

Section 1: 10-Q (10-Q Q3 2018)

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

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from _____ to _____

Commission File Number 1-37538

Four Corners Property Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

47-4456296

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

591 Redwood Highway, Suite 1150
Mill Valley, California

(Address of principal executive offices)

94941

(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

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

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

Number of shares of common stock outstanding as of October 29, 2018: 67,755,399

FOUR CORNERS PROPERTY TRUST, INC.

FORM 10 - Q

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Real estate investments:		
Land	\$ 549,070	\$ 449,331
Buildings, equipment and improvements	1,214,792	1,115,624
Total real estate investments	1,763,862	1,564,955
Less: Accumulated depreciation	(610,835)	(598,846)
Total real estate investments, net	1,153,027	966,109
Intangible lease assets, net	12,549	3,835
Total real estate investments and intangible lease assets, net	1,165,576	969,944
Cash and cash equivalents	26,890	64,466
Straight-line rent adjustment	27,799	21,130
Derivative assets	12,634	4,997
Other assets	3,279	8,122
Total Assets	\$ 1,236,178	\$ 1,068,659
LIABILITIES AND EQUITY		
Liabilities:		
Long-term debt, net of deferred financing costs	\$ 516,904	\$ 515,539
Dividends payable	18,519	16,843
Rent received in advance	8,300	8,295
Derivative liabilities	—	8
Other liabilities	7,377	5,706
Total liabilities	551,100	546,391
Equity:		
Preferred stock, par value \$0.0001 per share; 25,000,000 authorized, zero shares issued and outstanding	—	—
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized, 67,441,692 and 61,329,489 shares issued and outstanding, respectively	7	6
Additional paid-in capital	620,216	473,685
Retained earnings	44,393	36,318
Accumulated other comprehensive income	12,566	4,478
Noncontrolling interest	7,896	7,781
Total equity	685,078	522,268
Total Liabilities and Equity	\$ 1,236,178	\$ 1,068,659

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

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rental revenue	\$ 31,324	\$ 28,835	\$ 90,509	\$ 84,926
Restaurant revenue	4,798	4,676	15,091	14,445
Total revenues	36,122	33,511	105,600	99,371
Expenses:				
General and administrative	3,225	2,899	10,098	9,215
Depreciation and amortization	5,743	5,425	16,312	16,254
Restaurant expenses	4,713	4,571	14,370	13,823
Interest expense	4,934	5,463	14,667	14,066
Total expenses	18,615	18,358	55,447	53,358
Other income	164	172	752	211
Realized gain on sale, net	—	4,042	10,879	7,333
Income before income taxes	17,671	19,367	61,784	53,557
Income tax expense	(64)	(33)	(189)	(139)
Net income	17,607	19,334	61,595	53,418
Net income attributable to noncontrolling interest	(111)	(129)	(402)	(374)
Net Income Available to Common Shareholders	\$ 17,496	\$ 19,205	\$ 61,193	\$ 53,044
Basic net income per share:	\$ 0.27	\$ 0.31	\$ 0.97	\$ 0.88
Diluted net income per share:	\$ 0.27	\$ 0.31	\$ 0.97	\$ 0.88
Weighted average number of common shares outstanding:				
Basic	65,347,842	61,112,051	62,804,123	60,457,949
Diluted	65,577,975	61,256,145	62,987,282	60,567,152
Dividends declared per common share	\$ 0.2750	\$ 0.2425	\$ 0.8250	\$ 0.7275

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

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 17,607	\$ 19,334	\$ 61,595	\$ 53,418
Other comprehensive income:				
Effective portion of change in fair value of derivative instruments	1,132	293	9,234	115
Reclassification adjustment of derivative instruments included in net income	(748)	196	(1,562)	1,230
Other comprehensive income (loss)	384	489	7,672	1,345
Comprehensive income	17,991	19,823	69,267	54,763
Less: comprehensive income attributable to noncontrolling interest				
Net income attributable to noncontrolling interest	111	129	402	374
Other comprehensive income attributable to noncontrolling interest	2	4	51	7
Comprehensive income attributable to noncontrolling interest	113	133	453	381
Comprehensive Income Attributable to Common Shareholders	\$ 17,878	\$ 19,690	\$ 68,814	\$ 54,382

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

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	Shares	Par Value					
Balance at December 31, 2017	61,329,489	\$ 6	\$ 473,685	\$ 36,318	\$ 4,478	\$ 7,781	\$ 522,268
ASU 2017-12 cumulative effect adjustment	—	—	—	(467)	467	—	—
Net income	—	—	—	61,193	—	402	61,595
Other comprehensive income	—	—	—	—	7,621	51	7,672
ATM proceeds, net of issuance costs	2,022,106	—	47,305	—	—	—	47,305
Equity offering, net of issuance costs	4,025,000	1	96,355	—	—	—	96,356
Dividends and distributions to equity holders	—	—	—	(52,651)	—	(338)	(52,989)
Stock-based compensation, net	65,097	—	2,871	—	—	—	2,871
Balance at September 30, 2018	67,441,692	\$ 7	\$ 620,216	\$ 44,393	\$ 12,566	\$ 7,896	\$ 685,078

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

FOUR CORNERS PROPERTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash flows - operating activities		
Net income	\$ 61,595	\$ 53,418
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	16,312	16,254
Gain on disposal of land, building, and equipment	(10,879)	(7,333)
Gain on exchange of non-financial assets	(228)	—
Amortization of financing costs	1,368	1,265
Stock-based compensation expense	2,871	1,920
Deferred income taxes	—	(32)
Changes in assets and liabilities:		
Derivative assets and liabilities	27	105
Straight-line rent adjustment	(6,857)	(7,283)
Rent received in advance	5	(10)
Other assets and liabilities	1,601	1,875
Net cash provided by operating activities	<u>65,815</u>	<u>60,179</u>
Cash flows - investing activities		
Purchases of real estate investments	(216,272)	(70,366)
Proceeds from sale of real estate investments	15,714	10,734
Advance deposits on acquisition of operating real estate	(86)	(757)
Cash used in investing activities	<u>(200,644)</u>	<u>(60,389)</u>
Cash flows - financing activities		
Net proceeds from ATM equity issuance	47,305	28,787
Net proceeds from equity offering	96,356	—
Proceeds from issuance of senior notes	—	125,000
Payment of deferred financing costs	—	(1,809)
Proceeds from revolving credit facility	—	36,000
Repayment of revolving credit facility	—	(81,000)
Payment of dividends to shareholders	(50,975)	(43,875)
Distributions to non-controlling interests	(338)	(348)
Redemption of non-controlling interests	—	(988)
Repayment of debt assumed in purchase of real estate investments	—	(2,305)
Net cash provided by financing activities	<u>92,348</u>	<u>59,462</u>
Net (decrease) increase in cash and cash equivalents, including restricted cash	(42,481)	59,252
Cash and cash equivalents, including restricted cash, at beginning of period	69,371	26,643
Cash and cash equivalents, including restricted cash, at end of period	<u>\$ 26,890</u>	<u>\$ 85,895</u>
Supplemental disclosures:		
Interest paid	\$ 13,199	\$ 10,945
Income taxes paid	615	522
Non-cash investing and financing activities:		
Dividends declared but not paid	\$ 18,519	\$ 14,820
Debt assumed in acquisition of real estate investments	—	2,305
Change in fair value of derivative instruments	7,637	1,240
Operating partnership units issued in exchange for real estate investments	—	3,609

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – ORGANIZATION

Four Corners Property Trust, Inc. (together with its consolidated 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 owned 418 properties in which Darden operates restaurants, representing five of their brands, and six LongHorn Steakhouse® restaurants located in the San Antonio, Texas area (the “Kerrow Restaurant Operating Business”) along with the underlying properties or interests therein associated with the Kerrow Restaurant Operating Business. In exchange, we issued to Darden all of our common stock and paid to Darden \$315.0 million in cash. Subsequently, Darden distributed all of our outstanding shares of common stock pro rata to holders of Darden common stock whereby each Darden shareholder received one share of our common stock for every three shares of Darden common stock held at the close of business on the record date 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 U.S. 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 U.S. federal, state, and local income taxes. We made our REIT election upon the filing of our 2016 tax return.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

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

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

Reclassifications

Certain amounts previously reported under specific financial statement captions have been reclassified to be consistent with the current period presentation. The Company reclassified intangible lease assets, net of \$3.8 million at December 31, 2017, from Other assets to Intangible lease assets, net on the Consolidated Balance Sheet.

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,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 consolidated financial statements, and such differences could be material.

Real Estate Investments, Net

Real estate investments, net are recorded at cost less accumulated depreciation. Building components are depreciated over estimated useful lives ranging from seven to fifty-five years using the straight-line method. Leasehold improvements, which are reflected on our 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 generally 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 Income and 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 evaluates acquisitions to determine whether transactions should be accounted for as asset acquisitions or business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2017-01. Since adoption in the fourth quarter of 2016, the Company has determined the land, building, site improvements, and in-place leases (if any) of assets acquired were a single asset as the building and property improvements are attached to the land and cannot be physically removed and used separately from the land without incurring significant costs or reducing their fair value. Additionally, the Company has not acquired a substantive process used to generate outputs. As substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset and there were no processes acquired, the acquisitions do not qualify as 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 improvements based on their relative fair values, as-if-vacant, and lease intangibles (if any). In making estimates of fair values for this purpose, the Company uses a third-party specialist that obtains various information about each property, as well as the pre-acquisition due diligence of the Company and prior leasing activities at the site.

Lease Intangibles

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

In-place lease intangibles are amortized on a straight-line basis over the remaining initial term of the related lease and included in depreciation and amortization expense. Above-market lease intangibles are amortized over the remaining initial terms of the respective leases as a decrease in rental revenue. Below market lease intangibles are generally amortized as an increase to rental revenue over the remaining initial term of the respective leases, but may be amortized over the renewal periods if the Company believes it is likely the tenant will exercise the renewal option. Should a lease terminate early, the unamortized portion of any related lease intangible is immediately recognized as an impairment loss in depreciation and amortization expense.

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 or lease our assets. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, significant adverse changes in these factors could cause us to realize a material impairment loss.

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

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. 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. There was no real estate held for sale at September 30, 2018 or December 31, 2017.

Cash, Cash Equivalents, and Restricted Cash

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

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

(In thousands)	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 26,890	\$ 64,466
Restricted cash (included in Other assets)	—	4,905
Total Cash, Cash Equivalents, and Restricted Cash	\$ 26,890	\$ 69,371

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Long-term Debt

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

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

Deferred Financing Costs

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

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

Derivative Instruments and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments as required by FASB ASC Topic 815, Derivatives and Hedging, and those utilized as economic hedges. Our use of derivative instruments is currently limited to interest rate hedges. These instruments are generally structured as hedges of the variability of cash flows related to forecasted transactions (cash flow hedges). We do not enter into derivative instruments for trading or speculative purposes, where changes in the cash flows of the derivative are not expected to offset changes in cash flows of the hedged item. All derivatives are recognized on the balance sheet at fair value. For those derivative instruments for which we intend to elect hedge accounting, at the time the derivative contract is entered into, we document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the various hedge transactions. This process includes linking all derivatives designated as cash flow hedges to specific assets and liabilities on the consolidated balance 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 United States generally accepted accounting principles ("U.S. GAAP"), changes in the derivatives' fair value are not included in current earnings but are included in accumulated other comprehensive income (loss), net of tax. These changes in fair value will be reclassified into earnings at the time of the forecasted transaction. Ineffectiveness measured in the hedging relationship is recorded in earnings in the period in which it occurs.

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

See Note 7 - Derivative Financial Instruments for additional information.

Other Assets and Liabilities

Other assets primarily consist of pre-acquisition costs, prepaid assets, food and beverage inventories, restricted cash (escrow deposits), lease origination fees, and accounts receivable. Other liabilities primarily consist of accrued compensation, accrued interest, accrued operating expenses, intangible lease liabilities, and deferred rent obligations on certain operating leases.

Revenue Recognition

Effective January 1, 2018, the Company adopted FASB ASU No. 2014-09, "Revenue from Contracts with Customers" using the modified retrospective method. The standard outlines a single comprehensive revenue recognition model for entities to follow in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those goods or services. Effective January 1, 2018, the Company also adopted FASB ASU No. 2017-15, "Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." Through the evaluation and implementation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

process, we have determined FCPT's key revenue stream that could be impacted by FASB ASU No. 2014-09, as amended by FASB ASU No. 2017-05, is the gain on disposition of real estate reported on the Consolidated Statements of Income and Comprehensive Income. We previously recognized revenue from asset sales at the time of closing (i.e., transfer of asset). After adoption of FASB No. ASU 2014-09, as amended by FASB ASU No. 2017-05, we will evaluate the transaction to determine if control has been transferred to the buyer to determine proper timing of revenue recognition, as well as transaction price allocation. Adoption of this guidance did not have a material impact on our consolidated financial statements or related disclosures.

Rental Revenue

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

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

Refer to the *Application of New Accounting Standards* section below for discussion of FASB ASU 2016-02, "Leases (Topic 842)".

Restaurant Revenue

Restaurant revenue represents food, beverage, and other products sold and is presented net of the following discounts: coupons, employee meals, complimentary meals and gift cards. Revenue from restaurant sales, whether received in cash or by credit card, is recognized when food and beverage products are sold. At September 30, 2018, and December 31, 2017, credit card receivables totaled \$68 thousand and \$90 thousand, respectively. We recognize sales from our gift cards when the gift card is redeemed by the customer. Sales taxes collected from customers and remitted to governmental authorities are presented on a net basis within restaurant revenue on our consolidated statements of income.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 is taxed as a C corporation.

We provide for U.S. 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. U.S. 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.

U.S. GAAP requires that a position taken or expected to be taken in a tax return be recognized (or derecognized) in the financial statements when it is more likely than not (i.e., a likelihood of more than 50 percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. We include within our current tax provision the balance of unrecognized tax benefits related to tax 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 and non-controlling interests. None of the Company’s equity awards are participating securities.

See Note 9 - Equity for additional information.

Stock-Based Compensation

The Company’s stock-based compensation plan provides for the grant of restricted stock awards (“RSAs”), deferred stock units (“DSUs”), performance-based awards (including performance stock units, “PSUs”), 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

classified awards are measured based on the fair value on the date of grant. Liability classified awards are remeasured to fair value each reporting period. We recognize costs resulting from the Company's stock-based compensation awards on a straight-line basis over their vesting periods, which range between one and three years, less estimated forfeitures. No compensation cost is recognized for awards for which employees do not render the requisite services.

Effective January 1, 2018, the Company adopted FASB ASU No. 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." The amendments in this ASU provide guidance about which changes to the terms or conditions of a share-based payment award require the application of modification accounting in Topic 718. 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 February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which supersedes the existing guidance for lease accounting, Leases (Topic 840). FASB ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. We have completed our initial inventory and evaluation, and upon adoption, we will recognize lease obligations for the three ground leases at our Kerrow Restaurant Operating Business and our corporate office lease, with corresponding right of use assets. We estimate that the right of use assets and lease liabilities to be recognized upon adoption will represent less than 2% of total assets. We will continue to recognize lease expense for these leases, expected to be included in Restaurant expenses and General and administrative expenses, respectively, in our Consolidated Statements of Income.

FASB ASU 2016-02 requires lessors to record certain lessor costs paid directly by lessees to third parties as revenue and expense on a gross basis. We may be required to show certain of these expenses on our Consolidated Statements of Income, but this will not result in an impact to net income or cash flows. We are continuing to evaluate the impact of adoption of this accounting standard and changes in presentation and disclosure requirements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. FASB 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.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement", which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. FASB ASU 2018-13 requires additional disclosures for recurring and nonrecurring Level 3 fair value measurements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early application is permitted for all entities. We do not expect adoption of this ASU to have a material impact on our disclosures.

Effective January 1, 2018, the Company adopted FASB ASU No. 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments." FASB 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. The Company's adoption of this guidance did not have a material impact on our consolidated financial statements or related disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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

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 79% of the scheduled base rents from the properties we own. As our revenues predominately consist of rental payments, we are dependent on Darden for a significant portion of our leasing revenues. The audited 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 our 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 51% of our leased properties and approximately 59% of the revenues received under leases. Our properties, including the Kerrow Restaurant Operating Business, are located in 45 states, with concentrations of 10% or greater of total rental revenue in two states: Texas (12.5%) and Florida (11.7%).

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 September 30, 2018, our exposure to risk related to our derivative instruments totaled \$12.6 million and the counterparty to such instruments are investment grade financial institutions. Our credit risk exposure with regard to our cash and the \$250.0 million available capacity under the revolver portion of our credit facility is spread among a diversified group of investment grade financial institutions.

