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 June 30, 2020
or

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

For the transition period from ______ to ______

Commission File Number 1-37538

Four Corners Property Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**47-4456296**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

591 Redwood Highway, Suite 3215, Mill Valley, CA 94941
(Address of principal executive offices)

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

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

Title of each class	Trading Symbol	Name of Exchange on Which Registered
Common Stock, $0.0001 par value per share	FCPT	New York Stock Exchange

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	☐
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 July 31, 2020: 70,337,392

FOUR CORNERS PROPERTY TRUST, INC.

FORM 10 - Q

THREE AND SIX MONTHS ENDED JUNE 30, 2020

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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)

	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Real estate investments:		
Land	$ 733,680	$ 690,575
Buildings, equipment and improvements	1,295,483	1,277,159
Total real estate investments	2,029,163	1,967,734
Less: Accumulated depreciation	(647,123)	(635,630)
Total real estate investments, net	1,382,040	1,332,104
Intangible lease assets, net	66,398	57,917
Total real estate investments and intangible lease assets, net	1,448,438	1,390,021
Cash and cash equivalents	5,098	5,083
Straight-line rent adjustment	43,621	39,350
Derivative assets	—	1,451
Other assets	14,998	10,165
Total Assets	$ 1,512,155	$ 1,446,070
LIABILITIES AND EQUITY		
Liabilities:		
Long-term debt, net of deferred financing costs	$ 747,296	$ 669,940
Dividends payable	21,420	21,325
Rent received in advance	9,036	10,463
Derivative liabilities	22,019	5,005
Other liabilities	14,952	12,596
Total liabilities	814,723	719,329
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, 70,333,387 and 70,020,660 shares issued and outstanding, respectively	7	7
Additional paid-in capital	690,389	686,181
Retained earnings	33,292	38,401
Accumulated other comprehensive loss	(30,168)	(3,539)
Noncontrolling interest	3,912	5,691
Total equity	697,432	726,741
Total Liabilities and Equity	$ 1,512,155	$ 1,446,070

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 June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues:				
Rental revenue	$ 38,034	$ 34,415	$ 75,759	$ 68,623
Restaurant revenue	2,895	5,153	7,599	10,546
Total revenues	40,929	39,568	83,358	79,169
Operating expenses:				
General and administrative	3,719	3,431	7,560	7,377
Depreciation and amortization	7,093	6,518	14,148	12,879
Property expenses	1,066	417	1,701	725
Restaurant expenses	3,310	4,954	7,812	9,937
Total operating expenses	15,188	15,320	31,221	30,918
Interest expense	(7,319)	(6,557)	(14,322)	(13,304)
Other income	162	306	166	719
Income tax expense	(64)	(61)	(125)	(129)
Net income	18,520	17,936	37,856	35,537
Net income attributable to noncontrolling interest	(54)	(68)	(125)	(166)
Net Income Available to Common Shareholders	$ 18,466	$ 17,868	$ 37,731	$ 35,371
Basic net income per share:	$ 0.26	$ 0.26	$ 0.54	$ 0.52
Diluted net income per share:	$ 0.26	$ 0.26	$ 0.54	$ 0.52
Weighted average number of common shares outstanding:				
Basic	70,261,189	68,302,395	70,137,490	68,282,947
Diluted	70,370,769	68,501,181	70,288,408	68,475,778
Dividends declared per common share	$ 0.3050	$ 0.2875	$ 0.6100	$ 0.5750

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

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net income	$ 18,520	$ 17,936	$ 37,856	$ 35,537
Other comprehensive (loss) income:				
Effective portion of change in fair value of derivative instruments	(3,430)	(5,937)	(27,914)	(8,964)
Reclassification adjustment of derivative instruments included in net income	1,058	(580)	1,189	(1,189)
Other comprehensive (loss) income	(2,372)	(6,517)	(26,725)	(10,153)
Comprehensive income	16,148	11,419	11,131	25,384
Less: comprehensive income attributable to noncontrolling interest				
Net income attributable to noncontrolling interest	54	68	125	166
Other comprehensive (loss) income attributable to noncontrolling interest	(7)	(27)	(96)	(48)
Comprehensive income attributable to noncontrolling interest	47	41	29	118
Comprehensive Income Attributable to Common Shareholders	$ 16,101	$ 11,378	$ 11,102	$ 25,266

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)

For the Three Months Ended June 30, 2020

	Common Stock		Additional	Retained	Accumulated Other	Noncontrolling	
	Shares	Par Value	Paid-in Capital	Earnings	Comprehensive Loss	Interest	Total
Balance at March 31, 2020	70,323,828	$ 7	$ 689,601	$ 36,246	$ (27,803)	$ 3,928	$ 701,979
Net income	—	—	—	18,466	—	54	18,520
Other comprehensive loss	—	—	—	—	(2,365)	(7)	(2,372)
Redemption of OP units	—	—	—	—	—	—	—
ATM proceeds, net of issuance costs	—	—	—	—		—	—
Dividends and distributions to equity holders	—	—	—	(21,420)	—	(63)	(21,483)
Stock-based compensation, net	9,559	—	788	—	—	—	788
Balance at June 30, 2020	70,333,387	$ 7	$ 690,389	$ 33,292	$ (30,168)	$ 3,912	$ 697,432

For the Six Months Ended June 30, 2020

	Common Stock		Additional	Retained	Accumulated Other	Noncontrolling	
	Shares	Par Value	Paid-in Capital	Earnings	Comprehensive Income (Loss)	Interest	Total
Balance at December 31, 2019	70,020,660	$ 7	$ 686,181	$ 38,401	$ (3,539)	$ 5,691	$ 726,741
Net income	—	—	—	37,731	—	125	37,856
Other comprehensive loss	—	—	—	—	(26,629)	(96)	(26,725)
Redemption of OP units	45,000	—	859	—	—	(1,672)	(813)
ATM proceeds, net of issuance costs	144,321		4,288	—	—	—	4,288
Dividends and distributions to equity holders	—	—	—	(42,840)	—	(136)	(42,976)
Stock-based compensation, net	123,406	—	(939)	—	—	—	(939)
Balance at June 30, 2020	70,333,387	$ 7	$ 690,389	$ 33,292	$ (30,168)	$ 3,912	$ 697,432

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

For the Three Months Ended June 30, 2019

	Common Stock		Additional	Retained	Accumulated Other	Noncontrolling	
	Shares	Par Value	Paid-in Capital	Earnings	Comprehensive Loss	Interest	Total
Balance at March 31, 2019	68,368,264	$ 7	$ 637,117	$ 43,895	$ 2,341	$ 5,858	$ 689,218
Net income	—	—	—	17,868	—	68	17,936
Other comprehensive loss	—	—	—	—	(6,490)	(27)	(6,517)
Redemption of OP units	5,966		112			(114)	(2)
ATM proceeds, net of issuance costs	34,183		992	—	—	—	992
Dividends and distributions to equity holders	—	—	—	(19,641)	—	(82)	(19,723)
Stock-based compensation, net	9,830	—	767	—	—	—	767
Balance at June 30, 2019	68,418,243	$ 7	$ 638,988	$ 42,122	$ (4,149)	$ 5,703	$ 682,671

For the Six Months Ended June 30, 2019

	Common Stock		Additional	Retained	Accumulated Other	Noncontrolling	
	Shares	Par Value	Paid-in Capital	Earnings	Comprehensive Loss	Interest	Total
Balance at December 31, 2018	68,204,045	7	639,116	46,018	5,956	7,867	698,964
Net income	—	—	—	35,371	—	166	35,537
Other comprehensive loss	—	—	—	—	(10,105)	(48)	(10,153)
Redemption of OP units	5,966		(1,068)			(2,099)	(3,167)
ATM proceeds, net of issuance costs	59,638		1,652	—	—	—	1,652
Dividends and distributions to equity holders	—	—	—	(39,267)	—	(183)	(39,450)
Stock-based compensation, net	148,594	—	(712)	—	—	—	(712)
Balance at June 30, 2019	68,418,243	$ 7	$ 638,988	$ 42,122	$ (4,149)	$ 5,703	$ 682,671

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

FOUR CORNERS PROPERTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2020	**2019**
Cash flows - operating activities		
Net income	$ 37,856	$ 35,537
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	14,148	12,879
Non-cash revenue adjustments	387	24
Amortization of financing costs	1,046	1,027
Stock-based compensation expense	1,628	1,989
Changes in assets and liabilities:		
Derivative assets and liabilities	(8,260)	(5)
Straight-line rent adjustment	(4,270)	(4,593)
Rent received in advance	(1,427)	7,141
Other assets and liabilities	(4,440)	47
Net cash provided by operating activities	36,668	54,046
Cash flows - investing activities		
Purchases of real estate investments	(71,963)	(64,598)
Advance deposits on acquisition of operating real estate	973	205
Net cash used in investing activities	(70,990)	(64,393)
Cash flows - financing activities		
Net proceeds from ATM equity issuance	4,288	1,652
Proceeds from issuance of senior notes	125,000	—
Payment of deferred financing costs	(1,190)	—
Proceeds from revolving credit facility	130,500	—
Repayment of revolving credit facility	(178,000)	—
Payment of dividends to shareholders	(42,745)	(39,206)
Distributions to non-controlling interests	(136)	(183)
Redemption of non-controlling interests	(813)	(3,167)
Employee shares withheld for taxes	(2,567)	(2,702)
Net cash provided by (used in) financing activities	34,337	(43,606)
Net decrease in cash and cash equivalents, including restricted cash	15	(53,953)
Cash and cash equivalents, including restricted cash, at beginning of period	5,083	93,242
Cash and cash equivalents, including restricted cash, at end of period	$ 5,098	$ 39,289
Supplemental disclosures:		
Interest paid	$ 12,011	$ 7,916
Income taxes paid	$ 234	$ 387
Operating lease payments received (lessor)	$ 66,782	$ 63,588
Operating lease payments remitted (lessee)	$ 283	$ 208
Non-cash investing and financing activities:		
Dividends declared but not paid	$ 21,420	$ 19,641
Change in fair value of derivative instruments	$ (18,465)	$ (10,148)

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

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.

