,772

The value of in-place leases amortized and included in depreciation and amortization expense was $80 thousand for the three months ended March 31, 2017. There was no amortization expense for intangible lease assets for the three months ended March 31, 2016. There were no above or below market intangible assets or liabilities at March 31, 2017 or December 31, 2016.

Based on the balance of intangible assets at March 31, 2017, the net aggregate amortization expense for the next five years and thereafter is expected to be as follows:

(In thousands)	March 31, 2017
2017 (nine months)	$ 213
2018	217
2019	217
2020	211
2021	190
Thereafter	1,333
Total Future Amortization Expense	$ 2,381

Other Liabilities

The components of other liabilities were as follows:

(In thousands)	March 31, 2017	December 31, 2016
Accounts payable	$ 952	$ 726
Accrued operating expenses	891	759
Accrued interest expense	836	1,134
Deferred lease liability	643	634
Accrued compensation	539	1,296
Other	514	901
Total Other Liabilities	$ 4,375	$ 5,450

NOTE 6 – NOTES PAYABLE

At both March 31, 2017 and December 31, 2016, our notes payable consisted of (1) a $400 million, non-amortizing term loan and (2) $45 million in outstanding borrowings under the revolving credit facility. At March 31, 2017 and December 31, 2016, the net unamortized deferred financing costs were $5.7 million and $6.1 million, respectively. The weighted average interest rate on the term loan before consideration of the interest rate hedge described below was 2.56% and 2.36% at March 31, 2017 and December 31, 2016, respectively. During both the three months ended March 31, 2017 and 2016, amortization of deferred financing costs was $398 thousand. At March 31, 2017 and December 31, 2016, the weighted average interest rate on the outstanding borrowings under the revolving credit facility were 2.70% and 2.46%, respectively, and there were no outstanding letters of credit.

On February 14, 2017, FCPT OP, FCPT and certain of its subsidiaries, as guarantors, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto entered into a second amendment (the “Loan Agreement Amendment”) to the Revolving Credit and Term Loan Agreement (as amended, the "Loan Agreement"), for the purpose of, among other things, permitting an incurrence of additional unsecured debt in an aggregate principal amount of at least $50 million. The Loan Agreement Amendment further provides that, upon the incurrence of such additional unsecured debt, (A) all pledges of equity interests that secure the Loan Agreement, and all subsidiary guarantees of the Loan Agreement, will be released and (B) the financial covenant requirements in relation to maximum leverage and minimum debt service coverage will be adjusted in the manner set forth in the Loan Agreement Amendment. In addition, the Loan Agreement Amendment increases the minimum Consolidated Tangible Net Worth requirement from $845.7 million to $868.9 million. The Loan Agreement Amendment also contains customary representations and warranties by FCPT OP.

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 receipt or 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 objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish these objectives, 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 effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded on our consolidated balance sheet in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three months ended March 31, 2017, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

For the three months ended March 31, 2017 and 2016, we recorded approximately $4 thousand of income and $348 thousand of expense, respectively, of hedge ineffectiveness in earnings 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 over the next twelve months an additional $703 thousand will be reclassified to earnings as an increase to interest expense.

Non-designated Hedges

We do not use derivatives for trading or speculative purposes. During the three months ended March 31, 2017 and 2016, we did not have any derivatives that were not designated as hedges.

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

The table below presents the fair value of our derivative financial instruments as well as their classification on the consolidated balance sheet as of March 31, 2017 and December 31, 2016.

	Derivative Assets			**Derivative Liabilities**		
		Fair Value at			**Fair Value at**	
(Dollars in thousands)	**Balance Sheet Location**	**March 31, 2017**	**December 31, 2016**	**Balance Sheet Location**	**March 31, 2017**	**December 31, 2016**
Derivatives designated as hedging instruments:						
Interest rate swaps	Derivative assets	$ 2,070	$ 837	Derivative liabilities	$ —	$ —
Total		**$ 2,070**	**$ 837**		**$ —**	**$ —**

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

The table below presents the effect of our interest rate swaps on the statements of comprehensive income for the three months ended March 31, 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)
Three months ended March 31, 2017	$ 660	Interest expense	$ (625)	Interest expense	$ (4)
Three months ended March 31, 2016	$ (7,444)	Interest expense	$ (985)	Interest expense	$ (348)

Tabular Disclosure Offsetting Derivatives

The table below presents a gross presentation, the effects of offsetting, and a net presentation of our derivatives at March 31, 2017 and December 31, 2016. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the consolidated balance sheets.