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

Real Estate Investments, Net

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

(In thousands)	September 30, 2018	December 31, 2017
Land	\$ 549,070	\$ 449,331
Buildings and improvements	1,077,703	977,783
Equipment	137,089	137,841
Total gross real estate investments	1,763,862	1,564,955
Less: accumulated depreciation	(610,835)	(598,846)
Total real estate investments, net	1,153,027	966,109
Intangible lease assets, net	12,549	3,835
Total Real Estate Investments and Intangible Lease Assets, Net	\$ 1,165,576	\$ 969,944

During the nine months ended September 30, 2018, the Company invested \$216.1 million, including transaction costs, in 77 restaurant properties located in twenty-nine states, and allocated the investment as follows: \$101.9 million to land, \$105.0 million to buildings and improvements, and \$9.2 million to intangible assets principally related to the value of the in-place leases acquired. There was no contingent consideration associated with these acquisitions. These properties are 100% occupied under net leases, with a weighted average remaining lease term of 13.6 years as of September 30, 2018. During the nine months ended September 30, 2018, the Company sold one property with a net book value of \$4.6 million for a realized gain on sale of \$10.9 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

During the nine months ended September 30, 2017, the Company invested \$76.1 million, including transaction costs, in 35 restaurant properties located in 14 states, and allocated the investment as follows: \$22.2 million to land, \$52.9 million to buildings and improvements, and \$1.0 million to intangible assets related to leases. These properties were 100% occupied under triple-net leases, with a weighted average remaining lease term of 17.8 years at September 30, 2017.

Operating Leases as Lessor

The following table presents the scheduled minimum future contractual rent to be received under the remaining non-cancelable term of the operating leases, and 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)	September 30, 2018
2018 (three months)	\$ 30,474
2019	122,746
2020	124,210
2021	125,643
2022	127,267
2023	128,974
Thereafter	1,009,650
Total Future Minimum Lease Payments	\$ 1,668,964

Intangible Lease Assets and Liabilities, Net

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

(In thousands)	September 30, 2018	December 31, 2017
Acquired in-place lease intangibles	\$ 12,686	\$ 4,169
Above-market leases	804	—
Total	13,490	4,169
Less: Accumulated amortization	(941)	(334)
Intangible Lease Assets, Net	\$ 12,549	\$ 3,835

(In thousands)	September 30, 2018	December 31, 2017
Below-market leases	\$ 115	\$ —
Less: Accumulated amortization	(21)	—
Intangible Lease Liabilities, Net	\$ 94	\$ —

The value of acquired in-place leases amortized and included in depreciation and amortization expense was \$297 thousand and \$77 thousand for the three months ended September 30, 2018 and 2017, and \$542 thousand and \$237 thousand for the nine months ended September 30, 2018 and 2017, respectively. The value of above-market and below-market leases amortized as an adjustment to revenue was \$15 thousand and \$46 thousand for the three and nine months ended September 30, 2018, respectively. There was no amortization for adjustments to revenue for the nine months ended September 30, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

At September 30, 2018, the total weighted average amortization period remaining for our intangible lease assets and liabilities was 12.0 years, and the individual weighted average amortization period remaining for acquired in-place lease intangibles, above-market leases, and below-market leases was 12.8 years, 12.3 years, and 4.1 years, respectively.

The following table presents the estimated impact during the next five years and thereafter related to the amortization of in-place lease intangibles, and above-market and below-market lease intangibles for properties held for investment at September 30, 2018.

(In thousands)	September 30, 2018
2018 (three months)	\$ 376
2019	1,503
2020	1,309
2021	1,260
2022	1,182
2023	1,110
Thereafter	5,715
Total Future Amortization	\$ 12,455

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

Other Assets

The components of other assets were as follows:

(In thousands)	September 30, 2018	December 31, 2017
Prepaid acquisition costs and deposits	\$ 1,795	\$ 1,385
Accounts receivable	411	383
Restricted cash	—	4,905
Prepaid assets	361	616
Food and beverage inventories	147	186
Other	565	647
Total Other Assets	\$ 3,279	\$ 8,122

Other Liabilities

The components of other liabilities were as follows:

(In thousands)	September 30, 2018	December 31, 2017
Accrued interest expense	\$ 2,937	\$ 1,290
Accounts payable	802	1,055
Deferred lease liability	702	663
Accrued compensation	1,486	1,543
Accrued operating expenses	486	488
Intangible lease liabilities, net	94	—
Other	870	667
Total Other Liabilities	\$ 7,377	\$ 5,706

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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

At September 30, 2018, and December 31, 2017, our long-term debt consisted of (1) a \$400 million, non-amortizing term loan and (2) \$125 million of senior, unsecured, fixed rate notes.

At September 30, 2018 and December 31, 2017, net unamortized deferred financing costs were approximately \$8.1 million and \$9.5 million, respectively. During the three months ended September 30, 2018 and 2017, amortization of deferred financing costs was \$458 thousand and \$452 thousand, respectively. During the nine months ended September 30, 2018 and September 30, 2017, amortization of deferred financing costs was \$1.4 million and \$1.3 million, respectively. The weighted average interest rate on the term loan before consideration of the interest rate hedge described below was 3.43% and 2.79% at September 30, 2018 and December 31, 2017, respectively.

At both September 30, 2018, and December 31, 2017, there was no balance outstanding under the \$250 million revolving credit facility nor any outstanding letters of credit. The Company was in compliance with all debt covenants at September 30, 2018.

On September 18, 2018, FCPT OP entered into agreements to issue \$100 million of senior, unsecured, fixed rate notes (the “Notes”) in a private placement pursuant to a Note Purchase Agreement (the “Note Purchase Agreement”) with the various purchasers named therein (the “Purchasers”). The Notes consist of \$50.0 million with an eight-year term maturing on December 20, 2026 and priced at a fixed interest rate of 4.63%, and \$50.0 million of notes with a ten-year term maturing on December 20, 2028 and priced at a fixed interest rate of 4.76%. The funding of the Notes is expected to occur on December 20, 2018.

Under the terms of the Note Purchase Agreement, the Notes have the same guarantors as the \$400 million term loan agreement (“Loan Agreement”). The Note Purchase Agreement contains customary financial covenants, including a total leverage ratio, a mortgage-secured leverage ratio, a secured recourse leverage ratio, a fixed charge coverage ratio, a minimum net worth requirement, an unencumbered leverage ratio and an unencumbered interest coverage ratio. The Note Purchase Agreement also contains restrictive covenants that, among other things, restrict the ability of FCPT OP, the Company and their subsidiaries to enter into transactions with affiliates, merge, consolidate, create liens or make certain restricted payments. Such financial and restrictive covenants are substantially similar to the corresponding covenants contained in the Loan Agreement. In addition, the Note Purchase Agreement includes provisions providing that certain of such covenants will be automatically amended in the Note Purchase Agreement to conform to certain amendments that may from time to time be implemented to corresponding covenants under the loan agreement. The Note Purchase Agreement contains customary events of default, including payment defaults, cross defaults with certain other indebtedness, breaches of covenants and bankruptcy events. In the case of an event of default, the Purchasers may, among other remedies, accelerate the payment of all obligations. The Company used a portion of the net proceeds from the offering to reduce amounts outstanding under its unsecured credit facility, and intends to use the remaining proceeds to fund future acquisitions and for general corporate purposes. The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States or any other jurisdiction absent registration or an applicable exemption from the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 change 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 nine months ended September 30, 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

As of September 30, 2018, our variable-rate debt of \$400 million is hedged by swaps with notional values totaling \$400 million through November 9, 2018. From November 9, 2018, through the loan maturity date of the variable-rate debt, November 9, 2022, there are swaps in place with notional amounts totaling \$300 million.

After the Company's adoption of ASU 2017-12 in January 2018, it no longer separately measures and reports hedge ineffectiveness prospectively. For the three months and nine months ended September 30, 2017, we recorded approximately \$9 thousand and \$46 thousand of income, respectively, related to hedge ineffectiveness in earnings. The hedge ineffectiveness was 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 \$3.0 million will be reclassified to earnings as a decrease to interest expense.

Non-designated Hedges

We do not use derivatives for trading or speculative purposes. During the nine months ended September 30, 2018 and 2017, we did not have any derivatives that were not designated as cash flow hedges for accounting purposes.

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

The table below presents the fair value of our derivative financial instruments as well as their classification on the consolidated balance sheet as of September 30, 2018 and December 31, 2017.

(Dollars in thousands)	Derivative Assets			Derivative Liabilities		
	Balance Sheet Location	Fair Value at		Balance Sheet Location	Fair Value at	
		September 30, 2018	December 31, 2017		September 30, 2018	December 31, 2017
Derivatives designated as hedging instruments:						
Interest rate swaps	Derivative assets	\$ 12,634	\$ 4,997	Derivative liabilities	\$ —	\$ 8
Total		\$ 12,634	\$ 4,997		\$ —	\$ 8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 and nine months ended September 30, 2018 and 2017.

(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)	Total Amount of Interest expense Presented in the Consolidated Statements of Income
Three months ended September 30, 2018	\$ 1,132	Interest expense	\$ 748	\$ 4,934
Three months ended September 30, 2017	\$ 293	Interest expense	\$ (196)	\$ 5,463
Nine months ended September 30, 2018	\$ 9,234	Interest expense	\$ 1,562	\$ 14,667
Nine months ended September 30, 2017	\$ 115	Interest expense	\$ (1,230)	\$ 14,066

Tabular Disclosure Offsetting Derivatives

The table below presents a gross presentation, the effects of offsetting, and a net presentation of our derivatives at September 30, 2018 and December 31, 2017. 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

(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	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
September 30, 2018	\$ 12,634	\$ —	\$ 12,634	\$ —	\$ —	\$ 12,634
December 31, 2017	4,997	—	4,997	(8)	—	4,989

Offsetting of Derivative Liabilities

(In thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Posted	
September 30, 2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
December 31, 2017	8	—	8	(8)	—	—

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 September 30, 2018 and December 31, 2017, the fair value of derivatives in a net asset position related to these agreements was approximately \$12.6 million and \$5.0 million, respectively. As of September 30, 2018, we have not posted any collateral related to these agreements. If we or our counterparty had breached any of these provisions at September 30, 2018, we would have been entitled to the termination value of \$12.6 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 U.S. federal income taxes has been included in the accompanying consolidated financial statements for the nine months ended September 30, 2018 related to the REIT.

The income tax provision consists of U.S. federal, state, and local income taxes incurred by FCPT's TRSs, and state and local income taxes incurred by FCPT on its lease portfolio. During the three months ended September 30, 2018 and 2017, our income tax provision was \$64 thousand and \$33 thousand, respectively. During the nine months ended September 30, 2018 and 2017, our income tax provision was \$189 thousand and \$139 thousand, respectively.

In December 2017, the Tax Cuts and Jobs Act lowered the U.S. federal income tax rate on corporations to 21% effective for taxable years after December 31, 2017. Due to FCPT's REIT status and the nominal taxable income at our Kerrow Restaurant Operating Business, there was not a significant impact to our reported results resulting from this change.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes, as well as operating loss and tax credit carryforwards. The Company evaluates the realizability of its deferred tax assets and recognizes a valuation allowance if, based on the available evidence, both positive and negative, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers, among other matters, estimates of expected future taxable income, nature of current and cumulative losses, existing and projected book/tax differences, tax planning strategies available, and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Based on an assessment of all factors, including historical losses of the Kerrow Restaurants Operating Business, it was determined that full valuation allowances were required on the net deferred tax assets as of September 30, 2018. Changes in estimates of deferred tax asset realizability are included in "Income tax expense" in the Consolidated Statements of Income.

NOTE 9 – EQUITY

Preferred Stock

At September 30, 2018 and December 31, 2017, 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 September 30, 2018 or December 31, 2017.

Common Stock

At September 30, 2018 and December 31, 2017, the Company was authorized to issue 500,000,000 shares, \$0.0001 par value per share, of common stock.

On August 7, 2018, the Company completed a stock offering pursuant to which we sold 4,025,000 shares of our common stock, par value \$0.01 per share, at a price of \$25.00 per share. We raised \$100.6 million in gross proceeds, resulting in net proceeds of approximately \$96.4 million.

On September 30, 2018, we declared a dividend of \$0.275 per share, which was paid in October 2018 to common stockholders of record as of September 28, 2018.

At September 30, 2018, there were 67,441,692 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 and nine months ended September 30, 2018,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

we sold 488,174 and 2,022,106 shares under the ATM program at a weighted-average selling price of \$26.70 and \$23.87 per share, for net proceeds of approximately \$12.7 million and \$47.3 million, respectively. At September 30, 2018, there was \$68.3 million available for issuance under the ATM program.

Noncontrolling Interest

At September 30, 2018, there were 409,320 FCPT Operating Partnership Units (“OP units”) outstanding held by third parties. During the nine months ended September 30, 2018, FCPT OP did not issue any OP units for consideration in real estate transactions. Generally, OP units participate in net income allocations and distributions and entitle their holder the right, subject to the terms set forth in the partnership agreement, to require FCPT OP to redeem all or a portion of the OP units held by such limited partner. At FCPT OP’s option, it may satisfy this redemption with cash or by exchanging non-registered shares of FCPT common stock on a one-for-one basis. Prior to the redemption of OP units, the limited partners participate in net income allocations and distributions in a manner equivalent to the common stock holders. The redemption value of outstanding non-controlling interest OP units was \$10.5 million and \$10.6 million as of September 30, 2018 and December 31, 2017, respectively.

At September 30, 2018, FCPT is the owner of approximately 99.40% of FCPT’s OP units. The remaining 0.60%, or 409,320 of FCPT’s OP units are held by unaffiliated limited partners. During the nine months ended September 30, 2018, FCPT OP distributed \$338 thousand to its limited partners.

Earnings Per Share

The following table presents the computation of basic and diluted net earnings per common share for the three and nine months ended September 30, 2018 and 2017.

(In thousands except for shares and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Average common shares outstanding – basic	65,347,842	61,112,051	62,804,123	60,457,949
Net effect of dilutive equity awards	230,133	144,094	183,159	109,203
Average common shares outstanding – diluted	65,577,975	61,256,145	62,987,282	60,567,152
Net income available to common shareholders	\$ 17,496	\$ 19,205	\$ 61,193	\$ 53,044
Basic net earnings per share	\$ 0.27	\$ 0.31	\$ 0.97	\$ 0.88
Diluted net earnings per share	\$ 0.27	\$ 0.31	\$ 0.97	\$ 0.88

For the three months ended September 30, 2018 and 2017, the number of outstanding equity awards that were anti-dilutive totaled 278,071 and 271,443, respectively. For the nine months ended September 30, 2018 and 2017, the number of outstanding equity awards that were anti-dilutive totaled 311,881 and 270,749, respectively.

Exchangeable OP units have been omitted from the denominator for the purpose of computing diluted earnings per share since FCPT OP, at its option, may satisfy a redemption with cash or by exchanging non-registered shares of FCPT common stock. The weighted average exchangeable OP units outstanding for the nine months ended September 30, 2018 and 2017 was 409,320 and 425,729, respectively.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

At September 30, 2018, 1,633,801 shares of common stock were available for award under the Plan. The unamortized compensation cost of awards issued under the Incentive Plan totaled approximately \$4.0 million at September 30, 2018 as shown in the following table.

(In thousands)	Restricted Stock Units	Restricted Stock Awards	Performance Stock Awards	Total
Unrecognized compensation cost at January 1, 2018	\$ 524	\$ 1,052	\$ 2,302	\$ 3,878
Equity grants	414	1,612	1,180	3,206
Equity grant forfeitures	—	(56)	—	(56)
Equity compensation expense	(564)	(1,082)	(1,391)	(3,037)
Unrecognized Compensation Cost at September 30, 2018	\$ 374	\$ 1,526	\$ 2,091	\$ 3,991

At September 30, 2018, the weighted average amortization period remaining for all of our equity awards was 1.4 years.

Restricted Stock Units

RSUs have been granted at a value equal to the five-day average or day of 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 September 30, 2018 and December 31, 2017, there were 78,791 and 64,983 RSUs outstanding, respectively. During the nine months ended September 30, 2018, there were 17,896 shares of restricted stock granted, 4,088 restrictions on RSUs lapsed and those shares distributed, and no RSUs were forfeited. Restrictions on these shares lapse through 2019.

Restricted Stock Awards

RSAs 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 September 30, 2018 and December 31, 2017, there were 100,402 and 81,909 RSAs outstanding, respectively. During the nine months ended September 30, 2018 there were 67,845 shares of restricted stock granted, restrictions on 47,292 RSAs lapsed and those shares were distributed, 7,126 RSAs were designated for tax withholdings, and 2,060 RSAs were forfeited and returned to the Plan. Restrictions on these shares lapse through 2021.

