

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM S-11  
FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933  
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES**

**Essential Properties Realty Trust, Inc.**

(Exact name of registrant as specified in its governing instruments)

47 Hulfish Street, Suite 210  
Princeton, New Jersey 08542  
(609) 436-0619

(Address, including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Peter M. Mavoides  
President and Chief Executive Officer  
47 Hulfish Street, Suite 210  
Princeton, New Jersey 08542  
(609) 306-8676

(Name, Address, including Zip Code and Telephone Number, Including Area Code, of Agent for Service)

**Copies to:**

J. Gerard Cummins, Esq.  
Bartholomew A. Sheehan, Esq.  
Sidley Austin LLP  
787 Seventh Avenue  
New York, New York 10019  
(212) 839-5599

Julian T.H. Kleindorfer, Esq.  
Lewis W. Kneib, Esq.  
Latham & Watkins LLP  
885 Third Avenue  
New York, New York 10022  
(212) 906-1200

**Approximate date of commencement of proposed sale to the public:  
As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

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. (check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐  
(Do not check if a 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 7(a)(2)(B) of the Securities Act ☒

Title of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(1)(2)
Common Stock, \$0.01 par value per share	\$100,000,000	\$12,450

(1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended. Includes additional common shares of beneficial interest that the underwriters have the option to purchase.

(2) Includes the offering price of the common shares of beneficial interest that may be purchased by the underwriters pursuant to their option to purchase additional shares.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated May 25, 2018

Shares



Common Stock

Essential Properties Realty Trust, Inc.

Essential Properties Realty Trust, Inc., a Maryland corporation, is an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses.

We are offering \_\_\_\_\_ shares of our common stock. All of the shares of common stock offered by this prospectus are being sold by us. This is our initial public offering, and no public market currently exists for our common stock. We expect the initial public offering price of our common stock to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share.

We have applied to have our common stock listed on the New York Stock Exchange under the symbol "EPRT."

We intend to elect to qualify as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ending December 31, 2018. To assist us in complying with certain federal income tax requirements applicable to REITs, among other reasons, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 7.5% in value or in number of shares, whichever is more restrictive, of our outstanding common stock, except for certain designated investment entities that may own up to 9.8% of our outstanding common stock, subject to certain conditions. See "Description of Our Capital Stock—Restrictions on Ownership and Transfer" for a detailed description of the ownership and transfer restrictions applicable to our common stock.

We are an "emerging growth company" under the federal securities laws and, as such, have elected to comply with certain reduced disclosure requirements in this prospectus and in future filings that we make with the Securities and Exchange Commission. See "Prospectus Summary—Emerging Growth Company Status."

In connection with the completion of this offering, Eldridge Industries, LLC, which has historically been our principal equity provider, will invest \$ \_\_\_\_\_ million in a private placement of shares of common stock and, if such investment would represent more than 19.0% of our outstanding shares of common stock, in private placements of shares of common stock and units in our operating partnership, at a price per share and per share and unit, if applicable, equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discounts).

Investing in our common stock involves risks. See "[Risk Factors](#)" beginning on page 32 for factors you should consider before investing in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discounts(1)	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____

(1) We refer you to "Underwriting" beginning on page 245 of this prospectus for additional information regarding underwriting compensation.

To the extent that the underwriters sell more than \_\_\_\_\_ shares of common stock, the underwriters have the option, exercisable within 30 days from the date of this prospectus, to purchase up to an additional \_\_\_\_\_ shares from us at the initial public offering price less the underwriting discounts and commissions. The underwriters expect to deliver the shares of common stock to purchasers on or about \_\_\_\_\_, 2018.

Goldman Sachs & Co. LLC Citigroup Barclays

Prospectus dated \_\_\_\_\_, 2018



# ESSENTIAL PROPERTIES



**Investment Strategy**  
Direct sale-leaseback  
with middle market tenants



**Property Type**  
Freestanding, single-tenant  
commercial properties



**Lease Type**  
Primarily triple-net leases

**15+**

**Lease Term**  
Primarily leases with 15  
years or more with rent  
escalations

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You should rely only on the information contained in this prospectus or in any free writing prospectus prepared by us. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

We use market data and industry forecasts and projections throughout this prospectus and, in particular, in the sections entitled "Prospectus Summary," "Market Opportunity" and "Business and Properties." We have obtained substantially all of this information from a market study prepared for us in connection with this offering by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm. Such information is included in this prospectus in reliance on RCG's authority as an expert on such matters. Any forecasts prepared by RCG are based on data (including third party data), models and experience of various professionals and are based on various assumptions, all of which are subject to change without notice. See "Experts." In addition, we have obtained certain

market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We have not independently verified this information.

#### **Certain Terms Used in This Prospectus**

Unless the context otherwise requires, the following terms and phrases are used throughout this prospectus as described below:

- "annualized base rent" means annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date and \$45,000 of interest on a mortgage loan receivable with a principal amount of \$0.6 million made to a tenant to finance construction of a property on land leased from us with a maturity that corresponds to the expiration of the tenant's lease with us;
- "concurrent Eldridge private placement" means Eldridge's investment of \$        million in shares of common stock and, if such investment would represent more than 19.0% of our outstanding shares of common stock, in shares of common stock and OP units, at a price per share and per share and unit, if applicable, equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discounts) that will close concurrently with the completion of this offering (see "Pricing Sensitivity Analysis");
- "CPI" means the consumer price index for all urban consumers (CPI-U): U.S. city average, all items, which is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services;
- "Eldridge" means Eldridge Industries, LLC, a private investment firm specializing in providing both equity and debt capital that has historically provided a substantial portion of our equity funding and will have an ownership interest in our company of approximately    % on a fully diluted basis (based on the mid-point of the price range set forth on the front cover of this prospectus), and its affiliates;
- "fully diluted basis" means information is presented assuming all outstanding OP units have been exchanged for shares of common stock on a one-for-one basis and all equity awards to be issued to our management and members of our board of directors in connection with this offering are outstanding (this definition is not the same as the meaning of "fully diluted" under GAAP);
- "GAAP" means generally accepted accounting principles as promulgated by the Financial Accounting Standards Board in the United States of America;
- "NYSE" means the New York Stock Exchange;
- "occupancy" or a specified percentage of our portfolio that is "occupied" means the quotient of (1) the total number of our properties minus the number of our properties that are vacant and from which we are not receiving any rental payment, and (2) the total number of our properties as of a specified date;
- "OP units" means units of limited partnership interest in the operating partnership, which are redeemable for cash or, at our election, shares of our common stock on a one-for-one basis, beginning one year after the issuance of such units;
- "operating partnership" means Essential Properties, L.P., a Delaware limited partnership, through which we will hold substantially all of our assets and conduct our operations;

- “pro forma basis” means information is presented assuming the completion of this offering, the concurrent Eldridge private placement, the formation transactions and the other adjustments described in the unaudited pro forma consolidated financial statements included elsewhere in this prospectus had occurred on March 31, 2018 for purposes of the unaudited pro forma consolidated balance sheet data and on January 1, 2017 for purposes of the unaudited pro forma consolidated statements of operations data.
- “property-level expenses” mean all maintenance, insurance, utility and tax expense related to a property;
- “rent coverage ratio” means the ratio of tenant-reported or, when unavailable, management’s estimate, based on tenant-reported financial information, of annual earnings before interest, taxes, depreciation, amortization and cash rent attributable to the leased property (or properties, in the case of a master lease) to the annualized base rental obligation as of a specified date;
- “revolving credit facility” means the \$300 million unsecured revolving credit facility we expect to enter into upon completion of this offering; and
- “we,” “our,” “us” and “our company” mean Essential Properties Realty Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries, including our operating partnership.

## PROSPECTUS SUMMARY

*The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled "Risk Factors," as well as the financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Unless otherwise indicated, the information contained in this prospectus assumes (1) that the underwriters' option to purchase additional shares is not exercised and (2) that the common stock to be sold in this offering is sold at \$ \_\_\_\_\_ per share, which is the mid-point of the price range set forth on the front cover of this prospectus. While the amount of Eldridge's aggregate investment in the concurrent Eldridge private placement will not change, the aggregate number of, and allocation of this amount between, shares of our common stock and OP units, if any, will vary depending on the actual initial public offering price of shares of common stock in this offering as described herein. See "Pricing Sensitivity Analysis."*

### Essential Properties Realty Trust, Inc.

#### Our Company

We are an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. We have assembled a diversified portfolio using an investment strategy that focuses on properties leased to tenants in businesses such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education and health and fitness. We believe that properties leased to tenants in these businesses are essential to the generation of the tenants' sales and profits and that these businesses exhibit favorable growth characteristics and are generally insulated from e-commerce pressure. As of March 31, 2018, 87.6% of our \$75.7 million of annualized base rent was attributable to properties operated by tenants in service-oriented and experience-based businesses.

Our objective is to maximize stockholder value by generating attractive risk-adjusted returns through owning, managing and growing a diversified portfolio of commercially desirable properties. We have grown strategically since commencing investment activities in June 2016. As of March 31, 2018, we had a portfolio of 530 properties (including two undeveloped land parcels and two properties under development) built on the following core attributes:

**Diversified Portfolio.** Our portfolio was 99.1% occupied by 127 tenants operating 112 different brands, or concepts, in 15 industries across 42 states, with none of our tenants contributing more than 6.8% of our annualized base rent.

**Sector Leading Remaining Lease Term.** Our leases had a weighted average remaining lease term of 13.8 years (based on annualized base rent), with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023.

**Significant Use of Master Leases.** 64.8% of our annualized base rent was attributable to master leases.

**Healthy Rent Coverage Ratio and Extensive Tenant Financial Reporting.** Our portfolio's weighted average rent coverage ratio was 2.9x and 97.4% of our leases (based on annualized base rent) obligate the tenant to periodically provide us with specified unit-level financial reporting.

**Contractual Base Rent Escalation.** 95.4% of our leases (based on annualized base rent) provided for increases in future base rent at a weighted average rate of 1.5% per year.

**Differentiated Investment Approach.** Our average investment per property was \$1.9 million (which equals our aggregate investment in our properties (including transaction costs, lease incentives and amounts funded for construction in progress) divided by the number of properties owned at March 31, 2018), and we believe investments of similar size allow us to grow our portfolio without concentrating a large amount of capital in individual properties and limit our exposure to events that may adversely affect a particular property.

We intend to continue our disciplined growth strategy, which emphasizes investing in commercially desirable properties with strong unit-level performance and rent coverage, by originating new sale-leaseback transactions and leveraging our tenant relationships to source investment opportunities. During the year ended December 31, 2017, we purchased 212 properties, in 62 separate transactions, with an aggregate purchase price of \$534.3 million for an average quarterly investment volume of \$133.6 million. During the three months ended March 31, 2018, we purchased 28 properties, in 16 separate transactions, with an aggregate purchase price of \$64.1 million. As of March 31, 2018, on a pro forma basis, we had approximately \$ of cash and cash equivalents on hand (based on the mid-point of the price range set forth on the front cover of this prospectus) and believe that our capitalization and access to our expected \$300 million unsecured revolving credit facility will allow us to significantly grow our portfolio.

#### ***Our History***

We commenced investment activities on June 16, 2016 when we acquired a portfolio of 262 net leased properties, consisting primarily of restaurants, that were being sold as part of the liquidation of General Electric Capital Corporation for an aggregate purchase price of \$279.8 million (including transaction costs), which we refer to as our GE Seed Portfolio. Subsequent to this investment, we have grown through our focused investment strategy, and as of March 31, 2018, we had a portfolio of 530 properties with annualized base rent of \$75.7 million.

Our senior management team is comprised of executives with significant net lease, real estate and capital markets experience. Peter M. Mavoides, our President and Chief Executive Officer, has been active in the single-tenant, net lease industry for approximately 20 years, and Gregg A. Seibert, our Executive Vice President and Chief Operating Officer, has been active in the industry for approximately 23 years. Messrs. Mavoides and Seibert have worked together on net lease real estate transactions in various capacities for approximately ten years. Under their leadership, we have rapidly developed and implemented our investment sourcing, underwriting, closing and asset management functions. We have also accumulated a substantial portfolio and maintain a large investment pipeline.

#### ***Our Competitive Strengths***

We believe the following competitive strengths distinguish us from our competitors and will allow us to compete effectively in the single-tenant, net-lease market:

- **Carefully Constructed Portfolio of Recently Acquired Properties Leased to Service-Oriented or Experience-Based Tenants .** We have strategically constructed a portfolio that is diversified by tenant, industry and geography and generally avoids exposure to businesses that we believe are subject to pressure from e-commerce. Our properties are subject to newer, long-term net leases that we believe provide us a stable base of revenue from which to grow our portfolio. As of March 31, 2018, we had a portfolio of 530 properties, with annualized base



rent of \$75.7 million, which was selected by our management team in accordance with our focused investment strategy. Our portfolio is diversified with 127 tenants operating 112 different concepts across 42 states and 15 industries. None of our tenants contributed more than 6.8% of our annualized base rent as of March 31, 2018, and our strategy targets a scaled portfolio that, over time, derives no more than 5% of its annualized base rent from any single tenant or more than 1% from any single property.

We focus on investing in properties leased to tenants operating in service-oriented or experience-based businesses, such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education and health and fitness, which we believe are generally insulated from e-commerce pressure. As of March 31, 2018, 87.6% of our annualized base rent was attributable to tenants operating service-oriented and experience-based businesses. We believe many of our tenants operate businesses that are performing more favorably than other types of businesses that often occupy net leased real estate, such as “big box” retailers, specialty apparel retailers and sporting goods outlets.

We believe that our portfolio’s diversity and recent underwriting decreases the impact on us of an adverse event affecting a specific tenant, industry or region, and our focus on leasing to tenants in industries that we believe are well-positioned to withstand competition from e-commerce increases the stability of our rental revenue.

- **Experienced and Proven Net Lease Management Team** . Our senior management has significant experience in the net lease industry, a track record of growing net lease businesses to significant scale and was directly responsible for sourcing, financing and acquiring each of the properties in our portfolio. Our President and Chief Executive Officer, Peter M. Mavoides, has been active in the single-tenant, net lease industry for approximately 20 years. During his career, Mr. Mavoides has overseen the acquisition of net leased properties with an aggregate purchase price of \$4 billion and has successfully grown net lease businesses to significant scale. Prior to establishing our company, Mr. Mavoides was the President and Chief Operating Officer of Spirit Realty Capital, Inc., or Spirit, an NYSE-listed REIT that invests primarily in single-tenant, net leased real estate, from September 2011 through February 2015. During his tenure at Spirit, Mr. Mavoides was instrumental in transforming the company from a private enterprise, with \$3.2 billion of total assets and 37 employees at the time of its September 2012 initial public offering, to a public company with \$8.0 billion of total assets and over 70 employees at the time of his departure in February 2015. While at Spirit, Mr. Mavoides chaired the company’s investment committee and led the team that acquired over 150 separate investments, with an aggregate purchase price of nearly \$2.0 billion and an average investment per property of \$2.6 million over a period of approximately three years. In addition to his substantial experience in originating, negotiating and closing sale-leaseback transactions, Mr. Mavoides has experience in large-scale strategic transactions and was a member of Spirit’s senior management team when it merged with Cole Credit Property Trust II in 2013.

Our Executive Vice President and Chief Operating Officer, Gregg A. Seibert, has been active in the single-tenant, net lease industry for approximately 23 years, including over 21 years with leadership responsibilities in credit, acquisitions and portfolio management in the net lease industry. From September 2003 through May 2016, Mr. Seibert was employed by Spirit, where he was the company’s Executive Vice President and Chief Investment Officer at the time of his departure. While at Spirit, Mr. Seibert was a member of the company’s investment committee and its executive management team, and he was instrumental in establishing and implementing that company’s business strategy, including investment sourcing, tenant underwriting, asset management and capital markets activities.

Messrs. Mavoides and Seibert have continued and refined an investment strategy that they jointly pursued at Spirit from 2011 to 2015 and have been primarily responsible for developing and implementing our investment sourcing, underwriting, closing and asset management functions, which we believe can support significant investment growth without a proportionate increase in our operating expenses. As of March 31, 2018, exclusive of our GE Seed Portfolio, 80.6% of our portfolio's annualized base rent was attributable to internally originated sale-leaseback transactions and 91.8% was acquired from parties who had previously engaged in one or more transactions that involved a member of our senior management team (including operators and tenants and other participants in the net lease industry, such as brokers, intermediaries and financing sources). The substantial experience, knowledge and relationships of our senior leadership team provide us with an extensive network of contacts that we believe allows us to originate attractive investment opportunities and effectively grow our business.

- **Growth Oriented Balance Sheet Supporting Scalable Infrastructure** . As of March 31, 2018, on a pro forma basis, we had \$ million of total debt outstanding, with a weighted average annual interest rate of % and a weighted average maturity of 20 , and net debt of \$ million. For the year ended December 31, 2017, our pro forma net income was \$ million, our pro forma earnings before interest, taxes, depreciation and amortization for real estate, or EBITDAre, was \$ million and our pro forma ratio of net debt to EBITDAre was x. For the three months ended March 31, 2018, our pro forma net income was \$ million, our pro forma EBITDAre was \$ million and our pro forma ratio of net debt to annualized EBITDAre was x. In addition, upon completion of this offering, we expect to have an undrawn \$300 million unsecured revolving credit facility with a four year term that will be available for general corporate purposes, including for funding future acquisitions. We will also have unencumbered properties that contributed \$ million of annualized base rent as of March 31, 2018. We will seek to manage our balance sheet so that we have access to multiple sources of debt capital in the future, such as term borrowings from insurance companies, banks and other sources, single-asset mortgage financing and CMBS borrowings, that may offer us the opportunity to lower our cost of funding and further diversify our sources of debt capital.

Our largest borrowing source is our private conduit program, or our Master Trust Funding Program, under which we may, subject to applicable covenants, issue multiple series and classes of notes from time to time to institutional investors in the asset-backed securities market. As of March 31, 2018, on a pro forma basis, we had Class A Notes and Class B Notes outstanding under our Master Trust Funding Program with an aggregate outstanding principal balance of \$ million. These notes are secured by a pool of 348 properties and the related leases as of March 31, 2018, however, we have the ability to pre-pay these notes without the payment of a make-whole amount after November 2021, giving us flexibility to unencumber the pledged assets, should we choose to do so as part of a strategy to seek an investment grade credit rating in the future or for other reasons.

Our net debt, our EBITDAre and our ratio of net debt to EBITDAre referenced above are non-GAAP financial measures. For definitions of net debt and EBITDAre, reconciliations of these metrics to total debt and net income, respectively, the most directly comparable GAAP financial measures, and a statement of why our management believes the presentation of these metrics provides useful information to investors and any additional purposes for which management uses these metrics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

- **Differentiated Investment Strategy** . We seek to acquire and lease freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities that are essential to the generation of its sales and profits. We primarily seek to invest

in properties leased to unrated middle-market companies that we determine have attractive credit characteristics and stable operating histories. We believe middle-market companies are underserved from a capital perspective and that we can offer them attractive real estate financing solutions and enter into lease agreements that provide us with attractive risk-adjusted returns. Furthermore, many net lease transactions with middle-market companies involve properties that are individually relatively small, which allows us to avoid concentrating a large amount of capital in individual properties. We maintain close relationships with our tenants, which we believe allows us to source additional investments and become the capital provider of choice as our tenants' businesses grow and their real estate needs increase.

- **Asset Base Allows for Significant Growth** . Building on our senior leadership team's experience of more than 20 years in net lease real estate investing, we have developed leading origination, underwriting, financing, documentation and property management capabilities. Our platform is scalable, and we will seek to leverage these capabilities to improve our efficiency and processes to seek attractive risk-adjusted growth. While we expect that our general and administrative expenses will continue to rise in some measure as our portfolio grows, we expect that such expenses as a percentage of our portfolio will decrease over time due to efficiencies and economies of scale. We have grown substantially since we commenced investment activities on June 16, 2016 when we acquired our GE Seed Portfolio for \$279.8 million (including transaction costs). During the three months ended March 31, June 30, September 30 and December 31 of 2017, we purchased properties with aggregate purchase prices of \$143.8 million, \$91.5 million, \$138.7 million and \$160.4 million, respectively. During the three months ended March 31, 2018, we purchased properties with an aggregate purchase price of \$64.1 million, and at March 31, 2018, we owned 530 properties, with annualized base rent of \$75.7 million. With our smaller asset base relative to other institutional investors that focus on acquiring net leased real estate, superior growth can be achieved through manageable acquisition volume. Additionally, as of March 31, 2018, our average investment per property was \$1.9 million (which equals our aggregate investment in our properties (including transaction costs, lease incentives and amounts funded for construction in progress) divided by the number of properties owned at March 31, 2018), which we believe will allow us to grow our portfolio without concentrating a large amount of capital in individual properties and reduce our exposure to events that may adversely affect a particular property.
- **Disciplined Underwriting Leading to Strong Portfolio Characteristics** . We generally seek to execute transactions with an aggregate purchase price of \$3 million to \$50 million. Our size allows us to focus on investing in a segment of the market that we believe is underserved from a capital perspective and where we can originate or acquire relatively smaller assets on attractive terms that provide meaningful growth to our portfolio. In addition, we seek to invest in commercially desirable properties that are suitable for use by different tenants, offer attractive risk-adjusted returns and possess characteristics that reduce our real estate investment risks. As of March 31, 2018:
  - Our leases had a weighted average remaining lease term (based on annualized base rent) of 13.8 years, with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023;
  - Master leases contributed 64.8% of our annualized base rent;
  - Our portfolio's weighted average rent coverage ratio was 2.9x, with leases contributing 75.3% of our annualized base rent having rent coverage ratios in excess of 2.0x (excluding leases that do not report unit-level financial information);
  - Our portfolio was 99.1% occupied;

- Leases contributing 95.4% of our annualized base rent provided for increases in future annual base rent, ranging from 1.0% to 4.0% annually, with a weighted average annual escalation equal to 1.5% of base rent; and
- Leases contributing 93.8% of annualized base rent were triple-net.
- **Extensive Tenant Financial Reporting Supports Active Asset Management** . We seek to enter into lease agreements that obligate our tenants to periodically provide us with corporate and/or unit-level financial reporting, which we believe enhances our ability to actively monitor our investments, negotiate through lease renewals and proactively manage our portfolio to protect stockholder value. As of March 31, 2018, leases contributing 97.4% of our annualized base rent required tenants to provide us with specified unit-level financial information.

#### ***Our Business and Growth Strategies***

Our objective is to maximize stockholder value by generating attractive risk-adjusted returns through owning, managing and growing a diversified portfolio of commercially desirable properties. We intend to pursue our objective through the following business and growth strategies.

- **Structure and Manage Our Diverse Portfolio With Disciplined Underwriting and Risk Management** . We seek to maintain the stability of our rental revenue and maximize the long-term return on our investments while continuing our growth by using our disciplined underwriting and risk management expertise. When underwriting assets, we emphasize commercially desirable properties, with strong operating performance, healthy rent coverage ratios and tenants with attractive credit characteristics.

**Leasing.** In general, we seek to enter into leases with (i) relatively long terms (typically with initial terms of 15 years or more and tenant renewal options); (ii) attractive rent escalation provisions; (iii) healthy rent coverage ratios; and (iv) tenant obligations to periodically provide us with financial information, which provides us with information about the operating performance of the leased property and/or tenant and allows us to actively monitor the security of payments under the lease on an ongoing basis. We strongly prefer to use master lease structures, pursuant to which we lease multiple properties to a single tenant on a unitary (i.e., "all or none") basis. In addition, in the context of our sale-leaseback investments, we generally seek to establish contract rents that are at prevailing market rents, which we believe enhances tenant retention and reduces our releasing risk in the event that a lease is rejected in a bankruptcy proceeding or expires.

**Diversification.** We monitor and manage the diversification of our portfolio in order to reduce the risks associated with adverse developments affecting a particular tenant, property, industry or region. Our strategy targets a scaled portfolio that, over time, will (1) derive no more than 5% of its annualized base from any single tenant or more than 1% of its annualized base rent from any single property, (2) be primarily leased to tenants operating in service-oriented or experience-based businesses and (3) avoid significant geographic concentration. While we consider these criteria when making investments, we may be opportunistic in managing our business and make investments that do not meet one or more of these criteria if we believe the opportunity presents an attractive risk-adjusted return. As of March 31, 2018, Captain D's (Captain D's, LLC), our largest tenant, contributed 6.8% of our annualized base rent. As of that date, no other tenant contributed more than 5.8% of our annualized base rent, and no single property contributed more than 1.7% of our annualized base rent.

**Asset Management.** We are an active asset manager and regularly review each of our properties for changes in the business performance at the property, credit of the tenant and

local real estate market conditions. Among other things, we use Moody's Analytics RiskCalc, which is a model for predicting private company defaults based on Moody's Analytics Credit Research Database, to proactively detect credit deterioration. Additionally, we monitor market rents relative to in-place rents and the amount of tenant capital expenditures in order to refine our tenant retention and alternative use assumptions. Our management team utilizes our internal credit diligence to monitor the credit profile of each of our tenants on an ongoing basis. We believe that this proactive approach enables us to identify and address issues expeditiously and to determine whether there are properties in our portfolio that are appropriate for disposition.

- **Focus on Relationship-Based Sourcing to Grow Our Portfolio by Originating Sale-Leaseback Transactions** . We plan to continue our disciplined growth by originating sale-leaseback transactions and opportunistically making acquisitions of properties subject to net leases that contribute to our portfolio's tenant, industry and geographic diversification. Since we commenced investment activities in June 2016, our senior management team has sourced, underwritten, negotiated and structured 94 investment transactions that have closed. As of March 31, 2018, exclusive of our GE Seed Portfolio, 80.6% of our portfolio's annualized base rent was attributable to internally originated sale-leaseback transactions and 91.8% was acquired from parties who had previously engaged in transactions that involved a member of our senior management team (including operators and tenants and other participants in the net lease industry, such as brokers, intermediaries and financing sources). In addition, we seek to leverage our relationships with our tenants to facilitate investment opportunities, including selectively agreeing to reimburse certain of our tenants for development costs at our properties in exchange for contractually specified rent that generally increases proportionally with our funding. As of March 31, 2018, exclusive of our GE Seed Portfolio, approximately 53% of our investments were sourced from operators and tenants who had previously consummated a transaction involving a member of our management team and approximately 39% were sourced from participants in the net lease industry, such as brokers, intermediaries or financing sources, who had previously been involved with a transaction involving a member of our management team. We believe our senior management team's reputation, in-depth market knowledge and extensive network of long-standing relationships in the net lease industry provides us access to an ongoing pipeline of attractive investment opportunities.
- **Focus on Middle-Market Companies in Service-Oriented or Experience-Based Businesses** . We primarily focus on investing in properties that we lease on a long-term, triple-net basis to unrated middle-market companies that we determine have attractive credit characteristics and stable operating histories. We generally define middle-market companies as regional and national operators with between 10 and 250 locations and \$20 million to \$500 million in annual revenue. Properties leased to middle-market companies may offer us the opportunity to achieve superior risk-adjusted returns, as a result of our intensive credit and real estate analysis, lease structuring and portfolio construction. We believe our capital solutions are attractive to middle-market companies due to their more limited financing options, as compared to larger, rated organizations, and, in many cases, smaller transactions with middle-market companies will allow us to maintain and grow our portfolio's diversification. Middle-market companies are often willing to enter into leases with structures and terms that we consider attractive (such as master leases and leases that require ongoing tenant financial reporting) and believe contribute to the stability of our rental revenue.

In addition, we emphasize investment in properties leased to tenants engaged in service-oriented or experience-based businesses, such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience

stores, entertainment, early childhood education, and health and fitness, as we believe these businesses are generally insulated from e-commerce pressure.

- **Internal Growth Through Long-Term Triple-Net Leases That Provide For Periodic Rent Escalations** . We seek to enter into long-term (typically with initial terms of 15 years or more and tenant renewal options), triple-net leases that provide for periodic contractual rent escalations. As of March 31, 2018, our leases had a weighted average remaining lease term of 13.8 years (based on annualized base rent), with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023, and 95.4% of our leases (based on annualized base rent) provided for increases in future base rent at a weighted average of 1.5% per year. Additionally, our conservative underwriting and active asset management, which we believe reduces default losses and increases renewal probabilities, is intended to enhance the stability of our rental revenue.
- **Actively Manage Our Balance Sheet to Maximize Capital Efficiency** . We seek to maintain a prudent balance between debt and equity financing and to maintain funding sources that lock in long-term investment spreads and limit interest rate sensitivity. We target a level of net debt that, over time, is generally less than six times our EBITDAre. As of March 31, 2018, on a pro forma basis, we had \$                      million of total debt outstanding and net debt of \$                      million. Our pro forma net income for the year ended December 31, 2017 was \$                      million, our pro forma EBITDAre was \$                      million and our pro forma ratio of net debt to EBITDAre was                      x. Our pro forma net income for the three months ended March 31, 2018 was \$                      million, our pro forma EBITDAre was \$                      million and our pro forma ratio of net debt to annualized EBITDAre was                      x. We anticipate having access to multiple sources of debt capital, including the investment grade-rated, asset-backed bond market, through our Master Trust Funding Program, and bank debt, through an undrawn unsecured revolving credit facility that we expect to have upon completion of this offering.

Our net debt, our EBITDAre and our ratio of net debt to EBITDAre referenced above are non-GAAP financial measures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

#### **Our Real Estate Investment Portfolio**

As of March 31, 2018, we had a portfolio of 530 properties that was diversified by tenant, industry and geography and had annualized base rent of \$75.7 million. Our 127 tenants operate 112 different concepts in 15 industries across 42 states. None of our tenants represented more than 6.8% of our portfolio at March 31, 2018, and our top ten largest tenants represented less than 41.8% of our annualized base rent as of that date.

As of March 31, 2018 our top ten tenants included ten different concepts: Captain D's, Art Van Furniture, Mister Car Wash, Zips Car Wash, AMC Theaters, Perkins, 84 Lumber, Mirabito, Ruby Tuesday and White Oak Station. Set forth below is information with respect to each concept of our top ten tenants.

**Captain D's** (Captain D's, LLC). Founded in 1969 and headquartered in Nashville, Tennessee, Captain D's owns, operates and franchises approximately 520 restaurants in 20 states, including 76 operated and two franchised properties leased from us. Captain D's was acquired in December 2017 by Sentinel Capital Partners, a private equity investment firm.

**Art Van Furniture** (AVF Parent, LLC). Founded in 1959 and headquartered in Warren, Michigan, Art Van Furniture is the largest independent furniture retailer in the United States and a leading furniture and mattress retailer in the Midwest. The company operates approximately 100 stores

throughout Michigan, Illinois, Iowa, Ohio and Indiana, including five properties leased from us. Art Van Furniture is owned by affiliates of Thomas H. Lee Partners, a private equity investment firm, that purchased the business in 2017.

**Mister Car Wash** (Car Wash Partners, Inc.). Headquartered in Tucson, Arizona, Mister Car Wash operates over 240 car washes and over 30 express lube centers in 21 states, including 13 properties leased from us. Mister Car Wash is the largest car wash operator in the United States. Mister Car Wash is owned by affiliates of Leonard Green & Partners, a private equity investment firm.

**Zips Car Wash** (Zips Car Wash, LLC). Zips Car Wash, based in Jonesboro, Arkansas, was founded in 2004 with two locations in Arkansas. The company currently operates 94 express tunnel wash locations, including 16 properties leased from us, in 11 states, primarily in the southeastern United States.

**AMC Theaters** (AMC Entertainment Holdings, Inc.). Founded in 1920, AMC Theaters is the largest movie exhibition company in the United States. AMC Theaters operates approximately 1,000 theaters, including four properties leased from us, and 11,000 screens worldwide, and employs approximately 45,000 full and part-time employees. The company serves more than 250 million guests in the United States each year and more than 350 million across the globe. Wanda Group, a multinational conglomerate based in Beijing, is the controlling stockholder of AMC Theaters.

**Perkins** (Perkins & Marie Callender's, LLC). Founded in 1958 and headquartered in Memphis, Tennessee, Perkins operates approximately 400 restaurants in 33 states and five Canadian provinces, including 14 properties in the United States leased from us. Perkins is majority owned by affiliates of Wayzata Investment Partners LLC, a private equity investment firm.

**84 Lumber** (Magerko Real Estate, LLC). Founded in 1956 and headquartered in Eighty Four, Pennsylvania, 84 Lumber is a building materials supply company that owns and operates over 250 stores in 30 states, including 19 properties leased from us. The company employs approximately 4,900 people.

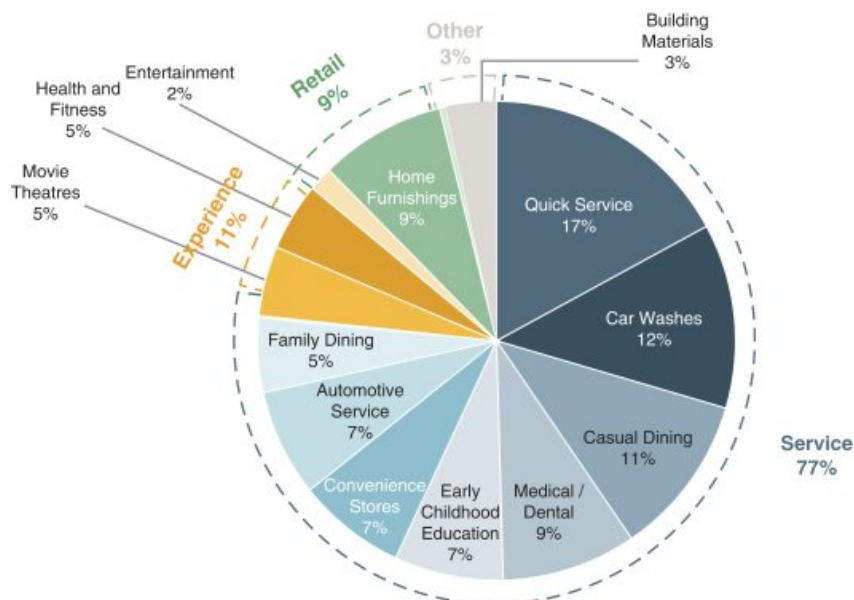
**Mirabito** (Mirabito Holdings, Inc.). Mirabito is a private, family-owned company based in Binghamton, New York that, through its predecessors, was founded in 1927. Mirabito owns and operates approximately 75 convenience stores under the Mirabito, Quickway Food Stores, Convenience Express and Manley's Mighty-Mart brands throughout central New York, including 20 properties leased from us.

**Ruby Tuesday** (Ruby Tuesday, Inc.). The Ruby Tuesday concept has focused on casual American dining since its founding in 1972. There are currently over 500 company-owned and franchised Ruby Tuesday locations throughout the United States and around the world, including 17 properties leased from us. Ruby Tuesday was acquired by NRD Capital, an Atlanta-based private equity firm, in December 2017.

**White Oak Station** (White Oak Station LLC). Founded in 1983 and headquartered in Harrison, Arkansas, White Oak Station owns and operates convenience stores. White Oak Station owns or manages 82 convenience stores and gas stations primarily in the Ozark Mountain region and in Florida, Texas and Iowa, including 20 properties leased from us.

As of March 31, 2018, 93.8% of our leases (based on annualized base rent) were triple-net, and the tenant is typically responsible for all improvements and is contractually obligated to pay all operating expenses, such as maintenance, insurance, utility and tax expense, related to the leased property. Due to the triple-net structure of our leases, we do not expect to incur significant capital expenditures relating to our triple-net leased properties, and the potential impact of inflation on our operating expenses is reduced.

The following chart illustrates the percentage of our annualized base rent as of March 31, 2018 attributable to various industries. 87.6% of annualized base rent as of March 31, 2018 related to service-oriented and experience-based businesses.



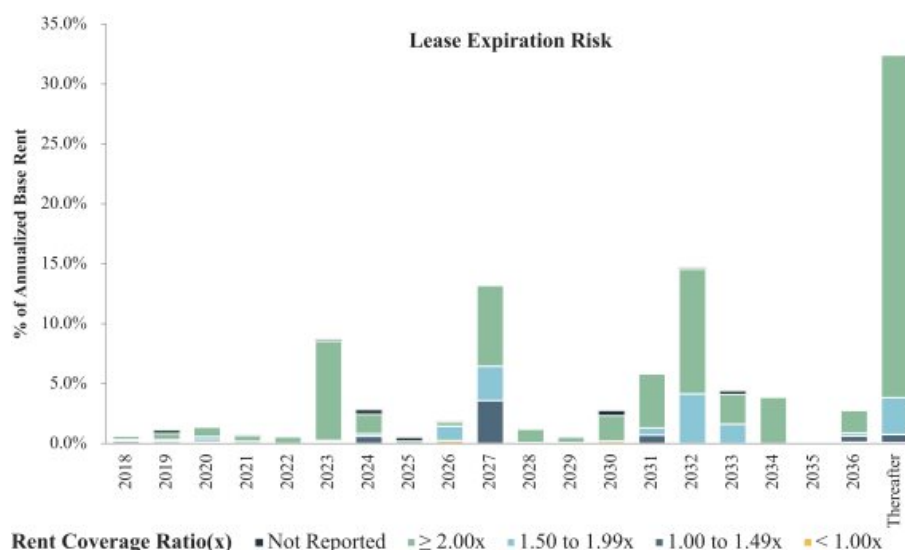
- **Diversification by Tenant** . Our 530 properties are operated by our 127 tenants. As of March 31, 2018, our five largest tenants, who contributed 27.2% of our annualized base rent, had a rent coverage ratio of 2.83x, and our ten largest tenants, who contributed 41.8% of our annualized base rent, had a rent coverage ratio of 2.91x.
- **Diversification by Concept** . Our tenants operate their businesses across 112 concepts.
- **Diversification by Industry** . Our tenants' business concepts are diversified across various industries. As of March 31, 2018, our tenants operating service-oriented businesses had a weighted average rent coverage ratio of 2.70x, our tenants operating experience-based businesses had a weighted average rent coverage ratio of 2.40x, our tenants operating retail businesses had a weighted average rent coverage ratio of 3.77x and our tenants operating other types of businesses had a weighted average rent coverage ratio of 5.36x.
- **Diversification by Geography** . Our 530 property locations are spread across 42 states.

As of March 31, 2018, the weighted average remaining term of our leases was 13.8 years (based on annualized base rent), with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023.

We believe unit-level rent coverage ratios are an important element of evaluating the likelihood that tenants will renew leases upon expiration or exercise renewal options. The following chart illustrates our annualized base rent as of March 31, 2018 attributable to leases expiring during the



specified periods and provides information about the unit-level rent coverage ratios as of March 31, 2018 for such leases. We believe that our strong rent coverage ratios enhance the likelihood that leases will be renewed or extended and increases the stability of our rental revenue.



- (1) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date.

We typically lease our properties pursuant to long-term, triple-net leases with initial terms of 15 years or more that often have tenant renewal options. Substantially all of our leases are triple-net, meaning our tenant generally is obligated to pay all operating expenses (such as maintenance, insurance, utility and tax expense) related to the leased property. We strongly prefer to use master lease structures, pursuant to which we lease multiple properties to a single tenant on an all or none basis. In a master lease structure, a tenant is responsible for a single lease payment relating to the entire portfolio of leased properties, as opposed to multiple lease payments relating to individually leased properties. The master lease structure prevents a tenant from "cherry picking" locations, where it unilaterally gives up underperforming properties while maintaining its leasehold interest in well-performing properties. As of March 31, 2018, master leases contributed 64.8% of our annualized base rent (our largest master lease by number of properties related to five properties and contributed 5.8% of our annualized base rent, and our smallest master lease by number of properties related to two properties and contributed 0.1% of our annualized base rent). We also seek to invest in properties with healthy rent coverage ratios. Substantially all of our leases also require our tenants to periodically provide us with financial information, which allows us to evaluate the security of payments under the related lease on an ongoing basis.

Substantially all of our leases provide for periodic contractual rent escalations. As of March 31, 2018, leases contributing 95.4% of our annualized base rent provided for increases in future annual base rent, generally ranging from 1.0% to 4.0% annually, with a weighted average annual escalation equal to 1.5% of base rent. Generally, our rent escalators increase rent on specified dates by a fixed

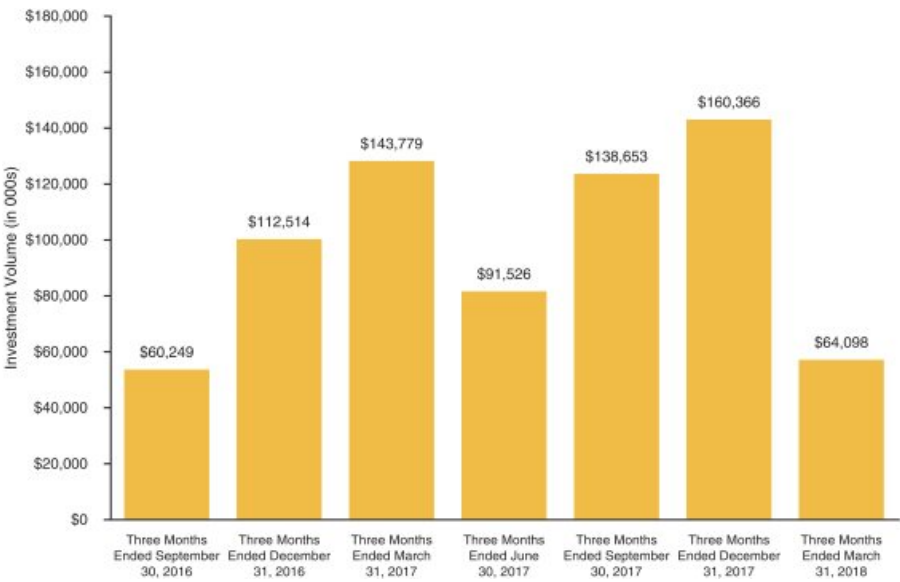
percentage. Our escalations provide us with a source of internal growth and a measure of inflation protection. Additional information on lease escalation frequency and weighted average annual escalation rates as of March 31, 2018 is displayed below.

<u>Lease Escalation Frequency</u>	<u>% of Annualized Base Rent</u>	<u>Weighted Average Annual Escalation Rate(1)</u>
Annually	73.7%	1.6%
Every 2 years	1.2%	1.7%
Every 3 years	0.2%	—
Every 4 years	1.0%	0.9%
Every 5 years	15.2%	1.2%
Other escalation frequencies	4.1%	1.6%
Flat(2)	4.6%	N/A
<b>Total/Weighted Average(3)</b>	<b>100.0%</b>	<b>1.5%</b>

- (1) Represents the weighted average annual escalation rate of the entire portfolio as if all escalations occurred annually. For leases where rent escalates by the greater of a stated fixed percentage or the change in the CPI, we have assumed an escalation equal to the stated fixed percentage in the lease. As of March 31, 2018, leases contributing 10.1% of our annualized base rent provide for rent increases equal to the lesser of a stated fixed percentage or the change in the CPI. As any future increase in CPI is unknowable at this time, we have not included an increase in the rent pursuant to these leases in the weighted average annual escalation rate presented.
- (2) Approximately 79.6% of the annualized base rent derived from flat leases is attributable to leases that provide for contingent rent based on a percentage of the tenant's gross sales at the leased property.
- (3) Weighted by annualized base rent.

**Historical Acquisitions and Dispositions**

The following chart illustrates our quarterly investment activity since inception, excluding the GE Seed Portfolio:



The following table sets forth select information about our quarterly investment activity since inception, excluding the GE Seed Portfolio and nine additional properties that we acquired from General Electric Capital Corporation for an aggregate purchase price of \$5.7 million (including transaction costs), during the period from June 16, 2016 through December 31, 2016, that we did not acquire on June 16, 2016 when we acquired the GE Seed Portfolio (dollars in thousands):

	Three Months Ended							Total
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	
<b>Acquisitions</b>								
Volume(1)	\$ 60,248.9	\$ 112,513.8	\$ 143,778.7	\$ 91,525.8	\$ 138,653.0	\$ 160,365.9	\$ 64,098.4	\$ 771,184.6
Average investment per unit	\$ 2,151.7	\$ 1,814.7	\$ 4,108.0	\$ 2,473.7	\$ 2,727.8	\$ 1,724.4	\$ 2,374.0	
Cash cap rate(2)	7.3%	7.3%	7.5%	7.6%	7.6%	7.7%	7.8%	
GAAP cap rate(3)	8.2%	8.3%	8.7%	9.4%	9.3%	8.7%	8.3%	
Property count	28	62	35	37	50	90	28	330
Master lease %(4)	85.2%	47.3%	83.2%	71.0%	91.7%	64.5%	33.3%	
Sale-leaseback %(4)	100.0%	65.5%	85.5%	75.9%	95.8%	74.7%	72.0%	
Financial reporting % (5)	100.0%	100.0%	100.0%	100.0%	99.6%	99.8%	100.0%	
Rent coverage ratio	2.92 x	2.77x	3.14x	3.96x	2.77x	3.05x	2.34x	
Remaining lease term (years)(4)	16.8	17.3	17.0	17.3	18.4	15.5	14.1	
Number of transactions	4	11	12	11	18	21	16	93

(1) Includes transaction costs, lease incentives and amounts funded for construction in progress.

(2) Annualized contractually specified cash base rent for the first full month after the investment divided by the purchase price for the property.

(3) GAAP rent for the first twelve months after the investment divided by the purchase price for the property.

(4) As a percentage of annualized base rent.

(5) Tenants party to leases that obligate them to periodically provide us with corporate and/or unit-level financial reporting, as a percentage of our annualized base rent.

We routinely sell properties that we conclude do not offer a return commensurate with the investment risk, contribute to unwanted geographic, industry or tenant concentrations, or may be sold at a price we determine is attractive. The following table sets forth select information about our quarterly disposition activity since inception (dollars in thousands):

	Three Months Ended							
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	Total
Dispositions of leased properties								
Proceeds(1)	\$ —	\$ 15,427.3	\$ 4,131.6	\$ 7,822.5	\$ 16,614.9	\$ 14,629.8	\$ 7,506.0	\$66,092.9
Realized gain (loss), net(1)	\$ —	\$ 878.0	\$ 234.2	\$ 1,178.2	\$ 1,537.9	\$ 3,002.8	\$ 1,251.3	\$ 8,082.4
Cash cap rate(2)	\$ —	6.2%	6.5%	6.5%	6.1%	6.4%	6.7%	6.3%
Property count	—	11	3	6	9	8	5	42
Dispositions of vacant properties								
Proceeds(1)	\$ 680.0	\$ 1,014.5	\$ 925.6	\$ 3,570.6	\$ 3,578.3	\$ 2,352.9	\$ 215.4	\$12,337.4
Realized gain (loss), net(1)	\$ (13.1)	\$ 6.1	\$ 60.4	\$ 288.9	\$ 436.2	\$ 9.4	\$ (19.0)	\$ 768.9
Property count(3)	2	4	4	8	5	4	1	28

(1) Net of transaction costs.

(2) Annualized contractually specified cash base rent at time of sale divided by the gross sale price (excluding transaction costs) for the property.

(3) Property count excludes dispositions where only a portion of the owned parcel was sold.

## Market Opportunity

### Outlook

According to a market study prepared for us in connection with this offering by RCG, the current outlook for the net lease real estate market is positive for the following reasons:

- net leased properties historically provided owners with relatively stable rent growth across various economic cycles when compared to other types of real estate investments;
- long-term leases and contractual rent structure can mitigate the risks of economic or real estate market downturns and limit the effects of inflation on operating expenses; and
- the market is well positioned to accommodate increased investment activity given the \$1.5 trillion to more than \$2.0 trillion of U.S. real estate estimated to be held by corporate owner-occupiers and favorable industry outlook of our tenants.

### Market Overview

In addition to the relative stability of rental income and inflation mitigation structured into net leases, net leased properties are often purchased through sale-leaseback transactions, which can represent an efficient and economical way for an owner-occupier of real estate to raise capital. Following a sale-leaseback transaction, a former owner-occupier may be better positioned to maximize profitability or growth by allocating capital previously invested in real estate into core business activities.

The market for net leased properties is fragmented and decentralized, creating significant opportunities for well-capitalized firms with expertise in the market. Furthermore, as many smaller-scale net leased retail and service-oriented properties are valued under \$10 million and may be located outside of primary real estate markets, these properties can often fall outside the typical investment criteria of large institutional investors. The lack of strong competition from institutional investors for smaller-scale net leased retail and service properties provides opportunities for firms with expertise in the market that desire to acquire these types of assets.

Given the fragmented ownership and the relatively limited number of potential buyers, RCG believes that well-capitalized firms with expertise in the market may be able to benefit from pricing inefficiencies in terms of the purchase price and lease terms for net leased properties. Furthermore, expertise and access to capital can make it possible for larger firms to better assess risks and more rapidly deploy capital in order to acquire new properties.

#### ***Service-Oriented and Internet-Resilient Industries***

As a percentage of personal consumption expenditures, consumer spending on services has outpaced spending on goods for a number of years. From the end of 2010 through March 2018, the most recent data available, spending on services increased by 35.4%, compared with an increase of 26.7% in spending on goods, according to the Bureau of Economic Analysis ("BEA"). The BEA defines services as commodities that cannot be stored or inventoried and that are usually consumed at the place and time of purchase. Examples include education, health care, transportation services, recreation services, restaurants and financial services. As of March 2018, more than two-thirds of consumer spending was on services. In addition, in recent years e-commerce pressured bricks-and-mortar retailers that sell goods that are easily accessible online, but service-oriented and experienced-based businesses have generally provided greater internet-resiliency.

- ***Restaurants*** . Dining in a restaurant provides consumers with a culinary experience that cannot be directly replicated by cooking at home or through a food delivery service. Spending on food away from home grew to 43.8% of total food expenditures in 2016, compared with 40.9% in 2010, according to the Bureau of Labor Statistics ("BLS"). Both the experiential nature of restaurants and evolving residential preferences should support the restaurant industry and provide some resiliency to competition from internet-based grocery and food delivery services.
- ***Car Washes and Automotive Services*** . The reliance of most U.S. households on cars as a primary mode of transportation underscores the potential demand for auto-related products and services. As of 2016, more than 91% of households had at least one vehicle, according to the U.S. Census Bureau ("USCB"). In addition, the total number of vehicle miles traveled per year also increased by 6.1% between December 2007 and February 2018, the most recent data available, to more than 3.2 trillion miles, according to the U.S. Federal Highway Administration. Rising demand for auto-related products and services is further supported by the increasing age of vehicles. The average age of all light vehicles in operation in the U.S. increased from 9.9 years in 2006 to 11.6 years in 2016, according to the U.S. Department of Transportation. While consumer behavior may evolve as new technologies influence the automotive industry, households are expected to continue to utilize car washes and automotive services.
- ***Convenience Stores and Gas Stations*** . From December 2010 to April 2018, the most recent data available, U.S. gasoline consumption increased by 4.6% to nearly 9.3 million barrels per day. When purchasing fuel, consumers often make additional purchases from attached convenience stores. Convenience store purchases are also typically comprised of purchases intended for immediate consumption. As of 2017, approximately 83% of

convenience store purchases are consumed within one hour of purchase, according to the NACS. In aggregate, U.S. convenience store sales increased by 11.5% from 2012 through 2016, according to NACS. The advantages of highly accessible locations, extended hours of operation and products that satisfy impulse and necessity purchases should continue to sustain consumer demand for convenience store products.

- **Early Childhood Education .** Demand for early childhood education services is expected to grow as a result of an increasing population of young children, proliferation of single-parent and dual-income households and an emphasis on early childhood education, beyond traditional daycare. As millennials enter their thirties and begin to start families, the number of young children in the U.S. is expected to grow substantially. According to the USCB, as of 2017, there were nearly 20 million children under the age of five in the United States, all of whom require some form of child care. By 2025, this segment is expected to grow approximately 3.9% to 20.8 million. Many of these families with young children are expected to be dual-income households. The labor force participation rate among women with preschool-aged children (ages three to five years) increased from 45% in 1975 to 67.3% in 2015, according to the BLS. Furthermore, there is increased demand for curriculum-based, child-centered learning, which promotes academic development beyond providing only for a child's physical needs. Looking ahead, demographic and lifestyle patterns should lead to more births and a growing number of families seeking childcare services, supporting demand for the early childhood education industry.
- **Movie Theaters and Entertainment .** The growing consumer preference for experiences, particularly among millennials, is supporting growth in the arts, entertainment and recreation industry. According to the BEA, industry output increased from \$0.9 trillion in 2006 to over \$1.4 trillion in 2017, and industry output as a percentage of total U.S. GDP increased from approximately 3.6% to approximately 4.1% during the same time period. Consumer spending on entertainment fees and admissions also increased, rising by 17.2% from an average per-consumer annual expenditure of \$581 in 2010 to \$681 in 2016, according to the BLS. Growth in consumer spending on arts, entertainment and recreation should continue to support the movie theater and entertainment industry in the coming years.
- **Health and Fitness.**

*Health .* Aging of the U.S. population and increased healthcare utilization should support increased demand for a wide range of healthcare services. In particular, the baby boomer generation is expected to utilize significantly more healthcare products and services in the coming years. The population aged 65 years or older is expected increase to 56.1 million people by 2020 and 73.1 million by 2030, according to the USCB. The aging population and rising healthcare utilization, combined with the need for physical care and treatment, should sustain demand for healthcare services, including urgent care centers, doctor offices, outpatient care facilities, and other health-related centers.

*Fitness .* In recent years, the number of gym memberships and spending on fitness-related activities increased. As of 2017, nearly 61 million Americans belonged to a fitness club. The number of adults aged 20 to 64 years old, the group most likely to hold a fitness center membership, according to the National Association for Health and Fitness, increased by more than 7 million people from 2010 to 2017, according to the USCB. As of 2017, the number of fitness club memberships in the United States increased to 60.9 million, an increase of 33.6% since 2008, according to the International Health, Racquet and Sportsclub Association ("IHRSA"). Moreover, the average member visited their club 104 times in 2017. Reflecting sustained fitness center utilization, health clubs generated

\$27.6 billion in revenue in 2016, compared with \$25.8 billion in 2015, an increase of 7.2%, according to IHRSA. Considering the experiential nature of fitness centers (and the expanding diversity of industry offerings), the fitness industry should continue to attract a wide range of consumers.

### ***Recent Developments***

#### ***Completed and Pending Acquisitions***

During the period from April 1, 2018 through May 18, 2018, we completed 21 property acquisitions with an aggregate purchase price of \$48.0 million (including transaction costs). In connection with these acquisitions, we entered into leases with annualized base rent of \$3.8 million. As of May 18, 2018, we were party to purchase and sale agreements relating to the acquisition of 60 properties with an aggregate purchase price of \$153.5 million (not including transaction costs). In connection with these acquisitions, we expect to enter into leases with annualized base rent of \$11.7 million. While we regard the completion of these pending acquisitions to be probable, these transactions are subject to customary closing conditions, including the completion of due diligence, and there can be no assurance that these acquisitions will be completed on the terms described above or at all.

#### ***Completed and Pending Dispositions***

During the period from April 1, 2018 through May 18, 2018, we completed property dispositions with an aggregate sale price, net of disposition costs, of \$6.5 million. As of May 18, 2018, we had also agreed to sell five properties with an aggregate sales price of \$7.1 million (excluding estimated transaction costs) that we believe are probable of closing. While we regard the completion of these pending dispositions to be probable, these transactions are subject to customary closing conditions, including the completion of due diligence, and there can be no assurance that these dispositions will be completed on the terms described above or at all.

#### ***Funded and Pending Tenant Construction Reimbursement Obligations and Tenant Loan***

During the period from April 1, 2018 through May 18, 2018, we provided \$1.1 million to two of our tenants for construction costs that they incurred in connection with construction at two of our properties in exchange for contractually specified rent that generally increases proportionally with our funding. As of May 18, 2018, we had agreed to fund three of our tenants in an aggregate amount of \$9.6 million for construction costs that they expect to incur in connection with construction at three of our properties in exchange for contractually specified rent that generally increases proportionally with our funding. During the period April 1, 2018 through May 18, 2018, we also funded \$0.3 million of a tenant mortgage loan to finance construction at a property leased from us with a remaining unfunded loan commitment at May 18, 2018 of \$2.7 million.

### ***Summary Risk Factors***

You should carefully consider the matters discussed in the "Risk Factors" section beginning on page 32 of this prospectus for factors you should consider before investing in our common stock. Some of these risks include:

- We are subject to risks related to commercial real estate ownership that could reduce the value of our properties.



- Global market and economic conditions may materially and adversely affect us and the ability of our tenants to make rental payments to us pursuant to our leases.
- Our business is dependent upon our tenants successfully operating their businesses and their failure to do so could materially and adversely affect us.
- Our assessment that certain businesses are insulated from e-commerce pressure may prove to be incorrect, and changes in macroeconomic trends may adversely affect our tenants, either of which could impair our tenants' ability to make rental payments to us and materially and adversely affect us.
- Loss of our key personnel with long-standing business relationships could materially impair our ability to operate successfully.
- As of March 31, 2018, on a pro forma basis, we had approximately \$            million principal balance of indebtedness outstanding, which may expose us to the risk of default under our debt obligations.
- Market conditions could adversely affect our ability to refinance existing indebtedness or obtain additional financing for growth on acceptable terms or at all, which could materially and adversely affect us.
- Failure to qualify, or maintain our qualification, as a REIT would materially and adversely affect us and the value of our common stock.
- There can be no assurance that we will be able to make or maintain cash distributions, and certain agreements relating to our indebtedness may, under certain circumstances, limit or eliminate our ability to make distributions to our common stockholders.
- Eldridge will have substantial influence over our business, and its interests, and the interests of certain members of our management team, may differ from our interests or those of our other stockholders.

### ***Structure and Formation of Our Company***

#### ***Our Operating Partnership***

Following the completion of this offering, the concurrent Eldridge private placement and the formation transactions, our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will be the sole general partner of our operating partnership. Substantially all of our assets will be held by, and our operations will be conducted through, our operating partnership. We will contribute the net proceeds received by us from this offering and the concurrent private placement of common stock to Eldridge to our operating partnership in exchange for OP units. Our interest in our operating partnership will generally entitle us to share in cash distributions from, and in the profits and losses of, our operating partnership in proportion to our percentage ownership. Through our wholly-owned subsidiary, Essential Properties OP G.P., LLC, the sole general partner of our operating partnership, we will generally have the exclusive power under the partnership agreement to manage and conduct its business and affairs, subject to certain approval and voting rights of the limited partners, which are described more fully below in "Description of the Partnership Agreement of Essential Properties, L.P." Our board of directors will manage our business and affairs.

Beginning on and after the date that is 12 months after the issuance of the OP units, each limited partner of our operating partnership will have the right to require our operating partnership to redeem part or all of its OP units for cash, based upon the value of an equivalent number of shares of our common stock at the time of the redemption, or, at our election, shares of our common stock on a

one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled “Description of Our Capital Stock—Restrictions on Ownership and Transfer.” Each redemption of OP units will increase our percentage ownership interest in our operating partnership and our share of its cash distributions and profits and losses. See “Description of the Partnership Agreement of Essential Properties, L.P.”

#### ***Concurrent Eldridge Private Placement***

Concurrently with the completion of this offering, Eldridge will invest at least \$            million in shares of common stock in a transaction exempt from the registration requirement of the Securities Act of 1933, as amended, or the Securities Act; provided that, if such investment would result in Eldridge holding more than 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, Eldridge will invest the portion of such investment that would result in Eldridge holding more than 19.0% of the outstanding common stock in OP units in a transaction exempt from the registration requirement of the Securities Act. The concurrent Eldridge private placement will be made at a price per share and per share and unit, if applicable, equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discount). Assuming an initial public offering price of \$            per share, which is the mid-point of the price range set forth on the front cover of this prospectus, Eldridge will purchase            shares of our common stock and            OP units in the concurrent Eldridge private placement. See “Pricing Sensitivity Analysis.”

#### ***Formation Transactions***

Prior to completion of this offering, the concurrent Eldridge private placement and the formation transactions our business was owned by and conducted directly and indirectly through EPRT LLC. EPRT LLC is principally owned indirectly by, and is controlled by, Eldridge. Certain members of our senior management team also hold interests in EPRT LLC. On December 31, 2017, the owners of EPRT LLC contributed all of their interests in EPRT LLC to a newly formed Delaware limited liability company, EPRT Holdings, LLC, in exchange for interests in EPRT Holdings, LLC with the same rights as the interests they held in EPRT LLC.

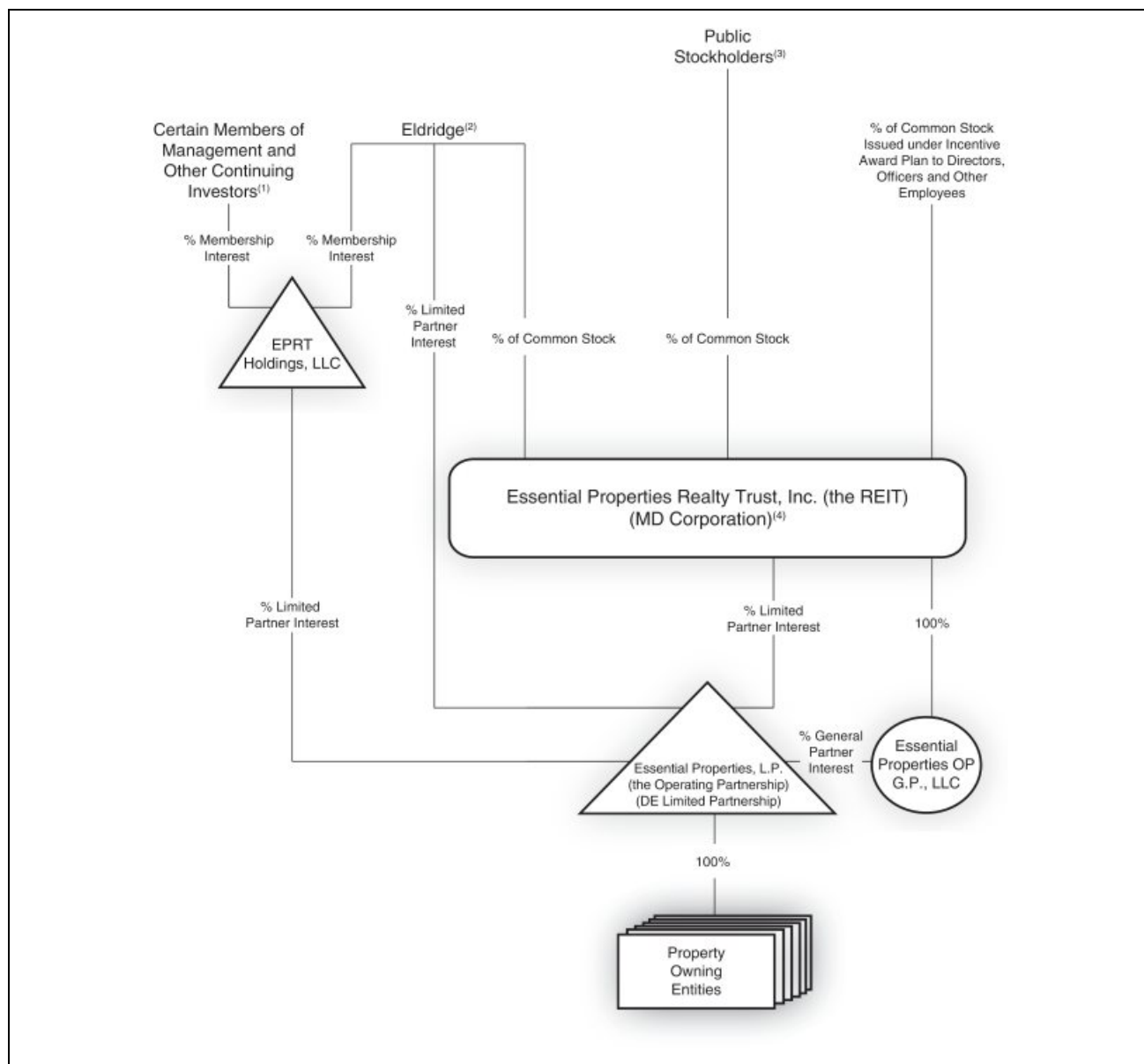
Through the formation transactions, the following have occurred or will occur prior to or concurrently with the completion of this offering.

- Essential Properties Realty Trust, Inc. was formed by EPRT Holdings, LLC as a Maryland corporation on January 12, 2018. In connection with our formation, EPRT Holdings, LLC made an initial investment in us of \$100 in exchange for 100 shares of our common stock. Such shares will be repurchased by us at or prior to the closing of the offering for \$100.
- Essential Properties OP G.P., LLC was formed by Essential Properties Realty Trust, Inc. as a Delaware limited liability company on March 16, 2018.
- Prior to the completion of this offering, EPRT LLC will convert from a Delaware limited liability company into a Delaware limited partnership, change its name to Essential Properties, L.P. and adopt the Agreement of Limited Partnership pursuant to which, among other things, our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will become Essential Properties, L.P.’s sole general partner.
- In connection with EPRT LLC’s conversion into a Delaware limited partnership, EPRT Holdings, LLC’s interest in EPRT LLC will be converted into            OP units.

- We will contribute the net proceeds from this offering and the concurrent private placement of common stock to Eldridge in exchange for \_\_\_\_\_ OP units (or \_\_\_\_\_ OP units if the underwriters exercise their option to purchase up to an additional \_\_\_\_\_ shares of our common stock in full), representing a \_\_\_\_\_ % ownership interest in the operating partnership ( \_\_\_\_\_ % if the underwriters exercise their option to purchase up to an additional \_\_\_\_\_ shares of our common stock in full), with EPRT Holdings, LLC and Eldridge holding \_\_\_\_\_ % and \_\_\_\_\_ % ownership interests in the operating partnership, respectively ( \_\_\_\_\_ % and \_\_\_\_\_ % if the underwriters exercise their option to purchase up to an additional \_\_\_\_\_ shares of our common stock in full) (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus).

#### ***Our Structure***

The following chart sets forth information about our company, the operating partnership, certain related parties and the ownership interests therein on a pro forma basis. Ownership percentages in the company and the operating partnership are presented assuming that the underwriters' option to purchase additional shares is not exercised and an initial public offering price of \$ \_\_\_\_\_ per share, which is the mid-point of the price range set forth on the front cover of this prospectus; however, these ownership percentages will vary depending on the actual initial public offering price of shares of common stock in this offering as described herein. See "Pricing Sensitivity Analysis."



- (1) Certain members of management and other continuing investors own a      % interest in EPRT Holdings, LLC.
- (2) Eldridge owns a (a)      % interest in EPRT Holdings, LLC; (b)      % limited partner interest in the operating partnership; and (c)      shares of our common stock (representing a      % ownership interest in Essential Properties Realty Trust, Inc.).
- (3) Purchasers of common stock in this offering own      shares of our common stock (representing a      % ownership interest in Essential Properties Realty Trust, Inc.).
- (4) Essential Properties Realty Trust, Inc. owns a (a)      % limited partner interest in the operating partnership; and (b) 100% of the interests in Essential Properties OP G.P., LLC.

#### **Benefits to Related Parties**

Upon completion of this offering, the concurrent Eldridge private placement, the use of the net proceeds therefrom and the formation transactions, EPRT Holdings, LLC, an affiliate of Eldridge and our directors and executive officers will receive material benefits, including the following:

- EPRT Holdings, LLC will own      OP units having an aggregate value of \$      million, based on the mid-point of the price range set forth on the front cover of this prospectus.
- Eldridge will have invested through the concurrent Eldridge private placement an aggregate of \$      million to purchase      shares of our common stock and      OP units (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus) at a price per share and per OP unit equal to the initial public offering price per share of our common stock sold in this offering (without payment of any underwriting discounts). While the amount of Eldridge's aggregate investment in the concurrent Eldridge private placement will not change, the aggregate number of, and the allocation of this amount between, shares of our common stock and OP units will vary depending on the actual initial public offering price of shares of common stock in this offering as described herein. See "Pricing Sensitivity Analysis."
- An affiliate of Eldridge will have received approximately \$      million of the net proceeds from this offering to repay certain of our outstanding indebtedness. See "Structure and Formation of Our Company—Benefits to Related Parties."
- We will have entered into a stockholders agreement with Eldridge. See "Certain Relationships and Related Party Transactions—Stockholders Agreement."
- We will have entered into indemnification agreements with each of our directors and executive officers providing for the indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against our directors and executive officers in their capacities as such.
- We will have entered into a registration rights agreement with EPRT Holdings, LLC with respect to resales of shares of our common stock that may be received upon exchange of OP units.
- We will have entered into a registration rights agreement with Eldridge with respect to resales of (i) shares of our common stock that it purchased in the concurrent private placement of common stock; and (ii) shares of our common stock that may be received upon exchange of any OP units that it purchased in a concurrent private placement of OP units.
- In connection with the concurrent private placement of common stock, we will grant a waiver from the ownership limit contained in our charter to Eldridge to own up to 19.0% of the outstanding shares of our common stock in the aggregate.

- Upon completion of this offering, we will enter into new employment agreements with each of Messrs. Mavoides and Seibert and with Hillary P. Hai, our Chief Financial Officer. For a description of the terms of these employment agreements, see “Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—Employment Agreements.”
- We will have adopted the Essential Properties Realty Trust, Inc. and Essential Properties, L.P. 2018 Incentive Award Plan, or the Equity Incentive Plan, to provide equity incentive opportunities to our officers, employees, non-employee directors, consultants, independent contractors and agents, and will have issued, in the aggregate, thereunder \_\_\_\_\_ shares of restricted common stock to our directors, executive officers and other employees upon completion of this offering. See “Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—Equity Incentive Plan” for further details.

#### ***Distribution Policy***

We intend to pay cash distributions to our common stockholders out of assets legally available for distribution. We intend to make a pro rata distribution with respect to the period commencing upon the completion of this offering and ending on September 30, 2018 based on a distribution rate of \$ \_\_\_\_\_ per share of common stock for a full quarter. On an annualized basis, this would be \$ \_\_\_\_\_ per share of common stock, or an annualized distribution rate of approximately \_\_\_\_\_ % based on the mid-point of the price range set forth on the front cover of this prospectus. We intend to maintain our initial distribution rate for the 12 months following the completion of this offering unless our results of operations, funds from operations, or FFO, adjusted FFO, or AFFO, liquidity, cash flows, financial condition, or prospects, economic conditions or other factors differ materially from the assumptions used in projecting our initial distribution rate. We intend to make distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay corporate-level federal income and excise taxes. We do not intend to reduce the expected distribution per share if the underwriters’ option to purchase additional shares is exercised.

Any distributions will be at the sole discretion of our board of directors, and their form, timing and amount, if any, will depend upon a number of factors, including our actual and projected results of operations, FFO, AFFO, liquidity, cash flows and financial condition, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements, applicable law and such other factors as our board of directors deems relevant.

#### ***Restrictions on Ownership and Transfer of Our Common Stock***

Our charter, subject to certain exceptions, authorizes our board of directors to take such actions as are necessary or appropriate to allow us to qualify and to preserve our status as a REIT. Furthermore, our charter prohibits any person from actually or constructively owning more than 7.5% in value or in number, whichever is more restrictive, of the outstanding shares of our common stock or 7.5% in value of the aggregate of the outstanding shares of all classes and series of our stock, except for certain designated investment entities that may own up to 9.8% of our outstanding common stock, subject to certain conditions. Our board of directors, in its sole discretion, may exempt a person, prospectively or retroactively, and subject to such conditions and limitations as our board of directors may deem appropriate, from these ownership limits if certain conditions are satisfied. However, our

board of directors may not grant an exemption from these ownership limits if such exemption would cause us to fail to qualify as a REIT. In connection with the concurrent private placement of common stock, we will grant a waiver from the ownership limit contained in our charter to Eldridge to own up to 19.0% of the outstanding shares of our common stock in the aggregate. We will also agree to provide transferees of Eldridge, subject to the satisfaction of certain conditions, with any necessary waivers from our ownership limits provided that any such waivers are consistent with our compliance with the ownership requirements for qualification as a REIT under the Internal Revenue Code of 1986, or the Code. Pursuant to the stockholders agreement, we have agreed, upon Eldridge's request, to increase the percentage of our outstanding common stock that may be owned by Eldridge, unless our board of directors concludes that any such increase will jeopardize our ability to qualify for taxation as a REIT.

Our charter contains additional restrictions on ownership and transfer of our stock intended to, among other purposes, assist us to qualify as a REIT. The restrictions on ownership and transfer of our stock contained in our charter will not apply if our board of directors (with the consent of Eldridge for so long as Eldridge owns shares representing at least 5% of the voting power of our common stock) determines that it is no longer in our best interests to attempt to, or continue to, qualify as a REIT or if our board of directors determines that compliance with any such restriction is no longer required in order for us to qualify as a REIT. The ownership limits may delay or impede a transaction or a change of control that might be in your best interest. See "Description of Our Capital Stock—Restrictions on Ownership and Transfer."

#### ***Our Tax Status***

We intend to elect to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2018. We believe that our organization and operations will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such a manner. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. See "Federal Income Tax Considerations."

#### ***Emerging Growth Company Status***

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other publicly-traded companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. We have not yet made a decision as to whether we will take advantage of any or all of these exemptions.

In addition, the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to "opt out" of this extended transition period, and, as a result, we will comply with new or revised accounting standards on or prior to the relevant dates on which adoption of such standards is required for all public companies that are not emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We will remain an "emerging growth company" until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds \$1.07 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of this offering, (iii) the date

on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt or (iv) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

### **Corporate Information**

We were formed in March 2016. Our principal executive office is located at 47 Hulfish Street, Suite 210, Princeton, New Jersey 08542. Our telephone number is (609) 436-0619.

### **The Offering**

Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise in full of the underwriters’ option to purchase additional shares).
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Common stock to be outstanding after this offering and the concurrent Eldridge private placement	shares(1)
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Common stock and OP units to be outstanding after this offering (excluding OP units held directly or indirectly by us), the concurrent Eldridge private placement and the formation transactions	shares of common stock and OP units(1)(2)
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Use of proceeds	We estimate that the net proceeds to us from this offering and the concurrent Eldridge private placement will be approximately \$ million, or \$ million if the underwriters exercise in full their option to purchase additional shares, after deducting underwriting discounts and commissions and other estimated expenses, in each case, based on an assumed initial public offering price of \$ per share, which is the mid-point of the price range set forth on the front cover of this prospectus. We intend to use the net proceeds from these offerings to repay indebtedness to an affiliate of Eldridge and for general corporate purposes, including potential future investments. See “Use of Proceeds.”
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Risk factors	Investing in our common stock involves risks. You should carefully read and consider the information set forth under the heading “Risk Factors” beginning on page 32 and other information included in this prospectus before investing in our common stock.
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Proposed NYSE symbol	“EPRT”
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(1) Includes (a) shares of our common stock to be issued in this offering, (b) issued to Eldridge in the concurrent private placement of common	shares of our common stock to be
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stock, (based on the mid-point of the price range set forth on the front cover of this prospectus) and (c) shares of restricted common stock to be granted to our directors, executive officers and other employees in connection with the completion of this offering pursuant to the Equity Incentive Plan. Excludes (i) shares of our common stock issuable upon the exercise in full of the underwriters' option to purchase additional shares and (ii) shares of our common stock issuable in the future under the Equity Incentive Plan, as more fully described in "Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—Equity Incentive Plan." Also excludes 100 shares of our common stock that were issued to EPRT Holdings for \$100 in connection with our formation and will be repurchased by us at or prior to the closing of this offering for \$100.

- (2) Includes (a) OP units to be issued to EPRT Holdings, LLC in the formation transactions and (b) OP units to be issued to Eldridge in the concurrent private placement of OP units (based on the mid-point of the price range set forth on the front cover of this prospectus). While the amount of Eldridge's aggregate investment in the concurrent Eldridge private placement will not change, the aggregate number of, and allocation of this amount between, shares of common stock and, if applicable, OP units to be issued to Eldridge in the concurrent private placement will vary depending on the actual initial public offering price of shares of common stock in this offering. See "Pricing Sensitivity Analysis." OP units are redeemable for cash or, at our election, shares of our common stock on a one-for-one basis, subject to adjustment in certain circumstances, beginning one year after the issuance of such units.

### Summary Selected Consolidated Historical and Pro Forma Financial and Other Data

Set forth below is summary selected financial and other data presented on (i) a historical basis for Essential Properties Realty Trust LLC, which, through the formation transactions, will become our operating partnership and (ii) a pro forma basis for our company after giving effect to the completion of this offering, the concurrent Eldridge private placement, the formation transactions and the other adjustments described in the unaudited pro forma consolidated financial statements beginning on page F-73 of this prospectus. We have not presented historical data for Essential Properties Realty Trust, Inc. because we have not had any corporate activity since our formation other than the issuance of common stock in connection with our initial capitalization and activity in connection with this offering and the formation transactions. Accordingly, we do not believe that a presentation of the historical results of Essential Properties Realty Trust, Inc. would be meaningful. Prior to or concurrently with the completion of this offering, we will consummate the formation transactions pursuant to which, among other things, Essential Properties Realty Trust LLC will be converted into a Delaware limited partnership and become our operating partnership, and Essential Properties OP G.P., LLC, a wholly-owned subsidiary, will become the sole general partner of our operating partnership. Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership. We will contribute the net proceeds received by us from this offering and the concurrent private placement of common stock to Eldridge to our operating partnership in exchange for OP units. For more information regarding the formation transactions, please see “Structure and Formation of Our Company.”

Essential Properties Realty Trust LLC’s historical consolidated balance sheet data as of December 31, 2017 and 2016 and consolidated operating data for the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016 have been derived from Essential Properties Realty Trust LLC’s audited historical consolidated financial statements included elsewhere in this prospectus. Essential Properties Realty Trust LLC’s historical consolidated balance sheet data as of March 31, 2018 and consolidated operating data for the three months ended March 31, 2018 and 2017 have been derived from Essential Properties Realty Trust’s unaudited historical consolidated financial statements included elsewhere in this prospectus. Essential Properties Realty Trust LLC’s unaudited interim financial and operating data, in management’s opinion, has been prepared in accordance with U.S. GAAP on the same basis as its audited financial statements and related notes included elsewhere in this prospectus and, in the opinion of management, reflects all adjustments consisting only of normal recurring adjustments that management considers necessary to state fairly the financial information as of and for the periods presented. The historical consolidated financial data included below and set forth elsewhere in this prospectus are not necessarily indicative of our future performance, and results for any interim period are not necessarily indicative of the results for any full year.

Our unaudited summary selected pro forma consolidated financial and operating data as of March 31, 2018 and for the three months ended March 31, 2018 and the year ended December 31, 2017 assume the completion of this offering, the concurrent Eldridge private placement, the formation transactions and the other adjustments described in the unaudited pro forma consolidated financial statements had occurred on March 31, 2018 for purposes of the unaudited pro forma consolidated balance sheet data and on January 1, 2017 for purposes of the unaudited pro forma consolidated statements of operations data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the period indicated, nor does it purport to represent our future financial position or results of operations.

You should read the following summary selected financial and other data together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business

and Properties” and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

**Operating Data:**

(In thousands, except per share data)	Three Months Ended March 31,			Year Ended December 31,		Period from March 30, 2017 (Commencement of Operations) to December 31, 2016 (Historical)
	2018 (Pro forma) (Unaudited)	2018 (Historical) (Unaudited)	2017 (Historical) (Unaudited)	2017 (Pro forma) (Unaudited)	2017 (Historical)	
<b>Revenues:</b>						
Rental revenue(1)	\$	\$ 20,075	\$ 10,008	\$	\$ 53,373	\$ 15,271
Interest income on direct financing lease receivables		62	83		293	161
Other revenue		66	5		832	91
<b>Total revenues</b>		<b>20,203</b>	<b>10,096</b>		<b>54,498</b>	<b>15,523</b>
<b>Expenses:</b>						
Interest		8,276	3,715		22,574	987
General and administrative		3,386	1,951		8,936	4,398
Property expenses		347	209		1,547	533
Depreciation and amortization		6,468	3,782		19,516	5,428
Provision for impairment of real estate		1,849	151		2,377	1,298
<b>Total expenses</b>		<b>20,326</b>	<b>9,808</b>		<b>54,950</b>	<b>12,644</b>
Income (loss) before gain on dispositions of real estate		(123)	288		(452)	2,879
Gain on dispositions of real estate, net		1,232	295		6,748	871
<b>Net income</b>	<b>\$</b>	<b>\$ 1,109</b>	<b>\$ 583</b>	<b>\$</b>	<b>\$ 6,296</b>	<b>\$ 3,750</b>
<b>Net Loss per share of common stock basic and diluted:</b>						
Net loss	\$			\$		
<b>Weighted average number of shares of common stock outstanding:</b>						
Basic and diluted	\$			\$		

- (1) Includes \$0.5 million, \$0.2 million, \$1.1 million and \$0.4 million of contingent rent (based on a percentage of the tenant's gross sales at the leased property) during the three months ended

March 31, 2018 and 2017, the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016.

**Balance Sheet Data (end of period):**

	As of March 31,		As of December 31,	
	2018 (Pro forma) (Unaudited)	2018 (Historical) (Unaudited)	2017 (Historical)	2016 (Historical)
(In thousands)				
Real estate investments, at cost	\$	\$ 985,548	\$ 932,174	\$ 455,008
Total real estate investments, net		954,238	907,349	448,887
Cash and cash equivalents		1,842	7,250	1,825
Total assets		986,593	942,220	466,288
Secured borrowings, net of deferred financing costs		510,138	511,646	272,823
Notes payable to related party		225,000	230,000	—
Intangible lease liabilities, net		12,425	12,321	16,385
Total liabilities		753,840	760,818	291,638
Members' equity		232,753	181,402	174,650
Stockholders' equity		—	—	—

**Other Data:**

	Three Months Ended March 31,			Year Ended December 31,		Period from March 30, 2016 (Commencement of Operations) to December 31, 2016
	2018 (Pro forma) (Unaudited)	2018 (Historical) (Unaudited)	2017 (Historical) (Unaudited)	2017 (Pro forma) (Unaudited)	2017 (Historical)	(Historical)
(In thousands)						
FFO(1)	\$	\$ 8,193	\$ 4,221	\$	\$ 21,438	\$ 9,605
AFFO(1)	\$	\$ 7,428	\$ 3,885	\$	\$ 20,337	\$ 8,580
EBITDA(2)	\$	\$ 15,883	\$ 8,087	\$	\$ 48,547	\$ 10,242
EBITDAre(2)	\$	\$ 16,500	\$ 7,943	\$	\$ 44,176	\$ 10,669

	As of March 31,		As of December 31,	
	2018 (Pro forma) (Unaudited)	2018 (Historical) (Unaudited)	2017 (Historical)	2016 (Historical)
(In thousands)				
Net debt(3)	\$	\$ 744,028	\$ 745,686	\$ 278,609
Number of properties in investment portfolio		530	508	344
Occupancy at period end	%	99.1%	98.8%	96.8%

- (1) FFO and AFFO are non-GAAP financial measures. For definitions of FFO and AFFO, and reconciliations of these metrics to net income, the most directly comparable GAAP financial measure, and a statement of why our management believes the presentation of these metrics provides useful information to investors and any additional purposes for which management uses these metrics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."
- (2) Earnings before interest, taxes, depreciation and amortization, or EBITDA, and EBITDAre are non-GAAP financial measures. For definitions of EBITDA and EBITDAre, and reconciliations of these metrics to net income, the most directly comparable GAAP financial measure, and a statement of why our management believes the presentation of these metrics provides useful information to investors and any additional purposes for which management uses these metrics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

- (3) Net debt is a non-GAAP financial measure. For a definition of net debt and a reconciliation of this metric to total debt, the most directly comparable GAAP financial measure, and a statement of why our management believes the presentation of this metric provides useful information to investors and any additional purposes for which management uses this metric, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures.”

## RISK FACTORS

*Investing in our common stock involves risks. Before you invest in our common stock, you should carefully consider the risk factors below together with all of the other information included in this prospectus. If any of the risks discussed in this prospectus were to occur, our business, financial condition, liquidity, results of operations and prospects and our ability to service our debt and make distributions to our stockholders could be materially and adversely affected (which we refer to collectively as “materially and adversely affecting us” or having “a material adverse effect on us” and comparable phrases), the market price of our common stock could decline significantly and you could lose all or part of your investment in our common stock. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section in this prospectus entitled “Special Note Regarding Forward-Looking Statements.”*

### Risks Related to Our Business and Properties

***We are subject to risks related to commercial real estate ownership that could reduce the value of our properties.***

Our core business is the ownership of real estate that is net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. Accordingly, our performance is subject to risks incident to the ownership of commercial real estate, including:

- inability to collect rents from tenants due to financial hardship, including bankruptcy;
- changes in local real estate conditions in the markets in which we operate, including the availability and demand for single-tenant restaurant and retail space;
- changes in consumer trends and preferences that affect the demand for products and services offered by our tenants;
- inability to lease or sell properties upon expiration or termination of existing leases;
- environmental risks related to matters, including the presence of hazardous or toxic substances on our properties;
- the subjectivity of real estate valuations and changes in such valuations over time;
- the illiquid nature of real estate compared to most other financial assets;
- changes in laws and governmental regulations, including those governing real estate usage and zoning;
- changes in interest rates and the availability of financing; and
- changes in the general economic and business climate.

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

***Global market and economic conditions may materially and adversely affect us and the ability of our tenants to make rental payments to us pursuant to our leases.***

Our results of operations are sensitive to changes in the overall economic conditions that impact our tenants' financial condition and leasing practices. Adverse economic conditions such as high unemployment levels, interest rates, tax rates and fuel and energy costs may have an impact on the results of operations and financial conditions of our tenants. During periods of economic slowdown, rising interest rates and declining demand for real estate may result in a general decline in rents or an

increased incidence of defaults under existing leases. A lack of demand for rental space could adversely affect our ability to maintain our current tenants and gain new tenants, which may affect our growth and profitability. Accordingly, a decline in economic conditions could materially and adversely affect us.

***Our business is dependent upon our tenants successfully operating their businesses and their failure to do so could materially and adversely affect us.***

Generally, each of our properties is operated and occupied by a single tenant. Therefore, we believe that the success of our investments is materially dependent on the financial stability of our tenants. The success of any one of our tenants is dependent on its individual business and its industry, which could be adversely affected by poor management, economic conditions in general, changes in consumer trends and preferences that decrease demand for a tenant's products or services or other factors over which neither they nor we have control. Our portfolio consists primarily of properties leased to single tenants that operate in multiple locations, which means we own numerous properties operated by the same tenant. To the extent we finance numerous properties operated by one company, the general failure of that single tenant or a loss or significant decline in its business could materially and adversely affect us.

At any given time, any tenant may experience a downturn in its business that may weaken its operating results or the overall financial condition of individual properties or its business as whole. As a result, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. We depend on our tenants to operate the properties we own in a manner which generates revenues sufficient to allow them to meet their obligations to us, including their obligations to pay rent, maintain certain insurance coverage, pay real estate taxes and maintain the properties in a manner so as not to jeopardize their operating licenses or regulatory status. The ability of our tenants to fulfill their obligations under our leases may depend, in part, upon the overall profitability of their operations. Cash flow generated by certain tenant businesses may not be sufficient for a tenant to meet its obligations to us. We could be materially and adversely affected if a number of our tenants were unable to meet their obligations to us.