Offsetting of Derivative Assets

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
(In thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
March 31, 2017	$ 2,070	$ —	$ 2,070	$ —	$ —	$ 2,070
December 31, 2016	837	—	837	—	—	837

Credit-risk-related Contingent Features

The agreement with our derivative counterparty 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 March 31, 2017 and December 31, 2016, the fair value of derivatives in a net asset position related to these agreements was approximately $2.1 million and $837 thousand, respectively. As of March 31, 2017, we have not posted any collateral related to these agreements. If we or our counterparty had breached any of these provisions at March 31, 2017, we would have received the termination value of $2.1 million.

NOTE 8 – 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 that we distribute currently to our stockholders. Accordingly, no provision for federal income taxes has been included in the accompanying consolidated financial statements for the three months ended March 31, 2017 related to the REIT. However, FCPT's TRSs will generally be subject to federal, state, and local income taxes.

During the three months ended March 31, 2017 and 2016, our income tax provision (benefit) was $45 thousand and ($80,556 thousand), respectively. The income tax benefit recognized during the three months ended March 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 intention to elect to be taxed as a REIT commencing with the year ended December 31, 2016.

NOTE 9 – STOCKHOLDERS' EQUITY

Preferred Stock

At March 31, 2017 and December 31, 2016, the Company was authorized to issue 25,000,000 shares, $0.0001 par value per share of preferred stock. There were no shares issued and outstanding at March 31, 2017 or December 31, 2016.

Common Stock

At March 31, 2017, the Company was authorized to issue 500,000,000 shares, $0.0001 par value per share, of common stock.

In March 2017, we declared a dividend of $0.2425 per share, which was paid in April 2017 to common stockholders of record as of March 31, 2017.

At March 31, 2017, there were 60,022,912 shares of the Company's common stock issued and outstanding.

Common Stock Issuance Under the At-The-Market Program

In December 2016, the Company established 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 three months ended March 31, 2017, we sold 49,900 shares under the ATM program at a weighted-average selling price of $20.04 per share, for net proceeds of approximately $985 thousand (after issuance costs). At March 31, 2017 there was $148.4 million available for issuance under the ATM program.

Noncontrolling Interest

At March 31, 2017, there were 449,320 OP units outstanding held by third parties. During the three months ended March 31, 2017, FCPT OP issued 174,576 OP units as partial consideration for the acquisitions of four properties. Generally, common 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 Common OP Units held by such limited partner. At the Company'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.

At March 31, 2017, FCPT is the owner of approximately 99.25% of FCPT's OP units. The remaining 0.75%, or 449,320, of FCPT's OP units are held by unaffiliated limited partners. During the three months ended March 31, 2017, FCPT OP distributed $38 thousand to limited partners.

Earnings Per Share

The following table presents the computation of basic and diluted net earnings per common share for the three months ended March 31, 2017 and 2016.

(In thousands except for per share data)	Three Months Ended March 31, 2017	2016
Average common shares outstanding – basic	59,929	48,375
Net effect of dilutive equity awards	67	36
Net effect of shares issued with respect to Pre-Spin Dividend	—	10,326
Average common shares outstanding – diluted	59,996	58,737
Net income	$ 15,633	$ 94,283
Basic net earnings per share	$ 0.26	$ 1.95
Diluted net earnings per share	$ 0.26	$ 1.61

For the three months ended March 31, 2017 and 2016, the number of outstanding equity awards that were anti-dilutive totaled 240,120 and 139,571, respectively.