Performance-Based Restricted Stock Awards

During the nine months ended September 30, 2018, PSUs with a target number of 68,490 shares were granted. At September 30, 2018 and December 31, 2017, the target number of PSUs that were unvested was 204,068 and 135,578, respectively. The performance period of the grants run from January 1, 2018 through December 31, 2020, from January 1, 2017 through December 31, 2019, and from January 1, 2016 through December 31, 2018. Pursuant to the PSU 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 \$2.1 million in compensation expense on a straight-line basis over the remaining requisite service period associated with these awards.

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 U.S. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

our Consolidated Balance Sheets on a recurring basis.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

September 30, 2018

(In thousands)	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Derivative assets	\$ —	\$ 12,634	\$ —	\$ 12,634

December 31, 2017

(In thousands)	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Derivative assets	\$ —	\$ 4,997	\$ —	\$ 4,997
<u>Liabilities</u>				
Derivative liabilities	\$ —	\$ 8	\$ —	\$ 8

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 September 30, 2018, and December 31, 2017 were classified as Level 2 of the fair value hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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

September 30, 2018

(In thousands)	Carrying Value	Fair Value
Term loan, excluding deferred financing costs	\$ 400,000	\$ 392,386
Senior fixed note - due December 2024, excluding deferred financing costs	\$ 50,000	\$ 49,622
Senior fixed note - due December 2027, excluding deferred financing costs	\$ 75,000	\$ 75,153

December 31, 2017

(In thousands)	Carrying Value	Fair Value
Term loan, excluding deferred financing costs	\$ 400,000	\$ 406,637
Senior fixed note - due December 2024, excluding deferred financing costs	\$ 50,000	\$ 50,043
Senior fixed note - due December 2027, excluding deferred financing costs	\$ 75,000	\$ 75,184

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases as Lessee

The annual future lease commitments under non-cancelable operating leases for the four years subsequent to September 30, 2018 and thereafter is as follows:

(In thousands)	September 30, 2018
2018 (three months)	\$ 148
2019	550
2020	400
2021	103
Thereafter	—
Total Future Lease Commitments	\$ 1,201

Rental expense was \$183 thousand and \$155 thousand for the three months ended September 30, 2018 and 2017, and \$536 thousand and \$468 thousand for the nine months ended September 30, 2018 and 2017, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

NOTE 13 – SEGMENTS

During the three and nine months ended September 30, 2018 and 2017, 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. Expenses incurred at our corporate office are allocated to real estate operations. 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 and nine months ended September 30, 2018 and 2017.

Three Months Ended September 30, 2018

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	\$ 31,324	\$ —	\$ —	\$ 31,324
Intercompany rental revenue	100	—	(100)	—
Restaurant revenue	—	4,798	—	4,798
Total revenues	31,424	4,798	(100)	36,122
Expenses:				
General and administrative	3,225	—	—	3,225
Depreciation and amortization	5,614	129	—	5,743
Restaurant expenses	—	4,813	(100)	4,713
Interest expense	4,934	—	—	4,934
Total expenses	13,773	4,942	(100)	18,615
Other income	164	—	—	164
Realized gain on sale, net	—	—	—	—
Income before income taxes	17,815	(144)	—	17,671
Income tax expense	(38)	(26)	—	(64)
Net Income (Loss)	\$ 17,777	\$ (170)	\$ —	\$ 17,607

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Three Months Ended September 30, 2017

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	\$ 28,835	\$ —	\$ —	\$ 28,835
Intercompany rental revenue	99	—	(99)	—
Restaurant revenue	—	4,676	—	4,676
Total revenues	28,934	4,676	(99)	33,511
Expenses:				
General and administrative	2,899	—	—	2,899
Depreciation and amortization	5,286	139	—	5,425
Restaurant expenses	—	4,670	(99)	4,571
Interest expense	5,463	—	—	5,463
Total expenses	13,648	4,809	(99)	18,358
Other income	172	—	—	172
Realized gain on sale, net	4,042	—	—	4,042
Income before income taxes	19,500	(133)	—	19,367
Income tax expense	—	(33)	—	(33)
Net Income (Loss)	\$ 19,500	\$ (166)	\$ —	\$ 19,334

Nine Months Ended September 30, 2018

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	\$ 90,509	\$ —	\$ —	\$ 90,509
Intercompany rental revenue	300	—	(300)	—
Restaurant revenue	—	15,091	—	15,091
Total revenues	90,809	15,091	(300)	105,600
Expenses:				
General and administrative	10,098	—	—	10,098
Depreciation and amortization	15,931	381	—	16,312
Restaurant expenses	—	14,670	(300)	14,370
Interest expense	14,667	—	—	14,667
Total expenses	40,696	15,051	(300)	55,447
Other income	752	—	—	752
Realized gain on sale, net	10,879	—	—	10,879
Income before income taxes	61,744	40	—	61,784
Income tax expense	(100)	(89)	—	(189)
Net Income (Loss)	\$ 61,644	\$ (49)	\$ —	\$ 61,595

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Nine Months Ended September 30, 2017

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	\$ 84,926	\$ —	\$ —	\$ 84,926
Intercompany rental revenue	296	—	(296)	—
Restaurant revenue	—	14,445	—	14,445
Total revenues	85,222	14,445	(296)	99,371
Expenses:				
General and administrative	9,215	—	—	9,215
Depreciation and amortization	15,812	442	—	16,254
Restaurant expenses	—	14,119	(296)	13,823
Interest expense	14,066	—	—	14,066
Total expenses	39,093	14,561	(296)	53,358
Other income	211	—	—	211
Realized gain on sale, net	7,333	—	—	7,333
Income before income taxes	53,673	(116)	—	53,557
Income tax expense	(56)	(83)	—	(139)
Net Income (Loss)	\$ 53,617	\$ (199)	\$ —	\$ 53,418

The following tables present supplemental information by segment at September 30, 2018 and December 31, 2017.

Supplemental Segment Information at September 30, 2018

(In thousands)	Real Estate Operations	Restaurant Operations	Total
Gross real estate investments	\$ 1,747,094	\$ 16,768	\$ 1,763,862
Accumulated depreciation	(604,064)	(6,771)	(610,835)
Total real estate investments, net	\$ 1,143,030	\$ 9,997	\$ 1,153,027
Cash and cash equivalents	\$ 26,028	\$ 862	\$ 26,890
Total assets	\$ 1,224,865	\$ 11,313	\$ 1,236,178
Long-term debt, net of deferred financing costs	\$ 516,904	\$ —	\$ 516,904

Supplemental Segment Information at December 31, 2017

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

NOTE 14 – SUBSEQUENT EVENTS

The Company reviewed its subsequent events and transactions that have occurred after September 30, 2018, the date of the consolidated balance sheet, through October 30, 2018 and noted the following:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

On October 10, 2018, one leased property in Florida sustained damage due to Hurricane Michael. The tenant is working to reopen the restaurant and we are entitled to receive rent on this property during any period of repair by the tenant. The temporary closure and repair work performed by the tenant is not expected to have a material impact on the Company.

During October 2018, the Company invested \$5.7 million in the acquisition of three properties located in three states, with an investment yield of 6.8%. The properties are 100% occupied under net leases with a weighted average lease terms of 10 years remaining. The Company funded the acquisitions with cash on hand. The Company anticipates accounting for these transactions as asset acquisitions in accordance with U.S. GAAP. There were no contingent liabilities associated with these transactions at September 30, 2018.

There were no other material 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, 2017, 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.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in the Annual Report on Form 10-K of Four Corners Property Trust, Inc. for the year ended December 31, 2017. Any references to “the Company,” “we,” “us,” or “our” refer to FCPT as an independent, publicly traded, self-administered company.

Overview

We are a Maryland corporation and a real estate investment trust (“REIT”) which owns, acquires and leases properties for use in the restaurant and food-service related industries. Substantially all of our business is conducted through Four Corners Operating Partnership, LP (“FCPT OP”), a Delaware limited partnership of which we are a majority limited partner and our wholly owned subsidiary, Four Corners GP, LLC (“FCPT GP”), is its sole general partner. We believe that we have 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 tenants through net lease arrangements under which the tenants are primarily responsible for ongoing costs relating to the properties, including utilities, property taxes, insurance, common area maintenance charges, and maintenance and repair costs. We focus on income producing properties leased to high quality tenants in major markets across the United States.

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 that 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 flows are expected to meaningfully exceed their lease payments to us. We seek to improve the probability of successful tenant renewal at the end of initial lease terms by acquiring properties that have high levels of restaurant operator profitability compared to rent payments and have absolute rent levels that are not artificially higher than market rates. 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.

During the three months ended September 30, 2018, FCPT acquired 56 restaurant properties for a total investment value of \$178.2 million, including transaction costs. These properties are 100% occupied under net leases with a weighted average lease term of 14.2 years. During the nine months ended September 30, 2018, FCPT acquired 77 restaurant properties for a total investment of \$216.1 million, including transaction costs. These properties are 100% occupied under net leases with a weighted average lease term of 13.6 years.

At September 30, 2018, our wholly-owned lease portfolio had the following characteristics:

- 591 free-standing properties located in 45 states and representing an aggregate leasable area of 4.0 million square feet;
- 99.9% occupancy (based on square feet);
- A weighted average remaining lease term of 12.4 years (based on annualized cash rent);
- Weighted average annual rent escalation of 1.6% (based on annualized cash rent); and
- 79% investment grade tenancy (based on annualized cash rent).

Results of Operations

During the three and nine months ended September 30, 2018, we operated in two segments: real estate operations and restaurant operations. The following discussion includes the results of our operations for the three months and nine months ended September 30, 2018 and 2017 as summarized in the table below:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Rental revenue	\$ 31,324	\$ 28,835	\$ 90,509	\$ 84,926
Restaurant revenue	4,798	4,676	15,091	14,445
Total revenues	36,122	33,511	105,600	99,371
Expenses:				
General and administrative	3,225	2,899	10,098	9,215
Depreciation and amortization	5,743	5,425	16,312	16,254
Restaurant expenses	4,713	4,571	14,370	13,823
Interest expense	4,934	5,463	14,667	14,066
Total expenses	18,615	18,358	55,447	53,358
Other income	164	172	752	211
Realized gain on sale, net	—	4,042	10,879	7,333
Income before provision for income taxes	17,671	19,367	61,784	53,557
Income tax expense	(64)	(33)	(189)	(139)
Net income	17,607	19,334	61,595	53,418
Net income attributable to noncontrolling interest	(111)	(129)	(402)	(374)
Net Income Attributable to Common Shareholders	\$ 17,496	\$ 19,205	\$ 61,193	\$ 53,044

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Real Estate Operations

Rental Revenue

Rental revenue increased \$2.5 million, or 8.6%, during the three months ended September 30, 2018 compared to the three months ended September 30, 2017. This increase was due to the acquisition of 85 properties, less two properties sold during the year-over-year period from October 1, 2017 through September 30, 2018. We recognize rental income on a straight-line basis to include the effect of base rent escalators, and free rent periods, if any.

General and Administrative 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, as well franchise and other taxes paid to state and local tax authorities. General and administrative expenses increased \$326 thousand in the three months ended September 30, 2018 compared to the three months ended September 30, 2017, primarily due to increases in employee compensation, recruiting and accounting professional fees.

Depreciation and Amortization Expense

Depreciation and amortization expense represents the depreciation on real estate investments that have estimated lives ranging from two to 55 years. Depreciation and amortization increased by approximately \$318 thousand for the three months ended September 30, 2018 compared to the three months ended September 30, 2017, due to the acquisition of 85 properties less two properties sold during the year-over-year period.

Interest Expense

We incur interest expense on our \$400 million term loan, any outstanding borrowings on our revolving credit facility, interest rate swaps, and our \$125 million of senior fixed rate notes. Interest expense decreased \$529 thousand for the three months ended September 30, 2018 compared to the three months ended September 30, 2017, due to the refinancing of our \$400 million term loan facility in October 2017. As of September 30, 2018 and 2017, we had no outstanding borrowings under the revolving credit facility.

Realized Gain on Sale, Net

During the third quarter of 2017, the Company sold one property leased to Darden for total consideration of \$5.9 million, resulting in a realized gain on sale of \$4.0 million, net of costs to sell. The Company did not sell any properties during the third quarter of 2018.

Income Taxes

During the three months ended September 30, 2018 and 2017, our income tax expense was \$64 thousand and \$33 thousand, respectively. The income tax provision consists of federal, state, and local income taxes incurred by the Kerrow Restaurant Operating Business, and state and local income taxes incurred by FCPT on its lease portfolio.

Restaurant Operations

Restaurant revenues increased by \$122 thousand during the three months ended September 30, 2018 compared to the three months ended September 30, 2017 primarily due to a continued emphasis on customer service, increased marketing and outreach, an increase in to-go and catering orders, and a general improvement in casual dining trends. Average revenue per restaurant increased by 2.6% to \$800 thousand per location during the three months ended September 30, 2018 compared to the three months ended September 30, 2017.

Total restaurant expenses increased by \$142 thousand, or 3.1%, during the three months ended September 30, 2018 compared to the three months ended September 30, 2017, primarily due to restaurant maintenance costs, performance bonuses, and increased staffing.

Nine Months Ended September 30, 2018 compared to Nine Months Ended September 30, 2017

Real Estate Operations

Rental Revenue

Rental revenue increased \$5.6 million, or 6.6%, during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. This increase was due to the acquisition of 85 properties less two properties sold during the year-over-year period from October 1, 2017 through September 30, 2018. We recognize rental income on a straight-line basis to include the effect of base rent escalators, and free rent periods, if any.

General and Administrative Expenses

General and administrative expenses increased \$883 thousand in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, as a result of increases in non-cash stock compensation expense, employee compensation, and accounting professional fees.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$58 thousand for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Depreciation and amortization expense increased primarily due to the acquisitions of

depreciable property in 2018, which was partially offset by the sale of one property in the second quarter of 2018, and two properties in 2017.

Interest Expense

Interest expense increased \$601 thousand for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, due to interest expense on the senior fixed rate notes, which were issued in June 2017, being incurred for the full year in 2018 compared to four months in 2017. This increase was partially offset by a decrease in funds borrowed under the revolving credit facility, which were paid down in the second quarter of 2017, and a decrease in interest expense on our term loan facility, which was amended in October 2017.

Income Taxes

During the nine months ended September 30, 2018 and 2017, our income tax expense was \$189 thousand and \$139 thousand, respectively. The income tax provision consists of U.S. federal, state, and local income taxes incurred by the Kerrow Restaurant Operating Business, and state and local income taxes incurred by FCPT on its lease portfolio.

Restaurant Operations

Restaurant revenues increased by \$646 thousand during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 primarily due to a continued emphasis on customer service, increased marketing and outreach, an increase in to-go and catering orders, and a general improvement in casual dining trends. Average revenue per restaurant increased by 4.5% to \$2.5 million per location during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

Total restaurant expenses increased by \$547 thousand, or 4% during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 primarily due to an insurance allocation, restaurant maintenance, moving expenses, performance bonuses, and increased staffing.

Critical Accounting Policies

The preparation of FCPT's consolidated financial statements in conformance with GAAP 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, 2017 in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates." 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 September 30, 2018, we had \$26.9 million of cash and cash equivalents and \$250.0 million of borrowing capacity under our revolving credit facility, which expires on November 9, 2021, subject to our ability to extend the term for two additional six-month periods to November 9, 2022. The revolving credit facility provides for a letter of credit sub-limit of \$25 million. See Note 6 - Long-Term Debt, Net of Deferred Financing Costs included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information. As of September 30, 2018, we had no outstanding borrowings under our revolving credit facility and no outstanding letters of credit. The credit facility also includes a \$400 million, non-amortizing term loan that is due on November 9, 2022.

We have an effective shelf registration statement on file with the Securities and Exchange Commission ("SEC") under which we may issue equity financing through the instruments and on the terms most attractive to us at such time. During the three and

nine months ended September 30, 2018, we issued 488,174 and 2,022,106 shares, respectively, under our “At-the-Market” (“ATM”) equity issuance program at a weighted-average selling price of \$26.70 and \$23.87 per share, for net proceeds of approximately \$12.7 million and \$47.3 million, respectively. The proceeds will be employed to fund acquisitions and for general corporate purposes. At September 30, 2018, \$68.3 million in gross proceeds capacity remained available under the ATM program.

On August 7, 2018, the Company completed a stock offering pursuant to which we sold 4,025,000 shares of our common stock, par value \$0.01 per share, at a price of \$25.00 per share. We raised \$100.6 million in gross proceeds, resulting in net proceeds of approximately \$96.4 million after deducting \$4.3 million in underwriting discounts and expenses related to the offering.