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

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 other retail 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, which was November 2, 2015, as well as cash in lieu of any fractional shares of our common stock which they would have otherwise received (the "Spin-Off").

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

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

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

Use of Estimates

The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The estimates and assumptions used in the accompanying Consolidated Financial Statements are based on management's evaluation of the relevant facts and circumstances. Actual results may differ from the estimates and assumptions used in preparing the accompanying Consolidated Financial Statements, and such differences could be material.

Real Estate Investments, Net

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

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

Acquisition of Real Estate

The Company evaluates acquisitions to determine whether transactions should be accounted for as asset acquisitions or business combinations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2017-01. The Company has determined the land, building, site improvements, and in-places leases (if any) of assets acquired were each single assets as the building and property improvements are attached to the land and cannot be physically removed and used separately from the land without incurring significant costs or reducing their fair value. Additionally, the Company has not acquired a substantive process used to generate outputs. As substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset and there were no processes acquired, the acquisitions do not qualify as 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. The determination of the building fair value is on an 'as-if-vacant' basis. Value is allocated to acquired lease intangibles (if any) based on the costs avoided and revenue recognized by acquiring the property subject to lease and avoiding an otherwise 'dark period'. In making estimates of fair values for this purpose, the Company uses a third-party specialist that obtains various information about each property, as well as the pre-acquisition due diligence of the Company and prior leasing activities at the site.

Lease Intangibles

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

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

Finance ground lease assets are also included in lease intangible assets, net on the Consolidated Balance Sheets. See *Leases* below for additional information.

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. Such events and changes include macroeconomic conditions, including those caused by global pandemics, like the recent coronavirus disease pandemic ("COVID-19") and restrictions intended to prevent its spread, which may result in property operational disruption and indicate that the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. If these assets are determined to be impaired, the amount of impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined by appraisals or sales prices of comparable assets.

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

Exit or disposal activities include the cost of disposing of the assets and are generally expensed as incurred. Upon disposal of the assets, any gain or loss is recorded in the same caption within our Income Statements as the original impairment. Provisions for impairment are included in depreciation and amortization expense. We did not record impairment expense during the six months ended June 30, 2020 or 2019.

Real Estate Held for Sale

Real estate is classified as held for sale when the sale is probable, will be completed within one year, purchase agreements are executed, the buyer has a significant deposit at risk, and no financing contingencies exist which could prevent the transaction from being completed in a timely manner. Restaurant sites and certain other assets to be disposed of are included in assets held for sale when the likelihood of disposing of these assets within one year is probable. Assets whose disposal is not probable within one year remain in land, buildings, equipment and improvements until their disposal within one year is probable. Disposals of assets that have a major effect on our operations and financial results or that represent a strategic shift in our operating businesses meet the requirements to be reported as discontinued operations. Real estate held for sale is reported at the lower of carrying amount or fair value, less estimated costs to sell. There was no real estate held for sale at June 30, 2020 or December 31, 2019.

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 consists of 1031 tax deferred real estate exchange proceeds 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)	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 5,098	$ 5,083
Restricted cash (included in Other assets)	—	—
Total Cash, Cash Equivalents, and Restricted Cash	$ 5,098	$ 5,083

Long-term Debt

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

Deferred Financing Costs

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

See Note 7 - 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, net of tax. These changes in fair value will be reclassified into earnings at the time of the forecasted transaction. Ineffectiveness measured in the hedging relationship is recorded in earnings in the period in which it occurs.

See Note 8 - Derivative Financial Instruments for additional information.

Other Assets and Liabilities

Other assets primarily consist of right of use operating lease assets, pre-acquisition costs, prepaid assets, food and beverage inventories for use by our Kerrow operating subsidiary, escrow deposits, and accounts receivable. Other liabilities primarily consist of accrued compensation, accrued interest, accrued operating expenses, and operating lease liabilities.

See Note 6 - Supplemental Detail for Certain Components of Consolidated Balance Sheets for additional information.

Leases

Effective January 1, 2019, the Company adopted ASU 2016-02, Leases ("ASC 842"), using the effective date method. Consolidated Financial Statements for reporting periods beginning on or after January 1, 2019, are presented under the new guidance, while prior periods amounts are not adjusted and continue to be reported in accordance with previous guidance. We elected the package of practical expedients which permits us to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) any initial direct costs for any existing leases as of the effective date. We did not elect the hindsight practical expedient which permits entities to use hindsight in determining the lease term and assessing impairment. The adoption of the lease standard did not change our previously reported Consolidated Financial Statements and did not result in a cumulative adjustment to equity.

All significant lease arrangements are generally recognized at lease commencement. For leases where the Company is the lessee upon adoption of ASC 842, operating or finance lease right-of-use ("ROU") assets and lease liabilities are recognized at commencement based on the present value of lease payments over the lease term. ROU assets represent our right to use an underlying asset during the reasonably certain lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

As part of certain real estate investment transactions, the Company may enter into long-term ground leases as a lessee. The Company recognizes a ground lease (or right-of-use) asset and related lease liability for each of these ground leases. Ground lease assets and lease liabilities are recognized based on the present value of the lease payments. The Company uses its estimated incremental borrowing rate, which is the estimated rate at which the Company could borrow on a collateralized basis with similar payments over a similar term, in determining the present value of the lease payments.

For leases where the Company is the lessor, we determine the classification upon commencement. At June 30, 2020, all such leases are classified as operating leases. These operating leases may contain both lease and non-lease components. The Company accounts for lease and non-lease components as a single component. Prior to adoption of ASC 842, lease origination fees were deferred and amortized over the related lease term as an adjustment to depreciation expense. Subsequent to the adoption of ASC 842 on January 1, 2019, the Company expenses certain initial direct costs that are not incremental in obtaining a lease.

See Note 5 - Leases for additional information.

Rent Concessions

In April 2020, the FASB issued a question-and-answer document regarding accounting for lease concessions and other effects of COVID-19. The document clarifies that entities may elect not to evaluate whether lease-related relief that lessors provide to mitigate the economic effects of COVID-19 on lessees is a lease modification under ASC 842. Instead, an entity that elects not to evaluate whether a concession directly related to COVID-19 is a modification can then elect whether to apply the modification guidance (i.e., assume the relief was always contemplated by the contract or assume the relief was not contemplated by the contract).

During the second quarter, the Company agreed to lease concessions with certain tenants in response to COVID-19. These concessions resulted in a substantial increase in our rights as lessor, including receiving additional financial information, agreeing to extend the current term of the lease, enhancing the lease guarantee, or consenting to more favorable rent escalations in the future. As such, the Company will account for these concessions as lease modifications under ASC 842. Rent deferrals agreed upon during the second quarter of 2020 were for approximately $1.0 million of contractual base rent as of June 30, 2020 and require the full rent amount to be paid back to the Company in the near-term. Subsequent to June 30, 2020 and prior to July 30, 2020, the Company has agreed in principle to rent abatements as part of lease amendments for concessions of the type described above and for lease payments due in the second quarter. These agreements for abatements represent approximately $1.4 million of rental revenue recognized in the second quarter of 2020.

Revenue Recognition

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 probable. Recognizing rental revenue 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.

We assess the collectability of our lease receivables, including deferred rents receivable, on several factors, including payment history, the financial strength of the tenant and any guarantors, historical operations and operating trends of the property, and current economic conditions. If our evaluation of these factors indicates it is not probable that we will be to recover substantially all of the receivable, we derecognize the deferred rent receivable asset and record as a reduction in rental revenue. If we determine the lease receivable will not be collected due to a credit concern, we reduce the recorded revenue for the period and related accounts receivable.

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. Prior to the adoption of ASC 842, lessor costs reimbursed by the lessee were presented on a net basis in our Consolidated Financial Statements. Subsequent to the adoption of ASC 842 on January 1, 2019, costs paid by the lessor and reimbursed by the lessees are included in variable lease payments and presented on a gross basis within rental revenue. Sales taxes collected from lessees and remitted to governmental authorities are presented on a net basis within rental revenue.

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 June 30, 2020 and December 31, 2019, credit card receivables, included in other assets, totaled $31 thousand and $ 81 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 Income Statements.

Restaurant Expenses

Restaurant expenses include restaurant labor, general and administrative expenses, rent expense, 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 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 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, 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.

See Note 9 - 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 10 - Equity for additional information.

Stock-Based Compensation

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

See Note 11 - 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

We consider the applicability and impact of all ASUs issued by the FASB. Other than as disclosed below, ASUs not yet adopted were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated result of operations, financial position and cash flows.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform" which provides temporary optional expedients and exceptions to the guidance in US GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (SOFR). The guidance simplifies the accounting for modifying countless contracts (including those in hedging relationships) that refer to LIBOR and other interbank offered rates. The guidance is effective upon issuance and generally can be applied to contract modifications or existing and new hedge relationships through December 31, 2022. The Company is currently evaluating the impact of this guidance on its cash flow hedges.

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 69% 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 and unaudited financial statements for Darden are included in its filings with the SEC, which can be found on the SEC's internet website at www.sec.gov. Reference to Darden's filings with the SEC is solely for the information of investors. We do not intend this website to be an active link or to otherwise incorporate the information contained on such website (including Darden's filings with the SEC) into this report or our other filings with the SEC.

We also are subject to concentration risk in terms of the restaurant brands that operate our properties. As of June 30, 2020, FCPT had 307 Olive Garden branded locations in our portfolio, which comprise approximately 42% of our leased properties and approximately 52% of the revenues received under leases. Our properties, including the Kerrow Restaurant Operating Business, are located in 46 states, with concentrations of 10% or greater of total rental revenue in two states: Texas (12%) and Florida (11%).

We are exposed to credit risk with respect to cash held at various financial institutions, access to our credit facility, and amounts due or payable under our derivative contracts. At June 30, 2020, our exposure to risk related to our derivative instruments totaled $22.0 million including accrued interest, and the counterparty to such instruments are investment grade financial institutions. Our credit risk exposure with regard to our cash and the $245.5 million available capacity under the revolver portion of our credit facility is spread among a diversified group of investment grade financial institutions.