Income allocated to noncontrolling interests of the Operating Partnership has been excluded from the numerator and exchangeable Operating Partnership units have been omitted from the denominator for the purpose of computing diluted earnings per share since the effect of including these amounts in the numerator and denominator would have no impact. Weighted average exchangeable Operating Partnership units outstanding for the quarter ended March 31, 2017 were 427,983.

NOTE 10 – STOCK-BASED COMPENSATION

On October 20, 2015, the Board of Directors of FCPT adopted, and FCPT's sole stockholder at such time, 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, restricted stock, restricted stock units, deferred stock units, unrestricted stock, dividend equivalent rights, performance shares and other performance-based awards, other equity-based awards, and cash bonus 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 March 31, 2017, 1,794,654 shares of common stock were available for award under the Plan. The unamortized compensation cost of awards issued under the Incentive Plan totaled $5.8 million at March 31, 2017 as shown in the following table.

(In thousands)	Restricted Stock Units	Restricted Stock Awards	Performance Stock Awards	Total
Unrecognized compensation cost at January 1, 2017	$ 1,094	$ 625	$ 1,402	$ 3,121
Equity grants	—	961	2,264	3,225
Equity grant forfeitures	—	—	—	—
Equity compensation expense	(165)	(103)	(233)	(501)
Unrecognized Compensation Cost at March 31, 2017	$ 929	$ 1,483	$ 3,433	$ 5,845

At March 31, 2017, the weighted average amortization period remaining for all of our equity awards was 2.1 years.

RSUs

RSUs have been granted at a value equal to the five-day average closing market price of our common stock on the date of grant and will be 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.

At March 31, 2017 there were 63,264 RSUs outstanding, and 7,096 had vested and were distributed. There were no RSUs granted during the three months ended March 31, 2017 or 2016. There were no RSUs forfeited during the three months ended March 31, 2017. Unvested RSUs at March 31, 2017 will vest at varying times through 2019.

Restricted Stock Awards

During the three months ended March 31, 2017 and 2016, there were 44,657 and 51,209 shares of restricted stock as well as dividend equivalent rights granted under the Plan, respectively. There were no RSAs forfeited during the three months ended March 31, 2017. These shares generally vest over a three-year service period. Unvested restricted stock awards at March 31, 2017 will vest at varying times through 2019.

Performance-Based Restricted Stock Awards

During the three months ended March 31, 2017 and 2016, there were 63,538 and 68,468 performance shares as well as dividend equivalent rights granted under the Plan, respectively. The performance period of the grants run from January 1, 2017 through December 31, 2019 and 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 was estimated on the date of grant using a Monte Carlo Simulation model. Based on the grant date fair value, the Company expects to recognize $3.4 million in compensation expense on a straight-line basis over the requisite service period associated with these market-based grants.

NOTE 11 –FAIR VALUE MEASUREMENTS

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

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 assets and liabilities recorded that are reported at fair value on our consolidated balance sheets on a recurring basis.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

March 31, 2017 (In thousands)	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	$ —	$ 2,070	$ —	$ 2,070

December 31, 2016 (In thousands)	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	$ —	$ 837	$ —	$ 837

Derivative Financial Instruments

Currently, we use interest rate swaps to manage our interest rate risk associated with our notes 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 are 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 at March 31, 2017 and December 31, 2016 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

March 31, 2017 (In thousands)	Carrying Value	Fair Value
Liabilities		
Note payable, excluding deferred financing costs	$ 445,000	$ 445,266

December 31, 2016 (In thousands)	Carrying Value	Fair Value
Liabilities		
Note payable, excluding deferred financing costs	$ 445,000	$ 445,309

The fair value of the note 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

Rentals

The annual future lease commitments under non-cancelable operating leases for each of the five years subsequent to March 31, 2017 and thereafter is as follows:

(In thousands)	March 31, 2017
2017 (nine months)	$ 386
2018	518
2019	407
2020	280
2021	97
Thereafter	—
Total Future Lease Commitments	$ 1,688

Rental expense was $158 thousand and $150 thousand for the three months ended March 31, 2017 and 2016, respectively.