On September 18, 2018, FCPT OP entered into agreements to issue \$100 million of senior, unsecured, fixed rate notes (the “Notes”) in a private placement pursuant to a Note Purchase Agreement (the “Note Purchase Agreement”) with the various purchasers named therein (the “Purchasers”). The Notes consist of \$50.0 million with an eight-year term maturing on December 20, 2026 and priced at a fixed interest rate of 4.63%, and \$50.0 million of notes with a ten-year term maturing on December 20, 2028 and priced at a fixed interest rate of 4.76%. The funding of the Notes is expected to occur on December 20, 2018.

Under the terms of the Note Purchase Agreement, the Notes have the same guarantors as the Loan Agreement. The Note Purchase Agreement contains customary financial covenants, including a total leverage ratio, a mortgage-secured leverage ratio, a secured recourse leverage ratio, a fixed charge coverage ratio, a minimum net worth requirement, an unencumbered leverage ratio and an unencumbered interest coverage ratio. The Note Purchase Agreement also contains restrictive covenants that, among other things, restrict the ability of FCPT OP, the Company and their subsidiaries to enter into transactions with affiliates, merge, consolidate, create liens or make certain restricted payments. Such financial and restrictive covenants are substantially similar to the corresponding covenants contained in the Loan Agreement. In addition, the Note Purchase Agreement includes provisions providing that certain of such covenants will be automatically amended in the Note Purchase Agreement to conform to certain amendments that may from time to time be implemented to corresponding covenants under the Loan Agreement. The Note Purchase Agreement contains customary events of default, including payment defaults, cross defaults with certain other indebtedness, breaches of covenants and bankruptcy events. In the case of an event of default, the Purchasers may, among other remedies, accelerate the payment of all obligations. The Company used a portion of the net proceeds from the offering to reduce amounts outstanding under its unsecured credit facility, and intends to use the remaining proceeds to fund future acquisitions and for general corporate purposes. The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States or any other jurisdiction absent registration or an applicable exemption from the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction.

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 FCPT OP in exchange for property owned by third parties. Our common partnership interests would be redeemable for cash or shares of our common stock, at FCPT’s election.

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 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, 2017, as filed with the SEC.

Off-Balance Sheet Arrangements

At September 30, 2018, we had no off-balance sheet arrangements.

Supplemental Financial Measures

The following tables presents a reconciliation of U.S. 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 and nine months ended September 30, 2018 and 2017.

(In thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 17,607	\$ 19,334	\$ 61,595	\$ 53,418
Depreciation and amortization on real estate investments	5,724	5,414	16,264	16,231
Realized gain on sales of real estate	—	(4,042)	(10,879)	(7,333)
Realized gain on exchange of real estate ⁽¹⁾	—	—	(228)	—
FFO (as defined by NAREIT)	\$ 23,331	\$ 20,706	\$ 66,752	\$ 62,316
Straight-line rent	(2,294)	(2,488)	(6,857)	(7,283)
Non-cash stock-based compensation	930	722	3,037	1,920
Non-cash amortization of deferred financing costs	458	452	1,368	1,265
Other non-cash interest expense	33	42	27	105
Non-real estate investment depreciation	19	11	48	23
Amortization of above and below market leases	15	—	46	—
Adjusted Funds from Operations (AFFO)	\$ 22,492	\$ 19,445	\$ 64,421	\$ 58,346
Fully diluted shares outstanding ⁽²⁾	65,987,295	61,665,465	63,396,602	60,992,881
FFO per diluted share	\$ 0.35	\$ 0.34	\$ 1.05	\$ 1.02
AFFO per diluted share	\$ 0.34	\$ 0.32	\$ 1.02	\$ 0.96

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

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

Non-GAAP Definitions

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

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 is a non-U.S. 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 business combinations
2. Straight-line rent revenue adjustment
3. Non-cash stock-based compensation expense
4. Non-cash amortization of deferred financing costs
5. Other non-cash interest expense (income)
6. Non-real estate investment depreciation
7. Merger, restructuring and other related costs
8. Impairment charges
9. Amortization of above and below market leases
10. Amortization of capitalized leasing costs
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, 2017, 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, 2017.

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 disclosed in the section entitled “Risk Factors” beginning on page 10 of our Annual Report on Form 10-K for the year ended December 31, 2017, except as set forth below. The risk factor set forth below updates, and should be read together with, the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

Risks Related to Our Business

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

As of September 30, 2018, we owned 52 Chili’s restaurant properties, all of which are operated by subsidiaries of Brinker International, Inc. (“Brinker”). The net lease payments from Brinker constitute a meaningful percentage of our annual base rent and therefore we are dependent on Brinker successfully operating its business and fulfilling its obligations to us. If Brinker were to experience a material and adverse effect on its business, financial position or results of operations, our business, financial position or results of operations could also be materially and adversely affected. Factors that may impact the business, financial position or results of operations of Brinker include, but are not limited to, the factors listed with respect to Darden under “Risk Factors—We are dependent on Darden successfully operating its business, and a failure to do so could have a material adverse effect on our business, financial position or results of operations” in our Annual Report on Form 10-K for the year ended December 31, 2017.

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.

INDEX TO EXHIBITS

Exhibit Number	Description
<u>3.1</u>	<u>Articles of Amendment and Restatement of Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 27, 2015).</u>
<u>3.2</u>	<u>Amended and Restated Bylaws of Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on October 27, 2015).</u>
<u>10.1</u>	<u>Agreement for Purchase and Sale of Real Estate, dated as of August 1, 2018, by FCPT Acquisitions, LLC, Brinker Property Corporation, and Brinker Propco Florida, Inc.</u>
<u>10.2</u>	<u>First Amendment to Agreement for Purchase and Sale of Real Estate, dated as of September 14, 2018, by FCPT Acquisitions, LLC, Brinker Property Corporation, and Brinker Propco Florida, Inc.</u>
<u>31 (a)</u>	<u>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.</u>
<u>31 (b)</u>	<u>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.</u>
<u>32 (a)</u>	<u>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.</u>
<u>32 (b)</u>	<u>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.</u>
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

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: October 30, 2018

By: /s/ William H. Lenehan

William H. Lenehan
President and Chief Executive Officer
(Principal Executive Officer)

Dated: October 30, 2018

By: /s/ Gerald R. Morgan

Gerald R. Morgan
Chief Financial Officer
(Principal Financial Officer)

Dated: October 30, 2018

By: /s/ Niccole M. Stewart

Niccole M. Stewart
Chief Accounting Officer
(Principal Accounting Officer)

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Section 2: EX-10.1 (EXHIBIT 10.1 BRINKER PURCHASE SALE AGREEMENT)

AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE

BY

FCPT ACQUISITIONS, LLC, A DELAWARE LIMITED LIABILITY COMPANY

(“PURCHASER”)

AND

**BRINKER PROPERTY CORPORATION, A DELAWARE CORPORATION and
BRINKER PROPCO FLORIDA, INC., A DELAWARE CORPORATION**

(“SELLER”)

Dated as of August 1, 2018

AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE

This Agreement for Purchase and Sale of Real Estate (this “*Agreement*”) is dated as of August 1, 2018 (the “*Effective Date*”), by and among FCPT ACQUISITIONS, LLC, a Delaware limited liability company (“*Purchaser*”), and BRINKER PROPERTY CORPORATION, a Delaware corporation (“*Brinker Propco*”) and BRINKER PROPCO FLORIDA, INC., a Delaware corporation (“*Brinker Propco Florida*”) and collectively with *Brinker Propco*, “*Seller*”).

R E C I T A L S:

WHEREAS, Brinker Propco owns certain real property described on **Exhibit “A-1”** in the Exhibits (as defined below) (the “*Non-Florida Land*”), and the buildings, fixtures and other improvements located thereon, and rights and privileges appurtenant thereto (said buildings, fixtures and other improvements hereinafter collectively referred to as the “*Non-Florida Improvements*”). The term “fixtures” shall have the meaning given it under applicable law, but shall (i) specifically include walk-in coolers or freezers and any bar coolers, and (ii) specifically exclude all trade fixtures. Each such parcel of Non-Florida Land, together with the Improvements thereon, is hereinafter referred to as a “*Non-Florida Property*”, and collectively the “*Non-Florida Properties*” and

WHEREAS, Brinker Propco Florida owns certain real property described on **Exhibit “A-2”** in the Exhibits (the “*Florida Land*”), and the buildings, fixtures and other improvements located thereon, and rights and privileges appurtenant thereto (said buildings, fixtures and other improvements hereinafter collectively referred to as the “*Florida Improvements*”). The term “fixtures” shall have the meaning given it under applicable law, but shall (i) specifically include walk-in coolers or freezers and any bar coolers, and (ii) specifically exclude all trade fixtures. Each such parcel of Land, together with the Improvements thereon, is hereinafter referred to as a “*Florida Property*”, and collectively the “*Florida Properties*.” The Non-Florida Land and Florida Land are collectively and individually, as the case may be, referred to herein as the “*Land*”. The Non-Florida Improvements and Florida Improvements are collectively and individually, as the case may be, referred to herein as the “*Improvements*.” The Non-Florida Property and Non-Florida Properties and the Florida Property and Florida Properties are collectively and individually, as the case may be, referred to herein as “*Property*” and collectively the “*Properties*.” As appropriate, references to Seller herein shall mean (i) Brinker Propco Florida as to the Florida Land, Florida Improvements and Florida Properties, and (ii) Brinker Propco as to the Non-Florida Land, Non-Florida Improvements and Non-Florida Properties. **Schedule I** in the Schedules (defined below) sets forth the address of each Property, the Property number (#), and the Seller of each Property; and

WHEREAS, Brinker Propco Florida desires to sell and Purchaser desires to purchase the Florida Properties, together with certain other assets, rights and interests hereinafter more specifically described, all upon the terms and conditions hereinafter set forth; and

WHEREAS, Brinker Propco Florida desires to enter into a Lease (as hereinafter defined) with Purchaser, as landlord, and Purchaser desires to enter into a Lease with Brinker Propco Florida, as tenant, for each of the Florida Properties, all upon the terms and conditions hereinafter set forth; and

WHEREAS, Brinker Propco desires to sell and Purchaser desires to purchase the Non-Florida Properties, together with certain other assets, rights and interests hereinafter more specifically described, all upon the terms and conditions hereinafter set forth; and

WHEREAS, Brinker Propco desires to enter into a Lease with Purchaser, as landlord, and Purchaser desires to enter into a Lease with Brinker Propco, as tenant, for each of the Non-Florida Properties, all upon the terms and conditions hereinafter set

forth; and

WHEREAS, Seller has delivered to Purchaser a document titled Schedules concurrently with its execution and delivery of this Agreement (the “**Schedules**”), and the Schedules contain certain information relating to this Agreement and are made a part hereof. Further, Seller has delivered to Purchaser a document titled Exhibits concurrently with its execution and delivery of this Agreement (the “**Exhibits**”), and the Exhibits contain certain information relating to this Agreement and are made a part hereof

NOW, THEREFORE, for and in consideration of the mutual covenants, agreements, representations and warranties herein contained, the parties hereto do hereby covenant and agree as follows:

1. PURCHASE AND SALE; LEASE.

1.1 Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, the Properties, including the following assets, rights and other interests related thereto (the Properties, together with such assets, rights and other interests being collectively referred to herein as the “**Assets**”): Seller’s right, title and interest in the Land and the Improvements and Seller’s right, title and interest in all oil, gas and other mineral rights associated with the Properties, easements, reciprocal easement agreements, operating agreements, licenses, rights of way, permits and other appurtenances thereto, if any, and all renewal options, purchase options, rights of first refusal and expansion rights relating thereto, if any (including Seller’s rights in and to public streets, whether or not vacated, if any and to the extent assignable).

1.2 Notwithstanding anything contained in this Agreement to the contrary, the following are expressly excluded from the transactions contemplated by this Agreement and do not comprise the Assets being transferred hereunder:

A. All furniture, trade fixtures and equipment (other than equipment that constitutes fixtures), personal property of Seller, and all inventory, in each case located on the Properties.

B. All permits and licenses, including pharmacy, liquor and similar licenses, directly related to the operation of the businesses at the Properties.

C. All agreements relating to the operation of the businesses at the Properties (including, but not limited to, landscaping agreements, maintenance agreements, trash collection agreements, signage agreements, utility agreements, internet agreements and cable and satellite agreements) (collectively, the “**Excluded Contracts**”).

D. All Operating Leases (hereinafter defined).

1.3 On the Closing Date, Seller and Purchaser shall enter into a lease substantially in the form of **Exhibit “D”** in the Exhibits with respect to each Property (the “**Lease**”).

2. PURCHASE PRICE. The total purchase price for the Assets shall be One Hundred Fifty Five Million Six Hundred Eighty Five Thousand Three Hundred Fifty Nine and No/100 Dollars (\$155,685,359) (as the same may be adjusted pursuant to the express terms of this Agreement, the “**Purchase Price**”) and shall be payable by Purchaser to Seller as follows:

2.1 On or before 5:00 p.m., Central Standard Time on the date which is two (2) days after the Effective Date, Purchaser shall deposit Seven Million Seven Hundred Eighty Four Thousand Two Hundred Sixty Eight and No/100 Dollars (\$7,784,268) (the “**Earnest Money Deposit**”), with Chicago Title Insurance Company, 711 Third Avenue, #500, New York, New York 10017, Attention: Neal J. Miranda; E-Mail: Neal.Miranda@ctt.com (“**Escrowee**”), which amount the parties have bargained for and agreed to as consideration for the Seller’s execution and delivery of this Agreement and grant to Purchaser of Purchaser’s exclusive right to conduct its diligence of the Properties, as more particularly described herein. The Earnest Money Deposit is in addition to, and independent of, any other consideration or payment provided in this Agreement, and is non-refundable to Purchaser, except, in each case, as otherwise provided for in this Agreement. If the Closing contemplated by this Agreement occurs, the Earnest Money Deposit shall be applied against the Purchase Price on the Closing Date. The Earnest Money Deposit shall be held by Escrowee in an interest-bearing account pursuant to a sole order escrow agreement substantially in the form of **Exhibit “B”** in the Exhibits (the “**Escrow Agreement**”). If the transaction contemplated by this Agreement is not so consummated, the Earnest Money shall be held and delivered by the Escrowee as herein provided.

2.2 The remainder of the Purchase Price, subject to prorations and adjustments provided for in this Agreement (the “**Closing Payment**”), by wire transfer at Closing.

2.3 Seller and Purchaser each agree that all Transfer Taxes will be paid, and any tax returns or reports required to be filed in connection therewith will be filed, in accordance the allocations set forth on **Schedule I** in the Schedules; provided, however, that nothing in this Section 2.3 shall require Seller or Purchaser to use the allocations set forth on **Schedule I** in the Schedules for income tax reporting purposes. This Section shall survive Closing.

2.4 Contemporaneously with the execution of this Agreement, Purchaser shall deliver to Escrowee for delivery to Seller the amount of Five Hundred and No/100 Dollars (\$500.00) ("**Independent Contract Consideration**"), which amount the parties bargained for and agreed to as consideration for Seller's execution, delivery and performance of this Agreement. The Independent Contract Consideration shall be delivered to Escrowee by wire transfer, and the Escrowee is hereby instructed to deliver same to Seller on demand. This Independent Contract Consideration is in addition to and independent of any other consideration or payment provided for in this Agreement, is nonrefundable, and shall be retained by Seller notwithstanding any other provision of this Agreement.

3. TITLE AND DUE DILIGENCE MATERIALS.

3.1 Fee simple title to the Properties shall be conveyed to Purchaser subject only to the Permitted Exceptions (hereinafter defined). Conveyance to Purchaser of fee simple title to the Properties shall be by the applicable Seller's delivery of an executed special warranty deed substantially in the form of **Exhibit "C"** in the Exhibits (the "**Deed**"), with such reasonable changes to such form as may be reasonably necessary to permit such Deed to be recorded in the applicable recording office for real estate records which is applicable to the Properties or as may be reasonably necessary to conform such Deed to any other requirements with respect to the form of special warranty deeds imposed by the laws of the state in which the Properties are located.