NOTE 4 – REAL ESTATE INVESMENTS, NET 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)	June 30, 2020	December 31, 2019
Land	$ 733,680	$ 690,575
Buildings and improvements	1,160,382	1,142,275
Equipment	135,101	134,884
Total gross real estate investments	2,029,163	1,967,734
Less: Accumulated depreciation	(647,123)	(635,630)
Total real estate investments, net	1,382,040	1,332,104
Intangible lease assets, net	66,398	57,917
Total Real Estate Investments and Intangible Lease Assets, Net	$ 1,448,438	$ 1,390,021

During the six months ended June 30, 2020, the Company invested $71.5 million, including transaction costs, in 34 properties located in fourteen states, and allocated the investment as follows: $37.1 million to land, $18.1 million to buildings and improvements, and $16.3 million to intangible assets, including finance ROU assets. 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 6.8 years as of June 30, 2020. The Company did not dispose of any properties during the six months ended June 30, 2020.

During the three months ended June 30, 2020, the Company exercised its option to purchase three of the properties where the Company was the lessee under ground leases. These leases were previously accounted for as finance leases. These purchases resulted in an in increase in land and a corresponding decrease in finance lease right-of-use assets of $6.0 million.

During the six months ended June 30, 2019, the Company invested $64.6 million, including transaction costs, in 32 restaurant properties located in fifteen states, and allocated the investment as follows: $34.0 million to land, $22.2 million to buildings and improvements, and $8.4 million to intangible assets principally related to the value of the in-place leases acquired. There was no contingent consideration associated with these acquisitions. The Company did not dispose of any properties during the six months ended June 30, 2019.

Intangible Lease Assets and Liabilities, Net

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. Intangible lease liabilities are included in Other liabilities on our Consolidated Balance Sheets.

The following tables detail intangible lease assets and liabilities.

(In thousands)	June 30, 2020	December 31, 2019
Acquired in-place lease intangibles	$ 49,699	$ 38,844
Above-market leases	12,323	7,754
Finance leases - right of use asset [(1)]	12,344	16,063
Total	74,366	62,661
Less: Accumulated amortization	(7,968)	(4,744)
Intangible Lease Assets, Net	$ 66,398	$ 57,917

(1) See Note 5 - Leases for additional information on finance leases - right of use assets.

(In thousands)		June 30, 2020		December 31, 2019
Below-market leases	$	2,978	$	1,923
Less: Accumulated amortization		(375)		(155)
Intangible Lease Liabilities, Net	$	2,603	$	1,768

The value of acquired in-place leases amortized and included in depreciation and amortization expense was $1.3 million and $704 thousand for the three months ended June 30, 2020 and 2019, respectively, and $2.6 million and $1.3 million for the six months ended June 30, 2020 and 2019, respectively. The value of above-market and below-market leases amortized as an adjustment to revenue was $203 thousand and $12 thousand for the three months ended June 30, 2020 and 2019, respectively, and $387 thousand and $24 thousand for the six months ended June 30, 2020 and 2019, respectively.

At June 30, 2020, the total weighted average amortization period remaining for our intangible lease assets and liabilities was 9.7 years, and the individual weighted average amortization period remaining for acquired in-place lease intangibles, above-market leases, and below-market leases was 10.0 years, 8.5 years, and 9.7 years, respectively.

Amortization of Lease Intangibles

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 June 30, 2020.

(In thousands)		June 30,
2020 (six months)	$	4,031
2021		7,666
2022		7,112
2023		5,537
2024		4,898
Thereafter		22,207
Total Future Amortization	$	51,451

NOTE 5 – LEASES

Operating Leases as Lessee

As a lessee we record ROU assets and lease liabilities for the two ground leases at our Kerrow Restaurant Operating Business. These ground leases have extension options, which we believe will be exercised and are included in the calculation of our lease liabilities and right-of-use assets. During the second quarter of 2020, the Company became the lessee of new corporate office space, which qualified as an operating lease as of June 30, 2020. In calculating the lease obligations under both the ground leases and office lease, we used discount rates estimated to be equal to what the Company would have to pay to borrow on a collateralized basis over a similar term, for an amount equal to the lease payments, in a similar economic environment.

Operating Lease Liability

As of June 30, 2020, maturities of operating lease liabilities were as follows:

(In thousands)	June 30, 2020
2020 (six months)	$ 325
2021	673
2022	693
2023	705
2024	718
Thereafter	5,851
Total Payments	8,965
Less: Interest	(2,703)
Operating Lease Liability	$ 6,262

The weighted-average discount rate for operating leases at June 30, 2020 was 4.06%. The weighted-average remaining lease term was 17.2 years.

Rental expense was $179 thousand and $165 thousand for the three months ended June 30, 2020 and 2019, respectively. Rental expense was $320 thousand and $333 thousand for the six months ended June 30, 2020 and 2019, respectively.

Operating Leases as Lessor

Our leases consist primarily of single-tenant, net leases, in which the tenants are responsible for making payments to third parties for operating expenses such as property taxes, insurance, and other costs associated with the properties leased to them. In leases where costs are paid by the Company and reimbursed by lessees, such payments are considered variable lease payments and recognized in rental revenue.

The following table shows the components of rental revenue for the three and six months ended June 30, 2020 and 2019.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2020	2019	2020	2019
Lease revenue - operating leases	$ 37,379	$ 34,249	$ 74,627	$ 68,259
Variable lease revenue (tenant reimbursements)	655	166	1,132	364
Total Rental Revenue	$ 38,034	$ 34,415	$ 75,759	$ 68,623

Future Minimum Lease Payments to be Received

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

(In thousands)	June 30,
2020 (six months)	$ 72,476
2021	146,267
2022	147,184
2023	147,387
2024	148,733
Thereafter	1,017,667
Total Future Minimum Lease Payments	$ 1,679,714

Ground Leases as Lessee

As of June 30, 2020, the Company had finance ground lease assets aggregating $12.3 million. These assets are included in intangible lease assets, net on the Consolidated Balance Sheets. The Company did not recognize a lease liability as no payments are due in the future under the leases. The Company's ground lease assets have remaining lease terms ranging from 64 years to 99 years, with options to extend certain of the lease terms for additional ninety-nine year terms, and the option to purchase the assets. The weighted average remaining non-cancelable lease term for the ground leases was 92.9 years at June 30, 2020.

NOTE 6 – SUPPLEMENTAL DETAIL FOR CERTAIN COMPONENTS OF CONSOLIDATED BALANCE SHEETS

Other Assets

The components of other assets were as follows:

(In thousands)	June 30, 2020	December 31, 2019
Operating lease right-of-use asset	$ 5,632	$ 3,810
Prepaid acquisition costs and deposits	3,050	4,219
Prepaid assets	662	845
Accounts receivable	4,401	380
Food and beverage inventories	179	196
Other	1,074	715
Total Other Assets	$ 14,998	$ 10,165

Other Liabilities

The components of other liabilities were as follows:

(In thousands)	June 30, 2020	December 31, 2019
Operating lease liability	$ 6,262	$ 4,403
Accrued interest expense	1,925	1,572
Accrued compensation	1,367	1,913
Accounts payable	312	799
Intangible lease liabilities, net	2,603	1,768
Accrued operating expenses	418	396
Other	2,065	1,745
Total Other Liabilities	$ 14,952	$ 12,596

NOTE 7 – LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS

At June 30, 2020, our long-term debt consisted of (1) $400 million of non-amortizing term loans and (2) $350 million of senior, unsecured, fixed rate notes. At December 31, 2019 our long-term debt consisted of (1) $400 million of non-amortizing term loans and (2) $225 million of senior, unsecured, fixed rate notes. At June 30, 2020 and December 31, 2019, the outstanding borrowings under the revolving credit facility were $4.5 million and $52.0 million, respectively, and there were no outstanding letters of credit.

The following table presents the Term Loan balances as of June 30, 2020 and December 31, 2019.

				Outstanding Balance	
(Dollars in thousands)	**Maturity Date**	**Interest Rate**		**June 30, 2020**	**December 31, 2019**
Term Loans:					
Term loan due 2022	Nov 2022	2.36%	(a)	$ 150,000	$ 150,000
Term loan due 2023	Nov 2023	2.26%	(a)	150,000	150,000
Term loan due 2024	Mar 2024	2.26%	(a)	100,000	100,000
Total Term Loans				$ 400,000	$ 400,000

(a) Loan is a variable-rate loan which resets monthly at one-month LIBOR + the applicable credit spread which was 1.25%-1.35% at June 30, 2020.

The following table presents the senior unsecured fixed rate notes balance as of June 30, 2020 and December 31, 2019.

			Outstanding Balance	
(Dollars in thousands)	**Maturity Date**	**Interest Rate**	**June 30, 2020**	**December 31, 2019**
Notes Payable:				
Senior unsecured fixed rate note, issued June 2017	Jun 2024	4.68%	$ 50,000	$ 50,000
Senior unsecured fixed rate note, issued June 2017	Jun 2027	4.93%	75,000	75,000
Senior unsecured fixed rate note, issued December 2018	Dec 2026	4.63%	50,000	50,000
Senior unsecured fixed rate note, issued December 2018	Dec 2028	4.76%	50,000	50,000
Senior unsecured fixed rate note, issued March 2020	Jun 2029	3.15%	50,000	—
Senior unsecured fixed rate note, issued March 2020	Apr 2030	3.20%	75,000	—
Total Notes			$ 350,000	$ 225,000

At June 30, 2020, and December 31, 2019, net unamortized deferred financing costs were approximately $7.2 million and $7.1 million, respectively. During the three months ended June 30, 2020 and 2019, amortization of deferred financing costs was $534 thousand and $514 thousand, respectively. During both the six months ended June 30, 2020 and 2019, amortization of deferred financing costs was $1.0 million. The weighted average interest rate on the term loans before consideration of the interest rate hedge described below was 1.48% and 3.01% at June 30, 2020 and December 31, 2019, respectively.