***Our assessment that certain businesses are insulated from e-commerce pressure may prove to be incorrect, and changes in macroeconomic trends may adversely affect our tenants, either of which could impair our tenants' ability to make rental payments to us and materially and adversely affect us.***

We primarily invest in properties leased to tenants engaged in a targeted set of service-oriented or experience-based businesses, and we believe these businesses are generally insulated from e-commerce pressure. While we believe this to be the case, businesses previously thought to be internet resistant, such as the retail grocery industry, have proven to be susceptible to competition from e-commerce. Technology and business conditions, particularly in the retail industry, are rapidly changing, and our tenants may be adversely affected by technological innovation, changing consumer preferences and competition from non-traditional sources. To the extent our tenants face increased competition from non-traditional competitors, such as internet vendors, some of which may have different business models and larger profit margins, their businesses could suffer. There can be no assurance that our tenants will be successful in meeting any new competition, and a deterioration in our tenants' businesses could impair their ability to meet their lease obligations to us and materially and adversely affect us.

Additionally, we believe that many of the businesses operated by our tenants are favorably impacted by current macroeconomic trends that support consumer spending, such as generally

declining unemployment and positive consumer sentiment. Economic conditions are cyclical, and developments that discourage consumer spending, such as increasing unemployment, wage stagnation, decreases in the value of real estate and/or financial assets, inflation or increasing interest rates, could adversely affect our tenants, impair their ability to meet their lease obligations to us and materially and adversely affect us.

***Single-tenant leases involve significant risks of tenant default.***

Our strategy focuses primarily on investing in single-tenant triple-net leased properties throughout the United States. The financial failure of, or default in payment by, a single tenant under its lease is likely to cause a significant or complete reduction in our rental revenue from that property and a reduction in the value of the property. We may also experience difficulty or a significant delay in re-leasing or selling such property. This risk is magnified in situations where we lease multiple properties to a single tenant under a master lease. A tenant failure or default under a master lease could reduce or eliminate rental revenue from multiple properties and reduce the value of such properties. Although the master lease structure may be beneficial to us because it restricts the ability of tenants to remove individual underperforming assets, there is no guarantee that a tenant will not default in its obligations to us or decline to renew its master lease upon expiration. The default of a tenant that leases multiple properties from us or its decision not to renew its master lease upon expiration could materially and adversely affect us.

***Our portfolio has geographic market concentrations that make us especially susceptible to adverse developments in those geographic markets.***

In addition to general, regional, national and international economic conditions, our operating performance is impacted by the economic conditions of the specific geographic markets in which we have concentrations of properties. Our business includes substantial holdings in the following states as of March 31, 2018 (based on annualized base rent): Texas (12.8%), Georgia (11.3%), Michigan (8.3%) and Florida (7.8%). In addition, a significant portion of our holdings as of that date (based on annualized rent) were located in the South (57.6%) and Midwest (26.9%) regions of the United States (as defined by the U.S. Census Bureau). This geographic concentration could adversely affect our operating performance if conditions become less favorable in any of the states or markets within such states in which we have a concentration of properties. We cannot assure you that any of our markets will grow, not experience adverse developments or that underlying real estate fundamentals will be favorable to owners and operators of service-oriented or experience-based properties. Our operations may also be affected if competing properties are built in our markets. A downturn in the economy in the states or regions in which we have a concentration of properties, or markets within such states or regions, could adversely affect our tenants operating businesses in those states, impair their ability to pay rent to us and materially and adversely affect us.

***We are subject to risks related to tenant concentration, and an adverse development with respect to a large tenant could materially and adversely affect us.***

As of March 31, 2018, Captain D's (Captain D's, LLC), our largest tenant, contributed 6.8% of our annualized base rent. Additionally, we derived 5.8%, 5.4% and 5.4% of our annualized base rent as of March 31, 2018 from Art Van Furniture (AVF Parent, LLC), Mister Car Wash (Car Wash Partners, Inc.), and Zips Car Wash (Zips Car Wash, LLC), respectively. As a result, our financial performance depends significantly on the revenues generated from these tenants and, in turn, the financial condition of these tenants. Although our strategy targets a scaled portfolio that, over time, derives no more than 5% of its annualized base from any single tenant or more than 1% from any single property, as of March 31, 2018, we had four tenants that individually contributed more than 5% of our annualized base rent and three properties that contributed more than 1% of our annualized base rent. In the future, we may



experience additional tenant and property concentrations. In the event that one of these tenants, or another tenant that occupies a significant portion of our properties or whose lease payments represent a significant portion of our rental revenue, were to experience financial weakness or file for bankruptcy, it could have a material adverse effect on us.

***The vast majority of our properties are leased to unrated tenants whom we determine are creditworthy via our internal underwriting and credit analysis procedures. However, the tools we use to measure credit quality, such as property-level rent coverage ratio, may not be accurate.***

The vast majority of our properties are leased to unrated tenants whom we determine, through our internal underwriting and credit analysis, to be creditworthy. Substantially all of our tenants are required to provide corporate-level financial information to us periodically or, in some instances, at our request. This financial information generally includes balance sheet, income statement and cash flow statement data, or other financial and operating data, on an annual basis. Additionally, as of March 31, 2018, leases contributing 97.4% of our annualized base rent required tenants to provide us with specified unit-level financial information. To assist in our determination of a tenant's credit quality, we utilize a third-party model, Moody's Analytics RiskCalc. RiskCalc is a model for predicting private company defaults, based on Moody's Analytics Credit Research Database, that provides an estimated default frequency, or EDF, and a "shadow rating," and we evaluate a lease's property-level rent coverage ratio.

Our methods may not adequately assess the risk of an investment. An EDF score and shadow rating from Moody's Analytics RiskCalc is not the same as a published credit rating and lacks the extensive company participation that is typically involved when a rating agency publishes a rating; accordingly, an EDF score or a shadow rating may not be as indicative of creditworthiness as a rating published by Moody's Investment Services, Inc., or Moody's, Standard & Poor's, or S&P, or another nationally recognized statistical rating organization. An EDF is only an estimate of default probability based, in part, on assumptions incorporated into the product. Our calculations of EDFs, shadow ratings and rent coverage ratios are unaudited and are based on financial information provided to us by our tenants and prospective tenants without independent verification on our part, and we must assume the appropriateness of estimates and judgments that were made by the party preparing the financial information. If our assessment of credit quality proves to be inaccurate, we may be subject to defaults, and investors may view our cash flows as less stable. The ability of an unrated tenant to meet its obligations to us may not be considered as well assured as that of rated tenant.

***The decrease in demand for restaurant and retail space may materially and adversely affect us.***

As of March 31, 2018, leases representing approximately 33.0% and 8.9% of our annual rent were with tenants in the restaurant and retail industries, respectively. In the future we may acquire additional restaurant and retail properties. Accordingly, decreases in the demand for restaurant and/or retail spaces may have a greater adverse effect on us than if we had fewer investments in these industries. The market for restaurant and retail space has been, and could continue to be, adversely affected by weakness in the national, regional and local economies, the adverse financial condition of some large restaurant and retail companies, the ongoing consolidation in the restaurant and retail industries, the excess amount of restaurant and retail space in a number of markets and, in the case of the retail industry, increasing consumer purchases through catalogues or the internet. To the extent that these conditions continue, they are likely to negatively affect market rents for restaurant and retail space and could materially and adversely affect us.

***We may be unable to renew leases, lease vacant space or re-lease space as leases expire on favorable terms or at all.***

Our results of operations depend on our ability to continue to strategically lease space in our properties, including renewing expiring leases, leasing vacant space and re-leasing space in properties where leases are expiring, optimizing our tenant mix or leasing properties on more economically favorable terms. As of March 31, 2018, leases representing approximately 0.6% of our annualized base rent will expire during the remainder of 2018. As of March 31, 2018, exclusive of two vacant land parcels that we own, five of our properties, representing approximately 0.9% of our total number of properties, were vacant. Current tenants may decline, or may not have the financial resources available, to renew current leases and we cannot assure you that leases that are renewed will have terms that are as economically favorable to us as the expiring lease terms. If tenants do not renew the leases as they expire, we will have to find new tenants to lease our properties and there is no guarantee that we will be able to find new tenants or that our properties will be re-leased at rental rates equal to or above the current average rental rates or that substantial rent abatements, tenant improvement allowances, early termination rights or below-market renewal options will not be offered to attract new tenants. We may experience significant costs in connection with re-leasing a significant number of our properties, which could materially and adversely affect us.

***As we continue to acquire properties, we may decrease or fail to increase the diversity of our portfolio.***

While we will seek to maintain or increase our portfolio's tenant, geographic and industry diversification with future acquisitions, it is possible that we may determine to consummate one or more acquisitions that actually decrease our portfolio's diversity. If our portfolio becomes less diverse, the trading price our common stock may fall, as our business will be more sensitive to the bankruptcy or insolvency of fewer tenants, to changes in consumer trends of a particular industry and to a general economic downturn in a particular geographic area.

***We have investments in industries that depend upon discretionary spending by consumers. A reduction in the willingness or ability of consumers to use their discretionary income in the businesses of our tenants and potential tenants could reduce the demand for our properties.***

Most of our portfolio is leased to tenants operating service-oriented or experience-based businesses at our properties. Restaurants (including quick service and casual and family dining), car washes, medical services, home furnishings, convenience stores, automotive services, entertainment (including movie theaters), early childhood education and health and fitness represent the largest industries in our portfolio. Captain D's, Art Van Furniture, Mister Car Wash, Zips Car Wash, Applebee's, AMC Theaters, Perkins, 84 Lumber, Mirabito and Ashley Homestore represent the largest concepts in our portfolio. The success of most of these businesses depends on the willingness of consumers to use discretionary income to purchase their products or services. A downturn in the economy could cause consumers to reduce their discretionary spending, which may have a material adverse effect on us.

***Our ability to realize future rent increases on some of our leases may vary depending on changes in the CPI.***

Our leases often provide for periodic contractual rent escalations. As of March 31, 2018, leases contributing 95.4% of our annualized base rent provided for increases in future annual base rent, generally ranging from 1.0% to 4.0% annually, with a weighted average annual escalation equal to 1.5% of base rent. Although many of our rent escalators increase rent at a fixed amount on fixed dates, approximately 13.4% of our rent escalators relate to any increase in the CPI over a specified period.

Therefore, during periods of low inflation or deflation, small increases or decreases in the CPI will subject us to the risk of receiving lower rental revenue than we otherwise would have been entitled to receive if our rent escalators were based on higher fixed percentages or amounts.

***Some of our customers operate under franchise or license agreements, which, if terminated or not renewed prior to the expiration of their leases with us, would likely impair their ability to pay us rent.***

As of March 31, 2018, 21.7% of our customers operated under franchise or license agreements. Generally, franchise agreements have terms that end earlier than the respective expiration dates of the related leases. In addition, a tenant's rights as a franchisee or licensee typically may be terminated and the tenant may be precluded from competing with the franchisor or licensor upon termination. Usually, we have no notice or cure rights with respect to such a termination and have no rights to assignment of any such franchise agreement. This may have an adverse effect on our ability to mitigate losses arising from a default on any of our leases. A franchisor's or licensor's termination or refusal to renew a franchise or license agreement would likely have a material adverse effect on the ability of the tenant to make payments under its lease, which could materially and adversely affect us.

***The bankruptcy or insolvency of any of our tenants could result in the termination of such tenant's lease and material losses to us.***

The occurrence of a tenant bankruptcy or insolvency could diminish the income we receive from that tenant's lease or leases or force us to "take back" a property as a result of a default or a rejection of a lease by a tenant in bankruptcy. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease or leases with us. Any claims against such bankrupt tenant for unpaid future rent would be subject to statutory limitations that would likely result in our receipt of rental revenues that are substantially less than the contractually specified rent we are owed under the lease or leases. In addition, any claim we have for unpaid past rent, if any, may not be paid in full. We may also be unable to re-lease a terminated or rejected space or to re-lease it on comparable or more favorable terms. As a result, tenant bankruptcies may materially and adversely affect us.

Tenants who are considering filing for bankruptcy protection may request that we agree to amendments of their master leases to remove certain of the properties they lease from us under such master leases. We cannot guarantee that we will be able to sell or re-lease properties that we agree to release from tenants' leases in the future or that lease termination fees, if any, will be sufficient to make up for the rental revenues lost as a result of lease amendments.

***Property vacancies could result in significant capital expenditures.***

The loss of a tenant, either through lease expiration or tenant bankruptcy or insolvency, may require us to spend significant amounts of capital to renovate the property before it is suitable for a new tenant and cause us to incur significant costs. Many of the leases we enter into or acquire are for properties that are specially suited to the particular business of our tenants. Because these properties have been designed or physically modified for a particular tenant, if the current lease is terminated or not renewed, we may be required to renovate the property at substantial costs, decrease the rent we charge or provide other concessions in order to lease the property to another tenant. In addition, in the event we are required to sell the property, we may have difficulty selling it to a party other than the tenant due to the special purpose for which the property may have been designed or modified. This potential illiquidity may limit our ability to quickly modify our portfolio in response to changes in economic or other conditions, including tenant demand. These limitations may materially and adversely affect us.

***We may be unable to identify and complete acquisitions of suitable properties, which may impede our growth, and our future acquisitions may not yield the returns we expect.***

Our ability to expand through acquisitions requires us to identify and complete acquisitions or investment opportunities that are compatible with our growth strategy and to successfully integrate newly acquired properties into our portfolio. We continually evaluate investment opportunities and may acquire properties when strategic opportunities exist. Our ability to acquire properties on favorable terms and successfully operate them may be constrained by the following significant risks:

- we face competition from other real estate investors with significant capital, including REITs and institutional investment funds, which may be able to accept more risk than we can prudently manage, including risks associated with paying higher acquisition prices;
- we face competition from other potential acquirers which may significantly increase the purchase price for a property we acquire, which could reduce our growth prospects;
- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;
- we may acquire properties that are not accretive to our results upon acquisition, and we may be unsuccessful in managing and leasing such properties in accordance with our expectations;
- our cash flow from an acquired property may be insufficient to meet our required principal and interest payments with respect to debt used to finance the acquisition of such property;
- we may discover unexpected items, such as unknown liabilities, during our due diligence investigation of a potential acquisition or other customary closing conditions may not be satisfied, causing us to abandon an investment opportunity after incurring expenses related thereto;
- we may fail to obtain financing for an acquisition on favorable terms or at all;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; or
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination not revealed in Phase I environmental reports or otherwise through due diligence, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If any of these risks are realized, we may be materially and adversely affected.

***We may not acquire the properties that we evaluate in our pipeline.***

Throughout this prospectus, we refer to our pipeline of potential investment opportunities. In addition to properties that are subject to purchase agreements, we are often party to non-binding letters of intent. Additionally, we actively seek to identify and negotiate with respect to potential properties that we may consider purchasing in the future. Generally, our purchase agreements contain several closing conditions. Transactions may fail to close for a variety of reasons, including the discovery of previously unknown liabilities or other items uncovered during our diligence process.

Similarly, we may never execute binding purchase agreements with respect to properties that are currently subject to non-binding letters of intent, and properties with respect to which we are negotiating may never lead to the execution of any letter of intent. For many other reasons, we may not ultimately acquire the properties currently in our pipeline. Accordingly, you should not place undue reliance on the concept of a pipeline as we have discussed in this prospectus.

***The past performance of Spirit is not an indicator of our future performance.***

In this prospectus, we present the total return information of Spirit, a NYSE-listed equity REIT that invests primarily in single-tenant, net leased real estate, during the period that Messrs. Mavoides and Seibert, our President and Chief Executive Officer, and Executive Vice President and Chief Operating Officer, respectively, were members of Spirit's executive management team, compared against total returns on the S&P 500, the MSCI US REIT Index and a peer group of publicly-traded REITs that invest in net lease real estate. This performance data includes periods with economic characteristics and interest rate environments that are significantly different from those we face today and may face in the future. Information regarding Spirit reflects past performance and may have been due in part to external factors beyond the control of the management of Spirit, including superior general economic conditions than those existing now, and is not a guarantee or prediction of our future operating results or the returns that our stockholders should expect to achieve in the future. In addition, Spirit faced various adverse business developments during the tenure of Messrs. Mavoides and Seibert. For example, after the Federal Reserve announced in May 2013 that it would begin "tapering" the size of its bond-buying program, known as "quantitative easing," the company experienced a general downturn in its stock price. Spirit, and the net lease real estate market more generally, underperformed the S&P 500, reflecting a weakened demand for real estate investments as investors focused on shorter-duration investment strategies. In addition, from time to time, in the ordinary course of business, Spirit had properties that underperformed or failed to meet operational or financial expectations. For the years ended December 31, 2014 and 2012, Spirit reported total revenues of \$602.9 million and \$273.1 million and net losses attributable to common stockholders of \$33.8 million and \$76.3 million, respectively. For the year ended December 31, 2013, Spirit reported total revenues of \$419.5 million and net income attributable to common stockholders of \$1.7 million. For the years ended December 31, 2014, 2013 and 2012, Spirit reported losses from continuing operations of \$50.9 million, \$33.2 million and \$72.5 million, respectively. Spirit reported depreciation and amortization expense for the years ended December 31, 2014, 2013 and 2012 of \$248 million, \$164.1 million and \$105 million, or 42.2%, 36.5% and 33.6% of total expenses, respectively. Spirit also reported impairments of \$36 million and \$8.9 million for the years ended December 31, 2014 and 2012, respectively. Spirit's results for 2013 and 2014 were significantly impacted by its July 2013 acquisition of Cole Credit Property Trust II, Inc., which significantly increased its size and involved significant costs. If our management team is unable to anticipate or effectively adapt to future economic downturns or other adverse business developments, our business may also experience declines. This past performance data is not an indicator of our future performance, and our total returns may be significantly less than those reflected in this data. In addition, our future performance may not outpace, and may be significantly outpaced by, the S&P 500, the MSCI US REIT Index and our peer group. Accordingly, you should not place undue reliance on the past performance data we have presented in this prospectus.

***Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.***

The real estate investments made, and expected to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial or investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying

property. We may be unable to realize our investment objective by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of the jurisdiction in which the property is located.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may materially and adversely affect us.

***We face significant competition for tenants, which may decrease or prevent increases of the occupancy and rental rates of our properties, and competition for acquisitions may reduce the number of acquisitions we are able to complete and increase the costs of these acquisitions.***

We compete with numerous developers, owners and operators of properties, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our leases expire. Competition for tenants could decrease or prevent increases of the occupancy and rental rates of our properties, which could materially and adversely affect us.

We also face competition for acquisitions of real property from investors, including traded and non-traded public REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable investment opportunities available to us and increase the prices paid for such acquisition properties. This competition will increase if investments in real estate become more attractive relative to other types of investment. Accordingly, competition for the acquisition of real property could materially and adversely affect us.

***Inflation may materially and adversely affect us and our tenants.***

Increased inflation could have a negative impact on variable rate debt we currently have or that we may incur in the future. During times when inflation is greater than the increases in rent provided by many of our leases, rent increases will not keep up with the rate of inflation. Increased costs may have an adverse impact on our tenants if increases in their operating expenses exceed increases in revenue, which may adversely affect the tenants' ability to pay rent owed to us.

***Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all.***

In order to qualify as a REIT, we are required under the Code, among other things, to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at the

corporate rate to the extent that we distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gain. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs. We may not be able to obtain the financing on favorable terms or at all. Any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to qualify as a REIT.

***Failure to hedge effectively against interest rate changes may materially and adversely affect us.***

While we have not hedged our exposure to interest rate volatility, we may choose to do so in the future. Should we seek to hedge our interest rate exposure, we may choose to use interest rate swaps, caps or derivative instruments. However, these arrangements involve risks and may not be effective in reducing our exposure to interest rate changes. In addition, the counterparties to any hedging arrangements we enter into in the future may not honor their obligations. Failure to hedge effectively against changes in interest rates relating to the interest expense of our future floating-rate borrowings may materially and adversely affect us.

***A significant portion of our assets have been pledged to secure the borrowings of our subsidiaries.***

A significant portion of our investment portfolio consists of assets owned by our consolidated, bankruptcy remote, special purpose entity subsidiaries that have been pledged to secure the long-term borrowings of those subsidiaries. As of March 31, 2018, on a pro forma basis, we had properties with a gross investment amount of \$ million pledged as collateral under our Master Trust Funding Program. We or our other consolidated subsidiaries are the equity owners of these special purpose entities, meaning we are entitled to the excess cash flows after debt service and all other required payments are made on the debt of these entities. If our subsidiaries fail to make the required payments on this indebtedness, distributions of excess cash flow to us may be reduced or eliminated and the indebtedness may become immediately due and payable. If the subsidiaries are unable to pay the accelerated indebtedness, the pledged assets could be foreclosed upon and distributions of excess cash flow to us may be suspended or terminated. In this case, our ability to make distributions to our stockholders could be materially and adversely affected.

***Loss of our key personnel with long-standing business relationships could materially impair our ability to operate successfully.***

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly our President and Chief Executive Officer, Peter M. Mavoides, and Gregg A. Seibert, our Executive Vice President and Chief Operating Officer, who

have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity. Among the reasons that they are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel.

Many of our other key executive personnel, particularly our senior managers, also have extensive experience and strong reputations in the real estate industry and have been instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel and arranging necessary financing. In particular, the extent and nature of the relationships that these individuals have developed with financial institutions and existing and prospective tenants is critically important to the success of our business. We cannot guarantee the continued employment of any of our senior management team, who may choose to leave our company for any number of reasons, such as other business opportunities, differing views on our strategic direction or other personal reasons. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry personnel, which could materially and adversely affect us.

***Any material failure, weakness, interruption or breach in security of our information systems could prevent us from effectively operating our business.***

We rely on information systems across our operations and corporate functions, including finance and accounting, and depend on such systems to ensure payment of obligations, collection of cash, data warehousing to support analytics, and other various processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, or a breach in security of these systems, such as in the event of cyber-attacks, could result in the theft of intellectual property, personal information or personal property, damage to our reputation and third-party claims, as well as reduced efficiency in our operations and in the accuracy in our internal and external financial reporting. A failure or weakness in our information systems could materially and adversely affect us, and the remediation of any such problems could result in significant unplanned expenditures.

***We have a limited operating history and our past experience may not be sufficient to allow us to successfully operate as a public company going forward.***

We commenced business operations in March 2016. We cannot assure you that our past experience will be sufficient to successfully operate our company as a publicly traded company, including the requirements to timely meet disclosure requirements of the Securities and Exchange Commission, or SEC, and comply with the Sarbanes-Oxley Act. Upon the completion of this offering, we will be required to develop and implement control systems and procedures in order to satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with the NYSE listing standards, and this transition could place a significant strain on our management systems, infrastructure and other resources. Failure to operate successfully as a public company could materially and adversely affect us.

***We may become subject to litigation, which could materially and adversely affect us.***

In the future we may become subject to litigation, including claims relating to our operations, security offerings and otherwise in the ordinary course of business. Some of these claims may result in



significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to vigorously defend ourselves. However, we cannot be certain of the ultimate outcomes of any claims that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby materially and adversely affecting us. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could materially and adversely impact us, expose us to increased risks that would be uninsured, and materially and adversely impact our ability to attract directors and officers.

***In connection with its audit of the consolidated financial statements of Essential Properties Realty Trust LLC, which will become our operating partnership in the formation transactions, for the period from March 30, 2016 (commencement of operations) to December 31, 2016, Ernst & Young LLP identified a material weakness in internal control over financial reporting. Material weaknesses or a failure to maintain an effective system of internal control over financial reporting could prevent us from accurately reporting our financial results in a timely manner, which could materially and adversely affect us.***

In connection with its audit of the consolidated financial statements of Essential Properties Realty Trust LLC, which will become our operating partnership in the formation transactions, for the period from March 30, 2016 (commencement of operations) to December 31, 2016, Ernst & Young LLP, our independent registered public accounting firm, identified a material weakness in internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The identified material weakness involved a lack of formally designed processes and controls relating to non-routine and estimation processes to prevent or mitigate the risk of material errors from occurring within the financial statements. During the audit, Ernst & Young LLP identified material audit differences individually and in the aggregate that required adjusting journal entries to be made to the consolidated financial statements. Ernst & Young LLP indicated that formally implementing accounting processes, written job descriptions and responsibilities, and designing and implementing controls over non-routine and estimation processes would reduce the risk that material misstatements may not be prevented or detected on a timely basis. Though we remediated this material weakness and no material weaknesses were identified in connection with the audit of our financial statements for the year ended December 31, 2017, there can be no guarantee that we will not identify material weaknesses in the future.

As a publicly-traded company, we will be required to report annual audited financial statements and quarterly unaudited interim financial statements prepared in accordance with GAAP. We will rely on our internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. More broadly, effective internal control over financial reporting is a necessary component of our program to seek to prevent, and to detect any, fraud and to operate successfully as a public company. Though we remediated the material weakness described above that was identified in connection with the audit of our financial statements for the period from March 30, 2016 (commencement of operations) to December 31, 2016 and no material weaknesses were identified in connection with the audit of our financial statements for the year ended December 31, 2017, there can be no guarantee that we will not identify material weaknesses in the future or that our internal control over financial reporting will be effective in accomplishing all of its objectives. Furthermore, as we grow, our business, and hence our internal control over financial reporting, will likely become more complex, and we may require significantly more resources to develop and maintain effective controls. Designing and implementing an effective system of internal control over financial reporting is a continuous effort

that requires significant resources, including the expenditure of a significant amount of time by senior members of our management team.

Additionally, while Section 404 of the Sarbanes-Oxley Act will require us to assess the effectiveness of our internal control structure and procedures for financial reporting on an annual basis, for as long as we are an "emerging growth company" under the JOBS Act (which we may be until the last day of the fiscal year following the fifth anniversary of this offering), the registered public accounting firm that issues an audit report on our financial statements will not be required to attest to or report on the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not.

In connection with our ongoing monitoring of our internal control over financial reporting or audits of our financial statements, we or our auditors may identify additional deficiencies in our internal control over financial reporting that may be significant or rise to the level of material weaknesses. Any failure to maintain effective internal control over financial reporting or to timely effect any necessary improvements to such controls could harm our operating results or cause us to fail to meet our reporting obligations (which could affect the listing of our common stock on the NYSE). Additionally, ineffective internal control over financial reporting could also adversely affect our ability to prevent or detect fraud, harm our reputation and cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock.

***If we fail to implement and maintain effective disclosure controls and procedures, we may not be able to meet applicable reporting requirements, which could materially and adversely affect us.***

Upon completion of this offering, we will become subject to the informational requirements of the Exchange Act and will be required to file reports and other information with the SEC. As a publicly-traded company, we will be required to maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file with, or submit to, the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. They include controls and procedures designed to ensure that information required to be disclosed in reports filed with, or submitted to, the SEC is accumulated and communicated to management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Effective disclosure controls and procedures are necessary for us to provide reliable reports, effectively prevent and detect fraud, and to operate successfully as a public company. Designing and implementing effective disclosure controls and procedures is a continuous effort that requires significant resources and devotion of time. We may discover deficiencies in our disclosure controls and procedures that may be difficult or time consuming to remediate in a timely manner. Any failure to maintain effective disclosure controls and procedures or to timely effect any necessary improvements thereto could cause us to fail to meet our reporting obligations (which could affect the listing of our common stock on the NYSE). Additionally, ineffective disclosure controls and procedures could also adversely affect our ability to prevent or detect fraud, harm our reputation and cause investors to lose confidence in our reports filed with, or submitted to, the SEC, which would likely have a negative effect on the trading price of our common stock.

***We will incur significant expenses as a result of being a public company, which will negatively impact our financial performance.***

We will incur significant legal, accounting, insurance and other expenses as a result of being a public company. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, and the Sarbanes-Oxley Act, as well as related rules implemented by the SEC and

the NYSE, have required changes in corporate governance practices of public companies. Although the JOBS Act may for a limited period of time lessen the cost of complying with some of these additional regulatory and other requirements, we nonetheless expect a substantial increase in legal, accounting, insurance and certain other expenses in the future, which will negatively impact our results of operations and financial condition. In addition, rules that the SEC is implementing or is required to implement pursuant to the Dodd-Frank Act are expected to require additional changes. We expect that compliance with these and other similar laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act, will substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. We also expect these laws, rules and regulations to make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage, which may make it more difficult for us to attract and retain qualified persons to serve on our board of directors or as officers.

***The costs of compliance with or liabilities related to environmental laws may materially and adversely affect us.***

The properties we own or have owned in the past may subject us to known and unknown environmental liabilities. Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from environmental matters, including the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate or clean up such contamination and liability for personal injury, property damage or harm to natural resources. We may face liability regardless of:

- our knowledge of the contamination;
- the timing of the contamination;
- the cause of the contamination; or
- the party responsible for the contamination of the property.

There may be environmental liabilities associated with our properties of which we are unaware. We obtain Phase I environmental site assessments on all properties we finance or acquire. The Phase I environmental site assessments are limited in scope and therefore may not reveal all environmental conditions affecting a property. Therefore, there could be undiscovered environmental liabilities on the properties we own. Some of our properties use, or may have used in the past, underground tanks for the storage of petroleum-based products or waste products that could create a potential for release of hazardous substances or penalties if tanks do not comply with legal standards. If environmental contamination exists on our properties, we could be subject to strict, joint and/or several liability for the contamination by virtue of our ownership interest. Some of our properties may contain asbestos-containing materials, or ACM. Environmental laws govern the presence, maintenance and removal of ACM and such laws may impose fines, penalties, or other obligations for failure to comply with these requirements or expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos). Environmental laws also apply to other activities that can occur on a property, such as storage of petroleum products or other hazardous toxic substances, air emissions, water discharges and exposure to lead-based paint. Such laws may impose fines and penalties for violations, and may require permits or other governmental approvals to be obtained for the operation of a business involving such activities.

The known or potential presence of hazardous substances on a property may adversely affect our ability to sell, lease or improve the property or to borrow using the property as collateral. In addition, environmental laws may create liens on contaminated properties in favor of the government

for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which they may be used or businesses may be operated, and these restrictions may require substantial expenditures.

In addition, although our leases generally require our tenants to operate in compliance with all applicable laws and to indemnify us against any environmental liabilities arising from a tenant's activities on the property, we could be subject to strict liability by virtue of our ownership interest. We cannot be sure that our tenants will, or will be able to, satisfy their indemnification obligations, if any, under our leases. Furthermore, the discovery of environmental liabilities on any of our properties could lead to significant remediation costs or to other liabilities or obligations attributable to the tenant of that property, or could result in material interference with the ability of our tenants to operate their businesses as currently operated. Noncompliance with environmental laws or discovery of environmental liabilities could each individually or collectively affect such tenant's ability to make payments to us, including rental payments and, where applicable, indemnification payments.

Our environmental liabilities may include property and natural resources damage, personal injury, investigation and clean-up costs, among other potential environmental liabilities. These costs could be substantial. Although we may obtain insurance for environmental liability for certain properties that are deemed to warrant coverage, our insurance may be insufficient to address any particular environmental situation and we may be unable to continue to obtain insurance for environmental matters, at a reasonable cost or at all, in the future. If our environmental liability insurance is inadequate, we may become subject to material losses for environmental liabilities. Our ability to receive the benefits of any environmental liability insurance policy will depend on the financial stability of our insurance company and the position it takes with respect to our insurance policies. If we were to become subject to significant environmental liabilities, we could be materially and adversely affected.

***Our properties may contain or develop harmful mold, which could lead to liability for adverse health effects and costs of remediation.***

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, should our tenants or their employees or customers be exposed to mold at any of our properties we could be required to undertake a costly remediation program to contain or remove the mold from the affected property. In addition, exposure to mold by our tenants or others could subject us to liability if property damage or health concerns arise. If we were to become subject to significant mold-related liabilities, we could be materially and adversely affected.

***Natural disasters, terrorist attacks, other acts of violence or war, or other unexpected events could materially and adversely impact us.***

Natural disasters, terrorist attacks, other acts of violence or war or other unexpected events could materially interrupt our business operations (or those of our tenants), cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. They also could result in or prolong an economic recession in the United States. Any of these occurrences could materially and adversely affect us.

***Insurance on our properties may not adequately cover all losses and uninsured losses could materially and adversely affect us.***

Our tenants are required to maintain liability and property insurance coverage for the properties they lease from us pursuant to triple-net leases. Pursuant to such leases, our tenants are required to name us (and any of our lenders that have a mortgage on the property leased by the tenant) as additional insureds on their liability policies and additional named insured and/or loss payee (or mortgagee, in the case of our lenders) on their property policies. All tenants are required to maintain casualty coverage and most carry limits at 100% of replacement cost. Depending on the location of the property, losses of a catastrophic nature, such as those caused by earthquakes and floods, may be covered by insurance policies that are held by our tenant with limitations such as large deductibles or co-payments that a tenant may not be able to meet. In addition, losses of a catastrophic nature, such as those caused by wind/hail, hurricanes, terrorism or acts of war, may be uninsurable or not economically insurable. In the event there is damage to our properties that is not covered by insurance and such properties are subject to recourse indebtedness, we will continue to be liable for the indebtedness, even if these properties are irreparably damaged.

Inflation, changes in building codes and ordinances, environmental considerations, and other factors, including terrorism or acts of war, may make any insurance proceeds we receive insufficient to repair or replace a property if it is damaged or destroyed. In that situation, the insurance proceeds received may not be adequate to restore our economic position with respect to the affected real property. Furthermore, in the event we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications without significant capital expenditures which may exceed any amounts received pursuant to insurance policies, as reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. The loss of our capital investment in or anticipated future returns from our properties due to material uninsured losses could materially and adversely affect us.

***Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make unanticipated expenditures that materially and adversely affect us.***

Our properties are subject to the Americans with Disabilities Act, or ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Compliance with the ADA requirements could require removal of access barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both. While our tenants are obligated by law to comply with the ADA and typically obligated under our leases to cover costs associated with compliance, if required changes involve greater expenditures than anticipated or if the changes must be made on a more accelerated basis than anticipated, the ability of our tenants to cover costs could be adversely affected. We could be required to expend our own funds to comply with the provisions of the ADA, which could materially and adversely affect us.

In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our properties. We may be required to make substantial capital expenditures to comply with those requirements and may be required to obtain approvals from various authorities with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Additionally, failure to comply with any of these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. While

we intend to only acquire properties that we believe are currently in substantial compliance with all regulatory requirements, these requirements may change and new requirements may be imposed which would require significant unanticipated expenditures by us and could materially and adversely affect us.

***Changes in accounting standards may materially and adversely affect us.***

From time to time the Financial Accounting Standards Board, or FASB, and the SEC, who create and interpret appropriate accounting standards, may change the financial accounting and reporting standards or their interpretation and application of these standards that will govern the preparation of our financial statements. These changes could materially and adversely affect our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements. Similarly, these changes could materially and adversely affect our tenants' reported financial condition or results of operations and affect their preferences regarding leasing real estate.

***In the future, we may choose to acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.***

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

**Risks Related to Our Indebtedness**

***As of March 31, 2018, on a pro forma basis, we had approximately \$        million principal balance of indebtedness outstanding, which may expose us to the risk of default under our debt obligations.***

As of March 31, 2018, on a pro forma basis, we had approximately \$        million of indebtedness outstanding. As of March 31, 2018, approximately \$520.9 million of this indebtedness was issued in two series, each consisting of Class A Notes and Class B Notes, under our Master Trust Funding Program, which allows us to issue multiple series of rated notes from time to time to institutional investors in the asset-backed securities market. In addition, upon the completion of this offering, we expect to have an unsecured revolving credit facility. Payments of principal and interest on borrowings may leave us with insufficient cash resources to meet our cash needs or make the distributions to our common stockholders currently contemplated or necessary to qualify as a REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- cash interest expense and financial covenants relating to our indebtedness may limit or eliminate our ability to make distributions to our common stockholders;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to capitalize upon investment opportunities or meet operational needs;

- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a portion of our debt bears interest at variable rates, increases in interest rates could increase our interest expense;
- we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under any hedge agreements we enter into, such agreements may not effectively hedge interest rate fluctuation risk, and, upon the expiration of any hedge agreements we enter into, we would be exposed to then-existing market rates of interest and future interest rate volatility;
- we may be forced to dispose of properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties or our interests in the entities that own the properties that secure their loans and receive an assignment of rents and leases;
- we may be restricted from accessing some of our excess cash flow after debt service if certain of our tenants fail to meet certain financial performance metric thresholds;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any loan with cross default provisions could result in a default on other indebtedness.

The occurrence of any of these events could materially and adversely affect us. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

***Market conditions could adversely affect our ability to refinance existing indebtedness or obtain additional financing for growth on acceptable terms or at all, which could materially and adversely affect us.***

Credit markets may experience significant price volatility, displacement and liquidity disruptions, including the bankruptcy, insolvency or restructuring of certain financial institutions. Such circumstances could materially impact liquidity in the financial markets, making financing terms for borrowers less attractive, and potentially result in the unavailability of various types of debt financing. As a result, we may be unable to obtain debt financing on favorable terms or at all or fully refinance maturing indebtedness with new indebtedness. Reductions in our available borrowing capacity or inability to obtain credit, including the revolving credit facility that we expect to have upon the completion of this offering, when required or when business conditions warrant could materially and adversely affect us.

Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. Higher interest rates on newly incurred debt may negatively impact us as well. If interest rates increase, our interest costs and overall costs of capital will increase, which could materially and adversely affect us and our ability to make distributions to our stockholders.

Total debt payments for the remainder of 2018 are \$185.7 million (including \$5.7 million of scheduled amortization). We expect to meet these repayment requirements primarily through financing activity or net cash from operating activities.

***Our debt financing agreements, including the Master Trust Funding Program and revolving credit facility that we expect to have upon completion of this offering, contain or will contain restrictions and covenants which may limit our ability to enter into or obtain funding for certain transactions, operate our business or make distributions to our common stockholders.***

The agreements governing our borrowings, including the Master Trust Funding Program and the revolving credit facility that we expect to have upon the completion of this offering, contain or will contain financial and other covenants with which we are or will be required to comply and that limit or will limit our ability to operate our business. These covenants, as well as any additional covenants to which we may be subject in the future because of additional borrowings, could cause us to have to forego investment opportunities, reduce or eliminate distributions to our common stockholders or obtain financing that is more expensive than financing we could obtain if we were not subject to the covenants. In addition, the agreements governing our borrowing may have cross default provisions, which provide that a default under one of our debt financing agreements would lead to a default on all of our debt financing agreements.

The covenants and other restrictions under our debt agreements may affect, among other things, our ability to:

- incur indebtedness;
- create liens on assets;
- cause our subsidiaries to distribute cash to us to fund distributions to stockholders or to otherwise use in our business;
- sell or substitute assets;
- modify certain terms of our leases;
- manage our cash flows; and
- make distributions to equity holders, including our common stockholders.

Additionally, these restrictions may adversely affect our operating and financial flexibility and may limit our ability to respond to changes in our business or competitive environment, all of which may materially and adversely affect us.

***Under certain circumstances, the subsidiaries included in our Master Trust Funding Program would be prohibited from distributing excess cash flow to us and the assets of such subsidiaries could be foreclosed upon.***

Through our Master Trust Funding Program, certain of our operating partnership's indirect wholly-owned subsidiaries have issued net-lease mortgage notes payable with an aggregate outstanding principal balance as of March 31, 2018 of \$520.9 million. As of March 31, 2018, we had pledged 348 properties, with a gross investment amount of \$627.8 million, as collateral under this program. As the equity owner of the subsidiaries included in our Master Trust Funding Program, we are only entitled to the excess cash flows from such subsidiaries after debt service and all other required payments are made on the notes. If at any time the monthly debt service coverage ratio (as defined) generated by the collateral pool is less than or equal to 1.25 to 1, excess cash flow (as defined) from the subsidiaries included in our Master Trust Funding Program will be deposited into a reserve account to be used for payments to be made on the net-lease mortgage notes, to the extent there is a shortfall. Additionally, if at any time the three month average debt service coverage ratio generated by the collateral pool is less than or equal to 1.15 to 1, excess cash flow from the subsidiaries included in our Master Trust Funding Program will be applied to an early amortization of the notes. For the year ended March 31, 2018, the debt service coverage ratio was approximately 1.47 to 1. If we fail to maintain the required



debt service coverage ratios, the excess cash flows we receive from these subsidiaries would be reduced or eliminated. This could materially and adversely affect us, including by reducing our ability to pay cash distributions on our common stock and possibly prevent us from qualifying or maintaining our qualification for taxation as a REIT. In addition, if the subsidiaries included in our Master Trust Funding Program are unable to repay the notes, including in connection with any acceleration of maturity, the pledged assets could be foreclosed upon and our equity in such assets eliminated.

### **Risks Related to Our Organizational Structure**

***Eldridge will have substantial influence over our business, and its interests, and the interests of certain members of our management, may differ from our interests or those of our other stockholders.***

Immediately after this offering and the concurrent Eldridge private placement, Eldridge will beneficially own approximately % (or, if the underwriters fully exercise their option to purchase additional shares, %) of our outstanding common stock (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus and subject to adjustment as described under "Pricing Sensitivity Analysis"). As a result, Eldridge will have significant influence in the election of our directors who will elect our executive officers, set our management policies and exercise overall supervision and control over us and our subsidiaries. In addition, pursuant to our charter, our bylaws and a stockholders agreement that we intend to enter into with Eldridge prior to the consummation of this offering, Eldridge, subject to certain limitations, will have the right to designate nominees for election to our board of directors, designate a member of certain board committees and approve certain actions, such as the removal of directors designated by Eldridge and amendments to certain provisions of our charter and bylaws. In addition to the waiver from our ownership limit that we will grant to Eldridge in connection with the concurrent private placement of our common stock, allowing Eldridge to own up to 19.0% of our outstanding common stock, we will agree in the stockholders agreement to, upon Eldridge's request, increase the percentage of our outstanding common stock that may be owned by Eldridge, unless our board of directors concludes that any such increase will jeopardize our ability to qualify for taxation as a REIT. See "Certain Relationships and Related Party Transactions—Stockholders Agreement" and "Management—Stockholders Agreement." Additionally, for so long as Eldridge owns at least 10% of the OP units, we will be prohibited from undertaking certain actions, including, without limitation, consummating fundamental transactions, without first gaining the approval of the partners as specified in the partnership agreement. See "Description of the Partnership Agreement of Essential Properties, L.P.—Purpose, Business and Management." Certain potential transactions may affect Eldridge differently than other stockholders and it is possible that Eldridge may have different interests than stockholders with respect to such transactions.

The interests of Eldridge may differ from the interests of our other stockholders, and Eldridge's significant stockholdings and rights described above may limit other stockholders' ability to influence corporate matters. In this regard, sales or other dispositions of our properties may have adverse tax implications for Eldridge. In addition, certain members of our management have certain equity interests in the holding company through which Eldridge owns some of its interest in our business, which may cause them to have interests that differ from our other stockholders. The concentration of ownership and voting power of Eldridge and Eldridge's rights described above may also delay, defer or even prevent an acquisition by a third party or other change of control of our company and may make some transactions more difficult or impossible without the support of Eldridge, even if such events are in the best interests of our other stockholders. The concentration of voting power in Eldridge may have an adverse effect on the price of our common stock. As a result of Eldridge's influence, we may take actions that our other stockholders do not view as beneficial, which may adversely affect our results of operations and financial condition and cause the value of your investment in us to decline.

Eldridge and its affiliates engage in a broad spectrum of activities, including investments in real estate. In the ordinary course of their business activities, Eldridge and its affiliates may engage in activities where their interests conflict with our interests or those of our stockholders. Our charter will provide that, to the maximum extent permitted by Maryland law, none of Eldridge, its affiliates, each of their representatives, and each of our directors or officers that is an employee, affiliate or designee for nomination as a director of Eldridge will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate or directly or indirectly doing business with any of our clients, customers or suppliers. Eldridge and its affiliates also may pursue acquisition opportunities that may be complementary to our business (provided, however, that any corporate opportunity presented to a person solely in his or her capacity as a director or officer of us must be presented to us), and, as a result, those acquisition opportunities may not be available to us. See “Certain Provisions of Maryland Law and of Our Charter and Bylaws—Corporate Opportunities.”

***Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change of control transaction, even if such a change in control may be in your interest, and as a result may depress the market price of our common stock. Our charter contains certain restrictions on ownership and transfer of our stock.***

Our charter contains various provisions that are intended to assist us to qualify as a REIT, among other reasons, and, subject to certain exceptions, authorizes our directors to take such actions as are necessary or appropriate to qualify as a REIT. For example, our charter prohibits the actual, beneficial or constructive ownership by any person of more than 7.5% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 7.5% in value of the aggregate of the outstanding shares of all classes and series of our stock. However, certain entities that are defined as designated investment entities in our charter, which generally includes pension funds, mutual funds and certain investment management companies, are permitted to own up to 9.8% (in value or in number of shares) of our outstanding common stock, or 9.8% in value of the aggregate of the outstanding shares of all classes and series of stock, so long as each beneficial owner of the shares owned by such designated investment entity would satisfy the ownership limits if those beneficial owners owned directly their pro rata share of the common stock owned by the designated investment entity. We refer to this restriction as the “designated investment entity limit.”

Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied. See “Description of Our Capital Stock—Restrictions on Ownership and Transfer.” The restrictions on ownership and transfer of our stock may, among other things:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; or
- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of one or more charitable beneficiaries and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

***We could increase or decrease the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.***

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued

shares of our common stock or preferred stock into one or more classes or series of stock and to set the terms of such newly classified or reclassified shares. See “Description of Our Capital Stock—Common Stock” and “—Preferred Stock.” As a result, we may issue one or more classes or series of common stock or preferred stock with preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption that are senior to, or otherwise conflict with, the rights of our common stockholders. Although our board of directors has no such intention at the present time, it could establish a class or series of common stock or preferred stock that could, depending on the terms of such class or series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

***Termination of the employment agreements with certain members of our senior management team could be costly and prevent a change in control of our company.***

The employment agreements with certain members of our senior management team provide that if their employment with us terminates under certain circumstances (including in connection with a change in control of our company), we may be required to pay them significant amounts of severance compensation, thereby making it costly to terminate their employment. Furthermore, these provisions could delay or prevent a transaction or a change in control of our company that might involve a premium paid for shares of our common stock or otherwise be in the best interests of our stockholders.

***Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.***

Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Although we are not required to maintain a particular leverage ratio, we generally intend to target a level of net debt (which includes recourse and non-recourse borrowings and any outstanding preferred stock issuance less unrestricted cash and cash equivalents) that, over time, is less than six times our EBITDA. However, from time to time, our ratio of net debt to our EBITDA may exceed six times. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged, which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could materially and adversely affect us.

***Our rights and the rights of our stockholders to take action against our directors and officers are limited.***

Upon the completion of this offering, as permitted by Maryland law, our charter will limit the liability of our directors and officers to us and our stockholders for money damages to the maximum extent permitted by Maryland law. Therefore, our directors and officers will be subject to monetary liability resulting only from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

As a result, we and our stockholders have rights against our directors and officers that are more limited than might otherwise exist. Accordingly, in the event that actions taken by any of our directors or officers impede the performance of our company, your and our ability to recover damages from such director or officer will be limited. In addition, our charter and our bylaws will require us to indemnify our directors and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law.

***Upon the completion of this offering and the formation transactions, we will be a holding company with no direct operations and will rely on funds received from our operating partnership to pay liabilities.***

Upon the completion of this offering and the formation transactions, we will be a holding company and will conduct substantially all of our operations through our operating partnership. We will not have, apart from an interest in our operating partnership, any independent operations. As a result, we will rely on distributions from our operating partnership to pay any distributions we might declare on shares of our common stock. We will also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we will be a holding company, your claims as stockholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be able to satisfy the claims of our stockholders only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

In connection with our future acquisition of properties or otherwise, we may issue units of our operating partnership to third parties. Such issuances would reduce our ownership in our operating partnership. Because you will not directly own units of our operating partnership, you will not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

***Conflicts of interest could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our stockholders.***

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any future partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with the management of our company. At the same time, one of our wholly-owned subsidiaries, Essential Properties General OP Holdings, LLC, as the general partner of our operating partnership, will have fiduciary duties and obligations to our operating partnership and its limited partners under Delaware law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. The fiduciary duties and obligations of Essential Properties General OP Holdings, LLC, as general partner of our operating partnership, and its limited partners may come into conflict with the duties of our directors and officers to our company.

Under the terms of the partnership agreement of our operating partnership, if there is a conflict between the interests of our stockholders on one hand and any limited partners on the other, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or any limited partners; provided, however, that at such time as we own a controlling economic interest in our operating partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or any limited partners shall be resolved in favor of our stockholders.

The partnership agreement requires the general partner or us, as the parent of the general partner, to obtain the approval of a majority in interest of the outside limited partners in our operating partnership (which excludes us and our subsidiaries) in connection with certain mergers, consolidations or other combinations of us, or a sale of all or substantially all of our assets. In addition, for so long as Eldridge owns at least 10% of the OP units, the Operating Partnership will be prohibited from undertaking certain actions (including, without limitation, consummating fundamental transactions) without first gaining the approval of in excess of 50% of (i) the units owned by us or our subsidiaries (voted in the same proportion as the vote of holders of our shares of common stock) plus (ii) the units issued to Eldridge and EPRT Holdings, LLC in the formation transactions. See “Description of the Partnership Agreement of Essential Properties, L.P.—Transferability of Operating Partnership Units; Extraordinary Transactions.” This approval right could prevent a transaction that might be in the best interests of our stockholders.

The partnership agreement will also provide that the general partner will not be liable to our operating partnership, its partners or any other person bound by the partnership agreement for monetary damages for losses sustained, liabilities incurred or benefits not derived by our operating partnership or any limited partner, except for liability for the general partner’s intentional harm or gross negligence. Moreover, the partnership agreement will provide that our operating partnership is required to indemnify the general partner and its members, managers, managing members, officers, employees, agents and designees from and against any and all claims that relate to the operations of our operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active or deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful.

***We are an “emerging growth company,” and we cannot be certain if the reduced SEC reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors, which could make the market price and trading volume of our common stock be more volatile and decline significantly.***

We are an “emerging growth company” as defined in the JOBS Act. We will remain an “emerging growth company” until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenue equals or exceeds \$1.07 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of this offering, (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt securities or (iv) the date on which we are deemed to be a “large accelerated filer” under the Exchange Act. We intend to take advantage of exemptions from various reporting requirements that are applicable to most other public companies, whether or not they are classified as “emerging growth companies,” including, but not limited to, an exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. An attestation report by our auditor would require additional procedures by them that could detect problems with our internal control over financial reporting that are not detected by management. If our system of internal control over financial reporting is not determined to be appropriately designed or operating effectively, it could require us to restate financial statements, cause us to fail to meet reporting obligations and cause investors to lose confidence in our reported financial information, all of which could lead to a significant decline in the market price of our common stock. The JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in the Securities Act for complying with new or revised accounting standards. However, we have chosen to “opt out” of this extended transition period and, as a result, we will comply with new or revised accounting standards on or prior to the

relevant dates on which adoption of such standards is required for all public companies that are not emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable. We cannot predict if investors will find our common stock less attractive because we intend to rely on certain of these exemptions and benefits under the JOBS Act. If some investors find our common stock less attractive as a result, there may be a less active, liquid and/or orderly trading market for our common stock and the market price and trading volume of our common stock may be more volatile and decline significantly.

#### **Risks Related to Our Status as a REIT**

##### ***Failure to qualify as a REIT would materially and adversely affect us and the value of our common stock.***

We believe that we have been organized and have operated in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2018, and we intend to continue operating in such a manner. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. Therefore, we cannot assure you that we will qualify as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face significant tax consequences that would substantially reduce our cash available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at the corporate rate;
- we also could be subject to increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could materially and adversely affect the trading price of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as “rents from real property.” Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially and adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, any taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions in which they operate.

***If our operating partnership fails to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.***

We believe that our operating partnership will be treated as a partnership for federal income tax purposes. As a partnership, our operating partnership would generally not be subject to federal income tax on its income. Instead, for federal income tax purposes, if our operating partnership is treated as a partnership, each of its partners, including us, would be allocated, and may be required to pay tax with respect to, such partner's share of its income. Our operating partnership will generally be required to determine and pay an imputed underpayment of tax (plus interest and penalties) resulting from an adjustment of the operating partnership's items of income, gain, loss, deduction or credit at the partnership level. We cannot assure you that the IRS will not challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a disregarded entity or partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a disregarded entity or partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

***To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, which could materially and adversely affect us and the per share trading price of our common stock.***

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, determined without regard to the dividends-paid deduction and excluding any net capital gains, and we will be subject to corporate income tax on our undistributed taxable income to the extent that we distribute less than 100% of our REIT taxable income, determined without regard to the dividends-paid deduction and including any net capital gains, each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the market price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could materially and adversely affect us and the per share trading price of our common stock.

***The IRS may treat sale-leaseback transactions as loans, which could jeopardize our REIT status or require us to make an unexpected distribution.***

The IRS may take the position that specific sale-leaseback transactions that we treat as leases are not true leases for federal income tax purposes but are, instead, financing arrangements or loans.

If a sale-leaseback transaction were so re-characterized, we might fail to satisfy the REIT asset tests, the income tests or distribution requirements and consequently lose our REIT status effective with the year of re-characterization unless we elect to make an additional distribution to maintain our REIT status. The primary risk relates to our loss of previously incurred depreciation expenses, which could affect the calculation of our REIT taxable income and could cause us to fail the REIT distribution test that requires a REIT to distribute at least 90% of its REIT taxable income, determined without regard to the dividends-paid deduction and excluding any net capital gain. In this circumstance, we may elect to distribute an additional dividend of the increased taxable income so as not to fail the REIT distribution test. This distribution would be paid to all stockholders at the time of declaration rather than the stockholders existing in the taxable year affected by the re-characterization.

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

The maximum tax rate applicable to income from “qualified dividends” payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for the 20% rate applicable to “qualified dividends” except to the extent the REIT dividends are attributable to “qualified dividends” received by the REIT itself. However, for non-corporate U.S. stockholders, dividends payable by REITs that are not designated as capital gain dividends or otherwise treated as “qualified dividends” generally are eligible for a deduction of 20% of the amount of such dividends, for taxable years beginning before January 1, 2026. More favorable rates will nevertheless continue to apply for regular corporate “qualified dividends.” Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the 20% rate continues to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may regard investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations.

***The tax imposed on REITs engaging in “prohibited transactions” may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.***

A REIT’s net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

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

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Any income from a hedging transaction that we enter into to manage the risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets, or from certain terminations of such hedging positions, does not constitute “gross income” for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. See “Federal Income Tax Considerations.” As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a taxable REIT subsidiary, or TRS. This could increase the cost of our hedging activities.



because any TRS in which we own an interest may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in any TRS in which we own an interest will generally not provide any tax benefit, except that such losses could theoretically be carried forward against future taxable income in such TRS.

***Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.***

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could materially and adversely affect us. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

***Changes to the U.S. federal income tax laws, including the recent enactment of certain tax reform measures, could have a material and adverse effect on us.***

Changes to the U.S. federal income tax laws are proposed regularly. Additionally, the REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury, which may result in revisions to regulations and interpretations in addition to statutory changes. If enacted, certain such changes could have an adverse impact on our business and financial results.

In particular, recently enacted legislation known as the Tax Cuts and Jobs Act makes wholesale changes to the Code. The effect of the many changes made in this legislation is highly uncertain, both in terms of direct effect on the taxation of an investment in our common stock and their indirect effect on our business generally. It appears as of the date of this prospectus that the principal direct tax effect of the legislation on U.S. stockholders of Essential Properties Realty Trust, Inc. is to allow, subject to certain exceptions, the deduction of an amount equal to 20% of any dividends that are not designated as capital gain dividends or otherwise treated as qualified dividends received by non-corporate U.S. stockholders for taxable years beginning before January 1, 2026. The complicated statutes, regulations, rulings and other administrative positions relating to the qualification of REITs and the taxation of them and their stockholders are subject to revision at any time. That is particularly the case following the enactment of statutory amendments as extensive as those made by the Tax Cuts and Jobs Act. It is likely that there will be technical corrections legislation with respect to the Tax Cuts and Jobs Act, the effect of which cannot be predicted and may be adverse. In addition, many of the amendments will require guidance through the issuance of Treasury Regulations in order to assess their effect. There may be substantial delay before such regulations are promulgated, increasing the uncertainty as to the ultimate effect of the statutory amendments on us.

There may also be future changes in federal tax laws, regulations, rules, and judicial and administrative interpretations applicable to us and our business, the effect of which cannot be predicted. Prospective investors are urged to consult with their tax advisors regarding the possible effect of the Tax Cuts and Jobs Act on us, our business, and our stockholders.

## **Risks Related to this Offering and Ownership of Our Common Stock**

***There has been no public market for our common stock prior to this offering and an active trading market for our common stock may not develop following this offering.***

Prior to this offering, there has been no public market for our common stock, and there can be no assurance that an active trading market will develop or be sustained or that shares of our common stock will be resold at or above the initial public offering price. We have applied to have our common stock listed on the NYSE. The initial public offering price of our common stock will be determined by agreement among us and the underwriters, but there can be no assurance that our common stock will not trade below the initial public offering price following the completion of this offering. See "Underwriting." The market value of our common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for our common stock following the completion of this offering, the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions.

***The market price and trading volume of shares of our common stock may be volatile following this offering.***

The market price of shares of our common stock may fluctuate. In addition, the trading volume in shares of our common stock may fluctuate and cause significant price variations to occur. If the market price of shares of our common stock declines significantly, you may be unable to resell your shares of our common stock at or above the public offering price. We cannot assure you that the market price of shares of our common stock will not fluctuate or decline significantly, including a decline below the public offering price, in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the market price or trading volume of shares of our common stock include:

- actual or anticipated declines in our quarterly operating results or distributions;
- changes in government regulations;
- changes in laws affecting REITs and related tax matters;
- the announcement of new contracts by us or our competitors;
- reductions in our FFO, AFFO or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of shares of our common stock to demand a higher yield;
- future equity issuances, or the perception that they may occur, including issuances of common stock upon exercise or vesting of equity awards or redemption of OP units;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- differences between our actual financial and operating results and those expected by investors and analysts;

- changes in analysts' recommendations or projections;
- speculation in the press or investment community; and
- the realization of any of the other risk factors presented in this prospectus.

***There can be no assurance that we will be able to make or maintain cash distributions, and certain agreements relating to our indebtedness may, under certain circumstances, limit or eliminate our ability to make distributions to our common stockholders.***

We intend to make cash distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year, subject to adjustments, is distributed. Our ability to continue to make distributions in the future may be adversely affected by the risk factors described in this prospectus. We can give no assurance that we will be able to make or maintain distributions and certain agreements relating to our indebtedness may, under certain circumstances, limit or eliminate our ability to make distributions to our common stockholders. We can give no assurance that rents from our properties will increase, or that future acquisitions of real properties or other investments will increase our cash available for distributions to stockholders. In addition, any distributions will be authorized at the sole discretion of our board of directors, and their form, timing and amount, if any, will depend upon a number of factors, including our actual and projected results of operations, FFO, AFFO, liquidity, cash flows and financial condition, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements, applicable law and such other factors as our board of directors deems relevant.

Distributions are expected to be based upon our FFO, AFFO, financial condition, cash flows and liquidity, debt service requirements and capital expenditure requirements for our properties. If we do not have sufficient cash available for distributions, we may need to fund the shortage out of working capital or borrow to provide funds for such distributions, which would reduce the amount of proceeds available for real estate investments and increase our future interest costs. Our inability to make distributions, or to make distributions at expected levels, could result in a decrease in per share trading price of our common stock.

***We may use a portion of the net proceeds from this offering and the concurrent Eldridge private placement to make distributions to our stockholders, which would, among other things, reduce our cash available to acquire properties and may reduce the returns on your investment in our common stock.***

Prior to the time we have fully invested the net proceeds from this offering and the concurrent Eldridge private placement, we may fund distributions to our stockholders out of the net proceeds, which would reduce the amount of cash we have available to acquire properties and may reduce the returns on your investment in our common stock. The use of these net proceeds for distributions to stockholders could materially and adversely affect us. In addition, funding distributions from the net proceeds from this offering and the concurrent Eldridge private placement may constitute a return of capital to our stockholders, which would have the effect of reducing each stockholder's tax basis in our common stock.

***Increases in market interest rates may result in a decrease in the value of shares of our common stock.***

One of the factors that will influence the price of shares of our common stock will be the distribution yield on shares of our common stock (as a percentage of the price of shares of our common stock) relative to market interest rates. An increase in market interest rates, which are

currently at low levels relative to historical rates, may lead prospective purchasers of shares of our common stock to expect a higher distribution yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the per share trading price of our common stock to decrease.

***Broad market fluctuations could negatively impact the market price of shares of our common stock.***

The stock market may experience extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies' operating performances. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us in particular. These broad market fluctuations could reduce the market price of shares of our common stock. Furthermore, our operating results and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations. Either of these factors could lead to a material decline in the per share trading price of our common stock.

***This offering is expected to be dilutive to earnings, and there may be future dilution to earnings related to shares of our common stock.***

On a pro forma basis, we expect that this offering and the concurrent Eldridge private placement will have a dilutive effect on our expected earnings per share and FFO per share. The actual amount of dilution cannot be determined at this time and will be based upon numerous factors. The market price of shares of our common stock could decline as a result of issuances or sales of a large number of shares of our common stock in the market after this offering or the perception that such issuances or sales could occur. Additionally, future issuances or sales of substantial amounts of shares of our common stock may be at prices below the initial public offering price of the shares of our common stock offered by this prospectus and may result in further dilution in our earnings and FFO per share and/or materially and adversely impact the per share trading price of our common stock. See "Dilution."

***Future offerings of debt, which would be senior to shares of our common stock upon liquidation, and/or preferred equity securities that may be senior to shares of our common stock for purposes of distributions or upon liquidation, may materially and adversely affect the market price of shares of our common stock.***

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities (or causing our operating partnership to issue debt securities). Upon liquidation, holders of our debt securities and preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to our stockholders. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Our stockholders are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on distribution payments that could limit our right to make distributions to our stockholders. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Our stockholders bear the risk of our future offerings reducing per share trading price of our common stock.

***Sales of substantial amounts of our common stock in the public markets, or the perception that they might occur, could reduce the price of our common stock and may dilute your voting power and your ownership interest in us.***

Sales of substantial amounts of our common stock in the public market following our initial public offering, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. Assuming an initial public offering price of \$        per share, which is the mid-point of the price range set forth on the front cover of this prospectus, upon the completion of this offering and the concurrent Eldridge private placement, we expect to have outstanding        shares of our common stock (or        shares of our common stock if the underwriters exercise in full their option to purchase additional shares) (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus).

The shares of our common stock that we are selling in this offering may be resold immediately in the public market unless they are held by “affiliates,” as that term is defined in Rule 144 of the Securities Act. The common stock and, if applicable, OP units to be purchased by Eldridge in the concurrent Eldridge private placement and the OP units to be held by EPRT Holdings, LLC, an affiliate of Eldridge, will be “restricted securities” within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemptions contained in Rule 144. Eldridge and EPRT Holdings, LLC (as well as our directors, director nominees and officers) have agreed, subject to certain exceptions, not to sell or otherwise dispose of any of their common stock or OP units (which may be exchanged for common stock) from the date of this prospectus continuing through the date 180 days (or 365 days, in the case of Eldridge) after the date of this prospectus, except with the underwriters’ prior written consent. As a result of the registration rights agreements, however, all of these shares of our common stock, including common stock that may be issued in exchange for OP units, may be eligible for future sale without restriction, subject to applicable lock-up arrangements. See “Shares Eligible for Future Sale—Registration Rights” and “Certain Relationships and Related Transactions—Registration Rights Agreements.” Sales of a substantial number of such shares upon expiration of the lock-up agreements, the perception that such sales may occur, or early release of these agreements, could cause the market price of our common stock to fall or make it more difficult for you to sell your common stock at a time and price that you deem appropriate.

In addition, upon completion of this offering, our charter will provide that we may issue up to 500,000,000 shares of common stock and 150,000,000 shares of preferred stock, \$0.01 par value per share. Moreover, under Maryland law and as will be provided in our charter, a majority of our entire board of directors will have the power to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue without stockholder approval. Future issuances of shares of our common stock or securities convertible or exchangeable into common stock may dilute the ownership interest of our common stockholders. Because our decision to issue additional equity or convertible or exchangeable securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future issuances. In addition, we are not required to offer any such securities to existing stockholders on a preemptive basis. Therefore, it may not be possible for existing stockholders to participate in such future issuances, which may dilute the existing stockholders’ interests in us.

***A lack of research analyst coverage or restrictions on the ability of analysts associated with the co-managers of this offering to publish during certain time periods, including when we report our results of operations, could materially and adversely affect the trading price and liquidity of our common stock.***

We cannot assure you that research analysts, including those associated with the underwriters of this offering, will initiate or maintain research coverage of us or our common stock. In addition, regulatory rules prohibit research analysts associated with the co-managers of this offering from publishing or otherwise distributing a research report or from making a public appearance regarding us for 15 days prior to and after the expiration, waiver or termination of any lock-up agreement that we or certain of our stockholders have entered into with the underwriters of this offering. Accordingly, it could be the case that research concerning our results of operations or the possible effects on us of significant news or a significant event will not be published or will be published on a delayed basis. A lack of research or the inability of certain research analysts to publish research relating to our results of operations or significant news or a significant event in a timely manner could materially and adversely affect the trading price and liquidity of our common stock.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our business and growth strategies, investment and leasing activities and trends in our business, including trends in the market for long-term, net leases of freestanding, single-tenant properties, contain forward-looking statements. When used in this prospectus, the words “estimate,” “anticipate,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “seek,” “approximately” or “plan,” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters are intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions of management.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- general business and economic conditions;
- continued volatility and uncertainty in the credit markets and broader financial markets, including potential fluctuations in the CPI;
- other risks inherent in the real estate business, including tenant defaults, potential liability relating to environmental matters, illiquidity of real estate investments, and potential damages from natural disasters;
- availability of suitable properties to acquire and our ability to acquire and lease those properties on favorable terms;
- ability to renew leases, lease vacant space or re-lease space as existing leases expire or are terminated;
- the degree and nature of our competition;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- access to debt and equity capital markets;
- fluctuating interest rates;
- availability of qualified personnel and our ability to retain our key management personnel;
- changes in, or the failure or inability to comply with, government regulation, including Maryland laws;
- failure to qualify for taxation as a REIT;
- changes in the U.S. tax law and other U.S. laws, whether or not specific to REITs; and
- additional factors discussed in the sections entitled “Business and Properties,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this prospectus. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events, except as required by law. In light of these risks and uncertainties, the forward-looking events discussed in this prospectus might not occur as described, or at all.



## USE OF PROCEEDS

We estimate that the net proceeds to us from this offering and the concurrent Eldridge private placement will be approximately \$       million, or \$       million if the underwriters exercise in full their option to purchase additional shares, after deducting underwriting discounts and commissions and other estimated expenses, in each case, based on an assumed initial public offering price of \$       per share, which is the mid-point of the price range set forth on the front cover of this prospectus. We will contribute the net proceeds from this offering and the concurrent private placement of common stock to our operating partnership in exchange for OP units.

We expect our operating partnership to use the net proceeds received from us and in the concurrent private placement of OP units (if any) (i) to repay short term notes, with an aggregate principal balance of approximately \$       million, issued to an affiliate of Eldridge and (ii) for general corporate purposes, including potential future investments. The indebtedness to be repaid to an affiliate of Eldridge was incurred to acquire properties. These short term notes accrue interest at an annual rate equal to LIBOR plus a spread of between 2.14% and 2.76% (with a weighted average annual interest rate of 3.83% as of March 31, 2018) and mature on various dates throughout 2018 (with a weighted average maturity of 245 days, as of March 31, 2018).

Pending the permanent use of the net proceeds from these offerings, we intend to invest the net proceeds in interest-bearing, short-term investment-grade securities, money-market accounts or other investments that are consistent with our intention to qualify for taxation as a REIT for federal income tax purposes.

## DISTRIBUTION POLICY

We intend to make a pro rata distribution with respect to the period commencing upon the completion of this offering and ending on September 30, 2018, based on a distribution rate of \$        per share of common stock for a full quarter. On an annualized basis, this would be \$        per share of common stock, or an annualized distribution rate of approximately        % based on the mid-point of the price range set forth on the front cover of this prospectus. We estimate that this initial annual distribution rate will represent approximately        % of our estimated cash available for distribution for the twelve months ending March 31, 2019. We do not intend to reduce the annualized distribution per share of common stock if the underwriters exercise their option to purchase additional shares. Our intended initial annual distribution rate has been established based on our estimate of cash available for distribution for the twelve months ending March 31, 2019, which we have calculated based on adjustments to our pro forma net income for the year ended December 31, 2017. This estimate was based on our pro forma operating results and does not take into account our long-term business and growth strategies, nor does it take into account any unanticipated expenditures we may have to make or any financings for such expenditures. In estimating our cash available for distribution for the twelve months ending March 31, 2019, we have made certain assumptions as reflected in the table and footnotes below.

Our estimate of cash available for distribution does not include the effect of any changes in our working capital resulting from changes in our working capital accounts. In addition, our estimate of cash available for distribution does not include \$        million of incremental general and administrative expenses expected to be incurred subsequent to the completion of this offering in order to operate as a public company. It also does not reflect the amount of cash estimated to be used for investing activities, financing activities or other activities, other than reductions in interest expense associated with loan amortization. Any such investing and/or financing activities may have a material and adverse effect on our estimate of cash available for distribution. Because we have made the assumptions described herein in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations, FFO, AFFO, liquidity or financial condition, and we have estimated cash available for distribution for the sole purpose of determining our estimated initial annual distribution amount. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to make distributions. In addition, the methodology upon which we made the adjustments described herein is not necessarily intended to be a basis for determining future distributions.

We intend to maintain our initial distribution rate for the 12 months following the completion of this offering unless our results of operations, FFO, AFFO, liquidity, cash flows, financial condition, prospects, economic conditions or other factors differ materially from the assumptions used in projecting our initial distribution rate. We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate. However, we cannot assure you that our estimate will prove accurate, and actual distributions may therefore be significantly below the expected distributions. Our actual results of operations will be affected by a number of factors, including the revenue received from our properties, our operating expenses, interest expense and unanticipated capital expenditures. We may, from time to time, be required, or elect, to borrow under our revolving credit facility or otherwise to pay distributions.

We cannot assure you that our estimated distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any distributions will be at the sole discretion of our board of directors, and their form, timing and amount, if any, will depend upon a number of factors, including our actual and projected results of operations, FFO, AFFO, liquidity, cash flows and financial condition, the revenue we actually receive from our properties, our operating

expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements, applicable law, including restrictions on distributions under Maryland law, and such other factors as our board of directors deems relevant. For more information regarding risk factors that could materially and adversely affect us and our ability to make cash distributions, see "Risk Factors." If our operations do not generate sufficient cash flow to enable us to pay our intended or required distributions, we may be required either to fund distributions from working capital, borrow or raise equity or to reduce such distributions. In addition, our charter allows us to issue preferred stock that could have a preference on distributions and could limit our ability to make distributions to our stockholders. Additionally, under certain circumstances, agreements relating to our indebtedness could limit our ability to make distributions to our stockholders.

Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, and that it pay tax at the corporate rate to the extent that it annually distributes less than 100% of its REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains. In addition, a REIT will be required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. For more information, see "Federal Income Tax Considerations." We anticipate that our estimated cash available for distribution will be sufficient to enable us to meet the annual distribution requirements applicable to REITs and to avoid or minimize the imposition of corporate and excise taxes. However, under some circumstances, we may be required to make distributions in excess of cash available for distribution in order to meet these distribution requirements or to avoid or minimize the imposition of tax and we may need to borrow funds to make certain distributions.

The following table sets forth calculations relating to the estimated initial distribution based on our pro forma financial data for the twelve months ended March 31, 2018 and is provided solely for the purpose of illustrating the estimated initial distribution and is not intended to be a basis for determining future distributions. All dollar amounts are in thousands.

<b>Pro forma net income for the year ended December 31, 2017</b>	<b>\$</b>
Less: pro forma net income for the three months ended March 31, 2017	
Add: pro forma net income for the three months ended March 31, 2018	
<b>Pro forma net income for the twelve months ended March 31, 2018</b>	
Add: estimated net increases in contractual rental revenue(1)	
Less: net decreases in contractual rental revenue due to tenant lease expirations and other vacancies(2)	
Less: estimated recurring capital expenditures(3)	
Less: estimated leasing and brokerage costs(4)	
Add: real estate depreciation and amortization	
Add: other depreciation and amortization	
Add: amortizations included in property expenses	
Add: non-cash impairment charges(5)	
Add: non-cash interest expense(6)	
Less: contractual rental revenues attributable to disposition properties that we expect to dispose of	
Less: net effect of non-cash rental revenue(7)	
Add: net reduction to interest expense associated with the amortization of indebtedness(8)	
Add: non-cash compensation expense(9)	
<b>Estimated cash flows from operating activities for the twelve months ending March 31, 2019</b>	<b>\$</b>
Less: estimated amount of tenant construction reimbursement obligations and tenant loan commitment(10)	
Less: scheduled principal payments on indebtedness(11)	
<b>Estimated cash available for distribution for the twelve months ending March 31, 2019</b>	<b>\$</b>
Our stockholders' share of estimated cash available for distribution(12)	\$
Non-controlling interests' share of estimated cash available for distribution(13)	\$
Total estimated initial annual distribution to stockholders(14)	\$
Estimated initial annual distribution per share of common stock	\$
Payout ratio(15)	%

- (1) Represents contractual increases in rental revenue from:
- scheduled fixed rent increases;
  - contractual increases based on changes in the CPI (including (a) increases that have already occurred but were not in effect for the entire twelve months ended March 31, 2018 and (b) actual increases that have occurred from April 1, 2018 through May 18, 2018; and
  - net increases from new leases or renewals that were not in effect for the entire twelve months ended March 31, 2018 or that will go into effect during the twelve months ending March 31, 2019 based upon leases entered into through May 18, 2018.
- (2) Represents decreases in rental revenue due to leases that (a) expired or were terminated during the twelve months ended March 31, 2018 or the period April 1, 2018 through May 18, 2018, in each case that were not re-leased as of May 18, 2018 or (b) will expire during the twelve months ending March 31, 2019; provided, that, we have assumed lease renewals at current rates for three leases

expiring during the twelve months ending March 31, 2019 where we have no knowledge of an intent not to renew the lease and the rent coverage ratio is 1.5x or greater. Assuming these three leases were not renewed, contractual rental revenue (and therefore our estimated cash available for distribution) for the twelve months ending March 31, 2019 would be \$        less.

- (3) Represents estimated recurring capital expenditures to be made during the twelve months ending March 31, 2019. Substantially all of our properties are triple-net leased to tenants who are required to pay all property-level operating expenses; accordingly, we have historically had limited capital expenditure requirements. For the period from March 30, 2016 (commencement of operations) to December 31, 2016 and the three months ended March 31, 2018, we had no capital expenditures. For the year ended December 31, 2017, we had non-recurring capital expenditures of \$48,000.
- (4) Represents the estimated amount of leasing commissions and brokerage costs for the twelve months ending March 31, 2019 for closed or probable acquisitions and three properties where we do not expect the tenants to renew their leases upon expiration.
- (5) Represents non-cash impairment charges recognized on real estate investments during the twelve months ended March 31, 2018.
- (6) Represents non-cash interest expense associated with:
  - the amortization of the discount on our indebtedness;
  - the amortization of deferred financing costs related to our outstanding indebtedness; and
  - the amortization of deferred financing costs related to the upfront fees and other costs incurred in connection with the new revolving credit facility and included in our pro forma net income for the year ended December 31, 2017.
- (7) Represents net non-cash rental revenues associated with the net straight-line adjustment to rental revenue, the amortization of above- and below-market lease intangibles and capitalized lease incentives.
- (8) Represents net reductions in contractual interest expense for the twelve months ending March 31, 2019 due to reductions in outstanding principal amount of indebtedness arising from principal amortization payments on our indebtedness, net of increases for new borrowings that were not outstanding for the twelve months ended March 31, 2018, and for any additional indebtedness incurred through May 18, 2018.
- (9) Represents non-cash stock-based compensation expense related to equity based awards granted to certain members of our management, directors and employees and included in our pro forma net income for the year ended December 31, 2017.
- (10) Represents estimated amount of tenant construction reimbursement obligations and a tenant loan commitment to be funded during the twelve months ending March 31, 2019.
- (11) Represents scheduled principal amortization during the twelve months ending March 31, 2019 for indebtedness outstanding at March 31, 2018, as well as, additional indebtedness incurred through May 18, 2018.
- (12) Based on an estimated ownership by our company of approximately        % of the limited partner interests in our operating partnership, based on the mid-point of the price range set forth on the front cover of this prospectus.
- (13) Represents the share of our estimated cash available for distribution for the twelve months ending March 31, 2019 that is attributable to the holders of limited partner interests in our operating partnership other than us, based on the mid-point of the price range set forth on the front cover of this prospectus.
- (14) Based on a total of        shares of our common stock expected to be outstanding upon completion of this offering and the concurrent private placement of common stock, based on the mid-point of the price range set forth on the front cover of this prospectus and subject to adjustment as provided under "Pricing Sensitivity Analysis."

- (15) Calculated as total estimated initial annual distribution to stockholders divided by our stockholders' share of estimated cash available for distribution for the twelve months ending March 31, 2019. If the underwriters exercise in full their option to purchase additional shares, our total estimated initial annual distribution to stockholders would be \$        million and our payout ratio would be    %.

## CAPITALIZATION

The following table sets forth our historical capitalization as of March 31, 2018 and our pro forma capitalization as of March 31, 2018 to give effect to this offering, the concurrent Eldridge private placement, the formation transactions and the other adjustments described in the unaudited pro forma consolidated financial statements included elsewhere in this prospectus, based on the mid-point of the price range set forth on the front cover of this prospectus. This table should be read in conjunction with the sections entitled "Use of Proceeds," "Selected Consolidated Historical and Pro Forma Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Pricing Sensitivity Analysis" and our historical and pro forma financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2018	
	Historical	Pro Forma
	(In thousands, except per share amounts)	
<b>Debt:</b>		
New revolving credit facility(1)	\$ —	\$ —
Indebtedness, net of deferred financing costs	510,138	
Notes payable to related party	225,000	—
<b>Members'/Stockholders' Equity:</b>		
Preferred stock, \$0.01 par value per share; no shares authorized, no shares issued and outstanding, actual; 150,000,000 shares authorized, no shares issued and outstanding, pro forma	—	—
Common stock, \$0.01 par value per share; no shares authorized, no shares issued and outstanding, actual; 500,000,000 shares authorized and shares issued and outstanding, pro forma(2)	—	—
Additional paid in capital	—	—
Total stockholders' equity	—	—
Members' equity	232,753	—
Noncontrolling interest	—	—
<b>Total Capitalization</b>	<b>\$ 967,891</b>	<b>\$ —</b>

(1) We expect to have a \$300 million unsecured revolving credit facility.

(2) Pro forma common stock outstanding includes (a)                      shares of our common stock to be issued in this offering, (b)                      shares of our common stock to be issued to Eldridge in the concurrent private placement of common stock (based on the mid-point of the price range set forth on the front cover of this prospectus, subject to adjustment as provided in "Pricing Sensitivity Analysis") and (c)                      shares of restricted common stock to be granted to our directors, executive officers and other employees in connection with the completion of this offering pursuant to the Equity Incentive Plan. Excludes (i)                      shares of our common stock issuable upon the exercise in full of the underwriters' option to purchase additional shares and (ii)                      shares of our common stock issuable in the future under the Equity Incentive Plan, as more fully described in "Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—2018 Equity Incentive Plan." In connection with our formation, EPRT Holdings, LLC made an initial investment in us of \$100 in exchange for 100 shares of our common stock. Such shares will be repurchased by us at or prior to the closing of the offering for \$100.

## DILUTION

### Dilution After This Offering

Purchasers of our common stock offered by this prospectus will experience an immediate and substantial dilution of the net tangible book value of our common stock from the initial public offering price. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of outstanding shares of common stock, assuming the exchange of OP units for shares of our common stock on a one-for-one basis. At March 31, 2018, we had a net tangible book value of approximately \$       million. After giving effect to the sale of our common stock by us in this offering, the concurrent Eldridge private placement, the application of aggregate net proceeds received by us from these offerings and completion of the formation transactions, the pro forma net tangible book value as of March 31, 2018 attributable to common stockholders would have been \$       million, or \$       per share of common stock. This amount represents an immediate increase in net tangible book value of \$       per share to our continuing investors and an immediate dilution in pro forma net tangible book value of \$       per share from the public offering price of \$       per share of common stock to our new investors. The following table illustrates this per share dilution.

Initial public offering price per share	\$
Net tangible book value per share as of March 31, 2018, before the formation transactions, this offering and the concurrent Eldridge private placement(1)	\$
Net increase in net tangible book value per share attributable to the formation transactions, this offering and the concurrent Eldridge private placement	\$
Pro forma net tangible book value per share after the formation transactions, this offering and the concurrent Eldridge private placement(2)	\$
Dilution in pro forma net tangible book value per share to new investors(3)	\$

- (1) Net tangible book value per share as of March 31, 2018 before the formation transactions, this offering and the concurrent Eldridge private placement was determined by dividing the net tangible book value as of March 31, 2018 by the number of shares of common stock and OP units to be received by continuing investors in the formation transactions, assuming the exchange of OP units for shares of common stock on a one-for-one basis.
- (2) The pro forma net tangible book value per share after the formation transactions, this offering and the concurrent Eldridge private placement was determined by dividing net tangible book value of approximately \$       million by       shares of common stock and OP units deemed to be outstanding after the formation transactions, this offering and the concurrent Eldridge private placement, assuming the exchange of OP units for shares of common stock on a one-for-one basis, which amount excludes the shares and the related proceeds that may be issued by us upon exercise of the underwriters' option to purchase additional shares and additional common stock reserved for future issuance under our equity incentive plan.
- (3) The dilution in pro forma net tangible book value per share to new investors was determined by subtracting pro forma net tangible book value per share after the formation transactions, this offering and the concurrent Eldridge private placement from the assumed initial public offering price paid by a new investor for our common stock.

Assuming the underwriters exercise their option to purchase additional shares of common stock in full, our pro forma net tangible book value at March 31, 2018 would have been \$       million, or \$       per share of common stock. This represents an immediate dilution in pro forma net tangible book value of \$       per share of common stock to our new investors.



### Differences Between New Investors and Continuing Investors

The table below summarizes, as of March 31, 2018, on a pro forma basis after giving effect to the formation transactions, this offering and the concurrent Eldridge private placement, the differences between the number of shares of common stock and OP units to be received by the continuing investors in connection with the formation transactions and the new investors purchasing shares in this offering and the concurrent Eldridge private placement, the total consideration paid and the average price per share of common stock or OP unit paid by the continuing investors in connection with the formation transactions and paid in cash by the new investors purchasing shares in this offering and the concurrent Eldridge private placement (based on the net tangible book value attributable to the existing investors in the formation transactions).

	Common Stock/OP units Issued/Granted		Pro Forma Net Tangible Book Value of Contribution/Cash(1)		Average Price Per Share
	Number	Percentage	Amount	Percentage	
			(in thousands)		
Continuing investors(2)		%	\$	%	\$
New investors and restricted share grants(3)		%		%	\$
Total		100.0%	\$	100.0%	

- (1) Represents pro forma net tangible book value as of March 31, 2018 of the initial properties after giving effect to the formation transactions, this offering and the concurrent Eldridge private placement.
- (2) Includes OP units to be issued in connection with the formation transactions.
- (3) Includes shares of common stock to be sold in this offering, shares of common stock to be sold in the concurrent Eldridge private placement of common stock and an aggregate of restricted shares of common stock to be granted to certain of our directors, executive officers and other employees concurrently with the completion of this offering (the common stock to be sold in the concurrent Eldridge private placement is subject to adjustment as provided in "Pricing Sensitivity Analysis"). In connection with our formation, EPRT Holdings, LLC made an initial investment in us of \$100 in exchange for 100 shares of our common stock. Such shares will be repurchased by us at or prior to the closing of the offering for \$100.

## SELECTED CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL AND OTHER DATA

Set forth below is selected financial and other data presented on (i) a historical basis for Essential Properties Realty Trust LLC, which, through the formation transactions, will become our operating partnership and (ii) a pro forma basis for our company after giving effect to the completion of this offering, the concurrent Eldridge private placement, the formation transactions and the other adjustments described in the unaudited pro forma consolidated financial statements beginning on page F-73 of this prospectus. We have not presented historical data for Essential Properties Realty Trust, Inc. because we have not had any corporate activity since our formation other than the issuance of common stock in connection with our initial capitalization and activity in connection with this offering and the formation transactions. Accordingly, we do not believe that a presentation of the historical results of Essential Properties Realty Trust, Inc. would be meaningful. Prior to or concurrently with the completion of this offering, we will consummate the formation transactions pursuant to which, among other things, Essential Properties Realty Trust LLC will be converted into a Delaware limited partnership and become our operating partnership, and Essential Properties OP G.P., LLC, a wholly-owned subsidiary, will become the sole general partner of our operating partnership. Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership. We will contribute the net proceeds received by us from this offering and the concurrent private placement of common stock to Eldridge to our operating partnership in exchange for OP units. For more information regarding the formation transactions, please see "Structure and Formation of Our Company."

Essential Properties Realty Trust LLC's historical consolidated balance sheet data as of December 31, 2017 and 2016 and consolidated operating data for the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016 have been derived from Essential Properties Realty Trust LLC's audited historical consolidated financial statements included elsewhere in this prospectus. Essential Properties Realty Trust LLC's historical consolidated balance sheet data as of March 31, 2018 and consolidated operating data for the three months ended March 31, 2018 and 2017 have been derived from Essential Properties Realty Trust's unaudited historical consolidated financial statements included elsewhere in this prospectus. Essential Properties Realty Trust LLC's unaudited interim financial and operating data, in management's opinion, has been prepared in accordance with U.S. GAAP on the same basis as its audited financial statements and related notes included elsewhere in this prospectus and, in the opinion of management, reflects all adjustments consisting only of normal recurring adjustments that management considers necessary to state fairly the financial information as of and for the periods presented. The historical consolidated financial data included below and set forth elsewhere in this prospectus are not necessarily indicative of our future performance, and results for any interim period are not necessarily indicative of the results for any full year.

Our unaudited selected pro forma consolidated financial and operating data as of March 31, 2018 and for the three months ended March 31, 2018 and the year ended December 31, 2017 assume the completion of this offering, the concurrent Eldridge private placement, the formation transactions and the other adjustments described in the unaudited pro forma consolidated financial statements had occurred on March 31, 2018 for purposes of the unaudited pro forma consolidated balance sheet data and on January 1, 2017 for purposes of the unaudited pro forma consolidated statements of operations data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the period indicated, nor does it purport to represent our future financial position or results of operations.