3.2 Purchaser and Seller acknowledge that Seller has delivered (or made available to Purchaser by means of an electronic data-room maintained by Seller) to Purchaser the following items regarding each of the Properties (collectively, the "**Due Diligence Materials**"): (1) a preliminary title report or commitment for title insurance from Escrowee with respect to each Property (each, a "**Title Commitment**" and collectively, the "**Title Commitments**"), (2) an updated survey with respect to each Property (each, a "**Survey**" and collectively, the "**Surveys**"), (3) a Phase I environmental site assessment report with respect to each Property (each, a "**Phase I Report**" and collectively the "**Phase I Reports**"), (4) a property condition report with respect to each Property (each, a "**PCR**" and collectively the "**PCRs**"), and (5) a zoning report with respect to each Property (each, a "**Zoning Report**" and collectively the "**Zoning Reports**"). If the Due Diligence Materials disclose exceptions to title to a Property, survey defects or any other matters which are not acceptable to Purchaser, including, without limitation, any Material Defects (as defined below) (any such condition being referred to herein as an "**Unpermitted Exception**"), then Purchaser shall deliver written notice to Seller (the "**Objection Notice**") of any such Unpermitted Exception on or prior to 5:00 p.m. Central Standard Time on July 17, 2018 (the "**Objection Deadline**"); provided, however, Purchaser shall not be permitted to object to any Permitted Exception (as defined below). Any exceptions to title to a Property disclosed by the Due Diligence Materials that are not objected to by Purchaser on or prior to the expiration of the Objection Deadline shall be deemed Permitted Exceptions (defined below). Seller shall have until the date which is one (1) business day prior to the expiration of the Due Diligence Period ("**Seller's Response Deadline**") in which to give Purchaser notice as to whether Seller will use commercially reasonable efforts to cause certain Unpermitted Exceptions set forth in such Objection Notice to be removed from title, insured over by the Escrowee on the applicable Title Policy, or otherwise reasonably mitigated or cured (in Seller's sole discretion), and in the case of any Material Defects, object to such characterization (the "**Seller's Title Response**"). If Seller gives such Seller's Title Response to Purchaser, then Seller shall use commercially reasonable efforts to take such action as Seller indicates. Any Unpermitted Exceptions previously objected to by Purchaser which Seller has not agreed to use commercially reasonable efforts to cure or have removed or insured over by the Escrowee on the applicable Title Policy shall become Permitted Exceptions if Purchaser does not elect to exclude the applicable Property prior to the expiration of the Due Diligence Period (and otherwise in accordance with the terms set forth in **Section 7.3(C)** hereof).

3.3 If, between the expiration of the Objection Deadline and Closing, any of the Due Diligence Materials add or modify any Unpermitted Exceptions or modify any Permitted Exceptions ("**Supplemental Exceptions**") and such Supplemental Exceptions (i) were caused by, through or under Seller and (ii) materially affect the value or Purchaser's intended use of the affected Properties ("**Material Supplemental Exceptions**"), then Purchaser shall deliver written notice to Seller ("**Supplemental Objection Notice**"), within forty-eight (48) hours of receiving the same from Escrowee, if it objects to any such Material Supplemental Exceptions (the "**Unpermitted Supplemental Exceptions**"). Seller shall use commercially reasonable efforts to cause such Unpermitted Supplemental Exceptions to be removed from title or insured over by the Escrowee at or prior to Closing.

3.4 Notwithstanding anything contained herein, the term "**Permitted Exceptions**" shall be deemed to include the

following: (a) all applicable zoning and building laws, restrictions, regulations and ordinances (but shall not include any violation of any of the foregoing); (b) encroachments that do not, and are not reasonably likely to, materially impair or interfere with the present or future use of the applicable Property; (c) the state of facts shown on the applicable Survey of each Property provided such facts are not reasonably likely to materially impair the present or future use of the applicable Property; (d) real estate taxes, and water and sewer charges and other similar charges, which are not yet due and payable as of the Closing Date; (e) easements, and rights of public utilities which do not, and are not reasonably likely to, prevent in any material way, prohibit, or materially impair or interfere with the present or future use of the applicable Property; (f) covenants, conditions, restrictions and other instruments or encumbrances set forth in the Title Commitment for the applicable Property which do not, and are not reasonably likely to, prevent in any material way, prohibit or materially impair the present or future use of the applicable Property; (g) monetary liens for which the provision for payment in the form of an escrow has been made to the satisfaction of Escrowee; (h) liens, claims, encumbrances, security interests, title exceptions or imperfections of title caused by or resulting from the acts of Purchaser or any of its affiliates, employees, officers, directors, agents, contractors, invitees or licensees; (i) the Excluded Contracts, (j) the Operating Leases (hereinafter defined), (k) all items and conditions that are deemed to be a Permitted Exception pursuant to **Section 3.2** of this Agreement, and (l) any matters, encumbrances, instruments or exceptions which Seller causes the Escrowee to insure over on a Title Policy issued by the Escrowee to Purchaser at Closing. As used in this Agreement, the term “**Operating Leases**” shall mean any leases, licenses or other occupancy agreements (and any amendments, extensions or other modifications thereof) between Seller, on the one hand, and entities that are affiliates of Seller, on the other hand, concerning the use or occupancy of all or part of a Property.

3.5 Notwithstanding anything to the contrary herein contained, Seller covenants and agrees that at or prior to Closing, Seller shall (i) pay in full and cause to be canceled and discharged or otherwise cause the Escrowee to insure over all mechanics’ and contractors’ liens which encumber the Land and Improvements as of the date of Closing and which have been placed on the Land and Improvements in connection with work authorized by any Seller; and (ii) cause to be released all loan security documents entered into by any Seller which encumber any of such Seller’s interest in the Assets.

4. ASSUMPTION OF LIABILITIES. Subject to the terms and conditions set forth in this Agreement and the Lease, effective as of the Closing, Purchaser shall assume, pay and discharge all claims, liabilities or obligations of any kind, fixed or contingent, known or unknown, relating to or arising in connection with the use, non-use, and ownership of the Properties, to the extent such claims, liabilities and obligations accrue with respect to, and are attributable to, facts or circumstances first occurring during the period from and after 12:01 a.m. on the Closing Date. Subject to the terms and conditions set forth in this Agreement and the Lease, Purchaser will (and will cause its assignees and successors to) fully and promptly perform all of the obligations of Seller assumed by Purchaser pursuant to this Agreement accruing and attributable to the period from and after 12:01 a.m. on the Closing Date.

5. DEFAULT.

5.1 If Purchaser shall fail to render the performance required of it under this Agreement within five (5) days after notice from Seller informing Purchaser of such failure, then Seller may exercise one (1) of the following rights and remedies as its sole and exclusive right and remedy:

A. Terminate this Agreement and retain the Earnest Money Deposit, which shall be deemed full liquidated damages and not a penalty. The parties acknowledge the difficulty and impracticability of ascertaining Seller’s damages in the event of Purchaser’s default, including Seller’s costs, expenses and fees in connection therewith, and agree that each of the amounts referenced herein, whether applicable separately or together, result from a reasonable attempt by the parties to consider the consequence to Seller and represent a reasonable estimate of Seller’s damages arising from Purchaser’s default. Neither Seller nor Purchaser thereafter shall have any further rights, obligations or liabilities under this Agreement except for the obligations which are expressly deemed to survive such termination pursuant to the terms hereof.

B. Forbear the satisfaction of any unsatisfied conditions and consummate the Closing.

The foregoing shall in no way be deemed to limit the extent of Seller’s damages or Purchaser’s liability to Seller pursuant to any indemnification provision of this Agreement, including without limitation, **Sections 7.5**.

5.2 If Seller shall fail to render the performance required of them under this Agreement within five (5) days after notice from Purchaser informing Seller of such failure, then Purchaser, may exercise one (1) of the following rights and remedies as its sole and exclusive right and remedy:

A. Terminate this Agreement in which event (a) Escrowee shall be required to refund the Earnest Money Deposit to Purchaser, and (b) solely in the event that specific performance is not available to Purchaser on account of a pending or actual sale by Seller to a third party, Purchaser shall be entitled to recover from Seller money damages not to exceed an amount equal to the amount of the Earnest Money Deposit, both (a) and (b), whether applicable separately or together, being full liquidated damages and not a penalty. The parties acknowledge the difficulty and impracticability of ascertaining Purchaser's damages in the event of Seller's default, including Purchaser's costs, expenses and fees in connection therewith, and agree that each of the amounts referenced herein, whether applicable separately or together, result from a reasonable attempt by the parties to consider the consequence to Purchaser and represent a reasonable estimate of Purchaser's damages arising from Seller's default. Neither Seller nor Purchaser thereafter shall have any further rights, obligations or liabilities under this Agreement except for the obligations which are expressly deemed to survive such termination pursuant to the terms hereof.

B. Exercise, pursue and enforce any right of specific performance to require Seller to convey the Assets to Purchaser.

C. Forbear the satisfaction of any unsatisfied conditions and consummate the Closing.

6. CONDITIONS PRECEDENT TO CLOSING.

6.1 In addition to any other conditions to Purchaser's obligation to close set forth in this Agreement, Purchaser's obligation to close hereunder is subject to each and all of the following conditions precedent:

A. All of Seller's representations and warranties contained in this Agreement shall be true and correct in all material respects when made and also as of the Closing Date when remade.

B. All documents, instruments and assurances required hereunder to be delivered to Purchaser shall have been duly delivered to Purchaser.

C. All material covenants and agreements of Seller under this Agreement shall have been duly performed and satisfied.

D. At Closing, Escrowee will be committed to deliver to Purchaser one or more ALTA owner's title insurance policies with extended coverage (to the extent that extended coverage is available in a particular jurisdiction), or in the case of Properties in the State of Texas, a standard form of Owner's Policy of Title Insurance as prescribed by the Texas State Board of Insurance, insuring title to each Property subject only to the Permitted Exceptions (each, a "***Title Policy***" and collectively, the "***Title Policies***"), in an amount not less than the portion of the Purchase Price allocated to such Property on **Schedule I** in the Schedules, provided that (i) in advance of Closing, Purchaser shall have taken all necessary and customary actions to arrange for or allow issuance of such Title Policies by Escrowee, and (ii) all necessary premiums or other charges required for the issuance of such Title Policies are paid pursuant to **Section 12.1**. The immediately preceding sentence shall survive the termination of this Agreement.

6.2 In addition to any other conditions to Seller's obligation to close set forth in this Agreement, Seller's obligation to close hereunder is subject to each and all of the following conditions precedent:

A. All of Purchaser's representations and warranties contained in this Agreement shall be true and correct in all material respects when made and also as of the Closing Date when remade.

B. All documents, instruments and assurances required hereunder to be delivered to Seller shall have been duly delivered to Seller.

C. All material covenants and agreements of Purchaser under this Agreement shall have been duly performed and satisfied.

7. INSPECTIONS; ACCESS; EXCLUSIONS

7.1 Purchaser and its representatives shall be permitted to enter upon the Properties at any reasonable time and from time to time (whether during or after the Due Diligence Period) to examine, inspect and investigate the Properties as well as all records and other documentation provided by Seller (collectively, "***Investigations***"). Notwithstanding the foregoing, Purchaser shall not

perform any invasive examinations, inspections, investigations or tests at or on the Properties (including, without limitation, any “Phase II” environmental tests) without the prior written consent of Seller, which consent may be withheld in Seller’s sole and absolute discretion. The Investigations shall be subject to the terms, conditions and limitations set forth in this **Article 7** and Purchaser’s conduct thereof shall be in strict compliance with its covenants and agreements contained herein. Except as expressly provided in **Section 12.1**, Purchaser shall be solely responsible for all costs and expenses incurred in connection with Purchaser’s Investigations. In no event shall Purchaser’s right to conduct Investigations as provided herein after the Due Diligence Period be deemed to extend the Due Diligence Period.

7.2 Purchaser shall have the right to enter upon the Properties for the purpose of conducting its Investigations provided that in each such instance (i) Purchaser notifies Seller of its intent to enter the Properties to conduct its Investigations not less than forty-eight (48) hours prior to such entry; (ii) the date and approximate time period are scheduled with Seller; and (iii) Purchaser is in full compliance with the insurance requirements set forth in this **Article 7**. At Seller’s election, a representative of the Seller may be present during any entry by Purchaser or its representatives upon the Properties for conducting its Investigations. Purchaser shall take all necessary actions to ensure that neither it nor any of its representatives interfere with any ongoing operations occurring at the Properties, and Purchaser acknowledges that Investigations shall not be performed inside or on the roof of any buildings during lunch and dinner hours. Purchaser shall not cause or permit any mechanic’s liens, materialmen’s liens or other liens to be filed against the Properties as a result of its.

7.3 Purchaser shall have until 5:00 p.m., Central Standard Time, on July 30, 2018 (the “**Due Diligence Period**”), to conduct its Investigations and, in Purchaser’s discretion, to determine whether the Assets are acceptable to Purchaser according to only one of the following:

A. Purchaser may elect to purchase all of the Assets in accordance with the terms and conditions of this Agreement, in which event Purchaser shall not be required to provide any additional notice to Seller prior to the expiration of the Due Diligence Period and the Earnest Money Deposit, including all interest earned thereon, shall automatically become fully earned by Seller and non-refundable (except as otherwise expressly set forth in this Agreement).

B. Purchaser may elect to terminate this Agreement for any or no reason, by delivering written notice thereof to Seller on or before the expiration of the Due Diligence Period (whether delivered by Purchaser or Seller pursuant to this **Section 7.3**, a “**Termination Notice**”). If Purchaser does not timely deliver a Termination Notice, Purchaser shall be conclusively deemed to have waived its right to elect to terminate this Agreement during the Due Diligence Period and shall be conclusively deemed to have elected to purchase all of the Assets in accordance with the terms and conditions of this Agreement (except for any Assets excluded pursuant to **Section 7.3(C)**). In the event Purchaser timely delivers a Termination Notice, the Earnest Money Deposit, including all interest earned thereon, shall be returned to Purchaser, and neither party shall have any further obligations to the other party hereunder, except for the obligations which are expressly deemed to survive such termination pursuant to the terms hereof.

C. If, prior to the Objection Deadline, Due Diligence Materials disclose Material Defect(s) (defined below), then Purchaser may deliver written notice to Seller on or prior to the Objection Deadline describing with specificity such Material Defect(s) and the Properties Purchaser desires to exclude from the transaction contemplated by this Agreement (the “**Exclusion Notice**”), which such Exclusion Notice shall be included, but separately identified, in Purchaser’s Objection Notice. Any Material Defects as found in the Due Diligence Materials prior to the Objection Deadline which are not objected to by Purchaser in a timely Exclusion Notice shall be deemed approved by Purchaser. In all instances under this Agreement, prior to the expiration of Seller’s Response Deadline, Seller shall have the right to contest any characterization of an Unpermitted Exception as a “Material Defect” and cure such Unpermitted Exception prior to or at Closing, in which event the Property subject to such Unpermitted Exception shall not be excluded from the transaction contemplated by this Agreement and the Purchase Price shall not be adjusted to deduct the amount of the Purchase Price allocated to such excluded Property as described below. In the event that Purchaser delivers to Seller an Exclusion Notice that (i) identifies uncontested and bona fide Material Defect(s) or (ii) that identifies bona fide Material Defect(s) that are contested but not cured by Seller prior to Closing, such Property(ies) subject to the Material Defect(s) may be excluded from the transaction contemplated by this Agreement (in Purchaser’s sole discretion) and the Purchase Price shall be adjusted to account for the exclusion of such Property(ies) by deducting the amount of the Purchase Price allocated to such excluded Property(ies) as set forth in **Schedule I** in the Schedules and neither party shall have any further rights or obligations hereunder with respect to each such excluded Property(ies), except for the obligations expressly deemed, pursuant to the terms and provisions of this Agreement, to survive the termination of this Agreement, and this Agreement shall continue in full force and effect with respect to all Properties not so excluded; provided, however, that in no event shall Purchaser have the right to designate more than five (5) Properties for exclusion pursuant to this **Section 7.3(C)** (the “**Property Exclusion Threshold**”). If