The Company was in compliance with all debt covenants at June 30, 2020.

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

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

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish these objectives, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The 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 six months ended June 30, 2020 and 2019, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

As of June 30, 2020 and December 31, 2019, $300 million of our variable-rate debt is hedged by swaps with notional values totaling $300 million.

During the six months ended June 30, 2020, the Company terminated two cash flow hedges in connection with a $125 million private note offering that was entered into on March 31, 2020. The swaps were terminated on March 10, 2020 for approximately an $8.4 million loss which will be amortized over the next 10 years as interest expense.

On June 8, 2020, the Company entered into two interest rate swaps to hedge the interest rate variability associated with our credit facility. The first interest rate swap has a fixed notional value of $50 million, with an effective date of November 9, 2020 and a maturity date of November 9, 2025, where the fixed rate paid by the Company was 0.5025% and the variable rate received reset monthly to the one-month LIBOR rate. The second interest rate swap has a variable notional value of $50 million to $150 million entered into on June 8, 2020 with an effective date of November 9, 2023 and a maturity date of November 9, 2025, where the fixed rate paid by the Company was 0.8205% and the variable rate received reset monthly to the one-month LIBOR rate.

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 $6.4 million will be reclassified to earnings as an increase to interest expense.

Non-designated Hedges

We do not use derivatives for trading or speculative purposes. During the six months ended June 30, 2020 and 2019, 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 June 30, 2020 and December 31, 2019.

	Derivative Assets			**Derivative Liabilities**		
	Balance Sheet	**Fair Value at**		**Balance Sheet**	**Fair Value at**	
(Dollars in thousands)	**Location**	**June 30, 2020**	**December 31, 2019**	**Location**	**June 30, 2020**	**December 31, 2019**
Derivatives designated as hedging instruments:						
Interest rate swaps	Derivative assets	$ —	$ 1,451	Derivative liabilities	$ 22,019	$ 5,005
Total		$ —	$ 1,451		$ 22,019	$ 5,005

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 six months ended June 30, 2020 and 2019.

(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 June 30, 2020	$ (3,430)	Interest expense	$ 1,058	$ (7,319)
Three months ended June 30, 2019	$ (5,937)	Interest expense	$ (580)	$ (6,557)
Six months ended June 30, 2020	$ (27,914)	Interest expense	$ 1,189	$ (14,322)
Six months ended June 30, 2019	$ (8,964)	Interest expense	$ (1,189)	$ (13,304)

Tabular Disclosure Offsetting Derivatives

The table below presents a gross presentation, the effects of offsetting, and a net presentation of our derivatives at June 30, 2020 and December 31, 2019. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the consolidated balance sheets.

Offsetting of Derivative Assets

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
(In thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
June 30, 2020	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2019	1,451	—	1,451	(1,451)	—	—

Offsetting of Derivative Liabilities

				Gross Amounts Not Offset in the Consolidated Balance Sheet		
(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	Financial Instruments	Cash Collateral Posted	Net Amount
June 30, 2020	$ 22,019	$ —	$ 22,019	$ —	$ —	$ 22,019
December 31, 2019	5,005	—	5,005	(1,451)	—	3,554

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 June 30, 2020 and December 31, 2019, the fair value of derivatives related to these agreements was approximately $22.0 million and $3.6 million in net liabilities, respectively. As of June 30, 2020, we have not posted any collateral related to these agreements. If we or our counterparty had breached any of these provisions at June 30, 2020, we could have been required to settle our obligations under the agreements at their termination value of approximately $22.0 million.

NOTE 9 – 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 federal income tax on our net income that we distribute currently to our stockholders. Accordingly, no provision for federal income taxes has been included in the accompanying consolidated financial statements for the six months ended June 30, 2020 related to the REIT.

Income tax expense consists of federal, state, and local income taxes incurred by FCPT's TRS, and state and local income taxes incurred by FCPT on its lease portfolio. During the three months ended June 30, 2020 and 2019, we recorded income tax expense of $64 thousand and $61 thousand, respectively. During the six months ended June 30, 2020 and 2019, we recorded income tax expense of $125 thousand and $129 thousand, respectively.

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 June 30, 2020. Changes in estimates of deferred tax asset realizability are included in "Income tax expense" in the Consolidated Statements of Income.

NOTE 10 – EQUITY

Preferred Stock

At June 30, 2020 and December 31, 2019, 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 June 30, 2020 and December 31, 2019.

Common Stock

At June 30, 2020 and December 31, 2019, the Company was authorized to issue 500,000,000 shares, $0.0001 par value per share of common stock. At June 30, 2020, there were 70,333,387 shares of the Company's common stock issued and outstanding.

On March 16, 2020, we declared a dividend of $0.3050 per share, which was paid in April 2020 to common stockholders of record as of March 31, 2020. On May 29, 2020, we declared a dividend of $0.3050 per share, which was paid in July 2020 to common stockholders of record as of June 30, 2020.

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 through ATM offerings on the New York Stock Exchange through broker-dealers. On March 22, 2019, the Company amended its ATM program and increased the maximum sales under ATM offerings to $210.0 million. In connection with the amended ATM program, the Company may enter into forward sale agreements with certain financial institutions acting as forward purchasers whereby, at the Company's discretion, the forward purchasers may borrow and sell shares of common stock under the amended ATM program. The use of forward sale agreements allows the Company to lock in a share price on the sale of shares of common stock at the time the respective forward sale agreements are executed but defer settling the forward sale agreements and receiving the proceeds from the sale of shares until a later date.

During the three months ended June 30, 2020, no shares were issued under the ATM program. During the six months ended June 30, 2020, the Company executed a forward sale agreement under the ATM program with a financial institution acting as forward purchaser to sell 144,321 shares of common stock at an average forward offering price per share of $30.23. During the six months ended June 30, 2020, the Company physically settled this forward sale agreement and issued 144,321 shares for net proceeds of $4.3 million. There were no other issuance under the ATM program during the six months ended June 30, 2020.

At June 30, 2020, there was $157.4 million available for issuance under the ATM program.

Noncontrolling Interest

At June 30, 2020, there were 204,392 FCPT Operating Partnership Units ("OP units") outstanding held by third parties. During the six months ended June 30, 2020, 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 stockholders. The redemption value of outstanding non-controlling interest OP units was $5.0 million and $7.9 million as of June 30, 2020 and December 31, 2019, respectively.

At June 30, 2020, FCPT was the owner of approximately 99.71% of FCPT's OP units. The remaining 0.29%, or 204,392 of FCPT's OP units were held by unaffiliated limited partners. During the six months ended June 30, 2020, FCPT OP distributed $135 thousand to its limited partners and settled redemptions of 85,000 OP units; 40,000 OP units for cash, at a weighted average price per unit of $20.30 for $813 thousand; and 45,000 OP units for shares of common stock.

Earnings Per Share

The following table presents the computation of basic and diluted net earnings per common share for the three and six months ended June 30, 2020 and 2019.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands except for shares and per share data)	2020	2019	2020	2019
Average common shares outstanding – basic	70,261,189	68,302,395	70,137,490	68,282,947
Net effect of dilutive equity awards	109,580	198,786	150,918	192,831
Average common shares outstanding – diluted	70,370,769	68,501,181	70,288,408	68,475,778
Net income available to common shareholders	$ 18,466	$ 17,868	$ 37,731	$ 35,371
Basic net earnings per share	$ 0.26	$ 0.26	$ 0.54	$ 0.52
Diluted net earnings per share	$ 0.26	$ 0.26	$ 0.54	$ 0.52

For the three months ended June 30, 2020 and 2019, the number of outstanding equity awards that were anti-dilutive totaled 248,859 and 126,178, respectively. For the six months ended June 30, 2020 and 2019, the number of outstanding equity awards that were anti-dilutive totaled 204,521 and 102,133, 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 three months ended June 30, 2020 and 2019 was 204,392 and 294,506. The weighted average exchangeable OP units outstanding for the six months ended June 30, 2020 and 2019 was 230,268 and 321,378, respectively.

NOTE 11 – STOCK-BASED COMPENSATION

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

At June 30, 2020, 1,029,105.87 shares of common stock were available for award under the Plan. The unamortized compensation cost of awards issued under the Plan totaled approximately $5.9 million at June 30, 2020 as shown in the following table.

(In thousands)	Restricted Stock Units	Restricted Stock Awards	Performance Stock Awards	Total
Unrecognized compensation cost at January 1, 2020	$ 1,290	$ 1,427	$ 406	$ 3,123
Equity grants	955	1,548	1,976	4,479
Equity grant forfeitures	—	(99)	(1)	(100)
Equity compensation expense	(447)	(683)	(498)	(1,628)
Unrecognized Compensation Cost at June 30, 2020	$ 1,798	$ 2,193	$ 1,883	$ 5,874

At June 30, 2020, the weighted average amortization period remaining for all of our equity awards was 2.2 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 five years.

At June 30, 2020 and December 31, 2019, there were 118,901 and 91,473 RSUs outstanding, respectively. During the three months ended June 30, 2020, there were 24,008 shares of restricted stock granted, restrictions on 10,517 RSUs lapsed and were distributed, and no RSUs were forfeited. During the six months ended June 30, 2020, there were 37,945 shares of restricted stock granted, restrictions on 10,517 RSUs lapsed and were distributed, and no RSUs were forfeited. Restrictions on these RSUs lapse through 2025.

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 June 30, 2020 and December 31, 2019, there were 102,355 and 101,267 RSAs outstanding, respectively. During the three months ended June 30, 2020, there were 619 shares of restricted stock granted and 2,826 shares forfeited, and restrictions on 181 RSAs lapsed and were distributed, of which 66 RSAs were designated for tax withholdings. During the six months ended June 30, 2020, there were 54,124 shares of restricted stock granted and 2,826 shares forfeited, and restrictions on 50,300 RSAs lapsed and were distributed, of which 23,238 RSAs were designated for tax withholdings. Restrictions on these RSAs lapse through 2023. The Company expects all RSAs to vest.