You should read the following summary selected financial and other data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business and Properties" and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

**Operating Data:**

	Three Months Ended March 31,			Year Ended December 31,		Period from
	2018	2018	2017	2017	2017	March 30, 2016
(In thousands, except per share data)	(Pro forma)	(Historical)	(Historical)	(Pro forma)	(Historical)	(Commencement
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Historical)	of Operations) to
						December 31, 2016
						(Historical)
<b>Revenues:</b>						
Rental revenue(1)	\$	\$ 20,075	\$ 10,008	\$	\$ 53,373	\$ 15,271
Interest income on direct financing lease receivables		62	83		293	161
Other revenue		66	5		832	91
<b>Total revenues</b>		<b>20,203</b>	<b>10,096</b>		<b>54,498</b>	<b>15,523</b>
<b>Expenses:</b>						
Interest		8,276	3,715		22,574	987
General and administrative		3,386	1,951		8,936	4,398
Property expenses		347	209		1,547	533
Depreciation and amortization		6,468	3,782		19,516	5,428
Provision for impairment of real estate		1,849	151		2,377	1,298
<b>Total expenses</b>		<b>20,326</b>	<b>9,808</b>		<b>54,950</b>	<b>12,644</b>
<b>Income (loss) before gain on dispositions of real estate</b>		<b>(123)</b>	<b>288</b>		<b>(452)</b>	<b>2,879</b>
Gain on dispositions of real estate, net		1,232	295		6,748	871
<b>Net income</b>	<b>\$</b>	<b>\$ 1,109</b>	<b>\$ 583</b>	<b>\$</b>	<b>\$ 6,296</b>	<b>\$ 3,750</b>
<b>Net (loss) income per share of common stock-basic and diluted:</b>						
Net (loss) income	\$			\$		
<b>Weighted average number of shares of common stock outstanding:</b>						
Basic and diluted	\$			\$		

- (1) Includes \$0.5 million, \$0.2 million, \$1.1 million and \$0.4 million of contingent rent (based on a percentage of the tenant's gross sales at the leased property) during the three months ended March 31, 2018 and 2017, the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016.

**Balance Sheet Data:**

(In thousands)	As of March 31,		As of December 31,	
	2018 (Pro forma) (Unaudited)	2018 (Historical) (Unaudited)	2017 (Historical)	2016 (Historical)
Real estate investments, at cost	\$	\$ 985,548	\$ 932,174	\$ 455,008
Total real estate investments, net		954,238	907,349	448,887
Net investments		963,398	914,932	452,546
Cash and cash equivalents		1,842	7,250	1,825
Restricted cash		9,329	12,180	10,097
Total assets		986,593	942,220	466,288
Secured borrowings, net of deferred financing costs		510,138	511,646	272,823
Notes payable to related party		225,000	230,000	—
Intangible lease liabilities, net		12,425	12,321	16,385
Total liabilities		753,840	760,818	291,638
Members' equity		232,753	181,402	174,650
Stockholders' equity		—	—	—

**Other Data:**

(In thousands)	Three Months Ended March 31,			Year Ended December 31,		Period from March 30, 2016 (Commencement of Operations) to December 31, 2016 (Historical)
	2018 (Pro forma) (Unaudited)	2018 (Historical) (Unaudited)	2017 (Historical) (Unaudited)	2017 (Pro forma) (Unaudited)	2017 (Historical)	
FFO(1)	\$	\$ 8,193	\$ 4,221	\$	\$ 21,438	\$ 9,605
AFFO(1)	\$	\$ 7,428	\$ 3,885	\$	\$ 20,337	\$ 8,580
EBITDA(2)	\$	\$ 15,883	\$ 8,087	\$	\$ 48,547	\$ 10,242
EBITDAre(2)	\$	\$ 16,500	\$ 7,943	\$	\$ 44,176	\$ 10,669

(\$ In thousands)	As of March 31,		As of December 31,	
	2018 (Pro forma) (Unaudited)	2018 (Actual) (Unaudited)	2017 (Historical)	2016 (Historical)
Net debt(3)	\$	\$ 744,028	\$ 745,686	\$ 278,609
Number of properties in investment portfolio		530	508	344
Occupancy at period end	%	99.1%	98.8%	96.8%

- (1) FFO and AFFO are non-GAAP financial measures. For definitions of FFO and AFFO, and reconciliations of these metrics to net income, the most directly comparable GAAP financial measure, and a statement of why our management believes the presentation of these metrics provides useful information to investors and any additional purposes for which management uses these metrics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."
- (2) EBITDA and EBITDAre are non-GAAP financial measures. For definitions of EBITDA and EBITDAre, and reconciliations of these metrics to net income, the most directly comparable GAAP financial measure, and a statement of why our management believes the presentation of these metrics provides useful information to investors and any additional purposes for which management uses these metrics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

- (3) Net debt is a non-GAAP financial measure. For a definition of net debt and a reconciliation of this metric to total debt, the most directly comparable GAAP financial measure, and a statement of why our management believes the presentation of this metric provides useful information to investors and any additional purposes for which management uses this metric, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read together with the "Selected Consolidated Historical and Pro Forma Financial and Other Data," "Business and Properties" and consolidated financial statements and related notes that are included elsewhere in this prospectus. Where appropriate, the following discussion includes the effects of the completion of the formation transactions, this offering, the concurrent Eldridge private placement and the use of the net proceeds therefrom on a pro forma basis. These effects are reflected in our pro forma consolidated financial statements included elsewhere in this prospectus. This discussion contains forward-looking statements based upon our current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Special Note Regarding Forward-Looking Statements" or in other parts of this prospectus.*

### Overview

We are an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. We have a diversified portfolio that focuses on properties leased to tenants in businesses such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education and health and fitness. We seek to acquire and lease freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities that are essential to the generation of its sales and profits.

Upon completion of the formation transactions, this offering and the concurrent Eldridge private placement, we expect our operations to be carried out through our operating partnership, Essential Properties, L.P., a Delaware limited partnership and our operating partnership. Essential Properties OP G.P., LLC, one of our wholly-owned subsidiaries, will be the sole general partner and own % of our operating partnership. We will hold a % limited partnership interest in the operating partnership, EPRT Holdings, LLC, which is principally owned by Eldridge and certain members of our management team, will hold a % limited partnership interest in the operating partnership and Eldridge will hold a % limited partnership interest in the operating partnership (based on the mid-point of the price range set forth on the front cover of this prospectus). See "Pricing Sensitivity Analysis." In general, OP units are exchangeable for cash or, at our election, shares of our common stock at a one-to-one ratio. See "Description of the Partnership Agreement of Essential Properties, L.P." Substantially all of our real estate is held by our wholly-owned subsidiaries, many of which are special purpose bankruptcy remote entities formed to facilitate the financing of our real estate.

We generally lease our properties to a single tenant on a triple-net long-term basis, and we generate our cash from operations primarily through the monthly lease payments, or base rent, we receive from the tenants that occupy our properties. As of March 31, 2018, we had a portfolio of 530 properties that was diversified by tenant, industry and geography, had annualized base rent of \$75.7 million and was 99.1% occupied.

Substantially all of our leases provide for periodic contractual rent escalations. As of March 31, 2018, leases contributing 95.4% of our annualized base rent provided for increases in future annual base rent, generally ranging from 1.0% to 4.0% annually, with a weighted average annual escalation equal to 1.5% of base rent. As of March 31, 2018, leases contributing 93.8% of annualized base rent were triple-net, which means that our tenant is responsible for all operating expenses, such as

maintenance, insurance, utility and tax expense, related to the leased property (including any increases in those costs that may occur as a result of inflation). Our remaining leases were “double-net,” where the tenant is responsible for certain expenses, such as taxes and insurance, but we retain responsibility for other expenses, generally related to maintenance and structural component replacement that may be required on such leased properties in the future. Also, we will incur property-level expenses associated with our vacant properties and we occasionally incur nominal property-level expenses that are not paid by our tenants, such as the costs of periodically making site inspections of our properties. We do not currently anticipate incurring significant capital expenditures or property costs. Since our properties are single-tenant properties, all of which are under long-term leases, it is not necessary for us to perform any significant ongoing leasing activities on our properties. As of March 31, 2018, the weighted average remaining term of our leases was 13.8 years (based on annualized base rent), with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023.

As of March 31, 2018, 64.8% of our annualized base rent was attributable to master leases, where we have acquired multiple properties from a seller and leased them back to the seller under a master lease. Since properties are generally leased under a master lease on an “all or none” basis, the structure prevents a tenant from “cherry picking” locations, where it unilaterally gives up underperforming properties while maintaining its leasehold interest in well-performing properties.

As of March 31, 2018, our leases had a weighted average remaining lease term of 13.8 years (based on annualized base rent), excluding renewal options that have not been exercised, which are exercisable at the option of our tenants upon expiration of their base lease term. Our leases providing for tenant renewal options generally provide for periodic contractual rent escalations during any renewed term that are similar to those applicable during the initial term of the lease.

As more fully described herein, as of March 31, 2018, on a pro forma basis, we had approximately \$       million principal balance of outstanding indebtedness. Based upon the mid-point of the price range set forth on the front cover of this prospectus, as of March 31, 2018, on a pro forma basis, we also had approximately \$       million of cash and cash equivalents on hand. Additionally, upon completion of this offering, we expect to have a \$300 million revolving credit facility. The purchasers of common stock in this offering, EPRT Holdings, LLC, Eldridge and our directors, executive officers and other employees as a group (assuming vesting of all equity awards and the exchange of OP units for shares of common stock on a one-for-one basis) will own approximately %, %, % and %, respectively, of our outstanding shares of common stock on a pro forma basis (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus). See “Pricing Sensitivity Analysis.”

We intend to elect to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2018. We believe that our organization and operations will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such a manner.

### **Critical Accounting Policies and Estimates**

Our accounting policies are determined in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that are subjective in nature and, as a result, our actual results could differ materially from our estimates. Estimates and assumptions include, among other things, subjective judgments regarding the fair values and useful lives of our properties for depreciation and lease classification purposes, the collectability of receivables and asset impairment analysis. Set forth below are the more critical accounting policies that require management judgment and estimates in the preparation of our consolidated financial statements.

## **Real Estate Investments**

Investments in real estate are carried at cost less accumulated depreciation and impairment losses, if any. The cost of investments in real estate reflects their purchase price or development cost. We evaluate each acquisition transaction to determine whether the acquired assets meet the definition of a business. Under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, an acquisition does not qualify as a business when there is no substantive process acquired or substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay. Transaction costs related to acquisitions that are asset acquisitions are capitalized as part of the cost basis of the acquired assets, while transaction costs for acquisitions that are deemed to be acquisitions of a business are expensed as incurred. Improvements and replacements are capitalized when they extend the useful life or improve the productive capacity of the asset. Costs of repairs and maintenance are expensed as incurred.

We allocate the purchase price of acquired properties accounted for as asset acquisitions to tangible and identifiable intangible assets or liabilities based on their relative fair values. Tangible assets may include land, site improvements and buildings. Intangible assets may include the value of in-place leases and above- and below-market leases and other identifiable intangible assets or liabilities based on lease or property specific characteristics.

We may incur various costs in the leasing and development of our properties. Amounts paid to tenants that incentivize them to extend or otherwise amend an existing lease or to sign a new lease agreement are capitalized to lease incentive on our consolidated balance sheets. Tenant improvements are capitalized to building and improvements within our consolidated balance sheets. Costs incurred which are directly related to properties under development, which include preconstruction costs essential to the development of the property, development costs, construction costs, interest costs and real estate taxes and insurance, are capitalized during the period of development as construction in progress. After the determination is made to capitalize a cost, it is allocated to the specific component of a project that benefited. Determination of when a development project commences and capitalization begins, and when a development project has reached substantial completion and is available for occupancy and capitalization must cease, involves a degree of judgment.

The fair value of the tangible assets of an acquired property with an in-place operating lease is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to the tangible assets based on the fair value of the tangible assets. The fair value of in-place leases is determined by considering estimates of carrying costs during the expected lease-up periods, current market conditions, as well as costs to execute similar leases based on the specific characteristics of each tenant's lease. We estimate the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. Factors we consider in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses, and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from six to 12 months. The fair value of above- or below-market leases is recorded based on the net present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between the contractual amount to be paid pursuant to the in-place lease and our estimate of the fair market lease rate for the corresponding in-place lease, measured over the remaining non-cancelable term of the lease including any below-market fixed rate renewal options for below-market leases.



In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including real estate valuations prepared by independent valuation firms. We also consider information and other factors including market conditions, the industry that the tenant operates in, characteristics of the real estate, e.g., location, size, demographics, value and comparative rental rates, tenant credit profile and the importance of the location of the real estate to the operations of the tenant's business. We also consider information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. We use the information obtained as a result of its pre-acquisition due diligence as part of its consideration of the accounting standard governing asset retirement obligations and, when necessary, will record an asset retirement obligation as part of the purchase price allocation.

Real estate investments that are intended to be sold are designated as "held for sale" on the consolidated balance sheets at the lesser of carrying amount or fair value less estimated selling costs when they meet specific criteria to be presented as held for sale. Real estate investments are no longer depreciated when they are classified as held for sale. If the disposal, or intended disposal, of certain real estate investments represents a strategic shift that has had or will have a major effect on our operations and financial results, the operations of such real estate investments would be presented as discontinued operations in the consolidated statements of operations and comprehensive income for all applicable periods.

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

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings and 15 years for site improvements.

Lease incentives are amortized on a straight-line basis as a reduction of rental income over the remaining non-cancellable terms of the respective leases. In the event that a tenant terminates its lease, the unamortized portion of the lease incentive is charged to rental revenue.

Construction in progress is not depreciated until the development has reached substantial completion. Tenant improvements are depreciated over the non-cancellable term of the related lease or their estimated useful life, whichever is shorter.

Capitalized above-market lease values are amortized on a straight-line basis as a reduction of rental revenue over the remaining non-cancellable terms of the respective leases. Capitalized below-market lease values are accreted on a straight-line basis as an increase to rental revenue over the remaining non-cancellable terms of the respective leases including any below-market fixed-rate renewal option periods.

Capitalized above-market ground lease values are accreted as a reduction of property expenses over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property expenses over the remaining terms of the respective leases and any expected below-market renewal option periods where renewal is considered probable.

The value of in-place leases, exclusive of the value of above-market and below-market lease intangibles, is amortized to depreciation and amortization expense on a straight-line basis expense over the remaining periods of the respective leases.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including in-place lease values, is charged to depreciation and amortization expense, while above- and below-market lease adjustments are recorded within rental revenue in the consolidated statement of operations and comprehensive income.

### ***Direct Financing Lease Receivables***

Certain of our real estate investment transactions are accounted for as direct financing leases. We record the direct financing lease receivables at their net investment, determined as the aggregate minimum lease payments and the estimated non-guaranteed residual value of the leased property less unearned income. The unearned income is recognized over the life of the related lease contracts so as to produce a constant rate of return on the net investment in the asset. Our investment in direct financing lease receivables is reduced over the applicable lease term to its non-guaranteed residual value by the portion of rent allocated to the direct financing lease receivables.

If and when an investment in direct financing lease receivables is identified for impairment evaluation, we will apply the guidance in both FASB Accounting Standards Codification (ASC) 310, *Receivables* ("ASC 310"), and ASC 840, *Leases* ("ASC 840"). Under ASC 310, the lease receivable portion of the net investment in a direct financing lease receivable is evaluated for impairment when it becomes probable we, as the lessor, will be unable to collect all rental payments associated with our investment in the direct financing lease receivable. Under ASC 840, we review the estimated non-guaranteed residual value of a leased property at least annually. If the review results in a lower estimate than had been previously established, we determine whether the decline in estimated non-guaranteed residual value is other than temporary. If a decline is judged to be other than temporary, the accounting for the transaction is revised using the changed estimate and the resulting reduction in the net investment in direct financing lease receivables is recognized by us as a loss in the period in which the estimate is changed.

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

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

### ***Allowance for Doubtful Accounts***

We continually review receivables related to rent and unbilled rent receivables and determine collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectability of a receivable is in doubt, the accounts receivable and straight-line rent receivable balances are reduced by an allowance for uncollectible accounts on the consolidated balance sheets or a direct write-off of the receivable is recorded in the consolidated statements of operations. The provision for doubtful accounts is included in property expenses in our consolidated statements of operations and comprehensive income. If the accounts receivable balance or straight-line rent receivable balance is subsequently deemed to be uncollectible, such receivable amounts are written-off to the allowance for doubtful accounts.

### ***Revenue Recognition***

Our rental revenue is primarily related to rent received from tenants. Rent from tenants is recorded in accordance with the terms of each lease on a straight-line basis over the non-cancellable

initial term of the lease from the later of the date of the commencement of the lease or the date of acquisition of the property subject to the lease. Rental revenue recognition begins when the tenant controls the space through the term of the related lease. Because substantially all of the leases provide for rental increases at specified intervals, we record a straight-line rent receivable and recognize revenue on a straight-line basis over the expiration of the non-cancellable term of the lease. We take into account whether the collectability of rents is reasonably assured in determining the amount of straight-line rent to record. Rental revenue from leases with contingent rentals is recognized when changes in the factors on which the contingent payments are based actually occur.

We defer rental revenue related to lease payments received from tenants in advance of their due dates. These amounts are presented within accrued liabilities and other payables on our consolidated balance sheets.

Certain properties in our investment portfolio are subject to leases that provide for contingent rent based on a percentage of the tenant's gross sales. For these leases, we recognize contingent rental revenue when the threshold upon which the contingent lease payment is based is actually reached.

### ***Income Taxes***

During the period presented, we and our subsidiaries included in the consolidated financial statements were treated as disregarded entities for U.S. federal and state income tax purposes, and accordingly, we were not subject to entity-level tax. Therefore, until our issuance of Class A and Class C units in January 2017, our net income flowed through to SCF Funding LLC, our initial sole member, for federal income tax purposes. Following the issuance of Class A and C units, our net income flowed through to Class A and Class C unitholders for federal income tax purposes. Accordingly, no provision or liability for U.S. federal income taxes has been included in the accompanying consolidated financial statements. With regard to state income taxes, we are a taxable entity only in certain states that tax all entities, including partnerships.

We analyze our tax filing positions in all of the U.S. federal, state and local tax jurisdictions where we are required to file income tax returns, as well as for all open tax years in such jurisdictions. We follow a two step process to evaluate uncertain tax positions. Step one, recognition, occurs when an entity concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Step two, measurement, determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when the company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited. Our policy is to classify interest in interest expense and penalties in general and administrative expense in the consolidated statements of operations and comprehensive income.

### ***Unit Based Compensation***

In 2017, the Company granted unit awards to certain of its employees and managers, as well as non-employees, consisting of units that vest over a multi-year period, subject to the recipient's continued service. The Company accounts for unit-based compensation in accordance with ASC 718, Compensation – Stock Compensation, which requires that compensation related to all unit-based awards, including restricted member units, be recognized in the financial statements based on their estimated grant-date fair value. The value of unit-based awards is recognized as compensation expense in general and administrative expenses in the accompanying consolidated statements of operations over the requisite service periods, with subsequent remeasurement for any unvested units granted to non-employees. See "Note 7. Unit Based Compensation" to the Essential Properties Realty

Trust, Inc. Predecessor Historical Consolidated Financial Statements included elsewhere in this prospectus.

The Company recognizes unit-based compensation using the straight-line method based on the terms of the individual grant.

#### **Variable Interest Entities**

The FASB provides guidance for determining whether an entity is a variable interest entity ("VIE"). VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses, or the right to receive benefits, of the VIE that could potentially be significant to the VIE.

We use VIEs for its secured borrowings. We transfer real estate investments and their related leases into a trust and the assets held in the trusts can only be used to settle obligations of the trust. We serve as the servicer for these secured borrowings. The creditors of these trusts have no recourse to us. We issued one secured borrowing during the period from March 30, 2016 (commencement of operations) to December 31, 2016, which is reported as secured borrowings on our consolidated balance sheets and the assets included in the trust are consolidated into our real estate investments as of December 31, 2016. We consolidate the VIEs as we are the primary beneficiary and have power to direct the activities that most significantly impact the economic performance of the VIE.

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

In May 2014, with subsequent updates in 2015, 2016 and 2017, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which establishes a principles-based approach for accounting for revenue from contracts with customers. The standard does not apply to revenue recognition for lease contracts or to the interest income recognized from direct financing receivables, which together represent over 98% of our 2017 revenue. ASU 2014-09 was effective for us on January 1, 2018 with early adoption permitted and allows for full retrospective or modified retrospective methods of adoption. In accordance with our implementation plan for adoption, we have evaluated our revenue streams and identified the very few that fall within the scope of this new accounting standard including any impact to the accounting for sales of real estate assets. We adopted the standard effective January 1, 2018 using the modified retrospective method for transition and did not recognize a cumulative effect adjustment. This new revenue guidance included changes to the accounting for sales of real estate properties; however, based on our analysis, the new standard is not expected to have a material impact on our recognition of real estate sales and resulting recognition of a gain or loss.

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842), ("ASU 2016-02"), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 requires lessees (applicable to our ground lease and corporate office lease obligations) to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of

their classification. Leases with a term of 12 months or less may be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. Additionally, the new standard and the new revenue recognition guidance (discussed above) will impact how lessors account for lease executory costs (such as property taxes, common area maintenance and utilities). Under the current lease accounting guidance, these payments made by its tenants to third parties are excluded from lease payments and rental revenue. Upon adoption of the new lease accounting standard in 2019, these lease executory cost payments will be accounted for as activities or costs that are not components of the lease contract. As a result, we may be required to show these payments made by our tenants on a gross basis (for example, both as property tax expense and as corresponding revenue from the tenant who makes the payment directly to the third party) in our consolidated statements of operations and comprehensive income. Although there is not expected to be any impact to net income or cash flows as a result of a gross presentation, such presentation would have the impact of increasing both reported revenues and property expenses. We are continuing to quantify the impact of this potential gross up and will evaluate any ongoing implementation guidance available on this topic. The standard also will require new disclosures within the notes accompanying the consolidated financial statements. ASU 2016-02 supersedes the previous lease standard, Leases (Topic 840). The new guidance requires modified retrospective transition, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. The standard will be effective for us on January 1, 2019. We have commenced the process of implementing the new leasing standard and have completed an initial inventory and evaluation of our lease contracts as both a lessee and lessor. Future steps to be completed in 2018 include the identification of changes needed to our processes and systems impacted by the new standard, the implementation of updates and enhancements to our internal control framework, accounting systems and related documentation surrounding our lease accounting processes and the preparation of any additional disclosures that will be required.

In August 2016 and November 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), and ASU 2016-18, *Statement of Cash Flows—Restricted Cash* ("ASU 2016-18"), which addresses classification of certain cash receipts and cash payments, including changes in restricted cash, in the statement of cash flows. The new guidance is effective for reporting periods beginning after December 15, 2017 on a retrospective basis, with early adoption permitted. We have chosen to early adopt this guidance effective March 30, 2016 (commencement of operations).

In October 2016, the FASB issued ASU 2016-17, *Consolidation—Interests Held through Related Parties That Are under Common Control* ("ASU 2016-17"), which addresses when a reporting entity will need to evaluate if it should consolidate a VIE. The amendments change the evaluation of whether a reporting entity is the primary beneficiary of a VIE by changing how a single decision maker of a VIE treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The new guidance is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. We have adopted this new guidance and this adoption had no material impact to our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations—Clarifying the Definition of a Business* ("ASU 2017-01"), which provides new guidance on the evaluation of acquisitions as a business combination or asset acquisition. The update requires entities to evaluate whether all of the fair value of the gross asset acquired is concentrated into a single identifiable asset, which would indicate that the set is not a business. This guidance is effective prospectively for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for transactions that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made

available for issuance. The adoption of ASU 2017-01 will result in less real estate acquisitions qualifying as business acquisitions and, accordingly, acquisition costs for those acquisitions that are not businesses will be capitalized rather than expensed. We have early adopted this guidance.

## **Factors that May Influence Our Operating Results**

### **Rental Revenue**

Our revenues are generated predominantly from receipt of rental revenue. Our ability to grow rental revenue will depend primarily on our ability to acquire additional properties and realize the rental escalations built into our leases. As of March 31, 2018, leases contributing 95.4% of our annualized base rent provided for increases in future annual base rent, ranging from 1.0% to 4.0% annually, with a weighted average annual escalation equal to 1.5% of base rent. Generally, our rent escalators increase rent at specified dates by a fixed percentage, typically 1.0% to 4.0% per year. Although many of our rent escalators increase rent at a fixed amount on fixed dates, approximately 13.4% of our rent escalators are based on an increase in the CPI over a specified period. Therefore, during periods of low inflation, small increases in the CPI will result in limited increases in rental revenue from such leases. When the CPI decreases or does not change over the relevant period, our rental revenue from such leases is not reduced and will remain the same.

Without giving effect to the exercise of tenant renewal options, the weighted average remaining term of our leases as of March 31, 2018 was 13.8 years (based on annualized base rent). Approximately 4.4% of our leases (based on annualized base rent) as of March 31, 2018 will expire prior to January 1, 2023. See "Business and Properties—Our Real Estate Investment Portfolio—Lease Expirations." The stability of the rental revenue generated by our properties depends principally on our tenants' ability to pay rent and our ability to collect rents, renew expiring leases or re-lease space upon the expiration or other termination of leases, lease currently vacant properties and maintain or increase rental rates at our leased properties. Adverse economic conditions, particularly those that affect the markets in which our properties are located, or downturns in our tenants' industries could impair our tenants' ability to meet their lease obligations to us and our ability to renew expiring leases or re-lease space. In particular, the bankruptcy of one or more of our tenants could adversely affect our ability to collect rents from such tenant and maintain our portfolio's occupancy.

Our ability to grow revenue will depend, to a significant degree, on our ability to acquire additional properties. We primarily focus on opportunities to provide capital to middle-market companies that we determine have attractive credit characteristics and stable operating histories, but lack the access to capital that larger companies often have. We believe our senior management team's reputation, in-depth market knowledge and extensive network of long-standing relationships in the net lease industry provides us access to an ongoing pipeline of attractive investment opportunities.

### **Our Triple-Net Leases**

We generally lease our properties to tenants pursuant to long-term, triple-net leases that require the tenant to pay all operating expenses, such as maintenance, insurance, utility and tax expense, related to the leased property. As of March 31, 2018, leases contributing 93.8% of our annualized base rent were triple-net. Occasionally, we have entered into a lease pursuant to which we retain responsibility for the costs of structural repairs and maintenance. Although these instances are infrequent and have not historically resulted in significant costs to us, an increase in costs related to these responsibilities could negatively influence our operating results. Similarly, an increase in the vacancy rate of our portfolio would increase our costs, as we would be responsible for costs that our tenants are currently required to pay. As of March 31, 2018, master leases, where multiple properties

are leased to a single tenant on an “all or none” basis and which contain cross-default provisions, contributed 64.8% of our annualized base rent. We strongly prefer master leases, and we seek to enter into master leases whenever appropriate to prevent a tenant from unilaterally giving up underperforming properties while maintaining well performing properties.

### **Interest Expense**

As of March 31, 2018, on a pro forma basis, we had approximately \$       million of indebtedness, with a weighted average annual interest rate of       % and a weighted average maturity of 20       , consisting principally of amounts outstanding under our Master Trust Funding Program. Our initial fixed-rate debt structure will provide us with a stable and predictable cash requirement related to our debt service. We amortize on a non-cash basis the deferred financing costs associated with our fixed-rate debt to interest expense using the effective interest rate method over the terms of the related notes. For the year ended December 31, 2017, non-cash interest expense recognized on our fixed rate debt to be outstanding on a pro forma basis totaled \$       million. For the three months ended March 31, 2018 and 2017, non-cash interest expense recognized on our fixed rate debt to be outstanding on a pro forma basis totaled \$       and \$       , respectively. Any changes to our debt structure, including borrowings under the revolving credit facility that we expect to have on a pro forma basis or debt financing associated with property acquisitions, could materially influence our operating results depending on the terms of any such indebtedness. Our Master Trust Funding Program (which constituted approximately 70% of our outstanding indebtedness as of March 31, 2018) is partially amortizing and provides for scheduled principal payments.

### **General and Administrative Expenses**

General and administrative expenses include employee compensation costs, professional fees, consulting, portfolio servicing costs and other general and administrative expenses. As a public company, we estimate our annual general and administrative expenses will increase by approximately \$       million due to increased legal, insurance, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters. In addition, while we expect that our general and administrative expenses will continue to rise in some measure as our portfolio grows, we expect that such expenses as a percentage of our portfolio will decrease over time due to efficiencies and economies of scale.

### **Impact of Inflation**

Our leases typically contain provisions designed to mitigate the adverse impact of inflation on our results of operations. Since tenants are typically required to pay all property operating expenses, increases in property-level expenses at our leased properties generally do not adversely affect us. However, increased operating expenses at vacant properties and the limited number of properties that are not subject to full triple-net leases could cause us to incur additional operating expense. Additionally, our leases generally provide for rent escalators (see “—Rental Revenue” above) designed to mitigate the effects of inflation over a lease’s term. However, since some of our leases do not contain rent escalators and many that do limit the amount by which rent may increase, any increase in our rental revenue may not keep up with the rate of inflation.

## Results of Operations

### Comparison of the Three Months Ended March 31, 2018 and the Three Months Ended March 31, 2017

The following discussion includes the results of our operations as summarized in the table below:

(Dollar amounts in thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Change	%
<b>Revenues:</b>				
Rental revenue	\$ 20,075	\$ 10,008	\$ 10,067	100.6%
Interest income on direct financing lease receivables	62	83	(21)	(25.3)%
Other revenue	66	5	61	1,220.0%
<b>Total revenues</b>	<b>20,203</b>	<b>10,096</b>	<b>10,107</b>	<b>100.1%</b>
<b>Expenses:</b>				
Interest	8,276	3,715	4,561	122.8%
General and administrative	3,386	1,951	1,435	73.6%
Property expenses	347	209	138	66.0%
Depreciation and amortization	6,468	3,782	2,686	71.0%
Provision for impairment of real estate	1,849	151	1,698	1,124.5%
<b>Total expenses</b>	<b>20,326</b>	<b>9,808</b>	<b>10,518</b>	<b>107.2%</b>
Income (loss) before gain on dispositions of real estate	(123)	288	(411)	(142.7)%
Gains on dispositions of real estate, net	1,232	295	937	317.6%
<b>Net income and comprehensive income</b>	<b>\$ 1,109</b>	<b>\$ 583</b>	<b>\$ 526</b>	<b>90.2%</b>

### Revenues

**Rental revenue** . Rental revenue increased by \$10.1 million to \$20.1 million for the three months ended March 31, 2018 as compared to \$10.0 million for the three months ended March 31, 2017. The increase in rental revenue was primarily due to our acquisition of 177 properties during the period from April 1, 2017 to December 31, 2017, which provided \$8.6 million of additional rental revenue between the comparison periods. Additionally, our acquisition of 27 and 35 properties during the three months ended March 31, 2017, respectively, provided an additional \$0.6 million and \$1.8 million of rental revenue, respectively, between the comparison periods. These increases in rental revenue were partially offset by a \$0.7 million, \$0.4 million and approximately \$48,000 reduction in rental revenue between comparison periods due to the sale of 40, six and seven properties during the period from April 1, 2017 to December 31, 2017 and the three months ended March 31, 2018 and 2017, respectively.

As of March 31, 2018, 99.1% of our properties were occupied. We regularly review and analyze the operational and financial condition of our tenants and the industries in which they operate in order to identify underperforming properties that we may seek to dispose of in an effort to mitigate risks in our portfolio. As of March 31, 2018, exclusive of two vacant land parcels that we own, six of our properties, representing 1.1% of our portfolio, were vacant and not generating rent, compared to seven vacant properties, representing 1.9% of our portfolio, as of March 31, 2017.



*Interest income on direct financing receivables .* Interest income on direct financing receivables decreased by approximately \$21,000 to approximately \$0.1 million for the three months ended March 31, 2018, primarily due to the termination of two direct financing leases during the period from April 1, 2017 to December 31, 2017.

*Other revenue .* Other revenue increased by approximately \$60,000 to approximately \$0.1 million for the three months ended March 31, 2018. The increase in other revenue was primarily due to an increase in interest income related to a higher average daily balance in interest bearing bank accounts and new expense reimbursement income on two properties that were acquired in September 2017.

### **Expenses**

*Interest .* Interest expense increased by \$4.6 million to \$8.3 million for the three months ended March 31, 2018 as compared to \$3.7 million for the three months ended March 31, 2017. The increase in interest expense was primarily due to \$2.5 million of additional interest expense from having \$248.1 million of notes issued under our Master Trust Funding Program in July 2017 outstanding during the three months ended March 31, 2018, \$1.8 million of additional interest expense on \$98.0 million of additional related party debt issued to finance acquisitions and \$0.2 million of additional non-cash interest expense from the amortization of deferred financing costs.

*General and administrative.* General and administrative expenses increased \$1.4 million to \$3.4 million for the three months ended March 31, 2018 as compared to \$2.0 million for the three months ended March 31, 2017. This increase in general and administrative expenses was primarily due to the increased costs required to support our larger real estate investment portfolio during the three months ended March 31, 2018.

*Property expenses .* Our leases are generally triple-net and provide that the tenant is responsible for the payment of all property-level expenses, such as maintenance, insurance, utility and tax expense, related to the leased property. Therefore, we are generally not responsible for operating costs related to the properties, unless a property is not subject to a triple-net lease or is vacant. Property expenses increased by \$0.1 million to \$0.3 million for the three months ended March 31, 2018 as compared to \$0.2 million for the three months ended March 31, 2017. The increase in property costs was primarily due to an increase in loss on uncollectible accounts of approximately \$52,000, reimbursable property expenses of \$18,000 on two properties that were acquired during September 2017 and insurance expense for our vacant properties of approximately \$9,000.

*Depreciation and amortization .* Depreciation and amortization expense relates primarily to depreciation on the properties and improvements we own and to amortization of the related lease intangibles. Depreciation and amortization expense increased by \$2.7 million to \$6.5 million for the three months ended March 31, 2018 as compared to \$3.8 million for the three months ended March 31, 2017. The increase during the three months ended March 31, 2018 was due to the inclusion of three months of depreciation and amortization expense for properties acquired during the period from April 1, 2017 to December 31, 2017, which added \$2.4 million of additional depreciation and amortization expense, \$0.6 million of additional depreciation and amortization expense recorded during the three months ended March 31, 2018 on properties that were acquired during the three months ended March 31, 2017 and \$0.2 million of additional depreciation recorded on properties that were acquired during the three months ended March 31, 2018. These increases were partially offset by a reduction of \$0.5 million of depreciation and amortization expense on 46 properties that we disposed during the period from April 1, 2017 to March 31, 2018.

*Provision for impairment of real estate .* Impairment charges on real estate investments were \$1.8 million and \$0.2 million for the three months ended March 31, 2018 and 2017, respectively.

During the three months ended March 31, 2018, we recorded a provision for impairment of real estate at seven of our real estate investments compared to two real estate investments during the three months ended March 31, 2017. We strategically seek to identify non-performing properties that we may re-lease or dispose of in an effort to improve our returns and manage risk exposure. An increase in vacancy associated with our disposition or re-leasing strategies may trigger impairment charges when the expected future cash flows from the properties from sale or re-lease are less than their net book value.

**Gain on dispositions of real estate, net.** Gain on dispositions of real estate, net, increased by \$0.9 million to \$1.2 million for the three months ended March 31, 2018 as compared to \$0.3 million for the three months ended March 31, 2017. The increase in gain on dispositions of real estate was primarily due to our disposition of six real estate properties at more favorable prices during the three months ended March 31, 2018 compared to our disposition of seven real estate properties during the three months ended March 31, 2017.

**Comparison of the Year Ended December 31, 2017 and the Period From March 30, 2016 (Commencement of Operations) to December 31, 2016**

The following discussion includes the results of our operations as summarized in the table below:

<b>(Dollar amounts in thousands)</b>	<b>Year Ended December 31, 2017</b>	<b>Period from March 30, 2016 (Commencement of Operations) to December 31, 2016</b>	<b>Change</b>	<b>%</b>
<b>Revenues:</b>				
Rental revenue	\$ 53,373	\$ 15,271	\$38,102	249.5%
Interest income on direct financing lease receivables	293	161	132	82.0%
Other revenue	832	91	741	814.3%
<b>Total revenues</b>	<b>54,498</b>	<b>15,523</b>	<b>38,975</b>	<b>251.1%</b>
<b>Expenses:</b>				
Interest	22,574	987	21,587	2,187.1%
General and administrative	8,936	4,398	4,538	103.2%
Property expenses	1,547	533	1,014	190.2%
Depreciation and amortization	19,516	5,428	14,088	259.5%
Provision for impairment of real estate	2,377	1,298	1,079	83.1%
<b>Total expenses</b>	<b>54,950</b>	<b>12,644</b>	<b>42,306</b>	<b>334.6%</b>
Income (loss) before gain on dispositions of real estate	(452)	2,879	(3,331)	(115.7)%
Gain on dispositions of real estate, net	6,748	871	5,877	674.7%
<b>Net income and comprehensive income</b>	<b>\$ 6,296</b>	<b>\$ 3,750</b>	<b>\$ 2,546</b>	<b>67.9%</b>

**Revenues**

For the year ended December 31, 2017, approximately 98.5% of our revenues were attributable to long-term leases. Total revenues increased by \$39.0 million to \$54.5 million for the year ended December 31, 2017 as compared to \$15.5 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase in total revenues was due to the changes in the individual components of total revenues described below.

**Rental revenue.** Rental revenue increased by \$38.1 million to \$53.4 million for the year ended December 31, 2017 as compared to \$15.3 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase in rental revenue was primarily due to our acquisition of 212 properties for \$534.8 million during the year ended December 31, 2017, which provided \$17.6 million of additional rental revenue between the comparison periods, contractual rent escalations and the inclusion of a full year of operations from properties acquired during the period from March 30, 2016 (commencement of operations) to December 31, 2016, which contributed \$20.5 million of additional rental revenue between the comparison periods.

As of December 31, 2017, 98.8% of our properties were occupied. We regularly review and analyze the operational and financial condition of our tenants and the industries in which they operate in order to identify underperforming properties that we may seek to dispose of in an effort to mitigate risks in our portfolio. As of December 31, 2017, exclusive of two vacant land parcels that we own, six of our properties, representing 1.2% of our portfolio, were vacant and not generating rent, compared to 11 vacant properties, representing 3.2% of our portfolio, as of December 31, 2016.

**Interest income on direct financing receivables .** Interest income on direct financing receivables increased by \$0.1 million to \$0.3 million for the year ended December 31, 2017, as compared to \$0.2 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase in interest income on direct financing receivables was due to the inclusion of a full year of operations from our eight investments in direct financing receivables acquired during the period from March 30, 2016 (commencement of operations) to December 31, 2016 (net of disposition or termination of two direct financing leases during the year ended December 31, 2017).

**Other revenue .** Other revenue increased by \$0.7 million to \$0.8 million for the year ended December 31, 2017, as compared to \$0.1 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase in other revenue was primarily due to the receipt of \$0.7 million of lease termination fees from former tenants during the year ended December 31, 2017.

### **Expenses**

**Interest .** Interest expense increased by \$21.6 million to \$22.6 million for the year ended December 31, 2017 as compared to \$1.0 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase in interest expense was primarily due to \$11.8 million of additional interest expense from having \$280.8 million of notes issued under our Master Trust Funding Program in December 2016 outstanding for a full year, \$8.0 million of additional interest expense on debt issued to finance acquisitions during the year ended December 31, 2017 and \$1.8 million of additional non-cash interest expense from the amortization of deferred financing costs. During the year ended December 31, 2017, we issued an additional \$248.1 million of notes under our Master Trust Funding Program and had net borrowings of \$230.0 million through short-term notes with related parties.

**General and administrative.** General and administrative expenses increased \$4.5 million to \$8.9 million for the year ended December 31, 2017 as compared to \$4.4 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. This increase in general and administrative expenses was primarily due to the inclusion of a full year of operations and increased costs required to support our larger real estate investment portfolio during the year ended December 31, 2017.

**Property expenses .** Property expenses increased by \$1.0 million to \$1.5 million for the year ended December 31, 2017 as compared to \$0.5 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase in property costs was due to the

inclusion of a full year of operations and related property expenses for our vacant properties during the year ended December 31, 2017, partially offset by reduced property expenses due to a net four property decrease in our total number of vacant properties during the year ended December 31, 2017.

**Depreciation and amortization.** Depreciation and amortization expense increased by \$14.1 million to \$19.5 million for the year ended December 31, 2017 as compared to \$5.4 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase during the year ended December 31, 2017 was due to the inclusion of a full year of operations and related depreciation and amortization expense from properties acquired during the period from March 30, 2016 (commencement of operations) to December 31, 2016, which added \$8.6 million of additional depreciation and amortization expense, and \$5.5 million of additional depreciation and amortization expense recorded on the 212 properties that we acquired during the year ended December 31, 2017.

**Provision for impairment of real estate.** Impairment charges on real estate investments were \$2.4 million and \$1.3 million for the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, respectively. During the year ended December 31, 2017, we recorded a provision for impairment of real estate at nine of our real estate investments, compared to seven real estate investments during the period from March 30, 2016 (commencement of operations) to December 31, 2016.

**Gain on dispositions of real estate, net.** Gain on dispositions of real estate, net, increased by \$5.9 million to \$6.7 million for the year ended December 31, 2017 as compared to \$0.9 million for the period from March 30, 2016 (commencement of operations) to December 31, 2016. The increase in gain on dispositions of real estate was primarily due to our disposition of 47 real estate properties during the year ended December 31, 2017 compared to our disposition of 17 properties during the period from March 30, 2016 (commencement of operations) to December 31, 2016.

### **Indebtedness to be Outstanding after this Offering**

As of March 31, 2018, on a pro forma basis, we had approximately \$ million principal balance outstanding of long-term debt. The following table sets forth as of March 31, 2018 our long-term indebtedness outstanding on a pro forma basis:

	Pro Forma Amount Outstanding (in thousands)	Annual Interest Rate	Maturity	Balloon Payment due prior to Maturity (in thousands)
\$300 million unsecured revolving credit facility(1)	\$	Variable	June 2022	\$ —
Master Trust Funding Program(2) amortizing mortgage notes:				
Series 2016-1 Class A		4.51%	Nov 2046	
Series 2016-1 Class B		4.51%	Nov 2046	
Series 2017-1 Class A		4.16%	June 2047	
Series 2017-1 Class B		4.16%	June 2047	
Unamortized deferred financing costs				
Total	\$			

(1) Upon the completion of this offering, we expect to have a \$300 million unsecured revolving credit facility.

- (2) Our Master Trust Funding Program subjects us to various covenants. See “—Description of Certain Debt—Master Trust Funding Program.” As of March 31, 2018, we were in material compliance with the covenants contained in our Master Trust Funding Program.

We primarily use long-term, fixed-rate debt to finance our properties on a “match-funded” basis. In general, the obligor of our property-level debt is a special purpose entity that holds the real estate and other collateral securing the indebtedness. We seek to use property-level financing that bears interest at an annual rate less than the annual rent on the related lease(s) and that matures prior to the expiration of such lease(s). As of March 31, 2018, on a pro forma basis, we had approximately \$ million principal balance of outstanding indebtedness with a weighted average annual interest rate of % and a weighted average maturity of 20 . Most of this debt is partially amortizing and requires a balloon payment at maturity. We can provide no assurance that we will be able to refinance our indebtedness as it matures with replacement debt financing on similar terms or at all, should we choose to do so, or that we will be able to otherwise repay indebtedness at maturity. Our ability to refinance debt will depend upon many factors, including the then current value of the property securing the indebtedness to be refinanced and the amount of debt financing lenders are willing to provide, expressed as a percentage of the securing property’s value.

Scheduled debt payments as of March 31, 2018 (on a pro forma basis) are as follows:

<u>Year</u>	<u>Scheduled Principal Amortization</u>	<u>Balloon Payments at Maturity</u>	<u>Total</u>
		(in thousands)	
2018 (remainder of year)			
2019			
2020			
2021			
2022			
Thereafter			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

We have \$ million of debt maturing in 2018. We expect to fund interest and amortization payments with cash and cash equivalents or net cash from operating activities.

For additional information about our indebtedness see “—Liquidity and Capital Resources—Description of Certain Debt” below.

#### **GE Seed Portfolio “Same Store” Information**

On June 16, 2016, we acquired our GE Seed Portfolio, consisting of 262 net leased properties for an aggregate purchase price of \$279.8 million (including transaction costs). As of March 31, 2018, our total portfolio consisted of 530 properties with an aggregate purchase price of \$981.9 million. After giving effect to the disposition of some assets we acquired in the GE Seed Portfolio, the remaining assets that we acquired in the GE Seed Portfolio constituted approximately 22.8% of the aggregate purchase price of our total portfolio as of March 31, 2018. We generally lease our properties to tenants on a net lease basis, meaning our tenants are responsible for paying property-level expenses. While we are responsible for property-level expenses for our vacant properties, historically these expenses have been immaterial, as the occupancy of our portfolio has been high throughout the period of our ownership.

Although we do not have data for GAAP revenues and property-level expenses of the GE Seed Portfolio for periods prior to our ownership, we present “same store” information below as to the GE

Portfolio's contractual base rent, occupancy and weighted average lease term. In the absence of GAAP revenues and property-level expenses, we believe this information may be useful to investors by illustrating the consistent nature of the GE Portfolios' contractual base rent, occupancy and weighted average lease term, both prior and subsequent to our ownership on a "same store" basis. Contractual base rent refers to contractually specified cash base rent payable during each of the periods presented. Neither we nor, to our knowledge, the prior owner of the GE Seed Portfolio provided tenants with "free rent" or any other material tenant inducements during any of the periods presented.

**Contractual Base Rent .** The following tables set forth information about the contractual base rent due pursuant to leases relating to the properties included in the GE Seed Portfolio that we continued to own on December 31, 2017 and March 31, 2018, respectively.

	Contractual Base Rent Due For the Year Ended December 31,				
	2016	June 16 to December 31	2016 (total)	2017	Change
	January 1 to June 15				
(Dollar amounts in thousands)					
GE Seed Portfolio "Same Stores" (209 properties)	\$ 8,341	\$ 9,913	\$ 18,253	\$ 18,413	0.8%

	Contractual Base Rent Due For the Three Months Ended March 31,		
	2017	2018	Change
(Dollar amounts in thousands)			
GE Seed Portfolio "Same Stores" (203 properties)	\$ 4,496	\$ 4,505	0.2%

Contractual base rent does not represent rental revenue computed in accordance with GAAP, and it does not include any participating rent payable (i.e., additional rent payable based upon a tenant's gross sales) pursuant to the leases. Contractual base rent does not present actual cash collected by us, nor does it include the impact of any tenant payment defaults. Contractual base rent presented in the tables above equals base rent payable pursuant to leases relating to the properties included in the GE Seed Portfolio that we continued to own on December 31, 2017 and March 31, 2018, and it includes rent payable pursuant to such leases for the portion of 2016 preceding our acquisition of such properties.

**GE Seed Portfolio Occupancy .** The following table sets forth information about the occupancy of the GE Seed Portfolio as of the dates indicated.

Occupancy			
June 16, 2016 (Date of Acquisition)	December 31, 2016	December 31, 2017	March 31, 2018
94.7%	96.3%	97.1%	97.5%

The occupancy of our entire portfolio as of June 16, 2016, December 31, 2016, December 31, 2017 and March 31, 2018 was 94.7%, 96.8%, 98.8% and 99.1%, respectively.

**GE Seed Portfolio Weighted Average Remaining Lease Term .** The following table sets forth information about the weighted average remaining lease term (based on annualized base rent) of the GE Seed Portfolio as of the dates indicated.

Weighted Average Remaining Lease Term (based on annualized base rent)			
June 16, 2016 (Date of Acquisition)	December 31, 2016	December 31, 2017	March 31, 2018
7.8 years	7.3 years	7.3 years	7.1 years

The weighted average remaining lease term of our entire portfolio as of June 16, 2016, December 31, 2016, December 31, 2017 and March 31, 2018 was 7.8 years, 10.6 years, 14.0 years and 13.8 years, respectively.

### **Liquidity and Capital Resources**

We will seek to acquire real estate with a combination of debt and equity capital and with cash from operations that is not otherwise distributed to our stockholders. To date our equity capital needed for our real estate investments has been provided to us by Eldridge, our primary institutional capital provider. Through this offering, we intend to add public equity capital to our initial private institutional equity capital to facilitate our growth and provide potential liquidity for our current capital provider. Our debt capital has principally been provided through promissory notes issued to an affiliate of Eldridge. Historically, upon accumulating a sufficiently large and diverse pool of real estate we have generally refinanced this debt through the issuance of long-term, fixed-rate debt through our Master Trust Funding Program. Upon completion of this offering, the concurrent Eldridge private placement and the use of the net proceeds therefrom, we anticipate that we will have repaid all promissory notes due to the Eldridge affiliate, and we expect to have a revolving credit facility that will be available to fund our short-term debt capital requirements. Over time, we may access additional long-term debt capital with future debt issuances through our Master Trust Funding Program. Additionally, future sources of debt capital may include term borrowings from insurance companies, banks and other sources, single-asset mortgage financing and CMBS borrowings, and may offer us the opportunity to lower our cost of funding and further diversify our sources of debt capital. Over time, we may choose to issue preferred equity as a part of our overall funding strategy.

By matching the expected cash inflows from our long-term real estate leases with the expected cash outflows of our long-term fixed-rate debt, we seek to “lock in,” for as long as is economically feasible, the expected positive difference between our scheduled cash inflows on the leases and the cash outflows on our debt payments. In this way, we seek to reduce the risk that increases in interest rates would adversely impact our results of operations. Although we are not required to maintain a particular leverage ratio, we generally intend to target, over time, a level of net debt (which includes recourse and non-recourse borrowings and any outstanding preferred stock issuance less unrestricted cash) that is less than six times our EBITDA.

As we grow our real estate portfolio, we intend to manage our long-term debt maturities to reduce the risk that a significant amount of our debt will mature in any single year in the future. As of March 31, 2018, our nearest significant debt maturity was \$49.0 million of promissory notes maturing in September 2018. These notes were issued to an affiliate of Eldridge to provide debt capital to fund a portion of our historical acquisition activity. As noted above, upon completion of this offering, the concurrent Eldridge private placement and the use of the net proceeds therefrom, we anticipate that we will have repaid all promissory notes due to the Eldridge affiliate, and we expect to meet our future short-term debt capital requirements with borrowings under the revolving credit facility that we expect to enter into in connection with the completion of this offering. Over time, we may access additional long-term debt capital with future debt issuances. As our outstanding debt matures, we may refinance it as it comes due or choose to repay it using cash and cash equivalents or our revolving credit facility. Management believes that the cash generated by our operations, together with our cash and cash equivalents at March 31, 2018, the revolving credit facility that we expect to enter into in connection with the completion of this offering, and our access to long-term debt capital, will be sufficient to fund our operations for the foreseeable future and allow us to acquire the real estate for which we currently have made commitments.

Our short-term liquidity requirements consist primarily of funds necessary to pay for our operating expenses, including principal and interest payments on our outstanding indebtedness, and the general

and administrative expenses of servicing our portfolio and operating our business. Since our occupancy level is high and substantially all of our leases are triple-net, we do not currently anticipate making significant capital expenditures or incurring other significant property costs. However, our short term liquidity requirements include the funding needs associated with three of our properties where we have agreed to reimburse the tenant for certain development costs in exchange for contractually specified rent that generally increases proportionally with our funding. As of March 31, 2018, we had agreed to reimburse development costs in an aggregate amount of approximately \$19.2 million. As of March 31, 2018, we had funded approximately \$7.1 million of this commitment, and we expect to fund the balance of such commitment by December 31, 2018. In addition, as of May 18, 2018 we had agreed to acquire 60 properties with an aggregate purchase price of \$153.5 million. We expect to meet our short-term liquidity requirements primarily from cash and cash equivalents, net cash from operating activities and borrowings under the undrawn revolving credit facility that we expect to have upon the completion of this offering.

Our long-term liquidity requirements consist primarily of funds necessary to acquire additional properties and repay indebtedness. We expect to meet our long-term liquidity requirements through various sources of capital, including borrowings under the undrawn revolving credit facility that we expect to have upon the completion of this offering, net cash from operating activities, future financings, working capital, proceeds from select sales of our properties and other secured and unsecured borrowings (including potential issuances under our Master Trust Funding Program). However, at any point in time, there may be a number of factors that could have a material and adverse effect on our ability to access these capital sources, including unfavorable conditions in the overall equity and credit markets, our degree of leverage, our unencumbered asset base, borrowing restrictions imposed by our lenders, general market conditions for REITs, our operating performance, liquidity and market perceptions about us. The success of our business strategy will depend, to a significant degree, on our ability to access these various capital sources.

To maintain our qualification as a REIT, we must make distributions to our stockholders aggregating annually at least 90% of our REIT taxable income excluding capital gains. See "Federal Income Tax Considerations—Taxation of Our Company—Annual Distribution Requirements." As a result of this requirement, we cannot rely on retained earnings to fund our business needs to the same extent as other entities that are not REITs. If we do not have sufficient funds available to us from our operations to fund our business needs, we will need to find alternative ways to fund those needs. Such alternatives may include, among other things, divesting ourselves of properties (whether or not the sales price is optimal or otherwise meets our strategic long-term objectives), incurring additional indebtedness or issuing equity securities in public or private transactions, the availability and attractiveness of the terms of which cannot be assured.

As of March 31, 2018 and December 31, 2017, we had \$1.8 million and \$7.3 million, respectively, of cash and cash equivalents. This decrease resulted primarily from our use of cash to fund acquisitions of real estate. We believe that following the completion of this offering and the concurrent Eldridge private placement, we will have access to sufficient capital to meet our capital needs for the foreseeable future.

#### **Description of Certain Debt**

##### **Master Trust Funding Program**

*General Overview.* SCF RC Funding I LLC, SCF RC Funding II LLC and SCF RC Funding III LLC, or, collectively, the Master Trust Issuers, all of which are indirect wholly-owned subsidiaries of our operating partnership, have issued net-lease mortgage notes payable, or the Notes, with an aggregate outstanding principal balance of \$522.9 million as of December 31, 2017 and \$520.9 million as of March 31, 2018. As of December 31, 2017 and March 31, 2018, an affiliate of Eldridge owned



\$366.7 million and \$365.3 million, respectively, of these Notes. The Notes are secured by all assets owned by the Master Trust Issuers. Pursuant to an amended and restated property management and servicing agreement, dated as of July 11, 2017, among the Master Trust Issuers, SCF Realty Capital LLC (as property manager and as special servicer), Midland Loan Services, a division of PNC Bank, National Association, (as back-up manager) and Citibank, N.A. (as indenture trustee), we provide property management services with respect to the mortgaged properties and service the related leases.

Starting in 2016, two series of Notes were issued under the program: (1) Notes originally issued by SCF RC Funding I LLC and SCF RC Funding II LLC, which we refer to as the Series 2016-1 Notes, with an aggregate outstanding principal balance of \$276.5 million as of December 31, 2017 and \$275.4 million as of March 31, 2018 and (2) Notes originally issued by SCF RC Funding I LLC, SCF RC Funding II LLC and SCF RC Funding III LLC, which we refer to as the Series 2017-1 Notes, with an aggregate outstanding principal balance of \$246.4 million as of December 31, 2017 and \$245.5 million as of March 31, 2018. All asset-backed net-lease mortgage notes, or ABS notes, are the joint obligations of all Master Trust Issuers. The proceeds from the sale of the Notes were generally used to distribute amounts previously contributed as equity for use in connection with the acquisition of properties.

Notes issued under our Master Trust Funding Program are secured by a lien on all of the property owned by the Master Trust Issuers and the related leases. A substantial portion of our real estate investment portfolio serves as collateral for borrowings outstanding under our Master Trust Funding Program. The Master Trust Issuers have issued Notes with an aggregate outstanding principal balance of \$522.9 million as of December 31, 2017 and \$520.9 million as of March 31, 2018. As of December 31, 2017 and March 31, 2018, we had pledged 348 properties, with a gross investment amount of \$631.9 million as of December 31, 2017 and \$627.8 million as of March 31, 2018, as collateral under our Master Trust Funding Program. The collateral pool is pledged to an indenture trustee who holds fee title to the properties and an assignment of the leases pursuant to a security interest granted to the indenture trustee in favor of the holders of the notes. The properties within the collateral pool compose a representative sample of our portfolio, are diversified by tenant, industry and geography and have annualized base rent of \$47.9 million as of March 31, 2018, representing 63.3% of the annualized base rent of our entire portfolio as of that date. We own 99.4% (based on annualized base rent) of these pledged properties in fee simple and 0.6% of these pledged properties are leasehold properties where we are the lessee under a ground lease. The pledged properties had a weighted average rent coverage ratio of 3.04x. The related leases on the pledged properties had a weighted average remaining lease term of 13.0 years (based on annualized base rent). The agreement governing our Master Trust Funding Program permits substitution of real estate collateral from time to time, subject to certain conditions.

Through the Master Trust Funding Program, we arrange for bankruptcy remote, special purpose entity subsidiaries to issue multiple series of investment-grade ABS notes from time to time as additional collateral is added to the collateral pool. The ABS notes are generally issued to institutional investors through the asset-backed securities market. The ABS notes issued prior to the date hereof were issued in two classes, Class A and Class B Notes. The Class A Notes, which represent approximately 93.7% of the appraised value of the underlying real estate collateral, have been rated A by each of S&P Global, Inc. and Kroll Bond Rating Agency, Inc. for structured finance products. The Class B Notes, which represent approximately 3.3% of the appraised value of the underlying real estate collateral, have been rated BBB by each of S&P Global, Inc. and Kroll Bond Rating Agency, Inc. for structured finance products. To the extent we choose to raise additional debt financing under our Master Trust Funding Program in the future through the issuance of ABS notes, the cost of such financing would be influenced by any ratings assigned to such notes, and we cannot assure you that we will be able to achieve similar ratings in the future. We have not obtained a corporate credit rating.

and the ratings of the Class A Notes and Class B Notes are not indicative of any corporate rating our company may obtain (or the rating of any securities our company may issue) in the future.

When we wish to issue additional long-term debt under the Master Trust Funding Program, our special purpose entity subsidiaries acquire real estate assets to increase the size of the existing collateral pool sufficiently to support the additional debt. We may also add an additional special purpose subsidiary and its assets as a new Master Trust Issuer in which case such entity's assets will be added to the collateral pool and such entity will be a joint issuer of all the ABS Notes. Upon issuance of a new series of debt under this program, the entire collateral pool (including the newly added real estate) will be pledged to secure all of the notes, both the existing and the new series, on a pro rata basis. The amount of debt that can be issued in any new series is determined by the structure of the transaction and the amount of collateral that has been added to the pool. In addition, the issuance of each new series of notes is subject to the satisfaction of several conditions, including that there is no event of default on the existing note series and that the issuance will not result in an event of default on, or the downgrade, qualification or withdrawal of the credit rating of, the existing note series.

Absent a plan to issue additional long-term debt through the Master Trust Funding Program, we are not required to add assets to, or substitute collateral in, the existing collateral pool. We can voluntarily elect to substitute assets in the collateral pool, subject to meeting prescribed conditions that are designed to protect the collateral pool by requiring the substitute assets to be of equal or greater measure in attributes such as: the asset's fair value, monthly rent payments, remaining lease term and weighted average coverage ratios. In addition, we can sell underperforming assets and reinvest the proceeds in better performing properties. Any substitutions and sales are subject to an overall limitation of 35% of the collateral pool which is typically reset at each new issuance unless the substitution or sale is credit- or risk-based, in which case there are no limitations.

A significant portion of our cash flows are generated by the special purpose entities comprising our Master Trust Funding Program. For the three months ended March 31, 2018, excess cash flow from the Master Trust Funding Program, after payment of debt service and servicing and trustee expenses, totaled \$4.9 million on cash collections of \$14.5 million, which represents an overall ratio of cash collections to debt service of approximately 1.47 to 1. If at any time the monthly debt service coverage ratio (as defined in the program documents) generated by the collateral pool is less than or equal to 1.25 to 1, excess cash flow from the Master Trust Funding Program entities will be deposited into a reserve account to be used for payments to be made on the net-lease mortgage notes, to the extent there is a shortfall; if at any time the three month average debt service coverage ratio generated by the collateral pool is less than or equal to 1.15 to 1, excess cash flow from the Master Trust Funding Program entities will be applied to an early amortization of the notes.

***Maturity and Interest.*** The ABS notes require monthly payments of principal and interest. The payment of principal and interest on any Class B Notes is subordinate to the payment of principal and interest on any Class A Notes. The Series 2016-1 Notes mature in November 2046 and have a weighted average annual interest rate of 4.51%. However, the anticipated repayment date for the 2016-1 Notes is November 2021, and if the notes are not repaid in full on or before such anticipated repayment date, additional interest will begin to accrue on the notes. The Series 2017-1 Notes mature in June 2047 and have a weighted average interest rate of 4.16%. However, the anticipated repayment date for the 2017-1 Notes is June 2024, and if the notes are not repaid in full on or before such anticipated repayment date, additional interest will begin to accrue on the notes. Throughout this prospectus, when we disclose weighted average debt maturities, we have assumed the maturity date for the Series 2016-1 Notes and the 2017-1 Notes is their respective anticipated repayment date (which precedes the relevant maturity date), as we expect to repay such indebtedness on the relevant anticipated repayment date and we do not expect such indebtedness to remain outstanding until stated maturity.

**Prepayment .** The Series 2016-1 Notes may be voluntarily prepaid, in whole or in part, at any time on or after the date that is 24 months prior to the anticipated repayment date in November 2021 without the payment of a make whole amount. Voluntary prepayments may be made before 24 months prior to the anticipated repayment date, but will be subject to the payment of a make whole amount.

The Series 2017-1 Notes may be voluntarily prepaid, in whole or in part, at any time on or after the date that is 31 months prior to the anticipated repayment date in June 2024 without the payment of a make whole amount. Voluntary prepayments may be made before 31 months prior to the anticipated repayment date, but will be subject to the payment of a make whole amount.

**Security .** The Notes are secured by a lien on all of the property owned by the Master Trust Issuers and the related leases. As of March 31, 2018, there are 348 properties pledged to secure the Notes. The agreement permits substitution of real estate collateral from time to time subject to certain conditions.

**Events of Default .** An event of default will occur if, among other things, the Master Trust Issuers fail to pay interest or principal on the Notes when due, materially default in compliance with the material covenants contained in the documents evidencing the Notes or the mortgages on the mortgaged property collateral or if a bankruptcy or other insolvency event occurs. Under the master trust indenture, we have a number of Master Trust Issuer covenants including requirements to pay any taxes and other charges levied or imposed upon the Master Trust Issuers and to comply with specified insurance requirements. We are also required to ensure that all uses and operations on or of our properties comply in all material respects with all applicable environmental laws. As of March 31, 2018, we were in material compliance with all such covenants.

For additional information about our Master Trust Funding Program see “Note 4. Secured Borrowings” to the Historical Consolidated Financial Statements of Essential Properties Realty Trust, Inc. Predecessor included elsewhere in this prospectus.

#### ***Unsecured Revolving Credit Facility***

Prior to the completion of this offering, we expect to enter into an agreement with a group of lenders for a senior unsecured revolving credit facility in the maximum aggregate initial original principal amount of up to \$300 million. We expect that Barclays Bank PLC, Citigroup Global Markets Inc. and Goldman Sachs Bank USA, each an affiliate of an underwriter in this offering, will act as joint lead arrangers, with Barclays Bank PLC acting as administrative agent.

We expect that the new revolving credit facility will have a term of four years with an extension option of up to 12-months exercisable by us, subject to certain conditions, and will initially bear interest at an annual rate of applicable LIBOR plus the applicable margin. The applicable LIBOR will be the rate with a term equivalent to the interest period applicable to the relevant borrowing. The applicable margin will initially be a spread set according to a leverage-based pricing grid. At our election, on and after receipt of an investment grade corporate credit rating from S&P or Moody's, the applicable margin will be a spread set according to our corporate credit ratings by S&P and/or Moody's. The facility will be freely prepayable at any time and will be mandatorily prepayable by us if borrowings exceed the borrowing base or the facility limit. We will be able to re-borrow amounts paid down, subject to customary borrowing conditions. We will be required to pay revolving credit fees throughout the term of the facility based upon our usage of the facility, at a rate which depends on our usage of the facility during the period before we receive an investment grade corporate credit rating from S&P or Moody's, and which rate shall be based on the corporate credit rating from S&P and/or Moody's after the time, if applicable, we receive such a rating. However, there can be no assurance that we will receive an

investment grade corporate rating from S&P and/or Moody's. The facility will provide an accordion feature to increase, subject to certain conditions, the maximum availability of the facility by up to \$200 million.

Our operating partnership will be the borrower under the facility, and we and each of our subsidiaries that owns a direct or indirect interest in an eligible real property asset will be guarantors under the facility. We will be subject to financial covenants under the facility, including maintaining: a limitation on total consolidated leverage of not more than 60% of our total consolidated assets with a step up on two non-consecutive occasions to 65%, at our election, for two consecutive quarters each following a material acquisition; a consolidated fixed charge coverage ratio of at least 1.50x; a consolidated tangible net worth of at least 75% of our tangible net worth at the date of the facility plus 75% of future net equity proceeds; a consolidated secured leverage ratio of not more than 50% of our total consolidated assets; a secured recourse debt ratio of not more than 10% of our total consolidated assets; an unencumbered leverage ratio of not more than 60% of our consolidated unencumbered assets with a step up on two non-consecutive occasions to 65%, at our election, for two consecutive quarters each following a material acquisition; and an unencumbered interest coverage ratio of at least 1.75x. Additionally, the revolving credit facility will restrict our ability to pay distributions to our stockholders under certain circumstances. However, we may make distributions to the extent necessary to qualify or maintain our qualification as a REIT. The revolving credit facility will contain certain covenants that, subject to exceptions, limit or restrict our incurrence of indebtedness and liens, disposition of assets, transactions with affiliates, mergers and fundamental changes, modification of organizational documents, changes to fiscal periods, making of investments, negative pledge clauses and lines of business and REIT qualification.

Closing of the facility is conditioned on our satisfaction of certain customary conditions, including the consummation of this offering.

#### ***Promissory Notes***

As of March 31, 2018, we had issued promissory notes to an affiliate of Eldridge with an aggregate outstanding principal balance of \$225.0 million. These notes are secured by pledges of equity in subsidiaries holding assets with a gross investment amount of \$354.1 million, generally mature 360 days following issuance and bear interest at LIBOR plus a spread of between 2.14% and 2.76%. Upon completion of this offering, the concurrent Eldridge private placement and the use of the net proceeds therefrom, we anticipate that we will have repaid these promissory notes in full and the equity pledge will be released.

#### **Off-Balance Sheet Arrangements**

As of March 31, 2018 and December 31, 2017, we did not have any off-balance sheet arrangements.

## Contractual Obligations

The following table provides information with respect to our commitments as of December 31, 2017.

Contractual Obligations	Payment due by period (in thousands)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Secured Borrowings—Principal(1)	\$752,936	\$237,619	\$ 16,428	\$271,954	\$226,935
Secured Borrowings—Fixed Interest(2)	110,854	22,587	44,154	30,115	13,998
Tenant Construction Reimbursement Obligations(3)	6,205	6,205	—	—	—
Operating Lease Obligations(4)	3,314	1,134	1,279	792	109
<b>Total</b>	<b>\$867,104</b>	<b>\$261,340</b>	<b>\$ 61,861</b>	<b>\$302,861</b>	<b>\$241,042</b>

- (1) Includes an aggregate of \$522.9 million of outstanding indebtedness issued under our Master Trust Funding Program and \$230.0 million of promissory notes issued to an affiliate of Eldridge.
- (2) Includes interest payments on outstanding indebtedness issued under our Master Trust Funding Program through the anticipated repayment dates.
- (3) Includes obligations to reimburse certain of our tenants for construction costs that they incur in connection with construction at our properties in exchange for contractually specified rent that generally increases proportionally with our funding.
- (4) Includes \$1.8 million of rental payments due under ground lease arrangements where our tenants are directly responsible for payment.

The following table provides information with respect to our commitments as of March 31, 2018.

Contractual Obligations	Payment due by period (in thousands)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Secured Borrowings—Principal(1)	\$745,870	\$185,750	\$ 61,428	\$271,850	\$226,842
Secured Borrowings—Fixed Interest(2)	105,136	16,904	44,137	30,103	13,992
Total Construction Reimbursement Obligations(3)	11,107	11,107	—	—	—
Operating Lease Obligations(4)	7,105	854	2,468	2,008	1,775
<b>Total</b>	<b>\$869,218</b>	<b>\$214,615</b>	<b>\$108,033</b>	<b>\$303,961</b>	<b>\$242,609</b>

- (1) Includes an aggregate of \$520.9 million of outstanding indebtedness issued under our Master Trust Funding Program and \$225.0 million of promissory notes issued to an affiliate of Eldridge.
- (2) Includes interest payments on outstanding indebtedness issued under our Master Trust Funding Program through the anticipated repayment dates.
- (3) Includes obligations to reimburse certain of our tenants for construction costs that they incur in connection with construction at our properties in exchange for contractually specified rent that generally increases proportionally with our funding.
- (4) Includes \$1.7 million of rental payments due under ground lease arrangements where our tenants are directly responsible for payment.

The following table provides information with respect to our commitments as of March 31, 2018, on a pro forma basis.

	Payment due by period (in thousands)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<b>Contractual Obligations</b>					
Secured Borrowings—Principal(1)	\$	\$	\$	\$	\$
Secured Borrowings—Fixed Interest(2)					
Total Construction Reimbursement Obligations(3)					
Operating Lease Obligations(4)					
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

- (1) Includes an aggregate of \$520.9 million of outstanding indebtedness issued under our Master Trust Funding Program.
- (2) Includes interest payments on outstanding indebtedness issued under our Master Trust Funding Program through the anticipated repayment dates.
- (3) Includes obligations to reimburse certain of our tenants for construction costs that they incur in connection with construction at our properties in exchange for contractually specified rent that generally increases proportionally with our funding.
- (4) Includes \$1.7 million of rental payments due under ground lease arrangements where our tenants are directly responsible for payment.

Additionally, we may enter into commitments to purchase goods and services in connection with the operation of our business. Those commitments generally have terms of one-year or less and reflect expenditure levels comparable to our historical expenditures.

We intend to elect to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2018; accordingly, we generally will not be subject to federal income tax, provided we distribute all of our REIT taxable income, determined without regard to the dividends paid deduction, to our stockholders.

### Cash Flows

#### Comparison of the Three Months Ended March 31, 2018 and the Three Months Ended March 31, 2017

As of March 31, 2018, we had \$1.8 million of cash and cash equivalents and \$9.3 million of restricted cash as compared to \$3.0 million and \$2.6 million, respectively, as of March 31, 2017.

#### Cash Flows for the Three Months Ended March 31, 2018

During the three months ended March 31, 2018, net cash provided by operating activities was \$5.2 million. Our cash flows from operating activities are primarily dependent upon the occupancy level of our portfolio, the rental rates specified in our leases, the collectability of rent and the level of our operating expenses and other general and administrative costs. Cash inflows related to a net income adjusted for non-cash items of \$7.5 million (net income of \$1.1 million adjusted for non-cash items, including depreciation and amortization of tangible and intangible real estate assets, amortization of deferred financing costs, provision for impairment of real estate, gains on dispositions of investments, net, straight-line rent receivable, unit based compensation and allowance for doubtful

accounts of \$6.4 million). These cash inflows were partially offset by a net increase in prepaid expenses and other assets of \$1.9 million and a decrease in accrued liabilities and other payables of 0.4 million.

Net cash used in investing activities during the three months ended March 31, 2018 was \$56.4 million. Our net cash used in investing activities is generally used to fund property acquisitions, the development of our construction in progress, investments in loans receivable and, to a limited extent, capital expenditures, offset by cash provided from the disposition of real estate and principal collections on our direct financing receivables. The cash used in investing activities included \$59.1 million to acquire investments in real estate and \$5.1 million to fund construction in progress and other. These cash outflows were partially offset by \$7.7 million of proceeds from sales of investments, net of disposition costs, approximately \$18,000 of principal collections on our direct financing receivables and a decrease of approximately \$36,000 in deposits on prospective real estate investments.

Net cash provided by financing activities of \$42.9 million during the three months ended March 31, 2018 related to cash inflows of \$45.0 million from the issuance of notes payable to related parties and \$50.0 million of capital contributions. These cash inflows were partially offset by \$50.0 million of payments of principal on notes payable to related parties, \$2.1 million of repayments of secured borrowing principal and the payment of approximately \$18,000 of deferred financing costs.

#### *Cash Flows for the Three Months Ended March 31, 2017*

During the three months ended March 31, 2017, net cash provided by operating activities was \$3.7 million. Cash inflows related to a net income adjusted for non-cash items of \$3.7 million (net income of \$0.6 million adjusted for non-cash items, including depreciation and amortization of tangible and intangible real estate assets, amortization of deferred financing costs, provision for impairment of real estate, gains on dispositions of investments, net, straight-line rent receivable and unit based compensation of \$3.3 million) and a net increase in prepaid expenses and other assets of approximately \$12,000. These cash inflows were partially offset by a \$0.2 million decrease in accrued liabilities and other payables.

Net cash used in investing activities during the three months ended March 31, 2017 was \$123.6 million. The cash used in investing activities included \$126.5 million to acquire investments in real estate, an increase of \$2.1 million paid for deposits on prospective real estate investments and approximately \$28,000 to fund construction in progress. These cash outflows were partially offset by \$5.0 million of proceeds from sales of investments, net of disposition costs, and approximately \$22,000 of principal collections on our direct financing lease receivables.

Net cash provided by financing activities of \$113.5 million during the three months ended March 31, 2017 related to cash inflows of \$215.0 million from the issuance of notes payable to related parties and \$83.7 million of capital contributions. These cash inflows were partially offset by \$83.0 million of payments of principal on notes payable to related parties, \$101.2 million of equity distributions and \$1.0 million of repayments of secured borrowing principal.

#### ***Comparison of the Year Ended December 31, 2017 and the Period From March 30, 2016 (commencement of operations) to December 31, 2016***

As of December 31, 2017, we had \$7.3 million of cash and cash equivalents and \$12.2 million of restricted cash as compared to \$1.8 million and \$10.1 million, respectively, as of December 31, 2016.

#### *Cash Flows for the Year Ended December 31, 2017*

During the year ended December 31, 2017, net cash provided by operating activities was \$22.5 million. Cash inflows related to a net income adjusted for non-cash items of \$20.7 million (net income

of \$6.3 million adjusted for non-cash items, including depreciation and amortization of tangible and intangible real estate assets, amortization of deferred financing costs, provision for impairment of real estate, gains on dispositions of investments, net, straight-line rent receivable, unit based compensation and allowance for doubtful accounts of \$14.4 million) and a \$4.1 million increase in accrued liabilities and other payables. These cash inflows were partially offset by a net increase in prepaid expenses and other assets of \$2.3 million.

Net cash used in investing activities during the year ended December 31, 2017 was \$464.4 million. The cash used in investing activities included \$509.8 million to acquire investments in real estate, \$7.7 million to fund construction in progress, \$0.3 million paid to tenants as lease incentives, \$0.3 million paid for deposits on prospective real estate investments and approximately \$0.05 million for capital expenditures. These cash outflows were partially offset by \$53.6 million of proceeds from sales of investments, net of disposition costs, and \$0.1 million of principal collections on our direct financing receivables.

Net cash provided by financing activities of \$449.4 million during the year ended December 31, 2017 related to cash inflows of \$543.0 million from the issuance of notes payable to related parties, \$248.1 million of proceeds from secured borrowings under our Master Trust Funding Program and \$83.7 million of capital contributions. These cash inflows were partially offset by \$313.0 million of payments of principal on notes payable to related parties, \$101.2 million of equity distributions, \$5.6 million of repayments of secured borrowing principal and \$5.6 million of deferred financing costs.

*Cash Flows for the Period from March 30, 2016 (commencement of operations) to December 31, 2016*

During the period from March 30, 2016 (commencement of operations) to December 31, 2016, net cash provided by operating activities was \$10.5 million. Cash inflows related to a net income adjusted for non-cash items of \$8.6 million (net income of \$3.8 million adjusted for non-cash items, including depreciation and amortization of tangible and intangible real estate assets, provision for impairment of real estate, gains on dispositions of investments, net, and straight-line rent receivable of \$4.8 million) and a \$2.4 million increase in accrued liabilities and other payables. These cash inflows were partially offset by a net increase in prepaid expenses and other assets of \$0.5 million.

Net cash used in investing activities during the period from March 30, 2016 (commencement of operations) to December 31, 2016 was \$279.1 million. The cash used in investing activities included \$288.9 million to acquire investments in real estate, \$3.7 million to acquire investments in direct financing receivables, \$2.0 million paid to tenants as lease incentives, \$1.0 million to fund construction in progress and \$0.1 million paid for deposits on prospective real estate investments. These cash outflows were partially offset by \$16.5 million of proceeds from sales of investments, net of disposition costs, and approximately \$37,000 of principal collections on our direct financing lease receivables.

Net cash provided by financing activities of \$280.5 million during the year ended December 31, 2017 related to cash inflows of \$288.6 million of capital contributions and \$7.5 million of proceeds from secured borrowings under our Master Trust Funding Program. These cash inflows were partially offset by \$7.7 million of deferred financing costs, \$7.5 million of equity distributions and \$0.3 million of repayments of secured borrowing principal.

**Quantitative and Qualitative Disclosures About Market Risk**

Over time, we generally seek to match the cash inflows from our long-term leases with the expected cash outflows on our long-term debt. To achieve this objective, our consolidated subsidiaries



primarily borrow on a fixed-rate basis for longer-term debt issuances through our Master Trust Funding Program. Historically, we have borrowed funds that bear interest at floating rates for shorter periods of time to fund a portion of our acquisition activity, which we have generally refinanced with long-term fixed-rate debt. Upon completion of this offering, we expect to continue to incur debt that bears interest at floating rates in connection with our operations, including to fund future acquisitions, under the revolving credit facility that we expect to enter into. At March 31, 2018, we had an aggregate of \$745.9 million of outstanding indebtedness, consisting of \$520.9 million issued under our Master Trust Funding Program, which bears interest at a weighted average fixed rate of 4.35% per annum, and \$225.0 million of outstanding promissory notes issued to an affiliate of Eldridge, which bear interest at a floating rate equal to LIBOR plus a spread per annum. A 100 basis point increase or decrease in LIBOR would result in an increase or decrease in annualized interest expense of \$1.6 million. We are subject to interest rate risk on our outstanding floating rate debt (which we expect will be repaid upon completion of this offering, the concurrent Eldridge private placement and the use of the net proceeds therefrom), and we will be subject to interest rate risk on amounts that we may borrow from time to time under our expected revolving credit facility. We are also exposed to interest rate risk between the time we enter into a sale-leaseback transaction or acquire a leased property and the time we finance the related real estate with long-term fixed-rate debt. In addition, when our long-term debt matures, we may have to refinance the real estate at a higher interest rate. Market interest rates are sensitive to many factors that are beyond our control. Our interest rate risk management objective is to limit the impact of future interest rate changes on our earnings and cash flows. To address this risk, we seek to minimize the time period between acquisition of the real estate and the ultimate financing of that real estate with long-term fixed-rate debt. Additionally, our long-term debt generally provides for some amortization of the principal balance over the term of the debt, which serves to reduce the amount of refinancing risk at debt maturity. While we have not done so to date, we may, in the future, use various financial instruments designed to mitigate the impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. We do not intend to use derivative instruments for trading or speculative purposes.

We may incur additional variable rate debt in the future, including amounts that we may borrow under the revolving credit facility that we expect to have upon the completion of this offering. In addition, decreases in interest rates may lead to additional competition for the acquisition of real estate due to a reduction in desirable alternative income-producing investments. Increased competition for the acquisition of real estate may lead to a decrease in the yields on real estate we have targeted for acquisition. In such circumstances, if we are not able to offset the decrease in yields by obtaining lower interest costs on our borrowings, our results of operations will be adversely affected. Significant increases in interest rates may also have an adverse impact on our earnings if we are unable to acquire real estate with rental rates high enough to offset the increase in interest rates on our borrowings.

In the event interest rates rise significantly or there is an economic downturn, defaults may increase and result in credit losses, which may adversely affect our liquidity and operating results.

The estimated fair value of our fixed-rate indebtedness has been derived based on primarily unobservable market inputs such as interest rates and discounted cash flow analyses using estimates of the amount and timing of future cash flows, market rates and credit spreads. The following table discloses the fair value information for our fixed-rate indebtedness as of March 31, 2018:

	Carrying Value	Estimated Fair Value
	(in thousands)	
Secured borrowings under Master Trust Funding Program	\$520,870	\$525,816

## Non-GAAP Financial Measures

Our reported results are presented in accordance with GAAP. We also disclose FFO and AFFO both of which are non-GAAP financial measures. We believe these two non-GAAP financial measures are useful to investors because they are widely accepted industry measures used by analysts and investors to compare the operating performance of REITs. We also present our net debt and the ratio of net debt to EBITDA, which are also both non-GAAP financial measures. We believe this ratio is useful to investors in assessing our leverage.

FFO and AFFO do not represent cash generated from operating activities and are not necessarily indicative of cash available to fund cash requirements; accordingly, they should not be considered alternatives to net income as a performance measure or cash flows from operations as reported on our statement of cash flows as a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures.

We compute FFO in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. NAREIT defines FFO as GAAP net income or loss adjusted to exclude extraordinary items (as defined by GAAP), net gain or loss from sales of depreciable real estate assets, impairment write-downs associated with depreciable real estate assets and real estate related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), including the pro rata share of such adjustments of unconsolidated subsidiaries. To derive AFFO, we modify the NAREIT computation of FFO to include other adjustments to GAAP net income related to non-cash revenues and expenses such as straight-line rental revenue, amortization of deferred financing costs, amortization of capitalized lease incentives and above- and below-market lease-related intangibles, capitalized interest expense and non-cash compensation. Such items may cause short-term fluctuations in net income but have no impact on operating cash flows or long-term operating performance. We use AFFO as one measure of our performance when we formulate corporate goals.

FFO is used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers primarily because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. We believe that AFFO is an additional useful supplemental measure for investors to consider because it will help them to better assess our operating performance without the distortions created by other non-cash revenues or expenses. FFO and AFFO may not be comparable to similarly titled measures employed by other companies.

The following table reconciles net income (which we believe is the most comparable GAAP measure) to FFO and AFFO:

	Three Months Ended March 31,			Year Ended December 31,		Period from March 30,
	2018	2018	2017	2017	2017	2016 (Commencement
(In thousands)	(Pro forma)	(Historical)	(Historical)	(Pro forma)	(Historical)	of Operations) to
						December 31, 2016
						(Historical)
<b>Net income (loss)</b>	\$	\$ 1,109	\$ 583	\$	\$ 6,296	\$ 3,750
Depreciation and amortization of real estate		6,467	3,782		19,513	5,428
Gain on dispositions of real estate		(1,232)	(295)		(6,748)	(871)
Impairment of real estate		1,849	151		2,377	1,298
<b>Funds from Operations</b>		<b>8,193</b>	<b>4,221</b>		<b>21,438</b>	<b>9,605</b>
Adjustments:						
Straight-line rental revenue, net		(1,650)	(891)		(4,254)	(1,244)
Non-cash interest expense		576	378		1,884	101
Non-cash compensation expense		178	166		841	—
Amortization of market lease-related intangibles		138	9		531	116
Amortization of capitalized lease incentives		38	33		139	11
Capitalized interest expense		(53)	(31)		(242)	(10)
Transaction costs		8	—		—	—
<b>Adjusted Funds from Operations</b>	<b>\$</b>	<b>\$ 7,428</b>	<b>\$ 3,885</b>	<b>\$</b>	<b>\$ 20,337</b>	<b>\$ 8,579</b>

We calculate EBITDA as earnings before interest expense, taxes, depreciation and amortization. EBITDA is a measure commonly used in our industry, and we present EBITDA as it is a component utilized in our net debt to EBITDA ratio. We believe that this ratio provides investors and analysts with a measure of our leverage that includes our operating results unaffected by differences in capital

structures, capital investment cycles and useful life of related assets among otherwise comparable companies.

In 2017, NAREIT issued a white paper recommending that companies that report EBITDA also report EBITDAre in all financial reports for periods beginning after December 31, 2017. We compute EBITDAre in accordance with the definition adopted by NAREIT. NAREIT defines EBITDAre as EBITDA (as defined above) excluding gains (or losses) from the sales of depreciable property and real estate impairment losses. We believe that EBITDAre is useful to investors and analysts because it provides important supplemental information concerning our operating performance exclusive of certain non-cash and other costs.

EBITDA and EBITDAre are not measurements of financial performance under GAAP, and our EBITDA and EBITDAre may not be comparable to similarly titled measures of other companies. You should not consider our EBITDA and EBITDAre as alternatives to net income or cash flows from operating activities determined in accordance with GAAP.

We use EBITDA as a component of our net debt to EBITDA leverage and not as a measure of liquidity. The following table reconciles net income (which is the most comparable GAAP measure) to EBITDA:

(In thousands)	Three Months Ended March 31,			Year Ended December 31,		Period from March 30, 2016 (Commencement of Operations) to December 31, 2016 (Historical)
	2018 (Pro forma)	2018 (Historical)	2017 (Historical)	2017 (Pro forma)	2017 (Historical)	
<b>Net income (loss)</b>	\$	\$ 1,109	\$ 583	\$	\$ 6,296	\$ 3,750
Interest expense		8,276	3,715		22,574	987
Income tax expense		30	7		161	77
Depreciation and amortization		6,468	3,782		19,516	5,428
<b>EBITDA</b>		15,883	8,087		48,547	10,242
Gain on dispositions of real estate		(1,232)	(295)		(6,748)	(871)
Impairment of real estate		1,849	151		2,377	1,298
<b>EBITDAre</b>		<u>\$ 16,500</u>	<u>\$ 7,943</u>		<u>\$ 44,176</u>	<u>\$ 10,669</u>

Net debt to EBITDAre represents (i) our gross debt (defined as total debt plus deferred financing costs) less cash and cash equivalents and restricted cash deposits held for the benefit of lenders as of the end of the period presented, divided by (ii) EBITDAre or, for periods of less than twelve months, annualized EBITDAre for the period presented. Our management believes that this ratio is useful because it provides investors with information regarding gross debt less cash and cash equivalents, which could be used to repay debt, compared to our performance as measured using EBITDAre, which is described above.

The following table reconciles total debt (which is the most comparable GAAP measure) to net debt:

(Dollar amounts in thousands)	As of March 31,		As of December 31,		
	2018 (Pro forma)	2018 (Historical)	2017 (Pro forma)	2017 (Historical)	2016 (Historical)
Secured borrowings, net of deferred financing costs	\$	\$ 510,138	\$	\$ 511,646	\$ 272,823
Notes payable to related party		225,000		230,000	—
<b>Total debt</b>		<b>735,138</b>		<b>741,646</b>	<b>272,823</b>
Deferred financing costs, net		10,732		11,290	7,611
<b>Gross debt</b>		<b>745,870</b>		<b>752,936</b>	<b>280,434</b>
Cash and cash equivalents		(1,842)		(7,250)	(1,825)
<b>Net debt</b>	<b>\$</b>	<b>\$ 744,028</b>	<b>\$</b>	<b>\$ 745,686</b>	<b>\$ 278,609</b>
<b>Net debt to EBITDAre(1)</b>		<b>11.3x</b>		<b>16.9x</b>	<b>19.6x</b>

(1) Net debt to EBITDAre as of March 31, 2018 and December 31, 2016 is calculated using annualized EBITDAre for the three months ended March 31, 2018 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, respectively.

## MARKET OPPORTUNITY

### Outlook

RCG's outlook for the net lease real estate market is positive for the following reasons:

- net leased properties historically provided owners with relatively stable rent growth across various economic cycles when compared to other types of real estate investments;
- long-term leases and contractual rent structure can mitigate the risks of economic or real estate market downturns and limit the effects of inflation on operating expenses; and
- the market is well positioned to accommodate increased investment activity given the \$1.5 trillion to more than \$2.0 trillion of U.S. real estate estimated to be held by corporate owner-occupiers.