Purchaser's Exclusion Notice seeks to exclude properties pursuant to the foregoing in excess of the Property Exclusion Threshold, then Seller may, in Seller's sole discretion, either (1) agree to such additional exclusions beyond the Property Exclusion Threshold, or (2) terminate this Agreement by delivering to Purchaser on or before the expiration of the Due Diligence Period a Termination Notice, and the Earnest Money Deposit, including all interest earned thereon, shall be returned to Purchaser, and neither party shall have any further obligations to the other party hereunder, except for the obligations which are expressly deemed to survive such termination pursuant to the terms of this Agreement. If Seller does not timely deliver a Termination Notice to Purchaser pursuant to the foregoing, Seller shall be conclusively deemed to have waived such right to terminate this Agreement pursuant to its rights set forth in this **Section 7.3(C)** and Purchaser shall be conclusively deemed to have elected to purchase all of the Assets excluding those Properties with uncontested and bona fide Material Defect(s) identified in Purchaser's Exclusion Notice (and the Purchase Price shall be adjusted to account for the exclusion of such Properties as provided above) in accordance with the terms and conditions of this Agreement. For the purposes of this Agreement, and notwithstanding the provisions of **Section 3.4** above, a "**Material Defect**" shall mean any of the following that materially adversely affects the value of such Property as found in the Due Diligence Materials: (1) the identification of a Recognized Environmental Condition (as such term is defined in ASTM E1527-13) in the Phase I Environmental Site Assessment related to such Property, unless Seller permits a Phase II Environmental Site Assessment (a "Phase II") with respect to such Property and said Phase II concludes that no further action or investigation is recommended, or the presence of Hazardous Materials (defined herein) (other than lead based paint or asbestos containing materials), the concentration, amount or presence of which exceeds those allowed by applicable law at the Property for commercial use of the Property, including the specific commercial use of the Property being currently used by Seller; (2) a material violation of applicable zoning laws, which shall be deemed to not include any legally non-conforming status based on use or structure of any Property or an item (a) with respect to which Escrowee commits to issuing a title insurance endorsement insuring over the risk presented by such item, and (b) Seller commits to paying the cost of such endorsement at Closing; (3) a material title or survey defect that is not a Permitted Exception and cannot be cured prior to Closing, insured over by the Escrowee on the applicable Title Policy, or that can be so cured or insured over, but that Seller fails or refuses to cure or insure over prior to Closing, or (4) a material structural issue that cannot be corrected or made subject to a plan for correction by Seller prior to Closing or that Seller fails or refuses to correct or make subject to a plan for correction prior to Closing. Notwithstanding anything to the contrary contained herein, if there is a Supplemental Exception that constitutes a Material Defect and Seller is unable, after exercising commercially reasonable efforts, to remove, reasonably mitigate or cure (in the sole discretion of Seller) such Supplemental Exception, then Seller shall not be in default under this Agreement and Purchaser may, as its sole right and remedy in such event, elect to do one of the following: (i) exclude no more than one (1) additional Property from the transaction contemplated by this Agreement due to such Material Defect affecting such Property (the "**Supplemental Excluded Property**") by promptly delivering a written notice thereof to Seller prior to Closing with respect to such Supplemental Excluded Property (a "**Notice of Supplemental Exclusion**"), in which event the Purchase Price shall be adjusted to account for the exclusion the Supplemental Excluded Property by deducting the amount of the Purchase Price allocated to the Supplemental Excluded Property on **Schedule I** in the Schedules and neither party shall have any further rights or obligations hereunder with respect to the Supplemental Excluded Property, except for the obligations expressly deemed, pursuant to the terms and provisions of this Agreement, to survive the termination of this Agreement; (ii) provide a Supplemental Notice of Exclusion seeking to exclude more than one (1) Property pursuant to this sentence, in which event Seller may, in Seller's sole discretion, either (x) agree to such additional exclusions (and the Purchase Price shall be adjusted to account for the exclusion of such Properties as provided above) or (y) terminate this Agreement, and the Earnest Money Deposit, including all interest earned thereon shall be returned to Purchaser and neither party shall have any further rights or obligations hereunder, except for the obligations expressly deemed, pursuant to the terms and provisions of this Agreement, to survive the termination of this Agreement, or (iii) waive its rights in this sentence (in which event any remaining Material Defects shall be deemed to be approved by Purchaser) and consummate the Closing.

D. As of the Effective Date, the language proposed in Paragraph 18(b) of the Lease for the Property located in Greenville, Texas (the "**Greenville Property**") is still being reviewed by Seller's accountants for compliance with sale-leaseback accounting standards. In the event that Seller's accountants do not approve such language for the Greenville Property, Seller will not be obligated to include such language in the Lease for the Greenville Property, and the Closing for the Greenville Property shall be extended as set forth in **Section 8**.

7.4 Purchaser agrees and covenants with Seller not to disclose to any third party without Seller's prior written consent, any of the reports or any other documentation or information obtained by Purchaser that relate to the Properties, including without limitation the Due Diligence Materials (collectively, the "**Property Information**"), or the Seller in any way, all of which shall be used by Purchaser and its agents solely in connection with the transaction contemplated hereby; provided, however, that the

foregoing shall not be construed to prevent Purchaser from (a) disclosing such information as needed to its members, officers, directors, shareholders, employees, beneficiaries, trustees, agents, representatives, attorneys, lenders, and accountants directly in connection with the evaluation and consummation of the transactions contemplated herein, and any potential third party buyers of any of the Properties and their lenders (provided such party agrees to keep all such information confidential under the same terms applicable to Seller in this **Section 7.4** pursuant to a confidentiality agreement memorializing same); (b) making (without the consent of, but upon notice to, Seller) any disclosure required by any applicable law or regulation or judicial process, (c) disclosing such information generally available to the public except by reason of Purchaser's breach of this Agreement, (d) disclosing such information as required in connection with any enforcement of this Agreement or any of the other transaction documents, or (e) making any required disclosures in recorded documents, filed certificates and similar documents in connection with the Closing. In the event that this Agreement is terminated, Purchaser agrees that all such information will be held in strict confidence and, upon the request of Seller, at Purchaser's election either (i) will be returned to Seller, or (ii) Purchaser shall provide written notice to Seller of the destruction thereof. The foregoing provision shall survive the termination of this Agreement.

7.5 Purchaser agrees to indemnify, protect, defend and hold Seller and its affiliates, partners, trustees, beneficiaries, directors, shareholders, members, managers, officers, employees, advisors and other agents (collectively, the "**Indemnified Parties**") harmless from and against any and all liabilities, claims, losses, damages, costs and expense (including, without limitation reasonable attorneys' fees and court costs and litigation expenses) suffered or incurred by any of the Indemnified Parties as a direct result of the Investigations or any activities of Purchaser and its representatives related to the Investigations prior to Closing under **Section 7.1**, including, without limitation, mechanics' liens, damage to any Property, injury to persons or property directly resulting from such activities, unless caused by the willful or negligent act or omission of Seller or any Indemnified Party. In the event that any Property is disturbed or altered in any way as a direct result of Purchaser's activities under this **Article 7** prior to Closing, Purchaser shall, at its sole cost and expense, promptly restore such Property to substantially the same condition existing prior to the commencement of such activities which disturb or alter such Property. Furthermore, Purchaser agrees to maintain and cause any of its representatives or agents conducting any Investigations to maintain and have in effect commercial general liability insurance (i) with limits of not less than Two Million and 00/100 Dollars (\$2,000,000.00) per occurrence for personal injury, including bodily injury and death, and property damage, (ii) which names Seller as an additional insured and (iii) which provides for a waiver of subrogation. Upon request of Seller, Purchaser shall deliver to Seller a copy of the certificate or certificates of insurance effectuating the insurance required hereunder prior to the commencement of such activities which certificate or certificates shall provide that such insurance shall not be terminated without at least ten (10) days' prior written notice to Seller. The foregoing indemnity shall survive the termination of this Agreement and shall also survive Closing and shall not be merged into any documents, executed or delivered at Closing.

7.6 Purchaser acknowledges and agrees that it shall have no right to review or inspect any of the following: (i) internal memoranda, correspondence, analyses, documents, or reports prepared by or for Seller or affiliates of Seller in connection with (A) this Agreement, (B) the transaction contemplated by this Agreement, (C) the acquisition of the Assets by Seller, (D) any prior or current contemplated reorganization of Seller or any of its affiliates, or (E) otherwise; (ii) communications between Seller and any of its affiliates; or (iii) appraisals, assessments or other valuations of the Assets in the possession of Seller or any of its affiliates.

7.7 As used herein, "**Hazardous Materials**" means (a) any lead-based paint, petroleum, hazardous or toxic petroleum-derived substances or petroleum products, flammable explosives, radioactive materials, radon, asbestos in any form that is or could become friable ("**ACM**"), urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs); (b) any chemicals or other materials or substances which are regulated, classified or defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic pollutants", "pollutant" or "contaminant" or any similar denomination intended to classify substances by reason of toxicity, carcinogenicity, ignitability, corrosivity or reactivity under any Environmental Law; and (c) any other waste, material (including, without limitation, building construction materials and debris) or substance that is regulated by, or may in the future form the basis of liability under, any Environmental Law.

7.8 As used herein, "**Environmental Laws**" means all laws, statutes, rules, regulations, ordinances, common law and other pronouncements (including, without limitation, guidance documents) having the effect of law of the United States or of any other governmental authority, any writ, judgment, decree, injunction or similar order, directive or other requirement of any governmental authority (in each such case whether preliminary or final), and contractual obligations concerning pollution or protection of the environment, sanitation, public and worker health and safety, including Laws relating to wetlands, emissions, discharges, releases, or threatened releases of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes into ambient air, surface water, groundwater, or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes including,

without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, the Comprehensive Environmental Response, Compensation and Liability Information System, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, and similar federal, state, provincial, municipal or local Laws, in all cases as have been or may be amended from time to time.

8. **CLOSING.** The consummation of the transaction contemplated hereunder ("**Closing**") shall take place, by means of a customary deed and money escrow (the "**Closing Escrow**") established with Escrowee as escrow agent, on August 8, 2018, or on such earlier date as the parties may mutually agree. As used herein, the term "**Closing Date**" shall mean the day of the Closing. The Closing shall be a so-called "New York style" closing where any Title Policies which Purchaser has arranged to be provided to Purchaser at Closing are provided to Purchaser at Closing even though the Deed has not yet been recorded (which Title Policies may be provided in the form of a customary, so called "mark-up" of a title insurance commitment or proforma owner's title policy). Seller shall provide any so-called "gap" undertaking (in a form reasonably acceptable to Seller) which may be required by Escrowee in order for such "New York style" closing to occur.

Notwithstanding anything to the contrary contained in this Section 8 or elsewhere in this Agreement:

(A) In the event that Seller's accountants do not approve the Lease language relating to the Greenville Property as described in **Section 7.3(D)** of this Agreement, then (i) the Closing of the Greenville Property shall occur three (3) business days following receipt of a revised Phase I Environmental Site Assessment report that confirms the absence of a Material Defect as to the Greenville Property, or (ii) in the event that the Phase I Environmental Site Assessment report for the Greenville Property recommends a subsurface investigation and Seller consents to the same, the Closing of the Greenville Property shall occur three (3) business days following receipt of a Phase II Environmental Site Assessment report that confirms the absence of a Material Defect as to the Greenville Property (the conditions described in subsections [i] and [ii] above are collectively referred to as, the "**Greenville Condition**"). Until such time that the Closing occurs for the Greenville Property, a portion of the Earnest Money Deposit equal to five percent (5.0%) of the Purchase Price allocated to said Greenville Property in **Schedule I** of the Schedules shall be retained by Escrowee; and

(B) The Closing as to the Property located in Arcadia, Florida (the "**Arcadia Property**") shall occur three (3) business days following resolution of the erroneous legal description of the Arcadia Property, which resolution shall be deemed to have occurred if Escrowee is willing to issue a Title Policy with the correct legal description for the Arcadia Property without conditions or exceptions relating to the accuracy of such legal description (the "**Arcadia Condition**") and, until such Closing, a portion of the Earnest Money Deposit equal to five percent (5.0%) of the Purchase Price allocated to the Arcadia Property in **Schedule I** of the Schedules shall be retained by Escrowee.

Notwithstanding the foregoing, (a) if the Greenville Condition is not satisfied by September 14, 2018, this Agreement shall be terminated as to said Greenville Property, the portion of the Earnest Money Deposit allocable to said Greenville Property held by Escrowee shall be promptly refunded to Purchaser and the parties shall have no further rights or obligations under this Agreement as to said Greenville Property, except for such matters as are expressly stated in this Agreement to survive such a termination, and (b) if the Arcadia Condition is not satisfied by September 14, 2018, this Agreement shall be terminated as to said Arcadia Property, the portion of the Earnest Money Deposit allocable to said Arcadia Property held by Escrowee shall be promptly refunded to Purchaser, and the parties shall have no further rights or obligations under this Agreement as to said Arcadia Property, except for such matters as are expressly stated in this Agreement to survive such a termination.

9. SELLER'S AND PURCHASER'S REPRESENTATIONS AND WARRANTIES.

9.1 Brinker Propco represents and warrants only with respect to the Non-Florida Properties and Brinker Propco Florida represents and warrants only with respect to the Florida Properties, as the case may be, as follows::

A. To Seller's actual knowledge, no approval, order, authorization or consent of any governmental authority or any other person or entity, which has not been obtained, is required for or will arise out of any of the items set forth below:

(1) the execution, delivery and performance of this Agreement and any other agreements, obligations or instruments referred to in or contemplated by this Agreement; or

(2) the deeding, conveyancing, assignment or other transfer to Purchaser, in accordance with this Agreement, of the Properties.

B. Brinker Propco and Brinker Propco Florida are each a corporation validly existing and in good standing under the laws of the State of Delaware.

C. Except as set forth on **Schedule 9.1(C)** in the Schedules, there is no litigation, proceeding or investigation pending or, to Seller's actual knowledge, threatened against Seller or affecting any individual Property or Properties which could reasonably be expected to prevent, enjoin, alter or delay the consummation of the transactions contemplated by this Agreement and the Lease.

D. Except as set forth on **Schedule 9.1(D)** in the Schedules, to Seller's actual knowledge, Seller has not received written notice that any proceeding is pending or threatened for the total or partial condemnation of the Property.

E. Except as set forth on **Schedule 9.1(E)** in the Schedules, to Seller's actual knowledge, Seller has not received written notice from any governmental authority of any material violation by Seller of any Environmental Laws with respect to the Properties, which violations remain uncured as of the Effective Date.

F. Except as set forth on **Schedule 9.1(F)** in the Schedules, to Seller's actual knowledge, Seller has not received written notice from any governmental authority of any material violation of any municipal, county, State or Federal statutes, codes, ordinances, laws, rules or regulations applicable to the Properties, which violations remain uncured as of the Effective Date.

G. To Seller's actual knowledge, Seller has not taken any action to change the present use or zoning of or other entitlements or land-use permissions or restrictions upon any Property.

H. Seller has no knowledge that any of Purchaser's representations and warranties are untrue in any material respect.

I. Except as may be set forth in the recorded title encumbrances and agreements disclosed by each applicable Title Commitment (the "**Title Documents**") and the Operating Leases, to Seller's actual knowledge, Seller has not entered into any contracts, leases, licenses or other written agreements with respect to the applicable Property, which would be binding on Purchaser after Closing, except for the contracts, leases, licenses or other written agreements set forth on **Schedule 9.1(I)** in the Schedules.

J. Except as may be set forth in the Title Documents, to Seller's actual knowledge, Seller has not entered into and there is not existing any other agreement, written or oral, under which Seller is or could become obligated to sell any Property or any portion thereof to a third party. In the event of a conflict between the terms of this **Section 9.1(J)** and the terms set forth in that certain Exclusivity Agreement dated as of June 28, 2018 between the parties (the "**Exclusivity Agreement**"), the terms of this **Section 9.1(J)** shall control.

K. Seller represents and warrants that (a) Seller is not knowingly acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, or nation pursuant to any law that is enforced or administered by the Office of Foreign Assets Control, or engaging in, instigating or facilitating this transaction for or on behalf of any such person, group, entity or nation; (b) Seller is not engaging in this transaction, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering; and (c) none of the funds of such party to be utilized in this transaction have been or will be derived from any unlawful activity with the result that such party or any Property is subject to seizure, forfeiture or other such remedy or that this Agreement or the transactions hereunder are or will be in violation of law.

L. While no representation is being made as to the accuracy of the financial information set forth in the 4-wall EBITDAR information provided to Purchaser, Seller represents that the 4-wall EBITDAR and property-level sales information was (a) based on the same sources that Seller uses for its own internal purposes and (b) prepared in good faith in Seller's ordinary course of business.

M. Seller represents that all maintenance charges or other assessments under any covenants, conditions, or restrictions of record applicable to Seller or its affiliates' period of ownership of any Property have been or will be duly paid by Seller in the ordinary course of business.