Performance-Based Restricted Stock Awards

At June 30, 2020 and December 31, 2019, the target number of PSUs that were unvested was 202,706 and 204,068, respectively. During the three months ended June 30, 2020, no PSUs were granted, 984 were vested of which 362 were held for taxes, and 644 were forfeited. During the six months ended June 30, 2020, PSUs with a target number of 66,474 shares were granted and PSUs with a target number of 64,522 shares vested. The total shareholder return calculated for these PSUs resulted in a distribution of 200% of target shares, resulting in the distribution of 128,060 shares, of which 64,808 were withheld for tax.

The performance period of the unvested grants run from January 1, 2020 through December 31, 2022, from January 1, 2019 through December 31, 2021, and from January 1, 2018 through December 31, 2020. 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 combination of relative shareholder return and total shareholder return of the Company compared to certain specified peer groups of companies during the performance period. The grant date fair values of PSUs were determined through Monte-Carlo simulations using the following assumptions: our common stock closing price at the grant date, the average closing price of our common stock price for the 20 trading days prior to the grant date and a range of performance-based vesting based on estimated total stockholder return over a three year performance period. For the 2020 PSU grant, the Company used an implied volatility assumption of 17.4% (based on historical volatility), risk free rates of 2.50% (the three-year Treasury rates on the grant date), and a 0% dividend yield (the mathematical equivalent to reinvesting the dividends over the three-year performance period as is consistent with the terms of the PSUs), which resulted in a grant date fair value of $1.98 million.

Based on the grant date fair value, the Company expects to recognize $1.88 million in compensation expense on a straight-line basis over the remaining requisite service period associated with the unvested PSU awards.

NOTE 12 – 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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities recorded that are reported at fair value on our Consolidated Balance Sheets on a recurring basis.

June 30, 2020 (In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivative assets	$ —	$ —	$ —	$ —
Liabilities				
Derivative liabilities	$ —	$ 22,019	$ —	$ 22,019

December 31, 2019 (In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivative assets	$ —	$ 1,451	$ —	$ 1,451
Liabilities				
Derivative liabilities	$ —	$ 5,005	$ —	$ 5,005

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 June 30, 2020, and December 31, 2019 were classified as Level 2 of the fair value hierarchy.

Fair Value of Certain Financial Liabilities

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

	June 30, 2020	
(In thousands)	Carrying Value(1)	Fair Value
Term loan due 2022	$ 150,000	$ 150,737
Term loan due 2023	150,000	150,712
Term loan due 2024	100,000	100,555
Senior fixed note due June 2024	50,000	55,031
Senior fixed note due June 2027	75,000	87,673
Senior fixed note due June 2026	50,000	57,060
Senior fixed note due June 2028	50,000	58,989
Senior fixed note due June 2029	50,000	50,315
Senior fixed note due April 2030	75,000	75,674
Revolving credit facility	4,500	4,520

	December 31, 2019	
(In thousands)	Carrying Value(1)	Fair Value
Term loan due 2022	$ 150,000	$ 150,834
Term loan due 2023	150,000	150,510
Term loan due 2024	100,000	100,352
Senior fixed note due June 2024	50,000	52,496
Senior fixed note due June 2027	75,000	81,176
Senior fixed note due June 2026	50,000	52,946
Senior fixed note due June 2028	50,000	53,902
Revolving credit facility	52,000	52,301

(1) Carrying values exclude deferred financing costs

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 13 – COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 14 – SEGMENTS

During the three and six months ended June 30, 2020 and 2019, 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 six months ended June 30, 2020 and 2019.

Three Months Ended June 30, 2020

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	$ 38,034	$ —	$ —	$ 38,034
Intercompany rental revenue	136	—	(136)	—
Restaurant revenue	—	2,895	—	2,895
Total revenues	38,170	2,895	(136)	40,929
Operating expenses:				
General and administrative	3,719	—	—	3,719
Depreciation and amortization	6,964	129	—	7,093
Property expenses	1,066	—	—	1,066
Restaurant expenses	—	3,446	(136)	3,310
Total operating expenses	11,749	3,575	(136)	15,188
Interest expense	(7,319)	—	—	(7,319)
Other income	162	—	—	162
Income tax expense	(37)	(27)	—	(64)
Net Income (Loss)	$ 19,227	$ (707)	$ —	$ 18,520

Three Months Ended June 30, 2019

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	$ 34,415	$ —	$ —	$ 34,415
Intercompany rental revenue	102	—	(102)	—
Restaurant revenue	—	5,153	—	5,153
Total revenues	34,517	5,153	(102)	39,568
Operating expenses:				
General and administrative	3,431	—	—	3,431
Depreciation and amortization	6,388	130	—	6,518
Property expenses	417	—	—	417
Restaurant expenses	—	5,056	(102)	4,954
Total operating expenses	10,236	5,186	(102)	15,320
Interest expense	(6,557)	—	—	(6,557)
Other income	306	—	—	306
Income tax expense	(34)	(27)	—	(61)
Net Income (Loss)	$ 17,996	$ (60)	$ —	$ 17,936

Six Months Ended June 30, 2020

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	$ 75,759	$ —	$ —	$ 75,759
Intercompany rental revenue	272	—	(272)	—
Restaurant revenue	—	7,599	—	7,599
Total revenues	76,031	7,599	(272)	83,358
Operating expenses:				
General and administrative	7,560	—	—	7,560
Depreciation and amortization	13,890	258	—	14,148
Property expenses	1,701	—	—	1,701
Restaurant expenses	—	8,084	(272)	7,812
Total operating expenses	23,151	8,342	(272)	31,221
Interest expense	(14,322)	—	—	(14,322)
Other income	166	—	—	166
Income tax expense	(74)	(51)	—	(125)
Net Income (Loss)	$ 38,650	$ (794)	$ —	$ 37,856

Six Months Ended June 30, 2019

(In thousands)	Real Estate Operations	Restaurant Operations	Intercompany	Total
Revenues:				
Rental revenue	$ 68,623	$ —	$ —	$ 68,623
Intercompany rental revenue	203	—	(203)	—
Restaurant revenue	—	10,546	—	10,546
Total revenues	68,826	10,546	(203)	79,169
Operating expenses:				
General and administrative	7,377	—	—	7,377
Depreciation and amortization	12,612	267	—	12,879
Property expenses	725	—	—	725
Restaurant expenses	—	10,140	(203)	9,937
Total operating expenses	20,714	10,407	(203)	30,918
Interest expense	(13,304)	—	—	(13,304)
Other income	719	—	—	719
Income tax expense	(68)	(61)	—	(129)
Net Income	$ 35,459	$ 78	$ —	$ 35,537

The following tables present supplemental information by segment at June 30, 2020 and December 31, 2019.

Supplemental Segment Information at June 30, 2020

(In thousands)	Real Estate Operations	Restaurant Operations	Total
Total real estate investments	$ 2,012,196	$ 16,967	$ 2,029,163
Accumulated depreciation	(641,486)	(5,637)	(647,123)
Total real estate investments, net	1,370,710	11,330	1,382,040
Cash and cash equivalents	4,373	725	5,098
Total assets	1,495,901	16,254	1,512,155
Long-term debt, net of deferred financing costs	747,296	—	747,296

Supplemental Segment Information at December 31, 2019

(In thousands)	Real Estate Operations	Restaurant Operations	Total
Total real estate investments	$ 1,952,855	$ 14,879	$ 1,967,734
Accumulated depreciation	(630,250)	(5,380)	(635,630)
Total real estate investments, net	1,322,605	9,499	1,332,104
Cash and cash equivalents	4,032	1,051	5,083
Total assets	1,431,003	15,067	1,446,070
Long-term debt, net of deferred financing costs	669,940	—	669,940

NOTE 15 – SUBSEQUENT EVENTS

The Company reviewed its subsequent events and transactions that have occurred after June 30, 2020, the date of the Consolidated Balance Sheet, through July 31, 2020 and noted the following:

Acquisitions

Through July 31, 2020, the Company invested $13.4 million in the acquisition of six net lease properties with an investment yield of approximately 6.3%, and approximately 6.8 years of lease term remaining in addition to acquiring one plot of land the Company intends to develop. The Company funded the acquisitions with cash on hand and additional borrowings on the revolving credit facility. 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 June 30, 2020.

Rent Concessions

Subsequent to June 30, 2020 and prior to July 31, 2020, the Company has agreed in principal to rent abatements as part of lease amendments for concessions for lease payments due in the second quarter. These concessions resulted in a substantial increase in our rights as lessor, including receiving additional financial information, agreeing to extend the current term of the lease, enhancing the lease guarantee, or consenting to more favorable rent escalations in the future. As such, the Company will account for these concessions as lease modifications under ASC 842. These agreements for abatements represent approximately $1.4 million of rental revenue recognized in the second quarter of 2020.

Pandemic-Related Contingencies

The ongoing COVID-19 pandemic continues to reduce travel and adversely affect the hospitality industry in general. The actual and threatened continued spread of coronavirus nationally or in the locations in which we operate, or future widespread outbreak of infectious or contagious disease, can continue to reduce volume of business nationally. During and subsequent to the first quarter, the continually evolving COVID-19 pandemic impacted our tenants, especially those in industries considered “non-essential” under varying state “shelter-in-place” or “stay-at-home” orders and other restrictions on types of businesses that may continue to operate, and our restaurant business operations. The Company has taken precautions to protect the safety, health and well-being of its employees and tenants.

The COVID-19 outbreak has and continues to disrupt supply chains and affect production and sales across a range of industries, and it could materially adversely impact the Company and its tenants. The macroeconomic effects of the COVID-19 outbreak could also materially adversely affect the Company’s properties, as well as many other aspects of the Company’s business, financial condition, and results of operations. At this point, the extent to which COVID-19 may result in short- or long-term interruptions in the Company’s business operations or impact our financial condition or results of operations is uncertain.