Litigation

We are subject to private lawsuits, administrative proceedings and claims that arise in the ordinary course of our business from time to time. 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 the three months ended March 31, 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 three months ended March 31, 2017 and 2016.

Three Months Ended March 31, 2017

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental income	$ 27,764	$ —	$ —	$ 27,764
Intercompany rental income	99	—	(99)	—
Restaurant revenues	—	4,943	—	4,943
Total revenues	27,863	4,943	(99)	32,707
Operating expenses:				
General and administrative	2,863	—	—	2,863
Depreciation and amortization	5,253	156	—	5,409
Restaurant expenses	—	4,767	(99)	4,668
Interest expense	4,094	—	—	4,094
Total operating expenses	12,210	4,923	(99)	17,034
Other income	5	—	—	5
Income before provision for income taxes	15,658	20	—	15,678
Provision for income taxes	—	(45)	—	(45)
Net Income (Loss)	$ 15,658	$ (25)	$ —	$ 15,633

Three Months Ended March 31, 2016

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental income	$ 26,192	$ —	$ —	$ 26,192
Intercompany rental income	97	—	(97)	—
Restaurant revenues	—	4,859	—	4,859
Total revenues	26,289	4,859	(97)	31,051
Operating expenses:				
General and administrative	3,317	—	—	3,317
Depreciation and amortization	5,023	164	—	5,187
Restaurant expenses	—	4,795	(97)	4,698
Interest expense	4,182	—	—	4,182
Total operating expenses	12,522	4,959	(97)	17,384
Other income	60			60
Income before provision for income taxes	13,827	(100)	—	13,727
Benefit from income taxes	80,409	147	—	80,556
Net Income	$ 94,236	$ 47	$ —	$ 94,283

The following table presents supplemental information by segment at March 31, 2017 and December 31, 2016.

March 31, 2017

(In thousands)	Real Estate Operations	Restaurant Operations	Total
Gross real estate investments	$ 1,473,992	$ 16,621	$ 1,490,613
Accumulated depreciation	(580,416)	(6,070)	(586,486)
Total real estate investments, net	$ 893,576	$ 10,551	$ 904,127
Cash and cash equivalents	$ 15,281	$ 2,789	$ 18,070
Total assets	$ 930,014	$ 13,884	$ 943,898
Notes payable, net of deferred financing costs	$ 439,293	$ —	$ 439,293

December 31, 2016

(In thousands)	Real Estate Operations	Restaurant Operations	Total
Gross real estate investments	$ 1,460,967	$ 16,598	$ 1,477,565
Accumulated depreciation	(577,392)	(5,915)	(583,307)
Total real estate investments, net	$ 883,575	$ 10,683	$ 894,258
Cash and cash equivalents	$ 24,412	$ 2,231	$ 26,643
Total assets	$ 923,747	$ 13,404	$ 937,151
Notes payable, net of deferred financing costs	$ 438,895	$ —	$ 438,895

NOTE 14 – SUBSEQUENT EVENTS

The Company reviewed its subsequent events and transactions that have occurred after March 31, 2017, the date of the consolidated balance sheet. In the second quarter of 2017 through May 4, 2017, the Company borrowed an additional $36 million on the revolving credit facility. The Company also invested $35.1 million in acquisitions of sixteen restaurant properties located in eight states. These properties are 100% occupied under triple-net leases with a weighted average lease term of 20.0 years. The Company funded the acquisitions with cash on hand and funds borrowed under the revolving credit facility. The Company anticipates accounting for these acquisitions as asset acquisitions in accordance with GAAP. There were no contingent liabilities associated with these transactions at March 31, 2017.

The Company announced on April 20, 2017 that it has entered into an agreement pursuant to which FCPT OP will issue $125.0 million of senior, unsecured, fixed rate notes (the “Notes”) that are guaranteed by the Company. The Notes consist of $50.0 million of Notes with a seven-year term priced at a fixed interest rate of 4.68%, and $75.0 million of Notes with a ten-year term priced at a fixed interest rate of 4.93%, resulting in a weighted average maturity of 8.8 years and a weighted average fixed interest rate of 4.83%. The closing and funding of the Notes is expected to occur on June 7, 2017, subject to the satisfaction of standard closing conditions. The Company intends to use the net proceeds from the offering to reduce amounts outstanding under its unsecured credit facility, to fund any future acquisitions and for general corporate purposes.