9.2 All of the covenants, agreements, representations and warranties of Seller contained in this Agreement shall be deemed

remade in all material respects on and as of Closing. Seller's representations and warranties made in **Section 9.1(A) through (L)** (individually, a "***Seller Warranty***" and collectively, "***Seller's Warranties***") shall survive the Closing and not be merged therein for a period of ninety (90) days and Seller shall only be liable to Purchaser hereunder for a breach of a Seller's Warranty with respect to which a claim is made by Purchaser in writing against Seller on or before the date which is ninety (90) days after the Closing Date. Anything in this Agreement to the contrary notwithstanding, the maximum aggregate liability of Brinker Propco and Brinker Propco Florida collectively for breaches of Seller's Warranties shall be limited to One Million Five Hundred Seventy Four Thousand Six Hundred Thirty One and 97/100 Dollars (\$1,574,631.97) (the "***Cap Amount***"). Notwithstanding the foregoing, however, if the Closing occurs, Purchaser hereby expressly waives, relinquishes and releases any right or remedy available to it at law, in equity, under this Agreement or otherwise to make a claim against Seller for damages that Purchaser may incur, or to rescind this Agreement and the transaction, as the result of any of Seller's Warranties being untrue, inaccurate or incorrect if Purchaser's damages as a result of such representations or warranties being untrue, inaccurate or incorrect are reasonably estimated to aggregate less than (i) Fifty Thousand and No/100 Dollars (\$50,000.00) for any one Property, or (ii) One Hundred Thousand and No/100 Dollars (\$100,000.00) in the aggregate for all Properties (the "***Basket Amount***"); provided, however, that if such aggregate amount is equal to or greater than the Basket Amount, Purchaser may recover the full amount of such damages (up to the Cap Amount) without any deduction of the Basket Amount therefrom. Without limitation, the provisions of this **Section 9.2** are subject to and limited by the provisions of **Section 21.11**. For the avoidance of doubt, Seller's indemnification obligations under this Agreement shall not include any claims, liabilities or obligations arising from matters disclosed in the Due Diligence Materials, including, but not limited to, any environmental matters disclosed by the Phase I Reports. Any amounts paid to Purchaser as a result of Seller's breach of the Seller's Warranties or its indemnification obligations hereunder shall be treated by all parties, to the extent such payment can be properly so characterized under applicable tax law, as an adjustment to the Purchase Price. Notwithstanding anything to the contrary in this Agreement, Seller shall have no liability, and Purchaser shall make no claim against Seller, for a breach of any Seller's Warranty under this Agreement if (a) the failure or breach in question constitutes or results from a condition, state of facts or other matter that was disclosed in any of the documents or instruments made available in the Data Room (hereinafter defined) on or prior to 3:00 p.m. CST on the Effective Date, except to the extent such misrepresentation was knowingly or intentionally made by Seller (provided, however, that Seller is not deemed to have knowledge of the Due Diligence Materials posted in the Data Room), or (b) the failure or breach in question constitutes or results from a condition, state of facts or other matter that was actually known to Purchaser prior to Closing and Purchaser proceeds with the Closing. As used herein the term "***Data Room***" means that certain virtual data-room provided by Named Broker (hereinafter defined) on behalf of Seller and accessible via URL:

<https://esi.eastdilsecured.com/index.html#/warrooms/warroomOverview?id=5659b7d8-0a3a-4a6b-9d5d-55a067676d20>.

Seller's representations and warranties made in **Section 9.1(M)** (i) are not included within the definition of Seller's Warranties, and (ii) shall survive the Closing and not be merged therein for a period of three hundred and sixty-five (365) days after the Closing Date. The condition precedent set forth in **Section 6.1(A)** shall be deemed satisfied with respect to **Section 9.1(M)** unless the amount of unpaid charges and assessments described in **Section 9.1(M)** exceeds (i) Fifty Thousand and No/100 Dollars (\$50,000.00) for any one Property, or (ii) One Hundred Thousand and No/100 Dollars (\$100,000.00) in the aggregate for all Properties. Notwithstanding the foregoing, however, if the Closing occurs, Purchaser hereby expressly waives, relinquishes and releases any right to rescind this Agreement and the transaction, as the result of any representations and warranties made in **Section 9.1(M)** being untrue, inaccurate or incorrect.

9.3 For purposes of this Agreement, references to "Seller's knowledge", "Seller's actual knowledge", "the knowledge of Seller" the "actual knowledge of Seller", "actually known to Seller" or words of similar import shall be deemed to refer solely to the actual knowledge of Daniel Fuller (Vice President and General Counsel of Brinker International, Inc.), Jennifer Hicks, Senior Property Manager of Brinker International, Inc., and Janet EL Busch, Senior Property Manager of Brinker International, Inc. on behalf of Seller and shall not include any obligation of further inquiry or investigation, nor any knowledge which could or should have been obtained, or matter which might be deemed to be known to such person, by virtue of constructive notice, inquiry notice, or any other form of notice or duty of investigation.

9.4 Purchaser represents and warrants as follows:

A. Purchaser is a limited liability company, validly existing and in good standing under the laws of the State of Delaware. At Closing Purchaser will have all power and authority to own and operate the Properties.

B. Purchaser now has, and at Closing Purchaser will have, the requisite power and authority to enter into and perform the terms of this Agreement. The execution and delivery of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by all necessary parties and no other proceedings on the part of Purchaser

are or at Closing will be necessary in order to permit it to consummate the transaction contemplated hereby. This Agreement has been duly executed and delivered by Purchaser and (assuming valid execution and delivery by Seller) is a legal, valid and binding obligation of Purchaser enforceable against it in accordance with its terms.

C. There is no litigation, proceeding or investigation pending or, to Purchaser's actual knowledge, threatened against Purchaser which could reasonably be expected to prevent, enjoin, alter or delay the consummation of the transactions contemplated by this Agreement.

D. Purchaser has currently available to it, and will have at and after the Closing, funds available to it sufficient to consummate its purchase of the Property and the transactions contemplated by this Agreement.

E. Purchaser has no knowledge that any of Seller's representations and warranties are untrue in any material respect.

F. Purchaser represents and warrants that (a) Purchaser is not knowingly acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, or nation pursuant to any law that is enforced or administered by the Office of Foreign Assets Control, or engaging in, instigating or facilitating this transaction for or on behalf of any such person, group, entity or nation; (b) Purchaser is not engaging in this transaction, directly or indirectly, in violation of any laws relating to drug trafficking, money laundering or predicate crimes to money laundering; and (c) none of the funds of such party to be utilized in this transaction have been or will be derived from any unlawful activity with the result that such party or any Property is subject to seizure, forfeiture or other such remedy or that this Agreement or the transactions hereunder are or will be in violation of law

9.5 All of the covenants, agreements, representations and warranties of Purchaser contained in this Agreement shall be deemed remade in all material respects on and as of Closing.

9.6 For purposes of this Agreement, references to "Purchaser's knowledge", "Purchaser's actual knowledge", "the knowledge of Purchaser" the "actual knowledge of Purchaser", or "actually known to Purchaser" or words of similar import shall be deemed to refer solely to the actual knowledge of James L. Brat, General Counsel of Four Corners Property Trust, Inc., on behalf of Purchaser and shall not include any obligation of further inquiry or investigation, nor any knowledge which could or should have been obtained, or matter which might be deemed to be known to such person, by virtue of constructive notice, inquiry notice, or any other form of notice or duty of investigation.

[Section 9.7 on next page]

9.7 EXCEPT FOR THOSE WARRANTIES AND REPRESENTATIONS SPECIFICALLY MADE BY SELLER IN THIS AGREEMENT OR IN THE DOCUMENTS DELIVERED BY SELLER AT CLOSING PURSUANT TO SECTION 11.1 HEREOF (COLLECTIVELY, THE "**SELLER WARRANTIES**"), AS A MATERIAL PART OF THE CONSIDERATION FOR THIS AGREEMENT, PURCHASER AGREES TO ACCEPT THE ASSETS ON AN "AS IS" AND "WHERE IS" BASIS, WITH ALL FAULTS, WHETHER KNOWN OR UNKNOWN, AS OF THE CLOSING DATE, AND NO WARRANTY OR REPRESENTATION OF ANY TYPE IS MADE BY SELLER WITH RESPECT TO THE ASSETS INCLUDING, WITHOUT LIMITATION, AS TO ANY OF THE FOLLOWING: (I) FITNESS FOR ANY PARTICULAR PURPOSE, (II) MERCHANTABILITY, (III) CONDITION, (IV) ABSENCE OF DEFECTS OR FAULTS, (V) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (VI) FLOODING, OR (VII) COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT, AS THEY MAY APPLY TO THE CURRENT CONDITION OF THE ASSETS OR PURCHASER'S INTENDED DEVELOPMENT, CONSTRUCTION OR USE, OR FOR ANY OTHER PURPOSE. PURCHASER ACKNOWLEDGES THAT PURCHASER HAS ENTERED INTO THIS AGREEMENT WITH THE INTENTION OF MAKING AND RELYING UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC USE, COMPLIANCE, AND LEGAL CONDITION OF THE ASSETS AND THAT PURCHASER IS NOT NOW RELYING, AND WILL NOT LATER RELY, UPON ANY REPRESENTATIONS AND WARRANTIES MADE BY SELLER, EXCEPT THE SELLER WARRANTIES, OR ANYONE ACTING, OR CLAIMING TO ACT, BY, THROUGH OR UNDER SELLER OR ON SELLER'S BEHALF CONCERNING THE ASSETS. THE PROVISIONS OF THIS SECTION SHALL SURVIVE INDEFINITELY ANY CLOSING OR TERMINATION OF THIS AGREEMENT AND

SHALL NOT BE MERGED INTO ANY DOCUMENTS, EXECUTED OR DELIVERED AT CLOSING.

Seller's Initials: /s/ DF

Purchaser's Initials: /s/ GM

[Section 10 on next page]

10. SELLER'S COVENANTS AND AGREEMENTS. Seller covenants and agrees with Purchaser that from the date hereof and until the Closing:

10.1 Seller shall promptly deliver to Purchaser copies of all notices of material violations of laws, ordinances, orders, regulations or requirements relating to the Properties which are actually received by Seller from the date hereof through the Closing Date; provided, however, that Seller shall promptly deliver to Purchaser copies of all material notices of violations of laws, ordinances, orders, regulations or requirements relating to the Properties and related to Environmental Laws or Hazardous Materials, which are actually received by Seller from the date hereof through the Closing Date and which are actually known to Seller.

10.2 Seller shall use commercially reasonable and diligent efforts to keep Purchaser timely and fully informed of any events which could reasonably be expected to cause any of Seller's representations and warranties contained in this Agreement to be no longer accurate.

10.3 Seller hereby covenants not to offer for sale or solicit offers to purchase any Property unless this Agreement has been terminated in writing with respect to such Property. In the event of a conflict between the terms of this **Section 10.3** and the terms set forth in the Exclusivity Agreement, the terms of this **Section 10.3** shall control.

10.4 Seller hereby covenants that it shall pay all income, transfer, transaction privilege, excise, sales, use or similar taxes imposed upon Seller or its predecessor-in-title relating to or as a result of the development, sale or rental of the Properties prior to the Closing Date. Seller will indemnify, defend and hold harmless Purchaser and Purchaser's affiliates, members, officers, directors, shareholders, partners, agents, employees and advisors from any and all demands, claims, legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs or expenses whatsoever (including without limitation reasonable attorneys' fees and costs) relating to a breach of such tax payment obligations. The foregoing indemnity shall survive Closing and shall not be merged into any documents executed or delivered at Closing.

11. CLOSING; CLOSING DOCUMENTS.

11.1 At least one (1) business day prior to Closing (except as otherwise expressly provided below), Seller shall deliver to Purchaser (by means of deposit into the Closing Escrow) the following:

A. A Deed, with respect to each Property, duly executed and acknowledged by or on behalf of Seller, in the form required by **Article 3**.

B. A counterpart of each Lease, with respect to each Property, duly executed and acknowledged by or on behalf of Seller in the form required by **Article 1**.

C. A separate Guaranty of Lease Agreement for each Lease, duly executed by the Guarantor referenced in each Lease, in the form provided for in each Lease (collectively, the "**Guaranties**").

D. Seller's duly executed closing statement in accordance herewith.

E. A certificate that each Seller is not a "foreign person" for the purposes of Section 1445 of the Internal Revenue Code of 1986, as amended, in the form reasonably approved by Seller and Escrowee.

F. Any applicable state or local withholding exemption certificates as reasonably requested by Purchaser in writing at least five (5) business days prior to Closing (including, without limitation, California Form 593-C) evidencing a complete exemption from any state or local withholding requirement.

G. All applicable state, county and municipal transfer declarations and Transfer Tax forms, and any other required governmental certificates, duly executed by the applicable Seller.

H. A counterpart of that certain Memorandum of Lease in the form attached to each applicable Lease (the "**Memo of Lease**"), with respect to each Property, duly executed and acknowledged by or on behalf of the Seller.

I. Owner's affidavits reasonably acceptable to Escrowee to facilitate the issuance of Title Policies to Purchaser, duly executed by the applicable Seller.

J. All other documents required to be delivered by Seller pursuant to the terms of this Agreement or any Lease if not previously delivered, and such other instruments or documents as may be reasonably necessary or advisable in Purchaser's or Escrowee's judgment to effect and evidence the transactions contemplated herein.

11.2 At least one (1) business day prior to Closing (except as expressly provided below), Purchaser shall deliver to Seller (by means of deposit into the Closing Escrow) the following:

A. The Closing Payment (which the parties agree may be delivered at any time prior to Closing).

B. A counterpart of each Lease, with respect to each Property, duly executed and acknowledged by or on behalf of Purchaser in the form required by **Article 1**.

C. Purchaser's duly executed closing statement in accordance herewith.

D. All applicable state, county and municipal transfer declarations, Transfer Tax forms, and any other required governmental certificates, duly executed by Purchaser.

E. A counterpart of each Memo of Lease, duly executed and acknowledged by or on behalf of the Purchaser.

F. All other documents required to be delivered by Purchaser pursuant to the terms of this Agreement if not previously delivered, and such other instruments or documents as may be reasonably necessary or advisable in Seller's or Escrowee's judgment to effect and evidence the transactions contemplated herein.

12. CLOSING COSTS.

12.1 The costs and expenses relating to the transactions and transfers contemplated by this Agreement shall be split by the parties as follows: (A) Seller shall pay the cost of (i) the base premium for the Title Policies and the cost of any curative endorsement obtained by Seller to cure any Unpermitted Exception, but only to the extent that Seller affirmatively agrees to cure the Unpermitted Exception (i.e., through a special endorsement negotiated by Seller and Escrowee) in Seller's Title Response (the "**Curative Endorsements**"), (ii) 50% of the escrow fees and related charges imposed by Escrowee, (iii) the recording fees in connection with the Memos of Lease; and (iv) the cost of the Due Diligence Materials ordered by the Seller, and (B) Purchaser shall pay the cost of (w) the recording fees in connection with the Deeds, (x) 50% of the escrow fees and related charges imposed by Escrowee, (y) any endorsements to the Title Policies (except the Curative Endorsements), including the cost of extended coverage, and (z) any costs, expenses or charges in connection with any loan or financing obtained by Purchaser, including, without limitation, the cost of any lender's policy or policies of title insurance issued to any lender to Purchaser. Each party shall be responsible to pay the fees and expenses of their legal counsel.

12.2 All transfer, documentary, sales, use, stamp, registration and other such federal, state and local taxes and fees (including any penalties, interest, additions to tax and costs and expenses relating to such taxes, but excluding any transfer gains taxes), whether for real or personal property, incurred in connection with the consummation and performance of the transactions contemplated hereby (collectively, the "**Transfer Taxes**") shall be split 50/50 by Seller, on one hand, and Purchaser, on the other. Purchaser shall timely prepare and file all tax returns and other filings with respect thereto, unless otherwise required by law or agreed to by the parties. Purchaser and Seller will cooperate with each other in the preparation of any such tax returns or other filings.

12.3 No proration shall be made of real estate taxes, utility charges and maintenance expenses with respect to the Properties (the parties acknowledging that Seller shall be responsible for all such charges, taxes and expenses under each respective Lease).

12.4 This **Article 12** shall survive the Closing.

13. CASUALTY; CONDEMNATION.

13.1 Casualty.

(a) If, prior to the Closing, the Improvements on any of the Properties are destroyed or damaged by fire, other casualty or any act or occurrence (“**Casualty**”), Seller shall notify Purchaser thereof promptly after Seller becomes aware thereof.

(b) In the event of any Casualty at any of the Properties, then this Agreement shall continue in force and effect provided, however, that should the Casualty not have been repaired prior to Closing then any proceeds of insurance with respect to such Casualty actually received by Seller shall be handled pursuant to the terms of the Lease applicable to such Property and Seller shall complete (or cause the completion of) such repairs pursuant to the applicable Lease.

(c) Purchaser and Seller hereby irrevocably waive the provision of any statute that provides for a different outcome or treatment in the event the Property shall be taken or damaged or destroyed by fire of other casualty, including, without limitation, the provisions of Texas Property Code §5.007.

13.2 Condemnation.

(a) In the event that any condemnation proceedings are commenced or threatened in writing against any of the Properties (“**Condemnation**”), Seller shall notify Purchaser thereof promptly after Seller becomes aware thereof. Should such Condemnation be commenced against all or a material portion of the Property (a “**Material Condemnation**”), then Purchaser shall have the right to exclude such Property(ies) (each, a “**Material Condemnation Excluded Property**”) prior to the Closing Date by delivering a written notice (“**Notice of Material Condemnation Exclusion**”) to Seller of Purchaser’s election to exclude a Material Condemnation Excluded Property. In the event Purchaser timely delivers a Notice of Material Condemnation Exclusion pursuant to the immediately preceding sentence, then the Purchase Price shall be adjusted to account for the exclusion of such Material Condemnation Excluded Property by deducting the amount of the Purchase Price allocated to such Properties on **Schedule I** in the Schedules and neither party shall have any further rights or obligations hereunder with respect to such Material Condemnation Excluded Property, except for the obligations expressly deemed, pursuant to the terms and provisions of this Agreement, to survive the termination of this Agreement. As used herein, a Material Condemnation shall be any condemnation which (i) would result in the tenant under the applicable Lease having a right of termination thereunder and such tenant does not waive such right of termination in writing prior to the date that is five (5) days from the date that Purchaser receives notice of such condemnation, or (ii) results in required repairs or renovations to the affected Property, the cost of which is reasonably estimated to exceed Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00).