### Net Lease Characteristics

Compared with other types of commercial real estate, net leased properties offer relative stability of rental income and inflation mitigation structured into net leases. Other types of commercial real estate typically use gross leases, which place the financial responsibility for property operating expenses with the property owner. In contrast, a net lease typically requires the tenant to pay for most or all expenses of operating the property, in addition to paying rent. As a result, with cash flows that are intended to be passive, stable and paid at regular intervals, net leased real estate is similar, in many ways, to interest bearing corporate bonds. In addition, the inflation risk associated with net leased property is further limited by the fact that net leases frequently contain contractual rent escalators that allow for rent increases at specified time periods, with the amount of the increase often equal to a specified percentage of the existing rent or determined by reference to an inflation measure, such as the CPI. Furthermore, net leased properties may be less susceptible to short-term variations in economic conditions, as the term of net leases is generally substantially longer than traditional gross leases. In fact, during 2008 and 2009, the average rent growth for net leased properties remained positive throughout the economic downturn, while average rents fell among nearly all other major commercial property types.



Net leased properties are often purchased through sale-leaseback transactions, which can represent an efficient and economical way for an owner-occupier of real estate to raise capital. Following a sale-leaseback transaction, a former owner-occupier may be better positioned to maximize profitability or growth by allocating capital previously invested in real estate into core business activities.

Given the relatively stable rent growth and mitigated risks compared with other types of real estate, net leased properties provide the potential for a stable bond-like income stream across various economic cycles. In particular, RCG believes that long-term leases, limited re-tenanting risk (often due to the importance of the real estate to the tenant's business), favorable lease structures and limited exposure to rising real estate expenses all support the stability of net leased properties and reduce the risks posed by economic and real estate cycles. In addition to the stable cash flows resulting from regular lease payments and built in rent escalators, depending on the property location and quality, net leased properties may also hold some, or even considerable, residual value.

#### **Investor Mix and Market Size**

The market for net leased properties is fragmented and decentralized, creating significant opportunities for well-capitalized firms with expertise in the market. Furthermore, as many smaller-scale net leased retail and service-oriented properties are valued under \$10 million and may be located outside of primary real estate markets, these properties can often fall outside the typical investment criteria of large institutional investors. The lack of strong competition from institutional investors for smaller-scale net leased retail and service properties provides opportunities for firms with expertise in the market that desire to acquire these types of assets.

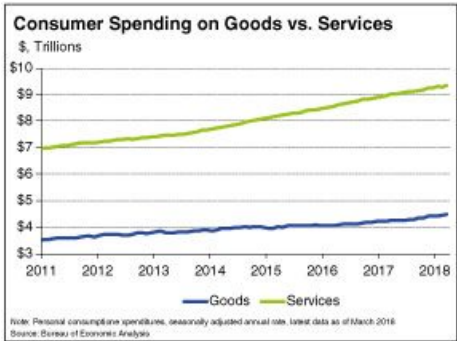
Various types of investors with a wide range of financial capacity invest in net leased properties, including non-traded and publicly-traded REITs, individuals and families. However, with the exception of a small number of sizable non-traded and publicly-traded REITs, most single-tenant, net lease owners hold relatively few assets. Given the fragmented ownership and the relatively limited number of potential buyers, RCG believes that well-capitalized firms with expertise in the market may be able to benefit from pricing inefficiencies in terms of the purchase price and lease terms for net leased properties. Furthermore, expertise and access to capital can make it possible for larger firms to better assess risks and more rapidly deploy capital in order to acquire new properties.

Recently, capital flows into the net lease market increased as investor interest in the sector expanded. Net lease-focused publicly-traded REITs raised approximately \$1.2 billion over the 12 months ended March 31, 2018 and \$15.6 billion over the five calendar years ended December 31, 2017. Equity commitments to the net lease market are indicative of an increase in investor interest in indirect ownership of net leased properties via REITs.

RCG estimates that the value of U.S. real estate owned by corporate owner-occupiers, and therefore real estate potentially available for sale-leaseback transactions, ranges from \$1.5 trillion to more than \$2.0 trillion, representing a sizable share of U.S. commercial real estate assets. Considering the total amount of commercial real estate held by corporate owner-occupiers, RCG believes that the net lease market is well positioned to accommodate increased investment activity.

**Service-Oriented and Internet-Resilient Industries**

As a percentage of personal consumption expenditures (PCE), consumer spending on services has outpaced spending on goods for a number of years. From the end of 2010 through March 2018, the most recent data available, spending on services increased by 35.4%, compared with an increase of 26.7% in spending on goods, according to the Bureau of Economic Analysis (BEA). The BEA defines services as commodities that cannot be stored or inventoried and that are usually consumed at the place and time of purchase. Examples include education, health care, transportation services, recreation services, restaurants and financial services. As of March 2018, more than two-thirds of consumer spending was on services.



In recent years, e-commerce pressured bricks-and-mortar retailers that sell goods that are easily accessible online, but service-oriented and experience-based businesses generally provide greater internet-resiliency. Additionally, traditional retailers that sell products that are more difficult to purchase or return online, such as furniture, also tend to be more resistant to internet pressures. Reflecting this trend, retail sales for furniture and home furnishing stores in the U.S. increased by 42.5% since 2010 to more than \$10.1 billion as of April 2018, the most recent data available, according to the U.S. Census Bureau. Moreover, a number of service-oriented and experience-based businesses are increasing store counts around the country. In addition, there is a recent trend of consolidation in some industries providing opportunities for economies of scale. For example, a small number of car wash companies have acted as consolidators in recent years, becoming the largest operators in the industry.

While population growth should support increased consumer demand across a broad range of industries, spending patterns will likely be heavily influenced by consumer preferences and changing lifestyles among the two largest demographic groups – the millennial and baby boomer generations. Defined as the generation born between 1981 and 1997, the millennial generation currently comprises the largest generational group in the United States with more than 75 million members as of 2017, according to the U.S. Census Bureau. While the youngest members of this group recently reached adulthood, many of the older members are now in their early and mid-30s. As the millennial generation ages, the total number of U.S. residents in their thirties is expected to rise significantly from 42.9 million in 2017 to 48.0 million in 2030, according to the U.S. Census Bureau. In addition, the share of the population in their thirties is expected to grow from 13.0% in 2010 to 13.5% by 2020. Through this transition, lifestyle changes such as forming new households, getting married and starting families are expected to be major drivers of consumer demand.

The baby boomer generation, defined as individuals born between 1946 and 1964, is the second largest generation. As this group ages, the number of U.S. residents aged 65 years or older is



expected to rise from nearly 52 million in 2017 to approximately 56 million in 2020 and 73 million in 2030, according to the U.S. Census Bureau. Moreover, the share of the population aged 65 years or older is projected to increase from 13.1% in 2010 to 20.6% by 2030. Shifting priorities, rising healthcare needs and changing residential preferences among this large cohort are likely to be significant factors in determining consumer demand in the coming years.

## **Restaurants**

Dining in a restaurant provides consumers with a culinary experience that cannot be directly replicated by cooking at home or through a food delivery service. In particular, restaurants offer consumers a social experience and, depending on the restaurant format, varying levels of service, ambience, speed and convenience. As a result, consumer spending on food away from home accounts for an increased share of food spending. In particular, spending on food away from home grew to 43.8% of total food expenditures in 2016, compared with 40.9% in 2010, according to the Bureau of Labor Statistics.

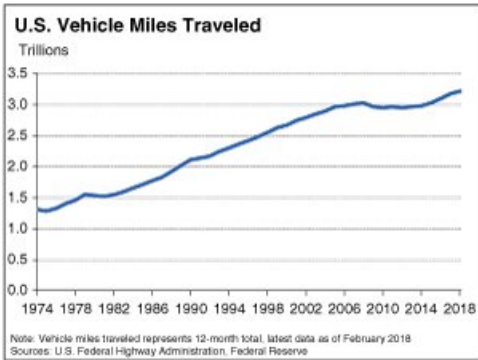
Demographic factors should continue to support the restaurant industry. As millennials advance in their careers, many are expected to enter a period of life typically associated with rising incomes and elevated spending. Additionally, as more people cohabitate and start families, many of these households are expected to be dual-earner households, with limited time available for cooking at home. Considering these factors, a significant share of food budgets should continue to be spent on dining out in restaurants.

Evolving residential preferences should also promote dining out. In some markets, homeowners and renters are shifting to smaller living spaces that make cooking and entertaining large groups at home more challenging. The number of households living in multifamily units increased significantly in recent years to 26.6 million households as of 2016, representing 22.4% of households, compared with 24.5 million, or 21.4%, in 2010, according to the U.S. Census Bureau. Multifamily apartments and condominium units often have smaller kitchen and dining spaces. The large number of households living in these smaller spaces are expected to support demand for dining in restaurants. Residential design and layout preferences among single family homes should also support this trend, as a large share of new and renovated homes implement floor plan configurations without a dedicated dining room. Approximately 75% of new homes built in 2016 had open or partially open kitchen-dining room arrangements, according to the National Association of Home Builders. This shift is expected to make hosting large family gatherings or social events at home more difficult and many households may prefer to gather in restaurants for meals with larger groups.

In combination, the experiential nature of restaurants and evolving residential preferences should support the restaurant industry and provide some resiliency to competition from internet-based grocery and food delivery services.

**Car Washes and Automotive Services**

The reliance of most U.S. households on cars as a primary mode of transportation underscores the potential demand for auto-related products and services. As of 2016, more than 91% of households had at least one vehicle, according to the U.S. Census Bureau. During the 10 year period ended in 2016, the number of households with one vehicle increased by 6.7 million, or 6.6%. In addition, the total number of vehicle miles traveled per year also increased by 6.1% between December 2007 and February 2018, the most recent data available, to more than 3.2 trillion miles, according to the U.S. Federal Highway Administration.



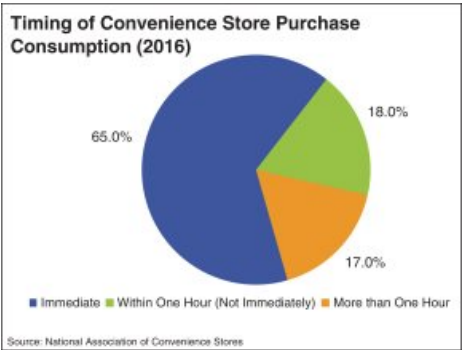
Rising demand for auto-related products and services is further supported by the increasing age of vehicles. The average age of all light vehicles in operation in the U.S. increased from 9.9 years in 2006 to 11.6 years in 2016, according to the U.S. Department of Transportation. As the average age of vehicles increase, the utilization of auto-related products and services also typically rises. Average annual consumer spending on vehicle maintenance and repairs increased by 23% from 2006 to 2016, according to the Bureau of Labor Statistics.

Evolving preferences of households should also support the consumption of car wash and automotive services. As the number of households living in dense, urban environments or multifamily housing increased in recent years, fewer households have access to a private driveway or garage space to conduct repairs and maintenance or wash cars at home. The share of owners washing cars at home decreased from 47.6% of owners in 1996 to 28.4% by 2014, according to the International Carwash Association. While consumer behavior may evolve as new technologies influence the automotive industry, households are expected to continue to utilize car washes and automotive services. In the near term, online retailers may offer automotive parts, but consumers are often very time sensitive when it comes to vehicle repairs due to the widespread reliance on cars as a primary mode of transportation. In addition, many consumers lack the skills to conduct necessary repairs. In the long term, although new technologies may shift the ways people use vehicles, even autonomous cars will likely still need to be washed and maintained.

**Convenience Stores and Gas Stations**

From December 2010 to April 2018, the most recent data available, U.S. gasoline consumption increased by 4.6% to nearly 9.3 million barrels per day. When purchasing fuel, consumers often make additional purchases from attached convenience stores. Approximately 41% of customers purchasing gasoline also go inside the store, according to the 2016 NACS Retail Fuels Report.

Convenience store purchases are also typically comprised of purchases intended for immediate consumption. As of 2017, approximately 83% of convenience store purchases are consumed within one hour of purchase, according to the NACS. As of 2016, convenience stores captured 85% of all sales through purchases from six product categories: beer, packaged beverages, salty snacks, candy, cigarettes and other tobacco, according to The Nielsen Company. All of these products are geared towards immediate consumption.



Locational advantages further support convenience stores demand. Convenience stores are often paired with gasoline service stations, making it possible for consumers to purchase additional goods when buying gasoline. There are nearly 123,000 convenience stores selling fuel in the United States, and these retailers sell an estimated 80% of all fuel purchased in the country, according to NACS. The combination of gas and convenience store products can lead to impulse purchases while refueling. The industry also provides access to food and beverages for local communities, particularly households that are relatively far from grocery stores, and for households with limited access to online purchasing channels. Many stores also have extended hours of operation, filling a need for items when grocery stores are closed or delivery services unavailable.

In aggregate, U.S. convenience store sales increased by 18.9% from 2012 through 2017, according to NACS. The advantages of highly accessible locations, extended hours of operation and products that satisfy impulse and necessity purchases should continue to sustain consumer demand for convenience store products.

**Early Childhood Education**

Early childhood education services, focused on children under the age of five, provide families with practical child care in a model typically designed to incorporate learning-oriented activities. Demand for early childhood education services is expected to grow as a result of an increasing population of young children, proliferation of single-parent and dual-income households and an emphasis on early childhood education, beyond traditional daycare.

As millennials enter their thirties and begin to start families, the number of young children in the U.S. is expected to grow substantially. According to the U.S. Census Bureau, as of 2017, there were nearly 20 million children under the age of five in the United States, all of whom require some form of child care. By 2025, this segment is expected to grow approximately 3.9% to 20.8 million. The fertility rate for women in their thirties increased significantly in recent decades. In 2016, the fertility rate for women 30 to 34 years old was 102.7 births per 1,000 women, compared with 70.1 births in 1986, according to the National Center for Health Statistics (NCHS). During the same period, the fertility rate

for women aged 35 to 39 years increased to 52.7 from 24.4. As a growing number of millennial households enter these child-rearing years, the number of births is expected to increase in the coming years.

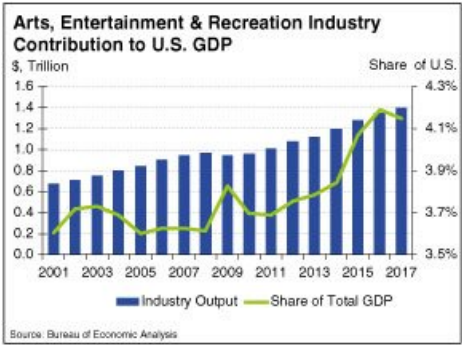
Many of these families with young children are expected to be dual-income households. The labor force participation rate among women with preschool-aged children (ages three to five years) increased from 45% in 1975 to 67.3% in 2015, according to the Bureau of Labor Statistics. Additionally, a significant number of families will be single-parent households. In 2017, there were more than 10.6 million single-parent households, or 31.0% of family households with children under the age of 18. In comparison, single-parent households accounted for 28.8% of family households as of 2006, according to the U.S. Census Bureau. Demand is further bolstered by increasing per capita income and improving labor market conditions. With both parents at work and earning more, many households with young children may require a range of services for children, including daycare, pre-school and afterschool care.

Furthermore, there is increased demand for curriculum-based, child-centered learning. While parents have a variety of options as to how they meet this need, early childhood education is a growing industry distinct from other forms of child care in the United States. Traditional daycare provides for physical needs, while early childhood education provides for not only physical needs but also academic development. Households typically rely on early childhood education centers in their local community to provide in-person support for their children. Reflecting the increased demand, the total enrollment of children ages three to five years in early childhood education programs increased from 6.7 million in 1990 to 7.7 million as of 2015, according to the U.S. Census Bureau. Moreover, the share of children enrolled increased from 59.4% of children aged three to five years in 1990 to 64.2% in 2015.

Looking ahead, demographic and lifestyle patterns should lead to more births and a growing number of families seeking childcare services, supporting demand for the early childhood education industry.

Movie Theaters and Entertainment

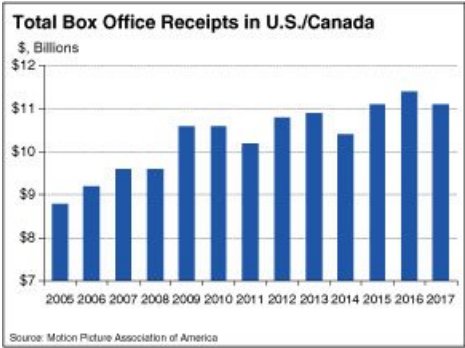
The growing consumer preference for experiences, particularly among millennials, is supporting growth in the arts, entertainment and recreation industry. According to the U.S. Bureau of Economic Analysis (BEA), industry output increased from \$0.9 trillion in 2006 to over \$1.4 trillion in 2017, and industry output as a percentage of total U.S. GDP increased from approximately 3.6% to approximately 4.1% during the same time period.



Consumer spending on entertainment fees and admissions also increased, rising by 17.2% from an average per-consumer annual expenditure of \$581 in 2010 to \$681 in 2016, according to the Bureau of Labor Statistics.

Within this industry, movie theaters provide consumers with an entertainment experience that cannot be directly replicated by viewing media at home. Amid growing competition from home content delivery services, the experiential nature of movie theaters, combined with the rapidly evolving selection of amenities offered by theaters, should support demand for movie theaters, particularly for major film releases. The increasingly diverse range of theater offerings include amenities such as large 3-D screens, reclining lounge chairs, restaurant-style food and beverage options and wait staff, as well as special events such as film festivals, movie premiers and live performances. Because the majority of box office receipts of a particular movie come in the initial weeks after theatrical release, the effects of premium video on the demand streaming services may not have a great impact on consumers seeking new content and social gatherings, particularly for major film releases. Studios continue to invest in popular, mainstream franchises with a proven record of drawing attendance.

Reflecting consumer demand for this broad range of offerings, 76% of the population in the U.S. and Canada went to a movie theater at least once in 2017, according to the Motion Picture Association of America. In addition, box office revenue in the U.S. and Canada increased by 20.7% from 2006 through 2017, to \$11.1 billion, according to the Motion Picture Association of America. Growth in consumer spending on arts, entertainment and recreation should continue to support the movie theater and entertainment industry in the coming years.

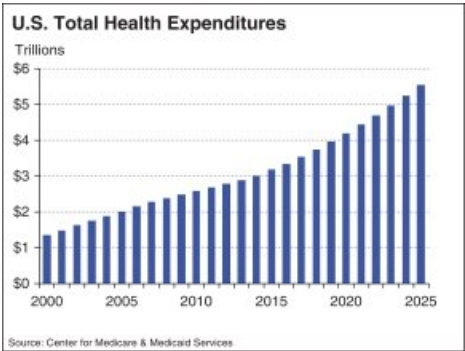


**Health and Fitness**

**Health**

Aging of the U.S. population and increased healthcare utilization should support increased demand for a wide range of healthcare services. In particular, the baby boomer generation is expected to utilize significantly more healthcare products and services in the coming years. The population aged 65 years or older is expected increase to 56.1 million people by 2020 and 73.1 million by 2030, according to the U.S. Census Bureau. The large size of this generation, combined with new technologies and treatments that are expected to increase longevity, should drive demand for healthcare services. The aging of the millennial generation should also contribute to healthcare demand, as this generation ages into periods of greater healthcare utilization and as more people choose to start families in the coming years. Reflecting these trends, the Center for Medicare and

Medicaid Services expects healthcare spending to rise from \$3.2 trillion in 2015 to approximately \$4.1 trillion in 2020.

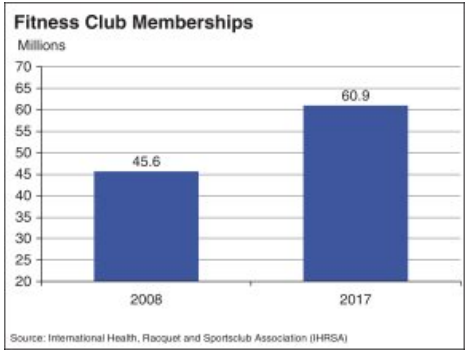


The aging population and rising healthcare utilization, combined with the need for physical care and treatment, should sustain demand for healthcare services, including urgent care centers, doctor offices, outpatient care facilities, and other health-related centers.

**Fitness**

In recent years, the number of gym memberships and spending on fitness-related activities increased. As of 2017, nearly 61 million Americans belonged to a fitness club. According to the International Health, Racquet and Sportsclub Association (IHRSA), the top three reasons consumers use health clubs are to stay in shape, for overall health and wellbeing, and because of the convenient location.

The number of adults in the 20 to 64 age group, the most likely to hold a fitness center membership, according to the National Association for Health and Fitness, increased by more than 7 million people from 2010 to 2017, according to the U.S. Census Bureau. As of 2017, the number of fitness club memberships in the United States increased to 60.9 million, an increase of 33.6% since 2008, according to IHRSA. Moreover, the average member visited their club 104 times in 2017. Reflecting sustained fitness center utilization, health clubs generated \$27.6 billion in revenue in 2016, compared with \$25.8 billion in 2015, an increase of 7.2%, according to IHRSA.



The longer life expectancy of the baby boomer generation compared with previous generations should help sustain higher levels of physical activity and demand for fitness centers. As of 2015, life expectancy at age 65 was 19.4 years, according to the Centers for Disease Control and Prevention. As this generation reaches retirement age, many are expected to continue to utilize fitness center services, particularly as they have more time available to dedicate to personal health and fitness. With many millennials interested in active lifestyles, access to fitness centers is an important amenity and this generation may be a primary source of demand for fitness centers going forward.

While new technologies continue to provide expanded options for at home fitness, these products cannot directly replicate the social and motivational nature of a gym environment, fitness class or personalized training experience. In addition, given the large increase in the number of households living in multifamily units in recent years, limited availability of workout space can make exercising at home more difficult, and many households may prefer to utilize fitness centers. Considering the experiential nature of fitness centers (and the expanding diversity of industry offerings), the fitness industry should continue to attract a wide range of consumers.

## BUSINESS AND PROPERTIES

### Our Company

We are an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. We have assembled a diversified portfolio using an investment strategy that focuses on properties leased to tenants in businesses such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education and health and fitness. We believe that properties leased to tenants in these businesses are essential to the generation of the tenants' sales and profits and that these businesses exhibit favorable growth characteristics and are generally insulated from e-commerce pressure. As of March 31, 2018, 87.6% of our \$75.7 million of annualized base rent was attributable to properties operated by tenants in service-oriented and experience-based businesses.

Our objective is to maximize stockholder value by generating attractive risk-adjusted returns through owning, managing and growing a diversified portfolio of commercially desirable properties. We have grown strategically since commencing investment activities in June 2016. As of March 31, 2018, we had a portfolio of 530 properties (including two undeveloped land parcels and two properties under development) built on the following core attributes:

**Diversified Portfolio.** Our portfolio was 99.1% occupied by 127 tenants operating 112 different brands, or concepts, in 15 industries across 42 states, with none of our tenants contributing more than 6.8% of our annualized base rent.

**Sector Leading Remaining Lease Term.** Our leases had a weighted average remaining lease term of 13.8 years (based on annualized base rent), with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023.

**Significant Use of Master Leases.** 64.8% of our annualized base rent was attributable to master leases.

**Healthy Rent Coverage Ratio and Extensive Tenant Financial Reporting.** Our portfolio's weighted average rent coverage ratio was 2.9x and 97.4% of our leases (based on annualized base rent) obligate the tenant to periodically provide us with specified unit-level financial reporting.

**Contractual Base Rent Escalation.** 95.4% of our leases (based on annualized base rent) provided for increases in future base rent at a weighted average rate of 1.5% per year.

**Differentiated Investment Approach.** Our average investment per property was \$1.9 million (which equals our aggregate investment in our properties (including transaction costs, lease incentives and amounts funded for construction in progress) divided by the number of properties owned at March 31, 2018), and we believe investments of similar size allow us to grow our portfolio without concentrating a large amount of capital in individual properties and limit our exposure to events that may adversely affect a particular property.

We intend to continue our disciplined growth strategy, which emphasizes investing in commercially desirable properties with strong unit-level performance and rent coverage, by originating new sale-leaseback transactions and leveraging our tenant relationships to source investment opportunities. During the year ended December 31, 2017, we purchased 212 properties, in 62 separate transactions, with an aggregate purchase price of \$534.3 million for an average quarterly investment volume of \$133.6 million. During the three months ended March 31, 2018, we purchased 28 properties,



in 16 separate transactions, with an aggregate purchase price of \$64.1 million. As of March 31, 2018, on a pro forma basis, we had approximately \$\_\_\_\_\_ of cash and cash equivalents on hand (based on the mid-point of the price range set forth on the front cover of this prospectus) and believe that our capitalization and access to our expected \$300 million unsecured revolving credit facility will allow us to significantly grow our portfolio.

## Our History

Our business commenced in 2016 when Peter M. Mavoides, our President and Chief Executive Officer, partnered with Eldridge to seek to capitalize on a market opportunity to provide capital to middle-market tenants operating in service-oriented or experience-based businesses through sale-leaseback transactions. Eldridge is a private investment firm specializing in providing both equity and debt capital and has provided a substantial portion of our equity funding as well as facilitated access to attractive debt financing. Eldridge invests across diversified industries with a focus on media and sports, insurance, real estate development, asset leasing and financing, branded food and hospitality, and asset management businesses. In particular, Eldridge seeks to build and grow companies led by proven management teams that have demonstrated leadership and experience to scale an enterprise. Eldridge is headquartered in Greenwich, Connecticut, with additional offices in Beverly Hills, California, New York, New York and London, England. Upon completion of this offering and the concurrent Eldridge private placement, Eldridge, through its subsidiaries, will have an ownership interest in our business of approximately \_\_\_\_\_ % on a fully diluted basis.

We commenced investment activities on June 16, 2016 when we acquired our GE Seed Portfolio. Subsequent to this investment, we have grown through our focused investment strategy, and as of March 31, 2018, we had a portfolio of 530 properties with annualized base rent of \$75.7 million.

Our senior management team is comprised of executives with significant net lease, real estate and capital markets experience. Peter M. Mavoides, our President and Chief Executive Officer, has been active in the single-tenant, net lease industry for approximately 20 years, and Gregg A. Seibert, our Executive Vice President and Chief Operating Officer, has been active in the industry for approximately 23 years. Messrs. Mavoides and Seibert have worked together on net lease real estate transactions in various capacities for approximately ten years. Under their leadership, we have rapidly developed and implemented our investment sourcing, underwriting, closing and asset management functions. We have also accumulated a substantial portfolio and maintain a large investment pipeline.

Previously, Mr. Mavoides was the President and Chief Operating Officer of Spirit from September 2011 through February 2015. While at Spirit, Mr. Mavoides was instrumental in transforming the company from an enterprise with \$3.2 billion of total assets and 37 employees at the time of its September 2012 initial public offering to a public company with \$8.0 billion of total assets and over 70 employees at the time of his departure in February 2015. Mr. Mavoides left Spirit, then based in Scottsdale, Arizona, to relocate to the East Coast and establish a partnership with a strategic capital partner to pursue our business. Prior to his tenure with Spirit, Mr. Mavoides worked for Sovereign Investment Company, or Sovereign, as its President and Chief Executive Officer, from May 2003 to January 2011. Sovereign is a private equity firm that focuses on investment opportunities relating to long-term, net-leased real estate. While at Sovereign, Mr. Mavoides developed and implemented a business plan pursuant to which Sovereign grew from a startup to a leading investor focused on single-tenant, net leased properties, and he implemented an investment strategy pursuant to which over \$1.0 billion was invested in net lease transactions.

Mr. Seibert was employed by Spirit from September 2003 through May 2016, where he served as Executive Vice President and Chief Investment Officer at the time of his departure. Prior to his tenure

with Spirit, Mr. Seibert worked for over nine years at Franchise Finance Corporation of America, or FFCA, which was an NYSE-listed REIT that provided real estate financing to multi-unit operators of chain restaurants until FFCA's August 2001 acquisition by an affiliate of General Electric Capital Corporation. At FFCA, Mr. Seibert held positions as Vice President and Senior Vice President of Underwriting and Research and Senior Vice President of Acquisitions.

During the period of their overlapping tenure at Spirit, Messrs. Mavoides and Seibert, together with other Spirit personnel, were responsible for Spirit's investments and portfolio management activities. As indicated in the table below, from Spirit's initial public offering in September 2012 through the date of Mr. Mavoides departure in February 2015, the total return to Spirit's common stockholders exceeded that of the Standard & Poor's 500 Stock Index, the MSCI US REIT Index and a Peer Group (as defined in footnote (6) to the below table) of publicly-traded net lease REITs. However, comparability of Spirit's total stockholder return to that of the S&P 500 Index, the MSCI US REIT Index and the Peer Group may be limited due to the differences between Spirit and the other companies represented in the S&P 500 Index, the MSCI US REIT Index and the Peer Group, including with respect to size, asset type, geographic concentration and investment strategy. The information regarding total return to stockholders achieved by Spirit is not a guarantee, prediction or indication of the returns that we may achieve in the future, and we can offer no assurance that we will be able to replicate these returns. Messrs. Mavoides and Seibert were part of a senior management team at Spirit whose other members are not part of our management. Moreover, this performance data includes periods with economic characteristics, interest rate environments and other market forces that are significantly different from those we face today and may face in the future.

	Relative Performance of Spirit September 19, 2012 through February 25, 2015 (Total Return(1)(2)(3))			
	<u>Spirit</u>	<u>Standard &amp; Poor's 500 Stock Index(4)</u>	<u>MSCI US REIT Index(5)</u>	<u>Peer Group(6)</u>
From Spirit's IPO to Mr. Mavoides departure (September 19, 2012 through February 25, 2015)	88.1%	52.4%	37.2%	31.0%

- (1) Past performance is not an indicator of future performance, and we may suffer losses or achieve total returns that are less than those shown in the table above. Our future performance may not outpace, and may be significantly outpaced by, the S&P 500 Index, the MSCI US REIT Index and/or the Peer Group. Accordingly, you should not place undue reliance on the past performance data set forth in this table and elsewhere in this prospectus. See "Risk Factors—Risks Related to Our Business—The past performance of Spirit is not an indicator of our future performance."
- (2) Total return calculation reflects the stock price performance (assuming contemporaneous reinvestment of all dividends and other distributions) and does not account for tax effects.
- (3) Calculations for total return are based on data from SNL Financial.
- (4) We have selected the Standard & Poor's 500 Stock Index as a comparison because it includes approximately 80% coverage of the available market capitalization in the United States and is considered a common benchmark used by investors when evaluating a company's performance relative to the broad universe of U.S. domestic equity securities.
- (5) We have selected the MSCI US REIT Index as a comparison because it currently includes 151 U.S. equity REITs and is considered the primary benchmark for U.S. equity REIT performance.
- (6) A group of publicly-traded REITs that invest in net lease real estate, consisting of Agree Realty Corporation, EPR Properties, Getty Realty Corp., National Retail Properties, Inc., Realty Income Corporation and VEREIT, Inc. We have selected the Peer Group as a comparison because it includes a group of companies that we believe pursued investment strategies similar to Spirit during the relevant period.

Information regarding Spirit reflects past performance and may have been due in part to external factors beyond the control of the management of Spirit, including superior general economic conditions than those existing now, and is not a guarantee or prediction of our future operating results or the returns that our stockholders should expect to achieve in the future. In addition, Spirit faced various adverse business developments during the tenure of Messrs. Mavroides and Seibert. For example, after the Federal Reserve announced in May 2013 that it would begin “tapering” the size of its bond-buying program, known as “quantitative easing,” the company experienced a general downturn in its stock price. Spirit, and the net lease real estate market more generally, underperformed the S&P 500, reflecting a weakened demand for real estate investments as investors focused on shorter-duration investment strategies. In addition, from time to time, in the ordinary course of business, Spirit had properties that underperformed or failed to meet operational or financial expectations. For the years ended December 31, 2014 and 2012, Spirit reported total revenues of \$602.9 million and \$273.1 million and net losses attributable to common stockholders of \$33.8 million and \$76.3 million, respectively. For the year ended December 31, 2013, Spirit reported total revenues of \$419.5 million and net income attributable to common stockholders of \$1.7 million. For the years ended December 31, 2014, 2013 and 2012, Spirit reported losses from continuing operations of \$50.9 million, \$33.2 million and \$72.5 million, respectively. Spirit reported depreciation and amortization expense for the years ended December 31, 2014, 2013 and 2012 of \$248 million, \$164.1 million and \$105 million, or 42.2%, 36.5% and 33.6% of total expenses, respectively. Spirit also reported impairments of \$36 million and \$8.9 million for the years ended December 31, 2014 and 2012, respectively. Spirit’s results for 2013 and 2014 were significantly impacted by its July 2013 acquisition of Cole Credit Property Trust II, Inc., which significantly increased its size and involved significant costs.

If our management team is unable to anticipate or effectively adapt to future economic downturns or other adverse business developments, our business may experience declines.

### **Our Target Market**

We are an active investor in single-tenant, net leased real estate. Our target properties are generally freestanding, commercial real estate facilities where a middle-market tenant conducts activities that are essential to the generation of its sales and profits. We believe that this market is underserved from a capital perspective and offers attractive investment opportunities.

Within this market, we emphasize investment in properties leased to tenants engaged in a targeted set of service-oriented or experience-based businesses, such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education, and health and fitness because we believe these businesses are generally insulated from e-commerce pressure. In addition, we believe that many of these businesses are favorably impacted by current macroeconomic trends that support consumer spending, such as generally declining unemployment and positive consumer sentiment.

We also focus on properties leased to middle-market companies, which we define as regional and national operators with between 10 and 250 locations and \$20 million to \$500 million in annual revenue, and we opportunistically invest in properties leased to smaller companies, which we define as regional operators with less than 10 locations and less than \$20 million in annual revenue. Although it is not our primary investment focus, we will consider investments leased to large companies on an opportunistic basis. While most of our targeted tenants are not rated by a nationally recognized statistical rating organization, we primarily seek to invest in properties leased to companies that we determine have attractive credit characteristics and stable operating histories.

Despite the market’s size, the market for single-tenant, net leased real estate is highly fragmented. In particular, we believe that there is a limited number of participants addressing the long-

term capital needs of unrated middle-market and small companies. We believe that many publicly-traded REITs that invest in net leased properties concentrate their investment activity in properties leased to investment grade-rated tenants, which tend to be larger organizations, with the result that unrated, middle-market and small companies are relatively underserved and offer us an attractive investment opportunity.

Furthermore, we believe that there is strong demand for our net-lease solutions among middle-market and small owner-operators of commercial real estate, in part, due to the bank regulatory environment, which, since the turmoil in the housing and mortgage industries from 2007-2009, has generally been characterized by increased scrutiny and regulation. We believe that this environment has made commercial banks less responsive to the long-term capital needs of unrated middle-market and small companies, many of which have historically depended on commercial banks for their financing, offering us an attractive opportunity to address the capital needs of these companies by offering them an attractive alternative to financing their real estate with traditional mortgage or bank debt and their own equity.

Accordingly, while we believe our net-lease financing solutions may be attractive to a wide variety of companies, we believe our most attractive opportunity is owning properties net leased to bank finance-dependent, middle-market and small companies that are generally unrated and have less access to efficient sources of long-term capital than larger, rated companies. As of March 31, 2018, our average investment per property was \$1.9 million (which equals our aggregate investment in our properties (including transaction costs, lease incentives and amounts funded for construction in progress) divided by the number of properties owned at March 31, 2018), which generally allows us to avoid concentrating a large amount of capital in an individual property and reduces our exposure to events that may adversely affect a particular property.

### **Our Competitive Strengths**

We believe the following competitive strengths distinguish us from our competitors and will allow us to compete effectively in the single-tenant, net-lease market:

- ***Carefully Constructed Portfolio of Recently Acquired Properties Leased to Service-Oriented or Experience-Based Tenants***

We have strategically constructed a portfolio that is diversified by tenant, industry and geography and generally avoids exposure to businesses that we believe are subject to pressure from e-commerce. Our properties are subject to newer, long-term net leases that we believe provide us a stable base of revenue from which to grow our portfolio. As of March 31, 2018, we had a portfolio of 530 properties, with annualized base rent of \$75.7 million, which was selected by our management team in accordance with our focused investment strategy. Our portfolio is diversified with 127 tenants operating 112 different concepts across 42 states and 15 industries. None of our tenants contributed more than 6.8% of our annualized base rent as of March 31, 2018, and our strategy targets a scaled portfolio that, over time, derives no more than 5% of its annualized base rent from any single tenant or more than 1% from any single property.

We focus on investing in properties leased to tenants operating in service-oriented or experience-based businesses, such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education and health and fitness, which we believe are generally insulated from e-commerce pressure. As of March 31, 2018, 87.6% of our annualized base rent was attributable to tenants operating service-oriented and experience-based businesses. We believe many of our tenants operate businesses that are performing more favorably than other types of businesses that often occupy net leased real estate, such as "big box" retailers, specialty apparel retailers and sporting goods outlets.

We believe that our portfolio's diversity and recent underwriting decreases the impact on us of an adverse event affecting a specific tenant, industry or region, and our focus on leasing to tenants in industries that we believe are well-positioned to withstand competition from e-commerce increases the stability of our rental revenue.

- **Experienced and Proven Net Lease Management Team** . Our senior management has significant experience in the net lease industry, a track record of growing net lease businesses to significant scale and was directly responsible for sourcing, financing and acquiring each of the properties in our portfolio. Our President and Chief Executive Officer, Peter M. Mavoides, has been active in the single-tenant, net lease industry for approximately 20 years. During his career, Mr. Mavoides has overseen the acquisition of net leased properties with an aggregate purchase price of \$4 billion and has successfully grown net lease businesses to significant scale. Prior to establishing our company, Mr. Mavoides was the President and Chief Operating Officer of Spirit, an NYSE-listed REIT that invests primarily in single-tenant, net leased real estate, from September 2011 through February 2015. During his tenure at Spirit, Mr. Mavoides was instrumental in transforming the company from a private enterprise, with \$3.2 billion of total assets and 37 employees at the time of its September 2012 initial public offering, to a public company with \$8.0 billion of total assets and over 70 employees at the time of his departure in February 2015. While at Spirit, Mr. Mavoides chaired the company's investment committee and led the team that acquired over 150 separate investments, with an aggregate purchase price of nearly \$2.0 billion and an average investment per property of \$2.6 million over a period of approximately three years. In addition to his substantial experience in originating, negotiating and closing sale-leaseback transactions, Mr. Mavoides has experience in large-scale strategic transactions and was a member of Spirit's senior management team when it merged with Cole Credit Property Trust II in 2013.

Our Executive Vice President and Chief Operating Officer, Gregg A. Seibert, has been active in the single-tenant, net lease industry for approximately 23 years, including over 21 years with leadership responsibilities in credit, acquisitions and portfolio management in the net lease industry. From September 2003 through May 2016, Mr. Seibert was employed by Spirit, where he was the company's Executive Vice President and Chief Investment Officer at the time of his departure. While at Spirit, Mr. Seibert was a member of the company's investment committee and its executive management team, and he was instrumental in establishing and implementing that company's business strategy, including investment sourcing, tenant underwriting, asset management and capital markets activities. Mr. Seibert also gained over nine years of experience at FFCA, which was an NYSE-listed REIT that provided real estate financing to multi-unit operators of chain restaurants, rising to be FFCA's Senior Vice President of Underwriting and Research at the time of FFCA's acquisition by General Electric Capital Corporation in August 2001. Messrs. Mavoides and Seibert are part of a five member team of experienced net lease real estate executives that lead our investment and portfolio management activities.

Messrs. Mavoides and Seibert have continued and refined an investment strategy that they jointly pursued at Spirit from 2011 to 2015 and have been primarily responsible for developing and implementing our investment sourcing, underwriting, closing and asset management functions, which we believe can support significant investment growth without a proportionate increase in our operating expenses. As of March 31, 2018, exclusive of our GE Seed Portfolio, 80.6% of our portfolio's annualized base rent was attributable to internally originated sale-leaseback transactions and 91.8% was acquired from parties who had previously engaged in one or more transactions that involved a member of our senior management team (including operators and tenants and other participants in the net lease industry, such as brokers, intermediaries and financing sources). The substantial experience, knowledge and relationships of our senior leadership team provide us with an extensive network of contacts that we believe allows us to originate attractive investment opportunities and effectively grow our business.

- **Growth Oriented Balance Sheet Supporting Scalable Infrastructure** . As of March 31, 2018, on a pro forma basis, we had \$       million of total debt outstanding, with a weighted average annual interest rate of       % and a weighted average maturity of 20       , and net debt of \$       million. For the year ended December 31, 2017, our pro forma net income was \$       million, our pro forma EBITDAre was \$       million and our pro forma ratio of net debt to EBITDAre was       x. For the three months ended March 31, 2018, our pro forma net income was \$       million, our pro forma EBITDAre was \$       million and our pro forma ratio of net debt to annualized EBITDAre was       x. In addition, upon completion of this offering, we expect to have an undrawn revolving credit facility with a four year term that will be available for general corporate purposes, including for funding future acquisitions. We will also have       unencumbered properties that contributed \$       million of annualized base rent as of March 31, 2018. We will seek to manage our balance sheet so that we have access to multiple sources of debt capital in the future, such as term borrowings from insurance companies, banks and other sources, single-asset mortgage financing and CMBS borrowings, that may offer us the opportunity to lower our cost of funding and further diversify our sources of debt capital.

Our net debt, our EBITDAre and our ratio of net debt to our EBITDAre referenced above are non-GAAP financial measures. For definitions of net debt and EBITDAre, reconciliations of these metrics to total debt and net income, respectively, the most directly comparable GAAP financial measures, and a statement of why our management believes the presentation of these metrics provides useful information to investors and any additional purposes for which management uses these metrics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

Our largest borrowing source is our Master Trust Funding Program, under which we may, subject to applicable covenants, issue multiple series and classes of notes from time to time to institutional investors in the asset-backed securities market. As of March 31, 2018, on a pro forma basis, we had Class A Notes and Class B Notes outstanding under our Master Trust Funding Program with an aggregate outstanding principal balance of \$       million. These notes are secured by a pool of 348 properties and the related leases as of March 31, 2018, however, we have the ability to pre-pay these notes without the payment of a make-whole amount after November 2021, giving us flexibility to unencumber the pledged assets, should we choose to do so as part of a strategy to seek an investment grade credit rating in the future or for other reasons. Pre-payments with respect to notes issued under our Master Trust Funding Program with an aggregate outstanding principal amount of \$275.4 million (as of March 31, 2018) on or after November 25, 2019 do not require a make-whole, and pre-payments with respect to notes issued under our Master Trust Funding Program with an aggregate outstanding principal amount of \$245.5 million (as of March 31, 2018) on or after November 25, 2021 do not require a make-whole payment. These notes are non-recourse to us, subject to customary limited exceptions.

We are the property manager and servicer for the leases that are the collateral for the notes under our Master Trust Funding Program and, in that capacity, have discretion in managing the collateral pool. We believe that this discretion enhances our operational flexibility by enabling us to: issue additional notes in future series that reflect the increase in the value of properties or the entire collateral pool; substitute assets in the collateral pool (subject to meeting certain prescribed conditions and criteria); and sell underperforming assets and reinvest the proceeds in better performing properties, subject, in the case of substitutions and sales, to certain limitations unless the substitution or sale is credit- or risk-based. We also have the ability to add properties to the collateral pool between series issuances, thereby further increasing the pool's size and diversity. By implementing an investment grade-rated debt program that is supported by a large, diverse and growing collateral pool, we seek to lower our borrowing costs and, in turn, be in a position to deliver more competitive financial terms to our tenants and superior returns to our stockholders.

- **Differentiated Investment Strategy** . We seek to acquire and lease freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities that are essential to the generation of its sales and profits. We primarily seek to invest in properties leased to unrated middle-market companies that we determine have attractive credit characteristics and stable operating histories. We believe middle-market companies are underserved from a capital perspective and that we can offer them attractive real estate financing solutions and enter into lease agreements that provide us with attractive risk-adjusted returns. Furthermore, many net lease transactions with middle-market companies involve properties that are individually relatively small, which allows us to avoid concentrating a large amount of capital in individual properties. We maintain close relationships with our tenants, which we believe allows us to source additional investments and become the capital provider of choice as our tenants' businesses grow and their real estate needs increase.
- **Asset Base Allows for Significant Growth** . Building on our senior leadership team's experience of more than 20 years in net lease real estate investing, we have developed leading origination, underwriting, financing, documentation and property management capabilities. Our platform is scalable, and we will seek to leverage these capabilities to improve our efficiency and processes to seek attractive risk-adjusted growth. While we expect that our general and administrative expenses will continue to rise in some measure as our portfolio grows, we expect that such expenses as a percentage of our portfolio will decrease over time due to efficiencies and economies of scale. We have grown substantially since we commenced investment activities on June 16, 2016 when we acquired our GE Seed Portfolio for \$279.8 million (including transaction costs). During the three months ended March 31, June 30, September 30 and December 31 of 2017, we purchased properties with aggregate purchase prices of \$143.8 million, \$91.5 million, \$138.7 million and \$160.4 million, respectively. During the three months ended March 31, 2018, we purchased properties with an aggregate purchase price of \$64.1 million, and at March 31, 2018, we owned 530 properties, with annualized base rent of \$75.7 million. With our smaller asset base relative to other institutional investors that focus on acquiring net leased real estate, superior growth can be achieved through manageable acquisition volume. Additionally, as of March 31, 2018, our average investment per property was \$1.9 million (which equals our aggregate investment in our properties (including transaction costs, lease incentives and amounts funded for construction in progress) divided by the number of properties owned at March 31, 2018), which we believe will allow us to grow our portfolio without concentrating a large amount of capital in individual properties and reduce our exposure to events that may adversely affect a particular property.
- **Disciplined Underwriting Leading to Strong Portfolio Characteristics** . We generally seek to execute transactions with an aggregate purchase price of \$3 million to \$50 million. Our size allows us to focus on investing in a segment of the market that we believe is underserved from a capital perspective and where we can originate or acquire relatively smaller assets on attractive terms that provide meaningful growth to our portfolio. In addition, we seek to invest in commercially desirable properties that are suitable for use by different tenants, offer attractive risk-adjusted returns and possess characteristics that reduce our real estate investment risks. As of March 31, 2018:
  - Our leases had a weighted average remaining lease term (based on annualized base rent) of 13.8 years, with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023;
  - Master leases contributed 64.8% of our annualized base rent;
  - Our portfolio's weighted average rent coverage ratio was 2.9x, with leases contributing 75.3% of our annualized base rent having rent coverage ratios in excess of 2.0x (excluding leases that do not report unit-level financial information);

- Our portfolio was 99.1% occupied;
- Leases contributing 95.4% of our annualized base rent provided for increases in future annual base rent, ranging from 1.0% to 4.0% annually, with a weighted average annual escalation equal to 1.5% of base rent; and
- Leases contributing 93.8% of annualized base rent were triple-net.

Our leases are typically long-term (typically with initial terms of 15 years or more and tenant renewal options), triple-net leases that obligate our tenants to pay all or most property-level expenses and that provide for periodic contractual rent escalations. We strongly prefer to use master lease structures, pursuant to which we lease multiple properties to a single tenant on an all or none basis. We also seek to invest in properties with healthy rent coverage ratios.

- **Extensive Tenant Financial Reporting Supports Active Asset Management** . We seek to enter into lease agreements that obligate our tenants to periodically provide us with corporate and/or unit-level financial reporting, which we believe enhances our ability to actively monitor our investments, negotiate through lease renewals and proactively manage our portfolio to protect stockholder value. As of March 31, 2018, leases contributing 97.4% of our annualized base rent required tenants to provide us with specified unit-level financial information.

### Our Business and Growth Strategies

Our objective is to maximize stockholder value by generating attractive risk-adjusted returns through owning, managing and growing a diversified portfolio of commercially desirable properties. We intend to pursue our objective through the following business and growth strategies.

- **Structure and Manage Our Diverse Portfolio With Disciplined Underwriting and Risk Management** . We seek to maintain the stability of our rental revenue and maximize the long-term return on our investments while continuing our growth by using our disciplined underwriting and risk management expertise. When underwriting assets, we emphasize commercially desirable properties, with strong operating performance, healthy rent coverage ratios and tenants with attractive credit characteristics.

**Leasing.** In general, we seek to enter into leases with (i) relatively long terms (typically with initial terms of 15 years or more and tenant renewal options); (ii) attractive rent escalation provisions; (iii) healthy rent coverage ratios; and (iv) tenant obligations to periodically provide us with financial information, which provides us with information about the operating performance of the leased property and/or tenant and allows us to actively monitor the security of payments under the lease on an ongoing basis. We strongly prefer to use master lease structures, pursuant to which we lease multiple properties to a single tenant on a unitary (i.e., "all or none") basis. In addition, in the context of our sale-leaseback investments, we generally seek to establish contract rents that are at prevailing market rents, which we believe enhances tenant retention and reduces our releasing risk in the event that a lease is rejected in a bankruptcy proceeding or expires.

**Diversification.** We monitor and manage the diversification of our portfolio in order to reduce the risks associated with adverse developments affecting a particular tenant, property, industry or region. Our strategy targets a scaled portfolio that, over time, will (1) derive no more than 5% of its annualized base from any single tenant or more than 1% of its annualized base rent from any single property, (2) be primarily leased to tenants operating in service-oriented or experience-based businesses and (3) avoid significant geographic concentration. While we consider these criteria when making investments, we may be opportunistic in managing our business and make investments that do not meet one or more of these criteria if we believe the opportunity presents an attractive risk-adjusted return. As of March 31, 2018, Captain D's



(Captain D's, LLC), our largest tenant, contributed 6.8% of our annualized base rent. As of that date, no other tenant contributed more than 5.8% of our annualized base rent, and no single property contributed more than 1.7% of our annualized base rent.

**Asset Management.** We are an active asset manager and regularly review each of our properties for changes in the business performance at the property, credit of the tenant and local real estate market conditions. Among other things, we use Moody's Analytics RiskCalc, which is a model for predicting private company defaults based on Moody's Analytics Credit Research Database, to proactively detect credit deterioration. Additionally, we monitor market rents relative to in-place rents and the amount of tenant capital expenditures in order to refine our tenant retention and alternative use assumptions. Our management team utilizes our internal credit diligence to monitor the credit profile of each of our tenants on an ongoing basis. We believe that this proactive approach enables us to identify and address issues expeditiously and to determine whether there are properties in our portfolio that are appropriate for disposition.

In addition, as part of our active portfolio management, we may selectively dispose of assets that we conclude do not offer a return commensurate with the investment risk, contribute to unwanted geographic, industry or tenant concentrations, or may be sold at a price we determine is attractive. Since our inception, we have sold 70 properties for net sales proceeds of \$78.4 million, representing a 9.7% gain based on our aggregate allocated purchase price of \$71.5 million. This excludes two properties, with an allocated purchase price of \$0.9 million, that we sub-divided and sold portions thereof, for aggregate net sales proceeds of \$1.8 million, and retained the remaining portions thereof.

- **Focus on Relationship-Based Sourcing to Grow Our Portfolio by Originating Sale-Leaseback Transactions.** We plan to continue our disciplined growth by originating sale-leaseback transactions and opportunistically making acquisitions of properties subject to net leases that contribute to our portfolio's tenant, industry and geographic diversification. Since we commenced investment activities in June 2016, our senior management team has sourced, underwritten, negotiated and structured 94 investment transactions that have closed. As of March 31, 2018, exclusive of our GE Seed Portfolio, 80.6% of our portfolio's annualized base rent was attributable to internally originated sale-leaseback transactions and 91.8% was acquired from parties who had previously engaged in transactions that involved a member of our senior management team (including operators and tenants and other participants in the net lease industry, such as brokers, intermediaries and financing sources). In addition, we seek to leverage our relationships with our tenants to facilitate investment opportunities, including selectively agreeing to reimburse certain of our tenants for development costs at our properties in exchange for contractually specified rent that generally increases proportionally with our funding. As of March 31, 2018, exclusive of our GE Seed Portfolio, approximately 53% of our investments were sourced from operators and tenants who had previously consummated a transaction involving a member of our management team and approximately 39% were sourced from participants in the net lease industry, such as brokers, intermediaries or financing sources, who had previously been involved with a transaction involving a member of our management team. We believe our senior management team's reputation, in-depth market knowledge and extensive network of long-standing relationships in the net lease industry provides us access to an ongoing pipeline of attractive investment opportunities.

As of the date of this prospectus, we have entered into purchase and sale agreements for 23 properties with an aggregate purchase price of \$54.6 million.

- **Focus on Middle-Market Companies in Service-Oriented or Experience-Based Businesses.** We primarily focus on investing in properties that we lease on a long-term, triple-net basis to unrated middle-market companies that we determine have attractive credit characteristics and stable operating histories. We generally define middle-market companies as

regional and national operators with between 10 and 250 locations and \$20 million to \$500 million in annual revenue. Properties leased to middle-market companies may offer us the opportunity to achieve superior risk-adjusted returns, as a result of our intensive credit and real estate analysis, lease structuring and portfolio construction. We believe our capital solutions are attractive to middle-market companies due to their more limited financing options, as compared to larger, rated organizations, and, in many cases, smaller transactions with middle-market companies will allow us to maintain and grow our portfolio's diversification. Middle-market companies are often willing to enter into leases with structures and terms that we consider attractive (such as master leases and leases that require ongoing tenant financial reporting) and believe contribute to the stability of our rental revenue.

In addition, we emphasize investment in properties leased to tenants engaged in service-oriented or experience-based businesses, such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education, and health and fitness, as we believe these businesses are generally insulated from e-commerce pressure.

- **Internal Growth Through Long-Term Triple-Net Leases That Provide For Periodic Rent Escalations .** We seek to enter into long-term (typically with initial terms of 15 years or more and tenant renewal options), triple-net leases that provide for periodic contractual rent escalations. As of March 31, 2018, our leases had a weighted average remaining lease term of 13.8 years (based on annualized base rent), with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023, and 95.4% of our leases (based on annualized base rent) provided for increases in future base rent at a weighted average of 1.5% per year. Additionally, our conservative underwriting and active asset management, which we believe reduces default losses and increases renewal probabilities, is intended to enhance the stability of our rental revenue.
- **Actively Manage Our Balance Sheet to Maximize Capital Efficiency .** We seek to maintain a prudent balance between debt and equity financing and to maintain funding sources that lock in long-term investment spreads and limit interest rate sensitivity. We target a level of net debt that, over time, is generally less than six times our EBITDAre. As of March 31, 2018, on a pro forma basis, we had \$            million of total debt outstanding and net debt of \$            million. Our pro forma net income for the year ended December 31, 2017 was \$            million, our pro forma EBITDAre was \$            million and our pro forma ratio of net debt to EBITDAre was            x. Our pro forma net income for the three months ended March 31, 2018 was \$            million, our pro forma EBITDAre was \$            million and our pro forma ratio of net debt to annualized EBITDAre was            x. We anticipate having access to multiple sources of debt capital, including the investment grade-rated, asset-backed bond market, through our Master Trust Funding Program, and bank debt, through an undrawn unsecured revolving credit facility that we expect to have upon completion of this offering. Pre-payments with respect to notes issued under our Master Trust Funding Program with an aggregate outstanding principal amount of \$275.4 million (as of March 31, 2018) on or after November 25, 2019 do not require a make-whole, and pre-payments with respect to notes issued under our Master Trust Funding Program with an aggregate outstanding principal amount of \$245.5 million (as of March 31, 2018) on or after November 25, 2021 do not require a make-whole payment, giving us flexibility to unencumber all or a portion of the assets securing borrowings under the program, should we choose to do so as part of a strategy to seek an investment grade credit rating in the future or for other reasons.

Our net debt, our EBITDAre and our ratio of net debt to EBITDAre referenced above are non-GAAP financial measures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

## Our Real Estate Investment Portfolio

As of March 31, 2018, we had a portfolio of 530 properties that was diversified by tenant, industry and geography and had annualized base rent of \$75.7 million. Our 127 tenants operate 112 different concepts in 15 industries across 42 states. None of our tenants represented more than 6.8% of our portfolio at March 31, 2018, and our top ten largest tenants represented less than 41.8% of our annualized base rent as of that date.

As of March 31, 2018 our top ten tenants included ten different concepts: Captain D's, Art Van Furniture, Mister Car Wash, Zips Car Wash, AMC Theaters, Perkins, 84 Lumber, Mirabito, Ruby Tuesday and White Oak Station. Set forth below is information with respect to each concept of our top ten tenants.

**Captain D's** (Captain D's, LLC). Founded in 1969 and headquartered in Nashville, Tennessee, Captain D's owns, operates and franchises approximately 520 restaurants in 20 states, including 76 operated and two franchised properties leased from us. Captain D's offers its customers reasonably priced seafood in an inviting atmosphere. A family-friendly concept, Captain D's offers premium-quality grilled fish, as well as shrimp, chicken, an expanded selection of home-style side dishes, hush puppies, desserts, and freshly brewed, Southern-style sweet tea. Captain D's was acquired in December 2017 by Sentinel Capital Partners, a private equity investment firm.

**Art Van Furniture** (AVF Parent, LLC). Founded in 1959 and headquartered in Warren, Michigan, Art Van Furniture is the largest independent furniture retailer in the United States and a leading furniture and mattress retailer in the Midwest. The company operates approximately 100 stores throughout Michigan, Illinois, Iowa, Ohio and Indiana, including five properties leased from us. Art Van Furniture is owned by affiliates of Thomas H. Lee Partners, a private equity investment firm, that purchased the business in 2017.

**Mister Car Wash** (Car Wash Partners, Inc.). Headquartered in Tucson, Arizona, Mister Car Wash operates over 240 car washes and over 30 express lube centers in 21 states, including 13 properties leased from us. Mister Car Wash is the largest car wash operator in the United States, offering both full-service and express car wash services through its conveyor-based car washes. Mister Car Wash is owned by affiliates of Leonard Green & Partners, a private equity investment firm.

**Zips Car Wash** (Zips Car Wash, LLC). Zips Car Wash, based in Jonesboro, Arkansas, was founded in 2004 with two locations in Arkansas. The company currently operates 94 express tunnel wash locations, including 16 properties leased from us, in 11 states, primarily in the southeastern United States.

**AMC Theaters** (AMC Entertainment Holdings, Inc.). Founded in 1920, AMC Theaters is the largest movie exhibition company in the United States. AMC Theaters operates approximately 1,000 theaters, including four properties leased from us, and 11,000 screens worldwide, and employs approximately 45,000 full and part-time employees. The company serves more than 250 million guests in the United States each year and more than 350 million across the globe. Wanda Group, a multinational conglomerate based in Beijing, is the controlling stockholder of AMC Theaters.

**Perkins** (Perkins & Marie Callender's, LLC). Founded in 1958 and headquartered in Memphis, Tennessee, Perkins operates approximately 400 restaurants in 33 states and five Canadian provinces, including 14 properties in the United States leased from us. The Perkins system includes 134 company-owned and operated restaurants and 266 franchised units. In addition to the Perkins Restaurant and Bakery concept that serves moderately-priced breakfast, lunch and dinner entrees, the system also includes the Marie Callender's Restaurant and Bakery concept, a mid-priced, casual dining concept specializing in the sale of pie and other bakery items. Perkins is majority owned by affiliates of Wayzata Investment Partners LLC, a private equity investment firm.

**84 Lumber** (Magerko Real Estate, LLC). Founded in 1956 and headquartered in Eighty Four, Pennsylvania, 84 Lumber is a building materials supply company that owns and operates over 250 stores in 30 states, including 19 properties leased from us. 84 Lumber operates components plants, door shops, installation centers and wood products shops. 84 Lumber also offers professional residential and commercial contractors turn-key installed services for a variety of products, including framing, insulation, siding, windows, roofing, decking and drywall. The company employs approximately 4,900 people.

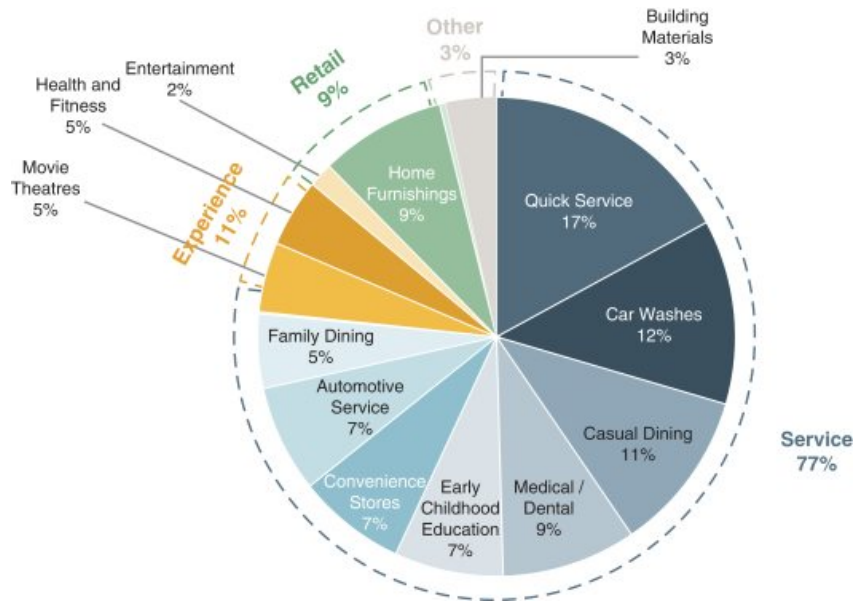
**Mirabito** (Mirabito Holdings, Inc.). Mirabito is a private, family-owned company based in Binghamton, New York that, through its predecessors, was founded in 1927. Mirabito owns and operates approximately 75 convenience stores under the Mirabito, Quickway Food Stores, Convenience Express and Manley's Mighty-Mart brands throughout central New York, including 20 properties leased from us.

**Ruby Tuesday** (Ruby Tuesday, Inc.). The Ruby Tuesday concept has focused on casual American dining since its founding in 1972. There are currently over 500 company-owned and franchised Ruby Tuesday locations throughout the United States and around the world, including 17 properties leased from us. Ruby Tuesday was acquired by NRD Capital, an Atlanta-based private equity firm, in December 2017.

**White Oak Station** (White Oak Station LLC). Founded in 1983 and headquartered in Harrison, Arkansas, White Oak Station owns and operates convenience stores. White Oak Station owns or manages 82 convenience stores and gas stations primarily in the Ozark Mountain region and in Florida, Texas and Iowa, including 20 properties leased from us.

As of March 31, 2018, 93.8% of our leases (based on annualized base rent) were triple-net, and the tenant is typically responsible for all improvements and is contractually obligated to pay all operating expenses, such as maintenance, insurance, utility and tax expense, related to the leased property. Due to the triple-net structure of our leases, we do not expect to incur significant capital expenditures relating to our triple-net leased properties, and the potential impact of inflation on our operating expenses is reduced.

The following chart illustrates the percentage of our annualized base rent as of March 31, 2018 attributable to various industries. 87.6% of annualized base rent as of March 31, 2018 related to service-oriented and experience-based businesses.



### Diversification by Tenant

Our 530 properties are operated by our 127 tenants. The following table details information about our tenants as of March 31, 2018 (dollars in thousands):

Tenant(1)	Concept	Number Of Properties	Annualized Base Rent(2)	% of Annualized Base Rent	Weighted Average Lease Term(3)	Weighted Average Annual Rent Escalations(3)
Captain D's, LLC(4)	Captain D's	76	\$ 5,182	6.8%	5.4	1.24%
AVF Parent, LLC	Art Van Furniture	5	4,394	5.8%	19.0	(6)
Car Wash Partners, Inc.	Mister Car Wash	13	4,115	5.4%	19.1	1.90%
Zips Car Wash, LLC	Zips Car Wash	16	4,077	5.4%	19.5	1.50%
American Multi-Cinema, Inc(5)	AMC	4	2,845	3.8%	6.6	0.81%(7)
Perkins & Marie Callender's, LLC	Perkins	14	2,606	3.4%	9.2	3.73%
Magerko Real Estate, LLC	84 Lumber	19	2,591	3.4%	19.3	2.00%
Mirabito Holdings, Inc.	Mirabito	20	2,242	3.0%	16.5	1.50%
Ruby Tuesday, Inc.	Ruby Tuesdays	17	1,835	2.4%	19.8	(6)
White Oak Station LLC	Various	20	1,779	2.3%	17.6	1.63%
VASA Fitness, LLC	VASA Fitness	4	1,636	2.2%	14.0	1.88%
Professional Resource Development, Inc.	Heartland Dental	26	1,579	2.1%	12.8	1.50%
Doherty Apple Florida GE, LLC	Applebee's	10	1,574	2.1%	9.4	1.00%
Neighborhood Restaurant Partners Florida, LLC	Applebee's	8	1,553	2.1%	9.8	2.00%
Exceptional Health Care Inc	Exceptional Health	4	1,359	1.8%	19.8	2.00%
ZAK, L.L.C.	Taco/KFC	14	1,353	1.8%	18.8	1.50%
BRHACO LLC	Driver's Edge	7	1,275	1.7%	14.1	1.36%
Fuelco US, LLC	7 2 11	13	1,275	1.7%	14.8	1.50%
Arby's Restaurant Group, Inc.	Arby's	14	1,252	1.7%	6.1	0.79%
RBLs, Inc.	Ashley Homestore	2	1,170	1.5%	13.5	1.37%
Top 20 Subtotal		306	45,692	60.4%	14.3	1.42%
Other		224	30,019	39.6%	13.0	1.57%
<b>Total/Weighted Average(3)</b>		<b>530</b>	<b>\$ 75,711</b>	<b>100.0%</b>	<b>13.8</b>	<b>1.49%</b>

(1) Represents tenants or guarantor.

(2) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date.

(3) Weighted by annualized base rent.

(4) Includes two properties leased to a subsidiary of Captain D's, LLC.

(5) Includes two properties leased to a subsidiary of AMC Entertainment Holdings, Inc.

(6) Escalation provision based on the lesser of a specified percentage or the change in the CPI. As any future increase in CPI is unknowable at this time, we have not included an increase in the rent pursuant to these leases in the weighted average annual escalation rate presented.

(7) In lieu of fixed annual rent escalations, leases at each of these properties provide for contingent rent based on a percentage of the tenant's gross sales at the leased property.

As of March 31, 2018, our five largest tenants, who contributed 27.2% of our annualized base rent, had a rent coverage ratio of 2.83x, and our ten largest tenants, who contributed 41.8% of our annualized base rent, had a rent coverage ratio of 2.91x.

### Diversification by Concept

Our tenants operate their businesses across 112 concepts. The following table details those concepts as of March 31, 2018 (dollars in thousands):

Concept	Type of Business	Annualized Base Rent(1)	% of Annualized Base Rent	Number of Properties(2)	Building (Square Feet)
Captain D's	Service	\$ 5,348	7.1%	78	201,212
Art Van Furniture	Retail	4,394	5.8%	5	284,713
Mister Car Wash	Service	4,115	5.4%	13	54,621
Zips Car Wash	Service	4,077	5.4%	16	62,898
Applebee's	Service	3,354	4.4%	20	103,401
AMC Theaters	Experience	2,845	3.8%	4	192,804
Perkins	Service	2,606	3.4%	14	75,367
84 Lumber	Other	2,591	3.4%	19	896,956
Mirabito	Service	2,242	3.0%	20	43,587
Ashley Homestore	Retail	2,063	2.7%	4	182,064
All other concepts (102)		42,076	55.6%	330	2,097,513
<b>Total</b>		<b>\$ 75,711</b>	<b>100.0%</b>	<b>523</b>	<b>4,195,136</b>

- (1) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date.
- (2) Excludes five vacant properties and two vacant land parcels.

### Diversification by Industry

Our tenants' business concepts are diversified across various industries. The following table summarizes those industries as of March 31, 2018 (dollars in thousands):

Tenant Industry	Type of Business	Annualized Base Rent(1)	% of Annualized Base Rent	Number of Properties(3)	Building (Square Feet)	Rent Per Square Foot(4)
Quick Service Restaurants	Service	\$ 12,924	17.1%	182	480,762	\$ 26.88
Car Washes	Service	9,437	12.5%	36	147,980	63.77
Casual Dining Restaurants	Service	8,261	10.9%	59	341,781	24.17
Medical / Dental	Service	6,898	9.1%	53	290,284	17.33
Convenience Stores	Service	5,566	7.4%	55	174,400	31.91
Early Childhood Education	Service	5,586	7.4%	23	242,229	23.06
Automotive Services	Service	5,484	7.2%	40	276,816	19.81
Family Dining Restaurants	Service	3,786	5.0%	24	127,484	29.70
Other Services	Service	109	0.1%	3	9,708	11.19
<b>Service Subtotal/Weighted Average(2)</b>		<b>\$ 58,051</b>	<b>76.7%</b>	<b>475</b>	<b>2,091,444</b>	<b>\$ 27.76</b>
Health and Fitness	Experience	3,576	4.7%	10	350,673	10.20
Movie Theatres	Experience	3,476	4.6%	5	245,338	14.17
Entertainment	Experience	1,244	1.6%	3	93,532	13.30
<b>Experience Subtotal/Weighted Average(2)</b>		<b>\$ 8,295</b>	<b>11.0%</b>	<b>18</b>	<b>689,543</b>	<b>\$ 12.03</b>
Home Furnishings	Retail	6,457	8.5%	9	466,777	13.83
Grocery	Retail	316	0.4%	2	50,416	6.27
<b>Retail Subtotal/Weighted Average(2)</b>		<b>\$ 6,773</b>	<b>8.9%</b>	<b>11</b>	<b>517,193</b>	<b>\$ 13.10</b>
Building Materials	Other	2,591	3.4%	19	896,956	2.89
<b>Total/Weighted Average(2)</b>		<b>\$ 75,711</b>	<b>100.0%</b>	<b>523</b>	<b>4,195,136</b>	<b>\$ 17.92</b>

- (1) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date. Includes rental income from three sites under construction.
- (2) Weighted by annualized base rent.
- (3) Excludes five vacant properties and two vacant land parcels.
- (4) Excludes properties under construction.

As of March 31, 2018, our tenants operating service-oriented businesses had a weighted average rent coverage ratio of 2.70x, our tenants operating experience-based businesses had a weighted average rent coverage ratio of 2.40x, our tenants operating retail businesses had a weighted average rent coverage ratio of 3.77x and our tenants operating other types of businesses had a weighted average rent coverage ratio of 5.36x.



### Diversification by Geography

Our 530 property locations are spread across 42 states. The following table details the geographical locations of our properties as of March 31, 2018 (dollars and square feet in thousands):

State	Annualized Base Rent(1)	% of Annualized Base Rent	Number of Properties	Square Feet
Texas	\$ 9,674	12.8%	59	643,179
Georgia	8,559	11.3%	64	330,068
Michigan	6,259	8.3%	26	373,233
Florida	5,932	7.8%	41	292,096
Alabama	4,888	6.5%	40	365,082
New York	3,269	4.3%	34	82,658
Ohio	3,131	4.1%	20	407,927
New Mexico	2,839	3.7%	18	87,119
South Carolina	2,785	3.7%	15	146,198
Iowa	2,507	3.3%	27	96,927
Minnesota	2,133	2.8%	15	80,786
Tennessee	2,129	2.8%	21	90,107
Arizona	1,990	2.6%	11	57,905
Wisconsin	1,845	2.4%	9	85,202
Colorado	1,762	2.3%	7	134,842
North Carolina	1,699	2.2%	11	159,512
Maryland	1,472	1.9%	6	56,406
Louisiana	1,249	1.6%	7	35,658
Kansas	1,172	1.5%	6	98,847
Illinois	1,097	1.4%	10	40,124
Missouri	837	1.1%	10	36,686
Mississippi	808	1.1%	9	49,212
Indiana	794	1.0%	10	48,446
Kentucky	771	1.0%	7	72,828
Pennsylvania	643	0.8%	7	32,803
West Virginia	602	0.8%	7	50,146
New Jersey	590	0.8%	3	24,872
Utah	545	0.7%	1	42,540
Virginia	543	0.7%	2	14,227
Arizona	530	0.7%	3	18,841
Oklahoma	510	0.7%	4	63,792
California	488	0.6%	2	28,739
Nebraska	347	0.5%	3	10,820
Wyoming	330	0.4%	1	10,001
North Dakota	256	0.3%	1	6,041
Connecticut	245	0.3%	5	27,066
New Hampshire	140	0.2%	3	9,914
Washington	101	0.1%	1	3,147
Vermont	99	0.1%	1	3,442
Maine	72	0.1%	1	3,395
Massachusetts	45	0.1%	1	2,400
Oregon	25	0.0%	1	540
<b>Total/Weighted Average(2)</b>	<b>\$ 75,711</b>	<b>100.0%</b>	<b>530</b>	<b>4,223,774</b>

- (1) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date.
- (2) Weighted by annualized base rent.

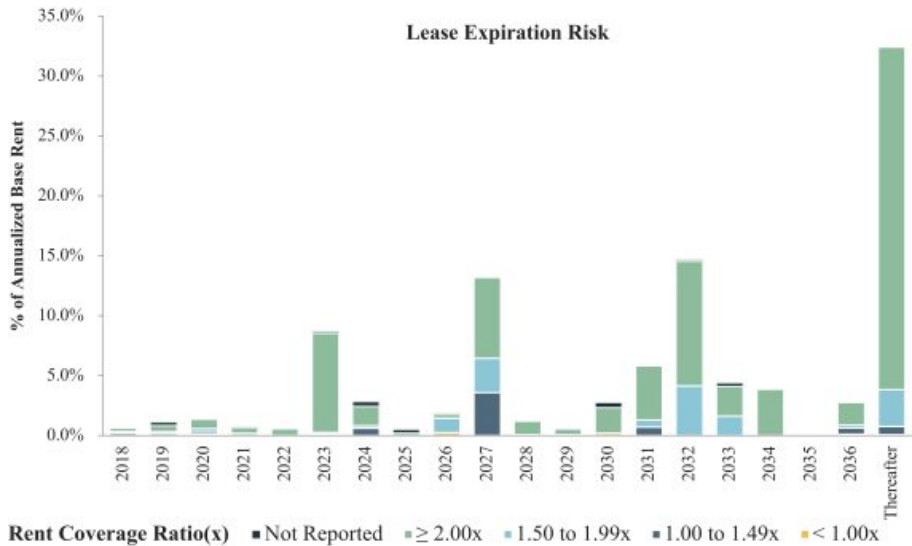
### Lease Expirations

As of March 31, 2018, the weighted average remaining term of our leases was 13.8 years (based on annualized base rent), with only 4.4% of our annualized base rent attributable to leases expiring prior to January 1, 2023. The following table sets forth our lease expirations for leases in place as of March 31, 2018 (dollars in thousands):

Lease Year Expiration Year(1)	Annualized Base Rent(2)	% of Annualized Base Rent	Number of Properties(3)	Weighted Average Rent Coverage Ratio(4)
2018	\$ 477	0.6%	5	2.15x
2019	853	1.1%	11	2.82x
2020	1,034	1.4%	11	2.63x
2021	528	0.7%	8	3.28x
2022	434	0.6%	4	3.83x
2023	6,588	8.7%	79	3.39x
2024	2,156	2.8%	18	2.49x
2025	384	0.5%	5	4.41x
2026	1,408	1.9%	6	1.58x
2027	9,983	13.2%	55	2.75x
2028	918	1.2%	7	3.65x
2029	416	0.5%	3	4.43x
2030	2,095	2.8%	29	4.57x
2031	4,409	5.8%	23	3.14x
2032	11,124	14.7%	74	2.63x
2033	3,337	4.4%	16	2.28x
2034	2,922	3.9%	24	2.39x
2035	—	—	—	—
2036	2,097	2.8%	22	2.09x
2037	23,512	31.1%	117	2.92x
2038	482	0.6%	3	2.46x
2039	555	0.7%	2	2.62x
<b>Total</b>	<b>\$ 75,711</b>	<b>100.0%</b>	<b>522</b>	<b>2.86x</b>

- (1) Expiration year of contracts in place as of March 31, 2018 and excludes any tenant option renewal periods that have not been exercised.
- (2) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date.
- (3) Excludes five vacant properties, two vacant land parcels and one site with a lease that has not commenced as of March 31, 2018.
- (4) Weighted by annualized base rent.

We believe unit-level rent coverage ratios are an important element of evaluating the likelihood that tenants will renew leases upon expiration or exercise renewal options. The following chart illustrates our annualized base rent as of March 31, 2018 attributable to leases expiring during the specified periods and provides information about the unit-level rent coverage ratios as of March 31, 2018 for such leases. We believe that our strong rent coverage ratios enhance the likelihood that leases will be renewed or extended and increases the stability of our rental revenue.



(1) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date.

Investment Guidelines

General Investment Criteria

Our goal is to invest in properties that offer attractive risk-adjusted returns and possess characteristics that reduce our real estate investment risks. We generally seek to execute transactions with an aggregate purchase price of \$3 million to \$50 million that, under current market conditions, have a capitalization rate of 7.00% to 8.00%, which we define as the contractually specified annualized cash base rent for the first full month at the time of investment divided by our purchase price for the property. We also seek to invest in properties with healthy rent coverage ratios. We seek to maintain our portfolio's diversification by tenant, industry and geography in an effort to reduce fluctuations in income caused by under-performing individual real estate assets or adverse economic conditions affecting an entire industry or region. While we consider these criteria when making investments, we may be opportunistic in managing our business and make investments that do not meet one or more of these criteria if we believe the opportunity presents an attractive risk-adjusted return. Our strategy targets a scaled portfolio that, over time, will (1) derive no more than 5% of its annualized base rent from any single tenant or more than 1% of its annualized base rent from any single property, (2) be primarily leased to tenants operating in service-oriented or experience-based businesses and (3) avoid significant geographic concentration. We expect that our external growth will come primarily from executing sale-leaseback transactions that we originate from our tenants or with

industry participants with whom a member of our senior management team has a pre-existing relationship. However, we will opportunistically seek to acquire portfolios of existing leased properties.

### ***Our Target Properties***

We seek to acquire freestanding, single-tenant commercial real estate facilities where the tenant services its customers and conducts activities that are essential to the generation of its sales and profits. We primarily seek to invest in properties leased to unrated middle-market companies that we determine have attractive credit characteristics and stable operating histories. We selectively invest in properties leased to small companies that we determine have credit characteristics similar to the middle-market companies that we lease property to. While not our primary investment focus, we will consider investments leased to large companies on an opportunistic basis.

We primarily invest in properties leased to tenants engaged in a targeted set of service-oriented or experience-based businesses, such as restaurants (including quick service, and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education, and health and fitness, as we believe these businesses are generally insulated from e-commerce pressure.

We seek to invest in properties that have strong unit-level economics that make a positive contribution to the total operations of our tenants. By investing in this type of property, we believe there is a smaller risk of default, because our tenants depend on the property to service their customers and to generate their sales and profits. We seek to acquire commercially desirable properties that are suitable for use by different tenants, as these types of properties are more readily released or sold upon vacancy. We also prefer to invest in sale-leaseback transactions where we can establish contract rents that are at prevailing market rents, which we believe enhances tenant retention and reduces our releasing risk in the event that a lease is rejected in a bankruptcy proceeding or expires.

### ***Our Leases***

We typically lease our properties pursuant to long-term, triple-net leases with initial terms of 15 years or more that often have tenant renewal options. Substantially all of our leases are triple-net, meaning our tenant generally is obligated to pay all operating expenses (such as maintenance, insurance, utility and tax expense) related to the leased property. As of March 31, 2018, we owned 15 assets where we owned the improvements on the land and leased the underlying real estate pursuant to a long-term ground lease. Aggregate annualized ground lease payments were \$0.6 million as of such date. We strongly prefer to use master lease structures, pursuant to which we lease multiple properties to a single tenant on an all or none basis. In a master lease structure, a tenant is responsible for a single lease payment relating to the entire portfolio of leased properties, as opposed to multiple lease payments relating to individually leased properties. The master lease structure prevents a tenant from “cherry picking” locations, where it unilaterally gives up underperforming properties while maintaining its leasehold interest in well-performing properties. As of March 31, 2018, master leases contributed 64.8% of our annualized base rent (our largest master lease by number of properties related to five properties and contributed 5.8% of our annualized base rent, and our smallest master lease by number of properties related to two properties and contributed 0.1% of our annualized base rent). We also seek to invest in properties with healthy rent coverage ratios. Substantially all of our leases also require our tenants to periodically provide us with financial information, which allows us to evaluate the security of payments under the related lease on an ongoing basis.

Substantially all of our leases provide for periodic contractual rent escalations. As of March 31, 2018, leases contributing 95.4% of our annualized base rent provided for increases in future annual base rent, generally ranging from 1.0% to 4.0% annually, with a weighted average annual escalation equal to 1.5% of base rent. Generally, our rent escalators increase rent on specified dates by a fixed percentage. Our escalations provide us with a source of internal growth and a measure of inflation

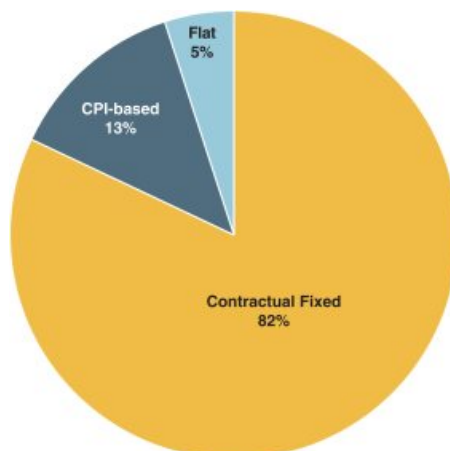
protection. Additional information on lease escalation frequency and weighted average annual escalation rates as of March 31, 2018 is displayed below.

<b>Lease Escalation Frequency</b>	<b>% of Annualized Base Rent</b>	<b>Weighted Average Annual Escalation Rate(1)</b>
Annually	73.7%	1.6%
Every 2 years	1.2%	1.7%
Every 3 years	0.2%	—
Every 4 years	1.0%	0.9%
Every 5 years	15.2%	1.2%
Other escalation frequencies	4.1%	1.6%
Flat(2)	4.6%	N/A
<b>Total/Weighted Average(3)</b>	<b>100.0%</b>	<b>1.5%</b>

- (1) Represents the weighted average annual escalation rate of the entire portfolio as if all escalations occurred annually. For leases where rent escalates by the greater of a stated fixed percentage or the change in the CPI, we have assumed an escalation equal to the stated fixed percentage in the lease. As of March 31, 2018, leases contributing 10.1% of our annualized base rent provide for rent increases equal to the lesser of a stated fixed percentage or the change in the CPI. As any future increase in CPI is unknowable at this time, we have not included an increase in the rent pursuant to these leases in the weighted average annual escalation rate presented.
- (2) Approximately 79.6% of the annualized base rent derived from flat leases is attributable to leases that provide for contingent rent based on a percentage of the tenant's gross sales at the leased property.
- (3) Weighted by annualized base rent.

As depicted in the chart below, 13% of contractual rent escalations (by annualized base rent) are CPI-based, while 82% are based on fixed percentage or scheduled increases. The escalation provisions of our leases (by annualized base rent) as of March 31, 2018 are displayed in the following chart:

**Lease Escalation Provisions as of March 31, 2018 (based on annualized base rent)**



We occasionally agree to reimburse a tenant for construction costs that it incurs in connection with construction at a property, 100% of which it leases from us in exchange for contractually specified rent that generally increases proportionally with our funding. For example, we may enter into a ground lease with a tenant and agree to reimburse the tenant, up to a specified amount, for construction costs

that it incurs in developing a commercial facility on such property. Generally, as we reimburse the tenant for construction costs the rent will increase proportionally with our funding, generally allowing us to achieve a consistent cash yield on our funding throughout construction. If requested by a tenant, we may structure this type of transaction as a loan of up to a specified amount that is funded incrementally as construction progresses and obligates the borrower/tenant to pay us interest on the funded amount at a specified interest rate.

We believe these types of transactions are attractive, as they allow us to invest in new construction at or close to replacement cost. Additionally, we have, and generally expect to continue to, include these types of properties in master leases, allowing us to mitigate the risk of investing in a property that lacks operating history by including it within a larger master lease with the same tenant that includes operating properties. By providing a tenant with this type of bespoke financing solution, upon our full funding of amounts under these types of arrangements and the tenant or tenant/borrower, as applicable, making agreed upon payments to us under the transaction documentation, we believe that we may be able to achieve a risk-adjusted return on our investment that is superior to that available from purchasing an existing property in the market that is subject to a market-rate lease.

The following table sets forth certain information about transactions where we have agreed to finance tenant-construction at our properties:

<b>Construction Reimbursement Obligations and Loan Commitments</b>			
	<b>Completed Construction Since March 30, 2016 (Commencement of Operations)</b>		<b>Properties Under Construction As of May 25, 2018</b>
Number of Properties		1	3
Number of Tenants		1	3
Total Investment (\$ in millions)(1)	\$	6.1	\$ 19.2
Yield on Investment(2)		9.0%	8.0%

(1) Full amount of investment in the property, including its purchase price plus the full amount we are obligated to reimburse the tenant or loan the tenant/borrower.

(2) Annualized amount payable to us upon full funding of the amount we have agreed to fund (i.e., annualized amount due to us based on contractually specified cash base rent for the first full month after funding plus, if applicable, annual interest) divided by our total investment in the property.

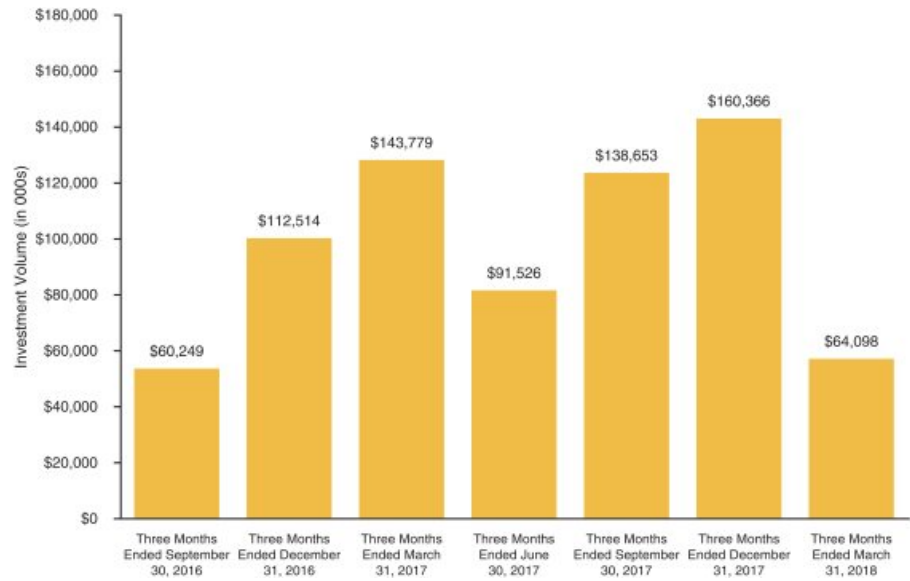
### Investment Origination Process

Our investments are identified by our senior management team, which is led by Peter M. Mavoides, our President and Chief Executive Officer, and Gregg A. Seibert, our Executive Vice President and Chief Operating Officer. Messrs. Mavoides and Seibert have been active in the net lease industry for approximately 20 years and 23 years, respectively, and have extensive contacts in the net lease industry through which investments may be sourced. As of March 31, 2018, approximately 91.8% of our investments (based on gross investment value), excluding our GE Seed Portfolio, were sourced from tenants/advisors who had previously engaged in one or more transactions that involved a member of our senior management team or with industry participants with whom a member of our senior management team had a pre-existing relationship (including operators and tenants and other participants in the net lease industry, such as brokers, intermediaries and financing sources). In addition to originating new sale-leaseback transactions, we maintain direct relationships with our tenants and actively seek to leverage our tenant relationships to identify new investment opportunities. For example, we may agree to reimburse certain of our tenants for development costs at our properties in exchange for contractually specified rent that generally increases proportionally with our funding. Our tenants also may facilitate transactions where we can buy properties owned by third parties and

leased to one of our tenants where we believe we can renegotiate the lease on mutually attractive terms. In addition to our direct origination efforts, we opportunistically evaluate portfolios of net leased properties that may be available for sale and actively monitor investment opportunities that are available through real estate brokers or advertised on national commercial real estate listing services.