There were no other reportable subsequent events or transactions.

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

Forward-Looking Statements

Statements contained in this Quarterly Report on Form 10-Q, 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 and Section 21E of the Securities Exchange Act of 1934 (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" in our Annual Report on Form 10-K for the year ended December 31, 2016, as such 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 Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q.

Overview

Four Corners Property Trust, Inc. ("FCPT") is a publicly-traded Maryland 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 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.

Our revenues are primarily generated by leasing properties to Darden and other tenants through triple-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 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 and occupied by durable restaurant concepts, with creditworthy tenants whose operating cash flow 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 the three months ended March 31, 2017, FCPT acquired nine properties in six states for a total investment of $17.5 million, including transaction costs. These properties are 100% occupied under triple-net leases with a weighted average lease term of 13.5 years. At March 31, 2017, our wholly-owned lease portfolio had the following characteristics:

- 484 free-standing properties located in 44 states and representing an aggregate leasable area of 3.5 million square feet;
- 100% occupancy;
- A weighted average remaining lease term of 13.5 years (based on annual base rent);
- A weighted average annual rent escalator of 1.5% (based on annual base rent); and
- 93% investment grade tenancy (based on annual base rent).

Results of Operations

The following discussion includes the results of our operations for the three months ended March 31, 2017 and 2016 as summarized in the table below:

	Three Months Ended March 31,	
(In thousands)	2017	2016
Revenues:		
Rental income	$ 27,764	$ 26,192
Restaurant revenues	4,943	4,859
Total revenues	32,707	31,051
Operating expenses:		
General and administrative	2,863	3,317
Depreciation and amortization	5,409	5,187
Restaurant expenses	4,668	4,698
Interest expense	4,094	4,182
Total expenses	17,034	17,384
Other income	5	60
Income before provision for income taxes	15,678	13,727
(Provision for) benefit from income taxes	(45)	80,556
Net income	15,633	94,283
Net income attributable to noncontrolling interest	(117)	—
Net Income Attributable to Common Shareholders	$ 15,516	$ 94,283

During the three months ended March 31, 2017, we operated in two segments: real estate operations and restaurant operations. We recognize rental income on a straight-line basis to include the effect of base rent escalators.

Revenue

Rental revenue increased $1.6 million from the first quarter of 2016 to the first quarter of 2017. This increase was due to the acquisition of 59 properties in 2016, less two sold properties in 2016. Additionally, during the three months ended March 31, 2017, the Company invested $17.5 million in nine restaurant properties located in six states.

Restaurant revenues increased by $84 thousand in the first quarter of 2017 compared to the first quarter of 2016. Average revenue per restaurant increased 1.7% to $823 thousand in the first quarter of 2017 compared to the first quarter of 2016.

Expenses

General and administrative expense is comprised of costs associated with staff, office rent, legal, accounting, information technology and other professional services and other administrative services in association with our real estate operations and our REIT structure and reporting requirements. General and administrative expense decreased approximately $0.5 million from the first quarter of 2016 to the first quarter of 2017 primarily due to a decrease in one-time expenses associated with establishing initial business operations that were incurred in the first quarter of 2016.

Depreciation and amortization expense represents the depreciation on real estate investments, net which have estimated lives ranging from two to 54 years. Depreciation and amortization increased for the three months ended March 31, 2017 compared to the three months ended March 31, 2016, by approximately $0.2 million. Depreciation and amortization expense increased primarily due to the acquisition of depreciable assets in 2016 and the first quarter of 2017, partially offset by the sale of two properties in the fourth quarter of 2016. These expenses included costs in connection with our purging distribution to satisfy certain REIT requirements, higher than normal third-party legal expenses to establish operations and create our first 10-K, and transition expenses associated with the Spin-Off.