As of July 31, 2020, a material number of our properties remain impacted by the pandemic and the Company received July 2020 rent payments of over 99% of our portfolio, as measured by contractual annual base rent, exclusive of rent abatement agreements. The Company currently remains in active discussions and negotiations with its impacted tenants and restaurant owners and anticipates the need to grant rent concessions or other lease-related relief, such as the deferral of lease payments for a period of time to be paid over the remaining term of the lease. The nature and financial impact of such rent relief is currently unknown as negotiations have recently been initiated. We anticipate an impact to our rent collections throughout 2020 as a result of reduced activity at our properties due to government-imposed restrictions and changes in consumer behavior. The Company is not currently aware of any loss contingencies related to this matter that would require recognition at this time.

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. (the "Company") 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, 2019, as such factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission. One of the most significant of such factors is the potential adverse effect of the current pandemic of the novel coronavirus, or COVID-19, on the financial condition, results of operations, cash flows and performance of the Company and its tenants, the real estate market and the global economy and financial markets. The extent to which COVID-19 impacts the Company and its tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, among others. Moreover, you should interpret many of the risks identified in this report, as well as the risks set forth below, as being heightened as a result of the ongoing and numerous adverse impacts of COVID-19.

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, 2019. Any references to "FCPT," "the Company," "we," "us," or "our" refer to Four Corners Property Trust, Inc. as an independent, publicly traded, self-administered company.

Overview

We are a Maryland corporation and a real estate investment trust ("REIT") which owns, acquires and leases properties for use in the restaurant and retail industries. Substantially all of our business is conducted through Four Corners Operating Partnership, LP ("FCPT OP"), a Delaware limited partnership of which we are a majority limited partner and our wholly owned subsidiary, Four Corners GP, LLC ("FCPT GP"), is its sole general partner. We believe that we have operated in conformity with the requirements for qualification and taxation as a REIT for the taxable year ended December 31, 2019, 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. We also generate revenues by operating six LongHorn Steakhouse® restaurants located in the San Antonio, Texas area (the "Kerrow Restaurant Operating Business") pursuant to franchise agreements with Darden.

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

During the six months ended June 30, 2020, FCPT acquired 34 properties for a total investment value of $71.5 million, including transaction costs. These properties are 100% occupied under net leases with a weighted average remaining lease term of 6.8 years.

At June 30, 2020, our lease portfolio had the following characteristics:

- 733 properties located in 46 states and representing an aggregate leasable area of 4.8 million square feet;
- 99.6% occupancy (based on leasable square footage);
- An average remaining lease term of 10.5 years (weighted by annualized base rent); and
- An average annual rent escalation of 1.5% through December 31, 2029 (weighted by annualized base rent).

COVID-19

The following discussion is intended to provide stockholders with certain information regarding the impacts of the COVID-19 pandemic on the Company's business and management's efforts to respond to those impacts. As a result of the rapid development, fluidity and uncertainty surrounding this situation, the Company expects that such statistical and other information will change, potentially significantly, going forward and may not be indicative of the actual impact of the COVID-19 pandemic on the Company's business, operations, cash flows and financial condition for the third quarter of 2020 and future periods.

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it will impact our tenants. The impact of the outbreak is rapidly evolving and many areas of the United States, including where we own properties and where our headquarters are located, have instituted quarantines, "shelter in place" and "stay at home" orders, density limitations, social distancing measures, and restrictions on types of business that may continue to operate. Our managed restaurants and certain of our tenants, especially those in industries considered "non-essential" under these varying restrictions, have experienced and continue to experience challenges or even closures as a result of the COVID-19 pandemic, which has had, and we anticipate will continue to have, an impact on our and their financial condition, results of operations, liquidity and creditworthiness. That impact has directly resulted and may continue to result in a reduction in our restaurant revenues, rental income and/or an increase in our property costs and impairments, as well as indirectly result in an increase in our general and administrative expenses, as we have incurred and may continue to incur costs to negotiate lease amendments and grant rent concessions or other lease-related relief as our management team and board deem appropriate on a case-by-case basis based on each tenant's unique financial and reporting situation. Although some state governments and other authorities were in varying stages of lifting or modifying some of these measures, some have already been forced to, and others may in the future, reinstate these measures or impose new, more restrictive measures, if the risks, or the perception of the risks, related to the COVID-19 pandemic worsen at any time. As a result, the COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including industries in which we and our tenants operate and the ultimate consequences to our business remain unknown.

As of July 29, 2020, the Company has received April, May and June rent payments measuring approximately 95%, 90% and 91%, respectively, of its portfolio's contractual base rent for those months which equates to approximately 92% collected for the quarter as a whole. As of July 29, 2020, the Company has agreed to defer approximately 3% of contractual base rent for the second quarter. As of July 29, 2020, the Company has agreed or expects to agree to rent abatements equal to approximately 4% of its contractual base rent for the second quarter.

In addition, as of July 29, 2020, the Company has received July rent payments measuring approximately 99% of its portfolio contractual annual base rent for the month of July 2020.

Although we are and will continue to be actively engaged in rent collection efforts related to uncollected rent for such periods, as well as working with certain tenants who have requested rent deferrals, we can provide no assurance that such efforts or our efforts in future periods will be successful, particularly in the event that the COVID-19 pandemic and restrictions intended to prevent its spread continue for a prolonged period. Due to the uncertainty described above, the impact of the COVID-19 pandemic on our rental revenue for the third quarter of 2020 and thereafter cannot be determined at this time and the comparability of the Company's results of operations for the three and six months ended June 30, 2020 to future periods may be significantly impacted by the effects of the outbreak of the COVID-19 pandemic. The situation surrounding the COVID-19 pandemic remains fluid, and we are actively managing our response in collaboration with tenants, government officials and business partners and assessing potential impacts to our financial position and operating results, as well as potential adverse developments in our business.

Results of Operations

During the three and six months ended June 30, 2020 and 2019, we operated in two segments: real estate operations and restaurant operations. The following discussion includes the results of our operations for the three and six months ended June 30, 2020 and 2019 as summarized in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2020	2019	2020	2019
Revenues:				
Rental revenue	$ 38,034	$ 34,415	$ 75,759	$ 68,623
Restaurant revenue	2,895	5,153	7,599	10,546
Total revenues	40,929	39,568	83,358	79,169
Operating expenses:				
General and administrative	3,719	3,431	7,560	7,377
Depreciation and amortization	7,093	6,518	14,148	12,879
Property expenses	1,066	417	1,701	725
Restaurant expenses	3,310	4,954	7,812	9,937
Total operating expenses	15,188	15,320	31,221	30,918
Interest expense	(7,319)	(6,557)	(14,322)	(13,304)
Other income	162	306	166	719
Income tax expense	(64)	(61)	(125)	(129)
Net income	18,520	17,936	37,856	35,537
Net income attributable to noncontrolling interest	(54)	(68)	(125)	(166)
Net Income Attributable to Common Shareholders	$ 18,466	$ 17,868	$ 37,731	$ 35,371

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Real Estate Operations

Rental Revenue

Rental revenue increased $3.6 million, or 10.5%, during the three months ended June 30, 2020 compared to the three months ended June 30, 2019. This increase was due to the acquisition of 100 leased properties, during the year-over-year period from July 1, 2019 through June 30, 2020. During the three months ended June 30, 2020, we recognized variable lease revenue, including costs paid by the lessor and reimbursed by the lessees within rental revenue of $655 thousand as compared to $166 thousand during the three months ended June 30, 2019. These amounts are also recognized in property expenses.

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. General and administrative expenses increased $288 thousand, or 8.4%, in the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily due to an increase in compensation-related expenses stemming from a higher head count and benefits costs as well as an increase in office rent expense.

Depreciation and Amortization Expense

Depreciation and amortization expense represents the depreciation on real estate investments that have estimated lives ranging from two to fifty-five years. Depreciation and amortization increased by approximately $575 thousand, or 8.8%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, due to the acquisition of 110 properties, during the year-over-year period from July 1, 2019 through June 30, 2020.

Property Expense

We record all tenant expenses, both reimbursed and non-reimbursed, to property expense. We also record initial direct costs (lease negotiation and other previously capitalizable transaction expenses) as property expenses. Other property expenses consist of expenses incurred on vacant properties, abandoned deal costs, and franchise taxes. During the three months ended June 30, 2020, we recorded property expenses of $1.1 million, of which $655 thousand was reimbursed by tenants. During the three months ended June 30, 2019, we recorded property expenses of $417 thousand, of which $166 thousand was reimbursed by tenants. The primary reasons for the $160 thousand increase in non-reimbursed expenses were higher legal costs associated with negotiating lease amendments with tenants impacted by the COVID-19 pandemic, abandoned deal costs, and franchise taxes.

Interest Expense

We incur interest expense on our $400 million of term loans, any outstanding borrowings on our revolving credit facility, interest rate swaps, and our $350 million of senior fixed rate notes. Interest expense increased $0.8 million for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily due to the usage of our revolving credit facility and issuance of $125 million of senior fixed notes in April and June. As of June 30, 2020 we had outstanding borrowings under the revolving credit facility of $4.5 million.

Realized Gain on Sale, Net

The Company did not sell any assets during the three months ended June 30, 2020 or the three months ended June 30, 2019.

Income Taxes

During the three months ended June 30, 2020 and 2019, our income tax expense was $64 thousand and $61 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 decreased by $2.3 million, or 43.8%, during the three months ended June 30, 2020 compared to the three months ended June 30, 2019 primarily due to a the temporary closure and decreased seating capacity of the restaurants as a result of the COVID-19 pandemic and restrictions intended to prevent its spread.

Total restaurant expenses decreased by $1.6 million, or 33.2%, during the three months ended June 30, 2020 compared to the three months ended June 30, 2019, primarily due a decrease in the hours of restaurant employees and cost of good sold as the temporary closure and decreased seating capacity of the restaurants as a result of the COVID-19 pandemic.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Real Estate Operations

Rental Revenue

Rental revenue increased $7.1 million, or 10.4%, during the six months ended June 30, 2020 compared to the six months ended June 30, 2019. This increase was due to the acquisition of 110 leased properties, during the year-over-year period from July 1, 2019 through June 30, 2020. During the six months ended June 30, 2020, we recognized variable lease revenue, including costs paid by the lessor and reimbursed by the lessees within rental revenue of $1.1 million as compared to $364 thousand during the six months ended June 30, 2019. These amounts are also recognized in property expenses.