**Historical Acquisitions and Dispositions**

The following chart illustrates our quarterly investment activity since inception, excluding the GE Seed Portfolio:



The following table sets forth select information about our quarterly investment activity since inception, excluding the GE Seed Portfolio and nine additional properties that we acquired from General Electric Capital Corporation for an aggregate purchase price of \$5.7 million (including transaction costs), during the period from June 16, 2016 through December 31, 2016, that we did not acquire on June 16, 2016 when we acquired the GE Seed Portfolio (dollars in thousands):

	Three Months Ended							Total
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	
<b>Acquisitions</b>								
Volume(1)	\$ 60,248.9	\$ 112,513.8	\$ 143,778.7	\$ 91,525.8	\$ 138,653.0	\$ 160,365.9	\$ 64,098.4	\$ 771,184.6
Average investment per unit	\$ 2,151.7	\$ 1,814.7	\$ 4,108.0	\$ 2,473.7	\$ 2,727.8	\$ 1,724.4	\$ 2,374.0	
Cash cap rate(2)	7.3%	7.3%	7.5%	7.6%	7.6%	7.7%	7.8%	
GAAP cap rate(3)	8.2%	8.3%	8.7%	9.4%	9.3%	8.7%	8.3%	
Property count	28	62	35	37	50	90	28	330
Master lease %(4)	85.2%	47.3%	83.2%	71.0%	91.7%	64.5%	33.3%	
Sale-leaseback %(4)	100.0%	65.5%	85.5%	75.9%	95.8%	74.7%	72.0%	
Financial reporting %(5)	100.0%	100.0%	100.0%	100.0%	99.6%	99.8%	100.0%	
Rent coverage ratio	2.92x	2.77x	3.14x	3.96x	2.77x	3.05x	2.34x	
Remaining lease term (years)(4)	16.8	17.3	17.0	17.3	18.4	15.5	14.1	
Number of transactions	4	11	12	11	18	21	16	93

(1) Includes transaction costs, lease incentives and amounts funded for construction in progress.

(2) Annualized contractually specified cash base rent for the first full month after the investment divided by the purchase price for the property.

(3) GAAP rent for the first twelve months after the investment divided by the purchase price for the property.

(4) As a percentage of annualized base rent.

(5) Tenants party to leases that obligate them to periodically provide us with corporate and/or unit-level financial reporting, as a percentage of our annualized base rent.



We routinely sell properties that we conclude do not offer a return commensurate with the investment risk, contribute to unwanted geographic, industry or tenant concentrations, or may be sold at a price we determine is attractive. The following table sets forth select information about our quarterly disposition activity since inception (dollars in thousands):

	Three Months Ended							
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	Total
Dispositions of leased properties								
Proceeds(1)	\$ —	\$ 15,427.3	\$ 4,131.6	\$ 7,822.5	\$ 16,614.9	\$ 14,629.8	\$ 7,506.0	\$66,092.9
Realized gain (loss), net(1)	\$ —	\$ 878.0	\$ 234.2	\$ 1,178.2	\$ 1,537.9	\$ 3,002.8	\$ 1,251.3	\$ 8,082.4
Cash cap rate(2)	\$ —	6.2%	6.5%	6.5%	6.1%	6.4%	6.7%	6.3%
Property count	—	11	3	6	9	8	5	42
Dispositions of vacant properties								
Proceeds(1)	\$ 680.0	\$ 1,014.5	\$ 925.6	\$ 3,570.6	\$ 3,578.3	\$ 2,352.9	\$ 215.4	\$12,337.4
Realized gain (loss), net(1)	\$ (13.1)	\$ 6.1	\$ 60.4	\$ 288.9	\$ 436.2	\$ 9.4	\$ (19.0)	\$ 768.9
Property count(3)	2	4	4	8	5	4	1	28

(1) Net of transaction costs.

(2) Annualized contractually specified cash base rent at time of sale divided by the gross sale price (excluding transaction costs) for the property.

(3) Property count excludes dispositions where only a portion of the owned parcel was sold.

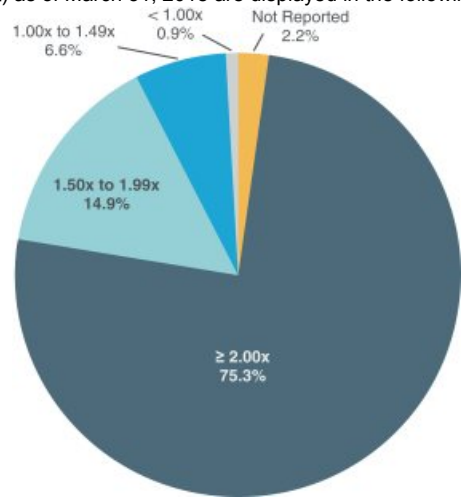
### Underwriting

In evaluating an investment, we consider three payment sources. The first and primary source of payment for our underwriting review is unit-level profitability, because a distinguishing characteristic of the properties that we invest in is that customers are serviced and sales and profits are generated at the property location. The second source of payment is the tenant's overall credit and the availability of cash flow from all of a tenant's assets to support its obligations (including its lease obligations to us). If the assets we invest in fail to produce profits, then payments (including our rent) would come from cash flows generated by our tenant's other assets. The third and final source of payment is the value of the real estate that we will acquire, and, in general, we seek to acquire commercially desirable properties that are suitable for use by different tenants.

### Unit-Level Profitability

We review the difference, or spread, between unit-level financial performance and the rent the tenant is obligated to pay under the lease. We believe that profitability of the business operated at our real estate locations provides an indication of future residual value. We view properties having insufficient cash flow to make contractual payments to us to be credit-dependent, meaning that our tenants have to make payments to us from other sources of cash flow. In addition, unprofitable properties result in a cash flow drain on the operations of our tenants, weakening their financial results and credit profiles. The resulting risk is that adverse tenant credit events (such as an insolvency or

bankruptcy) will likely cause underperforming properties to become vacant, which we seek to mitigate through the use of master leases. As of March 31, 2018, 64.8% of our annualized base rent was attributable to master leases. Generally, we seek to acquire investments with healthy rent coverage ratios, and as of March 31, 2018, the weighted average rent coverage ratio of our portfolio was 2.9x. Our portfolio's unit-level rent coverage ratios (by annualized base rent) as of March 31, 2018 are displayed in the following chart:



**Tenant Credit**

We perform detailed credit reviews of the financial condition of all our proposed tenants to determine their financial strength and flexibility. As part of this review, we evaluate the risk of company insolvency using a third-party model, Moody's Analytics RiskCalc. RiskCalc is a model for predicting private company defaults, based on Moody's Analytics Credit Research Database, which provides us with an EDF, expressed as a percentage indicating the likelihood that a tenant will default within the next 12 months. We also consider a proposed tenant's ability to pay us from resources other than the operations at our real estate locations. These other tenant resources are a potential source of payment to us and represent a secondary source of our payments. Alternative tenant cash flows from sources other than the properties we own can increase the stability of our rental revenue. When appropriate, we may seek credit enhancement, such as having a tenant's parent-company or an affiliate guarantee its lease obligations to us.

**Real Estate Valuation**

For each of our real estate properties, our underwriting process evaluates comparable real estate assets in the relevant real estate market. We generally seek to invest in real estate assets that are commercially desirable and suitable for use by different tenants. We also seek to rent properties at prevailing market rents to reduce vacancy risk and enhance the stability of our rental revenue. When evaluating market rents we often use market data provided by third-party real estate services firms such as CoStar Group, Inc. and Real Capital Analytics, Inc. These underwriting procedures provide us with an idea of likely ranges of real estate valuation in the event of a default. This is a third and essential source of payment for a property, representing both investment residual value as well as recovery default value.

### **Industry View**

We carefully evaluate the industry in which a prospective tenant operates and the structural terms of the proposed lease. When evaluating an industry, we seek to determine relevant competitive factors and the long-term viability of the industry. We believe that by identifying macro-economic industry trends, we can better attempt to avoid investment in industries subject to long-term functional obsolescence. We believe that industry viability supports investments, residual values and investment recovery values in the event of tenant defaults. For example, we have focused our investment activity on a targeted set of service-oriented or experience-based businesses (such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education, and health and fitness) because we believe these industries are generally insulated from e-commerce pressure. Finally, where appropriate, we seek to lease multiple properties to a tenant pursuant to a master lease, which transforms individual property risk to an aggregate risk across multiple properties and reduces our investment risk.

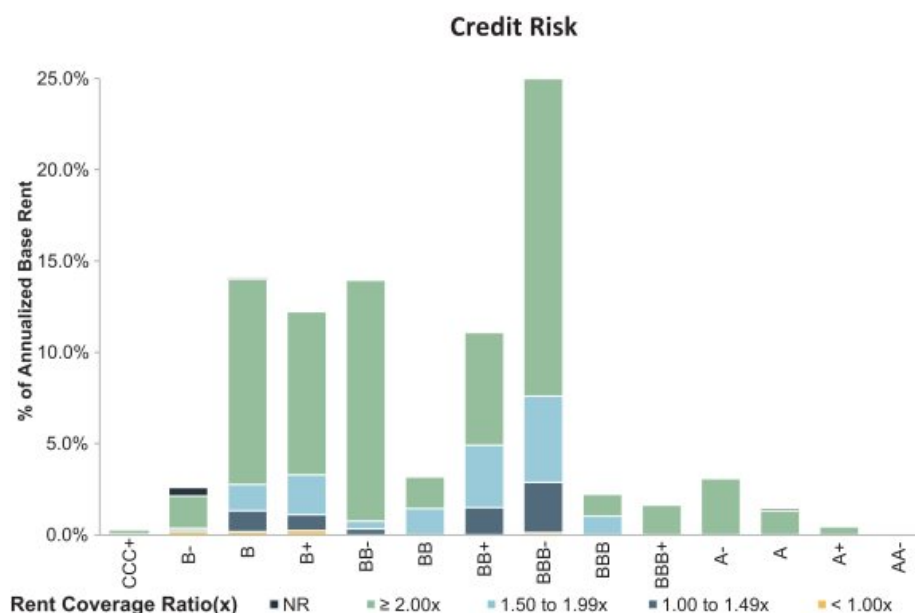
### **Effective Default Risk and Lease Rejection Risk**

#### ***Risk of Tenant Financial Distress***

Tenant financial distress is typically caused by consistently poor or deteriorating operating performance, near-term liquidity issues or unexpected liabilities. To assess the probability of tenant insolvency, we utilize Moody's Analytics RiskCalc, which is a model for predicting private company defaults based on Moody's Analytics Credit Research Database, which incorporates both market and company-specific risk factors.

Moody's Analytics RiskCalc generates an EDF, expressed as a percentage, for each tenant and equates this EDF to a corresponding credit rating. The companies within our portfolio had a weighted average (based on annualized base rent) Moody's RiskCalc credit rating of BBB-.

Moody's equates the EDF scores generated using RiskCalc with a corresponding credit rating. The following table illustrates the portions of our annualized base rent as of March 31, 2018 attributable to leases with tenants having specified implied credit ratings based on their Moody's RiskCalc scores:



(1) Represents annualized contractually specified cash base rent in effect on March 31, 2018 for all of our leases (including those accounted for as direct financing leases) commenced as of that date.

### Risk of Lease Rejection

In the event of tenant insolvency, our risk is that a property becomes vacant due to rejection of the related lease in bankruptcy. The profitability of the business operating on our property or properties relative to the rent under the lease is typically the primary factor for a tenant in determining whether to continue operating the property or to reject the lease through the bankruptcy process. We estimate a probability of lease rejection based on the rent coverage ratio at the property or properties we lease to our tenant. As of March 31, 2018, our weighted average rent coverage ratio was 2.9x, and our median rent coverage ratio was 2.4x. The table below shows the estimated probabilities of lease rejection that we have assigned to various ranges of rent coverage ratio:

Rent Coverage Ratio Range	Lease Rejection Probability
2.0x or Greater	5%
1.5x – 2.0x	10%
1.0x – 1.5x	50%
1.0x or Less	100%

### Credit Watch List

We maintain a watch list to identify properties that may become vacant and result in a loss of rental revenue, either due to a tenant rejecting a lease in a bankruptcy proceeding (Tenant Credit Risk)

or a non-renewal of a lease at its expiration (Non-Renewal Risk). In terms of Tenant Credit Risk, tenants with an implied credit rating of B- and below pursuant to Moody's Analytics RiskCalc and a unit-level rent coverage ratio below 1.50x are included on the credit watch list. In terms of Non-Renewal Risk, tenants with leases expiring within the next 12 months and a rent coverage ratio below 1.50x are also included on the credit watch list. In addition, we regularly communicate with our tenants to identify and assess risks that may not be reflected in implied credit ratings or unit-level rent coverage ratios, and, based on these, communications we may determine to include a tenant on our watch list. Properties and tenants on the credit watch list are subject to special servicing, which involves a higher level of monitoring and proactive risk mitigation activities such as property sales, lease modifications, replacement tenant searches and aggressive lease enforcement. As of March 31, 2018, the credit watch list included leases contributing \$0.9 million, or 1.2% of our annualized base rent.

### **Portfolio Management**

In addition to assessing risk, we also work to limit potential defaults through strong portfolio monitoring and proactive intervention through property substitutions, sales or other means. Following the acquisition of each property, we continue to actively monitor its profitability as well as the financial performance of each of our tenants.

#### **Financial Monitoring**

We seek to monitor the financial performance of our tenants and each property by reviewing unit-level and/or corporate financial statements to assess the ability of tenants to meet their payment obligations to us. We believe that early detection of tenant financial stress allows us more flexibility in risk mitigation and can lessen default and loss probability. The following table sets forth information as of March 31, 2018 about the percentage of our annualized base rent attributable to leases that obligate tenants to supply us with ongoing financial information:

	<b>% of Annualized Base Rent</b>
Unit-Level Financial Information	97.4%
Corporate-Level Financial Information	98.3%
Both Unit-Level and Corporate-Level Financial Information	96.9%
No Financial Information	1.1%

#### **Real Estate Monitoring**

We generally will physically inspect every property that we acquire in connection with our initial investment. However, under certain circumstances, if we acquire a large portfolio of properties, such as when we acquired our GE Seed Portfolio, it may not be practicable to physically inspect each property, in which case we will rely on other due diligence procedures, such as review of financial and documentary information that may include third-party reports such as title surveys, environmental reports and zoning reports. We periodically perform site inspections of our properties based on an evaluation of financial performance, unique property characteristics and industry factors and trends. We use information gained from site visits to monitor tenant compliance with maintenance obligations and to provide a leading indicator of property-level performance trends.

#### **Management of Defaults**

We seek to identify and respond quickly to any default or similar problems in order to improve investment recoveries by assessing and implementing various recovery alternatives available to us, such as property substitutions, lease buyouts or lease assignments to existing relationships.

### **Selective Property Sales**

We routinely sell properties that underperform financially or otherwise do not meet our long-term objectives in order to avoid potential tenant defaults in the future. In addition, on a selective basis, we may acquire and re-sell properties that we purchase in connection with the acquisition of a larger portfolio of properties. If properties are being sold on an all or none basis, we may purchase some properties that do not meet our desired investment criteria in order to acquire a larger portfolio of properties we wish to hold. Since our inception, we have sold 70 properties for net sales proceeds of \$78.4 million, representing a 9.7% gain based on our aggregate allocated purchase price of \$71.5 million. This excludes two properties, with an allocated purchase price of \$0.9 million, that we sub-divided and sold portions thereof, for aggregate net sales proceeds of \$1.8 million, and retained the remaining portions thereof.

### **Financing Strategy**

Our long-term financing strategy is to maintain a prudent leverage profile that creates operational flexibility and generates superior risk-adjusted returns for our stockholders. We finance our assets using a number of different sources, including cash from operations and the continued issuance of equity and debt. To date, our equity capital has principally been provided by Eldridge. Through this offering, we intend to add public equity capital to our initial private institutional equity capital to facilitate our growth. To date, our debt capital has consisted primarily of notes payable, provided by an affiliate of Eldridge, the proceeds from which we have used to accumulate properties. Upon amassing a sufficient number of properties, we have raised longer-term debt capital through our Master Trust Funding Program, which allows us to issue notes that are secured by the assets owned by the master trust issuers. Upon completion of this offering, we may seek to raise additional debt capital through our Master Trust Funding Program, and we expect to have an undrawn revolving credit facility that will be available for general corporate purposes, including the funding of potential future acquisitions. Additionally, future sources of debt capital may include CMBS borrowings, single-asset mortgage financing and term borrowings from insurance companies, banks and other sources, and may offer us the opportunity to lower our cost of funding and further diversify our sources of debt capital. Over time, we may choose to issue preferred equity as a part of our overall funding strategy.

Although we are not required to maintain a particular leverage ratio, we generally intend to target a level of net debt (which includes recourse and non-recourse borrowings and any outstanding preferred stock issuance less unrestricted cash and cash equivalents) that, over time, is less than six times our EBITDA. However, from time to time, our ratio of net debt to EBITDA may exceed six times.

As of March 31, 2018, a pro forma basis, we had approximately \$       million of indebtedness outstanding. Our largest borrowing source is our Master Trust Funding Program, under which we may, subject to applicable covenants, issue multiple series and classes of notes from time to time to institutional investors in the asset-backed securities market. As of March 31, 2018, we had issued two series of notes under our Master Trust Funding Program, each consisting of Class A Notes and Class B Notes, with an aggregate outstanding principal balance of \$520.9 million. As of March 31, 2018, our master trust indebtedness bore fixed interest at a weighted average annual rate of 4.35% and had a weighted average maturity of 4.9 years. These notes are non-recourse to us, subject to customary limited exceptions noted below.

Our master trust notes, which are issued by certain of our consolidated special purpose entity subsidiaries, are secured by a collateral pool of properties owned by the subsidiaries and the related leases. The collateral pool is pledged to an indenture trustee who holds fee title to the properties and an assignment of the leases pursuant to a security interest granted to the indenture trustee in favor of the holders of the notes. As tenants make their lease payments, they are deposited into a lockbox account and held by the indenture trustee for the benefit of the noteholders who use them to make the payments.

on the notes. Because the notes are non-recourse to us and to the consolidated special purpose entities that issue them, subject to customary limited exceptions noted below, neither we nor the issuers have any obligation to make principal or interest payments on the notes in the event the lease payments were insufficient to make the note payments. The customary limited exceptions to recourse are for matters such as fraud, misrepresentation, gross negligence or willful misconduct, misapplication of payments, bankruptcy and environmental liabilities. After payment of debt service and servicing and trustee expenses, any excess cash flow generated by the collateral pool is then released to us. We are the property manager and servicer for the leases that are the collateral for the notes and, in that capacity, have discretion in managing the collateral pool. We believe that this discretion enhances our operational flexibility by enabling us to: substitute assets in the collateral pool (subject to meeting certain prescribed conditions and criteria); sell underperforming assets and reinvest the proceeds in better performing properties, subject, in the case of substitutions and sales, to an overall limitation of 35% of the collateral unless the substitution or sale is credit- or risk-based, in which case there are no limitations; and issue additional notes in future series that reflect the increase in the value of properties or the entire collateral pool. We also have the ability to add properties to the collateral pool between series issuances, thereby further increasing the pool's size and diversity. By implementing an investment grade-rated debt program that is supported by a large, diverse and growing collateral pool, we seek to lower our borrowing costs.

#### **Tax Status**

We intend to elect to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2018. We believe that our organization and operations will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year, and we intend to continue operating in such a manner.

#### **Competition**

We face competition for acquisitions of real property from investors, including traded and non-traded public REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk. We also believe that competition for real estate financing comes from middle-market business owners themselves, many of whom have had a historic preference to own, rather than lease, the real estate they use in their businesses. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable investment opportunities available to us and increase the prices paid for such acquisition properties. This competition will increase if investments in real estate become more attractive relative to other forms of investment.

As a landlord, we compete in the multi-billion dollar commercial real estate market with numerous developers and owners of properties, many of which own properties similar to ours in the same markets in which our properties are located. Some of our competitors have greater economies of scale, lower costs of capital, access to more resources and greater name recognition than we do. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose our tenants or prospective tenants and we may be pressured to reduce our rental rates or to offer substantial rent abatements, tenant improvement allowances, early termination rights or below-market renewal options in order to retain tenants when our leases expire.

#### **Employees**

As of March 31, 2018, we had 19 full-time employees. Our staff is mostly comprised of professional employees engaged in origination, underwriting, closing, financial reporting, portfolio management and capital markets activities essential to our business.

### **Principal Executive Offices**

Our principal offices are located at 47 Hulfish Street, Suite 210, Princeton, NJ 08542. We currently occupy approximately 6,700 square feet of space leased from an unaffiliated third party. We believe that our facilities are adequate for our present and future operations and that adequate additional space will be available if needed in the future.

### **Legal Proceedings**

We may become party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. Since we commenced operations in March 2016, we have not been a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us.

### **Insurance**

Our tenants are generally required to maintain liability and property insurance coverage for the properties they lease from us pursuant to triple-net leases. These leases generally require our tenants to name us (and any of our lenders that have a mortgage on the property leased by the tenant) as additional insureds on their liability policies and additional named insured and/or loss payee (or mortgagee, in the case of our lenders) on their property policies. Depending on the location of the property, losses of a catastrophic nature, such as those caused by earthquakes and floods, may be covered by insurance policies that are held by our tenant with limitations such as large deductibles or co-payments that a tenant may not be able to meet. In addition, losses of a catastrophic nature, such as those caused by wind/hail, hurricanes, terrorism or acts of war, may be uninsurable or not economically insurable. In the event there is damage to our properties that is not covered by insurance and such properties are subject to recourse indebtedness, we will continue to be liable for the indebtedness, even if these properties are irreparably damaged. See "Risk Factors—Risks Related to Our Properties and Our Business—Insurance on our properties may not adequately cover all losses and uninsured losses could materially and adversely affect us."

In addition to being a named insured on our tenants' liability policies, we separately maintain commercial general liability coverage. We also maintain full property coverage on all untenanted properties and other property coverage as may be required by our lenders, which are not required to be carried by our tenants under our leases.

### **Implications of Being an Emerging Growth Company**

We are an "emerging growth company" as defined in the JOBS Act, and we are eligible to take advantage of certain specified reduced disclosure and other requirements that are otherwise generally applicable to public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. Although we have not made a determination whether to take advantage of any or all of these exemptions, we have irrevocably opted-out of the extended transition period afforded to emerging growth companies in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As a result, we will comply with new or revised accounting standards on the same time frames as other public companies that are not emerging growth companies.

We expect to remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion (subject to adjustment for inflation), (ii) December 31 of the fiscal year that we become a "large accelerated



filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our shares of common stock held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter and we have been publicly reporting for at least 12 months or (iii) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the preceding three-year period.

## **Regulation**

**General.** Our properties are subject to various laws, ordinances and regulations, including those relating to fire and safety requirements, and affirmative and negative covenants and, in some instances, common area obligations. Our tenants have primary responsibility for compliance with these requirements pursuant to our leases. We believe that each of our properties has the necessary permits and approvals.

**Americans With Disabilities Act.** Under Title III of the ADA, and rules promulgated thereunder, in order to protect individuals with disabilities, public accommodations must remove architectural and communication barriers that are structural in nature from existing places of public accommodation to the extent “readily achievable.” In addition, under the ADA, alterations to a place of public accommodation or a commercial facility are to be made so that, to the maximum extent feasible, such altered portions are readily accessible to and usable by disabled individuals. The “readily achievable” standard takes into account, among other factors, the financial resources of the affected site and the owner, lessor or other applicable person.

Compliance with the ADA, as well as other federal, state and local laws, may require modifications to properties we currently own or may purchase, or may restrict renovations of those properties. Failure to comply with these laws or regulations could result in the imposition of fines or an award of damages to private litigants, as well as the incurrence of the costs of making modifications to attain compliance, and future legislation could impose additional obligations or restrictions on our properties. Although our tenants are generally responsible for all maintenance and repairs of the property pursuant to our lease, including compliance with the ADA and other similar laws or regulations, we could be held liable as the owner of the property for a failure of one of our tenants to comply with these laws or regulations.

## **Environmental Matters**

Federal, state and local environmental laws and regulations regulate, and impose liability for, releases of hazardous or toxic substances into the environment. Under various of these laws and regulations, a current or previous owner, operator or tenant of real estate may be required to investigate and clean up hazardous or toxic substances, hazardous wastes or petroleum product releases or threats of releases at the property, and may be held liable to a government entity or to third parties for property damage and for investigation, clean-up and monitoring costs incurred by those parties in connection with the actual or threatened contamination. These laws may impose clean-up responsibility and liability without regard to fault, or whether or not the owner, operator or tenant knew of or caused the presence of the contamination. The liability under these laws may be joint and several for the full amount of the investigation, clean-up and monitoring costs incurred or to be incurred or actions to be undertaken, although a party held jointly and severally liable may seek to obtain contributions from other identified, solvent, responsible parties of their fair share toward these costs. These costs may be substantial, and can exceed the value of the property. In addition, some environmental laws may create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. As the owner or operator of real estate, we also may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from the real estate. The presence of contamination, or the failure to properly remediate contamination, on a property

may adversely affect the ability of the owner, operator or tenant to sell or rent that property or to borrow using the property as collateral, and may adversely impact our investment in that property.

Some of our properties contain, have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. Similarly, some of our properties were used in the past for commercial or industrial purposes, or are currently used for commercial purposes, that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. These operations create a potential for the release of petroleum products or other hazardous or toxic substances, and we could potentially be required to pay to clean up any contamination. In addition, environmental laws regulate a variety of activities that can occur on a property, including the storage of petroleum products or other hazardous or toxic substances, air emissions, water discharges and exposure to lead-based paint. Such laws may impose fines or penalties for violations, and may require permits or other governmental approvals to be obtained for the operation of a business involving such activities. As a result of the foregoing, we could be materially and adversely affected.

Environmental laws also govern the presence, maintenance and removal of ACM. Federal regulations require building owners and those exercising control over a building's management to identify and warn, through signs and labels, of potential hazards posed by workplace exposure to installed ACM in their building. The regulations also have employee training, record keeping and due diligence requirements pertaining to ACM. Significant fines can be assessed for violation of these regulations. As a result of these regulations, building owners and those exercising control over a building's management may be subject to an increased risk of personal injury lawsuits by workers and others exposed to ACM. The regulations may affect the value of a building containing ACM in which we have invested. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and/or disposal of ACM when those materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for improper handling or a release into the environment of ACM and may provide for fines to, and for third parties to seek recovery from, owners or operators of real properties for personal injury or improper work exposure associated with ACM.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury occurs.

Before completing any property acquisition, we obtain environmental assessments in order to identify potential environmental concerns at the property. These assessments are carried out in accordance with the Standard Practice for Environmental Site Assessments (ASTM Practice E 1527-13) as set by ASTM International, formerly known as the American Society for Testing and Materials, and generally include a physical site inspection, a review of relevant federal, state and local environmental and health agency database records, one or more interviews with appropriate site-related personnel, review of the property's chain of title and review of historical aerial photographs and other information on past uses of the property. These assessments are limited in scope. If, however,

recommended in the initial assessments, we may undertake additional assessments such as soil and/or groundwater samplings or other limited subsurface investigations and ACM or mold surveys to test for substances of concern. A prior owner or operator of a property or historic operations at our properties may have created a material environmental condition that is not known to us or the independent consultants preparing the site assessments. Material environmental conditions may have arisen after the review was completed or may arise in the future, and future laws, ordinances or regulations may impose material additional environmental liability. If environmental concerns are not satisfactorily resolved in any initial or additional assessments, we may obtain environmental insurance policies to insure against potential environmental risk or loss depending on the type of property, the availability and cost of the insurance and various other factors we deem relevant (i.e., an environmental occurrence affects one of our properties where our lessee may not have the financial capability to honor its indemnification obligations to us). Our ultimate liability for environmental conditions may exceed the policy limits on any environmental insurance policies we obtain, if any.

Generally, our leases require the lessee to comply with environmental law and provide that the lessee will indemnify us for any loss or expense we incur as a result of lessee's violation of environmental law or the presence, use or release of hazardous materials on our property attributable to the lessee. If our lessees do not comply with environmental law, or we are unable to enforce the indemnification obligations of our lessees, our results of operations would be adversely affected.

We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist on the properties in the future. Compliance with existing and new laws and regulations may require us or our tenants to spend funds to remedy environmental problems. If we or our tenants were to become subject to significant environmental liabilities, we could be materially and adversely affected.

## MANAGEMENT

### Our Director, Director Nominees and Executive Officers

The following table sets forth certain information concerning the individuals who will be our directors and executive officers upon the completion of this offering:

Name	Age	Position
Paul T. Bossidy	58	Director Nominee(1)(2)
Peter M. Mavoides	51	President and Chief Executive Officer, Director
Gregg A. Seibert	54	Executive Vice President and Chief Operating Officer
Hillary P. Hai	37	Chief Financial Officer and Senior Vice President
Daniel P. Donlan	36	Senior Vice President — Capital Markets
Todd J. Gilbert	36	Director Nominee(2)
Anthony D. Minella	41	Director Nominee(2)
Stephen D. Sautel	49	Director Nominee(2)
Joyce DeLucca	53	Director Nominee(2)
Scott A. Estes	47	Director Nominee(2)

(1) We expect that Mr. Bossidy will serve as the chairman of our board of directors.

(2) These individuals have agreed to become members of our board of directors in connection with this offering. It is expected that each director nominee will become a director immediately upon completion of this offering, except for Mr. Estes, who is expected to become a director immediately upon effectiveness of the registration statement of which this prospectus is a part.

### Biographical Summaries of Director Nominees and Executive Officers

#### **Director Nominees**

**Paul T. Bossidy.** Mr. Bossidy has served as the chairman of the board of directors of EPRT LLC, which will become our operating partnership through the formation transactions, since 2016. Mr. Bossidy is President and Chief Executive Officer of Patripabre Capital LLC, in Ridgefield, Connecticut, and provides consulting services to companies in the financial services industry. Mr. Bossidy also serves on the board of directors of Berkshire Hills Bancorp, Inc., a bank holding company that is the parent of Berkshire Bank with branches throughout New England. Mr. Bossidy previously served as President and Chief Executive Officer of Clayton Holdings LLC, or Clayton, from 2008 to 2014, when it was acquired by Radian Group, Inc. Prior to joining Clayton, Mr. Bossidy was a Senior Operations Executive at Cerberus Capital Management LP, a real estate investment fund, from 2006 to 2008. Prior to that, Mr. Bossidy served in various executive appointments for General Electric Company from 1993 to 2006, including General Manager of Corporate Business Development, President of the Refrigerator Product Line within GE Appliances Division, President and Chief Executive Officer of GE Lighting (North America), President and Chief Executive Officer of GE Vendor Financial Services, President and Chief Executive Officer of GE Commercial Equipment Financing and President and Chief Executive Officer of GE Capital Solutions Group. From 2001 to 2006, while Chief Executive Officer of GE Commercial Equipment Financing, Mr. Bossidy was also responsible for GE Franchise Finance, a lender for the franchise finance market, which operated a large triple-net lease real estate business. He is a Certified Public Accountant and a Certified Six Sigma Black Belt. Mr. Bossidy holds a B.A. from Williams College, a Masters in Accounting from New York University and an M.B.A. with concentrations in Finance and Marketing from Columbia University Graduate School of Business.

We believe that Mr. Bossidy's prior management and board of directors experience will provide our board of directors with strategic and industry-specific expertise. In addition, his knowledge and

background in accounting will allow him to provide guidance to the board of directors in overseeing financial and accounting aspects of our operations.

**Todd J. Gilbert.** Mr. Gilbert is a Principal at Eldridge, which he joined in January 2015, where he focuses on investing across the capital structure and evolutionary cycle of commercial enterprises. From August 2005 to December 2014, Mr. Gilbert was an investment professional at Guggenheim Partners and served as Managing Director, responsible for principal investing, business development and strategic transactions, as well as private equity, private debt, and special situations investment opportunities. He also served as a senior analyst in the Corporate Credit Group at Guggenheim Investments where he focused on credit and distressed investing across several industries. Prior to his employment by Guggenheim, from May 2004 to July 2005, Mr. Gilbert worked in the Mergers & Acquisitions group at KeyBanc Capital Markets. Mr. Gilbert currently serves on the board of directors of Stonebriar Finance Holdings LLC, Thirteenth Floor Entertainment Group, LLC and Lionel Holdings LLC. Mr. Gilbert received his B.B.A. in Finance and Accounting in 2004 from the University of Michigan.

We believe that Mr. Gilbert's experience as an investment professional, including evaluating investment opportunities, qualifies him to serve on our board of directors.

**Anthony D. Minella.** Mr. Minella is President of Eldridge. From September 2013 to February 2017, Mr. Minella was Chief Investment Officer of Security Benefit Corporation. Prior to that, he was Co-Head of the Corporate Credit Group at Guggenheim Investments where he co-chaired their Investment Committee. Mr. Minella currently serves on the board of directors of Eldridge, Cain International LP, and Stonebriar Finance Holdings LLC. He is actively involved with various other Eldridge portfolio companies. Mr. Minella received his A.B. in Economics from Bowdoin College.

We believe that Mr. Minella's experience as an investment professional, director and company executive, including his experience in finance, corporate governance and business management, qualifies him to serve on our board of directors.

**Stephen D. Sautel.** Mr. Sautel is a private investor, and he serves on the board of several private companies engaged in diverse businesses, including business services, manufacturing, distribution, institutional investment management and residential real estate. Since December 2017, Mr. Sautel has served as a director of CBAM Holdings, LLC, a private company that is an affiliate of Eldridge and is engaged in managing leveraged bank loans. Since 2014 Mr. Sautel has served as a director of Guggenheim Partners Investment Management Holdings, LLC, a diversified institutional investment management firm. From October 2001 to June 2014, Mr. Sautel was an investment professional at Guggenheim Capital, LLC, where he held the titles of Senior Managing Director and Chief Operating Officer of the Investments Business. While at Guggenheim, Mr. Sautel co-founded the firm's credit investing business and later was responsible for supervising the firm's investment management operations. Prior to Guggenheim, Mr. Sautel worked at J.H. Whitney & Co., First Chicago Capital Markets, and Arthur Andersen & Co. Mr. Sautel earned a B.B.A., Cum Laude, from the University of Kentucky in 1991 and an M.B.A., Cum Laude, from the University of Michigan in 1996. Mr. Sautel is a CFA charterholder.

We believe that Mr. Sautel's experience as an investor and a board member, and his familiarity with a broad range of industries qualifies him to serve on our Board of Directors.

**Joyce DeLucca.** Ms. DeLucca is a Managing Director at Hayfin Capital Management, LLC. Hayfin is a private investment firm focusing on direct lending, special opportunities, high yield credit and securitized credit. Ms. DeLucca joined Hayfin in January 2018, when Hayfin acquired Kingsland Capital Management LLC. Kingsland was an investment manager specializing in collateralized loan obligations

and leveraged credit that was founded by Ms. DeLucca in January 2005, and where she served as Managing Principal and Chief Investment Officer. Ms. DeLucca's career spans 32 years in the debt capital markets, including management of high yield, leveraged loan, distressed and mezzanine assets. Prior to establishing Kingsland, Ms. DeLucca was a Managing Principal at Katonah Capital, an asset manager focusing on leveraged loans and high yield bonds, from 2000 to 2004. Previously, Ms. DeLucca was a Managing Director at Chase Manhattan Bank, where she co-founded Octagon Credit Investors, from 1995 until 1999. Ms. DeLucca was also a Portfolio Manager and Investment Advisor at Fisher Brothers from 1989 to 1995, where she focused on distressed and high yield investing. She began her career as a trader and analyst with Bernstein Macaulay's high yield bond and mortgage-backed securities divisions, where she was employed from 1986 to 1989. Ms. DeLucca served on the Regulatory and Board Nominating Committees of the Loan Sales and Trading Association from 2006 to 2010. She received a B.S. in Finance from Ithaca College in 1986 and is a CFA charterholder.

We believe that Ms. DeLucca's extensive experience as an investment professional, familiarity with the debt capital markets and credit analysis and experience in establishing and managing businesses qualifies her to serve on our board of directors.

**Scott A. Estes**. Mr. Estes served as Executive Vice President—Chief Financial Officer of Welltower Inc., a NYSE listed REIT focused on healthcare infrastructure, from January 2009 to October 2017. Mr. Estes served as Senior Vice President and Chief Financial Officer of Welltower from March 2006 to January 2009 and as Vice President of Finance of Welltower from April 2003 to March 2006. From January 2000 to April 2003, Mr. Estes served as a Senior Equity Research Analyst and Vice President with Deutsche Bank Securities, a financial services firm, with primary coverage of the Healthcare REIT and Healthcare Services industry sub-sectors. Mr. Estes is a member of the board of trustees of JBG Smith Properties, a NYSE listed REIT that owns, operates, invests in and develops assets concentrated in leading urban infill submarkets and around Washington, DC, where he serves as the chairman of the Audit Committee and is a member of the Compensation Committee. Mr. Estes received his B.A. in Economics in 1993 from The College of William and Mary.

We believe that Mr. Estes financial and business experience, including his service as the chief financial officer and a board member of large publicly-traded REITs, qualifies him to serve on our board of directors.

#### **Executive Officers**

**Peter M. Mavoides**. Mr. Mavoides is currently our sole director and has been our President and Chief Executive Officer since our organization on January 12, 2018, and he has held similar positions at EPRT LLC, which will become our operating partnership through the formation transactions, since March 2016. Previously, from September 2011 through February 2015, Mr. Mavoides was the President and Chief Operating Officer of Spirit. While at Spirit, Mr. Mavoides was instrumental in transforming that company from a private enterprise, with approximately \$3.2 billion of total assets and 37 employees at the time of its September 2012 initial public offering, to a public company with approximately \$8.0 billion of total assets and over 70 employees at the time of his departure in February 2015. During his tenure at Spirit, Mr. Mavoides chaired the company's investment committee and led the team that created the infrastructure that acquired over 150 separate investments with an aggregate purchase price of nearly \$2.0 billion and an average investment per property of \$2.6 million over a period of approximately three years. Mr. Mavoides previously worked for Sovereign, as its President and Chief Executive Officer, from May 2003 to January 2011. Sovereign is a private equity firm that focuses on investment opportunities relating to long-term, net-leased real estate. While at Sovereign, Mr. Mavoides developed and implemented a business plan pursuant to which Sovereign grew from a startup to a leading investor focused on single-tenant, net leased properties, and he implemented an investment strategy pursuant to which over \$1.0 billion was invested in net lease

transactions. During his tenure at Spirit and Sovereign, Mr. Mavoides was instrumental in structuring the investment of approximately \$4.0 billion in net lease assets. Prior to joining Sovereign, Mr. Mavoides was employed by Eastdil Realty, a subsidiary of Wells Fargo Bank, and worked in the banking group at Citigroup, where he focused on the structuring of sale-leaseback transactions. Mr. Mavoides earned a B.S. from the United States Military Academy and an M.B.A. from the University of Michigan.

We believe that Mr. Mavoides's familiarity with our operations, and his extensive experience with net-lease financing and investing in real estate qualifies him to serve on our board of directors.

**Gregg A. Seibert.** Upon completion of this offering Mr. Seibert will be our Executive Vice President and Chief Operating Officer, and he has held similar positions at EPRT LLC, which will become our operating partnership through the formation transactions, since June 2016. Previously, Mr. Seibert was employed by Spirit from its inception in September 2003 through May 2016, where, at various times during his tenure, he was involved in acquisitions, underwriting, capital markets and special projects, and most recently served as Executive Vice President and Chief Investment Officer. While at Spirit, Mr. Seibert was a member of the company's investment committee and its executive management team, and he was instrumental in establishing and implementing that company's business strategy, including investment sourcing, tenant underwriting, asset management and capital markets activities. Prior to his employment by Spirit, Mr. Seibert worked for over nine years at FFCA, and held positions as Vice President and Senior Vice President of Underwriting and Research and Senior Vice President of Acquisitions until FFCA's acquisition in August 2001 by GE Capital Corporation (GECC), where he served as a Senior Vice President until September 2003. From 1989 to 1994, Mr. Seibert was a Vice President in the commercial real estate lending group of Bank of America, and from 1988 to 1989, served as an investment analyst with the Travelers Insurance Company. Mr. Seibert earned a B.S. in Finance from the University of Missouri and an M.B.A. in Finance from the University of Missouri Graduate School of Business.

**Hillary P. Hai.** Upon completion of this offering Ms. Hai will be our Chief Financial Officer and Senior Vice President, and she has held similar positions at EPRT LLC, which will become our operating partnership through the formation transactions, since November 2017. Previously, Ms. Hai was our Senior Vice President of Finance from January 2017 to November 2017 and our Vice President of Finance from April 2016 to January 2017. Before joining us, Ms. Hai worked at Spirit as Vice President and Director of Investments from January 2013 to April 2016, where she underwrote and closed approximately \$1 billion of transactions. In her previous roles, Ms. Hai worked at Lowe Enterprises Investors, a real estate investment management firm, as an analyst and served in the Peace Corps. Ms. Hai received her B.A. in Economics from University of California, Los Angeles and her M.B.A. from University of Michigan Stephen M. Ross School of Business.

**Daniel P. Donlan.** Upon completion of this offering Mr. Donlan will be our Senior Vice President — Capital Markets, and he has held a similar position at EPRT LLC, which will become our operating partnership through the formation transactions, since February 2018. Before joining us, Mr. Donlan worked at Ladenburg Thalmann & Co. as a Managing Director and senior REIT analyst from January 2013 to January 2018. In his previous roles, Mr. Donlan worked at Janney Capital Markets as a Vice President and senior REIT analyst from June 2007 to January 2013 and at BB&T Capital Markets as an associate analyst from August 2005 to May 2007. Mr. Donlan received his B.B.A. in Finance from the University of Notre Dame.

#### Family Relationships

There are no family relationships among any of our directors or executive officers, except for Mr. Gilbert and Mr. Minella, who are cousins.

## Corporate Governance Profile

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- our board of directors is not classified, with each of our directors subject to election annually, and we may not elect to be subject to the elective provision of the MGCL that would classify our board of directors without the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote generally in the election of directors;
- we will have a fully independent audit committee and independent director representation on our compensation and nominating and corporate governance committees as of the consummation of this offering;
- we anticipate that at least one of our directors will qualify as an “audit committee financial expert” as defined by the SEC;
- we have opted out of the business combination and control share acquisition statutes in the MGCL, and we may only opt back in with the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote generally in the election of directors; and
- we do not have a stockholder rights plan, and we will not adopt a stockholder rights plan in the future without (a) the approval of our stockholders or (b) seeking ratification from our stockholders within 12 months of adoption of the plan if the board of directors determines, in the exercise of its duties under applicable law, that it is in our best interest to adopt a rights plan without the delay of seeking prior stockholder approval.

Our directors will stay informed about our business by attending meetings of our board of directors and the committees on which they serve and through supplemental reports and communications. Our independent directors are expected to meet regularly in executive sessions without the presence of our corporate officers or non-independent directors.

## Stockholders Agreement

Prior to the consummation of this offering, we intend to enter into a stockholders agreement with Eldridge. Under this stockholders agreement, Eldridge will have the power, subject to certain terms and conditions, to designate nominees for election to our board of directors, designate a member of certain board committees and approve certain actions, each as more fully described below. For so long as the stockholders agreement remains in effect, directors elected pursuant to Eldridge's nomination right may only be removed with Eldridge's consent. If there is a vacancy on our board of directors because of the resignation or removal of a director elected pursuant to Eldridge's nomination right (other than due to a decrease in the number of nominees Eldridge is entitled to designate), the stockholders agreement will require us to nominate an individual designated by Eldridge for election. See “Certain Relationships and Related Party Transactions—Stockholders Agreement.”

Pursuant to the stockholders agreement, Eldridge will have certain nomination rights.

- For so long as Eldridge owns shares representing at least 15% or more of the voting power of our common stock, Eldridge will be entitled to designate a number of nominees for election as directors equal to the lowest whole number that is at least 40% of the total number of directors;
- When Eldridge owns shares representing less than 15% but greater than or equal to 10% of the voting power of our common stock, Eldridge will be entitled to designate a number of nominees for election as directors equal to the lowest whole number that is at least 25% of the total number of directors; and



- When Eldridge owns shares representing less than 10% but greater than or equal to 5% of the voting power of our common stock, Eldridge will be entitled to designate a number of nominees for election as directors equal to the lowest whole number that is at least 10% of the total number of directors.

When Eldridge owns shares representing at least 10% of the voting power of our common stock and a nominee designated by Eldridge is elected to our board of directors who qualifies as an independent director under NYSE standards, Eldridge will have the power to designate one independent board member to be elected as a member of each of the audit committee, compensation committee and the nominating and corporate governance committee.

For so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, the stockholders agreement and our charter and bylaws will provide that Eldridge must first approve:

- Any increase to the size of our board of directors;
- Amendments to our bylaws relating to the designation of director nominees by Eldridge, Eldridge's right to consent to any increase in the size of the board of directors or Eldridge's right to consent to amendments to such provisions; or
- Amendments to the provision of our charter relating to Eldridge's right to consent to the removal of any director nominated in accordance with Eldridge's nomination right or Eldridge's right to consent to amendments to such provision.

Additionally, for so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, the stockholders agreement and our charter will require the prior approval of Eldridge in order to determine that we will no longer qualify, or attempt to qualify, as a REIT under the Code or amend our charter to remove such requirement.

In connection with the concurrent private placement of common stock, we will grant a waiver from the ownership limit to Eldridge to own up to 19.0% of the outstanding shares of our common stock in the aggregate. We will also agree to provide transferees of Eldridge, subject to the satisfaction of certain conditions, with any necessary waivers from our ownership limits provided that any such waivers are consistent with our compliance with the ownership requirements for qualification as a REIT under the Code. Pursuant to the stockholders agreement, we have agreed, upon Eldridge's request, to increase the percentage of our outstanding common stock that may be owned by Eldridge, unless our board of directors concludes that any such increase will jeopardize our ability to qualify for taxation as a REIT.

#### **Director Independence**

We expect our board of directors to determine that each of Messrs. Bossidy, Estes and Sautel and Ms. DeLucca is an "independent director" as such term is defined by the applicable rules and regulations of the NYSE.

#### **Board Structure**

Upon the completion of this offering, our board of directors will consist of seven members. Our charter and bylaws provide that our board of directors will consist of such number of directors as may from time to time be fixed by our board of directors; provided, that, in accordance with the stockholders agreement, so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, we will nominate one or more individuals designated by Eldridge for election as our directors as specified in the stockholders agreement. See "—Stockholders Agreement."

Each director will hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal (each director may be removed only with cause by the affirmative vote of the stockholders entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors); provided, that, for so long as the stockholders agreement remains in effect, a director elected pursuant to Eldridge's nomination right may only be removed with Eldridge's consent. Vacancies on the board of directors may be filled at any time by the remaining directors, even if the remaining directors do not constitute a quorum; provided, that, if there is a vacancy on our board of directors because of the resignation or removal of a director elected pursuant to Eldridge's nomination right (other than due to a reduction in the number of nominees Eldridge is entitled to designate), the stockholders agreement requires us to nominate an individual designated by Eldridge for election to fill the vacancy.

At any meeting of the board of directors, except as otherwise required by law, a majority of the total number of directors then in office will constitute a quorum for all purposes.

Our board of directors is not divided into classes with staggered terms, and each of our directors is subject to re-election annually.

### **Role of Our Board of Directors in Risk Oversight**

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors administers this oversight function directly, with support from its three standing committees, the audit committee, the nominating and corporate governance committee and the compensation committee, each of which addresses risks specific to its respective areas of oversight. In particular, as more fully described below, our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our nominating and corporate governance committee provides oversight with respect to corporate governance and ethical conduct and monitors the effectiveness of our corporate governance guidelines, including whether such guidelines are successful in preventing illegal or improper liability-creating conduct. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

### **Board Committees**

Upon the completion of this offering, our board of directors will have three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. The principal functions of each committee are briefly described below. Additionally, our board of directors may from time to time establish other committees to facilitate the board's oversight of management of the business and affairs of our company.

#### ***Audit Committee***

In connection with this offering, our board of directors will adopt an audit committee charter, which will define the audit committee's principal functions, including oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;

- our compliance with financial, legal and regulatory requirements;
- the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;
- the performance of our internal audit functions; and
- our overall risk exposure and management.

The audit committee will also be responsible for engaging, evaluating, compensating, and overseeing an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans for and results of the audit engagement, approving services that may be provided by the independent registered public accounting firm, including audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The audit committee also will prepare the audit committee report required by SEC regulations to be included in our annual report.

Upon the completion of this offering, our audit committee will be composed of Ms. DeLucca and Messrs. Estes and Sautel. Mr. Estes will serve as chair of our audit committee. Our board of directors is expected to determine affirmatively that (i) Mr. Estes qualifies as an “audit committee financial expert” as such term has been defined by the SEC in Item 407(d)(5) of Regulation S-K and (ii) each member of our audit committee is “financially literate” as that term is defined by NYSE listing standards and meets the definition for “independence” for the purposes of serving on our audit committee under NYSE listing standards and Rule 10A-3 under the Exchange Act.

### **Compensation Committee**

In connection with this offering, our board of directors will adopt a compensation committee charter, which will define the compensation committee’s principal functions, to include:

- assisting the board of directors in developing and evaluating potential candidates for executive officer positions and overseeing the development of executive succession plans;
- annually reviewing and approving our corporate goals and objectives with respect to compensation for executive officers and, at least annually, evaluating each executive officer’s performance in light of such goals and objectives to set his or her annual compensation, including salary, bonus and equity and non-equity incentive compensation, subject to approval by the board of directors;
- providing oversight of management’s decisions regarding the performance, evaluation and compensation of other officers;
- reviewing our incentive compensation arrangements to confirm that incentive pay does not encourage unnecessary risk taking and to review and discuss, at least annually, the relationship between risk management policies and practices, business strategy and our executive officers’ compensation;
- reviewing and discussing with management our compensation discussion and analysis required by SEC regulations and recommending to the board of directors that such compensation discussion and analysis be included in our annual report; and
- preparing the compensation committee report to be included in our annual report.

Upon the completion of this offering, our compensation committee will be composed of Ms. DeLucca and Messrs. Bossidy, Estes and Sautel. Ms. DeLucca will serve as chair of our

compensation committee. Our board of directors is expected to determine affirmatively that each member of our compensation committee meets the definition for “independence” for the purpose of serving on our compensation committee under applicable rules of the NYSE and each member of our compensation committee meets the definition of a “non-employee trustee” for the purpose of serving on our compensation committee under Rule 16b-3 of the Exchange Act.

#### ***Nominating and Corporate Governance Committee***

In connection with this offering, our board of directors will adopt a nominating and corporate governance committee charter, which will define the nominating and corporate governance committee’s principal functions, to include:

- identifying individuals qualified to become members of our board of directors and ensuring that our board of directors has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds;
- developing, and recommending to the board of directors for its approval, qualifications for director candidates and periodically reviewing these qualifications with the board of directors;
- reviewing the committee structure of the board of directors and recommending directors to serve as members or chairs of each committee of the board of directors;
- reviewing and recommending committee slates annually and recommending additional committee members to fill vacancies as needed consistent with the stockholders agreement;
- developing and recommending to the board of directors a set of corporate governance guidelines applicable to us and, at least annually, reviewing such guidelines and recommending changes to the board of directors for approval as necessary;
- overseeing the annual self-evaluations of the board of directors and management; and
- reviewing and approving or ratifying any transaction between us and a related person that is required to be disclosed under the rules of the SEC.

Upon the completion of this offering, we will establish a nominating and corporate governance committee comprised of Messrs. Bossidy, Estes and Sautel. Mr. Sautel will serve as chair of our nominating and corporate governance committee. Our board of directors is expected to determine affirmatively that each member of our nominating and corporate governance committee meets the definition of independence under NYSE listing standards.

#### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves, or in the past has served, as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our board of directors or our compensation committee. None of the members of our compensation committee is, or has ever been, an officer or employee of our company.

#### **Employment Agreements**

Upon completion of this offering, we will enter into new employment agreements with each of Messrs. Mavoides and Seibert and Ms. Hai.

## Director Compensation

Upon the consummation of this offering, we expect that each of our directors, except for directors who are employed by us or Eldridge, will receive the following as compensation for services as a director: an initial equity grant of        shares of restricted common stock (with a value of \$60,000 based on the mid-point of the price range set forth on the front cover of this prospectus), an annual cash retainer of \$40,000 and an annual common stock award with a grant-date fair value of \$60,000. The equity awards granted to our directors will be made pursuant to our Equity Incentive Plan and are expected to vest on the first anniversary of the date of grant, subject to the director's continued service on our board of directors. We expect that our chairman will receive an additional annual cash retainer of \$100,000, and directors attending in excess of seven board of directors meetings per calendar year will receive an additional \$1,000 per board meeting attended in excess of seven. Directors who serve on our audit committee, other than the chair of the committee, will receive an annual cash retainer of \$10,000, and directors who serve on each of our compensation committee and nominating and corporate governance committee, other than the chairs of such committees, will receive an annual cash retainer of \$5,000. The director who serves as chair of the audit committee will receive an additional annual cash retainer of \$20,000, and the directors who serve as chairs of the compensation committee and the nominating and corporate governance committee each will receive an additional annual cash retainer of \$10,000. Neither Messrs. Gilbert and Minella, who are employed by Eldridge, nor Mr. Mavroides, our President and Chief Executive Officer, will receive separate compensation for their services as directors. All members of our board of directors will be reimbursed for their reasonable costs and expenses incurred in attending our board meetings.

We anticipate implementing stock ownership guidelines for our directors, except for directors who are employed by us or Eldridge, that will require each director to maintain equity ownership of a number of shares whose value equals five times his or her base annual cash retainer. The directors will have five years to comply with this guideline.

## Code of Business Conduct and Ethics

Upon the completion of this offering, our board of directors will adopt a code of business conduct and ethics that applies to our directors, officers and employees. Among other matters, our code of business conduct and ethics will be designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code;
- accountability for adherence to the code of business conduct and ethics;
- the protection of the company's legitimate business interests, including its assets and corporate opportunities; and
- confidentiality of information entrusted to directors, officers and employees by the company and its customers.

Any waiver of the code of business conduct and ethics for our directors or executive officers must be approved by a majority of our independent directors, and any such waiver shall be promptly disclosed as required by law and NYSE regulations.

Additionally, our charter provides that, to the maximum extent permitted by Maryland law, each of Eldridge, its affiliates, each of their representatives, and each of our directors or officers that is an employee, affiliate or designee for nomination as a director of Eldridge or its affiliates has the right to, and has no duty not to, (x) directly or indirectly engage in the same or similar business activities or lines of business as us, including those deemed to be competing with us, or (y) directly or indirectly do business with any of our clients, customers or suppliers. In the event that Eldridge or any of its affiliates or employees, or any of their representatives or designees, acquires knowledge of a potential transaction or matter that may be a corporate opportunity for us, Eldridge, its affiliates and employees and any of their representatives or designees shall have no duty to communicate or present such corporate opportunity to us or any of our affiliates and shall not be liable to us or any of our affiliates, subsidiaries, stockholders or other equity holders for breach of any duty by reason of the fact that Eldridge or any of its affiliates or employees, or any of their representatives or designees, directly or indirectly, pursues or acquires such opportunity for themselves, directs such opportunity to another person, or does not present such opportunity to us or any of our affiliates; provided, however, that such corporate opportunity is not presented to such person in his or her capacity as a director or officer of us.

### **Indemnification**

We intend to enter into indemnification agreements with each of our directors and executive officers that will obligate us to indemnify them to the maximum extent permitted by Maryland law as discussed under “Certain Provisions of Maryland Law and of Our Charter and Bylaws—Limitation of Liability and Indemnification of Directors and Officers.” The indemnification agreements will provide that, if a director or executive officer is a party to, or witness in, or is threatened to be made a party to, or witness in, any proceeding by reason of his or her service as a director, officer, employee or agent of our company or as a director, officer, partner, member, manager, fiduciary, employee, agent or trustee of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that he or she is or was serving in such capacity at our request, we must indemnify the director or executive officer for all expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, to the maximum extent permitted under Maryland law, including in any proceeding brought by the director or executive officer to enforce his or her rights under the indemnification agreement, to the extent provided by the agreement. The indemnification agreements will also require us to advance reasonable expenses incurred by the indemnitee within ten days of the receipt by us of a statement from the indemnitee requesting the advance, provided the statement evidences the expenses and is accompanied or preceded by:

- a written affirmation of the indemnitee's good faith belief that he or she has met the standard of conduct necessary for indemnification; and
- a written undertaking, which may be unsecured, by the indemnitee or on his or her behalf to repay the amount paid if it shall ultimately be established that the standard of conduct has not been met.

The indemnification agreements will also provide for procedures for the determination of entitlement to indemnification, including requiring such determination be made by independent counsel after a change of control of us.

Our charter obligates us, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (1) any of our present or former directors or officers who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity or (2) any individual who, while serving

as our director or officer and at our request, serves or has served as a director, officer, partner, member, manager or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity, as discussed under "Certain Provisions of Maryland Law and of Our Charter and Bylaws—Limitation of Liability and Indemnification of Directors and Officers."

In addition, our directors and officers may be entitled to indemnification pursuant to the terms of the partnership agreement of our operating partnership.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## EXECUTIVE COMPENSATION

### Overview

This section provides a discussion of the compensation paid or awarded to our President and Chief Executive Officer and our two other most highly compensated executive officers as of December 31, 2017. We refer to these individuals as our “named executive officers.” For 2017, our named executive officers and their positions were as follows:

- Peter M. Mavoides, President and Chief Executive Officer;
- Gregg A. Seibert, Executive Vice President and Chief Operating Officer; and
- Hillary P. Hai, Senior Vice President and Chief Financial Officer.

As noted above, we are an “emerging growth company” under the federal securities laws and, as such, we have elected to comply with certain reduced disclosure requirements, including in the area of executive compensation.

During 2017, our board of directors set the compensation for Messrs. Mavoides and Seibert and, while we were still part of Stonebriar Finance Holdings LLC, the board of directors of Stonebriar Finance Holdings LLC set the compensation for Ms. Hai. Once we became an independent entity, our board of directors approved an increase in Ms. Hai’s compensation. In connection with this offering, a compensation committee of our board of directors will be formed and, following the offering, executive officer compensation decisions will be determined by our compensation committee.

Our executive compensation programs are intended to align executive compensation with our business objectives and to enable us to attract, retain and reward executive officers who contribute to our long-term success. The compensation paid or awarded to our executive officers is generally based on the assessment of each individual’s performance compared against the business objectives established for the fiscal year as well as the competitive landscape and our historical compensation practices. For 2017, the material elements of our executive compensation program were base salary, annual cash bonus, and grants in the form of Class B Units, or profits interests, in EPRT Holdings, LLC.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

### Compensation of Named Executive Officers

#### **Base Salary**

Base salaries are intended to provide a level of compensation sufficient to attract and retain an effective management team, when considered in combination with the other components of our executive compensation program. The relative levels of base salary for our named executive officers are designed to reflect each executive officer’s scope of responsibility and accountability with us. The initial base salary levels for our named executive officers were determined at the time the officers commenced employment with us, considering the compensation they each received from their former employers as well as the competitive landscape. Thereafter, salary adjustments were made based on an assessment of the competitive landscape and performance, as well as the increased roles and responsibilities commensurate with operating a standalone company. Ms. Hai’s base salary was



increased from \$200,000 to \$250,000, effective November 15, 2017, in connection with her promotion to Chief Financial Officer of the company. Please see the "Salary" column in the 2017 Summary Compensation Table for the base salary amounts received by each named executive officer in 2017.

### Annual Cash Bonuses

We provide our senior leadership team with short-term incentive compensation through an annual cash bonus plan. Annual bonus compensation holds executives accountable, rewards the executives based on actual business results and helps create a "pay for performance" culture. Our annual cash bonus plan provides cash incentive award opportunities based on a qualitative assessment by our board of directors of the company's performance and the named executive officer's individual performance and leadership.

The payment of awards under the 2017 annual cash bonus plan applicable to the named executive officers was subject to the discretion of our board of directors. The 2017 bonus target for each of Messrs. Mavoides and Seibert and Ms. Hai was 100% of base salary, with a maximum bonus opportunity equal to 150% of base salary for Ms. Hai. Based on a qualitative assessment of performance, Messrs. Mavoides and Seibert and Ms. Hai received bonuses with respect to 2017 performance in the amounts of \$750,000, \$600,000, and \$300,000, respectively. The annual cash bonus paid to each named executive officer in 2017 is also set forth in the "Bonus" column in the 2017 Summary Compensation Table.

### Profits-Interest Program

To further align the interests of our executive officers with those of Eldridge, our named executive officers participate in a profits-interest program under which our executive officers are granted Class B Units with respect to EPRT Holdings, LLC. Our profits-interest program allows participants to share in the increase in the value of Essential Properties Realty Trust LLC above its value at the time of grant. Class B Units vest over a five-year period from the date of issuance, which for purposes of vesting was deemed to be March 30, 2017 for each named executive officer to align with the time they joined Essential Properties Realty Trust LLC. In January 2017, Messrs. Mavoides and Seibert and Ms. Hai received Class B Unit grants of 3,750, 3,250, and 500, respectively.

### 2017 Summary Compensation Table

The following table sets forth certain information with respect to the compensation earned by our named executive officers for the year ended December 31, 2017.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(3)	Total (\$)
Peter M. Mavoides President and Chief Executive Officer (principal executive officer)	2017	491,667	750,000	1,213,688	—	—	—	6,000	2,461,355
Gregg A. Seibert Executive Vice President and Chief Operating Officer	2017	400,000	600,000	1,051,863	—	—	—	—	2,051,863
Hillary P. Hai Senior Vice President and Chief Financial Officer	2017	203,333	300,000	161,825	—	—	—	7,708	672,866

(1) The amounts reported in this column represent the bonus received by each of the named executive officers with respect to 2017 performance.

- (2) Amounts reflect the full grant-date fair value of equity awards granted during 2017 computed in accordance with ASC Topic 718. We provide information regarding the assumptions used to calculate the value of all equity awards made to executive officers in "Note 7. Unit Based Compensation" to the Essential Properties Realty Trust, Inc. Predecessor Historical Consolidated Financial Statements included elsewhere in this prospectus.
- (3) The amounts reported in this column for each named executive officer represent matching contributions to our 401(k) plan.

### 2017 Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding outstanding Class B Units held by each of the named executive officers on December 31, 2017. As of December 31, 2017, none of our named executive officers held any other outstanding equity awards with respect to the company.

Name	Stock Awards	
	Number of Units of Stock That Have Not Vested #(1)	Market Value of Units of Stock That Have Not Vested \$(2) (in thousands)
Peter M. Mavoides	3,000	3,841
Gregg A. Seibert	2,600	3,329
Hillary P. Hai	400	512

- (1) The Class B Units reported in this column vest over a five-year period beginning on March 30, 2017.
- (2) Based on an internal valuation taking into account various assumptions, including market volatility, risk free interest rates and the marketability of the awards, the Class B Units were attributed with a \$1,280.35 per unit market value as of December 31, 2017.

### Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements

Each of our named executive officers serves at the pleasure of our board of directors. During 2017, we entered into employment agreements with Messrs. Mavoides and Seibert, which include provisions requiring us to make post-termination payments upon certain qualifying termination events. During 2017, we were not a party to an employment agreement with Ms. Hai. Accordingly, upon a termination of her employment, Ms. Hai would only be entitled to benefits available generally to all employees. The disclosure below describes certain compensation that would become payable to Messrs. Mavoides and Seibert as a result of a qualifying termination of employment as of December 31, 2017. These benefits are in addition to benefits available generally to salaried employees.

#### Employment Agreements

The employment agreement for each of Messrs. Mavoides and Seibert has an initial term expiring on March 30, 2021, with automatic one-year extensions unless notice of non-renewal is provided by either party. The employment agreements specify that the initial annual base salary for Messrs. Mavoides and Seibert will be \$ and \$ , respectively, and each will be eligible for a target annual bonus of up to 100% of base salary. Each of the employment agreements include non-competition and non-solicitation provisions that generally end one year after the executive's termination of employment.

The employment agreements for Messrs. Mavoides and Seibert provide for severance benefits upon a qualifying termination of employment. None of the employment agreements, however, provide for payments or benefits solely upon the occurrence of a change in control. Under the terms of each executive's employment agreement, in the event the executive's employment is terminated by us without "cause" (as defined in the agreements) or by the executive for "good reason" (as defined in the agreements), the executive would become entitled to receive: (i) any bonus awarded for the year prior to termination, to the extent unpaid; (ii) continued payments equal to 12-months of base salary;

(iii) accelerated vesting of the portion of the 2017 award of Class B Units granted to the named executive officer in connection with the entry into the employment agreement (the "Initial Equity Award") that would have otherwise vested during the 12-month period following the executive's termination of employment; (iv) monthly reimbursement for 12 months of COBRA premiums; and (v) for terminations of employment occurring after March 31 in a given year, a pro rata bonus for the year of termination based on actual performance, provided that the company is on plan with respect to the budget approved by the board of directors for such year and the board of directors approves the payment of such bonus. In the event of the executive's termination of employment due to death or disability, the executive or his beneficiary would be entitled to receive: (i) any bonus awarded for the year prior to termination, to the extent unpaid; (ii) a pro rata bonus for the year of termination; (iii) accelerated vesting of the portion of Initial Equity Award that would have otherwise vested during the 12-month period following the executive's termination of employment; and (iv) monthly reimbursement for 12 months of COBRA premiums. In the event of the non-renewal of the employment agreement, the executive would be entitled to receive any bonus awarded for the year prior to termination, to the extent unpaid.

The current employment agreements with each of Messrs. Mavoides and Seibert are expected to be terminated in connection with this offering and we expect to enter into new employment agreements with our named executive officers. Except with respect to the provisions in the existing employment agreements governing accelerated vesting of the Initial Equity Awards, as described above, the new employment agreements will govern the terms of the named executive officers' employment with us. The expected terms of the employment agreements are set forth below.

The new employment agreement for each of Messrs. Mavoides and Seibert and Ms. Hai has an initial four-year term, with automatic one-year renewals unless notice of non-renewal is provided by either party. The new employment agreements specify that the initial annual base salary for Messrs. Mavoides and Seibert and Ms. Hai will be \$ , \$ and \$ , respectively, and each will be eligible for an annual bonus based on the target opportunities and goals established by our compensation committee for each performance year. Each of the new employment agreements include non-competition and non-solicitation provisions that generally end one year after the executive's termination of employment.

The new employment agreements for Messrs. Mavoides and Seibert and Ms. Hai provide for severance benefits upon a qualifying termination of employment. None of the new employment agreements, however, provide for payments or benefits solely upon the occurrence of a change in control. Under the terms of each executive's new employment agreement, in the event the executive's employment is terminated by us without "cause" (as defined in the agreements) or by the executive for "good reason" (as defined in the agreements), the executive would become entitled to receive: (i) any annual performance bonus awarded for the year prior to termination, to the extent unpaid; (ii) continued payments equal to 12 months of base salary; (iii) monthly reimbursement for 12 months of COBRA premiums; and (iv) for terminations of employment occurring after March 31 in a given year, a pro rata bonus for the year of termination based on actual performance, provided that the company is on plan with respect to the budget approved by the board of directors for such year and the compensation committee approves the payment of such bonus. In the event of the executive's termination of employment due to death or disability, the executive or the executive's beneficiary, as applicable, would be entitled to receive: (i) any annual performance bonus awarded for the year prior to termination, to the extent unpaid; (ii) a pro rata bonus for the year of termination; and (iii) monthly reimbursement for 12 months of COBRA premiums. In the event of the non-renewal of the employment agreement, the executive would be entitled to receive any annual performance bonus awarded for the year prior to termination, to the extent unpaid.

### **Profits-Interest Program**

As noted above, our named executive officers participate in a “profits-interest” program under which they received Class B Units. These units vest over a five-year period, subject to the executive’s continued employment with us or, if earlier, a “Sale of the Company” as defined in the program-related documents and as it relates to EPRT Holdings, LLC.

In the case of each of the named executive officers, the date of issuance was deemed to be March 30, 2017. In January 2017, Messrs. Mavroides and Seibert and Ms. Hai received Class B Unit grants of 3,750, 3,250, and 500, respectively.

### **401(k) Plan**

We maintain a qualified 401(k) savings plan for the benefit of our employees, including our named executive officers. The 401(k) plan allows participants to contribute up to 100% of his or her pre-tax cash compensation, up to the annual maximum statutory limit allowed under Internal Revenue Service guidelines. Our 401(k) plan allows for discretionary matching of employee contributions. We make matching contributions equal to 100% of the first 3% of eligible compensation contributed by participants and 50% of the next 2% of eligible compensation contributed by participants. Participants are always vested in both their own contributions to the plan and in our matching contributions to the plan.

### **2018 Equity Incentive Plan**

In connection with this offering, our board of directors expects to adopt, and Eldridge expects to approve, our 2018 Equity Incentive Plan (the “Equity Incentive Plan”), prior to the completion of this offering. The purposes of the Equity Incentive Plan are to align the interests of our stockholders and those eligible for awards, to attract and retain officers, directors, employees, and other service providers, and to motivate award recipients to act in the long-term best interests of us and our stockholders. Our Equity Incentive Plan will provide for the grant of incentive stock options, within the meaning of Section 422 of the Code, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock awards, performance awards and LTIP units. Officers, employees, non-employee directors, consultants, independent contractors and agents who provide services to us or to any subsidiary of ours will be eligible to receive such awards. Our board of directors is still in the process of developing, approving and implementing the Equity Incentive Plan and, accordingly, this summary is subject to change. The material terms of the Equity Incentive Plan are expected to be as follows:

- *Stock Subject to the Plan.* The maximum aggregate number of shares that may be issued under the Equity Incentive Plan is shares of our common stock. To the extent a stock option or other stock award granted under the Equity Incentive Plan (other than any substitute award) expires or otherwise terminates without having been exercised or paid in full, or is settled in cash, the shares subject to such awards will become available for future grant or sale under the Equity Incentive Plan.
- *Plan Administration.* Our compensation committee will administer the Equity Incentive Plan. Our board of directors has the authority to amend and modify the plan, subject to any stockholder approval required by law or stock exchange rules. Subject to the terms of our Equity Incentive Plan, our compensation committee will have the authority to determine the eligibility for awards and the terms, conditions, and restrictions, including vesting terms, the number of shares subject to an award, and any performance goals applicable to grants made under the Equity Incentive Plan. The compensation committee also will have the authority, subject to the terms of the Equity Incentive Plan, to construe and interpret the Equity Incentive Plan and awards, and amend outstanding awards at any time.

- **Stock Options and Stock Appreciation Rights.** Our compensation committee may grant incentive stock options, nonqualified stock options, and stock appreciation rights under our Equity Incentive Plan, provided that incentive stock options are granted only to employees. The exercise price of stock options and stock appreciation rights under the Equity Incentive Plan will be fixed by the committee, but must equal at least 100% of the fair market value of our common stock on the date of grant. The term of an option or stock appreciation right may not exceed ten years; provided, however, that an incentive stock option held by an employee who owns more than 10% of all of our classes of stock, or of certain of our affiliates, may not have a term in excess of five years, and must have an exercise price of at least 110% of the fair market value of our common stock on the grant date. Subject to the provisions of our Equity Incentive Plan, the compensation committee will determine the remaining terms of the options and stock appreciation rights (e.g., vesting). Upon a participant's termination of service, the participant may exercise his or her option or stock appreciation right, to the extent vested (unless the compensation committee permits otherwise), as specified in the award agreement.
- **Stock Awards.** Our compensation committee will decide at the time of grant whether an award will be in restricted stock, restricted stock units, or other stock award. The committee will determine the number of shares subject to the award, vesting, and the nature of any performance measures. Unless otherwise specified in the award agreement, the recipient of restricted stock will have voting rights and be entitled to receive dividends with respect to his or her shares of restricted stock. The recipient of restricted stock units will not have voting rights, but his or her award agreement may provide for the receipt of dividend equivalents. Other stock awards are grants of awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of common stock, including bonus stock and deferred stock units. Any dividends or dividend equivalents will be subject to the same vesting conditions as the underlying awards.
- **LTIP Units.** Our compensation committee may grant LTIP units to eligible participants. Each LTIP unit is a long-term incentive plan interest in an operating partnership which, under certain conditions, is convertible into units of the operating partnership and which units are exchangeable, in whole or in part, into shares of our common stock or cash. The compensation committee determines the terms and restrictions on the award of LTIP units, including the treatment of the LTIP units upon a participant's termination of employment or service. The right to distributions with respect to LTIP units is set forth in the applicable award agreement and the partnership agreement, including the certificate of designation with respect to the LTIP unit.
- **Performance Awards.** Our compensation committee will determine the value of any performance award, the vesting and nature of the performance measures, and whether the award is denominated or settled in cash or in shares of our common stock. The performance measures applicable to a particular award will be determined by our compensation committee at the time of grant. The performance measures shall be those objectives established by the compensation committee as it deems appropriate, and which may be expressed in terms of (a) earnings per share, (b) share price, (c) pre-tax profit, (d) net earnings, (e) earnings before interest, taxes, depreciation and amortization, (f) return on equity or assets, (g) revenues, (h) normalized or other adjusted funds from operations in the aggregate or per share, (i) relative or absolute total stockholder return, (j) diversification, balance sheet or credit metrics or ratings, (k) a growth rate in any of the foregoing, (l) any combination of the foregoing, or (m) such other goals as the compensation committee may determine. Performance measures shall be subject to such other special rules and conditions as the compensation committee may establish at any time.
- **Transferability of Awards.** The Equity Incentive Plan will not allow awards to be transferred other than by will or the laws of inheritance following the participant's death, and such options may be exercised, during the lifetime of the participant, only by the participant. However, an

award agreement may permit a participant to assign an award to a family member by gift or pursuant to a domestic relations order, or to a trust or similar entity for estate planning purposes, in each case, without consideration. A participant may also designate a beneficiary who will receive outstanding awards upon the participant's death.

- *Certain Adjustments.* If any change is made in our common stock subject to the Equity Incentive Plan, or subject to any award agreement thereunder, without the receipt of consideration by us, such as through a stock split, stock dividend, extraordinary distribution, recapitalization, combination of shares, exchange of shares or other similar transaction, appropriate adjustments will be made in the number, class, and price of shares subject to each outstanding award and the numerical share limits contained in the plan.
- *Change in Control.* Subject to the terms of the applicable award agreement, upon a "change in control" (as defined in the Equity Incentive Plan), our board of directors may, in its discretion, determine whether some or all outstanding options and stock appreciation rights will become exercisable in full or in part, whether the restriction period and performance period applicable to some or all outstanding awards will lapse in full or in part and whether the performance measures applicable to some or all outstanding awards will be deemed to be satisfied. Our board of directors may further require that shares of stock of the company resulting from such a change in control, or a parent corporation thereof, be substituted for some or all of our shares of common stock subject to an outstanding award and that any outstanding awards, in whole or in part, be surrendered to us by the holder, to be immediately cancelled by us, in exchange for a cash payment, shares of capital stock of the company resulting from or succeeding us or a combination of both cash and such shares of stock.
- *Plan Termination and Amendment.* Our board of directors has the authority to amend, suspend, or terminate the Equity Incentive Plan, subject to any requirement of stockholder approval required by law or stock exchange rules. Our Equity Incentive Plan will terminate on the ten-year anniversary of its approval by our board of directors, unless we terminate it earlier.
- *New Plan Benefits.* All officers, employees, non-employee directors, consultants, independent contractors and agents are eligible for consideration to participate in the Equity Incentive Plan. In connection with the completion of this offering, we will grant an aggregate of \_\_\_\_\_ shares of restricted stock to our directors, executive officers and other employees pursuant to the Equity Incentive Plan. The restricted stock granted to directors will vest on the first anniversary of the date of grant, subject to the director's continued service on the board, and the restricted stock granted to our executive officers and other employees will generally vest ratably on the first, second and third anniversaries of the date of grant, subject generally to the individual's continued employment by our company through the applicable vesting date.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Related party transactions are transactions in which we are a participant where the amount involved exceeds \$120,000 and a member of our board of directors or a director nominee, an executive officer or a holder of more than 5% of our voting securities (or an immediate family member of any of the foregoing) has a direct or indirect material interest. We have not implemented a formal written policy relating to the review, approval or ratification of related party transactions, though we plan to adopt a written policy upon the consummation of this offering. However, in practice, all such related party transactions are reported to, and approved by, our full board of directors, excluding any interested directors, or a duly-appointed committee of disinterested directors. Our board of directors will consider all relevant facts and circumstances when deliberating such transactions, including whether the terms of the transaction are fair to us.

The following is a summary of related party transactions since our inception, other than compensation arrangements which are described under the sections of this prospectus entitled "Management—Director Compensation" and "Executive Compensation." The related party transactions listed below were all approved by our board of directors.

### **Long-Term Incentives with EPRT Holdings, LLC**

Pursuant to the Amended and Restated Limited Liability Company Operating Agreement, dated as of January 31, 2017, of Essential Properties Realty Trust LLC, certain members of our senior management team were granted equity interests. In connection with our formation transactions, the members of Essential Properties Realty Trust LLC, including certain members of our senior management team, contributed their interests in such entity to EPRT Holdings, LLC in exchange for interests in EPRT Holdings, LLC with the same rights. Equity interests held by certain members of our senior management team in EPRT Holdings, LLC, or profits interests, were granted in the form of Class B Units and were issued under the Limited Liability Company Operating Agreement of EPRT Holdings, LLC, dated as of December 31, 2017, or the EPRT Holdings, LLC LLC Agreement. Mr. Mavoides, our President and Chief Executive Officer, was issued 3,750 Class B Units, Mr. Seibert, our Executive Vice President and Chief Operating Officer, was issued 3,250 Class B Units and Ms. Hai, our Senior Vice President and Chief Financial Officer, was issued 500 Class B Units. Additionally, Messrs. Mavoides and Seibert were granted 2,850 and 650 Class A Units, respectively.

In order for the holders of the Class B Units to receive cash distributions with respect to their Class B Units, the Class A Unitholders and Class C Unitholders of EPRT Holdings, LLC must receive a specified cash return based upon a receipt of their invested capital and a specified return on their capital. The Class B Units are subject to vesting and forfeiture provisions, with all of the Class B Units generally vesting by March 30, 2021.

The Class B Units were issued and designed to provide a long-term incentive for the recipients, who are members of our senior leadership team. The Class B Units also serve as a retention device because a portion of such Series B Units vest over a period of time. The Class B Units have also been issued to align the interests of EPRT Holdings, LLC and the members of our senior leadership team who were the recipients of these units.

The interests in Essential Properties Realty Trust LLC that were not held by members of our senior management team were held by Eldridge and employees of Eldridge, and, on December 31, 2017, when all of the owners of Essential Properties Realty Trust LLC contributed their interests in Essential Properties Realty Trust LLC to EPRT Holdings, LLC in exchange for interests in EPRT Holdings, LLC with the same rights, Eldridge received 80,000 Class A Units and 91,450 Class C Units.

Class A Units and Class C Units are the only units with voting rights issued by EPRT Holdings, LLC and have one vote each on matters to be voted on by members of EPRT Holdings, LLC. As of March 31, 2018, Eldridge holds units representing 98.4% of the voting power of all units. The Class A Units held by Messrs. Mavoides and Seibert represent 1.3% and 0.3%, respectively, of the voting power of all voting units.

EPRT Holdings, LLC is a holding company designed to hold an investment in our operating partnership, and its assets are expected to consist solely of OP units received in connection with the conversion of Essential Properties Realty Trust LLC into a Delaware limited partnership and subsequent capital contributions. These OP units will have an aggregate value of approximately \$ million based on the mid-point of the price range set forth on the front cover of this prospectus.

An eight member board of managers manages the business and affairs of EPRT Holdings, LLC. The board is comprised of four members appointed by Eldridge, each of whom has four votes with respect to any matters that come before the board of managers, two additional members, also appointed by Eldridge, each of whom has one vote with respect to any matters that come before the board of managers, and Messrs. Mavoides and Seibert, each of whom has one vote with respect to any matters that come before the board of managers.

For additional information about the units issued by EPRT Holdings, LLC see "Note 6. Members' Equity" and "Note 7. Unit Based Compensation" to the Historical Consolidated Financial Statements of Essential Properties Realty Trust, Inc. Predecessor included elsewhere in this prospectus.

### **Concurrent Eldridge Private Placement**

Concurrently with the completion of this offering, Eldridge will invest \$ million in shares of common stock in a transaction exempt from the registration requirement of the Securities Act; provided that, if such investment would result in Eldridge holding more than 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, Eldridge will invest the portion of such investment that would result in Eldridge holding more than 19.0% of the outstanding common stock in OP units in a transaction exempt from the registration requirement of the Securities Act. The concurrent Eldridge private placement will be made at a price per share and per share and unit, if applicable, equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discount).

### **Debt Repayment**

We expect to repay short term notes, with an aggregate principal balance of approximately \$ million, issued to an affiliate of Eldridge with a portion of the net proceeds from this offering and the concurrent Eldridge private placement. This indebtedness was incurred to acquire properties, and the notes accrue interest at an annual rate equal to LIBOR plus a spread of between 2.14% and 2.76% (with a weighted average annual interest rate of 3.83% as of March 31, 2018) and mature on various dates throughout 2018 (with a weighted average maturity of 245 days as of March 31, 2018).

### **Fees Paid to Affiliates**

Affiliates of Eldridge provided certain treasury, information technology and administrative services to us during the period from March 30, 2016 (commencement of operations) to December 31, 2016. We were charged a flat monthly fee for these services based on the estimated cost incurred in the provision of these services. We incurred \$0.3 million of expense for these services during the period from March 30, 2016 (commencement of operations) to December 31, 2016.



## **Partnership Agreement**

Concurrently with the completion of this offering, we will enter into the partnership agreement for Essential Properties, L.P. See “Description of the Partnership Agreement of Essential Properties, L.P.”

Pursuant to the partnership agreement, limited partners of our operating partnership will have rights beginning 12 months after the issuance of the OP units to require our operating partnership to redeem all or part of their operating partnership units for cash equal to the then-current market value of an equal number of shares of our common stock (determined in accordance with and subject to adjustment under the partnership agreement) or, at our election, to exchange their operating partnership units for shares of our common stock on a one-for-one basis subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter and described under “Description of Our Capital Stock—Restrictions on Ownership and Transfer.”

## **Registration Rights Agreements**

In connection with this offering, we intend to enter into registration rights agreement that will provide EPRT Holdings, LLC and Eldridge with certain “demand” registration rights and customary “piggyback” registration rights. The registration rights agreements will also provide that we will pay certain expenses relating to such registrations and indemnify the registration rights holders against certain liabilities which may arise under the Securities Act.

## **Indemnification Agreements**

We intend to enter into indemnification agreements with our directors and executive officers. These agreements will require us to indemnify these individuals to the maximum extent permitted under Maryland law and our charter against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified upon our receipt of certain affirmations and undertakings. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC, such indemnification is against public policy and is therefore unenforceable.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

## **Stockholders Agreement**

We intend to enter into a stockholders agreement with Eldridge prior to the consummation of this offering. The stockholders agreement will contain provisions related to the composition of our board of directors and the committees thereof and certain approval rights. See “Management—Stockholders Agreement.” Also, the stockholders agreement, our charter and our bylaws provide that, so long as Eldridge owns shares representing 5% of the voting power of our common stock, certain amendments to our charter and our bylaws may require Eldridge’s prior approval. In connection with the concurrent private placement of common stock, we will grant a waiver from the ownership limit contained in our charter to Eldridge to own up to 19.0% of the outstanding shares of our common stock in the aggregate. We will also agree to provide transferees of Eldridge, subject to the satisfaction of certain conditions, with any necessary waivers from our ownership limits provided that any such waivers are consistent with our compliance with the ownership requirements for qualification as a REIT under the Code. Pursuant to the stockholders agreement, we have agreed, upon Eldridge’s request, to increase the percentage of our outstanding common stock that may be owned by Eldridge, unless our board of directors concludes that any such increase will jeopardize our ability to qualify for taxation as a REIT.

### **Employment Agreements**

Upon completion of this offering, we will enter into new employment agreements with each of Messrs. Mavoides and Seibert and Ms. Hai. For a description of the terms of these employment agreements, see "Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—Employment Agreements."

### **Equity Incentive Plan**

In connection with this offering, we will adopt the Equity Incentive Plan to provide equity incentive opportunities to our officers, employees, non-employee directors, consultants, independent contractors and agents. An aggregate of \_\_\_\_\_ shares of our common stock will be authorized for issuance under awards granted pursuant to the Equity Incentive Plan. Upon completion of this offering, we intend to grant an aggregate of \_\_\_\_\_ restricted shares of our common stock, subject to vesting requirements, to our directors, executive officers and certain of our employees. See "Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—2018 Equity Incentive Plan" for further details.

### **Directed Share Program**

At our request, the underwriters have reserved for sale, at the initial public offering price, up to \_\_\_\_\_ % of the shares offered by this prospectus for sale to some of our directors, officers, employees and certain related persons as part of a directed share program. The directed share program will not limit the ability of such directors, officers and their family members, or holders of more than 5% of our capital stock, to purchase more than \$120,000 in value of our common stock. We do not currently know the extent to which these related persons will participate in our directed share program, if at all, or the extent to which they will purchase more than \$120,000 in value of our common stock.

### **Statement of Policy Regarding Transactions with Related Persons**

Upon completion of this offering, we will adopt a written statement of policy regarding transactions with related persons, which we refer to as our "related person policy." Our related person policy requires that a "related person" (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to us any "related person transaction" (defined as any transaction that is anticipated would be reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. We will then promptly communicate that information to our board of directors. No related person transaction will be executed without the approval or ratification of our board of directors or a duly authorized committee of our board of directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest.

## STRUCTURE AND FORMATION OF OUR COMPANY

### Concurrent Eldridge Private Placement

Concurrently with the completion of this offering, Eldridge will invest \$ \_\_\_\_\_ million in shares of common stock in a transaction exempt from the registration requirement of the Securities Act; provided that, if such investment would result in Eldridge holding more than 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, Eldridge will invest the portion of such investment that would result in Eldridge holding more than 19.0% of the outstanding common stock in OP units in a transaction exempt from the registration requirement of the Securities Act. The concurrent Eldridge private placement will be made at a price per share and per share and unit, if applicable, equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discount). Assuming an initial public offering price of \$ \_\_\_\_\_ per share, which is the mid-point of the price range set forth on the front cover of this prospectus, Eldridge will purchase \_\_\_\_\_ shares of our common stock and \_\_\_\_\_ OP units in the concurrent Eldridge private placement. See “Pricing Sensitivity Analysis.”