Total restaurant expenses decreased by $30 thousand in the first quarter of 2017 compared to the first quarter of 2016 mainly due to one-time costs incurred in the first quarter of 2016 to enable restaurant operations independent from Darden.

Interest Expense

On November 9, 2015, we entered into a Revolving Credit and Term Loan Agreement (the "Loan Agreement") that provides for borrowings of up to $750.0 million and consists of (1) a $400.0 million non-amortizing term loan that matures on November 9, 2020 and (2) a $350.0 million revolving credit facility that provides for loans and letters of credit. At March 31, 2017 and December 31, 2016, the weighted average interest rate on the term loan before consideration of the interest rate hedge described below was 2.56% and 2.36%, respectively. At both March 31, 2017 and December 31, 2016, there were $45.0 million of outstanding borrowings under the revolving credit facility with a weighted average interest rate of 2.70% and no outstanding letters of credit. As of May 4, 2017, the Company had borrowed $81 million under the revolving credit facility.

On November 9, 2015, we also entered into interest rate swaps with aggregate notional values totaling $400 million to hedge the variability associated with the Loan Agreement, fixing our gross interest expense at 3.06%. These swaps are accounted for as cash flow hedges with all interest expense recorded as a component of net income and other valuation changes recorded as a component of other comprehensive income. At March 31, 2017, the average interest rate on the term loan including the cost of the swap agreements and the amortization of upfront costs and excluding hedge ineffectiveness was 3.5%.

Income Taxes

During the three months ended March 31, 2017 and 2016, our income tax expense was $45 thousand and a benefit of $80.6 million, respectively. The income tax provision for the three months ended March 31, 2017 is primarily due to income taxes incurred at the Kerrow Restaurant Operating Business, a taxable REIT subsidiary. The income tax benefit recognized during the three months ended March 31, 2016 was 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 intention to be taxed as a REIT commencing with the year ending December 31, 2016.

Critical Accounting Policies

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. A summary of FCPT's critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2016 in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies." Management believes those critical accounting policies, among others, affect our more significant estimates and assumptions used in the preparation of our consolidated financial statements.

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 - Summary of Significant Accounting Policies of our consolidated financial statements, included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Liquidity and Financial Condition

At March 31, 2017, we had $18.1 million of cash and cash equivalents and $305 million of borrowing capacity under our Credit Facility, which expires on November 9, 2019. The revolving credit facility provides for a letter of credit sub-limit of $45 million. The Loan Agreement was amended on February 14, 2017 for the purpose of, among other things, permitting an incurrence of additional unsecured debt in the aggregate principal amount of at least $50 million. See Note 6 - Notes Payable included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information. As of March 31, 2017, we had $45 million of outstanding borrowings under our revolving credit facility and no outstanding letters of credit.

We have a shelf registration statement on file with the SEC under which we may issue secured or unsecured indebtedness and equity financing through the instruments and on the terms most attractive to us at such time. During the three months ended March 31, 2017, we sold 49,900 shares under the ATM program for net proceeds of approximately $985 thousand (after issuance costs). The net proceeds were employed to fund acquisitions, and for general corporate purposes. At March 31, 2017, $148.4 million in gross proceeds capacity remained available 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.

The Company announced on April 20, 2017 that it has entered into an agreement pursuant to which FCPT OP will issue $125.0 million of senior, unsecured, fixed rate notes (the “Notes”) guaranteed by the Company. The Notes consist of $50.0 million of notes with a seven-year term priced at a fixed interest rate of 4.68%, and $75.0 million of notes with a ten-year term priced at a fixed interest rate of 4.93%, resulting in a weighted average maturity of 8.8 years and a weighted average fixed interest rate of 4.83%. The closing and funding of the Notes is expected to occur on June 7, 2017, subject to the satisfaction of standard closing conditions. The Company intends to use the net proceeds from the offering to reduce amounts outstanding under its unsecured credit facility, to fund any future acquisitions and for general corporate purpose.

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. We expect that our primary uses of capital will be for property and other asset acquisitions and the funding of tenant improvements and other capital expenditures, and debt refinancing.