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. General and administrative expenses increased $183 thousand, or 2.5%, in the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due to an increase in cash compensation-related expenses stemming from a higher head count and benefits costs as well as an increase in office rent expense.

Depreciation and Amortization Expense

Depreciation and amortization expense represents the depreciation on real estate investments that have estimated lives ranging from two to fifty-five years. Depreciation and amortization increased by approximately $1.3 million, or 9.8%, for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, due to the acquisition of 100 properties, during the year-over-year period from July 1, 2019 through June 30, 2020.

Property Expense

We record all tenant expenses, both reimbursed and non-reimbursed, to property expense. We also record initial direct costs (lease negotiation and other previously capitalizable transaction expenses) as property expenses. Other property expenses consist of expenses incurred on vacant properties, abandoned deal costs, and franchise taxes. During the six months ended June 30, 2020, we recorded property expenses of $1.7 million, of which $1.1 million was reimbursed by tenants. During the six months ended June 30, 2019, we recorded property expenses of $725 thousand, of which $364 thousand was reimbursed by tenants. The primary reasons for the $207 thousand increase in non-reimbursed property expenses were higher legal costs associated with negotiating lease amendments with tenants impacted by the COVID-19 pandemic, abandoned deal costs, and franchise taxes.

Interest Expense

We incur interest expense on our $400 million of term loans, any outstanding borrowings on our revolving credit facility, interest rate swaps, and our $350 million of senior fixed rate notes. Interest expense increased $1.0 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due to the usage of our revolving credit facility and issuance of $125 million of senior fixed notes in April and June. As of June 30, 2020 we had outstanding borrowings under the revolving credit facility of $4.5 million.

Realized Gain on Sale, Net

The Company did not sell any assets during the six months ended June 30, 2020 or the six months ended June 30, 2019.

Income Taxes

During the six months ended June 30, 2020 and 2019, our income tax expense was $125 thousand and $129 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 decreased by $2.9 million, or 27.9%, during the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to a the temporary closure and decreased seating capacity of the restaurants as a result of the COVID-19 pandemic and restrictions intended to prevent its spread.

Total restaurant expenses decreased by $2.1 million, or 21.4%, during the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due a decrease in the hours of restaurant employees and cost of good sold as the temporary closure and decreased seating capacity of the restaurants as a result of the COVID-19 pandemic.

Critical Accounting Policies

The preparation of FCPT's consolidated financial statements in conformance with U.S. 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, 2019 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 June 30, 2020, we had $5.1 million of cash and cash equivalents and $245.5 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 7 - 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 June 30, 2020, we had $4.5 million of borrowings outstanding under our revolving credit facility. The credit facility also includes $400 million of non-amortizing term loans, of which $150 million will mature on November 9, 2022, $150 million will mature on November 9, 2023, and $100 million will mature on March 9, 2024. At March 31, 2020, the weighted average interest rate on the term loans, after consideration of the interest rate hedges, was 2.60%.

In March 2019, we entered into a new ATM program, pursuant to which up to $210 million of additional shares of common stock may be offered and sold (1) by us to, or through, a consortium of banks acting as our sales agents or (2) by a consortium of banks acting as forward sellers on behalf of any forward purchasers contemplated thereunder, in each case by means of ordinary brokers' transactions on the NYSE or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices, by privately negotiated transactions (including block sales) or by any other methods permitted by applicable law.

During the first quarter of 2020, the Company executed a forward sale agreement under the ATM program with a financial institution acting as forward purchaser under the ATM program to sell 144,321 shares of common stock at an average forward offering price per share of $30.23. During the six months ended June 30, 2020, the Company physically settled this forward sale agreement and issued 144,321 shares of common stock for net proceeds of $4.3 million. Under the March 2019 ATM program, through March 31, 2020, we have issued 1,807,437 shares and raised $52.6 million before issuance costs. At June 30, 2020, there was $157.4 million available for issuance under our ATM program.

We have entered into interest rate swaps to hedge the interest rate variability associated with our credit facility. On November 9, 2015, we entered into an interest rate swap that has a fixed notional value of $200 million that matures on November 9, 2020, where the fixed rate paid by FCPT OP is 1.557% and the variable rate received resets monthly to the one-month LIBOR rate. On July 12, 2017, we entered into a swap with a fixed notional value of $100 million, an effective date of November 9, 2018, and a maturity date of November 9, 2021, where the fixed rate paid by FCPT OP is 1.960% and the variable rate received resets monthly to the one-month LIBOR rate. On July 12, 2017, we entered into a swap with a fixed notional value of $100 million, an effective date of November 9, 2020, a maturity date of November 9, 2023, where the fixed rate paid by FCPT OP is 2.302% and the variable rate received resets monthly to the one-month LIBOR rate. On August 29, 2017, we entered into a 2-year swap with a fixed notional value of $100 million for its first twelve months and $200 million for its second twelve months with an effective date of November 9, 2020, a maturity date of November 9, 2022 and where the fixed rate paid by FCPT is 2.002% and the variable rate received resets monthly to the one-month LIBOR rate. On June 11, 2019, we entered into a swap with a fixed notional value of $150 million, an effective date of November 9, 2022, and a maturity date of November 9, 2024, where the fixed rate paid by FCPT OP is 1.913% and the variable rate received resets monthly to the one-month LIBOR rate. On June 8, 2020 we entered into an interest rate swap with a fixed notional value of $50 million with an effective date of November 9, 2020 and a maturity date of November 9, 2025, where the fixed rate paid by the Company was 0.5025% and the variable rate received reset monthly to the one-month LIBOR rate. On June 8, 2020 we entered into an interest rate swap with a fixed notional value of $50 million to $150 million with an effective date of November 9, 2023 and a maturity date of November 9, 2025, where the fixed rate paid by the Company was 0.8205% and the variable rate received reset monthly to the one-month LIBOR rate.

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

During the first quarter of 2020, the Company terminated two cash flow hedges in connection with a $125 million private note offering that was entered into on March 31, 2020.The swaps were terminated on March 10, 2020 for approximately a $8.4 million loss which will be amortized over the next 10 years as interest expense.

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

On March 31, 2020, FCPT and FCPT OP entered into private placements pursuant to a note purchase agreement with various purchasers pursuant to which FCPT OP issued $125.0 million of senior unsecured notes comprised of (i) $75.0 million of notes with a ten-year term that funded on April 8, 2020 and mature on April 8, 2030, priced at a fixed interest rate of 3.20%, and (ii) $50.0 million of notes with a nine-year term that funded on June 9, 2020 and mature on June 9, 2029, priced at a fixed interest rate of 3.15%.

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

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 be assured 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.

Impact of COVID-19 on Liquidity and Financial Condition

As a result of the short-term and potential longer term impact of COVID-19 and the actions taken to minimize its spread, we may temporarily reduce the annual rate of our annual cash dividends. We currently intend to continue paying sufficient dividends to maintain our status as a REIT.

Property rental income is our primary source of cash flow and is dependent on a number of factors, including our occupancy level and rental rates, as well as our tenants' ability to pay rent. Our properties have historically provided us with a relatively consistent stream of cash flow that enables us to pay operating expenses, debt service and recurring capital expenditures. As discussed in more detail below, the effects of COVID-19 and the actions taken to minimize its spread have had an adverse impact on our tenants' ability to operate and could impact their ability to pay rent to us and therefore have a significant longer term adverse impact on our cash flow and financial condition. Other sources of liquidity to fund cash requirements include proceeds from financings, equity offerings and asset sales.

The Company continues to monitor the outbreak of COVID-19 and its impact on our overall liquidity position and outlook. The ultimate impact COVID-19 may have on our operational and financial performance over the next 12 months is currently uncertain and will depend on certain developments, including, among others, the impact of COVID-19 on our tenants, on restaurants that we manage and the magnitude and duration of the pandemic, including its impact on social distancing rules which may impact a tenant's ability to generate sales at sufficient levels to cover operating costs. Our ability to retain our outstanding borrowings and utilize remaining amounts available under our revolving credit facility will depend on our continued compliance with the applicable financial covenants and other terms of our credit agreements, which may be impacted by tenant store closures and failure of tenants to pay rent.

Pandemic-Related Contingencies

The ongoing COVID-19 pandemic and restrictions intended to prevent and mitigate its spread could have additional adverse effects on our business, including but not limited to:

- the ability and willingness of our tenants to renew their leases upon expiration, our ability to re-lease the properties on the same or better terms in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations we may incur in connection with the replacement of an existing tenant, particularly in light of the adverse impact to the financial health of many restaurant owners that has occurred and continues to occur as a result of the COVID-19 pandemic and the significant uncertainty as to when and the conditions under which potential tenants will be able to operate in future;
- macroeconomic conditions, such as a disruption of or lack of access to the capital markets and the adverse impact of the recent significant decline in our share price from prices prior to the spread of the COVID-19 pandemic;
- the broader impact of the severe economic contraction due to the COVID-19 pandemic, the resulting increase in unemployment that has occurred and its effect on consumer behavior, and negative consequences that will occur if these trends are not timely reversed; and
- potential reduction in our operating effectiveness as employees work remotely or if key personnel become unavailable due to illness or other personal circumstances related to COVID-19.

The COVID-19 pandemic and restrictions intended to prevent and mitigate its spread have already had a significant adverse impact on economic and market conditions around the world, including the United States and markets where our properties are located, in the first half of 2020 and could further trigger a period of sustained global and U.S. economic downturn or recession. While the rapid developments regarding the COVID-19 pandemic preclude any prediction as to its ultimate adverse impact, the current economic, political and social environment presents material risks and uncertainties with respect to our and our tenants' business, financial condition, results of operations, cash flows, liquidity and ability to access the capital markets and satisfy debt service obligations.

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, 2019, as filed with the SEC.