(b) Should either (i) the Condemnation not be a Material Condemnation (in which case Purchaser shall not have the right to terminate this Agreement on account of such Condemnation) or (ii) the Condemnation be a Material Condemnation but Purchaser shall not have elected to terminate this Agreement as provided for in **Section 13.2(a)**, then this Agreement shall continue in force and effect provided, however, that should any damage to the Property caused by such Condemnation not have been repaired prior to Closing then any condemnation awards with respect to such Condemnation actually received by Seller shall be handled pursuant to the terms of the applicable Lease and Seller shall complete (or cause the completion of) such repairs pursuant to the applicable Lease.

14. BROKER. Other than any commission payable by Seller to Eastdil Secured (“**Named Broker**”) pursuant to a separate agreement between Seller and Named Broker, Seller and Purchaser each represent and warrant to the other, that they know of no brokers or other persons or entities who have been instrumental in submitting or showing the Properties to, or procuring Purchaser, or entitled to any commission in connection therewith (herein referred to as “**Broker**”). If any claim for a broker’s commission, finder’s fee or other like payment in connection with the submission of the Properties or the negotiation, execution or consummation of the transaction herein provided (a “**Broker’s Claim**”) other than by Named Broker is asserted against Seller or its affiliates, members, officers, directors, shareholders, partners, agents, employees or advisors, Purchaser shall indemnify, defend and hold harmless Seller and its affiliates, members, officers, directors, shareholders, partners, agents, employees and advisors from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys’ fees, which Seller or its affiliates, members, officers, directors, shareholders, partners, agents, employees or advisors may incur or sustain by reason of such Broker’s Claim if the Broker’s Claim is based upon any statement, representation or agreement shown to have been made or entered into by Purchaser or its agents or representatives. If any such Broker’s Claim is asserted against Purchaser or Purchaser’s affiliates, members, officers, directors, shareholders, partners, agents, employees or advisors, Seller shall indemnify, defend and hold

harmless Purchaser and Purchaser's affiliates, members, officers, directors, shareholders, partners, agents, employees and advisors from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which Purchaser or Purchaser's affiliates, members, officers, directors, shareholders, partners, agents, employees or advisors may incur or sustain by reason of such Broker's Claim if the Broker's Claim is based upon any statement, representation or agreement shown to have been made or entered into by Seller or its agents or representatives. The terms of this **Article 14** shall survive the termination of this Agreement and shall also survive Closing and shall not be deemed to merge into the Deed.

15. NOTICE. All notices to be given hereunder shall be hand delivered, or sent by registered or certified mail, return receipt requested, with postage prepaid, or sent by Federal Express or other comparable nationwide overnight air courier service to the parties at the following addresses or electronic mail addresses (or to such other or further addresses or electronic mail addresses as the parties may hereafter designate by like notice similarly sent):

A. If intended for Brinker Propco or Brinker Propco Florida, to:

Brinker Property Corporation and Brinker Propco Florida, Inc.
c/o Brinker International
6820 LBJ Freeway
Dallas, Texas 75240
Attention: General Counsel

with a copy to:

Perkins Coie LLP
131 S. Dearborn Street, Suite 1700
Chicago, Illinois 60603
Attention: Jaclyn A. McNally

B. If intended for Purchaser, to:

FCPT ACQUISITIONS, LLC
C/O FOUR CORNERS PROPERTY TRUST
591 REDWOOD HIGHWAY, SUITE 1150
MILL VALLEY, CA 94941
ATTN: JAMES BRAT, ESQ.
TEL.: (415) 965-8033
FAX: (415) 877-9963
E-MAIL: JIM@FOURCORNERSPROPERTYTRUST.COM

with a copy to:

BUCHALTER, P.C.
16435 N. SCOTTSDALE ROAD, SUITE 440
SCOTTSDALE, AZ 85254-1754
ATTN: KEVIN T. LYTLER, ESQ.
TEL: (480) 383-1809
FAX: (480) 824-9400
EMAIL: KLYTLER@BUCHALTER.COM

Any notice given hereunder shall be deemed given on the date and at the time of delivery (or the first business day thereafter if delivered on Saturday, Sunday or legal holiday) to any of said addresses. The inability to deliver notice because of changed address or electronic mail address of which no notice was given hereunder, rejection or any refusal to accept any notice shall be deemed to be the receipt of the notice as of the date of such inability to deliver, rejection or refusal to accept. Any party's above-named attorney may give an effective and binding notice in accordance with this **Section 15** on behalf of such party. Further, each notice shall be effective and binding even though the above-described copy of such notice is not received by the above-described parties

to whom only a copy of such notice is to be transmitted.

16. POSSESSION. On the Closing Date, Seller shall deliver possession of the Properties to Purchaser subject to (i) the rights of any persons or entities under the Permitted Exceptions and (ii) the Leases. All risk of loss or damage with respect to the Properties shall, subject to the terms of each applicable Lease, pass from Seller to Purchaser at the Closing.

17. TIME OF THE ESSENCE. Time, wherever specified herein for the performance by Seller or Purchaser of any of their respective obligations hereunder, is hereby declared to be of the essence of this Agreement.

18. CAPTIONS OR HEADINGS. The captions or headings of the Sections of this Agreement are for convenience only, and shall not control or affect the meaning or construction of any of the terms or provisions of this Agreement.

19. CONFIDENTIALITY; PUBLICITY. The parties acknowledge and agree that all information received by Purchaser or Seller pursuant to this Agreement shall, except to the extent otherwise provided herein, be governed by the terms and provisions of that certain Principal Confidentiality Agreement dated May 9, 2018 prepared by Named Broker and executed by Purchaser (the "**Confidentiality Agreement**"). The Parties ratify, approve and agree to be bound by all of the terms and provisions of the Confidentiality Agreement, provided, however, that notwithstanding the terms of the Confidentiality Agreement, Purchaser may disclose information to its agents and to potential third party buyers of any of the Properties and their lenders, as described in, and subject to the limitations set forth in, **Section 7.4**. All publicity relating to this Agreement and the sale of the Properties hereunder shall be released subject to the terms of the confidentiality provisions of this Agreement and the Confidentiality Agreement and only after prior consultation with the other party. The parties agree not to disclose publicly (except as required by law, including any applicable securities law or other legal disclosure obligations of such party or any consolidated group of which it is a part, or as may be required by debt instruments and/or financing or credit agreements by which the parties are bound) any financial information in connection with the sale of the Properties hereunder. The parties agree that (i) either party may disclose this Agreement and the terms and conditions to the extent required by law, including any applicable securities law or other legal disclosure obligations of such party or any consolidated group of which it is a part, or as may be required by debt instruments and/or financing or credit agreements by which the parties are bound, and (ii) to the extent that both Seller and Purchaser are required to disclose this Agreement as required by law, Seller and Purchaser shall mutually agree on the timeframe for such disclosure; provided, however, that such disclosure must occur no later than four (4) Business Days after the Effective Date. Notwithstanding anything to the contrary contained in this Agreement and/or the Confidentiality Agreement (including any provision of the Confidentiality Agreement providing that the same shall terminate upon the parties execution of a purchase and sale agreement or similar agreement regarding the acquisition of the Assets), the provisions of this **Article 19** and of the Confidentiality Agreement shall survive termination of this Agreement, but not the Closing (except that the Confidentiality Agreement shall survive with respect to any Properties that are not acquired by Purchaser hereunder).

20. RADON GAS. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantity, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in some of the states where the Properties are located. Additional information regarding radon and radon testing may be obtained from county public health units.

21. MISCELLANEOUS.

21.1 This Agreement, and the Exhibits and the Schedules attached hereto embody the entire agreement between the parties in connection with this transaction and there are no oral or parol agreements, representations or inducements existing between the parties relating to this transaction which are not expressly set forth herein and covered hereby; this Agreement may not be modified except by a written agreement signed by all of the parties.

21.2 This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors, and permitted assigns. Purchaser shall not assign or transfer all or any part of its interest hereunder without the express written consent of Seller (which consent may be withheld in Seller's sole and absolute discretion); except that, notwithstanding the foregoing, Purchaser may, without the consent of Seller, assign all of its rights and obligations under this Agreement to an entity or entities as to which over 90% of the equity ownership interest in which, and over 90% of the voting control of which, are owned and controlled by Purchaser or under common ownership and control with Purchaser, provided that (i) upon the occurrence of such assignment, Purchaser and such assignee(s) shall be and remain jointly and severally liable for the obligations and liabilities of Purchaser under this Agreement; provided, however, that if Closing occurs the assignor (but not the assignee) shall thereupon be relieved of all the assignor's obligations arising under this Agreement before, on and after Closing, and (ii) Purchaser shall have delivered to Seller, on or before the date which is five (5) days prior to the Closing Date, a written

instrument effectuating such assignment and providing for both the assumption by the assignee of all of the obligations and liabilities of Purchaser under this Agreement and such joint and several liability of Purchaser and the assignee.

21.3 No written waiver by any party at any time of any breach of any provision of this Agreement shall be deemed a waiver of any breach of any other provision herein or a consent to any subsequent breach of the same or any other provision. If any action by any party shall require the consent or approval of another party, such consent or approval of such action on any occasion shall not be deemed a consent to or approval of such action on any subsequent occasion or a consent to or approval of any other action on the same or any subsequent occasion.

21.4 This Agreement shall be governed by and interpreted in accordance with the laws of Texas, without reference to the conflicts of laws principles of such State.

21.5 This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties, it being recognized that both Purchaser and Seller has contributed substantially and materially to the preparation of this Agreement.

21.6 This Agreement may be executed in any number of counterparts which together shall constitute the Agreement. Executed signature pages of this Agreement transmitted via facsimile or electronic mail shall be valid and binding as original signatures and shall be considered an agreement of the respective parties to fully execute and deliver originally signed copies of this Agreement.

21.7 Should the date provided for under this Agreement for the giving of any notice or the performance of any obligation be a Saturday, Sunday or legal holiday for national banks in the location where any Property is located then the giving of such notice or the performance of such obligation, as applicable, shall be excused until the next day which is neither a Saturday, Sunday, or legal holiday.

21.8 In the event of any dispute or litigation arising out of this Agreement (including any post-judgment collection proceedings), the prevailing party (as determined by the court having jurisdiction) shall be entitled to recover its fees and costs (including reasonable attorneys' fees and costs) from the non-prevailing party.

21.9 If requested by Seller or Purchaser (the "**Requesting Party**"), the other party (the "**Non Requesting Party**") shall cooperate with the Requesting Party in effecting a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code (a "**1031 Exchange**") and execute any documents customarily required in connection therewith, provided that: (i) the Non Requesting Party shall incur no liability whatsoever, (ii) the Requesting Party pays all costs and expenses incident thereto and (iii) the effectuation of the 1031 Exchange does not delay, in any way, the Closing in accordance herewith nor shall the consummation or accomplishment of the 1031 Exchange be a condition precedent or a condition subsequent to the Non Requesting Party's obligations under this Agreement, (iv) the Requesting Party shall indemnify the Non Requesting Party with respect to any liability in connection with the 1031 Exchange, (v) in no event shall the 1031 Exchange release any party from its obligation to perform its obligations under this Agreement and (vi) any documents to be executed by the Non Requesting Party must be reasonably acceptable to the Non Requesting Party in the exercise of its sole and absolute discretion. The Non Requesting Party shall not by this Agreement or by acquiescence to the 1031 Exchange (1) have its rights under this Agreement affected or diminished in any manner or (2) be responsible for compliance with or be deemed to have warranted to the Requesting Party that the 1031 Exchange complies with Section 1031 of the Internal Revenue Code.

21.10 Each of the parties hereto shall execute and deliver any and all additional papers, documents, and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of this Agreement.

21.11 In no event shall any obligations, remedies, restrictions or limitations applicable to Seller or Purchaser under this Agreement (including without limitation any limitations of liability or damages regarding any default by Seller hereunder) limit any obligations of Seller or Purchaser under any of the other transaction documents, including without limitation the Leases and Guaranties.

21.12 The Texas Real Estate License Act requires written notice to Purchaser that it should have an attorney examine an abstract of title to the property being purchased or obtain a title insurance policy. Notice to that effect is, therefore, hereby given to Purchaser.

21.13 Additional Action for Baton Rouge Property. The parties acknowledge that EMG recommended in connection to its work conducting a Phase I Environmental Site Assessment for the Property referenced as “Baton Rouge-Chili’s” on Schedule I in the Schedules that, if not planned for future use, two apparent groundwater monitoring wells at such Property should be properly abandoned according to all applicable regulations. Brinker Propco hereby covenants to commence the process of closure of such wells within two (2) years after the Closing Date and shall use commercially reasonable efforts to complete such closure in a timely manner thereafter; provided, however, if Brinker Propco or Purchaser is given notice by a duly authorized governmental agency to complete such closure in a shorter period of time, then Brinker Propco shall use commercially reasonable efforts to complete such closure within such shorter period of time.

21.14 This **Article 21** shall survive termination of this Agreement and Closing.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above set forth.

SELLER:

BRINKER PROPERTY CORPORATION, a Delaware corporation

By: /s/ Daniel S. Fuller
Name: Daniel S. Fuller
Its: Vice President

BRINKER PROPCO FLORIDA, INC.,
a Delaware corporation

By: /s/ Daniel S. Fuller
Name: Daniel S. Fuller
Its: Vice President

PURCHASER:

FCPT ACQUISITIONS, LLC, a Delaware limited liability company

By: /s/ Gerald Morgan
Name: Gerald Morgan
Its: President

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Section 3: EX-10.2 (EXHIBIT 10.2 AMENDMENT TO BRINKER PURCHASE SALE AGREEMENT)

FIRST AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE

THIS FIRST AMENDMENT TO AGREEMENT FOR PURCHASE AND SALE OF REAL ESTATE (this “*Amendment*”) is made as of the 14th day of September, 2018 (the “*Amendment Date*”) between FCPT ACQUISITIONS, LLC, a Delaware limited liability company (“*Purchaser*”) and BRINKER PROPERTY CORPORATION, a Delaware corporation and BRINKER PROPCO FLORIDA, INC., a Delaware corporation (collectively, “*Seller*”).

RECITALS

Purchaser and Seller entered into that certain Agreement for Purchase and Sale of Real Estate dated as of August 1, 2018 (the “*Agreement*”) with respect to the purchase and sale of the “*Properties*” described in the Agreement. Unless otherwise defined in this Amendment, all capitalized terms used in this Amendment have the meanings set forth in the Agreement. Purchaser and Seller desire to amend the Agreement as provided below.

AGREEMENT

In consideration of the mutual covenants and provisions of this Amendment and the Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Closing.** The references to “September 14, 2018” set forth in items (a) and (b) of the last paragraph of Section 8 of the Agreement are hereby revised to “September 28, 2018”.
2. **No Other Changes.** Except as specifically amended by this Amendment, the Agreement shall remain unchanged and in full force and effect, and is hereby ratified and confirmed.
3. **Counterparts.** This Amendment may be executed in any number of counterparts, and via facsimile, “.pdf” or other electronic means, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their duly authorized representatives as of the Amendment Date written above.

PURCHASER:

FCPT ACQUISITIONS, LLC,

a Delaware limited

liability company

By: /s/ Gerald Morgan
Name (Print): Gerald Morgan
Title: President

SELLER: BRINKER PROPERTY CORPORATION,

a Delaware corporation

By: /s/ Christopher L. Green
Name (Print): Christopher L. Green
Title: President

PROPCO FLORIDA, INC.,

a Delaware corporation

By: /s/ Christopher L. Green
Name (Print): Christopher L. Green
Title: President

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Section 4: 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

Date: October 30, 2018

/s/ William H. Lenehan

William H. Lenehan

President and Chief Executive Officer

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Section 5: 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: October 30, 2018

/s/ Gerald R. Morgan

Gerald R. Morgan

Chief Financial Officer

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Section 6: 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 September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof ("Report"), I, William H. Lenehan, President and Chief Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2018

/s/ William H. Lenehan

William H. Lenehan

President and Chief Executive Officer

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Section 7: EX-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 September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Gerald R. Morgan, Chief Financial Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2018

/s/ Gerald R. Morgan

Gerald R. Morgan

Chief Financial Officer

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