Because the properties in our portfolio are generally leased to tenants under triple-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

There were no material changes outside the ordinary course of business to the information regarding specified contractual obligations contained in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC.

Off-Balance Sheet Arrangements

At March 31, 2017, we had no off-balance sheet arrangements.

Supplemental Financial Measures

The following table presents a reconciliation of GAAP net income to National Association of Real Estate Investment Trusts ("NAREIT") funds from operations ("FFO") and Adjusted funds from operations ("AFFO") for the three months ended March 31, 2017 and 2016.

(In thousands, except share data)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net income	$ 15,633	$ 94,283
Depreciation and amortization	5,409	5,187
Deferred tax benefit from REIT election	—	(80,409)
FFO (as defined by NAREIT)	$ 21,042	$ 19,061
Non-cash stock-based compensation	494	317
Non-cash amortization of deferred financing costs	398	398
Other non-cash interest expense	52	380
Straight-line rent	(2,373)	(2,595)
Adjusted funds from operations (AFFO)	$ 19,613	$ 17,561
Fully diluted shares outstanding (1)	60,423,913	58,737,283
FFO per diluted share	$ 0.35	$ 0.32
AFFO per diluted share	$ 0.32	$ 0.30

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

Non-GAAP Definitions

Management believes that certain non-GAAP financial measures included above 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 as a supplement to net income, and to cash flows from operating, investing or financing activities computed in accordance with GAAP as a measure of profitability and/or liquidity.

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 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. AFFO is used by us as a basis to address our ability to fund our dividend payments. We calculate AFFO by adding to or subtracting from FFO:

1. Transaction costs incurred in connection with the acquisition of real estate investments qualifying as businesses
2. Non-cash stock-based compensation expense
3. Amortization of deferred financing costs
4. Other non-cash interest expense
5. Non-real estate depreciation
6. Merger, restructuring and other related costs
7. Impairment charges
8. Amortization of capitalized leasing costs
9. Straight-line rent revenue adjustment
10. Amortization of above and below market leases
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 3. Quantitative and Qualitative Disclosures About Market Risk.

Information concerning market risk is incorporated herein by reference to Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as supplemented by the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Other than the developments described thereunder, including changes in the fair values of our assets, there have been no other material changes in our quantitative or qualitative exposure to market risk since December 31, 2016.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of our business, we are party to various claims and legal actions 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 1A. Risk Factors.

There have been no material changes to the risk factors as disclosed in the section entitled “Risk Factors” beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2016 and filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits issued in the accompanying Index to Exhibits are filed as part of this Form 10-Q and incorporated herein by reference.

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:	May 4, 2017	By:	/s/ William H. Lenehan
			William H. Lenehan President and Chief Executive Officer (Principal Executive Officer)
Dated:	May 4, 2017	By:	/s/ Gerald R. Morgan
			Gerald R. Morgan Chief Financial Officer (Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Amendment No. 2, dated as of February 14, 2017, among Four Corners Operating Partnership and the Guarantors party thereto, 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 February 15, 2017).
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.
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

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Section 2: EX-31.A (EXHIBIT 31.A)

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 quarterly report on Form 10-Q 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: May 4, 2017

/s/ William H. Lenehan

William H. Lenehan
President and Chief Executive Officer

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Section 3: EX-31.B (EXHIBIT 31.B)

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 quarterly report on Form 10-Q 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: May 4, 2017

/s/ Gerald R. Morgan

Gerald R. Morgan
Chief Financial Officer

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Section 4: EX-32.A (EXHIBIT 32.A)

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 Quarterly Report of Four Corners Property Trust, Inc. ("Company") on Form 10-Q for the three months ended March 31, 2017, 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: May 4, 2017

/s/ William H. Lenehan

William H. Lenehan

President and Chief Executive Officer

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Section 5: EX-32.B (EXHIBIT 32.B)

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 Quarterly Report of Four Corners Property Trust, Inc. (“Company”) on Form 10-Q for the three months ended March 31, 2017, 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: May 4, 2017

/s/ Gerald R. Morgan

Gerald R. Morgan

Chief Financial Officer

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