### Formation Transactions

Prior to completion of this offering, the concurrent Eldridge private placement and the formation transactions our business was owned by and conducted directly and indirectly through Essential Properties Realty Trust LLC, a Delaware limited liability company, or EPRT LLC. EPRT LLC is principally owned indirectly by, and is controlled by, Eldridge. Certain members of our senior management team also hold interests in EPRT LLC. On December 31, 2017, the owners of EPRT LLC contributed all of their interests in EPRT LLC to a newly formed Delaware limited liability company, EPRT Holdings, LLC, in exchange for interests in EPRT Holdings, LLC with the same rights to the interests they held in EPRT LLC.

Upon completion of this offering, the concurrent Eldridge private placement and the formation transactions, we will hold substantially all of our assets, and will conduct substantially all of our operations, through our operating partnership, Essential Properties, L.P. Our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will be the sole general partner of our operating partnership.

Through the formation transactions, the following have occurred or will occur prior to or concurrently with the completion of this offering.

- Essential Properties Realty Trust, Inc. was formed by EPRT Holdings, LLC as a Maryland corporation on January 12, 2018. In connection with our formation, EPRT Holdings, LLC made an initial investment in us of \$100 in exchange for 100 shares of our common stock. Such shares will be repurchased by us at or prior to the closing of the offering for \$100.
- Essential Properties OP G.P., LLC was formed by Essential Properties Realty Trust, Inc. as a Delaware limited liability company on March 16, 2018.
- Prior to the completion of this offering, EPRT LLC will convert from a Delaware limited liability company into a Delaware limited partnership, change its name to Essential Properties, L.P. and adopt the Agreement of Limited Partnership pursuant to which, among other things, our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will become Essential Properties, L.P.’s sole general partner.

- In connection with EPRT LLC's conversion into a Delaware limited partnership, EPRT Holdings, LLC's interest in EPRT LLC will be converted into OP units.
- We will contribute the net proceeds from this offering and the concurrent private placement of common stock to Eldridge in exchange for OP units (or OP units if the underwriters exercise their option to purchase up to an additional shares of our common stock in full), representing a % ownership interest in the operating partnership ( % if the underwriters exercise their option to purchase up to an additional shares of our common stock in full), with EPRT Holdings, LLC and Eldridge holding % and % ownership interests in the operating partnership, respectively ( % and % if the underwriters exercise their option to purchase up to an additional shares of our common stock in full) (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus).
- Concurrently with the completion of this offering, we and our operating partnership expect to enter into a revolving credit facility that will be available for general corporate purposes, including for funding future acquisitions. Affiliates of certain of the underwriters are expected to be lenders under our new revolving credit facility.
- We will adopt our equity incentive plan to provide equity incentive opportunities to certain parties, including members of our board of directors and our management team and other employees.

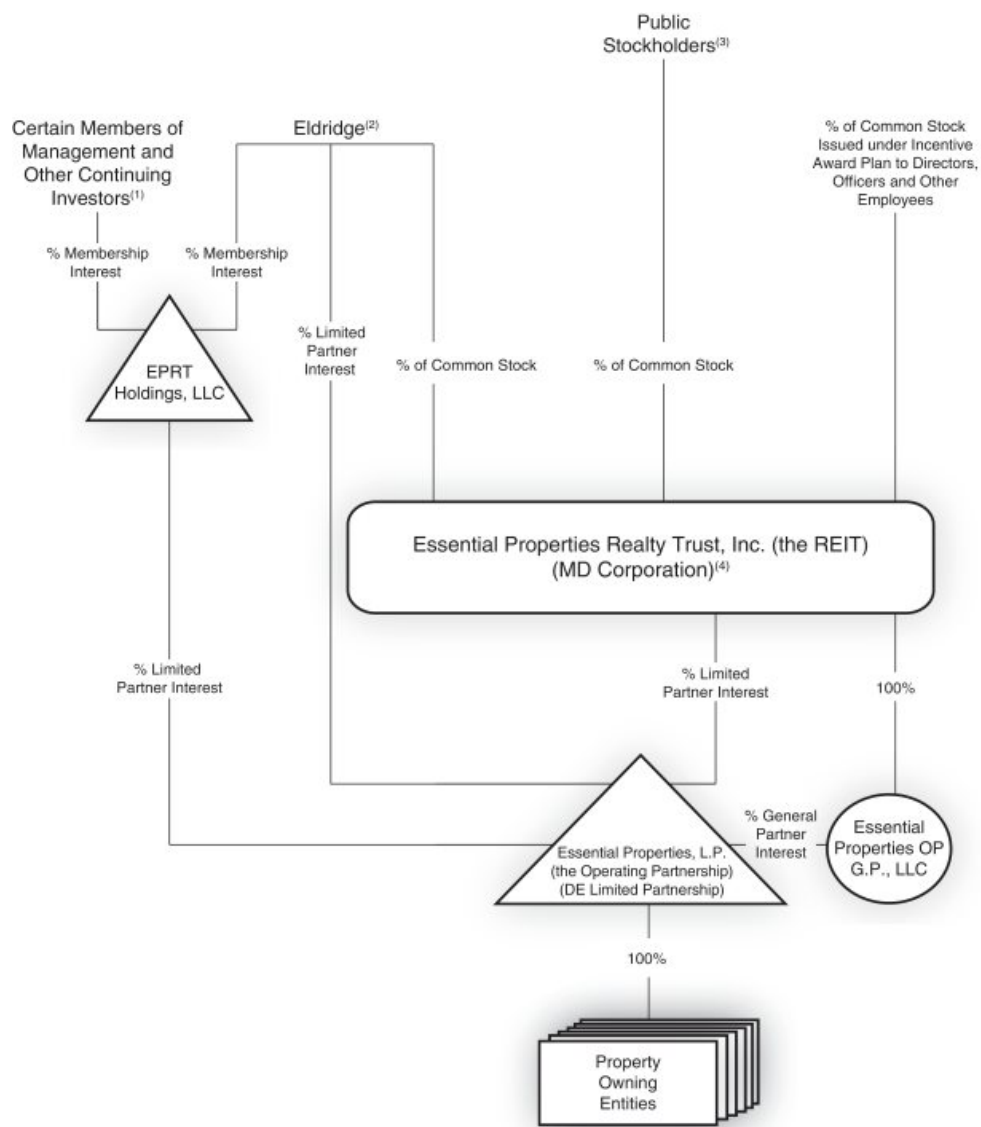
#### **Consequences of this Offering, the Concurrent Eldridge Private Placement and the Formation Transactions**

Upon completion of this offering, the concurrent Eldridge private placement and the formation transactions:

- Our operating partnership will directly or indirectly own 100% of the properties in our portfolio.
- Assuming an initial public offering price of \$ per share, which is the mid-point of the price range set forth on the front cover of this prospectus, purchasers of shares of our common stock in this offering will own % of the outstanding shares of our common stock. If the underwriters exercise their option to purchase up to an additional shares of our common stock in full, purchasers of shares of our common stock in this offering will own % of the outstanding shares of our common stock. See "Pricing Sensitivity Analysis."
- Eldridge will own % of the outstanding shares of our common stock.
- Assuming an initial public offering price of \$ per share, which is the mid-point of the price range set forth on the front cover of this prospectus, Eldridge will own % of the outstanding OP units. If the underwriters exercise their option to purchase up to an additional shares of our common stock in full, Eldridge will own % of the outstanding OP units. See "Pricing Sensitivity Analysis."
- We will contribute the net proceeds from this offering and the concurrent private placement of common stock to Eldridge to our operating partnership in exchange for OP units (or OP units if the underwriters exercise their option to purchase up to an additional shares of our common stock in full), representing a % ownership interest in the operating partnership ( % if the underwriters exercise their option to purchase up to an additional shares of our common stock in full), with EPRT Holdings, LLC and Eldridge holding % and % ownership interests in the operating partnership, respectively ( % and % if the underwriters exercise their option to purchase up to an additional shares of our common stock in full).

- As of March 31, 2018, on a pro forma basis, we had approximately \$       million of indebtedness outstanding, and we and our operating partnership expect to enter into a revolving credit facility that will be available for general corporate purposes, including for funding future acquisitions.

The following chart sets forth information about our company, the operating partnership, certain related parties and the ownership interests therein on a pro forma basis. Ownership percentages in the company and the operating partnership are presented assuming that the underwriters' option to purchase additional shares is not exercised and an initial public offering price of \$       per share, which is the mid-point of the price range set forth on the front cover of this prospectus; however, these ownership percentages will vary depending on the actual initial public offering price of shares of common stock in this offering as described herein. See "Pricing Sensitivity Analysis."



(1) Certain members of management and other continuing investors own a % interest in EPRT Holdings, LLC.

- (2) Eldridge owns a (a) % interest in EPRT Holdings, LLC; (b) % limited partner interest in the operating partnership; and (c) shares of our common stock (representing a % ownership interest in Essential Properties Realty Trust, Inc.).
- (3) Purchasers of common stock in this offering own shares of our common stock (representing a % ownership interest in Essential Properties Realty Trust, Inc.).
- (4) Essential Properties Realty Trust, Inc. owns a (a) % limited partner interest in the operating partnership; and (b) 100% of the interests in Essential Properties OP G.P., LLC.

#### **Benefits to Related Parties**

Upon completion of this offering, the concurrent Eldridge private placement, the use of the net proceeds therefrom and the formation transactions, EPRT Holdings, LLC, an affiliate of Eldridge and our directors and executive officers will receive material benefits, including the following:

- EPRT Holdings, LLC will own OP units having an aggregate value of \$ million, based on the mid-point of the price range set forth on the front cover of this prospectus.
- Eldridge will have invested through the concurrent Eldridge private placement an aggregate of \$ million to purchase shares of our common stock and OP units (in each case based on the mid-point of the price range set forth on the front cover of this prospectus) at a price per share and per OP unit equal to the initial public offering price per share of our common stock sold in this offering (without payment of any underwriting discounts). While the amount of Eldridge's aggregate investment in the concurrent Eldridge private placement will not change, the aggregate number of, and the allocation of this amount between, shares of our common stock and OP units will vary depending on the actual initial public offering price of shares of common stock in this offering as described herein. See "Pricing Sensitivity Analysis."
- Security Benefit Life Insurance Company, or SBL, an affiliate of Eldridge, will have received approximately \$ million of the net proceeds from this offering to repay certain of our outstanding indebtedness. SBL has periodically loaned us funds in exchange for promissory notes. The notes are secured by pledges of equity in subsidiaries holding assets with a gross investment amount of \$296.0 million, generally mature 360 days following issuance and bear interest at LIBOR plus a spread of between 2.14% and 2.76%. As of , 2018, we had issued promissory notes to SBL with an aggregate outstanding principal balance of \$ million. During the year ended December 31, 2017, the largest amount of promissory notes issued to SBL was \$230.0 million; during such year, we paid \$3.3 million in interest to SBL with respect to promissory notes issued to SBL and repaid \$293.0 million in principal. During the period from March 30, 2016 (commencement of operations) to December 31, 2016, we did not issue any promissory notes to SBL.
- We will have entered into a stockholders agreement with Eldridge. See "Management—Stockholders Agreements."
- We will have entered into indemnification agreements with each of our directors and executive officers providing for the indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against our directors and executive officers in their capacities as such.
- We will have entered into a registration rights agreement with EPRT Holdings, LLC with respect to resales of shares of our common stock that may be received upon exchange of OP units.
- We will have entered into a registration rights agreement with Eldridge with respect to resales of (i) shares of our common stock that it purchased in the concurrent private placement of common stock; and (ii) shares of our common stock that may be received upon exchange of any OP units that it purchased in a concurrent private placement of OP units.

- In connection with the concurrent private placement of common stock, we will grant a waiver from the ownership limit contained in our charter to Eldridge to own up to 19.0% of the outstanding shares of our common stock in the aggregate. We will also agree to provide transferees of Eldridge, subject to the satisfaction of certain conditions, with any necessary waivers from our ownership limits provided that any such waivers are consistent with our compliance with the ownership requirements for qualification as a REIT under the Code. Pursuant to the stockholders agreement, we have agreed, upon Eldridge's request, to increase the percentage of our outstanding common stock that may be owned by Eldridge, unless our board of directors concludes that any such increase will jeopardize our ability to qualify for taxation as a REIT.
- Upon completion of this offering, we will enter into employment agreements with each of Messrs. Mavoides and Seibert and Ms. Hai. For a description of the terms of these employment agreements, see "Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—Employment Agreements."
- We will have adopted the Equity Incentive Plan to provide equity incentive opportunities to our officers, employees, non-employee directors, consultants, independent contractors and agents, and will have issued, in the aggregate, thereunder \_\_\_\_\_ shares of restricted common stock to our directors, executive officers and other employees upon completion of this offering. See "Executive Compensation—Narrative Disclosure Regarding Employment Agreements and Post-Termination Arrangements—2018 Equity Incentive Plan" for further details.



## **PRICING SENSITIVITY ANALYSIS**

Throughout this prospectus, we provide certain information based on the assumption that we price our shares at the mid-point of the price range set forth on the front cover of this prospectus. However, certain of this information will be affected if the actual price per share in this offering is different from that mid-point.

In connection with the completion of this offering, Eldridge will invest \$ \_\_\_\_\_ million in a private placement of shares of common stock and, if such investment would result in Eldridge holding more than 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, such investment will be made in shares of common stock and OP units, at a price per share and per share and unit, if applicable, equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discounts). Eldridge's investment in the concurrent private placement will be allocated so that it will purchase up to 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, with any balance of this additional investment amount to be made in OP units. The following table sets forth certain information about our common stock and OP units, assuming different initial public offering prices within the price range set forth on the front cover of this prospectus and no exercise of the underwriters' option to purchase additional shares.

	Assumed Initial Price Per Share / OP Unit									
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Common Stock</b>										
Shares of common stock to be issued in this offering										
Shares of common stock to be purchased by Eldridge in the concurrent private placement of common stock										
Total shares of common stock outstanding(1)										
<b>OP units</b>										
OP units to be issued to EPRT Holdings, LLC										
OP units to be purchased by Essential Properties Realty Trust, Inc.										
OP units to be purchased by Eldridge in the concurrent private placement of OP units										
Total OP units outstanding										
<b>Common stock ownership percentages after this offering, the concurrent private placement of common stock and issuances pursuant to our Equity Incentive Plan</b>										
Percentage owned by public	%	%	%	%	%	%	%	%	%	%
Percentage owned by Eldridge	%	%	%	%	%	%	%	%	%	%
Percentage owned by directors, executive officers and other employees	%	%	%	%	%	%	%	%	%	%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>OP unit ownership percentages after this offering and the concurrent private placement of OP units</b>										
Percentage owned by EPRT Holdings, LLC	%	%	%	%	%	%	%	%	%	%
Percentage owned by Eldridge	%	%	%	%	%	%	%	%	%	%
Percentage owned by Essential Properties Realty Trust, Inc.	%	%	%	%	%	%	%	%	%	%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Other Information</b>										
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Our stockholders' share of estimated cash available for distribution(2)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total estimated initial annual distribution to stockholders(3)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Payout ratio(4)	%	%	%	%	%	%	%	%	%	%

(1) Includes an aggregate of \_\_\_\_\_ shares restricted common stock issued to our directors, executive officers and other employees under our Equity Incentive Plan.

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- (2) Based on OP units to be owned by Essential Properties Realty Trust, Inc.
- (3) Based on shares of common stock expected to be outstanding upon completion of this offering and the concurrent private placement of common stock and an estimated initial annual distribution per share of common stock of \$ (which we do not intend to change based on the assumed initial prices per share / OP unit presented in this table).
- (4) Calculated as total estimated initial annual distribution to stockholders divided by our stockholders' share of estimated cash available for distribution for the twelve months ending March 31, 2019.

Any change in our initial public offering price above the maximum price reflected in the above table would increase the purchase price for the common stock that Eldridge will purchase in the concurrent private placement of common stock, and, because Eldridge's aggregate investment in the concurrent private placement will not increase, the number of OP units that it will purchase in the concurrent private placement of OP units, if any, would decrease. Conversely, any change in our initial public offering price below the minimum price reflected in the above table would decrease the purchase price for the common stock that Eldridge will purchase in the concurrent private placement of common stock, and, because Eldridge's aggregate investment in the concurrent private placement will not decrease, the number of OP units that it will purchase in the concurrent private placement of OP units, if any, would increase.

## **POLICIES WITH RESPECT TO CERTAIN ACTIVITIES**

The following is a discussion of certain of our investment, financing and other policies. These policies have been determined by our board of directors and, in general, may be amended or revised from time to time by our board of directors without a vote of our stockholders.

### **Investment Policies**

#### ***Investments in Real Estate or Interests in Real Estate***

We will conduct all of our investment activities through our operating partnership and its subsidiaries. Our objective is to maximize stockholder value by generating attractive risk-adjusted returns through owning, managing and growing a diversified portfolio of commercially desirable properties. For a discussion of our properties and our acquisition and other strategic objectives, see "Business and Properties."

We expect to pursue our objective primarily through the ownership by our operating partnership of our existing properties and other acquired properties and assets. We seek to acquire freestanding, single-tenant commercial real estate facilities where the tenant services its customers and conducts activities that are essential to the generation of its sales and profits. Our strategy targets a scaled portfolio that, over time, will (1) derive no more than 5% of its annualized base from any single tenant or more than 1% of its annualized base rent from any single property, (2) be primarily leased to tenants operating in service-oriented or experience-based businesses and (3) avoid significant geographic concentration. While we consider the foregoing when making investments, we may be opportunistic in managing our business and make investments that do not meet one or more of these criteria if we believe the opportunity presents an attractive risk-adjusted return. We intend to engage in future investment activities in a manner that is consistent with the maintenance of our status as a REIT for federal income tax purposes. In addition, we may purchase assets for long-term investment, expand and improve the properties we presently own or other acquired properties, or sell such properties, in whole or in part, when circumstances warrant.

We may also participate with third parties in property ownership, through joint ventures or other types of co-ownership. These types of investments may permit us to own interests in larger assets without unduly reducing our diversification and, therefore, provide us with flexibility in structuring our portfolio. We will not, however, enter into a joint venture or other partnership arrangement to make an investment that would not otherwise meet our investment policies.

Equity investments in acquired properties may be subject to existing mortgage financing and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these properties. Debt service on such financing or indebtedness will have a priority over any distributions with respect to our common stock. Investments are also subject to our policy not to be treated as an "investment company" under the Investment Company Act of 1940, as amended, or the 1940 Act.

#### ***Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers***

Subject to the percentage of ownership limitations and the income and asset tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. We do not intend that our investments in securities will require us to register as an investment company under the 1940 Act, and we would intend to divest such securities before any such registration would be required.

### ***Investments in Other Securities***

Other than as described above, we do not intend to invest in any additional securities such as bonds, preferred stocks or common stock.

### **Dispositions**

In order to maximize the performance and manage the risks within our portfolio, we intend to selectively dispose of any of our properties that we determine are not suitable for long-term investment purposes based upon management's review of our portfolio. We will ensure that such action would be in our best interest and consistent with our intention to qualify for taxation as a REIT for the year ended December 31, 2018.

### **Financings and Leverage Policy**

We anticipate using a number of different sources to finance our acquisitions and operations, including cash flows from operations, asset sales, seller financing, issuance of debt securities, private financings (such as additional bank credit facilities, which may or may not be secured by our assets), property-level mortgage debt, common or preferred equity issuances or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We also may take advantage of joint venture or other partnering opportunities as such opportunities arise in order to acquire properties that would otherwise be unavailable to us. We may use the proceeds of our borrowings to acquire assets, to refinance existing debt or for general corporate purposes.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition of assets, to refinance existing debt or for general corporate purposes. Our charter and bylaws do not limit the amount of debt that we may incur. Our board of directors has not adopted a policy limiting the total amount of debt that we may incur.

Our board of directors will consider a number of factors in evaluating the amount of debt that we may incur. Our board of directors may from time to time modify its views regarding the appropriate amount of debt financing in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and investment opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our stockholders.

### **Equity Capital Policies**

To the extent that our board of directors determines to obtain additional capital, we may issue debt or equity securities, including senior securities, retain earnings (subject to provisions in the Code requiring distributions of income to maintain REIT qualification) or pursue a combination of these methods.

Existing stockholders will have no preemptive right to common or preferred stock or units issued in any securities offering by us, and any such offering might cause a dilution of a stockholder's investment in us. Although we have no current plans to do so, we may in the future issue shares of our common stock or units in our operating partnership in connection with acquisitions of property.

We may, under certain circumstances, purchase shares of our common stock or other securities in the open market or in private transactions with our stockholders, provided that those purchases are approved by our board of directors. Our board of directors has no present intention of causing us to repurchase any shares of our common stock or other securities, and any such action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualification as a REIT.

We have not issued common stock or any other securities in exchange for property or any other purpose, but we may engage in such activities in the future.

We have not engaged in trading, underwriting or agency distribution or sale of securities of other than our operating partnership and do not intend to do so.

#### **Code of Business Conduct and Ethics**

Upon the completion of this offering, we will adopt a code of business conduct and ethics that seeks to identify and mitigate conflicts of interest between our employees, directors and officers and our company. However, we cannot assure you that these policies or provisions of law will always be successful in eliminating or minimizing the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of stockholders.

#### **Interested Director Transactions**

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely because of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof, if:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board, and our board or such committee authorizes, approves or ratifies the contract or transaction by a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;
- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the contract or transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm or other entity; or
- the contract or transaction is fair and reasonable to us.

Upon completion of this offering, we will adopt a written statement of policy regarding transactions with related persons, which we refer to as our "related person policy." Our related person policy requires that a "related person" (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to us any "related person transaction" (defined as any transaction that is anticipated would be reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. We will then promptly communicate that information to our board of directors. No related person transaction will be executed without the approval or ratification of our board of directors or a duly authorized committee of our board of directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest.

### **Reporting Policies**

We intend to make available to our stockholders our annual reports, including our audited financial statements. After this offering, we will become subject to the information reporting requirements of the Exchange Act. Pursuant to those requirements, we will be required to file annual and periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

## DESCRIPTION OF THE PARTNERSHIP AGREEMENT OF ESSENTIAL PROPERTIES, L.P.

*A summary of the material terms and provisions of the Agreement of Limited Partnership of Essential Properties, L.P., which we refer to as the “partnership agreement,” is set forth below. This summary is not complete and is subject to and qualified in its entirety by reference to the applicable provisions of Delaware law and the partnership agreement. For more detail, please refer to the partnership agreement itself, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. For purposes of this section, references to “we,” “our” and “us” refer to Essential Properties Realty Trust, Inc.*

### General

Upon the completion of this offering, the concurrent Eldridge private placement and the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership, either directly or through subsidiaries. The provisions of the partnership agreement described below will be in effect from and after the completion of this offering. We will hold a % limited partnership interest in the operating partnership, EPRT Holdings, LLC, which is principally owned by Eldridge and certain members of our management team, will hold a % limited partnership interest in the operating partnership and Eldridge will hold a % limited partnership interest in the operating partnership, in each case based on the mid-point of the price range set forth on the front cover of this prospectus. See “Pricing Sensitivity Analysis.”

In the future some of our property acquisitions could be financed by issuing units of our operating partnership in exchange for property owned by third parties. Such third parties would then be entitled to share in cash distributions from, and in the profits and losses of, our operating partnership in proportion to their respective percentage interests in our operating partnership if and to the extent authorized by us. These operating partnership units generally would be exchangeable for cash or, at our election, shares of our common stock at a one-to-one ratio, subject to adjustment in certain circumstances, from time to time when the operating partnership units are issued. The units in our operating partnership will not be listed on any exchange or quoted on any national market system.

Provisions in the partnership agreement may delay or make more difficult unsolicited acquisitions of us or changes in our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions also make it more difficult for third parties to alter the management structure of our operating partnership without the concurrence of our board of directors. These provisions include, among others:

- redemption rights of limited partners and certain assignees units or other operating partnership interests;
- transfer restrictions on units or other partnership interests and admission restrictions;
- a requirement that Essential Properties OP G.P., LLC may not be removed as the general partner of our operating partnership without its consent;
- the ability of the general partner in some cases to amend the partnership agreement and to cause our operating partnership to issue preferred partnership interests in our operating partnership with terms that it may determine, in either case, without the approval or consent of any limited partner; and
- the right of any limited partners to consent to transfers of units or other operating partnership interests except under specified circumstances, including in connection with mergers, consolidations and other business combinations involving us.



## **Purpose, Business and Management**

Our operating partnership is formed for the purpose of conducting any business, enterprise or activity permitted by or under the Delaware Revised Uniform Limited Partnership Act. Our operating partnership may enter into any partnership, joint venture, business or statutory trust arrangement, limited liability company or other similar arrangement and may own interests in any other entity engaged in any business permitted by or under the Delaware Revised Uniform Limited Partnership Act. However, our operating partnership may not, without the general partner's specific consent, which it may give or withhold in its sole and absolute discretion, take, or refrain from taking, any action that, in its judgment, in its sole and absolute discretion:

- could adversely affect our ability to qualify as a REIT;
- could subject us to any taxes under Section 857 or Section 4981 of the Code or any other related or successor provision under the Code; or
- could violate any law or regulation of any governmental body or agency having jurisdiction over us, our securities or our operating partnership.

In general, our board of directors will manage the business and affairs of our operating partnership through control of the general partner, which shall direct the operating partnership's business and affairs. If there is a conflict between the interests of our stockholders on one hand and any limited partners on the other, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or any limited partners; provided, however, that at such times as we own a controlling economic interest in our operating partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or any limited partners shall be resolved in favor of our stockholders. The partnership agreement will also provide that the general partner will not be liable to our operating partnership, its partners or any other person bound by the partnership agreement for monetary damages for losses sustained, liabilities incurred or benefits not derived by our operating partnership or any limited partner, except for liability for the general partner's intentional harm or gross negligence. Moreover, the partnership agreement will provide that our operating partnership is required to indemnify the general partner and its members, managers, managing members, officers, employees, agents and designees from and against any and all claims that relate to the operations of our operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active or deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful.

Except as otherwise expressly provided in the partnership agreement and subject to the rights of future holders of any class or series of partnership interest, all management powers over the business and affairs of our operating partnership are exclusively vested in Essential Properties OP G.P., LLC, in its capacity as the sole general partner of our operating partnership. No limited partner, in its capacity as a limited partner, will have any right to participate in or exercise management power over our operating partnership's business, transact any business in our operating partnership's name or sign documents for or otherwise bind our operating partnership. Essential Properties OP G.P., LLC may not be removed as the general partner of our operating partnership, with or without cause, without its consent, which it may give or withhold in its sole and absolute discretion. In addition to the powers granted to the general partner under applicable law or any provision of the partnership agreement, but subject to certain other provisions of the partnership agreement and the rights of future holders of any class or series of partnership interest, Essential Properties OP G.P., LLC, in its capacity as the general partner of our operating partnership, has the full and exclusive power and authority to do all things that

it deems necessary or desirable to conduct the business and affairs of our operating partnership, to exercise or direct the exercise of all of the powers of our operating partnership and to effectuate the purposes of our operating partnership without the approval or consent of any limited partner. The general partner may authorize our operating partnership to incur debt and enter into credit, guarantee, financing or refinancing arrangements for any purpose, including, without limitation, in connection with any acquisition of properties, on such terms as it determines to be appropriate, and to acquire or dispose of any, all or substantially all of its assets (including goodwill), dissolve, merge, consolidate, reorganize or otherwise combine with another entity, without the approval or consent of any limited partner. Subject to the exceptions described below, the general partner may execute, deliver and perform agreements and transactions on behalf of our operating partnership without the approval or consent of any limited partner.

#### **Transferability of Operating Partnership Units; Extraordinary Transactions**

Essential Properties OP G.P., LLC generally is not able to withdraw voluntarily from our operating partnership or transfer any of its interest in our operating partnership unless the withdrawal or transfer is: (i) to our affiliate; (ii) to a wholly owned subsidiary of the general partner or the owner of all of the ownership interests of the general partner; or (iii) otherwise expressly permitted under the OP Partnership Agreement.

The partnership agreement requires the general partner or us, as the parent of the general partner, to obtain the approval of a majority in interest of the outside limited partners in our operating partnership (which excludes us and our subsidiaries) in connection with a merger (including a "cash out" merger), consolidation or other combination of us, or a sale of all or substantially all of our assets, unless:

- we are the surviving entity in the transaction and our stockholders do not receive cash, securities or other property in the transaction;
- as a result of such a transaction, all limited partners (other than our company), will receive for each common unit an amount of cash, securities and other property equal in value to the greatest amount of cash, securities and other property paid in the transaction to a holder of shares of our common stock, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding shares of our common stock, each holder of common units (other than those held by our company or its subsidiaries) shall be given the option to exchange its common units for the greatest amount of cash, securities or other property that a limited partner would have received had it (A) exercised its redemption right (described below) and (B) sold, tendered or exchanged pursuant to the offer the shares of our common stock received upon exercise of the redemption right immediately prior to the expiration of the offer; or
- if immediately after such a transaction (i) substantially all of the assets of the successor or surviving entity, other than common units held by us, are owned, directly or indirectly, by our operating partnership or another limited partnership or limited liability company, which we refer to as the surviving partnership; (ii) the rights, preferences and privileges of the limited partners in the surviving partnership are at least as favorable as those in effect immediately prior to the consummation of such transaction and as those applicable to any other limited partners or non-managing members of the surviving partnership (who have, in either case, the rights of a common equity holder); and (iii) such rights of the limited partners include the right to exchange their common units in the surviving partnership for at least one of: (A) the consideration paid in the transaction to a holder of shares of our common stock or (B) if the ultimate controlling person of the surviving partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the relative fair market value of such securities and the shares of our common stock as of the time of the transaction.

Notwithstanding the foregoing, for so long as Eldridge owns at least 10% of the OP units, our operating partnership will be prohibited from undertaking any of the following actions without first gaining the approval of its partners:

- Consummating a fundamental transaction ( e.g. , a merger, consolidation, sale, transfer or lease of all or substantially all of our operating partnership's assets or termination of our operating partnership);
- Making material amendments to our operating partnership's partnership agreement;
- Transferring the REIT's interest in our operating partnership or a change of control transaction of the REIT as the controlling party of the REIT's general partner;
- The withdrawal of the general partner of our operating partnership;
- Making a general assignment for the benefit of creditors or appoint or acquiesce in the appointment of a custodian, receiver or trustee for all or any part of our operating partnership's assets; or
- Instituting any proceeding for bankruptcy on behalf of our operating partnership.

For this purpose, approval is obtained when the sum of (a) the number of OP units issued in the formation transactions and consenting to the transaction that are held directly or indirectly by Eldridge and EPRT Holdings, LLC plus (b) the product of (x) the number of OP units held by us and our subsidiaries multiplied by (y) the percentage of the votes that were cast in favor of the transaction by the holders of shares of our common stock, exceeds 50% of the aggregate number of OP units issued in the formation transactions and OP units held by us and our subsidiaries outstanding at such time. This right to vote by certain holders of OP units will permanently terminate at such time as we own more than % of the aggregate of (a) the outstanding OP units held by us and (b) the OP units issued in the formation transactions that are held directly or indirectly by Eldridge and EPRT Holdings, LLC. OP units that may be issued to additional limited partners in the future will not be entitled to consent to the foregoing actions.

#### **Additional Limited Partners**

We may cause our operating partnership to issue additional units or other partnership interests and to admit additional limited partners to our operating partnership from time to time, on such terms and conditions and for such capital contributions as we may establish in our sole and absolute discretion, without the approval or consent of any limited partner, including:

- upon the conversion, redemption or exchange of any debt, units or other partnership interests or securities issued by our operating partnership;
- for less than fair market value; or
- in connection with any merger of any other entity into our operating partnership.

The net capital contribution need not be equal for all limited partners. Each person admitted as an additional limited partner must make certain representations to each other partner relating to, among other matters, such person's ownership of any tenant of us or our operating partnership. No person may be admitted as an additional limited partner without our consent, which we may give or withhold in our sole and absolute discretion, and no approval or consent of any limited partner will be required in connection with the admission of any additional limited partner.

Our operating partnership may issue additional partnership interests in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other

rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over the units) as we may determine, in our sole and absolute discretion, without the approval of any limited partner or any other person. Without limiting the generality of the foregoing, we may specify, as to any such class or series of partnership interest:

- the allocations of items of partnership income, gain, loss, deduction and credit to each such class or series of partnership interest;
- the right of each such class or series of partnership interest to share, on a junior, senior or *pari passu* basis, in distributions;
- the rights of each such class or series of partnership interest upon dissolution and liquidation of our operating partnership;
- the voting rights, if any, of each such class or series of partnership interest; and
- the conversion, redemption or exchange rights applicable to each such class or series of partnership interest.

#### **Ability to Engage in Other Businesses; Conflicts of Interest**

We may not conduct any business other than in connection with the ownership, acquisition and disposition of partnership interests, the management of the business and affairs of our operating partnership and its general partner, our operation as a reporting company with a class (or classes) of securities registered under the Exchange Act, our operations as a REIT, the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, financing or refinancing of any type related to our operating partnership or its assets or activities and such activities as are incidental to those activities discussed above. In general, we must contribute any assets or funds that we acquire to our operating partnership in exchange for additional partnership interests. We may, however, in our sole and absolute discretion, from time to time hold or acquire assets in our own name or otherwise other than through our operating partnership so long as we take commercially reasonable measures to ensure that the economic benefits and burdens of such property are otherwise vested in our operating partnership.

## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock, including shares of our common stock into which OP units are exchangeable, immediately following the completion of this offering, the concurrent Eldridge private placement and the formation transactions for (1) each person who is expected to be the beneficial owner of 5% or more of our outstanding common stock, (2) each of our directors, director nominees and named executive officers and (3) all of our directors, director nominees and executive officers as a group. This table assumes that this offering, the concurrent Eldridge private placement and the formation transactions are completed, and gives effect to the expected issuance of common stock in connection with this offering, the concurrent Eldridge private placement and the expected issuance of OP units in connection with the formation transactions. Each person named in the table has sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table.

The SEC has defined “beneficial ownership” of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (1) the exercise of any option, warrant or right, (2) the conversion of a security, (3) the power to revoke a trust, discretionary account or similar arrangement or (4) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock subject to options or other rights (as set forth above) held by that person that are exercisable as of , 2018 or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Unless otherwise indicated, the address of each named person is c/o Essential Properties Realty Trust, Inc., 47 Hulfish Street, Suite 210, Princeton, New Jersey 08542. No shares beneficially owned by any executive officer, director or director nominee have been pledged as security.

<u>Name of Beneficial owner</u>	<u>Number of Shares and OP units Beneficially Owned</u>	<u>Percentage of All Shares(1)</u>
<b>Greater than 5% Stockholders</b>		
Eldridge Industries, LLC(2)		%
EPRT Holdings, LLC(3)		%
<b>Director, Director Nominees and Named Executive Officers</b>		
Paul T. Bossidy		*
Peter M. Mavoides		*
Gregg A. Seibert		*
Hillary P. Hai		*
Todd J. Gilbert		*
Anthony D. Minella		*
Stephen D. Sautel		*
Joyce DeLucca		*
Scott A. Estes		*
<b>All Director, Director Nominees and Executive Officers as a Group</b>		
<b>( persons)</b>		%

\* Represents less than 1.0%.

(1) Assumes shares of our common stock and OP units are outstanding immediately following this offering.

- (2) Consists of \_\_\_\_\_ shares of our common stock beneficially owned directly and indirectly by Eldridge Industries, LLC and OP units beneficially owned directly and indirectly by Eldridge Industries, LLC. Todd L. Boehly, the indirect controlling member of Eldridge Industries, LLC, may be deemed to have voting and dispositive power with respect to the shares and OP units beneficially owned directly and indirectly by Eldridge Industries, LLC. The address of Eldridge Industries, LLC is 600 Steamboat Road, Greenwich, CT 06830. While the amount of Eldridge's aggregate investment in the concurrent Eldridge private placement will not change, the aggregate number of, and the allocation of this amount between, shares of our common stock and OP units will vary depending on the actual initial public offering price of shares of common stock in this offering as described herein. See "Pricing Sensitivity Analysis." The information in this table assumes an initial public offering price of \$ \_\_\_\_\_ per share, which is the mid-point of the price range set forth on the front cover of this prospectus.
- (3) Consists of \_\_\_\_\_ OP units beneficially owned by EPRT Holdings, LLC. As of March 31, 2018, certain members of management and other continuing investors own a 1.6% interest in EPRT Holdings, LLC and Eldridge Industries, LLC owns a 98.4% interest in EPRT Holdings, LLC. EPRT Holdings, LLC is indirectly controlled by Eldridge Industries, LLC. Todd L. Boehly, the indirect controlling member of Eldridge Industries, LLC, may be deemed to have voting and dispositive power with respect to the OP units beneficially owned by EPRT Holdings, LLC. The address of Eldridge Industries, LLC is 600 Steamboat Road, Greenwich, CT 06830.

## DESCRIPTION OF OUR CAPITAL STOCK

*The following is a summary of the material terms of our capital stock. For a complete description, you are urged to review in their entirety our charter and our bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part, and applicable Maryland law. See "Where You Can Find More Information."*

### General

Following the completion of this offering and the concurrent Eldridge private placement, our authorized capital stock will consist of 500,000,000 shares of our common stock, \$0.01 par value per share, and 150,000,000 shares of preferred stock, \$0.01 par value per share. A majority of our entire board of directors has the power, without stockholder approval, to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue. Upon the completion of this offering and the concurrent Eldridge private placement, based upon the mid-point of the price range set forth on the front cover of this prospectus, we expect that \_\_\_\_\_ shares of our common stock will be issued and outstanding.

Under Maryland law, our stockholders generally are not liable for our debts or obligations solely as a result of that stockholder's status as a stockholder.

### Common Stock

All shares of our common stock offered by this prospectus will be duly authorized, fully paid and nonassessable. Stockholders are entitled to receive distributions when authorized by our board of directors and declared by us out of assets legally available for the payment of dividends. Stockholders are also entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of, or adequate provision for, all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock, including any shares of preferred stock we may issue, and to the provisions of our charter regarding restrictions on ownership and transfer of our stock.

Subject to our charter restrictions on ownership and transfer of our stock and the terms of any other class or series of our stock, each outstanding share of our common stock entitles the holder thereof to one vote on all matters submitted to a vote of stockholders, including the election of directors. Cumulative voting in the election of directors is not permitted. Directors will be elected by a plurality of the votes cast at the meeting in which directors are being elected and at which a quorum is present. This means that the holders of a majority of the outstanding shares of our common stock can effectively elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

Our common stockholders have no preference, conversion, exchange, sinking fund or redemption rights and have no preemptive rights to subscribe for any of our capital stock. Our charter provides that our stockholders generally have no appraisal rights unless our board of directors determines that appraisal rights will apply to one or more transactions in which our common stockholders would otherwise be entitled to exercise such rights. Subject to our charter restrictions on ownership and transfer of our stock, holders of shares of our common stock will initially have equal dividend, liquidation and other rights.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, convert into another form of entity, engage in a statutory share

exchange or engage in similar transactions unless such transaction is declared advisable by the board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of all of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter provides for approval of these matters by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on such matter, except that the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on such matter is required to amend the provisions of our charter relating to the removal of directors or the vote required to amend the removal provisions. Maryland law also permits a corporation to transfer all or substantially all of its assets without the approval of its stockholders to an entity all of the equity interests of which are owned, directly or indirectly, by the corporation. Because our operating assets may be held by our operating partnership or its wholly-owned subsidiaries, these subsidiaries may be able to merge or transfer all or substantially all of their assets without the approval of our stockholders.

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series of stock, including classes or series of preferred stock, and to establish the designation and number of shares of each such class or series and to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of each such class or series. Thus, our board of directors could authorize the issuance of shares of common stock or preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or that our common stockholders otherwise believe to be in their best interests.

### **Preferred Stock**

Under the terms of our charter, our board of directors is authorized to classify any unissued shares of our preferred stock and to reclassify any previously classified but unissued shares of preferred stock into other classes or series of stock. Before the issuance of shares of each class or series, our board of directors is required by Maryland law and by our charter to set, subject to our charter restrictions on ownership and transfer of stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each class or series. Upon completion of this offering, we will have no preferred stock outstanding, and we have no present plans to issue preferred stock in the immediate future.

### **Power to Issue Additional Shares of Common Stock and Preferred Stock**

We believe that the power to issue additional shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and to issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without action by our stockholders, unless stockholder approval is required by applicable law, the terms of any class or series of our stock or the rules of any stock exchange or automated quotation system on which our stock may be listed or traded. Although we have no present intention of doing so, we could issue a class or series of stock that could delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest. In addition, our issuance of additional shares of stock in the future could dilute the voting and other rights of your shares. See "Certain Provisions of Maryland Law and of Our Charter and Bylaws—Anti-takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws."



## Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock (after taking into account options to acquire shares of stock) may be owned, directly or through certain constructive ownership rules by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with these requirements and qualifying as a REIT, among other reasons. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 7.5% (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of our common stock or 7.5% in value of the aggregate of the outstanding shares of all classes and series of our stock, in each case excluding any shares of our stock that are not treated as outstanding for federal income tax purposes. We refer to each of these restrictions as an "ownership limit" and collectively as the "ownership limits." A person or entity that would have acquired actual, beneficial or constructive ownership of our stock but for the application of the ownership limits or any of the other restrictions on ownership and transfer of our stock discussed below is referred to as a "prohibited owner."

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 7.5% of our common stock (or the acquisition of an interest in an entity that owns, actually or constructively, our common stock) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 7.5% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock and thereby violate the applicable ownership limit.

However, certain entities that are defined as designated investment entities in our charter, which generally includes pension funds, mutual funds and certain investment management companies, are permitted to own up to 9.8% (in value or in number of shares) of our outstanding common stock, or 9.8% in value of the aggregate of the outstanding shares of all classes and series of stock, so long as each beneficial owner of the shares owned by such designated investment entity would satisfy the ownership limits if those beneficial owners owned directly their pro rata share of the stock owned by the designated investment entity.

Our charter provides that our board of directors, subject to certain limits, upon receipt of a request that complies with the requirements of our charter and any policy adopted by our board of directors, may retroactively or prospectively exempt a person from either or both of the ownership limits and establish a different limit on ownership for such person. In connection with the concurrent private placement of common stock, we will grant a waiver from the ownership limit contained in our charter to Eldridge to own up to 19.0% of the outstanding shares of our common stock in the aggregate. We will also agree to provide transferees of Eldridge, subject to the satisfaction of certain conditions, with any necessary waivers from our ownership limits provided that any such waivers are consistent with our compliance with the ownership requirements for qualification as a REIT under the Code. Pursuant to the stockholders agreement, we have agreed, upon Eldridge's request, to increase the percentage of our outstanding common stock that may be owned by Eldridge, unless our board of directors concludes that any such increase will jeopardize our ability to qualify for taxation as a REIT.

As a condition of the exception, our board of directors may require an opinion of counsel or IRS ruling, in either case in form and substance satisfactory to our board of directors, in its sole and absolute discretion, in order to determine or ensure our status as a REIT and such representations, covenants and/or undertakings as it may deem necessary or prudent. Notwithstanding the receipt of any ruling or opinion, our board of directors may impose such conditions or restrictions as it deems appropriate in connection with such an exception.

Our board of directors may, in its sole and absolute discretion, increase or decrease one or both of the ownership limits or the designated investment entity limit for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of our stock exceeds the decreased ownership limit at the time of the decrease until the person's actual, beneficial or constructive ownership of our stock equals or falls below the decreased ownership limit, although any further acquisition of our stock (other than by a previously-exempted person) will violate the decreased ownership limit. Our board of directors may not increase or decrease any ownership limit or the designated investment entity limit if the new ownership limit or the designated investment entity limit would allow five or fewer persons to actually or beneficially own more than 49% in value of our outstanding stock or could cause us to be "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT.

Our charter further prohibits:

- any person from actually, beneficially or constructively owning shares of our stock that could result in us being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT (including, but not limited to, actual, beneficial or constructive ownership of shares of our stock that could result in us owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income we derive from such tenant, taking into account our other income that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause us to fail to satisfy any the gross income requirements imposed on REITs); and
- any person from transferring shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined under the principles of Section 856(a)(5) of the Code).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of shares of our stock that will or may violate the ownership limits, the designated investment entity limit or any of the other restrictions on ownership and transfer of our stock described above must give written notice immediately to us or, in the case of a proposed or attempted transaction, provide us at least 15 days prior written notice, and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT.

The ownership limits, the designated investment entity limit and other restrictions on ownership and transfer of our stock described above will not apply if our board of directors determines that it is no longer in our best interests to qualify as a REIT or that compliance with any such restriction is no longer required in order for us to qualify as a REIT. Additionally, for so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, a determination that it is no longer in our best interests to qualify, or attempt to qualify, as a REIT under the Code will require the consent of Eldridge.

Pursuant to our charter, if any purported transfer of our stock or any other event would otherwise result in any person violating the ownership limits, the designated investment entity limit or such other limit established by our board of directors, could result in us being "closely held" within the meaning of

Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then the number of shares causing the violation (rounded up to the nearest whole share) will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable beneficiaries selected by us. The prohibited owner will have no rights in shares of our stock held by the trustee. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the trust. Any dividend or other distribution paid to the prohibited owner prior to our discovery that the shares had been automatically transferred to a trust as described above must be repaid to the trustee upon demand. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of our stock, then the transfer of the number of shares that otherwise would cause any person to violate the above restrictions will be void and of no force or effect, regardless of any action or inaction by the board of directors, and the intended transferee will acquire no rights in the shares. If any transfer of our stock would result in shares of our stock being beneficially owned by fewer than 100 persons (determined under the principles of Section 856(a)(5) of the Code), then any such purported transfer will be void and of no force or effect and the intended transferee will acquire no rights in the shares.

Shares of our stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price per share in the transaction that resulted in the transfer of the shares to the trust (or, in the event of a gift, devise or other such transaction, the last sale price reported on the NYSE on the day of the transfer or other event that resulted in the transfer of such shares to the trust) and (2) the last sale price reported on the NYSE on the date we accept, or our designee accepts, such offer. We must reduce the amount payable to the trustee by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee and pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We have the right to accept such offer until the trustee has sold the shares of our stock held in the trust. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee with respect to such stock will be paid to the charitable beneficiary.

Within 20 days of receiving notice from us of the transfer of shares to the trust, the trustee must sell the shares to a person or persons designated by the trustee who could own the shares without violating the ownership limits, the designated investment entity limit or other restrictions on ownership and transfer of our stock. Upon such sale, the trustee must distribute to the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited owner for the shares (or, if the prohibited owner did not give value in connection with the transfer or other event that resulted in the transfer to the trust (e.g., a gift, devise or other such transaction), the last sale price reported on the NYSE on the day of the transfer or other event that resulted in the transfer of such shares to the trust) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trustee for the shares. The trustee must reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by us that shares of our stock have been transferred to the trustee, such shares of stock are sold by a prohibited owner, then such shares shall be deemed to have been sold on behalf of the trust and, to the extent that the prohibited owner received an amount for or in respect of such shares that exceeds the amount that such prohibited owner was entitled to receive, such excess amount must be paid to the trustee upon demand.

The trustee will be designated by us and will be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the beneficiary,

all dividends and other distributions paid by us with respect to such shares, and may exercise all voting rights with respect to such shares for the exclusive benefit of the charitable beneficiary.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee may, at the trustee's sole and absolute discretion:

- rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transferred to the trust; and
- recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

If our board of directors determines that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of our stock set forth in our charter, our board of directors may take such action as it deems advisable to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem shares of stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of our stock, within 30 days after the end of each taxable year, must give written notice to us stating the name and address of such owner, the number of shares of each class and series of our stock that the owner actually or beneficially owns and a description of the manner in which the shares are held. Each such owner also must provide us with any additional information that we may request in order to determine the effect, if any, of the person's actual or beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits, the designated investment entity limit and the other restrictions on ownership and transfer of our stock set forth in our charter. In addition, any person that is an actual, beneficial owner or constructive owner of shares of our stock and any person (including the stockholder of record) who is holding shares of our stock for an actual, beneficial owner or constructive owner must disclose to us in writing such information as we may request in order to determine our status as a REIT and comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Any certificates representing shares of our stock will bear a legend referring to the restrictions on ownership and transfer of our stock described above.

These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock that our stockholders believe to be in their best interest.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our shares of our common stock will be .

## **CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS**

*The following summary of certain provisions of Maryland law and our charter and bylaws does not purport to be complete and is subject to and qualified in its entirety by reference to our charter and bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus is a part, and to Maryland law. See "Where You Can Find More Information."*

### **Our Board of Directors**

Under our charter and bylaws, the number of directors of our company may be established, increased or decreased only by a majority of our entire board of directors but may not be fewer than the minimum number required under the MGCL (which is one) nor, unless our bylaws are amended, more than 15. However, for so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, our bylaws provide that the size of the board of directors may not be increased without the prior approval of Eldridge. Additionally, for so long as Eldridge owns shares representing 5% of the voting power of our common stock, our bylaws require that, in order for an individual to qualify to be nominated or to serve as a director of our company, the individual must have been nominated in accordance with the stockholders agreement, including the requirement that we must nominate a certain number of directors designated by Eldridge from time to time described under "Management—Stockholders Agreement." Also, as long as the stockholders agreement remains in effect, Eldridge's prior approval may be required to amend our bylaws to eliminate these director qualifications and approval rights, as described under "Certain Relationships and Related Party Transactions—Stockholders Agreement."

### **Removal of Directors**

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors, except that, for so long as Eldridge owns shares representing 5% of the voting power of our common stock, the removal of a director nominated pursuant to Eldridge's nomination right also requires the consent of Eldridge.

### **Business Combinations**

Under the MGCL, certain "business combinations" (including a merger, consolidation, statutory share exchange or, in certain circumstances specified under the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and any interested stockholder, or an affiliate of such an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Maryland law defines an interested stockholder as:

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

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

After such five-year period, any such business combination must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

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

These supermajority approval requirements do not apply if, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a corporation's board of directors prior to the time that the interested stockholder becomes an interested stockholder. As permitted by the MGCL, our board of directors has adopted a resolution exempting any business combination between us and any other person from the provisions of this statute. Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations involving us. As a result, any person will be able to enter into business combinations with us that may not be in the best interests of our stockholders, without compliance with the supermajority vote requirements and other provisions of the statute. Our bylaws provide that this resolution or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL may only be revoked, altered or amended, and our board of directors may only adopt an inconsistent resolution, if approved by the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote generally in the election of directors.

### **Control Share Acquisitions**

The MGCL provides that a holder of "control shares" of a Maryland corporation acquired in a "control share acquisition" has no voting rights with respect to those shares except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast by stockholders entitled to exercise or direct the exercise of the voting power in the election of directors generally but excluding: (1) the person who has made or proposes to make the control share acquisition; (2) any officer of the corporation; or (3) any employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock that, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition, directly or indirectly, of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an "acquiring person

statement” as described in the MGCL), may compel the board of directors of the company to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the control shares. If no request for a special meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights of control shares are not approved at the meeting or if the acquiring person does not deliver an “acquiring person statement” as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or, if a meeting of stockholders at which the voting rights of such shares are considered and not approved is held, as of the date of such meeting. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (1) to shares acquired in a merger, consolidation or statutory share exchange if the corporation is a party to the transaction or (2) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all control share acquisitions by any person of shares of our stock, and this provision of our bylaws cannot be amended without the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote generally in the election of directors.

### **Subtitle 8**

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to be subject to any or all of the following five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by a vote of the remaining directors (whether or not they constitute a quorum) and for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies; or
- a majority requirement for the calling of a special meeting of stockholders.

Our charter will provide that, effective at such time as we are able to make a Subtitle 8 election, vacancies on our board of directors may be filled only by the remaining directors (whether or not they constitute a quorum) and that a director elected by the board of directors to fill a vacancy will serve for the remainder of the full term of the directorship. We have not elected to be subject to any of the other provisions of Subtitle 8, including the provisions that would permit us to classify our board of directors without stockholder approval. Moreover, our charter provides that, without the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote generally in the election of directors, we may not elect to be subject to any of these additional provisions of Subtitle 8. Through provisions in our charter and bylaws unrelated to Subtitle 8, we (1) vest in our board of directors the

exclusive power to fix the number of directors (subject to Eldridge's consent right regarding increases in the number of directors), (2) require, unless called by our chairman, our chief executive officer, our president or our board of directors, the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting to call a special meeting of stockholders and (3) provide that a director may be removed only for cause and by the affirmative vote of two-thirds of the votes entitled to be cast generally in the election of directors (subject to Eldridge's consent right regarding the removal of its designees).

#### **Amendments to Our Charter and Bylaws**

Except as described herein and as provided in the MGCL, amendments to our charter must be advised by our board of directors and approved by the affirmative vote of our stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter and our board of directors has the exclusive power to amend our bylaws. For so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, the prior approval of Eldridge will be required to amend the provisions of our charter relating to Eldridge's right to consent to the removal of any director nominated pursuant to Eldridge's nomination rights or Eldridge's right to consent to amendments to such provision and to amend the provisions of our bylaws relating to the designation of director nominees by Eldridge, Eldridge's right to designate one of its nominees to serve on certain committees of our board of directors or Eldridge's right to consent to increases in the size of the board of directors or amendments to such provisions. Additionally, for so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, the prior approval of Eldridge will be required to amend the provisions of our charter that require us to obtain the prior approval of Eldridge in order to determine that we will no longer qualify, or attempt to qualify, as a REIT under the Code. In addition, amendments to the provisions of our bylaws prohibiting our board of directors from revoking, altering or amending its resolution exempting any business combination from the "business combination" provisions of the MGCL or exempting any acquisition of our stock from the "control share" provisions of the MGCL without the approval of our stockholders must be approved by the affirmative vote of a majority of the votes cast on the matter by our stockholders entitled to vote generally in the election of directors.

#### **Meetings of Stockholders**

Under our bylaws and pursuant to Maryland law, annual meetings of stockholders will be held each year at a date and at the time and place determined by our board of directors. Special meetings of stockholders may be called by our board of directors, the chairman of our board of directors, our president or our chief executive officer. Additionally, subject to the provisions of our bylaws, special meetings of the stockholders to act on any matter must be called by our secretary upon the written request of stockholders entitled to cast a majority of all the votes entitled to be cast on such matter at such meeting who have requested the special meeting in accordance with the procedures set forth in, and provided the information and certifications required by, our bylaws. Only matters set forth in the notice of the special meeting may be considered and acted upon at such a meeting. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and delivering the notice of meeting (including our proxy materials), and the requesting stockholder must pay such estimated cost before our secretary may prepare and deliver the notice of the special meeting.

#### **Corporate Opportunities**

Our charter provides that, to the maximum extent permitted by Maryland law, each of Eldridge, its affiliates, each of their representatives, and each of our directors or officers that is an employee, affiliate or designee for nomination as a director of Eldridge or its affiliates has the right to, and has no



duty not to, (x) directly or indirectly engage in the same or similar business activities or lines of business as us, including those deemed to be competing with us, or (y) directly or indirectly do business with any of our clients, customers or suppliers. In the event that Eldridge or any of its affiliates or employees, or any of their representatives or designees, acquires knowledge of a potential transaction or matter that may be a corporate opportunity for us, Eldridge, its affiliates and employees and any of their representatives or designees shall have no duty to communicate or present such corporate opportunity to us or any of our affiliates and shall not be liable to us or any of our affiliates, subsidiaries, stockholders or other equity holders for breach of any duty by reason of the fact that Eldridge or any of its affiliates or employees, or any of their representatives or designees, directly or indirectly, pursues or acquires such opportunity for themselves, directs such opportunity to another person, or does not present such opportunity to us or any of our affiliates; provided, however, that such corporate opportunity is not presented to such person in his or her capacity as a director or officer of us.

#### **Advance Notice of Director Nominations and New Business**

Our bylaws provide that:

- with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of business to be considered by stockholders at the annual meeting may be made only:
  - pursuant to our notice of the meeting;
  - by or at the direction of our board of directors; or
  - by a stockholder who was a stockholder of record at the record date set by the board of directors for the meeting, at the time of giving of the notice of the meeting and at the time of the annual meeting (and any postponement or adjustment thereof), who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice procedures set forth in, and provided the information and certifications required by, our bylaws; and
- with respect to special meetings of stockholders, only the business specified in our company's notice of meeting may be brought before the special meeting of stockholders, and nominations of individuals for election to our board of directors may be made only:
  - by or at the direction of our board of directors; or
  - provided that the meeting has been called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record at the record date set by the board of directors for the meeting, at the time of giving of the notice required by our bylaws and at the time of the meeting (and any postponement or adjustment thereof), who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions set forth in, and provided the information and certifications required by, our bylaws.

The purpose of requiring stockholders to give advance notice of nominations and other proposals is to afford our board of directors and our stockholders the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our board of directors, to inform stockholders and make recommendations regarding the nominations or other proposals. Although our bylaws do not give our board of directors the power to disapprove timely stockholder nominations and proposals, our bylaws may have the effect of precluding a contest for the election of directors or proposals for other action if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors to our board of directors or to approve its own proposal.

### **Anti-takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws**

The restrictions on ownership and transfer of our stock, the supermajority vote required to remove directors, our election to be subject to the provision of Subtitle 8 vesting in our board of directors the exclusive power to fill vacancies on our board of directors and the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change of control of our company. Likewise, if our board of directors were to elect to be subject to the business combination provisions of the MGCL or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were amended or rescinded, these provisions of the MGCL could have similar anti-takeover effects.

Further, a majority of our entire board of directors has the power, to increase or decrease the aggregate number of authorized shares of stock or the number of shares of any class or series of stock that we are authorized to issue, to classify and reclassify any unissued shares of our stock into other classes or series of stock, and to authorize us to issue the newly classified shares, as discussed under the captions “Description of Our Capital Stock—Common Stock” and “—Power to Issue Additional Shares of Common Stock and Preferred Stock” and could authorize the issuance of shares of common stock or another class or series of stock, including a class or series of preferred stock, that could have the effect of delaying, deferring or preventing a change in control of us. These actions may be taken without stockholder approval unless such approval is required by applicable law, the terms of any other class or series of our stock or the rules of any stock exchange or automated quotation system on which any of our stock is listed or traded. We believe that the power of our board of directors to increase or decrease the number of authorized shares of stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to cause us to issue such shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise.

Our charter and bylaws also provide that the number of directors may be established only by our board of directors (subject to Eldridge’s consent right regarding increases), which prevents our stockholders from increasing the number of our directors and filling any vacancies created by such increase with their own nominees. The provisions of our bylaws discussed above under the captions “—Meetings of Stockholders” and “—Advance Notice of Director Nominations and New Business” require stockholders seeking to call a special meeting, nominate an individual for election as a director or propose other business at an annual or special meeting to comply with certain notice and information requirements. We believe that these provisions will help to assure the continuity and stability of our business strategies and policies as determined by our board of directors and promote good corporate governance by providing us with clear procedures for calling special meetings, information about a stockholder proponent’s interest in us and adequate time to consider stockholder nominees and other business proposals. However, these provisions, alone or in combination, could make it more difficult for our stockholders to remove incumbent directors or fill vacancies on our board of directors with their own nominees and could delay, defer or prevent a change in control, including a proxy contest or tender offer that might involve a premium price for our common stockholders or otherwise be in the best interest of our stockholders.

### **Exclusive Forum**

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in the MGCL, (b) any derivative action or proceeding brought on our behalf, (c) any action asserting a claim of breach of any duty owed by any

of our directors, officers or other employees to us or to our stockholders, (d) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the MGCL or our charter or bylaws or (e) any action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine.

#### **Limitation of Liability and Indemnification of Directors and Officers**

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains such a provision that eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and:
  - was committed in bad faith; or
  - was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or on behalf of the corporation or if the director or officer was adjudged liable on the basis that personal benefit was improperly received, unless, in either case, a court orders indemnification and then only for expenses. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received.

In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking, which may be unsecured, by the director or officer or on the director's or officer's behalf to repay the amount paid if it shall ultimately be determined that the standard of conduct has not been met.

Our charter obligates us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a

proceeding without requiring a preliminary determination of the director's or officer's ultimate entitlement to indemnification to:

- any present or former director or officer who is made or threatened to be made a party to or witness in the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, member, manager, trustee, employee or agent of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise and who is made or threatened to be made a party to or witness in the proceeding by reason of his or her service in that capacity.

Our charter also permits us, with the approval of our board of directors, to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

#### **Indemnification Agreements**

We intend to enter into indemnification agreements with each of our directors and executive officers as described in "Management—Indemnification."

#### **REIT Qualification**

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders (except, for so long as Eldridge owns shares representing at least 5% of the voting power of our common stock, the approval of Eldridge), if it determines that it is no longer in our best interest to attempt to, or continue to, qualify as a REIT.

## SHARES ELIGIBLE FOR FUTURE SALE

### General

Upon the completion of this offering and the concurrent Eldridge private placement, based upon the mid-point of the price range set forth on the front cover of this prospectus, we expect to have outstanding \_\_\_\_\_ shares of our common stock (\_\_\_\_\_ shares if the underwriters' option to purchase additional shares is exercised in full). In addition, a total of \_\_\_\_\_ shares of our common stock are issuable upon exchange of OP units and the exercise of outstanding options.

Of these shares, the \_\_\_\_\_ shares of our common stock sold in this offering (\_\_\_\_\_ shares of our common stock if the underwriters' option to purchase additional shares is exercised in full) will be freely transferable without restriction or further registration under the Securities Act, subject to the restrictions on ownership and transfer of our stock set forth in our charter.

There is currently no public market for our common stock. Trading of our common stock on the NYSE is expected to commence following the pricing of this offering. No assurance can be given as to (1) the likelihood that an active market for common stock will develop, (2) the liquidity of any such market, (3) the ability of the stockholders to sell their shares or (4) the prices that stockholders may obtain for any of their shares. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our common stock (including shares of our common stock issued upon the exchange of OP units), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock. See "Risk Factors —Risks Related to this Offering and Ownership of Our Common Stock."

For a description of certain restrictions on ownership and transfer of shares of our common stock held by certain of our stockholders, see "Description of Our Capital Stock—Restrictions on Ownership and Transfer."

### Rule 144

After giving effect to this offering and the concurrent Eldridge private placement, we expect that \_\_\_\_\_ shares of our outstanding common stock (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus) will be "restricted" securities under the meaning of Rule 144 under the Securities Act, and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption provided by Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale and who has beneficially owned shares considered to be restricted securities under Rule 144 for at least six months would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned shares considered to be restricted securities under Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

An affiliate of ours who has beneficially owned shares of our common stock for at least six months would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the shares of our common stock then outstanding, which we expect will equal approximately \_\_\_\_\_ shares immediately after this offering (\_\_\_\_\_ shares if the underwriters exercise in full their option to purchase additional shares); or

- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale and have filed all required reports during that time period. Such sales by affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

#### **Rule 701**

Generally, an employee, officer, director or qualified consultant of ours who purchased shares of our common stock before the effective date of the registration statement relating to this prospectus, or who holds options as of that date, pursuant to a written compensatory plan or contract may rely on the resale provisions of Rule 701 under the Securities Act. Under Rule 701, these persons who are not our affiliates may generally sell those securities, commencing 90 days after the effective date of the registration statement, without having to comply with the current public information and minimum holding period requirements of Rule 144. These persons who are our affiliates may generally sell those securities under Rule 701, commencing 90 days after the effective date of the registration statement, without having to comply with Rule 144's minimum holding period restriction.

#### **Lock-up Agreements**

In addition to the limits placed on the sale of our common stock by operation of Rule 144, Rule 701 and other provisions of the Securities Act, we, our directors, director nominees and executive officers and Eldridge have agreed not to sell or otherwise transfer or encumber, or enter into any transaction that transfers, in whole or in part, directly or indirectly, any shares of our common stock or securities convertible or exchangeable into shares of our common stock (including OP units) owned by them at the completion of this offering, the concurrent Eldridge private placement and the formation transactions or thereafter acquired by them for a period of 180 days (or 365 days, in the case of Eldridge) after the date of this prospectus, subject to specified exceptions and, for certain parties, a possible extension under certain circumstances, without the prior consent of the representatives of the underwriters in this offering. See "Underwriting."

The representatives of the underwriters in this offering have advised us that they have no present intent or arrangement to release any shares subject to a lock-up and will consider the release of any shares subject to a lock-up on a case-by-case basis. Upon a request to release any shares subject to a lock-up, the representatives on behalf of the underwriters in this offering will consider the particular circumstances surrounding the request, including, but not limited to, the length of time before the lock-up expires, the number of shares requested to be released, the reasons for the request, the possible impact on the market for our common stock and whether the holder of our shares requesting the release is an officer, director or other affiliate of ours.

#### **Registration Rights**

In connection with this offering, we intend to enter into a registration rights agreement that will provide EPRT Holdings, LLC and Eldridge with certain "demand" registration rights and customary "piggyback" registration rights. The registration rights agreement also will provide that we will pay certain expenses relating to such registrations and indemnify the registration rights holders against certain liabilities which may arise under the Securities Act.

## FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material United States federal income tax consequences of an investment in the common stock of Essential Properties Realty Trust, Inc. For purposes of this section under the heading "Federal Income Tax Considerations," references to "Essential Properties Realty Trust, Inc.," "we," "our" and "us" mean only Essential Properties Realty Trust, Inc. and not its subsidiaries or other lower-tier entities, except as otherwise indicated. This summary is based upon the Code, the regulations promulgated by the U.S. Treasury Department, or Treasury Regulations, rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. We have not sought and will not seek an advance ruling from the IRS regarding any matter discussed in this prospectus and the statements in this prospectus are not binding on the IRS or any court. Thus, no assurance can be given that the IRS would not assert, or that a court would not sustain a position contrary to any of the tax consequences described below. The summary is also based upon the assumption that we will operate Essential Properties Realty Trust, Inc. and its subsidiaries and affiliated entities in accordance with their applicable organizational documents or operating agreements. This summary is for general information only and is not tax advice. It does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular investor in light of its investment or tax circumstances, or to investors subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- subchapter S corporations;
- U.S. expatriates;
- broker-dealers;
- persons who mark-to-market our common stock;
- regulated investment companies;
- REITs;
- partnerships and trusts;
- persons who hold our stock on behalf of other persons as nominees;
- persons who receive our stock through the exercise of employee stock option or otherwise as compensation;
- persons subject to the alternative minimum tax provisions of the Code;
- persons holding a 10% or more (by vote or value) beneficial interest in Essential Properties Realty Trust, Inc.
- persons holding our stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment;
- stockholders subject to special tax accounting rules as a result of their use of "applicable financial statements" (within the meaning of Section 451(b)(3) of the Code); and
- except to the extent discussed below, tax-exempt organizations and foreign investors.

This summary assumes that investors will hold their common stock as a capital asset within the meaning of Section 1221 of the Code, which generally means property held for investment. In addition, this summary does not address state, local and foreign tax considerations, or taxes other than U.S. federal income taxes (except where specifically noted).

**The federal income tax treatment of holders of our common stock depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular stockholder of holding our common stock will depend on the stockholder's particular tax circumstances. You are urged to consult your tax advisor regarding the federal, state, local, and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of our common stock.**

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

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

## **Taxation of Our Company**

### **General**

We will elect to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ending December 31, 2018. We believe that we have been organized and have operated in a manner that has allowed us to qualify for taxation as a REIT under the Code commencing with such taxable year, and we intend to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized and have operated, or will continue to be organized and operate, in a manner so as to qualify or remain qualified as a REIT. See “—Failure to Qualify.”

Sidley Austin LLP has acted as our tax counsel in connection with this offering of our common stock and our federal income tax status as a REIT. Sidley Austin LLP will render an opinion to us to the effect that, commencing with our taxable year ending December 31, 2018, we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion will be based on various assumptions and representations as to factual matters, including representations made by us in a factual certificate provided by one or more of our officers. In addition, this opinion will be based upon our factual representations set forth in this prospectus. Moreover, our qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Sidley Austin LLP. Accordingly, no assurance can be given that our actual results of operations for any particular taxable year will satisfy those requirements. Further, the anticipated federal income tax treatment described in this discussion may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. Sidley Austin LLP has no obligation to update its opinion subsequent to the date of such opinion.

Provided we qualify for taxation as a REIT, we generally will not be required to pay federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the “double taxation” that ordinarily results from investment in a



C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. We will, however, be required to pay federal income tax as follows:

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

acquired in an exchange under Section 1031 (a like-kind exchange) or Section 1033 (an involuntary conversion) of the Code generally is excluded from the application of this built-in gains tax. See “—Built-In Gains Tax.”

- Ninth, our subsidiaries that are C corporations, including our “taxable REIT subsidiaries,” or TRSs, generally will be required to pay federal corporate income tax on their earnings.
- Tenth, we will be required to pay a 100% tax on any “redetermined rents,” “redetermined deductions,” “excess interest” or “redetermined TRS service income.” See “—Income Tests” and “—Penalty Tax.” In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a TRS of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a TRS of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm’s length negotiations. Redetermined TRS service income generally represents income of a TRS that is understated as a result of services provided to us or on our behalf.
- Eleventh, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include its proportionate share of our undistributed net capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the basis of the stockholder in our common stock.
- Twelfth, we may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor its compliance with rules relating to the composition of our stockholders, as described below under “—Requirements for Qualification as a REIT.”

#### **Requirements for Qualification as a REIT**

The Code defines a REIT as a corporation, trust or association:

- that is managed by one or more trustees or directors;
- that issues transferable shares or transferable certificates to evidence its beneficial ownership;
- that would be taxable as a domestic corporation, but for the special provisions under the Code and Treasury Regulations applicable to REITs;
- that is not a financial institution or an insurance company within the meaning of the Code;
- that is beneficially owned by 100 or more persons;
- not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including certain specified entities, during the last half of each taxable year;
- that makes an election to be taxed as a REIT, or has made such an election for a previous taxable year which has not been revoked or terminated; and
- that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that the first through fourth conditions above, inclusive, must be met during the entire taxable year and that the fifth condition must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. The fifth and sixth conditions do not apply until after the first taxable year for which an election is made to be

taxed as a REIT. For purposes of the sixth condition, the term “individual” includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or profit sharing trust.

We believe that we have been organized, have operated and will issue, pursuant to this offering, sufficient shares of stock with sufficient diversity of ownership to allow us to satisfy the conditions listed above, during the relevant time periods. In addition, our charter provides for restrictions regarding ownership and transfer of our shares which are intended to assist us in continuing to satisfy the share ownership requirements described in the fifth and sixth bullet points above. A description of the share ownership and transfer restrictions relating to our common stock is contained in the discussion in this prospectus under the heading “Description of Our Capital Stock—Restrictions on Ownership and Transfer.” These restrictions, however, do not ensure that we have previously satisfied, and may not ensure that we will, in all cases, be able to continue to satisfy, the share ownership requirements described in the fifth and sixth bullet points listed above. If we fail to satisfy these share ownership requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in the sixth bullet point above, we will be treated as having met this requirement. See “—Failure to Qualify.”

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

#### ***Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries***

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

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

time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

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

#### ***Ownership of Interests in TRSs***

A TRS is a corporation (or other entity treated as a corporation for U.S. federal income tax purposes), other than a REIT, in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as TRS. If a TRS owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A TRS is subject to federal income tax as a regular C corporation. A REIT’s ownership of securities of a TRS is not subject to the 5% or 10% asset test described below. See “—Asset Tests.” The aggregate value of all securities of any TRS held by us may not exceed 20% of the value of our total assets.

#### ***Income Tests***

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

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

- The amount of rent is not based in whole or in part on the income or profits of any person. However, as described above, an amount we receive or accrue generally will not be excluded

from the term “rents from real property” solely because it is based on a fixed percentage or percentages of receipts or sales;

- Neither we nor an actual or constructive owner of 10% or more of our capital stock actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock of the tenant. Rents we receive from such a tenant that is a TRS of ours, however, will not be excluded from the definition of “rents from real property” as a result of this condition if at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the TRS are substantially comparable to rents paid by our other tenants for comparable space. Whether rents paid by a TRS are substantially comparable to rents paid by other tenants is determined at the time the lease with the TRS is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a “controlled TRS” is modified and such modification results in an increase in the rents payable by such TRS, any such increase will not qualify as “rents from real property.” For purposes of this rule, a “controlled TRS” is a TRS in which the parent REIT owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such TRS;
- Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as “rents from real property.” To the extent that rent attributable to personal property, leased in connection with a lease of real property, exceeds 15% of the total rent received under the lease, we may transfer a portion of such personal property to a TRS; and
- We generally do not operate or manage the property or furnish or render services to our tenants, subject to a 1% *de minimis* exception (for purposes of such exception, the gross income received from such non-customary services is deemed to be at least 150% of the direct cost of providing the services) and except as provided below. We are permitted, however, to perform directly certain services that are “usually or customarily rendered” in connection with the rental of space for occupancy only and are not otherwise considered “rendered to the occupant” of the property. Examples of these permitted services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we are permitted to employ an independent contractor from whom we derive no revenue to provide customary services to our tenants, or a TRS (which may be wholly or partially owned by us) to provide both customary and non-customary services to our tenants, without causing the rent we receive from those tenants to fail to qualify as “rents from real property.” Any amounts we receive from a TRS with respect to the TRS’s provision of non-customary services will, however, be nonqualifying income under the 75% gross income test and, except to the extent received through the payment of dividends, the 95% gross income test.

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

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and

floors, options to purchase these items, and futures and forward contracts. Except to the extent provided by Treasury Regulations, any income from the following hedging transactions, each of which is clearly identified as such before the close of the day on which it was acquired, originated, or entered into, will not constitute gross income for purposes of the 75% or 95% gross income test:

- a hedging transaction we enter into
  - (1) in the normal course of our business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, which we clearly identify as specified in Treasury Regulations before the close of the day on which it was acquired, originated, or entered into, including gain from the sale or disposition of such a transaction, or
  - (2) primarily to manage risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% income tests and
- new hedging transactions we enter into to hedge the income or loss from prior hedging transactions, where the property or indebtedness which was the subject of the prior hedging transaction was extinguished or disposed of.

To the extent that we do not properly identify such transactions as hedges or we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the 75% and 95% gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

To the extent our TRSs make distributions, we generally will derive our allocable share of such distribution through our interest in our operating partnership. Such distributions will be classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test, but not for purposes of the 75% gross income test.

We will monitor the amount of the dividend and other income from our TRSs and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the gross income tests. Although we expect these actions will be sufficient to prevent a violation of the gross income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

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

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

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. As discussed above in “—Taxation of Our Company—General,” even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our nonqualifying income.

We may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of our income.

### ***Prohibited Transaction Income***

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

### ***Penalty Tax***

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

Currently, we do not own an interest in any TRS. However, in the future a TRS of ours may provide services to certain of our tenants and pay rent to us. We intend to set any fees paid to a TRS for such services, and any rent payable to us by a TRS, at arm's length rates, although the amounts paid may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on the excess of an arm's length fee for tenant services over the amount actually paid, or on the excess rents paid to us.

### ***Asset Tests***

At the close of each calendar quarter of our taxable year, we must also satisfy certain tests relating to the nature and diversification of our assets:

- At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and U.S. government securities. For this purpose, real estate assets include

interests in real property, such as land, buildings, leasehold interests in real property, stock (or transferable certificates of beneficial interest) in other REITs, any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the date we receive such proceeds, certain kinds of mortgage-backed securities and mortgage loans as well as personal property to the extent that rents attributable to such personal property are treated as rents from real property for purposes of the gross income tests described above ( *i.e.* , such rent for personal property does not exceed 15% of the total rent for personal and real property). Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below.

- The aggregate value of all securities of any TRSs held by us may not exceed 20% of the value of our total assets. As long as each of these companies qualifies as a TRS of ours, we will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value limitation with respect to our ownership of the securities of such companies. We believe that the aggregate value of any TRSs in which we may own an interest will not exceed 20% of the aggregate value of our gross assets. We generally do not obtain independent appraisals to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with our determinations of value.
- Not more than 25% of the value of our total assets may be represented by debt instruments of publicly offered REITs to the extent those debt instruments are not otherwise secured by real property.
- Of the investments included in the 25% asset class, and except for certain investments in other REITs, our qualified REIT subsidiaries and TRSs, the value of any one issuer's securities may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer except, in the case of the 10% value test, securities satisfying the "straight debt" safe-harbor or securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT. Certain types of securities we may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of our interest in the assets of a partnership or limited liability company in which we own an interest will be based on our proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Code.

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



the 30-day cure period, we would cease to qualify as a REIT unless we are eligible for certain relief provisions discussed below.

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% asset tests if the value of our nonqualifying assets:

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

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

#### **Annual Distribution Requirements**

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

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

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

In addition, if we acquired any asset from a corporation which was or had been a C corporation in a transaction in which our initial tax basis in the asset was less than the fair market value of the asset on the acquisition date, and we dispose of the asset within the five-year period following such acquisition, our REIT taxable income will be reduced by any taxes that we are required to pay on any gain we recognize from the disposition. See “—Built-In Gains Tax.”

Our deduction for net business interest expense will generally be limited to 30% of our taxable income, as adjusted for certain items of income, gain, deduction or loss. Any business interest deduction that is disallowed due to this limitation may be carried forward to future taxable years. If we are subject to this interest expense limitation, our REIT taxable income for a taxable year may be increased. Taxpayers that conduct certain real estate businesses may elect not to have this interest expense limitation apply to them, provided that they use an alternative depreciation system to depreciate certain property. We believe that we will be eligible to make this election. If we make this election, although we would not be subject to the interest expense limitation described above, our depreciation deductions may be reduced and, as a result, our REIT taxable income for a taxable year may be increased.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, except as provided below, the amount distributed must not be preferential—i.e., every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. This preferential limitation will not apply to distributions made by us, provided we qualify as a “publicly offered REIT.” We believe that, upon completion of this offering of our common stock, we will be, and expect we will continue to be, a publicly offered REIT. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our “REIT taxable income,” as adjusted, we will be required to pay tax on the undistributed amount at the corporate tax rate. In addition, we may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we would elect to have our stockholders include their proportionate share of such undistributed long-term capital gains in their income and receive a corresponding credit for their proportionate share of the tax paid by us. Our stockholders would then increase their adjusted basis in our stock by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their proportionate shares. We intend to make timely distributions sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the partnership agreement of our operating partnership will authorize us, as the sole owner of the general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. In addition, we may decide to retain our

cash, rather than distribute it, in order to repay debt or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock dividends in order to meet the distribution requirements, while preserving our cash.

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

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

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

### ***Like-Kind Exchanges***

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

### ***Failure to Qualify***

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

provisions, we would also be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lose our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

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

### ***General***

All of our investments will be held indirectly through our operating partnership. We will be the sole owner of the general partner of our operating partnership. Such general partner entity will be treated as a disregarded entity for federal income tax purposes. Our operating partnership will be treated as a partnership for U.S. federal income tax purposes, and we will be treated as owning our proportionate share of the items of income, gain, loss, deduction and credit of the operating partnership for such purposes. In addition, our operating partnership will hold certain of its investments indirectly through subsidiary partnerships and limited liability companies that we believe will be treated as disregarded entities for federal income tax purposes. In the future, we may hold investments through entities treated as partnerships for federal income tax purposes. In general, entities that are treated as partnerships or disregarded entities for federal income tax purposes are "pass-through" entities which are not required to pay federal income tax. Rather, partners or members of such entities are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership or limited liability company, and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership or limited liability company. We will include in our income our share of these partnership and limited liability company items for purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requirements. Moreover, for purposes of the asset tests, we will include our pro rata share of assets held by our operating partnership, including its share of its subsidiary partnerships and limited liability companies, based on our capital interests in each such entity. See "—Taxation of Our Company."

### ***Entity Classification***

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

### ***Allocations of Income, Gain, Loss and Deduction***

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

### ***Tax Allocations With Respect to the Properties***

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

Our operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnership. In that case, the tax basis of these property interests will generally carry over to our operating partnership, notwithstanding their different book (i.e., fair market) value. The partnership agreement will require that income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships (including a limited liability company treated as a partnership for federal income tax purposes) with a choice of several methods of accounting for book-tax differences. Depending on the method we choose in connection with any particular contribution, the carryover basis of each of the contributed interests in the properties in the hands of our operating partnership:

- could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if any of the contributed properties were to have a tax basis equal to its respective fair market value at the time of the contribution and
- could cause us to be allocated taxable gain in the event of a sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale, with a corresponding benefit to the other partners in our operating partnership.

An allocation described in the second bullet point above might cause us or the other partners to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements. See “—General—Requirements for Qualification as a REIT” and “—Annual Distribution Requirements.”

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

### **Partnership Audit Rules**

New rules applicable to U.S. federal income tax audits of partnerships apply to our operating partnership and any entity in which we directly or indirectly invest that is treated as a partnership for U.S. federal income tax consequences. Any audit adjustment to items of income, gain, loss, deduction, or credit of a partnership (and any partner's distributive share thereof) is determined, and taxes, interest, or penalties attributable thereto are assessed and collected, at the partnership level regardless of changes in composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. The rules also include an elective alternative method under which the additional taxes resulting from the adjustment are assessed from the affected partners, subject to a higher rate of interest than otherwise would apply. The rules could result in partnerships in which we directly or indirectly invest being required to pay additional taxes, interest and penalties as a result of an audit adjustment, and we, as a direct or indirect partner of these partnerships, could be required to bear the economic burden of those taxes, interest, and penalties even though we, as a REIT, may not otherwise have been required to pay additional corporate-level taxes as a result of the related audit adjustment. Although proposed regulations have been issued and address some aspects of these rules, questions remain as to how they will apply. However, these rules could increase the U.S. federal income tax, interest, and/or penalties economically borne by us in the event of a U.S. federal income tax audit of a subsidiary partnership in comparison to prior law. Investors are urged to consult their tax advisors with respect to these changes and their potential impact on their investment in our common stock.

### **Built-In Gains Tax**

From time to time, we may acquire C corporations in transactions in which the basis of the corporations' assets in our hands is determined by reference to the basis of the assets in the hands of the acquired corporations, or carry-over basis transactions. In the case of assets we acquire from a C corporation in a carry-over basis transaction, if we dispose of any such asset in a taxable transaction (including by deed in lieu of foreclosure) during the five-year period beginning on the date of the carry-over basis transaction, then we will be required to pay tax at the corporate tax rate on the gain recognized to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted tax basis in the asset, in each case determined as of the date of the carry-over basis transaction. The foregoing result with respect to the recognition of gain assumes that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation. Any taxes we pay as a result of such gain would reduce the amount available for distribution to our stockholders.

### **Federal Income Tax Considerations for Our Common Stockholders**

The following summary describes the principal federal income tax consequences to you of purchasing, owning and disposing of our common stock. This summary assumes you hold shares of our common stock as "capital assets" (generally, property held for investment within the meaning of Section 1221 of the Code). It does not address all the tax consequences that may be relevant to you in light of your particular circumstances. In addition, this discussion does not address the tax consequences relevant to persons who receive special treatment under the federal income tax law, except where specifically noted.

If you are considering purchasing our common stock, you should consult your tax advisors concerning the application of federal income tax laws to your particular situation as well as any consequences of the purchase, ownership and disposition of our common stock arising under the laws of any state, local or non-U.S. taxing jurisdiction.

When we use the term “U.S. stockholder,” we mean a holder of shares of our common stock who, for federal income tax purposes, is:

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

If you hold shares of our common stock and are not a U.S. stockholder, you are a “non-U.S. stockholder.”

If a partnership or other entity treated as a partnership for federal income tax purposes holds shares of our common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partnerships holding shares of our common stock and the partners in such partnerships are encouraged to consult their tax advisors.

### ***Taxation of Taxable U.S. Stockholders***

#### ***Distributions Generally***

Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax, as discussed below, will be taxable to our taxable U.S. stockholders as ordinary income when actually or constructively received. See “—Tax Rates” below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. stockholders that are corporations or, except to the extent provided in “—Tax Rates” below, the preferential rates on qualified dividend income applicable to non-corporate U.S. stockholders, including individuals. For taxable years beginning before January 1, 2026, dividends that we distribute to U.S. stockholders other than corporations that are not designated as capital gain dividends or otherwise treated as qualified dividends generally are eligible for a deduction equal to 20% of the amount of such dividends.

To the extent that we make distributions on our common stock in excess of our current and accumulated earnings and profits allocable to such stock, these distributions will be treated first as a tax-free return of capital to a U.S. stockholder. This treatment will reduce the U.S. stockholder's adjusted tax basis in such shares of stock by the amount of the distribution, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. stockholder's adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in October, November, or December of any year and which are payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

### ***Capital Gain Dividends***

Dividends that we properly designate as capital gain dividends will be taxable to our taxable U.S. stockholders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the taxable year and do not exceed the total amount of dividends paid for the taxable year, including dividends paid the following year that are treated as paid in the current year, without regard to the period for which a U.S. stockholder has held its stock. U.S. stockholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income. If we properly designate any portion of a dividend as a capital gain dividend, then, except as otherwise required by law, we presently intend to allocate a portion of the total capital gain dividends paid or made available to holders of all classes of our capital stock for the year to our stockholders in proportion to the amount that our total dividends, as determined for federal income tax purposes, paid or made available to our stockholders for the year bears to the total dividends, as determined for federal income tax purposes, paid or made available to holders of all classes of our capital stock for the year.

### ***Retention of Net Capital Gains***

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

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

### ***Passive Activity Losses and Investment Interest Limitations***

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

### ***Dispositions of Our Common Stock***

If a U.S. stockholder sells or disposes of shares of our common stock, it will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the amount of cash



and the fair market value of any property received on the sale or other disposition and the U.S. stockholder's adjusted tax basis in the shares. This gain or loss, except as provided below, will be a long-term capital gain or loss if the U.S. stockholder has held such common stock for more than one year. However, if a U.S. stockholder recognizes a loss upon the sale or other disposition of common stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. stockholder received distributions from us which were required to be treated as long-term capital gains.

#### ***Tax Rates***

The maximum tax rate for non-corporate taxpayers for (1) capital gains, including certain "capital gain dividends," is currently 20% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) "qualified dividend income" is currently 20%. However, dividends payable by REITs are generally not eligible for the 20% tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT's dividends are attributable to dividends received from taxable corporations (such as its TRSs) or to income that was subject to tax at the corporate/REIT level (for example, if the REIT distributed taxable income that it retained and paid tax on in the prior taxable year) or to dividends properly designated by the REIT as "capital gain dividends." In addition, U.S. stockholders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income. As described above, for taxable years beginning before January 1, 2026, dividends that we distribute to non-corporate U.S. stockholders that are not designated as capital gain dividends or otherwise treated as qualified dividends generally will be eligible for a deduction equal to 20% of the amount of such dividends.

#### ***Medicare Tax on Unearned Income***

Certain U.S. stockholders that are individuals, estates, or trusts will be required to pay a 3.8% tax on "net investment income," which includes, among other things, dividends on and gains from the sale or other disposition of shares. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this tax on their ownership and disposition of our common stock.

#### ***Information Reporting and Backup Withholding***

We are required to report to our U.S. stockholders and the IRS the amount of dividends paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to dividends paid unless the holder is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide us with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stockholder's federal income tax liability, provided the required information is timely furnished to the IRS. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status. See "—Taxation of Non-U.S. Stockholders."

#### ***Taxation of Tax-Exempt Stockholders***

Dividend income from us and gain arising upon a sale of our shares generally should not be unrelated business taxable income, or UBTI to a tax-exempt stockholder, except as described below. This income or gain will be UBTI, however, if a tax-exempt stockholder holds its shares as "debt-

financed property” within the meaning of the Code. Generally, “debt-financed property” is property the acquisition or holding of which was financed through a borrowing by the tax-exempt stockholder.

For tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, or qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respectively, income from an investment in our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these “set aside” and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a “pension-held REIT” may be treated as UBTI as to certain trusts that hold more than 10%, by value, of the interests in the REIT. We will not be a pension-held REIT unless (1) either (a) one pension trust owns more than 25% of the value of our stock, or (b) a group of pension trusts, each individually holding more than 10% of the value of our stock, collectively owns more than 50% of such stock and (2) we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that stock owned by such trusts shall be treated, for purposes of the requirement that not more than 50% of the value of the outstanding stock of a REIT is owned, directly or indirectly, by five or fewer “individuals” (as defined in the Code to include certain entities), as owned by the beneficiaries of such trusts. Tax-exempt U.S. stockholders are urged to consult their tax advisors regarding the U.S. federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of our stock.

### ***Taxation of Non-U.S. Stockholders***

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

If you are a non-U.S. stockholder, this discussion further assumes that:

- you will not have held more than 10% of our common stock (taking into account applicable constructive ownership rules) at any time during the five-year period ending on the date on which you dispose of our common stock or receive distributions from us;
- our common stock is and will continue to be “regularly traded” on an established securities market located in the United States within the meaning of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, although there can be no assurance that this will continue to be the case; and
- that you are not a “qualified shareholder”, as defined in Section 897(k)(3)(A) of the Code, which describes certain partnerships and other collective investment vehicles that satisfy various recordkeeping, administrative and other requirements.

If you are a non-U.S. stockholder as to which any of these assumptions is not accurate, and in particular if you are a “qualified shareholder” within the meaning of FIRPTA, you should consult your own tax advisor concerning the tax consequence to you of sales of our stock and the receipt of dividends and other distributions from us.

If a partnership, including for this purpose any entity that is treated as a partnership for U.S. federal income tax purposes, holds our stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. An investor that is a partnership and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of the acquisition, ownership and disposition of our stock.

### ***Distributions Generally***

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

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

- such non-U.S. stockholder is a pension fund or one of certain other organizations exempt from taxation in a home jurisdiction that has a bilateral tax treaty with the United States providing for an exemption from U.S. withholding tax on dividends;
- such non-U.S. stockholder is a foreign government or a foreign government's agency or instrumentality not engaged in commercial activities, or a foreign governmental entity that is eligible for Section 892 of the Code and the applicable Treasury Regulations and eligible for exemption from U.S. withholding tax thereunder;
- a lower treaty rate applies and the non-U.S. stockholder files with us an IRS Form W-8BEN or W-8BEN-E evidencing eligibility for that reduced treaty rate; or
- the non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is income effectively connected with the non-U.S. stockholder's trade or business.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. stockholder to the extent that such distributions do not exceed the adjusted tax basis of the non-U.S. stockholder's common stock, but rather will reduce the adjusted tax basis of such stock. To the extent that such distributions exceed the non-U.S. stockholder's adjusted tax basis in such common stock, they will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below. For withholding purposes, because we generally cannot determine at the

time we make a distribution whether the distribution will exceed our current and accumulated earnings and profits, we expect to treat all distributions as made out of our current or accumulated earnings and profits for withholding purposes. However, amounts withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits, provided that certain conditions are met.

#### ***Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of U.S. Real Property Interests***

Distributions attributable to gain from the disposition of a USRPI will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. See “Taxation of Non-U.S. Stockholders—Distributions Generally.”

Distributions to a non-U.S. stockholder that do not arise from the disposition of a USRPI and that we properly designate as capital gain dividends generally should not be subject to federal income taxation, unless:

- the investment in our common stock is treated as effectively connected with the non-U.S. stockholder's U.S. trade or business (and, if required by an applicable income tax treaty, the non-U.S. stockholder maintains a permanent establishment in the United States to which such dividends are attributable), in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, except that a non-U.S. stockholder that is a non-U.S. corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or
- the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the non-U.S. stockholder will be subject to a 30% tax on the non-U.S. holder's capital gains (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of such non-U.S. stockholder (even though the individual is not considered a resident of the United States), provided the non-U.S. stockholder has timely filed U.S. federal income tax returns with respect to such losses.

#### ***Retention of Net Capital Gains***

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

#### ***Dispositions of Our Stock***

Subject to the previously noted assumptions, if you are a non-U.S. stockholder, you generally will not be subject to U.S. federal income tax on the gain realized upon a sale of our common stock unless:

- your shares of our common stock are treated as being effectively connected with your U.S. trade or business (and, if a bilateral tax treaty applies, is attributable to a U.S. permanent establishment maintained by you) in which case you will be subject to the same treatment as

U.S. holders with respect to such gain, except that a non-U.S. holder that is a corporation may also be subject to the 30% branch profits tax (or such lower rate as may be specified by an applicable income tax treaty) on such gain, as adjusted for certain items; or

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

#### ***Information Reporting and Backup Withholding***

Generally, we must report annually to the IRS the amount of dividends paid to a non-U.S. stockholder, such holder's name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. stockholder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the non-U.S. stockholder's country of residence.

Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. stockholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we have or our paying agent has actual knowledge, or reason to know, that a non-U.S. stockholder is a United States person.

Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is timely furnished to the IRS.

#### ***Foreign Account Tax Compliance Act, or FATCA***

Withholding taxes may be imposed (at a 30% rate) on certain U.S. source payments made to "foreign financial institutions" and certain other non-U.S. entities and disposition proceeds of U.S. securities realized after December 31, 2018. Under these withholding rules, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. stockholders who own shares of our common stock through foreign accounts or foreign intermediaries and to certain non-U.S. stockholders. The withholding tax may be imposed on dividends on, and gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or to a foreign entity other than a financial institution, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or certifies that it is exempt from such obligations or, (ii) the foreign entity that is not a financial institution either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. If the payee is a foreign financial institution that is not otherwise exempt, it must either enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain United States persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements, or, in the case of a foreign financial institution that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement these rules, comply with the revised diligence and reporting obligations of such intergovernmental agreement. Prospective stockholders should consult their tax advisors regarding FATCA.

### ***Other Tax Consequences***

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

### ***Legislative or Other Actions Affecting REITs***

Recently enacted legislation known as the Tax Cuts and Jobs Act makes wholesale changes to the Code. The effect of the many changes made in this legislation is highly uncertain, both in terms of direct effect on the taxation of an investments in our common stock and their indirect effect on our business generally. It appears as of the date of this prospectus that the principal direct tax effect of the legislation on U.S. stockholders of Essential Properties Realty Trust, Inc. is to allow, subject to certain exceptions, the deduction of an amount equal to 20% of any dividends that are not designated as capital gain dividends or otherwise treated as qualified dividends received by non-corporate U.S. stockholders for taxable years beginning before January 1, 2026. The complicated statutes, regulations, rulings and other administrative positions relating to the qualification of REITs and the taxation of them and their stockholders are subject to revision at any time. That is particularly the case following the enactment of statutory amendments as extensive as those made by the Tax Cuts and Jobs Act. It is likely that there will be technical corrections legislation with respect to the Tax Cuts and Jobs Act, the effect of which cannot be predicted and may be adverse. In addition, many of the amendments will require guidance through the issuance of Treasury Regulations in order to assess their effect. There may be substantial delay before such regulations are promulgated, increasing the uncertainty as to the ultimate effect of the statutory amendments on us.

There may also be future changes in federal tax laws, regulations, rules, and judicial and administrative interpretations applicable to us and our business, the effect of which cannot be predicted. Prospective investors are urged to consult with their tax advisors regarding the possible effect of the Tax Cuts and Jobs Act on us, our business, and our stockholders.

## ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the Code impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA), (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and annuities, (c) any entities whose underlying assets include plan assets by reason of a plan's investment in such entities (each an "ERISA Plan") and persons who have certain specified relationships to such ERISA Plans ("Parties-in-Interest" under ERISA and "Disqualified Persons" under the Code). Moreover, based on the reasoning of the United States Supreme Court in *John Hancock Life Ins. Co. v. Harris Trust and Sav. Bank*, 510 U.S. 86 (1993), an insurance company's general account may be deemed to include assets of the ERISA Plans investing in the general account (e.g., through the purchase of an annuity contract), and the insurance company might be treated as a Party-in-Interest with respect to a Plan by virtue of such investment. In addition, federal, state, local, church and non-U.S. plans may be subject to provisions under federal, state, local or non-U.S. laws or regulations that are similar to such provisions of the Code or ERISA, or collectively, Similar Laws. ERISA also imposes certain duties on persons who are fiduciaries of ERISA Plans subject to ERISA and prohibits certain transactions between such a Plan and Parties-in-Interest or Disqualified Persons with respect to such ERISA Plans. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in our common stock of a portion of the assets of any plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with Parties-In-Interest or Disqualified Persons unless an exemption is available. A Party-in-Interest or Disqualified Person who engages in a non-exempt prohibited transaction may be subject to excise taxes under the Code and other penalties and liabilities under ERISA and may result in the loss of tax-exempt status of an Individual Retirement Account. In addition, the fiduciary of an ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to personal liabilities under ERISA.

The United States Department of Labor, or the DOL, has issued a regulation (29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA) concerning the definition of what constitutes the assets of an ERISA Plan (the "Plan Asset Regulations"). These regulations provide that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which an ERISA Plan purchases an "equity interest" will be deemed for purposes of ERISA to be assets of the investing ERISA Plan unless a certain exception applies. The Plan Asset Regulations define an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. Our common stock included in this offering should be treated as "equity interests" for purposes of the Plan Asset Regulations.

The Plan Asset Regulations provide exceptions to the look-through rule for equity interests in some types of entities, including any entity which qualifies as either a "real estate operating company" or a "venture capital operating company." Under the Plan Asset Regulations, a "real estate operating company" is defined generally, as an entity: (i) which on testing dates has at least 50% of its assets,

other than short-term investments pending long-term commitment or distribution to investors, valued at cost; (ii) invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development activities; and (iii) which, in the ordinary course of its business, is engaged directly in real estate management or development activities.

According to those same regulations, a “venture capital operating company” is defined, generally, as an entity that on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost invested in one or more operating companies with respect to which the entity has management rights; and that, in the ordinary course of its business, actually exercises its management rights with respect to one or more of the operating companies in which it invests.

Another exception under the Plan Asset Regulations applies to “publicly offered securities,” which are defined as securities that are: (i) freely transferable; (ii) part of a class of securities that is widely held; and (iii) either part of a class of securities that is registered under Section 12(b) or 12(g) of the Exchange Act, or sold to an ERISA Plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and the class of securities of which this security is a part is registered under the Exchange Act within 120 days, or longer if allowed by the SEC, after the end of the fiscal year of the issuer during which this offering of these securities to the public occurred.

Whether a security is considered “freely transferable” depends on the facts and circumstances of each case. Under the Plan Asset Regulations, if the security is part of an offering in which the minimum investment is \$10,000 or less, then any restriction on or prohibition against any transfer or assignment of the security for the purposes of preventing a termination or reclassification of the entity for federal or state tax purposes or which would violate any state or federal statute, regulation, court order, judicial decree, or rule of law will not ordinarily prevent the security from being considered freely transferable. Additionally, limitations or restrictions on the transfer or assignment of a security that are created or imposed by persons other than the issuer of the security or persons acting for or on behalf of the issuer will ordinarily not prevent the security from being considered freely transferable.

A class of securities is considered “widely held” if it is a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be “widely held” because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer’s control.

We expect that our common stock will meet the criteria of the publicly offered securities exception to the look-through rule. First, our common stock should be considered to be freely transferable, as the minimum investment will be less than \$10,000 and the only restrictions upon transfer of our common stock are those generally permitted under the Plan Asset Regulations, those required under federal tax laws to maintain our status as a REIT, resale restrictions under applicable federal securities laws with respect to securities not purchased pursuant to a registered public offering and those owned by officers, directors and other affiliates, and voluntary restrictions agreed to by a selling shareholder regarding volume limitations.

Second, we expect (although we cannot confirm) that our common stock will be held by 100 or more investors and that at least 100 or more of these investors will be independent of us and of one another.

Third, our common stock included in this offering will be part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and our common stock will be registered under the Exchange Act.



If, however, none of the exceptions under the Plan Asset Regulations were applicable to us and we were deemed to hold plan assets subject to ERISA or Section 4975 of the Code, such plan assets would include an undivided interest in the assets held by us. In such event, such assets and the persons providing services with respect to such assets would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code.

In addition, if our assets were treated as plan assets: (i) the prudence and other fiduciary responsibility standards of ERISA would apply to certain investments made by us, and (ii) certain of our activities could be deemed to constitute a transaction prohibited under Title I of ERISA or Section 4975 of the Code (e.g., the extension of credit between an ERISA Plan and a Party in Interest or Disqualified Person). Such transactions may, however, be subject to a statutory or administrative exemptions, such as Prohibited Transaction Class Exemption, or PTCE 84-14, as amended, which exempts certain transactions effected on behalf of an ERISA Plan by a “qualified professional asset manager,” as discussed below.

Whether or not our underlying assets are deemed to include “plan assets” as described above, the acquisition and/or holding of our common stock by an ERISA Plan with respect to which we or an underwriter is considered a Party-In-Interest or a Disqualified Person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the DOL has issued prohibited transaction class exemptions, or PTCEs, that may apply to the acquisition and holding of our common stock. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption from certain of the prohibited transaction provision of ERISA and Section 4975 of the Code, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Neither we, nor any underwriter, nor any of our respective affiliates, agents or employees (the “Transaction Parties”) will act as a fiduciary to any ERISA Plan with respect to the ERISA Plan’s decision to invest in common stock, and none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with any ERISA Plan’s acquisition of common stock. Each fiduciary or other person with investment responsibilities over the assets of an ERISA Plan considering an investment in common stock must carefully consider the above factors before making an investment.

In addition, the person making the decision to acquire common stock on behalf of an ERISA Plan (the “Plan Fiduciary”) from a Transaction Party will be deemed to have represented and warranted that (1) none of the Transaction Parties has provided or will provide advice with respect to the acquisition of common stock by the ERISA Plan, other than to the Plan Fiduciary which is independent of the Transaction Parties, and the Plan Fiduciary either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the “Advisers Act”), or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency; (b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of an ERISA Plan; (c) is an investment adviser registered under the Advisers

Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203a of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Exchange Act; or (e) has, and at all times during the ERISA Plan's holding of common stock will have, total assets of at least U.S. \$50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of the individual retirement account that is acquiring common stock, or (ii) a participant or beneficiary of the ERISA Plan acquiring common stock in such capacity); (2) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition of common stock by the ERISA Plan; (3) the Plan Fiduciary is a "fiduciary" with respect to the ERISA Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the ERISA Plan's acquisition of common stock; (4) none of the Transaction Parties has exercised any authority to cause the ERISA Plan to acquire common stock or to negotiate the terms of such acquisition; (5) none of the Transaction Parties receives a fee or other compensation from the ERISA Plan or the Plan Fiduciary for the provision of investment advice in connection with the decision to acquire common stock; and (6) the Plan Fiduciary has been informed by the Transaction Parties: (a) (i) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and (ii) that no such entity has given investment advice or otherwise made a recommendation, in connection with the ERISA Plan's acquisition of common stock (other than advice, if any, given by a Transaction Party to an independent Plan Fiduciary that meets the requirements of clause (1) above); and (b) of the existence and nature of the Transaction Parties' financial interests in the ERISA Plan's acquisition of common stock. The above representations are intended to comply with the DOL's Reg. Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

Each plan fiduciary should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment or similar rules that may apply to plans subject to Similar Law. Each plan fiduciary should also determine on its own whether any exceptions or exemptions are necessary and applicable and whether all conditions of any such exceptions or exemptions have been satisfied.

Moreover, each ERISA Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, acquiring common stock is appropriate for the ERISA Plan, taking into account the overall investment policy of the ERISA Plan and the composition of the ERISA Plan's investment portfolio.

The foregoing discussion is general in nature, is not intended to be all-inclusive, and is based on laws in effect on the date of this prospectus. Such discussion should not be construed as legal advice. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries of ERISA Plans and other persons considering purchasing our common stock on behalf of, or with the assets of, any ERISA Plan consult with counsel regarding the potential applicability of ERISA, and Section 4975 of the Code to such investment and whether any exceptions or exemptions are applicable (including the publicly offered securities exception) and whether all conditions of any such exceptions or exemptions have been satisfied.

## UNDERWRITING

Our company and the underwriters named below have entered into an underwriting agreement with respect to the shares of common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares of common stock indicated in the following table. Goldman Sachs & Co. LLC and Citigroup Global Markets Inc. are the representatives of the underwriters.

<u>Underwriters</u>	<u>Number of Shares</u>
Goldman Sachs & Co. LLC	
Citigroup Global Markets Inc.	
Barclays Capital Inc.	
Total	

The underwriters are committed to take and pay for all of the shares of common stock being offered, if any are taken, other than the shares of common stock covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional \_\_\_\_\_ shares of common stock from our company to cover sales by the underwriters of a greater number of shares of common stock than the total number set forth in the table above. They may exercise the option for 30 days. If any shares of common stock are purchased pursuant to the option, the underwriters will severally purchase shares of common stock in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to \_\_\_\_\_ additional shares of common stock.

### Paid by Our Company

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	\$	\$
Total	\$	\$

Shares of common stock sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares of common stock sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. After the initial offering of the shares of common stock, the representatives may change the offering price and the other selling terms. The offering of the shares of common stock by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors and holders of substantially all of our common stock and OP units prior to this offering have agreed with the underwriters, subject to certain exceptions, not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or hedge any of their common stock, or any options or warrants to purchase any shares common stock of the company, or any securities convertible into, exchangeable for or that represent the right to receive shares of common stock of the company (including OP units), whether now owned or hereinafter acquired, owned directly by our company or these other persons (including holding as a custodian) or with respect to which our company or such other persons has beneficial ownership within the rules and regulations of the Securities and Exchange Commission during the period from the date of this prospectus continuing through the date 180 days (or 365 days, in the case of Eldridge) after the date of this prospectus.

The restrictions described in the immediately preceding paragraph do not apply to, with respect to us or our operating partnership:

- the shares of common stock sold in this offering to the underwriters;
- any common stock or securities issued pursuant to an employee stock option plan existing on the date of this prospectus; and
- any common stock or securities convertible or exchangeable for common stock outstanding pursuant to an employee stock option plan as of the date of this prospectus.

In addition, the restrictions above with respect to officers, directors and holders do not apply to a transfer by our officers, directors or holders of our common stock that satisfies one of the following conditions:

- is a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions described herein;
- is to any trust for the direct or indirect benefit of such officers, directors or holders or the immediate family of such officers, directors or holders, provided that the trustee of the trust agrees to be bound in writing by the restrictions described herein, and provided further that any such transfer shall not involve a disposition for value; or
- with the prior written consent of the representatives of the underwriters.

At our request, the underwriters have reserved up to       % of the shares for sale at the initial public offering price to our directors, officers, employees and certain related persons through a directed share program. The number of shares available for sale to the general public will be reduced by the number of directed shares purchased by participants in the program. Our officers and directors will be subject to the restrictions described in the paragraphs above. Any directed shares not purchased will be offered by the underwriters to the general public on the same basis as all other shares offered. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of the directed shares.

Prior to the offering, there has been no public market for the shares of common stock. The initial public offering price has been negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares of common stock, in addition to prevailing market conditions, will be our company's historical performance, estimates of the business potential and earnings prospects of our company, an assessment of our company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We have applied to list the common stock on the NYSE under the symbol "EPRT." In order to meet one of the requirements for listing the common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares of common stock to a minimum of 400 beneficial holders.

In connection with the offering, the underwriters may purchase and sell common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares of common stock for which the underwriters' option to purchase additional common stock described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares of common stock or purchasing shares of common stock in the open market. In determining the source of shares of common stock to cover the covered short position, the

underwriters will consider, among other things, the price of shares of common stock available for purchase in the open market as compared to the price at which they may purchase additional shares of common stock pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares of common stock for which the option to purchase additional common stock described above may be exercised. The underwriters must cover any such naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares of common stock sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on NYSE, in the over-the-counter market or otherwise.

### **Canada**

The shares of common stock may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the shares of common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **European Economic Area**

In relation to each member state of the European Economic Area, no offer of the shares of common stock which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares of common stock referred to in (a) to (c) above shall result in a requirement for the company or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of shares of common stock is made or who receives any communication in respect of any offer of shares of common stock, or who initially acquires any shares of common stock will be deemed to have represented, warranted, acknowledged and agreed to and with each representative and the company that (1) it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any shares of common stock acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the shares of common stock acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or where shares of common stock have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those shares of common stock to it is not treated under the Prospectus Directive as having been made to such persons.

The company, the representatives and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus has been prepared on the basis that any offer of shares of common stock in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares of common stock. Accordingly any person making or intending to make an offer in that Member State of shares of common stock which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the company or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the company nor the representatives have authorized, nor do they authorize, the making of any offer of shares of common stock in circumstances in which an obligation arises for the company or the representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression an "offer of shares of common stock to the public" in relation to any shares of common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

#### ***United Kingdom***

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial

Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

### **France**

Neither this prospectus nor any other offer material relating to the shares of common stock has been prepared in the context of a public offer of shares of common stock in the French Republic within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code Monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the Autorité des Marchés Financiers ("AMF") and has therefore not been and will not be submitted to the clearance procedures of the AMF for prior approval or otherwise or notified to the AMF after clearance of the competent authority of a Member State of the European Economic Area.

The shares of common stock have not been offered, sold or otherwise transferred and will not be offered, sold or otherwise transferred, directly or indirectly, to the public in the French Republic. Neither this prospectus nor any other offer material relating to the shares of common stock has been or will be (A) released, issued, distributed or caused to be released, issues or distributed to the public in the French Republic or (B) used in connection with any offer for subscription or sale of the shares of common stock in the French Republic.

Any offers, sales or other transfers of the shares of common stock in the French Republic may only be made in accordance with Article L.411-2 of the French Monetary and Financial Code and only (A) to investment services providers authorised to engage in portfolio management on a discretionary basis on behalf of third parties (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers) and/or to "qualified investors" ("Investisseurs Qualifiés") and/or to a restricted group of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in and in accordance with Articles L.411-2 D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code or (B) in a transaction that, in accordance with Article L.411-2-I-1 or -2 or -3 of the French Monetary and Financial Code and Article 211-2 of the General Regulations of the AMF does not constitute a public offer (offre au public), and is in compliance with Articles L.341-1 to L.341-17 of the French Monetary and Financial Code.

Pursuant to Article 211-3 of the General Regulations of AMF, the shares of common stock may only be resold, directly or indirectly, to the public in the French Republic in accordance with applicable laws relating to public offerings (which are in particular embodied in Article L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code).

### **Netherlands**

The prospectus is not addressed to or intended for and the shares of common stock described in the prospectus are not and will not be, directly or indirectly, offered, sold, transferred or delivered to any individual or legal entity in the Netherlands except to individuals or entities that are qualified investors (gekwalificeerde beleggers) within the meaning of Article 1:1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht, Wft). As a consequence no approved prospectus has to be published in the Netherlands pursuant to Article 3 of the European Directive 2003/71/EC as amended (including by Directive 2010/73/EU) and implemented in Netherlands law.

### **Switzerland**

The shares of common stock may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the shares of common stock constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland, or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended ("CISA"), and neither this prospectus nor any other offering or marketing material relating to the shares of common stock may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the offering, the company or the shares of common stock have been or will be filed with or approved by any Swiss regulatory authority. The shares of common stock and this prospectus are not subject to the supervision by any Swiss regulatory authority, e.g. the Swiss Financial Market Supervisory Authority FINMA, and investors in the shares of common stock will not benefit from protection or supervision by such authority.

The offering or distribution of the shares of common stock in Switzerland and/or to Swiss investors will be exclusively made to, and directed at, (i) regulated financial intermediaries within the meaning of Article 10 para. 3 letter a CISA and (ii) to regulated insurance institutions within the meaning of Article 10 para. 3 letter b CISA ((i) and (ii) together, the "Regulated Qualified Investors"). The company has not been and will not be registered with the Swiss Financial Market Supervisory Authority FINMA and has not appointed a Swiss representative and a Swiss paying agent pursuant to the CISA. This prospectus, the company and the shares of common stock, as well as any information and documents in connection therewith, may not be distributed or made available in Switzerland and/or to Swiss investors, except to Regulated Qualified Investors exclusively.

### **Hong Kong**

The shares of common stock may not be offered or sold in Hong Kong by means of any document, other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("Securities and Futures Ordinance"), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares of common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares of common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

### **Singapore**

The shares of common stock which are the subject of this prospectus do not represent units in a collective investment scheme which is authorized or recognized by the Monetary Authority of Singapore



(MAS) under Section 286 or 287 of the Securities and Futures Act (Chapter 289 of Singapore) (SFA) and this prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the SFA. This prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of common stock will not be circulated or distributed, nor will the shares of common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore, other than institutional investors as defined in Section 4A of the SFA or relevant regulations thereunder.

### **Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ("ASIC"), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares of common stock may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares of common stock without disclosure to investors under Chapter 6D of the Corporations Act.

The shares of common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring the shares of common stock must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

### **Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares of common stock to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of common stock offered should conduct their own due diligence on the shares of common stock. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

### **Saudi Arabia**

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the board of the Saudi Arabian

Capital Market Authority ("CMA") pursuant to resolution number 2-11-2004 dated 4 October 2004 as amended by resolution number 1-28-2008, as amended (the "CMA Regulations"). The CMA does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the shares of common stock offered hereby should conduct their own due diligence on the accuracy of the information relating to the shares of common stock. If you do not understand the contents of this document, you should consult an authorized financial adviser.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts, will be approximately \$ \_\_\_\_\_, including up to \$ \_\_\_\_\_ in connection with the qualification of this offering with the Financial Industry Regulatory Authority, Inc. by counsel to the underwriters.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

Affiliates of certain of the underwriters, including affiliates of Barclays Capital Inc., Citigroup Global Markets Inc. and Goldman Sachs Bank USA are expected to be lenders to us under the revolving credit facility that we expect to enter into upon completion of this offering.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and nonfinancial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates also may communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## LEGAL MATTERS

Certain legal matters, including certain tax matters, will be passed upon for us by Sidley Austin LLP, New York, New York. Latham & Watkins LLP, Los Angeles, California, will act as counsel to the underwriters. Venable LLP, Baltimore, Maryland, will pass upon the validity of the shares of our common stock sold in this offering and certain other matters under Maryland law.

## EXPERTS

The consolidated financial statements of Essential Properties Realty Trust, Inc. Predecessor as of December 31, 2017 and 2016, and for the year ended December 31, 2017 and for the period from March 30, 2016 (Commencement of Operations) to December 31, 2016, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The balance sheet of Essential Properties Realty Trust, Inc. at January 17, 2018 appearing in this Prospectus and Registration Statement has been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Unless otherwise indicated, all statistical and economic market data included in this prospectus, including information relating to the economic conditions in the single-tenant market contained in "Prospectus Summary" and "Market Opportunity" is derived from market information prepared for us by RCG, a nationally recognized real estate consulting firm, and is included in this prospectus in reliance on RCG's authority as an expert in such matters.

## WHERE YOU CAN FIND MORE INFORMATION

We maintain a web site at [www.essentialproperties.com](http://www.essentialproperties.com). Information contained on our web site is not incorporated by reference into this prospectus, and you should not consider information contained on our web site to be part of this prospectus.

We have filed a Registration Statement on Form S-11, of which this prospectus constitutes a part, with the SEC under the Securities Act with respect to this offering of our common stock. This prospectus does not contain all of the information set forth in the registration statement, which also includes numerous exhibits and schedules. For further information with respect to our company and the shares of common stock offered hereby, reference is made to the registration statement, including the exhibits and schedules thereto. Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete, and where such document has been filed as an exhibit to the registration statement, each statement is qualified in all respects by reference to the contents of the full document. Copies of the registration statement, including the exhibits and schedules thereto, may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you, free of charge, on the SEC's web site, [www.sec.gov](http://www.sec.gov).

As a result of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act, and we will file periodic reports and other information with the SEC. These periodic reports and other information will be available for inspection and copying at the SEC's public reference facilities and through the SEC's web site referred to above.

**INDEX TO FINANCIAL STATEMENTS****Historical Financial Statements of Essential Properties Realty Trust, Inc. (audited):**

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**Essential Properties Realty Trust, Inc. Predecessor Historical Consolidated Financial Statements (audited):**

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**Essential Properties Realty Trust, Inc. Predecessor Historical Consolidated Financial Statements (unaudited):**

<a href="#">Consolidated Balance Sheets as of March 31, 2018 (unaudited) and December 31, 2017....</a>	F-46
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**Unaudited Pro Forma Consolidated Financial Statements of Essential Properties Realty Trust, Inc.:**

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## **Report of Independent Registered Public Accounting Firm**

To the Shareholder and the Board of Directors of Essential Properties Realty Trust, Inc.

### **Opinion on the Financial Statement**

We have audited the accompanying balance sheet of Essential Properties Realty Trust, Inc. (the Company) as of January 17, 2018, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at January 17, 2018, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2017.

New York, New York  
January 24, 2018

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**BALANCE SHEET**  
January 17, 2018

<b>ASSETS</b>	
Cash and cash equivalents	\$ 100
Total assets	<u>\$ 100</u>
<b>STOCKHOLDER'S EQUITY</b>	
Common stock, \$0.01 par value per share, 100,000,000 authorized, 100 issued and outstanding	\$ 1
Additional paid-in capital	99
Total stockholder's equity	<u>\$ 100</u>

**Notes to Balance Sheet  
January 17, 2018**

**1. Organization**

Essential Properties Realty Trust, Inc. (the "Company") was organized in the state of Maryland on January 12, 2018. Under its articles of incorporation, the Company is authorized to issue up to 100,000,000 shares of common stock, \$0.01 par value per share.

The Company intends to conduct an initial public offering of shares of its common stock (the "Offering"). Proceeds from the Offering will be used to repay indebtedness to an affiliate of Eldridge and for general corporate purposes, including potential future investments.

Substantially all of the Company's assets will be held by, and its operations will be conducted through operations will be conducted through Essential Properties, L.P. (the "Operating Partnership"), which will become the Company's operating partnership through a series of formation transactions. A wholly-owned subsidiary of the Company, Essential Properties OP G.P., LLC, will be the sole general partner in the Operating Partnership. As of January 17, 2018, the Company has not commenced operations; accordingly, no statement of operations or statement of cash flows is presented.

The sole stockholder of the Company is EPRT Holdings, LLC ("EPRT Holdings"). EPRT Holdings' initial investment in the Company was \$100, made on January 17, 2018, in exchange for 100 shares of the Company's common stock.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying balance sheet of the Company is prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the rules and regulations of the U.S. Securities and Exchange Commission.

***Use of Estimates***

The preparation of the balance sheet in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the balance sheet and disclosure in the accompanying notes. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents includes cash in the Company's bank account. The Company considers all cash balances and highly-liquid investments with original maturities of three months or less to be cash and cash equivalents. The Company deposits cash with high quality financial institutions. These deposits are guaranteed by the Federal Deposit Insurance Company ("FDIC") up to an insurance limit. As of January 17, 2018, the Company did not have any deposits in excess of the amount insured by the FDIC.

***Fair Value Measurement***

As of January 17, 2018, the Company's only financial instrument was cash and cash equivalents, the fair value of which was estimated to approximate its carrying amount.



### ***Income Taxes***

The Company intends to elect to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code of 1986, as amended, commencing with its taxable year ending December 31, 2018. Accordingly, the Company will generally not be subject to U.S. federal corporate income tax to the extent of its distributions to stockholders and as long as certain asset, income and share ownership tests are met. To qualify as a REIT, the Company must annually distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal corporate income tax.

### ***Offering Costs***

In connection with the Offering, affiliates of the Company have or will incur legal, accounting, and related costs, which will be reimbursed by the Company upon the consummation of the Offering. Such costs will be deducted from the proceeds of the Offering when it is consummated or expensed if the Offering is not consummated. Such costs totaled \$1.3 million through January 17, 2018.

### ***Underwriting Discounts and Costs***

Underwriting discounts and costs to be incurred in connection with the Offering will be reflected as a reduction of additional paid-in capital.

### ***3. Subsequent Events***

The Company has evaluated all events and transactions that occurred after January 17, 2018 through January 24, 2018, the date this balance sheet was available to be issued and noted there have been no events that have occurred that would require adjustment to disclosures in the balance sheet.

## Report of Independent Registered Public Accounting Firm

To the Members of Essential Properties Realty Trust, Inc. Predecessor

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Essential Properties Realty Trust, Inc. Predecessor (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive income, members' equity and cash flows for the year ended December 31, 2017 and the period from March 30, 2016 (Commencement of Operations) to December 31, 2016, and the related notes and financial statement schedule listed in the Index to Financial Statements (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for the year ended December 31, 2017 and the period from March 30, 2016 (Commencement of Operations) to December 31, 2016, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2017.

New York, New York  
March 7, 2018

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR**  
**HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Balance Sheets**  
(In thousands)

	December 31,	
	2017	2016
<b>ASSETS</b>		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$278,985	\$142,401
Building and improvements	584,385	253,792
Lease incentive	2,275	2,000
Construction in progress	4,076	957
Intangible lease assets	62,453	55,858
Total real estate investments, at cost	932,174	455,008
Less: accumulated depreciation and amortization	(24,825)	(6,121)
Total real estate investments, net	907,349	448,887
Direct financing lease receivables, net	2,725	3,659
Real estate investments held for sale, net	4,173	—
Net investments	914,247	452,546
Cash and cash equivalents	7,250	1,825
Restricted cash	12,180	10,097
Straight-line rent receivable, net	5,498	1,244
Prepaid expenses and other assets, net	3,045	576
Total assets(1)	<u>\$942,220</u>	<u>\$466,288</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Secured borrowings, net of deferred financing costs	\$511,646	\$272,823
Notes payable to related party	230,000	—
Intangible lease liabilities, net	12,321	16,385
Intangible lease liabilities held for sale, net	129	—
Accrued liabilities and other payables (including \$0.3 million due to a related party as of December 31, 2017)	6,722	2,430
Total liabilities(1)	760,818	291,638
Commitments and contingencies (see Note 8)	—	—
Members' equity		
Class A units, \$1,000 per unit, 83,700 issued and outstanding as of December 31, 2017	86,668	—
Class B units, 8,550 issued and 1,610 vested and outstanding as of December 31, 2017	574	—
Class C units, \$1,000 per unit, 91,450 issued and outstanding as of December 31, 2017	94,064	174,650
Class D units, 3,000 issued and 600 vested and outstanding as of December 31, 2017	96	—
Total members' equity	181,402	174,650
Total liabilities and members' equity	<u>\$942,220</u>	<u>\$466,288</u>

- (1) The Company's consolidated balance sheets includes assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 4. As of December 31, 2017 and 2016, respectively, the consolidated balance sheets included the following amounts related to the Company's consolidated VIEs: \$191.7 million and \$109.0 million of land and improvements, \$391.3 million and \$185.0 million of building and improvements, \$2.1 million and \$2.0 million of capitalized lease incentive, \$49.7 million and \$47.8 million of intangible lease assets, \$21.4 million and \$5.3 million of accumulated depreciation and amortization, \$2.4 million and \$1.7 million of net investment in direct financing lease receivables, \$4.2 million and \$0.0 million of real estate investments held for sale, net, \$5.0 million and \$1.1 million of straight-line rent receivable, \$511.6 million and \$272.8 million of secured borrowings, net of deferred financing costs, \$10.8 million and \$14.0 million of intangible lease liabilities, net, and \$0.1 million and \$0.0 million of intangible lease liabilities held for sale, net.

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR HISTORICAL  
CONSOLIDATED FINANCIAL STATEMENTS**  
Consolidated Statements of Operations and Comprehensive Income  
(In thousands)

	Year Ended December 31, 2017	Period from March 30, 2016 (Commencement of Operations) to December 31, 2016
Revenues:		
Rental revenue	\$ 53,373	\$ 15,271
Interest income on direct financing lease receivables	293	161
Other revenue	832	91
Total revenues	<u>54,498</u>	<u>15,523</u>
Expenses:		
Interest (including \$3.5 million to related parties in 2017)	22,574	987
General and administrative	8,936	4,398
Property expenses	1,547	533
Depreciation and amortization	19,516	5,428
Provision for impairment of real estate	2,377	1,298
Total expenses	<u>54,950</u>	<u>12,644</u>
Income (loss) before gain on dispositions of real estate	(452)	2,879
Gain on dispositions of real estate, net	6,748	871
Net income	<u>6,296</u>	<u>3,750</u>
Comprehensive income	<u>\$ 6,296</u>	<u>\$ 3,750</u>

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR**  
**HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Members' Equity**  
(In thousands)

	SCF Funding LLC	Class A Units	Class B Units	Class C Units	Class D Units	Total Members' Equity
<b>Balance at March 30, 2016 (Commencement of Operations)</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions	451,693	—	—	—	—	451,693
Distributions	(280,793)	—	—	—	—	(280,793)
Net income	3,750	—	—	—	—	3,750
<b>Balance at December 31, 2016</b>	174,650	—	—	—	—	174,650
Contributions	17,308	83,700	—	—	—	101,008
Distributions	(101,222)	—	—	—	—	(101,222)
Conversion of equity resulting from issuance of units	(90,823)	—	—	90,823	—	—
Unit compensation expense	—	—	574	—	96	670
Net income	87	2,968	—	3,241	—	6,296
<b>Balance at December 31, 2017</b>	<u>\$ —</u>	<u>\$ 86,668</u>	<u>\$ 574</u>	<u>\$ 94,064</u>	<u>\$ 96</u>	<u>\$ 181,402</u>

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR HISTORICAL  
CONSOLIDATED FINANCIAL STATEMENTS  
Consolidated Statements of Cash Flows  
(In thousands)**

	Year Ended December 31, 2017	March 30, 2016 (commencement of operations) to December 31, 2016
<b>Cash flows from operating activities:</b>		
Net income	\$ 6,296	\$ 3,750
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and lease intangible amortization	19,516	5,428
Amortization of lease incentive	139	11
Amortization of above/below market leases	531	116
Amortization of deferred financing costs	1,884	101
Provision for impairment of real estate	2,377	1,298
Gain on dispositions of investments, net	(6,749)	(871)
Straight-line rent receivable	(4,329)	(1,244)
Unit compensation expense	841	—
Allowance for doubtful accounts	148	—
Changes in other assets and liabilities:		
Prepaid expenses and other assets	(2,301)	(501)
Accrued liabilities and other payables	4,121	2,430
<b>Net cash provided by operating activities</b>	<b>22,474</b>	<b>10,518</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments, net	53,626	16,476
Principal collections on direct financing receivables	79	37
Investment in direct financing receivables	—	(3,696)
Deposits paid for prospective real estate investments	(251)	(75)
Investment in real estate	(509,777)	(288,914)
Investment in construction in progress	(7,737)	(957)
Lease incentives paid	(275)	(2,000)
Capital expenditures	(48)	—
<b>Net cash used in investing activities</b>	<b>(464,383)</b>	<b>(279,129)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of notes payable to related parties	543,000	—
Payments on principal of notes payable to related parties	(313,000)	—
Proceeds from secured borrowings	248,100	7,495
Repayments of secured borrowings	(5,597)	(316)
Deferred financing costs	(5,564)	(7,713)
Capital contributions	83,700	288,604
Distributions paid	(101,222)	(7,537)
<b>Net cash provided by financing activities</b>	<b>449,417</b>	<b>280,533</b>
Net increase in cash and cash equivalents and restricted cash	7,508	11,922
Cash and cash equivalents and restricted cash, beginning of period	11,922	—
Cash and cash equivalents and restricted cash, end of period	<u>\$ 19,430</u>	<u>\$ 11,922</u>
<b>Reconciliation of cash and cash equivalents and restricted cash:</b>		
Cash and cash equivalents	\$ 7,250	\$ 1,825
Restricted cash	12,180	10,097
Cash and cash equivalents and restricted cash, end of period	<u>\$ 19,430</u>	<u>\$ 11,922</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest, net of amounts capitalized	\$ 20,439	\$ 633
<b>Non-cash investing and financing activities:</b>		
Reclassification from construction in progress upon project completion	\$ 4,618	\$ —
Non-cash equity contributions	17,308	163,089
Non-cash distributions	—	(273,256)
Real estate investments acquired through direct equity investment	(17,308)	(163,089)
Non-cash proceeds from secured borrowings	—	273,256

**Notes to Consolidated Financial Statements**  
**December 31, 2017 and December 31, 2016**

**1. Organization**

Essential Properties Realty Trust LLC (“EPRT LLC” and, collectively with EPRT Holdings, as defined below, the “Company”), formerly known as SCF Realty Capital LLC, is an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. The Company has a diversified portfolio that focuses on properties leased to tenants in businesses such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education and health and fitness. The Company seeks to acquire and lease freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities that are essential to the generation of the tenant’s sales and profits.

Through a series of formation transactions, the Company expects to convert from a Delaware limited liability company into a Delaware limited partnership, change its name to Essential Properties, L.P. (the “Operating Partnership”) and become a subsidiary of Essential Properties Realty Trust, Inc., a Maryland Corporation (the “REIT”). Essential Properties OP G.P., LLC, a wholly-owned subsidiary of the REIT, will become the sole general partner of the Operating Partnership. The REIT expects to hold substantially all of its assets and conduct its operations through the Operating Partnership. The REIT intends to complete an initial public offering of shares of its common stock (the “Offering”). In connection with the Offering, the REIT has filed a registration statement on Form S-11 with the Securities and Exchange Commission.

EPRT LLC, a Delaware limited liability company, was formed and commenced operations on March 30, 2016 by its initial sole member, SCF Funding LLC (the “Parent”), and the affairs of EPRT LLC were managed by Stonebriar Finance Holdings LLC (the “Manager”). The Parent and Manager are ultimately wholly-owned through a series of Delaware LLCs by Eldridge Industries, LLC (“Eldridge”). EPRT LLC’s operating agreement (the “Operating Agreement”) provides certain limitations on the liability of the Parent and the Manager. These limitations include 1) that neither the Parent nor the Manager shall be liable for the debts, obligations or liabilities of the Company solely by reason of being a member or manager of the Company, 2) that neither the Parent nor the Manager shall be liable to the Company or to any member of the Company or other person or entity who may become party to the Operating Agreement for any breach of the Operating Agreement arising under or in connection with the Operating Agreement except for any act or omission made in bad faith, and 3) the Company indemnifies the Parent, Manager and officers from and against all losses, claims, damages, liabilities, costs and expenses except those resulting primarily from bad faith of the indemnitee.

On June 16, 2016, EPRT LLC completed its initial investment through the acquisition of 262 properties from GE Capital US Holdings, Inc. (“GE Capital”) and subsequently acquired an additional 7 properties in September 2016 and 2 properties in December 2016 from GE Capital (collectively, the “GE Capital Portfolio”). The GE Capital Portfolio is primarily comprised of quick service, family dining and casual dining restaurants. The total purchase price of the GE Capital Portfolio, exclusive of acquisition costs, was \$282.4 million. Prior to June 16, 2016, EPRT LLC had no rental revenue.

On January 31, 2017, EPRT LLC received additional capital contributions from Stonebriar Holdings LLC (“Stonebriar Holdings”) and members of the EPRT LLC’s management (“EPRT Management”), and issued four classes of equity units: Class A, Class B, Class C and Class D. The Class A and C units have voting rights while the Class B and D units do not have voting rights. After these equity contributions, the Parent owned approximately 52.3% of EPRT LLC, Stonebriar Holdings owned approximately 45.7% and EPRT Management owned approximately 2.0%.

On December 31, 2017, EPRT LLC reorganized (the "Reorganization") and the holders of the Class A, Class B, Class C and Class D units contributed all of their interests in EPRT LLC to a newly formed Delaware limited liability company, EPRT Holdings, LLC ("EPRT Holdings"), in exchange for interests in EPRT Holdings with the same rights to the interests they held in EPRT LLC. The Reorganization lacked economic substance as the newly issued units of EPRT Holdings have the same rights and privileges as the previously issued units of EPRT LLC and there was no change in ownership percentages of the individual unitholders. As of such date, EPRT LLC became a wholly-owned subsidiary of EPRT Holdings. The Reorganization has been accounted for as a reorganization of entities under common control in the Company's consolidated financial statements and the assets and liabilities of EPRT LLC have been recorded by EPRT Holdings at their historical carrying amounts. As a result of the Reorganization, the consolidated financial statements presented here are of EPRT Holdings. See Note 6—Members' Equity for additional information.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Accounting***

The accompanying consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC").

### ***Reclassifications***

Certain prior year amounts within cash flows from investing activities have been reclassified to conform with the current year presentation.

### ***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. As of December 31, 2017 and 2016, all subsidiaries were wholly-owned.

### ***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Investments in real estate are carried at cost less accumulated depreciation and impairment losses, if any. The cost of investments in real estate reflects their purchase price or development cost. The Company evaluates each acquisition transaction to determine whether the acquired assets meet the definition of a business. Under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, an acquisition does not qualify as a business when there is no substantive process acquired or substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay. Transaction costs related to acquisitions that are asset acquisitions are capitalized as part of the cost basis of the acquired assets, while transaction costs for acquisitions that are deemed to be



acquisitions of a business are expensed as incurred. Improvements and replacements are capitalized when they extend the useful life or improve the productive capacity of the asset. Costs of repairs and maintenance are expensed as incurred.

The Company allocates the purchase price of acquired properties accounted for as asset acquisitions to tangible and identifiable intangible assets or liabilities based on their relative fair values. Tangible assets may include land, site improvements and buildings. Intangible assets may include the value of in-place leases and above- and below-market leases and other identifiable intangible assets or liabilities based on lease or property specific characteristics.

The Company may incur various costs in the leasing and development of its properties. Amounts paid to tenants that incentivize them to extend or otherwise amend an existing lease or to sign a new lease agreement are capitalized to lease incentive on the Company's consolidated balance sheets. Tenant improvements are capitalized to building and improvements within the Company's consolidated balance sheets. Costs incurred which are directly related to properties under development, which include preconstruction costs essential to the development of the property, development costs, construction costs, interest costs and real estate taxes and insurance, are capitalized during the period of development as construction in progress. After the determination is made to capitalize a cost, it is allocated to the specific component of a project that benefited. Determination of when a development project commences and capitalization begins, and when a development project has reached substantial completion and is available for occupancy and capitalization must cease, involves a degree of judgment.

The fair value of the tangible assets of an acquired property with an in-place operating lease is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to the tangible assets based on the fair value of the tangible assets. The fair value of in-place leases is determined by considering estimates of carrying costs during the expected lease-up periods, current market conditions, as well as costs to execute similar leases based on the specific characteristics of each tenant's lease. The Company estimates the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. Factors the Company considers in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses, and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from six to 12 months. The fair value of above- or below-market leases is recorded based on the net present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between the contractual amount to be paid pursuant to the in-place lease and the Company's estimate of the fair market lease rate for the corresponding in-place lease, measured over the remaining non-cancelable term of the lease including any below-market fixed rate renewal options for below-market leases.

In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including real estate valuations prepared by independent valuation firms. The Company also considers information and other factors including market conditions, the industry that the tenant operates in, characteristics of the real estate, e.g. location, size, demographics, value and comparative rental rates, tenant credit profile and the importance of the location of the real estate to the operations of the tenant's business. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Company uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of the accounting standard governing asset retirement obligations and, when necessary, will record an asset retirement obligation as part of the purchase price allocation.

Real estate investments that are intended to be sold are designated as "held for sale" on the consolidated balance sheets at the lesser of carrying amount or fair value less estimated selling costs when they meet specific criteria to be presented as held for sale. Real estate investments are no longer depreciated when they are classified as held for sale. If the disposal, or intended disposal, of certain real estate investments represents a strategic shift that has had or will have a major effect on the Company's operations and financial results, the operations of such real estate investments would be presented as discontinued operations in the consolidated statements of operations and comprehensive income for all applicable periods.

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

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings and 15 years for site improvements. During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company recorded \$14.0 million and \$3.0 million of depreciation on its real estate investments, respectively.

Lease incentives are amortized on a straight-line basis as a reduction of rental income over the remaining non-cancellable terms of the respective leases. In the event that a tenant terminates its lease, the unamortized portion of the lease incentive is charged to rental revenue.

Construction in progress is not depreciated until the development has reached substantial completion.

Tenant improvements are depreciated over the non-cancellable term of the related lease or their estimated useful life, whichever is shorter.

Capitalized above-market lease values are amortized on a straight-line basis as a reduction of rental revenue over the remaining non-cancellable terms of the respective leases. Capitalized below-market lease values are accreted on a straight-line basis as an increase to rental revenue over the remaining non-cancellable terms of the respective leases including any below-market fixed rate renewal option periods.

Capitalized above-market ground lease values are accreted as a reduction of property expenses over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property expenses over the remaining terms of the respective leases and any expected below-market renewal option periods where renewal is considered probable.

The value of in-place leases, exclusive of the value of above-market and below-market lease intangibles, is amortized to depreciation and amortization expense on a straight-line basis expense over the remaining periods of the respective leases.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including in-place lease values, is charged to depreciation and amortization expense, while above- and below-market lease adjustments are recorded within rental revenue in the consolidated statement of operations and comprehensive income.

#### ***Direct Financing Lease Receivables***

Certain of the Company's real estate investment transactions are accounted for as direct financing leases. The Company records the direct financing lease receivables at their net investment, determined as the aggregate minimum lease payments and the estimated non-guaranteed residual

value of the leased property less unearned income. The unearned income is recognized over the life of the related lease contracts so as to produce a constant rate of return on the net investment in the asset. The Company's investment in direct financing lease receivables is reduced over the applicable lease term to its non-guaranteed residual value by the portion of rent allocated to the direct financing lease receivables.

If and when an investment in direct financing lease receivables is identified for impairment evaluation, the Company will apply the guidance in both The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310 "Receivables" ("ASC 310") and ASC 840 "Leases" ("ASC 840"). Under ASC 310, the lease receivable portion of the net investment in a direct financing lease receivable is evaluated for impairment when it becomes probable the Company, as the lessor, will be unable to collect all rental payments associated with the Company's investment in the direct financing lease receivable. Under ASC 840, the Company reviews the estimated non-guaranteed residual value of a leased property at least annually. If the review results in a lower estimate than had been previously established, the Company determines whether the decline in estimated non-guaranteed residual value is other than temporary. If a decline is judged to be other than temporary, the accounting for the transaction is revised using the changed estimate and the resulting reduction in the net investment in direct financing lease receivables is recognized by the Company as a loss in the period in which the estimate is changed.

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

If circumstances indicate that the carrying value of a property may not be recoverable, the Company reviews the asset for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property for properties to be held and used. For properties held for sale, the impairment loss is the adjustment to fair value less estimated cost to dispose of the asset. Impairment assessments have a direct impact on the consolidated statements of operations and comprehensive income because recording an impairment loss results in an immediate negative adjustment to the consolidated statements of operations and comprehensive income. For the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company recorded a provision for impairment of real estate of \$2.4 million and \$1.3 million, respectively.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents includes cash in the Company's bank accounts. The Company considers all cash balances and highly-liquid investments with original maturities of three months or less to be cash and cash equivalents. The Company deposits cash with high quality financial institutions. These deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to an insurance limit. As of December 31, 2017 and 2016, the Company had deposits of \$7.3 million and \$1.8 million, respectively, of which \$7.0 million and \$1.6 million, respectively, were in excess of the amount insured by the FDIC. Although the Company bears risk to amounts in excess of those insured by the FDIC, it does not anticipate any losses as a result.

#### ***Restricted Cash***

Restricted cash consists of cash held with the trustee for the Company's Master Trust Funding Program (as defined in Note 4—Secured Borrowings). This restricted cash is used to make principal

and interest payments on the Company's secured borrowings, to pay trust expenses, and to acquire future real estate investments which will be pledged as collateral under the Master Trust Funding Program. See Note 4 Secured Borrowings for further discussion.

#### ***Allowance for Doubtful Accounts***

The Company continually reviews receivables related to rent and unbilled rent receivables and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectability of a receivable is in doubt, the accounts receivable and straight-line rent receivable balances are reduced by an allowance for uncollectible accounts on the consolidated balance sheets or a direct write-off of the receivable is recorded in the consolidated statements of operations. The provision for doubtful accounts is included in property expenses in the Company's consolidated statements of operations and comprehensive income. If the accounts receivable balance or straight-line rent receivable balance is subsequently deemed to be uncollectible, such receivable amounts are written-off to the allowance for doubtful accounts. As of December 31, 2017, the Company recorded an allowance for doubtful accounts of \$0.1 million related to base rent receivable and recorded a reserve against straight-line rent receivable of \$0.1 million.

#### ***Deferred Financing Costs***

Financing costs related to the issuance of the Company's long-term debt are deferred and amortized as an increase to interest expense in the consolidated statements of operations and comprehensive income over the term of the related debt instrument and are reported as a reduction of the related debt balance on the consolidated balance sheets.

#### ***Fair Value Measurement***

The Company estimates fair value of financial and non-financial assets and liabilities based on the framework established in fair value accounting guidance. Fair value is defined as 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 (an exit price). The hierarchy described below prioritizes inputs to the valuation techniques used in measuring the fair value of assets and liabilities. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

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

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

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

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

The Company's rental revenue is primarily related to rent received from tenants. Rent from tenants is recorded in accordance with the terms of each lease on a straight-line basis over the

non-cancellable initial term of the lease from the later of the date of the commencement of the lease or the date of acquisition of the property subject to the lease. Rental revenue recognition begins when the tenant controls the space through the term of the related lease. Because substantially all of the leases provide for rental increases at specified intervals, the Company records a straight-line rent receivable and recognizes revenue on a straight-line basis over the expiration of the non-cancellable term of the lease. The Company takes into account whether the collectability of rents is reasonably assured in determining the amount of straight-line rent to record. Rental revenue from leases with contingent rentals is recognized when changes in the factors on which the contingent payments are based actually occur.

The Company defers rental revenue related to lease payments received from tenants in advance of their due dates. These amounts are presented within accrued liabilities and other payables on the Company's consolidated balance sheets.

Certain properties in the Company's investment portfolio are subject to leases that provide for contingent rent based on a percentage of the tenant's gross sales. For these leases, the Company recognizes contingent rental revenue when the threshold upon which the contingent lease payment is based is actually reached. During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company recorded \$1.1 million and \$0.4 million of contingent rent within rental revenue in the Company's statements of operations and comprehensive income.

#### **Organizational Costs**

Costs related to the initial organization of the Company and its subsidiaries are expensed as they are incurred and are recorded within general and administrative expense in the Company's consolidated statements of operations and comprehensive income.

#### **Offering Costs**

In connection with the Offering, the Company has or will incur legal, accounting, and related costs, which will be reimbursed by the REIT upon the consummation of the Offering. Such costs will be deducted from the proceeds of the Offering when it is consummated or expensed if the Offering is not consummated. As of December 31, 2017, the Company had capitalized \$1.3 million of such costs within prepaid expenses and other assets in the Company's consolidated balance sheets.

#### **Gains and Losses on Dispositions of Real Estate**

Gains and losses on dispositions of real estate investments are recorded in accordance with ASC 360-20, *Property, Plant and Equipment—Real Estate Sales*, and include realized proceeds from real estate disposed of in the ordinary course of business, less their related net book value and less any costs incurred in association with the disposition.

#### **Income Taxes**

During the period from March 30, 2016 (commencement of operations) to December 31, 2016 and through January 31, 2017, the Company and its subsidiaries included in the consolidated financial statements were treated as disregarded entities for U.S. federal and state income tax purposes, and accordingly, the Company was not subject to entity-level tax. Therefore, until the Company's issuance of Class A and Class C units on January 31, 2017, the Company's net income flowed through to the Parent for federal income tax purposes. Following the issuance of Class A and C units, the Company's net income flowed through to Class A and Class C unitholders for federal income tax purposes.

Accordingly, no provision or liability for U.S. federal income taxes has been included in the accompanying consolidated financial statements. With regard to state income taxes, the Company is a taxable entity only in certain states that tax all entities, including partnerships.

The Company analyzes its tax filing positions in all of its U.S. federal, state and local tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in such jurisdictions. The Company follows a two step process to evaluate uncertain tax positions. Step one, recognition, occurs when an entity concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Step two, measurement, determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited. At December 31, 2017 and 2016, the Company has not recorded any accruals for uncertain tax positions. The Company's policy is to classify interest expense and penalties in general and administrative expense in the consolidated statements of operations and comprehensive income. For the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company has not recorded any interest or penalties, and there are no interest or penalties accrued at December 31, 2017 and 2016. The 2017 and 2016 taxable years remain open to examination by federal and state taxing jurisdictions to which the Company is subject.

#### ***Unit Based Compensation***

In 2017, the Company granted unit awards to certain of its employees and managers, as well as non-employees, consisting of units that vest over a multi-year period, subject to the recipient's continued service. The Company accounts for unit-based compensation in accordance with ASC 718, Compensation – Stock Compensation, which requires that compensation related to all unit-based awards, including restricted member units, be recognized in the financial statements based on their estimated grant-date fair value. The value of unit-based awards is recognized as compensation expense in general and administrative expenses in the accompanying consolidated statements of operations over the requisite service periods, with subsequent remeasurement for any unvested units granted to non-employees.

The Company recognizes unit-based compensation using the straight-line method based on the terms of the individual grant.

#### ***Variable Interest Entities***

FASB provides guidance for determining whether an entity is a variable interest entity ("VIE"). VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses, or the right to receive benefits, of the VIE that could potentially be significant to the VIE.

The Company uses VIEs for its secured borrowings. The Company transfers real estate investments and their related leases into a trust and the assets held in the trusts can only be used to settle obligations of the trusts. The Company serves as the servicer for these secured borrowings. The creditors of these trusts have no recourse to the Company. The Company issued one secured borrowing during the year ended December 31, 2017 and one secured borrowing during the period from March 30, 2016 (commencement of operations) to December 31, 2016, which are reported as

secured borrowings on the Company's consolidated balance sheets and the assets included in the trusts are consolidated into the Company's investments as of December 31, 2017 and 2016. The Company consolidates the VIEs as the Company is the primary beneficiary and has power to direct the activities that most significantly impact the economic performance of the VIE. See Note 4—Secured Borrowings for further discussion.

### **Reportable Segments**

ASC Topic 280, Segment Reporting, establishes standards for the manner in which enterprises report information about operating segments. Substantially all of the Company's investments, at acquisition, are comprised of real estate owned that is leased to tenants on a long-term basis. Therefore, the Company aggregates these investments for reporting purposes and operates in one reportable segment.

### **Recent Accounting Developments**

In May 2014, with subsequent updates in 2015, 2016 and 2017, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which establishes a principles-based approach for accounting for revenue from contracts with customers. The standard does not apply to revenue recognition for lease contracts or to the interest income recognized from direct financing receivables, which together represent over 98% of the Company's 2017 revenue. ASU 2014-09 was effective for the Company on January 1, 2018 with early adoption permitted and allows for full retrospective or modified retrospective methods of adoption. In accordance with the Company's implementation plan for adoption, it has evaluated its revenue streams and identified the very few that fall within the scope of this new accounting standard including any impact to the accounting for sales of real estate assets. The Company adopted the standard on January 1, 2018 using the modified retrospective method for transition and did not recognize a cumulative effect adjustment. This new revenue guidance included changes to the accounting for sales of real estate properties; however, based on the Company's analysis, the new standard is not expected to have a material impact on the Company's recognition of real estate sales and resulting recognition of a gain or loss.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases" (Topic 842), ("ASU 2016-02"), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 requires lessees (applicable to the Company's ground lease and corporate office lease obligations) to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less may be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. Additionally, the new standard and the new revenue recognition guidance (discussed above) will impact how lessors account for lease executory costs (such as property taxes, common area maintenance and utilities). Under the current lease accounting guidance, these payments made by its tenants to third parties are excluded from lease payments and rental revenue. Upon adoption of the new lease accounting standard in 2019, these lease executory cost payments will be accounted for as activities or costs that are not components of the lease contract. As a result, the Company may be required to show these payments made by its tenants on a gross basis (for example, both as property tax expense and as corresponding revenue from the tenant who makes the payment directly to the third party) in its consolidated statements of operations and

comprehensive income. Although there is not expected to be any impact to net income or cash flows as a result of a gross presentation, such presentation would have the impact of increasing both reported revenues and property expenses. The Company is continuing to quantify the impact of this potential gross up and will evaluate any ongoing implementation guidance available on this topic. The standard also will require new disclosures within the notes accompanying the consolidated financial statements. ASU 2016-02 supersedes the previous lease standard, Leases (Topic 840). The new guidance requires modified retrospective transition, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. The standard will be effective for the Company on January 1, 2019. The Company has commenced the process of implementing the new leasing standard and has completed an initial inventory and evaluation of its lease contracts as both a lessee and lessor, and the identification of changes needed to the Company's processes and systems impacted by the new standard. Future steps to be completed in 2018 include the identification of changes needed to the Company's processes and systems impacted by the new standard, the implementation of updates and enhancements to the Company's internal control framework, accounting systems and related documentation surrounding its lease accounting processes and the preparation of any additional disclosures that will be required.

In August 2016 and November 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), and ASU 2016-18, "Statement of Cash Flows—Restricted Cash" ("ASU 2016-18"), which addresses classification of certain cash receipts and cash payments, including changes in restricted cash, in the statement of cash flows. The new guidance is effective for reporting periods beginning after December 15, 2017 on a retrospective basis, with early adoption permitted. The Company has chosen to early adopt this guidance effective March 30, 2016 (commencement of operations).

In October 2016, the FASB issued ASU 2016-17, "Consolidation—Interests Held through Related Parties That Are under Common Control" ("ASU 2016-17"), which addresses when a reporting entity will need to evaluate if it should consolidate a VIE. The amendments change the evaluation of whether a reporting entity is the primary beneficiary of a VIE by changing how a single decision maker of a VIE treats indirect interests in the entity held through related parties that are under common control with the reporting entity. The new guidance is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Company has adopted this new guidance and this adoption had no material impact to the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations—Clarifying the Definition of a Business" ("ASU 2017-01"), which provides new guidance on the evaluation of acquisitions as a business combination or asset acquisition. The update requires entities to evaluate whether all of the fair value of the gross asset acquired is concentrated into a single identifiable asset, which would indicate that the set is not a business. This guidance is effective prospectively for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for transactions that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made available for issuance. The adoption of ASU 2017-01 will result in less real estate acquisitions qualifying as business acquisitions and, accordingly, acquisition costs for those acquisitions that are not businesses will be capitalized rather than expensed. The Company has early adopted this guidance.

### **3. Investments**

As of December 31, 2017, the Company had investments in 506 property locations, including 2 developments in progress, and owned 2 additional undeveloped land parcels. Of these 506 property locations, 491 represented owned properties (of which 5 were subject to leases accounted for as direct



financing leases) and 15 represented ground lease interests (of which one building was subject to a lease accounted for as a direct financing lease). The gross investment portfolio totaled \$939.1 million as of December 31, 2017 and consisted of gross acquisition cost of real estate investments (including transaction costs) totaling \$932.2 million, direct financing lease receivables, net, with an aggregate carrying amount of \$2.7 million and net real estate investments held for sale of \$4.2 million. As of December 31, 2017, 348 of these investments comprising \$620.0 million of net investments were assets of consolidated special purpose entity subsidiaries and were pledged as collateral under the non-recourse obligations of these special purpose entities (See Note 4—Secured Borrowings).

As of December 31, 2016, the Company had investments in 340 property locations, including one development in progress, and owned 4 additional undeveloped land parcels. Of these 340 property locations, 324 represented owned properties (of which 7 were subject to leases accounted for as direct financing leases) and 16 represented ground lease interests (of which one building is subject to a lease accounted for as a direct financing lease). The gross investment portfolio totaled \$458.7 million as of December 31, 2016 and consisted of gross acquisition cost of the real estate investments (including transaction costs) totaling \$455.0 million and direct financing lease receivables, net, with an aggregate carrying amount of \$3.7 million. As of December 31, 2016, 247 of these investments comprising \$340.2 million of net investments were assets of consolidated special purpose entity subsidiaries and were pledged as collateral under the non-recourse obligations of these special purpose entities.

### Acquisitions in 2017

The Company's acquisition of a portfolio of home furnishings stores in the state of Michigan (the "Art Van Furniture Portfolio") represented more than 5% of the Company's total investment activity as of December 31, 2017. The following table presents information about the Company's acquisition activity during the year ended December 31, 2017:

<b>(Dollar amounts in thousands)</b>	<b>Art Van Furniture Portfolio</b>	<b>Individually Insignificant Investments</b>	<b>Total</b>
Acquisition date	March 2017	Various	
Ownership type	Fee Interest	Fee Interest	
Number of properties acquired	5	207	212
Allocation of Purchase Price:			
Land and improvements	\$ 7,640	\$ 140,452	\$ 148,092
Building and improvements	48,037	318,225	366,262
Construction in progress(1)	—	7,737	7,737
Intangible lease assets	—	12,980	12,980
Direct financing lease receivables	—	—	—
Assets acquired	55,677	479,394	535,071
Intangible lease liabilities	—	(249)	(249)
Liabilities assumed	—	(249)	(249)
Purchase price (including acquisition costs)	\$ 55,677	\$ 479,145	\$ 534,822

(1) Represents amounts incurred at and subsequent to acquisition and includes \$0.2 million of capitalized interest expense.

### Acquisitions in 2016

The Company's acquisition of the GE Capital Portfolio and its acquisition of a portfolio of convenience stores in the state of New York (the "Mirabito Portfolio") represented more than 5% of the

Company's total investment activity as of December 31, 2016. The following table presents information about the Company's acquisition activity during the period from March 30, 2016 (commencement of operations) to December 31, 2016:

(Dollar amounts in thousands)	GE Capital Portfolio	Mirabito Portfolio	Individually Insignificant Investments	Total
Acquisition date	(1)	August 2016	Various	
Ownership type	(2)	Fee Interest	Fee Interest	
Number of properties acquired	271	23	67	361
Allocation of Purchase Price:				
Land and improvements	\$116,272	\$ 1,860	\$ 34,776	\$152,908
Building and improvements	132,587	31,837	95,590	260,014
Construction in progress(3)	—	—	957	957
Intangible lease assets	52,771	—	5,351	58,122
Direct financing lease receivables	2,018	1,678	—	3,696
Assets acquired	303,648	35,375	136,674	475,697
Intangible lease liabilities	(18,043)	—	(998)	(19,041)
Liabilities assumed	(18,043)	—	(998)	(19,041)
Purchase price (including acquisition costs)	<u>\$285,605</u>	<u>\$ 35,375</u>	<u>\$ 135,676</u>	<u>\$456,656</u>

- (1) The GE Capital Portfolio acquisition was completed in three separate closings, with 262 properties acquired in June 2016, 7 properties acquired in September 2016 and 2 properties acquired in December 2016.
- (2) The Company acquired the fee interest in 254 of the properties in the GE Capital Portfolio. The remaining 17 properties in the GE Capital Portfolio were acquired subject to ground lease arrangements.
- (3) Includes approximately \$10,000 of capitalized interest.

All of the Company's acquisitions during the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016 were accounted for as asset acquisitions because there was no substantive process acquired in any of the acquisitions and substantially all of the fair value of the individual acquisitions was concentrated in a single identifiable asset or group of similar identifiable assets.

### Gross Investment Activity

During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company had the following gross investment activity:

(Dollar amounts in thousands)	Number of Investment Locations	Dollar Amount of Investments
Acquisitions of and additions to real estate investments	359(1)	\$ 474,001
Investments in direct financing lease receivables	8(1)	3,696
Sales of real estate	(17)	(17,632)
Provisions for impairment of real estate(2)		(1,361)
Principal collections on direct financing lease receivables		(37)
Gross investments, December 31, 2016	344	458,667
Acquisitions of and additions to real estate investments	212	535,394
Investments in direct financing lease receivables		—
Sales of investments in real estate and direct financing lease receivables	(47)	(51,120)
Relinquishment of property at end of ground lease term	(1)	(542)
Provisions for impairment of real estate(3)		(2,466)
Principal collections on direct financing lease receivables		(79)
Other		(782)
Gross investments, December 31, 2017		939,072
Less: Accumulated depreciation and amortization(4)		(24,825)
Net investments, December 31, 2017	508	\$ 914,247

- (1) Six of the Company's real estate acquisitions during the period from March 30, 2016 (commencement of operations) to December 31, 2016 had lease components accounted for as operating leases and as direct financing lease receivables.
- (2) During the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company identified and recorded provisions for impairment at 4 vacant and 3 tenanted properties where expected future cash flows from the property, based on quoted market or comparable sales prices or discounted cash flow analyses, were less than the Company's carrying value. The amount in the table above excludes \$0.1 million related to intangible lease liabilities for these assets.
- (3) During the year ended December 31, 2017, the Company identified and recorded provisions for impairment at 6 vacant and 3 tenanted properties where expected future cash flows from the property, based on quoted market or comparable sales prices or discounted cash flow analyses, were less than the Company's carrying value. The amount in the table above excludes \$0.1 million related to intangible lease liabilities for these assets.
- (4) Includes \$15.4 million of accumulated depreciation.

### Real Estate Investments

The Company's investment properties are leased to tenants under long-term operating leases that typically include one or more renewal options. Substantially all of the leases are triple-net, which provide that the lessees are responsible for the payment of all property operating expenses, including maintenance, insurance, utilities, property taxes and, if applicable, ground rent expense; therefore, the Company is generally not responsible for repairs or other capital expenditures related to the properties while the triple-net leases are in effect.

Scheduled future minimum base rental payments due to be received under the remaining non-cancelable term of the operating leases in place as of December 31, 2017 are as follows:

<u>(in thousands)</u>	<u>Future Minimum Base Rental Receipts</u>
2018	\$ 70,740
2019	71,087
2020	70,919
2021	71,403
2022	72,695
Thereafter	752,234
Total	<u>\$ 1,109,078</u>

Since lease renewal periods are exercisable at the option of the lessee, the preceding table presents future minimum lease payments to be received during the initial non-cancelable lease term only. In addition, the future minimum lease payments exclude contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to performance thresholds and exclude increases in annual rent based on future changes in the Consumer Price Index, among other items.

#### ***Direct Financing Lease Receivables***

As of December 31, 2017 and 2016, the Company had \$2.7 million and \$3.7 million, respectively, of net investments accounted for as direct financing lease receivables. The components of the investments accounted for as direct financing lease receivables were as follows:

<u>(in thousands)</u>	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Minimum lease payments receivable	\$ 4,518	\$ 6,306
Estimated unguaranteed residual value of leased assets	270	298
Unearned income	(2,063)	(2,945)
Net investment	<u>\$ 2,725</u>	<u>\$ 3,659</u>

Scheduled future minimum non-cancelable base rental payments due to be received under the direct financing lease receivables as of December 31, 2017 are as follows:

<u>(in thousands)</u>	<u>Future Minimum Base Rental Payments</u>
2018	\$ 320
2019	332
2020	338
2021	340
2022	345
Thereafter	2,843
Total	<u>\$ 4,518</u>

#### ***Real Estate Investments Held for Sale***

The Company is continually evaluating its portfolio of real estate investments and may elect to dispose of investments considering criteria including, but not limited to, tenant concentration, tenant

credit quality, unit financial performance, local market conditions and lease rates, associated indebtedness, asset location and tenant operation type (e.g., industry, sector, or concept/brand). Real estate investments held for sale are expected to be sold to within twelve months. The following table shows the activity in real estate investments held for sale and intangible lease liabilities held for sale as of December 31, 2017. No real estate investments were classified as held for sale as of December 31, 2016.

(Dollar amounts in thousands)	Number of Properties	Real Estate Investments	Intangible Lease Liabilities	Net Carrying Value
Transfers to held for sale classification	3	\$ 4,173	\$ (129)	\$ 4,044
Sales		—	—	—
Transfers to held and used classification		—	—	—
Held for sale balance, December 31, 2017	3	\$ 4,173	\$ (129)	\$ 4,044

### Significant Concentrations

The Company did not have any tenants (including for this purpose, all affiliates of such tenants) whose rental revenue for the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016 represented 10% or more of total rental revenue in the Company's consolidated statements of operations and comprehensive income.

The following table lists the states where the rental revenue from the properties in that state during the periods presented represented 10% or more of total rental revenue in the Company's consolidated statements of operations and comprehensive income:

State	Year ended December 31, 2017	Period from March 30, 2016 (commencement of operations) to December 31, 2016
Florida	10.2%	14.0%
Georgia	*	13.0%
Texas	13.1%	11.1%

\* State's rental revenue was not greater than 10% of total rental revenue for all portfolio properties during the period specified.

### Intangible Assets and Liabilities

Intangible assets and liabilities consisted of the following as of the dates presented:

(in thousands)	December 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:						
In-place leases	\$44,738	\$ 6,638	\$38,100	\$36,791	\$ 2,335	\$34,456
Intangible market lease assets	17,715	2,794	14,921	19,067	872	18,195
Total intangible assets	\$62,453	\$ 9,432	\$53,021	\$55,858	\$ 3,207	\$52,651
Intangible market lease liabilities	\$14,824	\$ 2,503	\$12,321	\$17,115	\$ 730	\$16,385

The remaining weighted average amortization period for the Company's intangible assets and liabilities as of December 31, 2017, by category and in total, were as follows:

	<u>Years Remaining</u>
In-place leases	11.4
Intangible market lease assets	9.4
Intangible market lease liabilities	16.9
Total intangible assets and liabilities	12.0

The following table discloses amounts recognized within the consolidated statements of operations and comprehensive income related to amortization of in-place leases, amortization and accretion of above- and below-market lease assets and liabilities, net and the amortization and accretion of above- and below-market ground leases for the periods presented:

<u>(in thousands)</u>	<u>Year ended December 31, 2017</u>	<u>Period from March 30, 2016 (commencement of operations) to December 31, 2016</u>
Amortization of in-place leases assets(1)	\$ 5,461	\$ 2,420
Amortization (accretion) of market lease intangibles, net(2)	1,071	128
Amortization (accretion) of above- and below-market ground lease intangibles, net(3)	(540)	(11)

(1) Reflected within depreciation and amortization expense.

(2) Reflected within rental revenue.

(3) Reflected within property expenses.

The following table provides the projected amortization of in-place lease assets to depreciation and amortization expense, net amortization of above- and below-market lease intangibles to rental revenue, and net amortization of above- and below-market ground lease intangibles into property expenses for the next five years:

<u>(in thousands)</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
In-place lease assets	\$ 4,387	\$ 4,051	\$ 3,647	\$ 3,513	\$ 3,357
Total to be added to amortization expense	\$ 4,387	\$ 4,051	\$ 3,647	\$ 3,513	\$ 3,357
Above-market lease assets	\$(1,717)	\$(1,643)	\$(1,415)	\$(1,363)	\$(1,361)
Below-market lease liabilities	716	674	649	650	646
Net adjustment to rental revenue	\$(1,001)	\$ (969)	\$ (766)	\$ (713)	\$ (715)
Below-market ground lease assets	\$ 171	\$ 99	\$ —	\$ —	\$ —
Above-market ground lease liabilities	(521)	(372)	(221)	(173)	(170)
Net adjustment to property expenses	\$ (350)	\$ (273)	\$ (221)	\$ (173)	\$ (170)

During the period from January 1, 2018 to March 7, 2018, the Company acquired 19 real estate investment properties with an aggregate investment (including acquisition-related costs) of \$37.3 million, invested \$2.6 million in new and ongoing construction in progress, and provided \$0.6 million of construction financing to a tenant through a mortgage note.

During the period from January 1, 2018 to March 7, 2018, the Company sold or transferred its investment in 6 real estate properties, including three properties which were classified as held for sale as of December 31, 2017, for an aggregate gross sales price of \$8.2 million and incurred \$0.5 million of disposition costs related to these transactions.

#### **4. Secured Borrowings**

In the normal course of business, the Company transfers financial assets in various transactions with Special Purpose Entities ("SPE") determined to be VIEs, which primarily consist of securitization trusts established for a limited purpose (the "Master Trust Funding Program"). These SPEs are formed for the purpose of securitization transactions in which the Company transfers assets to an SPE, which then issues to investors various forms of debt obligations supported by those assets. In these securitization transactions, the Company typically receives cash from the SPE as proceeds for the transferred assets and retains the rights and obligations to service the transferred assets in accordance with servicing guidelines. All debt obligations issued from the VIEs are non-recourse to the Company.

In accordance with the accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheets. For transactions that do not meet the requirements for derecognition and remain in the consolidated balance sheets, the transferred assets may not be pledged or exchanged by the Company.

The Company evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Company is the primary beneficiary and, therefore, should consolidate the entity based on the variable interests it held both at inception and when there was a change in circumstances that required a reconsideration. The Company has determined that the SPEs created in connection with its Master Trust Funding Program should be consolidated as the Company is the primary beneficiary of each of these entities.

In December 2016, the Company issued its first series of notes under the Master Trust Funding Program, consisting of \$263.5 million of Class A Notes and \$17.3 million of Class B Notes ("RC Funding 2016-1"). These notes were issued to an affiliate of Eldridge through underwriting agents. Upon issuance of these notes, the combined net proceeds of \$273.3 million were deposited directly with the Parent and are presented as a non-cash distribution in the accompanying financial statements. RC Funding 2016-1 includes two SPEs formed to hold assets and issue the secured borrowings associated with the securitization.

In July 2017, the Company issued its second series of notes under the Master Trust Funding Program, consisting of \$232.4 million of Class A Notes and \$15.7 million of Class B Notes ("RC Funding 2017-1"). Of these notes, \$75.1 million of the Class A Notes and all of the Class B Notes were issued to an affiliate of Eldridge through underwriting agents. The proceeds received from the issuance of RC Funding 2017-1 were used by the Company to repay short-term notes payable to related parties (see Note 5 – Notes Payable to Related Party). RC Funding 2017-1 consists of one SPE formed to hold assets and issue the secured borrowings associated with the securitization.

As of December 31, 2017 and 2016, the Company had \$522.9 million and \$280.4 million in combined principal outstanding under the notes issued through its Master Trust Funding Program, and had deferred financing costs, net, of \$11.3 million and \$7.6 million.

Tenant rentals received on assets transferred to SPEs under the Master Trust Funding Program are sent to the trustee and used to pay monthly principal and interest payments.

The RC Funding 2016-1 notes mature in November 2046, but the terms of the Class A Notes require principal to be paid monthly through November 2021, with a balloon repayment at that time, and the terms of the Class B Notes require no monthly principal payments but require the full principal balance to be paid in November 2021. If the Company does not meet these repayment schedules, the

base interest rates on the notes increase by the greater of (i) 5.00% and (ii) the amount by which the sum of the following exceeds the base interest rates on the notes: (a) the yield to maturity of 10-year U.S. treasury securities in November 2021, plus (b) 5.00%, plus (c) 2.73% for the Series A Notes or 3.70% for the Class B Notes. Additionally, in this event, the full amount of any tenant rental payments received on the assets transferred to the securitization would be used to repay principal.

The RC Funding 2016-1 notes may be voluntarily prepaid, in whole or in part, at any time on or after the date that is 24 months prior to the anticipated repayment date in November 2021 without the payment of a make whole amount. Voluntary prepayments may be made before 24 months prior to the anticipated repayment date but will be subject to the payment of a make whole amount. Interest for RC Funding 2016-1 accrues at a weighted-average interest rate of 4.51%.

The RC Funding 2017-1 notes mature in June 2047, but the terms of the Class A Notes require principal to be paid monthly through June 2024, with a balloon repayment at that time, and the terms of the Class B Notes require no monthly principal payments but require the full principal balance to be paid in June 2024. The RC Funding 2017-1 notes contain similar interest rate escalation provisions as detailed above for RC Funding 2016-1 if these repayment schedules are not met.

The RC Funding 2017-1 notes may be voluntarily prepaid, in whole or in part, at any time on or after the date that is 31 months prior to the anticipated repayment date in June 2024 without the payment of a make whole amount. Voluntary prepayments may be made before 31 months prior to the anticipated repayment date but will be subject to the payment of a make whole amount. Interest for the RC Funding 2017-1 notes accrues at a weighted-average interest rate of 4.16%.

During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company incurred \$17.4 million and \$0.8 million, respectively, of interest expense related to the Master Trust Funding Program.

The following table summarizes the scheduled principal payments on the Company's secured borrowings as of year ended December 31, 2017:

<u>(in thousands)</u>	<u>Future Principal Payments</u>
2018	\$ 7,619
2019	8,009
2020	8,419
2021	267,662
2022	4,292
Thereafter	226,935
Total	<u>\$ 522,936</u>

The Company was not in default of any provisions under the Master Trust Funding Program as of December 31, 2017 and 2016.

## 5. Notes Payable to Related Party

During year ended December 31, 2017, the Company issued 33 short-term notes for a combined \$523.0 million under a warehouse line of credit (the "2017 Warehouse Notes") and one short-term note for \$20.0 million payable to affiliates of Eldridge. The proceeds from these notes were used by the Company to acquire investments in real estate and the notes were collateralized by \$294.3 million of net investments as of December 31, 2017. During the year ended December 31, 2017, the Company



repaid 14 of the 2017 Warehouse Notes and the \$20.0 million short-term note at or prior to maturity. The 2017 Warehouse Notes accrue interest at a rate equal to LIBOR plus a spread of between 2.14% and 2.76% and the \$20.0 million short term note accrued interest at a rate of 8.0%.

The following table presents the Company's notes payable to related parties activity for the year ended December 31, 2017:

<b>(in thousands)</b>	<b>2017 Warehouse Notes</b>	<b>Other Short-term Note</b>	<b>Total</b>
Outstanding, January 1, 2017	\$ —	\$ —	\$ —
Borrowings	523,000	20,000	543,000
Repayments	(293,000)	(20,000)	(313,000)
Outstanding, December 31, 2017	<u>\$ 230,000</u>	<u>\$ —</u>	<u>\$ 230,000</u>

During the year ended December 31, 2017, the Company incurred \$3.5 million of interest expense related to these notes payable to related parties. As of December 31, 2017, \$0.3 million of interest expense was accrued and payable to an affiliate of Eldridge related to the 2017 Warehouse Notes. All of the 2017 Warehouse Notes outstanding as of December 31, 2017 mature within one year.

Subsequent to December 31, 2017, through March 7, 2018, the Company issued five additional notes under its warehouse line of credit with an affiliate of Eldridge for a combined \$25.0 million (the "2018 Warehouse Notes"). The 2018 Warehouse Notes accrue interest at a rate equal to LIBOR plus a spread of between 1.68% and 2.14% and mature within one year of the date of issuance. On January 31, 2018, the Company also repaid four of the 2017 Warehouse Notes, with a combined principal of \$50.0 million, prior to maturity.

## 6. Members' Equity

EPRT LLC was capitalized by the Parent through direct and indirect capital contributions. During the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Parent made direct capital contributions of \$288.6 million and made indirect capital contributions of \$163.1 million. During the year ended December 31, 2017, the Parent made additional indirect capital contributions of \$17.3 million. In these indirect capital contributions, the Parent made direct cash payments to sellers of real estate investments acquired by EPRT LLC.

On January 31, 2017, in exchange for Class A units of EPRT LLC, Stonebriar Holdings made a direct equity contribution of \$80.0 million and certain members of EPRT Management and certain members of the EPRT LLC's board of managers made direct equity contributions of \$3.7 million. Concurrently, EPRT LLC issued Class C units to the Parent in exchange for the Parent's retention of an equity investment in EPRT LLC of \$91.5 million. The Class A and Class C units were issued at \$1,000 per unit and both classes contain liquidation preferences equal to the per unit value of \$1,000 plus 8% per annum compounded quarterly.

Additionally, on January 31, 2017, EPRT LLC approved and issued unvested Class B units to members of EPRT Management and a member of EPRT LLC's board of managers and approved and issued unvested Class D units to members of EPRT LLC's board of managers and external unitholders. See Note 7 – Unit Based Compensation for additional details.

Pursuant to the Company's limited liability company operating agreement (the "Operating Agreement"), distributions to unitholders are to be made in the following order and priority:

- First, to the holders of Class A and Class C units until each holder of these units has first received an amount equal to each class' yield, as defined in the Operating Agreement, and

then until each holder of these units has received an amount equal to each class' aggregate unreturned class contributions;

- Next, to the holders of Class B and Class D units in an aggregate amount based on a return threshold defined in the Operating Agreement for each class of units;
- Then, to the holders of Class B and Class D units in an aggregate amount equal to each class' unit percentage of distributions, as defined in the Operating Agreement; and
- Lastly, any remaining amounts to the holders of Class A and Class C units.

Pursuant to the Operating Agreement, the Company's net income or loss is allocated to the holders of the Class A, B, C and D units in a similar manner as the distribution allocation outlined above.

On December 31, 2017, EPRT LLC completed the Reorganization and the Parent, Stonebriar Holdings, EPRT Management and the holders of Class B and Class D units contributed all of their interests in EPRT LLC to EPRT Holdings, in exchange for interests in EPRT Holdings with the same rights to the interests they held in EPRT LLC. As of such date, EPRT LLC became a wholly-owned subsidiary of EPRT Holdings. Additionally, EPRT Holdings issued a new grant of 500 unvested Class B units to an additional member of EPRT Management on the same date.

On January 31, 2018, Stonebriar Holdings LLC made an additional \$50.0 million direct equity contribution to EPRT Holdings. The Company used these proceeds to repay amounts outstanding under the 2017 Warehouse Notes.

## 7. Unit Based Compensation

On January 31, 2017, EPRT LLC approved the issuance of Class B and Class D units and issued 8,050 unvested Class B units to members of EPRT Management and a member of EPRT LLC's board of managers and issued 3,000 unvested Class D units to members of EPRT LLC's board of managers and external unitholders. The Class B and Class D units vest in five equal installments, beginning on March 30, 2017 and on each anniversary thereof through March 30, 2021. The holders of vested Class B units can put the Class B units to the Company beginning on the seventh (7th) anniversary of the commencement of the Company's operations.

On December 31, 2017, the holders of Class B and Class D units contributed all of their interests in EPRT LLC to EPRT Holdings in the Reorganization in exchange for interests in EPRT Holdings with the same rights to the interests they held in EPRT LLC. The EPRT LLC units were exchanged on a one-for-one basis for equivalent units in EPRT Holdings with the same vesting conditions, distribution rights, priority and income allocation rights, among others. Additionally, EPRT Holdings issued a new grant of 500 unvested Class B units to an additional member of EPRT Management on the same date. The Class B units granted on December 31, 2017 vest in five equal installments beginning on May 1, 2018 and on each anniversary thereof through May 1, 2022 and have similar put rights as the Class B units granted on January 31, 2017.

The following table presents information about the unvested Class B and Class D units granted during the year ended December 31, 2017:

	<u>Class B Units</u>	<u>Class D Units</u>	<u>Total</u>
Granted	8,550	3,000	11,550
Vested	(1,610)	(600)	(2,210)
Forfeited	—	—	—
Unvested units outstanding, December 31, 2017	<u>6,940</u>	<u>2,400</u>	<u>9,340</u>

The Company estimated the grant date fair value of the unvested Class B and Class D awards and the December 31, 2017 fair value of the Class D awards granted to non-employees using a Black-Scholes valuation model. The Company's assumption for expected volatility is based on daily historical volatility data related to market trading of publicly traded companies that invest in similar types of real estate as the Company plus an adjustment to account for differences in the Company's leverage compared to the publicly traded companies. The risk-free interest rate assumption is determined by using U.S. treasury rates of the same period as the expected vesting term of each award. The marketability discount was calculated using a Finnerty Model.