Off-Balance Sheet Arrangements

At June 30, 2020, 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 six months ended June 30, 2020 and 2019.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except share and per share data)	2020	2019	2020	2019
Net income	$ 18,520	$ 17,936	$ 37,856	$ 35,537
Depreciation and amortization on real estate investments	7,075	6,501	14,112	12,845
FFO (as defined by NAREIT)	$ 25,595	$ 24,437	$ 51,968	$ 48,382
Straight-line rent	(2,109)	(2,234)	(4,270)	(4,593)
Recognized rental revenue expected to be abated (1)	(1,372)	—	(1,372)	—
Stock-based compensation	797	776	1,628	1,989
Non-cash amortization of deferred financing costs	534	514	1,046	1,027
Other non-cash interest (income) expense	(1)	(1)	(2)	(5)
Non-real estate investment depreciation	18	17	35	34
Amortization of above and below market leases	202	12	387	24
Adjusted Funds from Operations (AFFO)	$ 23,664	$ 23,521	$ 49,420	$ 46,858
Fully diluted shares outstanding (2)	70,575,161	68,795,687	70,518,676	68,797,156
FFO per diluted share	$ 0.36	$ 0.36	$ 0.74	$ 0.70
AFFO per diluted share	$ 0.34	$ 0.34	$ 0.70	$ 0.68
Supplemental disclosures on lease receivables (3)				
Base rent subject to deferral per lease amendments (4)	$ 1,056	$ —	$ 1,056	$ —
Base rent expected to be abated (1)	$ 1,372	$ —	$ 1,372	$ —
Remaining uncollected base rent	$ 1,455	$ —	$ 1,455	$ —

(1) Amount represents base rent that the Company believes it will abate as a result of lease amendments. GAAP requires revenue recognition for the abated rent in the current period. For the second quarter of 2020, this amount is recorded in rental revenue and accounts receivable. When an amendment is signed, the accounts receivable balance equal to the abated rental payment will be recognized as a lease incentive and amortized as a reduction to rental revenue over the future lease term.

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

(3) Beginning in the second quarter of 2020, the Company began providing supplemental disclosures due to the COVID-19 pandemic. Base rent represents monthly contractual cash rent, excluding percentage rents and other recurring operating cost reimbursements, from leases.

(4) The Company recognizes rental revenue, including those under deferral agreements, on leases it believes will be collected.

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 U.S. 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 U.S. 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 U.S. 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 and other non-cash revenue adjustments
3. 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, 2019, as supplemented by the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A titled “Risk Factors.” 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, 2019.

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

During the second quarter of 2020, there have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes to the risk factors as disclosed in Part I, Item 1A. "Risk Factors" beginning on page 8 of our Annual Report on Form 10-K for the year ended December 31, 2019, other than as set forth below, which supplements the above referenced risk factors disclosed in our Annual Report on Form 10-K.

Actual or perceived threats associated with epidemics, pandemics or public health crises, including the ongoing COVID-19 pandemic, could have a material adverse effect on our and our tenants' businesses, financial condition, results of operations, cash flow, liquidity and ability to access the capital markets and satisfy debt service obligations and make distributions to our stockholders.

Epidemics, pandemics or other public health crises, including the ongoing COVID-19 pandemic, that impact economic and market conditions, particularly in markets where our properties are located, and preventative measures taken to alleviate any public health crises, including "shelter-in-place" or "stay-at-home" orders, density limitations or social distancing measures issued by local, state or federal authorities, may have a material adverse effect on our and our tenants' businesses, financial condition, results of operations, liquidity and ability to access capital markets and satisfy our debt service obligations, and make distributions to our stockholders, and may affect our ability as a net-lease real estate investment trust to acquire properties or lease properties to our tenants, who may be unable, as a result of any economic downturn occasioned by public health crises, to make rental payments when due. Although some local, state and other authorities were in varying stages of lifting or modifying some of these measures, some have already been forced to, and others may in the future, reinstitute these measures or impose new, more restrictive measures, if the risks, or the perception of the risks, related to the COVID-19 pandemic worsen at any time.

The ongoing COVID-19 pandemic and restrictions intended to prevent its spread has already had a significant adverse impact on economic and market conditions around the world in the first half of 2020, including the United States and markets where our properties are located. Our restaurant tenants, as well as our tenants that operate other retail businesses, depend on in-person interactions with their customers to generate unit-level profitability, and an COVID-19 has decreased and may continue to decrease customers' willingness to frequent, and mandated "shelter-in-place" or "stay-at-home" orders, density limitations and social distancing measures have prevented and may continue to prevent customers from frequenting, our tenants' businesses, which has resulted in decreased profitability for our tenants and may continue to result in our tenants' inability to maintain profitability and make timely rental payments to us under their leases. In connection with the business stoppages at many of our properties, during the second quarter, we have agreed to lease concessions with certain tenants in response to the COVID-19 pandemic and restrictions intended to prevent its spread. Whether we enter into any future lease amendments or grant any additional rent concessions or other lease-related relief will be made by our management team and board, as appropriate, based on each tenant's unique financial and operating situation.

The ongoing COVID-19 pandemic and restrictions intended to prevent its spread could further trigger a period of sustained global and U.S. economic downturn or recession. Moreover, the ongoing COVID-19 pandemic and restrictions intended to prevent its spread could have significant adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to access the capital markets and satisfy our debt service obligations and make distributions to our stockholders in a variety of ways that are difficult to predict. Such adverse impacts could depend on, among other factors:

- the financial condition and viability of tenants and our tenants' ability or willingness to pay rent in full on a timely basis;

- state, local, federal and industry-initiated efforts that may adversely affect landlords, including us, and their ability to collect rent and/or enforce remedies for the failure to pay rent;
- our need to restructure leases with our tenants and our ability to do so on favorable terms or at all;
- our ability to renew leases or re-lease available space in our proprieties on favorable terms or at all in the event of nonrenewal or in the event we exercise our right to replace an existing tenant, and obligations we may incur in connection with the replacement of an existing tenant, including as a result of a general decrease in demand for our restaurant or retail space, deterioration in the economic and market conditions in markets where our properties are located or due to restrictions intended to prevent the spread of COVID-19 that frustrate our leasing activities, particularly in light of the adverse impact to the financial health of many restaurant owners that has occurred and continues to occur as a result of the COVID-19 pandemic and the significant uncertainty as to when and the conditions under which potential tenants will be able to operate in the future;
- a severe and prolonged disruption and instability in the global financial markets, including the debt and equity capital markets, all of which have already experienced and may continue to experience significant volatility, or deteriorations in credit and financing conditions, as well as the recent significant decline in our share price from prices prior to the spread of the COVID-19 pandemic, may affect our or our tenants' ability to access capital necessary to fund our respective business operations or retire, replace or renew maturing liabilities on a timely basis, on attractive terms or at all and may adversely affect the valuation of financial assets and liabilities, any of which could affect our and/or our tenants' ability to meet liquidity and capital expenditure requirements;
- a refusal or failure of one or more lenders under our revolving credit facility to fund their respective financing commitment to us may affect our ability to access capital necessary to fund our business operations and to meet our liquidity and capital expenditure requirements;
- the broader impact of the severe economic contraction due to the COVID-19 pandemic and restrictions intended to prevent its spread, the resulting increase in unemployment that has occurred and its effect on consumer behavior, and negative consequences that will occur if these trends are not timely reversed;
- complete or partial shutdowns of one or more of our tenants' facilities or distribution centers, temporary or long-term disruptions in our tenants' supply chains from local, national and international suppliers or delays in the delivery of products, services or other materials necessary for our tenants' operations, which could force our tenants to reduce, delay or eliminate offerings of their products and services, reduce or eliminate their revenues and liquidity and/or result in their bankruptcy or insolvency;
- our and our tenants' ability to manage our respective businesses to the extent our and their management or personnel (including on-site employees) are impacted in significant numbers by the COVID-19 pandemic and are not willing, available or allowed to conduct work; and
- our and our tenants' ability to ensure business continuity in the event our continuity of operations plan is not effective or improperly implemented or deployed during the COVID-19 pandemic.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic or restrictions intended to prevent its spread. Nevertheless, the ongoing COVID-19 pandemic and restrictions intended to prevent its spread and the current financial, economic and capital markets environment and future developments in these and other areas present material risks and uncertainties with respect to our business, financial condition, results of operations, cash flows, liquidity and ability to access the capital markets and satisfy our debt service obligations and make distributions to our stockholders. Moreover, to the extent any of these risks and uncertainties adversely impact us in the ways described above or otherwise, they may also have the effect of heightening many of the other risks described under the section entitled "Item 1A. Risk Factors" in the Company's most recent annual report on Form 10-K for the year ended December 31, 2019.

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
3.1	Articles of Amendment and Restatement of Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 27, 2015).
3.2	Amended and Restated Bylaws of Four Corners Property Trust, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on October 27, 2015).
31 (a)*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31 (b)*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 (a)*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32 (b)*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from Four Corners Property Trust, Inc.'s Quarterly Report on Form 10-Q for the three months ended June 30, 2020 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statement of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these consolidated financial statements.

* Filed herewith

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:	July 31, 2020	By:	/s/ William H. Lenehan
			William H. Lenehan President and Chief Executive Officer (Principal Executive Officer)
Dated:	July 31, 2020	By:	/s/ Gerald R. Morgan
			Gerald R. Morgan Chief Financial Officer (Principal Financial Officer)
Dated:	July 31, 2020	By:	/s/ Niccole M. Stewart
			Niccole M. Stewart Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT 31(a)

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

I, William H. Lenehan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Four Corners Property Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/ William H. Lenehan

William H. Lenehan
President and Chief Executive Officer

EXHIBIT 31(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, Gerald R. Morgan, certify that:

1. I have reviewed this 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: July 31, 2020

/s/ Gerald R. Morgan

Gerald R. Morgan
Chief Financial Officer

EXHIBIT 32(a)

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Four Corners Property Trust, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "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: July 31, 2020

/s/ William H. Lenehan

William H. Lenehan
President and Chief Executive Officer

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. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “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: July 31, 2020

/s/ Gerald R. Morgan

Gerald R. Morgan

Chief Financial Officer