The Company determined that the per unit fair value of the unvested Class B and Class D units granted on January 31, 2017 was \$323.65 and \$152.16, respectively. As of December 31, 2017, the Company determined that the per unit fair value of the Class B units granted on that date and the Class D units granted to non-employees on January 31, 2017 was \$1,280.35 and \$650.99, respectively. The weighted average fair value of Class B and Class D units granted during the year ended December 31, 2017 was \$379.60 and \$152.16 per share, respectively. The total fair value of the Class B and Class D units that vested during the year ended December 31, 2017 was \$0.5 million and \$0.1 million, respectively, and the Company recorded \$0.8 million of compensation expense as a component of general and administrative expense related to the Class B and Class D units during the year ended December 31, 2017.

As of December 31, 2017, there was \$2.7 million and \$0.8 million of total unrecognized compensation cost related to the Class B and Class D units, respectively, and the Company had a liability of \$0.2 million for unvested Class D units granted to non-employees, which is recorded within accrued liabilities and other payables in the Company's consolidated balance sheets. The unrecognized compensation cost for Class B and Class D units is expected to be recognized over a weighted average period of 3.3 and 3.3 years, respectively.

The per unit fair value of unvested Class B and Class D units granted during the year ended December 31, 2017 was estimated using the following assumptions as of the respective valuation dates:

	Valuation Date	
	January 31, 2017	December 31, 2017
Volatility	40%	35%
Risk free rate	1.30%	1.44%
Marketability discount	30%	10%

## 8. Commitments and Contingencies

The Company leases office space in Princeton, New Jersey. The Company is obligated under a non-cancelable operating lease for this space through December 2018. During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company recorded \$0.2 million and \$0.1 million, respectively, of rent expense related to this operating lease within general and administrative expense in the Company's consolidated statements of operations and comprehensive income. This lease has no contingent rental arrangements and the Company does not have any options to renew this lease.

As of December 31, 2017 and December 31, 2016, the Company was a lessee under long-term, non-cancelable ground leases accounted for as operating leases at 15 and 16 real estate properties, respectively, where the Company did not acquire the fee simple interest in the land. At four of these ground leased properties, the Company's lease as lessor of the building directly obligates the building lessee to pay rents due under the ground lease to the ground lessor; such ground lease rents are

presented on a net basis in the Company's consolidated statements of operations and comprehensive income. During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Company recorded \$0.7 million and \$0.3 million, respectively, of ground rent expense within property expenses in the Company's consolidated statements of operations and comprehensive income. The Company's ground leases do not contain contingent rental arrangements and, as of December 31, 2017, four of the ground leases escalate based on fixed schedules, with the remaining 11 ground leases containing no rental escalation provisions. As of December 31, 2017, the Company's ground leases have remaining non-cancelable lease terms of between 5 months and 6.4 years, and 6 of the ground leases are renewable at the Company's option for periods of up to 20 years.

As of December 31, 2017, the future minimum base cash rental payments due from the Company under the office and ground leases where the Company is responsible for payment and the future minimum base cash rental payments under the ground leases where the Company's tenants are responsible for payment over the next five years and thereafter are as follows:

<u>(in thousands)</u>	<u>Office and Ground Leases to be Paid by the Company</u>	<u>Ground Leases to be Paid Directly by the Company's Tenants</u>	<u>Total Future Minimum Base Rental Payments</u>
2018	\$ 735	\$ 399	\$ 1,134
2019	334	422	756
2020	195	328	523
2021	76	331	407
2022	58	327	385
Thereafter	83	26	109
Total	\$ 1,481	\$ 1,833	\$ 3,314

As of December 31, 2017, the Company has remaining future commitments of \$6.2 million to reimburse its tenants at two properties for development and construction costs incurred and paid directly by the tenant.

In February 2018, the Company entered into a new lease agreement for 13,453 square feet of office space in West Windsor Township, New Jersey. The lease has a seven-year term and contains provisions for two five-year renewal periods at the Company's option. The lease has an estimated commencement date of December 15, 2018 and a rent commencement date of January 1, 2019. Initial annualized base rent due under the terms of the lease will be \$0.5 million, with annual escalations in base rent of \$0.50 per square foot per year.

### ***Litigation and Regulatory Matters***

In the ordinary course of business, the Company may become subject to litigation, claims and regulatory matters. There are no material legal or regulatory proceedings pending or known to be contemplated against the Company or its properties.

### ***Environmental Matters***

In connection with the ownership of real estate, the Company may potentially be liable for costs and damages related to environmental matters. As of December 31, 2017, the Company had not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition that it believes will have a material adverse effect on the Company's results of operations.

### **Defined Contribution Retirement Plan**

The Company has a defined contribution retirement savings plan qualified under Section 401(a) of the Internal Revenue Code (the "401(k) Plan"). The 401(k) Plan is available to all of the Company's full-time employees. The Company provides a matching contribution in cash equal to 100% of the first 3% of eligible compensation contributed by participants and 50% of the next 2% of eligible compensation contributed by participants, which vests immediately. During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, the matching contributions made by the Company totaled \$0.1 million and approximately \$10,000, respectively.

### **9. Fair Value Measurements**

GAAP establishes a hierarchy of valuation techniques based on the observability of inputs used in measuring financial instruments at fair value. GAAP establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs.

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

In addition to the disclosures for assets and liabilities required to be measured at fair value at the balance sheet date, companies are required to disclose the estimated fair values of all financial instruments, even if they are not presented at their fair value on the consolidated balance sheets. The fair values of financial instruments are estimates based upon market conditions and perceived risks at December 31, 2017 and December 31, 2016. These estimates require management's judgment and may not be indicative of the future fair values of the assets and liabilities.

Financial assets and liabilities for which the carrying values approximate their fair values include cash and cash equivalents, restricted cash, accounts receivable included within prepaid expenses and other assets, notes payable to related party and accrued liabilities and other payables. Generally, these assets and liabilities are short term in duration and their carrying value approximates fair value on the consolidated balance sheets.

The estimated fair values of the Company's secured borrowings have been derived based on primarily unobservable market inputs such as interest rates and discounted cash flow analyses using estimates of the amount and timing of future cash flows, market rates and credit spreads. These measurements are classified as Level 3 within the fair value hierarchy. As of December 31, 2017, the Company's secured borrowings had an aggregate carrying value of \$522.9 million (excluding net deferred financing costs of \$11.3 million) and an estimated fair value of \$527.9 million. As of December 31, 2016, the Company's secured borrowings had an aggregate carrying value of \$280.4 million (excluding net deferred financing costs of \$7.6 million) and an estimated fair value of \$277.1 million.

The Company measures its real estate investments at fair value on a nonrecurring basis. The fair values of these real estate investments were determined using the following input levels as of the dates presented:

		Net Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
(in thousands)				Level 1	Level 2	Level 3
December 31, 2017						
Non-financial assets:						
	Long-lived assets	\$ 5,817	\$ 5,817	\$ —	\$ —	\$5,817
December 31, 2016						
Non-financial assets:						
	Long-lived assets	\$ 2,864	\$ 2,864	\$ —	\$ —	\$2,864

**Long-lived assets:** The Company reviews its investments in real estate when events or circumstances change indicating that the carrying amount of an asset may not be recoverable. In the evaluation of an investment in real estate for impairment, many factors are considered, including estimated current and expected operating cash flows from the asset during the projected holding period, costs necessary to extend the life or improve the asset, expected capitalization rates, projected stabilized net operating income, selling costs, and the ability to hold and dispose of the asset in the ordinary course of business.

Quantitative information about Level 3 fair value measurements as of December 31, 2017 was as follows:

(dollar amounts in thousands)	Fair Value	Valuation Techniques	Significant Unobservable Inputs
<b>Non-financial assets:</b>			
Long-lived assets:			
Quick Service Restaurant—Eureka, MO	\$ 400	Sales comparison approach	Non-binding Sales Contract \$ 400
Vacant property—Johnstown, PA	\$ 380	Sales comparison approach	Comparable Sales Prices \$ 380
Vacant property—Allegan, MI	\$ 165	Sales comparison approach	Non-binding Sales Contract \$ 165
Vacant property—Huntingdon, TN	\$ 120	Sales comparison approach	Comparable Sales Prices \$ 120
Vacant property—Rockford, IL	\$ 325	Sales comparison approach	Binding Sales Contract \$ 325
Casual Dining Restaurant—Lake City, FL(1)	\$ 1,296	Sales comparison approach	Binding Sales Contract \$ 1,375
Casual Dining Restaurant—Jacksonville, FL(1)	\$ 1,496	Sales comparison approach	Non-binding Sales Contract \$ 1,575
Other Services—Decatur, GA	\$ 235	Sales comparison approach	Non-binding Sales Contract \$ 235
Convenience Store—Atlanta, TX	\$ 1,400	Sales comparison approach	Non-binding Sales Contract \$ 1,400

- (1) Fair value is net of \$0.2 million of estimated disposition costs as these assets are classified as held for sale within the Company's consolidated balance sheets as of December 31, 2017.

#### **10. Related-Party Transactions**

During the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, an affiliate of Eldridge provided certain treasury and information technology services and the Manager provided certain administrative services to the Company. The Manager ceased providing these services in March of 2017. The Manager charged the Company a flat monthly fee for its services based on the estimated cost incurred in the provision of the services, and the fee was reviewed by the Company's management and determined to be reasonable. The Company incurred \$0.1 million and \$0.3 million of expense for these services during the year ended December 31, 2017 and the period from March 30, 2016 (commencement of operations) to December 31, 2016, respectively, which is included in general and administrative expense in the Company's consolidated statements of operations and comprehensive income. The cost for the services provided by the affiliate of Eldridge and the Manager would likely be different if such services were provided by unrelated parties.

During the year ended December 31, 2017, the Company issued short-term notes to affiliates of Eldridge. See Note 5 – Notes Payable to Related Party for additional information.

#### **11. Subsequent Events**

The Company has evaluated all events and transactions that occurred after December 31, 2017 through March 7, 2018, the date these consolidated financial statements were available to be issued and noted there have been no events that have occurred that would require adjustment to disclosures in the consolidated financial statements except as disclosed elsewhere in these notes to the consolidated financial statements.

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS**  
**Schedule III—Real Estate and Accumulated Depreciation**  
(Dollar amounts in thousands)

Description(a)				Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired
Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total			
Quick Service Restaurants	Alexander City	AL	(f)	\$ 184	\$ 242	\$ —	\$ —	\$ 184	\$ 242	\$ 426	\$ 15	1987	6/16/2016
Quick Service Restaurants	Zanesville	OH	(f)	397	277	—	—	397	277	674	14	1988	6/16/2016
Quick Service Restaurants	Belleville	IL	(f)	314	369	—	—	314	369	683	20	1988	6/16/2016
Quick Service Restaurants	Grand Rapids	MI	(f)	177	346	—	—	177	346	523	19	1989	6/16/2016
Quick Service Restaurants	Petaluma	CA	(f)	467	533	—	—	467	533	1,000	30	1992	6/16/2016
Quick Service Restaurants	Clarksville	GA	(f)	178	—	—	—	178	—	178	—		6/16/2016
Quick Service Restaurants	Philadelphia	PA	(g)	485	626	—	—	485	626	1,111	36	1980	6/16/2016
N/A	Huntingdon	TN	(g)	96	131	(42)(h)	(57)(h)	54	74	128	8	1990	6/16/2016
Other Services	Nashville	TN	(g)	332	106	—	—	332	106	438	12	1992	6/16/2016
Quick Service Restaurants	Plano	TX	(f)	484	338	—	—	484	338	822	22	1992	6/16/2016
Quick Service Restaurants	Tampa	FL	(f)	575	—	—	—	575	—	575	—	1992	6/16/2016
Quick Service Restaurants	Ruskin	FL	(f)	641	—	—	—	641	—	641	—	1993	6/16/2016
Grocery	Augusta	GA	(f)	1,657	—	—	—	1,657	—	1,657	—	2012	6/16/2016
Quick Service Restaurants	Brownsville	TX	(f)	561	474	—	—	561	474	1,035	28	1995	6/16/2016
N/A	Allegan	MI	(g)	103	124	(24)(h)	(29)(h)	79	95	174	8	1992	6/16/2016
Family Dining Restaurants	Niles	IL	(f)	848	219	—	—	848	219	1,067	16	1977	6/16/2016
Casual Dining Restaurants	Eureka	MO	(g)	630	383	(369)(h)	(224)(h)	261	159	420	20	1999	6/16/2016
Quick Service Restaurants	Waco	TX	(f)	633	382	—	—	633	382	1,015	21	1991	6/16/2016
Quick Service Restaurants	Clive	IA	(f)	489	406	—	—	489	406	895	26	1995	6/16/2016
Family Dining Restaurants	Palatine	IL	(f)	926	354	—	—	926	354	1,280	27	1990	6/16/2016
Family Dining Restaurants	La Grange	IL	(f)	446	851	—	—	446	851	1,297	42	1990	6/16/2016
Family Dining Restaurants	Jacksonville	FL	(f)	1,086	957	—	—	1,086	957	2,043	70	1997	6/16/2016
Casual Dining Restaurants	Corpus Christi	TX	(f)	1,160	—	—	—	1,160	—	1,160	—	2015	6/16/2016
Casual Dining Restaurants	Centennial	CO	(f)	1,593	3,400	—	—	1,593	3,400	4,993	143	1993	6/16/2016
N/A	Johnstown	PA	(g)	202	243	(24)(h)	(28)(h)	178	215	393	13	1998	6/16/2016
Quick Service Restaurants	Redford	MI	(g)	468	567	—	—	468	567	1,035	31	1998	6/16/2016
Other Services	Landrum	SC	(f)	214	87	—	—	214	87	301	8	1992	6/16/2016
Casual Dining Restaurants	Virginia Beach	VA	(g)	90	192	—	—	90	192	282	16	1997	6/16/2016
Casual Dining Restaurants	Thomasville	GA	(g)	903	233	—	—	903	233	1,136	22	1999	6/16/2016
Casual Dining Restaurants	Grapevine	TX	(f)	1,385	977	—	—	1,385	977	2,362	56	1999	6/16/2016
Casual Dining Restaurants	Plano	TX	(g)	207	424	—	—	207	424	631	37	1998	6/16/2016
Quick Service Restaurants	Newark	OH	(g)	19	51	—	—	19	51	70	4	1979	6/16/2016
Family Dining Restaurants	Coon Rapids	MN	(f)	635	856	—	—	635	856	1,491	48	1991	6/16/2016
Family Dining Restaurants	Mankato	MN	(f)	700	585	—	—	700	585	1,285	41	1992	6/16/2016
Casual Dining Restaurants	Omaha	NE	(f)	465	1,184	—	—	465	1,184	1,649	54	1979	6/16/2016
Family Dining Restaurants	Merrillville	IN	(f)	797	322	—	—	797	322	1,119	18	1977	6/16/2016
Family Dining Restaurants	Blaine	MN	(f)	609	780	—	—	609	780	1,389	44	1978	6/16/2016
Family Dining Restaurants	Green Bay	WI	(f)	549	373	—	—	549	373	922	29	1977	6/16/2016
Family Dining Restaurants	Appleton	WI	(f)	441	590	—	—	441	590	1,031	37	1977	6/16/2016
Family Dining Restaurants	Alexandria	MN	(f)	946	576	—	—	946	576	1,522	49	1977	6/16/2016
Family Dining Restaurants	Waterloo	IA	(f)	466	391	—	—	466	391	857	28	1978	6/16/2016
Family Dining Restaurants	St. Joseph	MO	(f)	559	371	—	—	559	371	930	27	1978	6/16/2016
Family Dining Restaurants	Gladstone	MO	(f)	479	783	—	—	479	783	1,262	42	1979	6/16/2016
Quick Service Restaurants	Liberty	MO	(f)	319	—	—	—	319	—	319	—		6/16/2016
Family Dining Restaurants	Brainerd	MN	(f)	761	547	—	—	761	547	1,308	34	1990	6/16/2016
Family Dining Restaurants	Woodbury	MN	(f)	752	420	—	—	752	420	1,172	25	1992	6/16/2016
Family Dining Restaurants	Bismarck	ND	(f)	748	491	—	—	748	491	1,239	31	1993	6/16/2016
Family Dining Restaurants	Cedar Rapids	IA	(f)	804	563	—	—	804	563	1,367	34	1994	6/16/2016
Family Dining Restaurants	Ashwaubenon	WI	(f)	360	305	—	—	360	305	665	21	1993	6/16/2016
Family Dining Restaurants	Urbana	IL	(f)	729	87	—	—	729	87	816	11	1993	6/16/2016
Family Dining Restaurants	Brooklyn Park	MN	(f)	725	693	—	—	725	693	1,418	44	1997	6/16/2016
Quick Service Restaurants	Pontiac	MI	(f)	316	423	—	—	316	423	739	26	2003	6/16/2016
Quick Service Restaurants	Troy	MI	(f)	674	—	—	—	674	—	674	—		6/16/2016



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Description(a)				Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired
Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total			
Quick Service Restaurants	The Woodlands	TX	(f)	801	181	—	—	801	181	982	12	2001	6/16/2016
Quick Service Restaurants	Brattleboro	VT	(f)	77	360	—	—	77	360	437	21	1979	6/16/2016
Quick Service Restaurants	Kent	WA	(g)	57	158	—	—	57	158	215	12	1978	6/16/2016
Quick Service Restaurants	Madison	WI	(g)	19	158	—	—	19	158	177	8	1981	6/16/2016
Quick Service Restaurants	Westminster	MD	(f)	23	77	—	—	23	77	100	5	1999	6/16/2016
Quick Service Restaurants	Ellsworth	ME	(g)	37	51	—	—	37	51	88	6	1979	6/16/2016
Quick Service Restaurants	Clay	NY	(f)	129	413	—	—	129	413	542	28	1991	6/16/2016
Quick Service Restaurants	Buna	TX	(f)	152	138	—	—	152	138	290	9	1976	6/16/2016
Quick Service Restaurants	Carthage	TX	(f)	111	239	—	—	111	239	350	14	1975	6/16/2016
Quick Service Restaurants	Dayton	TX	(f)	195	174	—	—	195	174	369	10	1969	6/16/2016
Quick Service Restaurants	Diboll	TX	(f)	92	177	—	—	92	177	269	10	1990	6/16/2016
Quick Service Restaurants	Huntington	TX	(f)	120	180	—	—	120	180	300	13	1980	6/16/2016
Quick Service Restaurants	Huntsville	TX	(f)	120	290	—	—	120	290	410	15	1985	6/16/2016
Quick Service Restaurants	Jasper	TX	(f)	111	209	—	—	111	209	320	12	1992	6/16/2016
Quick Service Restaurants	Kountze	TX	(f)	120	290	—	—	120	290	410	15	1995	6/16/2016
Quick Service Restaurants	Rusk	TX	(f)	129	142	—	—	129	142	271	10	1989	6/16/2016
Quick Service Restaurants	Sour Lake	TX	(f)	204	114	—	—	204	114	318	9	1978	6/16/2016
Quick Service Restaurants	Kansas City	KS	(g)	74	224	—	—	74	224	298	16	1983	6/16/2016
Quick Service Restaurants	Vernon	CT	(g)	155	208	—	—	155	208	363	23	1983	6/16/2016
Casual Dining Restaurants	Las Cruces	NM	(f)	551	1,728	—	—	551	1,728	2,279	87	1990	6/16/2016
Quick Service Restaurants	Saginaw	MI	(f)	143	351	—	—	143	351	494	22	1970	6/16/2016
Quick Service Restaurants	Battle Creek	MI	(f)	114	690	—	—	114	690	804	33	1969	6/16/2016
Quick Service Restaurants	Mount Clemens	MI	(f)	446	394	—	—	446	394	840	32	1989	6/16/2016
Quick Service Restaurants	Clio	MI	(f)	350	889	—	—	350	889	1,239	45	1991	6/16/2016
Quick Service Restaurants	Charlotte	MI	(f)	190	722	—	—	190	722	912	34	1991	6/16/2016
Quick Service Restaurants	Saint Johns	MI	(f)	218	403	—	—	218	403	621	26	1991	6/16/2016
N/A	Burnsville	MN	(g)	734	309	—	—	734	309	1,043	20	1973	6/16/2016
Family Dining Restaurants	Albert Lea	MN	(f)	337	463	—	—	337	463	800	31	1975	6/16/2016
Family Dining Restaurants	Crystal	MN	(f)	821	178	—	—	821	178	999	19	1975	6/16/2016
Casual Dining Restaurants	West Monroe	LA	(f)	343	94	—	—	343	94	437	8	1988	6/16/2016
Quick Service Restaurants	Greenfield	WI	(f)	556	789	—	—	556	789	1,345	42	1983	6/16/2016
Casual Dining Restaurants	Desoto	TX	(f)	728	156	—	—	728	156	884	12	1985	6/16/2016
Quick Service Restaurants	West Berlin	NJ	(g)	250	399	—	—	250	399	649	25	1992	6/16/2016
Convenience Stores	Rowlett	TX	(f)	808	447	—	—	808	447	1,255	49	1998	6/16/2016
Quick Service Restaurants	Redford	MI	(f)	479	—	—	—	479	—	479	—		6/16/2016
Quick Service Restaurants	Bridgeport	MI	(g)	309	619	—	—	309	619	928	38	1989	6/16/2016
Quick Service Restaurants	College Station	TX	(f)	383	569	—	—	383	569	952	27	1984	6/16/2016
Quick Service Restaurants	Birmingham	AL	(f)	261	780	—	—	261	780	1,041	37	2000	6/16/2016
Quick Service Restaurants	Oneonta	AL	(f)	220	485	—	—	220	485	705	24	1993	6/16/2016
Quick Service Restaurants	Union City	GA	(f)	416	746	—	—	416	746	1,162	37	1976	6/16/2016
Quick Service Restaurants	Marietta	GA	(f)	214	618	—	—	214	618	832	29	1979	6/16/2016
Quick Service Restaurants	Vicksburg	MS	(f)	203	627	—	—	203	627	830	29	1979	6/16/2016
Quick Service Restaurants	Riverdale	GA	(f)	309	584	—	—	309	584	893	29	1978	6/16/2016
Quick Service Restaurants	Snellville	GA	(f)	242	484	—	—	242	484	726	25	1981	6/16/2016
Quick Service Restaurants	Trussville	AL	(f)	243	480	—	—	243	480	723	24	1996	6/16/2016
Quick Service Restaurants	Forest Park	GA	(f)	233	341	—	—	233	341	574	17	1988	6/16/2016
Quick Service Restaurants	Decatur	GA	(f)	239	714	—	—	239	714	953	33	1982	6/16/2016
Quick Service Restaurants	Monroe	GA	(f)	302	733	—	—	302	733	1,035	35	1985	6/16/2016
Quick Service Restaurants	Decatur	GA	(f)	292	463	—	—	292	463	755	21	1983	6/16/2016
Quick Service Restaurants	Columbia	SC	(f)	241	461	—	—	241	461	702	25	1981	6/16/2016
Quick Service Restaurants	Decatur	GA	(f)	302	721	—	—	302	721	1,023	35	1986	6/16/2016
Quick Service Restaurants	Conyers	GA	(f)	330	767	—	—	330	767	1,097	37	1982	6/16/2016
Quick Service Restaurants	Stockbridge	GA	(f)	396	771	—	—	396	771	1,167	36	1975	6/16/2016
Quick Service Restaurants	Lawrenceville	GA	(f)	306	550	—	—	306	550	856	29	1988	6/16/2016
Quick Service Restaurants	Lithonia	GA	(f)	290	606	—	—	290	606	896	29	1979	6/16/2016
Quick Service Restaurants	Tucker	GA	(f)	339	586	—	—	339	586	925	29	1976	6/16/2016
Quick Service Restaurants	Covington	GA	(f)	379	722	—	—	379	722	1,101	36	1979	6/16/2016
Quick Service Restaurants	Columbus	GA	(f)	174	442	—	—	174	442	616	21	1987	6/16/2016
Quick Service Restaurants	Owensboro	KY	(f)	263	155	—	—	263	155	418	10	1986	6/16/2016



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Description(a)				Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired
Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total			
Quick Service Restaurants	Tupelo	MS	(f)	731	329	—	—	731	329	1,060	20	2000	6/16/2016
Quick Service Restaurants	New Albany	MS	(f)	295	346	—	—	295	346	641	18	1993	6/16/2016
Quick Service Restaurants	Parkersburg	WV	(f)	185	570	—	—	185	570	755	28	1976	6/16/2016
Quick Service Restaurants	Ashland	KY	(f)	279	858	—	—	279	858	1,137	43	1979	6/16/2016
Quick Service Restaurants	Huntington	WV	(f)	223	539	—	—	223	539	762	27	1979	6/16/2016
Quick Service Restaurants	North Little Rock	AR	(f)	190	450	—	—	190	450	640	24	1978	6/16/2016
Quick Service Restaurants	Jackson	MS	(f)	400	348	—	—	400	348	748	19	1981	6/16/2016
Quick Service Restaurants	Madison	TN	(f)	281	458	—	—	281	458	739	22	1988	6/16/2016
Quick Service Restaurants	Little Rock	AR	(f)	169	48	—	—	169	48	217	6	1979	6/16/2016
Quick Service Restaurants	Hurricane	WV	(f)	238	485	—	—	238	485	723	24	1981	6/16/2016
Quick Service Restaurants	Parkersburg	WV	(f)	261	513	—	—	261	513	774	27	1982	6/16/2016
Quick Service Restaurants	Chattanooga	TN	(f)	407	465	—	—	407	465	872	24	1983	6/16/2016
Quick Service Restaurants	Knoxville	TN	(f)	352	347	—	—	352	347	699	18	1981	6/16/2016
Quick Service Restaurants	Jacksonville	NC	(f)	284	152	—	—	284	152	436	10	1986	6/16/2016
Quick Service Restaurants	Knoxville	TN	(f)	394	271	—	—	394	271	665	15	1982	6/16/2016
Quick Service Restaurants	Forestdale	AL	(f)	241	613	—	—	241	613	854	30	1975	6/16/2016
Quick Service Restaurants	Louisville	KY	(f)	319	238	—	—	319	238	557	15	1988	6/16/2016
Quick Service Restaurants	Festus	MO	(f)	195	802	—	—	195	802	997	38	1979	6/16/2016
Quick Service Restaurants	Jacksonville	FL	(f)	330	542	—	—	330	542	872	28	1976	6/16/2016
Quick Service Restaurants	Jacksonville	FL	(f)	220	701	—	—	220	701	921	36	1979	6/16/2016
Quick Service Restaurants	Winter Garden	FL	(f)	326	383	—	—	326	383	709	21	1987	6/16/2016
Quick Service Restaurants	Sanford	FL	(f)	350	375	—	—	350	375	725	23	1986	6/16/2016
Quick Service Restaurants	Lebanon	TN	(f)	311	736	—	—	311	736	1,047	42	1974	6/16/2016
Quick Service Restaurants	Prattville	AL	(f)	551	524	—	—	551	524	1,075	27	1978	6/16/2016
Quick Service Restaurants	Calhoun	GA	(f)	346	673	—	—	346	673	1,019	34	1979	6/16/2016
Quick Service Restaurants	Springfield	MO	(f)	211	81	—	—	211	81	292	6	1990	6/16/2016
Quick Service Restaurants	Mableton	GA	(f)	152	366	—	—	152	366	518	19	1977	6/16/2016
Quick Service Restaurants	Brunswick	GA	(f)	532	137	—	—	532	137	669	10	1995	6/16/2016
Quick Service Restaurants	Summerville	SC	(f)	215	720	—	—	215	720	935	36	1978	6/16/2016
Quick Service Restaurants	Thomaston	GA	(f)	193	364	—	—	193	364	557	20	1987	6/16/2016
Quick Service Restaurants	Smyrna	GA	(f)	392	311	—	—	392	311	703	17	1981	6/16/2016
Quick Service Restaurants	Smyrna	TN	(f)	221	556	—	—	221	556	777	27	1982	6/16/2016
Quick Service Restaurants	Tulahoma	TN	(f)	226	701	—	—	226	701	927	37	1975	6/16/2016
Quick Service Restaurants	Shelbyville	TN	(f)	323	456	—	—	323	456	779	24	1976	6/16/2016
Quick Service Restaurants	Dallas	GA	(f)	260	832	—	—	260	832	1,092	44	1985	6/16/2016
Quick Service Restaurants	North Charleston	SC	(f)	121	459	—	—	121	459	580	23	1990	6/16/2016
Quick Service Restaurants	LaGrange	GA	(f)	207	562	—	—	207	562	769	29	1985	6/16/2016
Quick Service Restaurants	Cullman	AL	(f)	260	723	—	—	260	723	983	38	1999	6/16/2016
Quick Service Restaurants	Batesville	MS	(f)	125	551	—	—	125	551	676	27	1992	6/16/2016
Quick Service Restaurants	Phenix City	AL	(f)	273	665	—	—	273	665	938	37	1979	6/16/2016
Quick Service Restaurants	Montgomery	AL	(f)	333	349	—	—	333	349	682	20	1986	6/16/2016
Quick Service Restaurants	Starke	FL	(f)	240	468	—	—	240	468	708	26	1980	6/16/2016
Quick Service Restaurants	Madisonville	KY	(f)	302	426	—	—	302	426	728	23	1976	6/16/2016
Quick Service Restaurants	Marietta	OH	(f)	175	506	—	—	175	506	681	25	1979	6/16/2016
Quick Service Restaurants	Hueytown	AL	(f)	133	711	—	—	133	711	844	35	1979	6/16/2016
Quick Service Restaurants	Gallipolis	OH	(f)	247	722	—	—	247	722	969	38	1979	6/16/2016
Quick Service Restaurants	Valdosta	GA	(f)	236	545	—	—	236	545	781	27	1980	6/16/2016
Quick Service Restaurants	Douglas	GA	(f)	243	557	—	—	243	557	800	28	1979	6/16/2016
Quick Service Restaurants	Fayetteville	GA	(f)	300	506	—	—	300	506	806	26	1984	6/16/2016
Quick Service Restaurants	Troy	AL	(f)	183	520	—	—	183	520	703	26	1985	6/16/2016
Quick Service Restaurants	Wetumpka	AL	(f)	273	416	—	—	273	416	689	22	1986	6/16/2016
Quick Service Restaurants	St. Albans	WV	(f)	154	491	—	—	154	491	645	24	1975	6/16/2016
Quick Service Restaurants	Huntington	WV	(f)	233	540	—	—	233	540	773	27	1992	6/16/2016
Casual Dining Restaurants	Lakewood	NY	(g)	134	150	—	—	134	150	284	8	1999	6/16/2016
Quick Service Restaurants	Newburgh	NY	(f)	913	738	—	—	913	738	1,651	52	1975	6/16/2016
Quick Service Restaurants	Erie	PA	(f)	444	562	—	—	444	562	1,006	38	1977	6/16/2016
Quick Service Restaurants	Dickson	TN	(f)	292	79	—	—	292	79	371	7	1977	6/16/2016
Quick Service Restaurants	South Daytona	FL	(f)	416	668	—	—	416	668	1,084	37	1984	6/16/2016

Quick Service Restaurants	Shreveport	LA	(f)	180	25	—	—	180	25	205	2	1983	6/16/2016
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Description(a)				Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired	
				Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total				
Tenant Industry	City	State	Encumbrances											
Quick Service Restaurants	Milford	NH	(f)		409	355	—		409	355	764	23	1993	6/16/2016
Other Services	Decatur	GA	(g)		240	66	(43)(h)	(12)(h)	197	54	251	6	1979	6/16/2016
Quick Service Restaurants	Portland	OR	(f)		252	131	—	—	252	131	383	10	2015	6/16/2016
Quick Service Restaurants	Detroit	MI	(g)		200	97	—	—	200	97	297	9	1978	6/16/2016
Quick Service Restaurants	Superior	CO	(f)		370	434	—	—	370	434	804	24	2002	6/16/2016
Casual Dining Restaurants	Fond du Lac	WI	(f)		521	1,197	—	—	521	1,197	1,718	46	1996	6/16/2016
Automotive Services	Panama City	FL	(f)		229	46	—	—	229	46	275	6	1977	6/16/2016
Casual Dining Restaurants	Alexandria	LA	(f)		837	889	—	—	837	889	1,726	63	1994	6/16/2016
Medical / Dental	Hurst	TX	(f)		1,462	1,493	—	—	1,462	1,493	2,955	84	1997	6/16/2016
N/A	Rockford	IL	(g)		537	305	(320)(h)	(182)(h)	217	123	340	16	1995	6/16/2016
Casual Dining Restaurants	North Port	FL	(f)		828	1,734	—	—	828	1,734	2,562	88	2006	6/16/2016
Quick Service Restaurants	Jacksonville	FL	(f)		872	354	—	—	872	354	1,226	19	2006	6/16/2016
Casual Dining Restaurants	Fleming Island	FL	(f)		586	355	—	—	586	355	941	18	2006	6/16/2016
Casual Dining Restaurants	Port Saint Lucie	FL	(f)		930	1,510	—	—	930	1,510	2,440	81	1988	6/16/2016
Casual Dining Restaurants	Fort Pierce	FL	(f)		810	1,653	—	—	810	1,653	2,463	82	1994	6/16/2016
Casual Dining Restaurants	Royal Palm Beach	FL	(f)		1,242	837	—	—	1,242	837	2,079	47	1996	6/16/2016
Casual Dining Restaurants	Waycross	GA	(f)		861	1,700	—	—	861	1,700	2,561	84	1994	6/16/2016
Casual Dining Restaurants	Kingsland	GA	(f)		602	1,256	—	—	602	1,256	1,858	66	1995	6/16/2016
Casual Dining Restaurants	Lake City	FL	(f)		909	964	(292)(h)	(309)(h)	617	655	1,272	56	1995	6/16/2016
Casual Dining Restaurants	Jacksonville	FL	(f)		821	1,215	—	—	821	1,215	2,036	71	1995	6/16/2016
Casual Dining Restaurants	Jacksonville	FL	(f)		1,085	523	(104)(h)	(50)(h)	981	473	1,454	34	1996	6/16/2016
Casual Dining Restaurants	North Fort Myers	FL	(f)		1,060	1,817	—	—	1,060	1,817	2,877	87	1994	6/16/2016
Casual Dining Restaurants	Port Charlotte	FL	(f)		1,021	850	—	—	1,021	850	1,871	47	1995	6/16/2016
Casual Dining Restaurants	Cape Coral	FL	(f)		741	1,692	—	—	741	1,692	2,433	84	1996	6/16/2016
Casual Dining Restaurants	Panama City Beach	FL	(f)		750	959	—	—	750	959	1,709	52	1999	6/16/2016
Casual Dining Restaurants	Dothan	AL	(f)		577	1,144	—	—	577	1,144	1,721	58	1993	6/16/2016
Casual Dining Restaurants	Albany	GA	(f)		731	1,249	—	—	731	1,249	1,980	61	1991	6/16/2016
Casual Dining Restaurants	Panama City	FL	(f)		539	1,389	—	—	539	1,389	1,928	64	1991	6/16/2016
Casual Dining Restaurants	Valdosta	GA	(f)		626	957	—	—	626	957	1,583	52	1994	6/16/2016
Casual Dining Restaurants	Gainesville	FL	(f)		193	1,930	—	—	193	1,930	2,123	80	1994	6/16/2016
Casual Dining Restaurants	Panama City	FL	(f)		673	1,044	—	—	673	1,044	1,717	69	1999	6/16/2016
Casual Dining Restaurants	Thomasville	GA	(f)		943	580	—	—	943	580	1,523	41	2002	6/16/2016
Family Dining Restaurants	Leesburg	FL	(f)		808	720	—	—	808	720	1,528	56	2007	6/16/2016
N/A	San Antonio	TX	(g)		105	—	—	—	105	—	105	—	—	6/16/2016
Quick Service Restaurants	Augusta	GA	(f)		272	26	—	—	272	26	298	10	1978	6/16/2016
Quick Service Restaurants	Warner Robins	GA	(f)		130	174	—	—	130	174	304	12	1975	6/16/2016
Quick Service Restaurants	Beloit	WI	(f)		144	1,134	—	—	144	1,134	1,278	49	1999	6/16/2016
Family Dining Restaurants	Salem	NH	(g)		131	232	—	—	131	232	363	18	1998	9/16/2016
Quick Service Restaurants	Mansfield	OH	(g)		91	112	(42)(h)	(52)(h)	49	60	109	7	1988	9/16/2016
N/A	Indianapolis	IN	(g)		1,196	—	(675)(h)	—	521	—	521	4	—	9/16/2016
Other Services	Anniston	AL	(f)		312	176	—	—	312	176	488	13	1992	9/16/2016
Quick Service Restaurants	Saint Louis	MO	(f)		756	317	—	—	756	317	1,073	20	1972	9/16/2016
Convenience Stores	Binghamton	NY	(f)		283	869	—	—	283	869	1,152	46	1994	8/22/2016
Convenience Stores	Binghamton	NY	(f)		256	975	—	—	256	975	1,231	52	1970	8/22/2016
Convenience Stores	Binghamton	NY	(f)		273	1,008	—	—	273	1,008	1,281	53	1970	8/22/2016
Convenience Stores	Windsor	NY	(f)		272	1,101	—	—	272	1,101	1,373	58	1980	8/22/2016
Convenience Stores	Greene	NY	(f)		557	1,974	—	—	557	1,974	2,531	105	1989	8/22/2016
Convenience Stores	Afton	NY	(f)		348	1,303	—	—	348	1,303	1,651	69	1994	8/22/2016
Convenience Stores	Lansing	NY	(f)		861	3,034	—	—	861	3,034	3,895	161	2010	8/22/2016
Convenience Stores	Freeville	NY	(f)		524	1,457	—	—	524	1,457	1,981	77	1994	8/22/2016
Convenience Stores	Marathon	NY	(f)		520	2,127	—	—	520	2,127	2,647	113	1995	8/22/2016
Convenience Stores	New Hartford	NY	(f)		301	863	—	—	301	863	1,164	46	1995	8/22/2016
Convenience Stores	Chadwicks	NY	(f)		213	784	—	—	213	784	997	42	1987	8/22/2016
Convenience Stores	Liberty	NY	(f)		219	811	—	—	219	811	1,030	43	2004	8/22/2016
Convenience Stores	Earlville	NY	(f)		258	985	—	—	258	985	1,243	52	1997	8/22/2016
Convenience Stores	Vestal	NY	(f)		324	1,285	—	—	324	1,285	1,609	68	1996	8/22/2016
Convenience Stores	Delhi	NY	(f)		275	1,066	—	—	275	1,066	1,341	56	1992	8/22/2016
Convenience Stores	Franklin	NY	(f)		423	774	—	—	423	774	1,197	41	1998	8/22/2016
Convenience Stores	Endicott	NY	(f)		188	576	—	—	188	576	764	31	1995	8/22/2016

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Description(a)				Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired
Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total			
Convenience Stores	Davenport	NY	(f)	324	1,194	—	—	324	1,194	1,518	63	1993	8/22/2016
Automotive Services	Spring	TX	(f)	805	1,577	—	—	805	1,577	2,382	75	2013	8/4/2016
Home Furnishings	Frisco	TX	(f)	2,224	4,779	—	—	2,224	4,779	7,003	175	2006	8/19/2016
Home Furnishings	Fort Worth	TX	(f)	1,348	7,847	—	—	1,348	7,847	9,195	287	2007	8/19/2016
Early Childhood Education	Cumming	GA	(f)	876	2,357	—	—	876	2,357	3,233	93	2001	9/30/2016
Early Childhood Education	Suwanee	GA	(f)	922	2,108	—	—	922	2,108	3,030	83	2009	9/30/2016
Medical / Dental	Fort Worth	TX	(g)	1,617	—	197	4,421	1,814	4,421	6,235	—	2017	10/12/2016
Car Washes	Acworth	GA	(f)	1,346	2,615	—	—	1,346	2,615	3,961	95	2006	10/17/2016
Car Washes	Douglasville	GA	(f)	1,974	2,882	—	—	1,974	2,882	4,856	105	2006	10/17/2016
Car Washes	Hiram	GA	(f)	1,376	2,947	—	—	1,376	2,947	4,323	107	2004	10/17/2016
Car Washes	Marietta	GA	(f)	1,302	2,136	—	—	1,302	2,136	3,438	78	2002	10/17/2016
Medical / Dental	Port Charlotte	FL	(f)	1,820	2,072	—	—	1,820	2,072	3,892	84	2000	10/20/2016
Automotive Services	Lackawanna	NY	(f)	231	232	—	—	231	232	463	9	1987	10/28/2016
Automotive Services	Cheektowaga	NY	(f)	367	509	—	—	367	509	876	20	1978	10/28/2016
Automotive Services	Amherst	NY	(f)	410	606	—	—	410	606	1,016	24	1998	10/28/2016
Automotive Services	Cheektowaga	NY	(f)	254	490	—	—	254	490	744	19	1988	10/28/2016
Automotive Services	Tonawanda	NY	(f)	243	481	—	—	243	481	724	19	1988	10/28/2016
Automotive Services	Niagara Falls	NY	(f)	615	1,025	—	—	615	1,025	1,640	40	1985	10/28/2016
Automotive Services	Williamsville	NY	(f)	419	1,302	—	—	419	1,302	1,721	51	1988	10/28/2016
Automotive Services	Dunkirk	NY	(f)	255	187	—	—	255	187	442	7	1980	10/28/2016
Car Washes	Tucson	AZ	(f)	1,048	2,190	—	—	1,048	2,190	3,238	80	2010	11/9/2016
Quick Service Restaurants	Burlington	IA	(f)	444	1,171	—	—	444	1,171	1,615	46	1976	11/15/2016
Quick Service Restaurants	Cedar Rapids	IA	(f)	436	1,179	—	—	436	1,179	1,615	46	1991	11/15/2016
Quick Service Restaurants	Muscatine	IA	(f)	264	854	—	—	264	854	1,118	34	1993	11/15/2016
Quick Service Restaurants	Fort Madison	IA	(f)	304	1,284	—	—	304	1,284	1,588	51	1987	11/15/2016
Quick Service Restaurants	Platteville	WI	(f)	602	1,301	—	—	602	1,301	1,903	51	1999	11/15/2016
Quick Service Restaurants	Waterloo	IA	(f)	344	846	—	—	344	846	1,190	33	1982	11/15/2016
Quick Service Restaurants	Fort Dodge	IA	(f)	385	1,301	—	—	385	1,301	1,686	51	2004	11/15/2016
Quick Service Restaurants	Mason City	IA	(f)	309	908	—	—	309	908	1,217	36	1989	11/15/2016
Quick Service Restaurants	Cedar Falls	IA	(f)	375	771	—	—	375	771	1,146	30	2004	11/15/2016
Quick Service Restaurants	Atlantic	IA	(f)	244	1,001	—	—	244	1,001	1,245	39	2002	11/15/2016
Quick Service Restaurants	Nebraska City	NE	(f)	363	748	—	—	363	748	1,111	29	2014	11/15/2016
Quick Service Restaurants	Plattsmouth	NE	(f)	304	1,302	—	—	304	1,302	1,606	51	1999	11/15/2016
Quick Service Restaurants	Red Oak	IA	(f)	254	1,010	—	—	254	1,010	1,264	40	2000	11/15/2016
Early Childhood Education	Lawrenceville	NJ	(f)	1,137	1,623	—	—	1,137	1,623	2,760	64	1999	12/12/2016
Early Childhood Education	Mt Olive	NJ	(f)	736	1,586	—	—	736	1,586	2,322	52	2003	12/12/2016
Movie Theatres	Florence	AL	(f)	1,519	6,294	48	—	1,567	6,294	7,861	206	2015	12/19/2016
Casual Dining Restaurants	Jasper	AL	(f)	468	2,144	—	—	468	2,144	2,612	63	2005	12/29/2016
Casual Dining Restaurants	Birmingham	AL	(f)	808	1,233	—	—	808	1,233	2,041	42	1976	12/29/2016
Casual Dining Restaurants	Gardendale	AL	(f)	589	1,984	—	—	589	1,984	2,573	62	2005	12/29/2016
Medical / Dental	Stevenson	AL	(f)	191	466	—	—	191	466	657	17	1990	12/30/2016
Medical / Dental	Tucson	AZ	(f)	323	780	—	—	323	780	1,103	22	1967	12/30/2016
Medical / Dental	Miami	FL	(f)	485	982	—	—	485	982	1,467	26	1981	12/30/2016
Medical / Dental	Sarasota	FL	(f)	323	557	—	—	323	557	880	17	1973	12/30/2016
Medical / Dental	Sarasota	FL	(f)	485	446	—	—	485	446	931	16	2001	12/30/2016
Medical / Dental	Dalton	GA	(f)	323	406	—	—	323	406	729	18	1960	12/30/2016
Medical / Dental	Alton	IL	(f)	252	568	—	—	252	568	820	22	2001	12/30/2016
Medical / Dental	Quincy	IL	(f)	272	608	—	—	272	608	880	23	2001	12/30/2016
Medical / Dental	Clarksville	IN	(f)	657	1,033	—	—	657	1,033	1,690	36	1994	12/30/2016
Medical / Dental	Terre Haute	IN	(f)	292	325	—	—	292	325	617	13	1998	12/30/2016
Medical / Dental	Brewster	MA	(f)	60	578	—	—	60	578	638	15	1986	12/30/2016
Medical / Dental	Kansas City	MO	(f)	333	568	—	—	333	568	901	21	1979	12/30/2016
Medical / Dental	Laurel	MS	(f)	100	1,033	—	—	100	1,033	1,133	28	1970	12/30/2016
Medical / Dental	Picayune	MS	(f)	70	517	—	—	70	517	587	15	1977	12/30/2016
Medical / Dental	Rochester	NH	(f)	181	426	—	—	181	426	607	14	1958	12/30/2016
Medical / Dental	Canandaigua	NY	(f)	70	527	—	—	70	527	597	15	2009	12/30/2016
Medical / Dental	Anderson	SC	(f)	211	487	—	—	211	487	698	14	1948	12/30/2016
Medical / Dental	Camden	SC	(f)	211	537	—	—	211	537	748	18	1985	12/30/2016
Medical / Dental	Columbia	SC	(f)	211	426	—	—	211	426	637	14	1986	12/30/2016

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Description(a)				Initial Cost to Company				Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired
Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total					
Medical / Dental	Austin	TX	(f)		242	375	—	—	242	375	617	14	1970	12/30/2016	
Medical / Dental	Richmond	TX	(f)		495	446	—	—	495	446	941	19	1982	12/30/2016	
Medical / Dental	San Antonio	TX	(f)		282	588	—	—	282	588	870	17	2002	12/30/2016	
Health and Fitness	West Valley City	UT	(f)		1,995	4,210	—	—	1,995	4,210	6,205	120	1984	12/30/2016	
Quick Service Restaurants	Baden	PA	(g)		191	245	—	—	191	245	436	19	1962	12/28/2016	
Medical / Dental	Rock Springs	WY	(f)		620	2,550	—	—	620	2,550	3,170	70	2001	1/17/2017	
Car Washes	Conyers	GA	(f)		1,136	4,332	—	—	1,136	4,332	5,468	129	2013	1/24/2017	
Car Washes	Covington	GA	(f)		824	3,759	—	—	824	3,759	4,583	116	2011	1/24/2017	
Movie Theatres	Myrtle Beach	SC	(f)		1,465	7,081	—	—	1,465	7,081	8,546	171	2006	1/31/2017	
Medical / Dental	Bridgeton	MO	(f)		199	578	—	—	199	578	777	15	1982	2/9/2017	
Medical / Dental	Mokena	IL	(f)		237	303	—	—	237	303	540	13	2008	2/9/2017	
Medical / Dental	Lexington	KY	(f)		199	474	—	—	199	474	673	14	2014	2/9/2017	
Medical / Dental	Islip Terrace	NY	(f)		313	436	—	—	313	436	749	12	1986	2/9/2017	
Early Childhood Education	Alpharetta	GA	(f)		1,595	4,177	—	—	1,595	4,177	5,772	113	2016	2/28/2017	
Home Furnishings	Westland	MI	(f)		1,858	14,560	—	—	1,858	14,560	16,418	331	1987	3/1/2017	
Home Furnishings	Ann Arbor	MI	(f)		2,096	13,399	—	—	2,096	13,399	15,495	298	1992	3/1/2017	
Home Furnishings	Muskegon	MI	(f)		1,113	6,436	—	—	1,113	6,436	7,549	147	1987	3/1/2017	
Home Furnishings	Battle Creek	MI	(f)		1,212	7,904	—	—	1,212	7,904	9,116	185	1996	3/1/2017	
Home Furnishings	Holland	MI	(f)		1,361	5,739	—	—	1,361	5,739	7,100	132	1992	3/1/2017	
Quick Service Restaurants	Cedartown	GA	(f)		258	812	—	—	258	812	1,070	21	1987	3/9/2017	
Quick Service Restaurants	Forsyth	GA	(f)		464	808	—	—	464	808	1,272	21	1989	3/9/2017	
Convenience Stores	Alpena	AR	(f)		252	703	—	—	252	703	955	23	1985	3/10/2017	
Convenience Stores	Topeka	KS	(f)		603	1,584	—	—	603	1,584	2,187	52	2008	3/10/2017	
Automotive Services	Plano	TX	(f)		997	1,478	—	—	997	1,478	2,475	40	1998	3/8/2017	
Automotive Services	Frisco	TX	(f)		1,279	1,314	—	—	1,279	1,314	2,593	38	2003	3/8/2017	
Automotive Services	Grapevine	TX	(f)		1,244	1,396	—	—	1,244	1,396	2,640	41	2001	3/8/2017	
Automotive Services	Prosper	TX	(f)		1,161	2,534	—	—	1,161	2,534	3,695	66	2010	3/8/2017	
Automotive Services	McKinney	TX	(f)		856	2,124	—	—	856	2,124	2,980	57	2013	3/8/2017	
Automotive Services	Southlake	TX	(f)		657	997	—	—	657	997	1,654	27	2002	3/8/2017	
Automotive Services	Austin	TX	(f)		774	1,678	—	—	774	1,678	2,452	43	1998	3/8/2017	
Car Washes	Bossier City	LA	(f)		463	2,637	—	—	463	2,637	3,100	58	2010	3/22/2017	
Car Washes	Shreveport	LA	(f)		836	2,812	—	—	836	2,812	3,648	65	2012	3/22/2017	
Home Furnishings	Opelika	AL	(f)		1,365	3,864	—	—	1,365	3,864	5,229	82	2007	3/31/2017	
Automotive Services	New Freedom	PA	(f)		904	872	—	—	904	872	1,776	24	1997	3/28/2017	
Automotive Services	Huntingtown	MD	(f)		984	1,857	—	—	984	1,857	2,841	45	1998	3/28/2017	
Automotive Services	Gambrills	MD	(f)		2,461	6,139	—	—	2,461	6,139	8,600	127	2009	3/28/2017	
Convenience Stores	Tyler	TX	(f)		404	1,433	—	—	404	1,433	1,837	43	1980	3/30/2017	
Convenience Stores	Atlanta	TX	(f)		392	1,204	(13)(h)	(155)(h)	379	1,049	1,428	36	1995	3/30/2017	
Convenience Stores	New Summerfield	TX	(f)		330	1,188	—	—	330	1,188	1,518	35	1996	3/30/2017	
Early Childhood Education	Kernersville	NC	(f)		605	1,408	—	—	605	1,408	2,013	33	1997	4/3/2017	
Medical / Dental	San Antonio	TX	(f)		928	3,312	—	—	928	3,312	4,240	63	2016	4/25/2017	
Medical / Dental	Payson	AZ	(f)		548	1,944	—	—	548	1,944	2,492	37	1988	4/28/2017	
Medical / Dental	Katy	TX	(g)		233	1,228	—	—	233	1,228	1,461	20	2012	5/18/2017	
Medical / Dental	Baytown	TX	(g)		286	1,790	—	—	286	1,790	2,076	29	2008	5/18/2017	
Medical / Dental	Brownsville	TX	(g)		1,626	—	—	—	1,626	—	1,626	—	—	5/5/2017	
Car Washes	Las Cruces	NM	(f)		510	2,290	—	—	510	2,290	2,800	42	2008	5/24/2017	
Car Washes	Las Cruces	NM	(f)		570	2,187	—	—	570	2,187	2,757	40	2010	5/24/2017	
Quick Service Restaurants	Inverness	FL	(g)		382	493	—	—	382	493	875	13	2003	5/30/2017	
Quick Service Restaurants	Crystal River	FL	(g)		362	523	—	—	362	523	885	12	2006	5/30/2017	
Home Furnishings	Burlington	NC	(f)		2,148	3,296	—	—	2,148	3,296	5,444	53	2007	6/1/2017	
Car Washes	Farmington	NM	(f)		634	4,945	—	—	634	4,945	5,579	90	2005	6/6/2017	
Car Washes	Farmington	NM	(f)		746	2,795	—	—	746	2,795	3,541	51	2013	6/6/2017	
Car Washes	Pueblo	CO	(f)		898	5,103	—	—	898	5,103	6,001	93	2008	6/6/2017	
Quick Service Restaurants	Nashville	GA	(g)		181	513	—	—	181	513	694	11	1991	6/6/2017	
Quick Service Restaurants	Soperton	GA	(g)		312	443	—	—	312	443	755	12	1992	6/6/2017	
Building Materials	Columbia Station	OH	(f)		1,078	1,437	—	—	1,078	1,437	2,515	30	1961	6/1/2017	
Building Materials	Maumee	OH	(f)		733	1,238	—	—	733	1,238	1,971	26	1965	6/1/2017	
Building Materials	Troy	OH	(f)		403	693	—	—	403	693	1,096	14	1991	6/1/2017	
Building Materials	Jackson	OH	(f)		288	211	—	—	288	211	499	4	1995	6/1/2017	

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Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total			
Building Materials	Lancaster	OH	(f)	376	833	—	—	1,209	17	1995	6/1/2017
Building Materials	Portsmouth	OH	(f)	133	160	—	—	293	3	1996	6/1/2017
Building Materials	Bridgeport	WV	(f)	386	273	—	—	659	6	1978	6/1/2017
Building Materials	Radcliff	KY	(f)	414	200	—	—	614	3	1984	6/1/2017
Building Materials	Gainesville	FL	(f)	934	638	—	—	1,572	13	2003	6/1/2017
Building Materials	Cartersville	GA	(f)	1,313	1,743	—	—	3,056	36	2003	6/1/2017
Building Materials	Douglasville	GA	(f)	1,026	2,421	—	—	3,447	50	2004	6/1/2017
Building Materials	El Paso	TX	(f)	901	177	—	—	1,078	4	1984	6/1/2017
Building Materials	Garland	TX	(f)	1,250	2,283	—	—	3,533	47	2001	6/1/2017
Building Materials	Conroe	TX	(f)	2,150	631	—	—	2,781	13	2002	6/1/2017
Building Materials	Amarillo	TX	(f)	927	655	—	—	1,582	14	2002	6/1/2017
Building Materials	Grand Junction	CO	(f)	760	403	—	—	1,163	8	1983	6/1/2017
Building Materials	Mt Pleasant	SC	(f)	1,097	171	—	—	1,268	4	1983	6/1/2017
Building Materials	Irontdale	AL	(f)	546	227	—	—	773	5	1975	6/1/2017
Building Materials	Bessemer	AL	(f)	1,514	3,413	—	—	4,927	70	2002	6/1/2017
Movie Theatres	Kenosha	WI	(f)	3,159	3,755	—	—	6,914	80	1997	6/8/2017
Entertainment	Visalia	CA	(f)	1,320	2,320	—	—	3,640	40	1984	6/30/2017
Automotive Services	Knoxville	TN	(f)	518	695	—	—	1,213	12	2008	7/21/2017
Automotive Services	Forest Park	GA	(f)	498	850	—	—	1,348	14	1992	7/21/2017
Automotive Services	Martinez	GA	(f)	612	570	—	—	1,182	12	1992	7/21/2017
Automotive Services	Clarksville	TN	(f)	498	633	—	—	1,131	11	1998	7/21/2017
Automotive Services	Ocala	FL	(f)	518	715	—	—	1,233	13	1989	7/21/2017
Automotive Services	Orlando	FL	(f)	456	664	—	—	1,120	11	1989	7/21/2017
Medical / Dental	Montgomery	AL	(g)	477	2,976	—	—	3,453	35	2001	8/7/2017
Quick Service Restaurants	Algona	IA	(g)	150	528	—	—	678	8	1993	8/10/2017
Car Washes	Buford	GA	(f)	1,353	3,693	—	—	5,046	42	2010	8/15/2017
Early Childhood Education	Orlando	FL	(g)	1,175	4,362	—	—	5,537	42	2010	8/25/2017
Automotive Services	Garden City	MI	(g)	366	961	—	—	1,327	11	1984	8/29/2017
Automotive Services	Troy	MI	(g)	794	1,389	—	—	2,183	15	1974	8/29/2017
Automotive Services	Burton	MI	(g)	188	1,180	—	—	1,368	12	1955	8/29/2017
Automotive Services	Capitol Heights	MD	(g)	491	1,734	—	—	2,225	15	1960	8/29/2017
Automotive Services	Magnolia	TX	(g)	1,402	2,480	—	—	3,882	24	2017	9/29/2017
Medical / Dental	Round Rock	TX	(g)	713	6,821	—	—	7,534	61	2016	9/12/2017
Early Childhood Education	Winter Garden	FL	(g)	1,169	4,603	—	—	5,772	35	2015	9/29/2017
Health and Fitness	Arvada	CO	(g)	1,342	2,808	—	—	4,150	30	1982	9/5/2017
Car Washes	Little Rock	AR	(g)	685	3,361	—	—	4,046	31	1976	9/12/2017
Car Washes	Knoxville	TN	(g)	509	2,105	—	—	2,614	15	2009	9/18/2017
Car Washes	Knoxville	TN	(g)	509	2,222	—	—	2,731	16	2009	9/18/2017
Car Washes	Knoxville	TN	(g)	588	2,134	—	—	2,722	16	2009	9/18/2017
Car Washes	Bryant	AR	(g)	489	2,790	—	—	3,279	19	1997	9/20/2017
Car Washes	Anderson	SC	(g)	793	4,031	—	—	4,824	30	2008	9/26/2017
Car Washes	Anderson	SC	(g)	1,057	2,643	—	—	3,700	24	2017	9/26/2017
Car Washes	Cornelia	GA	(g)	470	2,670	—	—	3,140	20	2001	9/26/2017
Car Washes	South Commerce	GA	(g)	607	3,072	—	—	3,679	23	2016	9/26/2017
Car Washes	Seneca	SC	(g)	255	2,994	—	—	3,249	21	2005	9/26/2017
Car Washes	Greenville	SC	(g)	715	2,724	—	—	3,439	20	2005	9/26/2017
Car Washes	Springdale	AR	(g)	597	1,908	—	—	2,505	15	2009	9/29/2017
Car Washes	Rogers	AR	(g)	763	2,663	—	—	3,426	20	2005	9/29/2017
Car Washes	Shreveport	LA	(g)	460	2,615	—	—	3,075	20	2017	9/29/2017
Convenience Stores	Jacksonville	TX	(g)	587	1,357	—	—	1,944	14	2012	9/29/2017
Convenience Stores	Daingerfield**	TX	(g)	269	1,135	—	—	1,404	10	1979	9/29/2017
Convenience Stores	Jacksonville	TX	(g)	368	916	—	—	1,284	10	1996	9/29/2017
Convenience Stores	Kilgore	TX	(g)	269	1,103	—	—	1,372	10	1978	9/29/2017
Convenience Stores	Carthage	TX	(g)	627	915	—	—	1,542	11	1995	9/29/2017
Health and Fitness	Hobbs	NM	(g)	938	1,503	—	—	2,441	14	2016	9/28/2017
Convenience Stores	Bethel	MN	(g)	764	1,353	—	—	2,117	18	1996	9/27/2017
Convenience Stores	Isanti	MN	(g)	1,167	1,859	—	—	3,026	21	1989	9/27/2017
Convenience Stores	Braham	MN	(g)	289	1,043	—	—	1,332	10	1986	9/27/2017
Convenience Stores	Grantsburg	WI	(g)	640	1,673	—	—	2,313	18	2005	9/27/2017



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Description(a)			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired
Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total		
Automotive Services	Smyrna	GA	(f)	889	470	—	—	889	470	1,159	5	1987
Automotive Services	Memphis	TN	(f)	417	1,294	—	—	417	1,294	1,711	10	1985
Automotive Services	Mobile	AL	(f)	219	595	—	—	219	595	814	4	1979
Automotive Services	Hudson	FL	(f)	313	689	—	—	313	689	1,002	6	1984
Automotive Services	Longwood	FL	(f)	887	1,263	—	—	887	1,263	2,150	13	2000
Health and Fitness	Florence	KY	(g)	868	2,186	—	—	868	2,186	3,054	17	1994
Early Childhood Education	Lake Mary	FL	(g)	1,829	1,424	—	—	1,829	1,424	3,253	13	2005
Entertainment	Orlando	FL	(g)	2,290	4,377	—	—	2,290	4,377	6,667	33	2007
Convenience Stores	Red Oak	IA	(g)	89	576	—	—	89	576	665	4	1969
Convenience Stores	Council Bluffs	IA	(g)	469	392	—	—	469	392	861	3	1981
Convenience Stores	Council Bluffs	IA	(g)	229	575	—	—	229	575	804	5	1984
Convenience Stores	Sioux City	IA	(g)	109	601	—	—	109	601	710	4	1976
Convenience Stores	Sioux City	IA	(g)	119	467	—	—	119	467	586	4	1973
Convenience Stores	Sioux City	IA	(g)	109	380	—	—	109	380	489	3	1976
Convenience Stores	Glenwood	IA	(g)	60	377	—	—	60	377	437	3	1987
Convenience Stores	Sioux Center	IA	(g)	40	399	—	—	40	399	439	3	1968
Convenience Stores	Missouri Valley	IA	(g)	90	407	—	—	90	407	497	4	1959
Convenience Stores	Tyler	OH	(g)	706	511	—	—	706	511	1,217	4	1996
Medical / Dental	North Lima	OH	(g)	112	926	—	—	112	926	1,038	6	1976
Medical / Dental	Southfield	MI	(g)	193	1,536	—	—	193	1,536	1,729	10	1968
Medical / Dental	West Lafayette	IN	(g)	122	397	—	—	122	397	519	3	1976
Medical / Dental	Salem	OH	(g)	92	468	—	—	92	468	560	3	1985
Medical / Dental	Toledo	OH	(g)	448	1,750	—	—	448	1,750	2,198	12	1995
Medical / Dental	Pittsburgh	PA	(g)	112	1,221	—	—	112	1,221	1,333	8	1983
Medical / Dental	Youngstown	OH	(g)	275	702	—	—	275	702	977	6	1971
Medical / Dental	Madison	OH	(g)	387	488	—	—	387	488	875	4	1950
Medical / Dental	Youngstown	OH	(g)	366	1,394	—	—	366	1,394	1,760	11	1995
Medical / Dental	Penn Yan	NY	(g)	132	651	—	—	132	651	783	5	1986
Medical / Dental	Kent	OH	(g)	173	610	—	—	173	610	783	5	1970
Entertainment	Hoover	AL	(g)	1,403	2,939	—	—	1,403	2,939	4,342	24	2017
Health and Fitness	Greeley	CO	(g)	1,484	4,491	—	—	1,484	4,491	5,975	11	1989
Quick Service Restaurants	Gray	GA	(g)	293	374	—	—	293	374	667	2	1992
Quick Service Restaurants	Sandersville	GA	(g)	283	515	—	—	283	515	798	3	1989
Quick Service Restaurants	Barnesville	GA	(g)	243	414	—	—	243	414	657	3	1996
Convenience Stores	Farmington	NM	(g)	332	302	—	—	332	302	634	2	1966
Convenience Stores	Farmington	NM	(g)	342	604	—	—	342	604	946	4	1972
Convenience Stores	Farmington	NM	(g)	372	886	—	—	372	886	1,258	6	2013
Convenience Stores	Aztec	NM	(g)	322	685	—	—	322	685	1,007	4	1982
Convenience Stores	Farmington	NM	(g)	282	1,077	—	—	282	1,077	1,359	7	1980
Convenience Stores	Farmington	NM	(g)	503	815	—	—	503	815	1,318	5	1980
Convenience Stores	Farmington	NM	(g)	735	352	—	—	735	352	1,087	3	1982
Convenience Stores	Ignacio	CO	(g)	272	1,047	—	—	272	1,047	1,319	6	1983
Convenience Stores	Farmington	NM	(g)	332	775	—	—	332	775	1,107	5	1985
Convenience Stores	Farmington	NM	(g)	453	1,027	—	—	453	1,027	1,480	7	1990
Convenience Stores	Kirtland	NM	(g)	332	906	—	—	332	906	1,238	6	1980
Convenience Stores	Farmington	NM	(g)	554	785	—	—	554	785	1,339	3	1998
Quick Service Restaurants	Hutchinson	KS	(f)	194	777	—	—	194	777	971	2	1971
Medical / Dental	Tyler	TX	(f)	985	5,675	—	—	985	5,675	6,660	14	1999
Medical / Dental	Lindale	TX	(f)	394	1,429	—	—	394	1,429	1,823	4	2013
Medical / Dental	Franklin	IN	(g)	395	2,319	—	—	395	2,319	2,714	6	2007
Medical / Dental	Fayetteville	AR	(g)	905	1,456	—	—	905	1,456	2,361	3	1979
Medical / Dental	Greenwood	IN	(g)	312	593	—	—	312	593	905	1	1952
Medical / Dental	Indianapolis	IN	(g)	52	416	—	—	52	416	468	1	1954
Early Childhood Education	Lansdowne	VA	(g)	2,167	2,982	—	—	2,167	2,982	5,149	7	2006
Early Childhood Education	Overland Park	KS	(g)	1,189	4,062	—	—	1,189	4,062	5,251	9	2017
Casual Dining Restaurants	Bossier City	LA	(g)	976	2,347	—	—	976	2,347	3,323	6	1993
Casual Dining Restaurants	Augusta	GA	(g)	1,663	1,909	—	—	1,663	1,909	3,572	4	1982
Movie Theatres	Dublin	OH	(g)	2,126	10,097	—	—	2,126	10,097	12,223	23	1994
Quick Service Restaurants	Sylacauga	AL	(g)	166	351	—	—	166	351	517	—	1976

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Description(a)				Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at December 31, 2017(b)(c)			Accumulated Depreciation (d)(e)	Year Constructed	Date Acquired
Tenant Industry	City	State	Encumbrances	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Land & Improvements	Building & Improvements	Total			
Quick Service Restaurants	Daleville	AL	(g)	127	409	—	—	127	409	536	—	1983	12/19/2017
Quick Service Restaurants	Roanoke	AL	(g)	224	526	—	—	224	526	750	—	1990	12/19/2017
Quick Service Restaurants	Jasper	AL	(g)	370	331	—	—	370	331	701	—	2005	12/19/2017
Quick Service Restaurants	Alexander City	AL	(g)	263	506	—	—	263	506	769	—	2004	12/19/2017
Quick Service Restaurants	Headland	AL	(g)	273	370	—	—	273	370	643	—	2007	12/19/2017
Quick Service Restaurants	Tallassee	AL	(g)	195	302	—	—	195	302	497	—	2008	12/19/2017
Quick Service Restaurants	Talladega	AL	(g)	88	273	—	—	88	273	361	—	1999	12/19/2017
Quick Service Restaurants	Enterprise	AL	(g)	166	380	—	—	166	380	546	—	1974	12/19/2017
Quick Service Restaurants	Childersburg	AL	(g)	195	302	—	—	195	302	497	—	1989	12/19/2017
Quick Service Restaurants	Valley	AL	(g)	185	302	—	—	185	302	487	—	2004	12/19/2017
Quick Service Restaurants	Selma	AL	(g)	175	409	—	—	175	409	584	—	1996	12/19/2017
Casual Dining Restaurants	Linthicum	MD	(g)	1,691	1,124	—	—	1,691	1,124	2,815	—	2004	12/21/2017
Casual Dining Restaurants	East Point	GA	(g)	1,153	831	—	—	1,153	831	1,984	—	2003	12/21/2017
Casual Dining Restaurants	Pocomoke City	MD	(g)	653	849	—	—	653	849	1,502	—	2005	12/21/2017
Casual Dining Restaurants	D'Iberville	MS	(g)	927	623	—	—	927	623	1,550	—	2004	12/21/2017
Casual Dining Restaurants	Clarksville	TN	(g)	861	736	—	—	861	736	1,597	—	2003	12/21/2017
Casual Dining Restaurants	Scranton	PA	(g)	785	755	—	—	785	755	1,540	—	1995	12/21/2017
Casual Dining Restaurants	Alexander City	AL	(g)	511	802	—	—	511	802	1,313	—	2007	12/21/2017
Casual Dining Restaurants	Morristown	TN	(g)	644	604	—	—	644	604	1,248	—	2004	12/21/2017
Casual Dining Restaurants	Columbia	SC	(g)	785	500	—	—	785	500	1,285	—	2003	12/21/2017
Casual Dining Restaurants	Indianapolis	IN	(g)	1,012	368	—	—	1,012	368	1,380	—	1996	12/21/2017
Casual Dining Restaurants	Palm City	FL	(g)	672	727	—	—	672	727	1,399	—	2003	12/21/2017
Casual Dining Restaurants	Robert	MO	(g)	644	755	—	—	644	755	1,399	—	2001	12/21/2017
Casual Dining Restaurants	Jasper	AL	(g)	766	292	—	—	766	292	1,058	—	1998	12/21/2017
Casual Dining Restaurants	Smithfield	NC	(g)	833	349	—	—	833	349	1,182	—	2002	12/21/2017
Casual Dining Restaurants	Johnson City	TN	(g)	634	528	—	—	634	528	1,162	—	2003	12/21/2017
Casual Dining Restaurants	Sevierville	TN	(g)	861	254	—	—	861	254	1,115	—	2003	12/21/2017
Casual Dining Restaurants	Clemmons	NC	(g)	757	386	—	—	757	386	1,143	—	2005	12/21/2017
Quick Service Restaurants	Jasper	IN	(f)	226	931	—	—	226	931	1,157	—	1998	12/22/2017
Automotive Services	Spring	TX	(f)	721	932	—	—	721	932	1,653	—	2017	12/27/2017
Car Washes	Fayetteville	AR	(g)	567	1,377	—	—	567	1,377	1,944	—	2011	12/28/2017
Car Washes	Fayetteville	AR	(g)	597	1,675	—	—	597	1,675	2,272	—	1980	12/28/2017
Car Washes	Bentonville	AR	(g)	1,307	2,436	—	—	1,307	2,436	3,743	—	2017	12/28/2017
Car Washes	Stillwater	OK	(g)	320	924	—	—	320	924	1,244	—	2002	12/28/2017
Car Washes	Stillwater	OK	(g)	669	1,634	—	—	669	1,634	2,303	—	2006	12/28/2017
Car Washes	Stillwater	OK	(g)	825	750	—	—	825	750	1,575	—	2007	12/28/2017
Health and Fitness	Auburn	AL	(g)	1,104	2,411	—	—	1,104	2,411	3,515	—	2007	12/29/2017
Health and Fitness	Columbus	GA	(g)	2,175	2,540	—	—	2,175	2,540	4,715	—	2005	12/29/2017
Early Childhood Education	Southaven	MS	(g)	1,060	1,496	—	—	1,060	1,496	2,556	—	2002	12/29/2017
				<u>\$ 282,647</u>	<u>\$ 582,495</u>	<u>\$ (1,703)</u>	<u>\$ 3,323</u>	<u>\$ 280,944</u>	<u>\$ 585,818</u>	<u>\$866,762</u>	<u>\$ 15,356</u>		

- (a) As of December 31, 2017, the Company had investments in 508 single-tenant real estate property locations including 493 owned properties and 15 ground lease interests. All or a portion of 5 of the Company's owned properties and 1 property subject to ground lease interests are subject to leases accounted for as direct financing leases and the portions relating to the direct financing leases are excluded from the table above. Initial costs exclude intangible lease assets totaling \$62.5 million and initial costs and costs capitalized subsequent to acquisition exclude construction in progress of \$4.1 million.
- (b) The aggregate cost for federal income tax purposes is \$870.3 million.

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- (c) The following is a reconciliation of carrying value for land and improvements and building and improvements for the periods presented:

	Year ended December 31, 2017	Period from March 30, 2016 (commencement of operations) to December 31, 2016
Balance, beginning of period	\$ 396,193	\$ —
Additions		
Acquisitions	514,354	412,922
Improvements	4,666	—
Deductions		
Provisions for impairment of real estate	(2,277)	(1,199)
	(46,174)	(15,530)
Balance, end of period	\$ 866,762	\$ 396,193

- (d) The following is a reconciliation of accumulated depreciation for the periods presented:

	Year ended December 31, 2017	Period from March 30, 2016 (commencement of operations) to December 31, 2016
Balance, beginning of period	\$ 2,903	\$ —
Additions		
	14,045	3,008
Deductions		
Accumulated depreciation associated with real estate sold	(1,592)	(105)
Balance, end of period	\$ 15,356	\$ 2,903

- (e) Depreciation is calculated using the straight-line method over the estimated useful lives of the properties, which is up to 40 years for buildings and improvements and 15 years for land improvements.
- (f) Property is collateral for non-recourse debt obligations totaling \$522.9 million issued under the Company's Master Trust Funding Program.
- (g) Property is collateral for notes payable to related party totaling \$230.0 million.
- (h) Amounts shown as reductions to cost capitalized subsequent to acquisition represent provisions recorded for impairment of real estate.

See accompanying report of independent registered public accounting firm.

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR**  
**HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Balance Sheets**  
(In thousands, except unit and per unit data)

	<u>March 31, 2018</u> (Unaudited)	<u>December 31, 2017</u>
<b>ASSETS</b>		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 296,081	\$ 278,985
Building and improvements	616,389	584,385
Lease incentive	2,275	2,275
Construction in progress	7,042	4,076
Intangible lease assets	63,761	62,453
Total real estate investments, at cost	985,548	932,174
Less: accumulated depreciation and amortization	(31,310)	(24,825)
Total real estate investments, net	954,238	907,349
Direct financing lease receivables, net	2,707	2,725
Real estate investments held for sale, net	5,885	4,173
Net investments	962,830	914,247
Cash and cash equivalents	1,842	7,250
Restricted cash	9,329	12,180
Straight-line rent receivable, net	7,148	5,498
Prepaid expenses and other assets, net	5,444	3,045
Total assets(1)	<u>\$ 986,593</u>	<u>\$ 942,220</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Secured borrowings, net of deferred financing costs	\$ 510,138	\$ 511,646
Notes payable to related party	225,000	230,000
Intangible lease liabilities, net	12,425	12,321
Intangible lease liabilities held for sale, net	—	129
Accrued liabilities and other payables (including \$379 and \$324 due to a related party as of March 31, 2018 and December 31, 2017, respectively)	6,277	6,722
Total liabilities(1)	753,840	760,818
Commitments and contingencies (see Note 8)	—	—
Members' equity		
Class A units, \$1,000 per unit, 133,700 and 83,700 issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	137,196	86,668
Class B units, 8,550 issued, 3,220 and 1,610 vested and outstanding as of March 31, 2018 and December 31, 2017, respectively	767	574
Class C units, \$1,000 per unit, 91,450 issued and outstanding as of March 31, 2018 and December 31, 2017	94,645	94,064
Class D Units, 3,000 issued, 1,200 and 600 vested and outstanding as of March 31, 2018 and December 31, 2017, respectively	145	96
Total members' equity	232,753	181,402
Total liabilities and members' equity	<u>\$ 986,593</u>	<u>\$ 942,220</u>

- (1) The Company's consolidated balance sheets includes assets and liabilities of consolidated variable interest entities ("VIEs"). See Note 4. As of March 31, 2018 and December 31, 2017, respectively, the consolidated balance sheets included the following amounts related to the Company's consolidated VIEs: \$193.0 million and \$191.7 million of land and improvements, \$396.8 million and \$391.3 million of building and improvements, \$2.1 million and \$2.1 million of lease incentive, \$48.6 million and \$49.7 million of intangible lease assets, \$25.5 million and \$21.4 million of accumulated depreciation and amortization, \$2.4 million and \$2.4 million of direct financing lease receivables, net, \$3.2 million and \$4.2 million of real estate investments held for sale, net, \$5.9 million and \$5.0 million of straight-line rent receivable, \$510.1 million and \$511.6 million of secured borrowings, net of deferred financing costs, \$10.6 million and \$10.8 million of intangible lease liabilities, net, and \$0.0 million and \$0.1 million of intangible lease liabilities held for sale, net.

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR HISTORICAL  
CONSOLIDATED FINANCIAL STATEMENTS**  
Consolidated Statements of Operations and Comprehensive Income  
(Unaudited, in thousands)

	Three months ended March 31,	
	2018	2017
Revenues:		
Rental revenue	\$20,075	\$10,008
Interest income on direct financing lease receivables	62	83
Other revenue	66	5
Total revenues	<u>20,203</u>	<u>10,096</u>
Expenses:		
Interest (including \$2,079 and \$210 to a related party during the three months ended March 31, 2018 and 2017, respectively)	8,276	3,715
General and administrative	3,386	1,951
Property expenses	347	209
Depreciation and amortization	6,468	3,782
Provision for impairment of real estate	1,849	151
Total expenses	<u>20,326</u>	<u>9,808</u>
Income (loss) before gain on dispositions of real estate	(123)	288
Gain on dispositions of real estate, net	1,232	295
Net income	<u>1,109</u>	<u>583</u>
Comprehensive income	<u>\$ 1,109</u>	<u>\$ 583</u>

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR**  
**HISTORICAL SOLIDATED FINANCIAL STATEMENTS**  
**Consolidated Statements of Members' Equity**  
(Unaudited, in thousands)

	SCF Funding LLC	Class A Units	Class B Units	Class C Units	Class D Units	Total Members' Equity
<b>Balance at December 31, 2016</b>	\$ 174,650	\$ —	\$ —	\$ —	\$ —	\$ 174,650
Contributions	17,308	83,700	—	—	—	101,008
Distributions	(101,222)	—	—	—	—	(101,222)
Conversion of equity resulting from issuance of units	(90,823)	—	—	90,823	—	—
Unit compensation expense	—	—	104	—	55	159
Net income	87	237	—	259	—	583
<b>Balance at March 31, 2017</b>	<u>\$ —</u>	<u>\$ 83,937</u>	<u>\$ 104</u>	<u>\$ 91,082</u>	<u>\$ 55</u>	<u>\$ 175,178</u>
<b>Balance at December 31, 2017</b>	\$ —	\$ 86,668	\$ 574	\$ 94,064	\$ 96	\$ 181,402
Contributions	—	50,000	—	—	—	50,000
Unit compensation expense	—	—	193	—	49	242
Net income	—	528	—	581	—	1,109
<b>Balance at March 31, 2018</b>	<u>\$ —</u>	<u>\$ 137,196</u>	<u>\$ 767</u>	<u>\$ 94,645</u>	<u>\$ 145</u>	<u>\$ 232,753</u>

**ESSENTIAL PROPERTIES REALTY TRUST, INC. PREDECESSOR HISTORICAL  
CONSOLIDATED FINANCIAL STATEMENTS  
Consolidated Statements of Cash Flows  
(Unaudited, in thousands)**

	<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,109	\$ 583
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and lease intangible amortization	6,468	3,782
Amortization of lease incentive	38	33
Amortization of above/below market leases	138	9
Amortization of deferred financing costs	576	378
Provision for impairment of real estate	1,849	151
Gain on dispositions of investments, net	(1,232)	(295)
Straight-line rent receivable	(1,651)	(940)
Unit compensation expense	178	166
Allowance for doubtful accounts	53	—
Changes in other assets and liabilities:		
Prepaid expenses and other assets	(1,924)	11
Accrued liabilities and other payables	(381)	(178)
<b>Net cash provided by operating activities</b>	<b>5,221</b>	<b>3,700</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments, net	7,722	5,021
Principal collections on direct financing lease receivables	18	22
Deposits for prospective real estate investments	36	(2,080)
Investment in real estate	(59,071)	(126,520)
Investment in construction in progress and other	(5,101)	(28)
<b>Net cash used in investing activities</b>	<b>(56,396)</b>	<b>(123,585)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of notes payable to related parties	45,000	215,000
Payments of principal on notes payable to related parties	(50,000)	(83,000)
Repayments of secured borrowings	(2,066)	(931)
Deferred financing costs	(18)	—
Capital contributions	50,000	83,700
Distributions paid	—	(101,222)
<b>Net cash provided by financing activities</b>	<b>42,916</b>	<b>113,547</b>
Net decrease in cash and cash equivalents and restricted cash	(8,259)	(6,338)
Cash and cash equivalents and restricted cash, beginning of period	19,430	11,922
Cash and cash equivalents and restricted cash, end of period	<u>\$ 11,171</u>	<u>\$ 5,584</u>
<b>Reconciliation of cash and cash equivalents and restricted cash:</b>		
Cash and cash equivalents	\$ 1,842	\$ 2,999
Restricted cash	9,329	2,585
Cash and cash equivalents and restricted cash, end of period	<u>\$ 11,171</u>	<u>\$ 5,584</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest, net of amounts capitalized	\$ 7,700	\$ 3,369
<b>Non-cash investing and financing activities:</b>		
Reclassification from construction in progress upon project completion	\$ 1,567	\$ —
Non-cash equity contributions	—	17,308
Real estate investments acquired through direct equity investment	—	(17,308)

**Notes to Consolidated Financial Statements**  
**March 31, 2018**

**1. Organization**

Essential Properties Realty Trust LLC ("EPRT LLC" and, collectively with EPRT Holdings, as defined below, the "Company"), formerly known as SCF Realty Capital LLC, is an internally managed real estate company that acquires, owns and manages primarily single-tenant properties that are net leased on a long-term basis to middle-market companies operating service-oriented or experience-based businesses. The Company has a diversified portfolio that focuses on properties leased to tenants in businesses such as restaurants (including quick service and casual and family dining), car washes, automotive services, medical services, convenience stores, entertainment, early childhood education and health and fitness. The Company seeks to acquire and lease freestanding, single-tenant commercial real estate facilities where a tenant services its customers and conducts activities that are essential to the generation of the tenant's sales and profits.

Through a series of formation transactions, the Company expects to convert from a Delaware limited liability company into a Delaware limited partnership, change its name to Essential Properties, L.P. (the "Operating Partnership") and become a subsidiary of Essential Properties Realty Trust, Inc., a Maryland corporation (the "REIT"). Essential Properties OP G.P., LLC, a wholly-owned subsidiary of the REIT, will become the sole general partner of the Operating Partnership. The REIT expects to hold substantially all of its assets and conduct its operations through the Operating Partnership. The REIT intends to complete an initial public offering of shares of its common stock (the "Offering"). In connection with the Offering, the REIT has filed a registration statement on Form S-11 with the U.S. Securities and Exchange Commission (the "SEC").

EPRT LLC, a Delaware limited liability company ("LLC"), was formed and commenced operations on March 30, 2016 by its initial sole member, SCF Funding LLC (the "Parent") and the affairs of EPRT LLC were managed by Stonebriar Finance Holdings LLC (the "Manager"). The Parent and Manager are ultimately wholly-owned through a series of Delaware LLCs by Eldridge Industries, LLC ("Eldridge"). EPRT LLC's operating agreement (the "Operating Agreement") provides certain limitations on the liability of the Parent and the Manager. These limitations include 1) that neither the Parent nor the Manager shall be liable for the debts, obligations, or liabilities of the Company solely by reason of being a member or manager of the Company, 2) that neither the Parent nor the Manager shall be liable to the Company or to any member of the Company or other person or entity who may become party to the Operating Agreement for any breach of the Operating Agreement arising under or in connection with the Operating Agreement except for any act or omission made in bad faith, and 3) the Company indemnifies the Parent, Manager and officers from and against all losses, claims, damages, liabilities, costs and expenses except those resulting primarily from bad faith of the indemnitee.

On January 31, 2017, EPRT LLC received additional capital contributions from Stonebriar Holdings LLC ("Stonebriar Holdings") and members of the EPRT LLC's management ("EPRT Management"), and issued four classes of equity units: Class A, Class B, Class C and Class D. The Class A and C units have voting rights while the Class B and D units do not have voting rights. After these equity contributions, the Parent owned approximately 52.3% of EPRT LLC, Stonebriar Holdings owned approximately 45.7% and EPRT Management owned approximately 2.0%.

On December 31, 2017, EPRT LLC reorganized (the "Reorganization") and the holders of the Class A, Class B, Class C and Class D units contributed all of their interests in EPRT LLC to a newly formed Delaware limited liability company, EPRT Holdings, LLC ("EPRT Holdings"), in exchange for interests in EPRT Holdings with the same rights as the interests they held in EPRT LLC. The Reorganization lacked economic substance as the newly issued units of EPRT Holdings have the



same rights and privileges as the previously issued units of EPRT LLC and there was no change in ownership percentages of the individual unitholders. As of such date, EPRT LLC became a wholly-owned subsidiary of EPRT Holdings. The Reorganization has been accounted for as a reorganization of entities under common control in the Company's consolidated financial statements and the assets and liabilities of EPRT LLC have been recorded by EPRT Holdings at their historical carrying amounts. As a result of the Reorganization, the consolidated financial statements presented here are of EPRT Holdings. See Note 6—Members' Equity for additional information.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Accounting***

The accompanying consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the rules and regulations of the SEC.

### ***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. As of March 31, 2018 and December 31, 2017 all subsidiaries were wholly-owned.

### ***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Investments in real estate are carried at cost less accumulated depreciation and impairment losses, if any. The cost of investments in real estate reflects their purchase price or development cost. The Company evaluates each acquisition transaction to determine whether the acquired assets meet the definition of a business. Under ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, an acquisition does not qualify as a business when there is no substantive process acquired or substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay. Transaction costs related to acquisitions that are asset acquisitions are capitalized as part of the cost basis of the acquired assets, while transaction costs for acquisitions that are deemed to be acquisitions of a business are expensed as incurred. Improvements and replacements are capitalized when they extend the useful life or improve the productive capacity of the asset. Costs of repairs and maintenance are expensed as incurred.

The Company allocates the purchase price of acquired properties accounted for as asset acquisitions to tangible and identifiable intangible assets or liabilities based on their relative fair values. Tangible assets may include land, site improvements and buildings. Intangible assets may include the value of in-place leases and above- and below-market leases and other identifiable intangible assets or liabilities based on lease or property specific characteristics.

The Company may incur various costs in the leasing and development of its properties. Amounts paid to tenants that incentivize them to extend or otherwise amend an existing lease or to sign a new lease agreement are capitalized to lease incentive on the Company's consolidated balance sheets. Tenant improvements are capitalized to building and improvements within the Company's consolidated balance sheets. Costs incurred which are directly related to properties under development, which include preconstruction costs essential to the development of the property, development costs, construction costs, interest costs and real estate taxes and insurance, are capitalized during the period of development as construction in progress. After the determination is made to capitalize a cost, it is allocated to the specific component of a project that benefited. Determination of when a development project commences and capitalization begins, and when a development project has reached substantial completion and is available for occupancy and capitalization must cease, involves a degree of judgment.

The fair value of the tangible assets of an acquired property with an in-place operating lease is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to the tangible assets based on the fair value of the tangible assets. The fair value of in-place leases is determined by considering estimates of carrying costs during the expected lease-up periods, current market conditions, as well as costs to execute similar leases based on the specific characteristics of each tenant's lease. The Company estimates the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. Factors the Company considers in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses, and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from six to 12 months. The fair value of above- or below-market leases is recorded based on the net present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between the contractual amount to be paid pursuant to the in-place lease and the Company's estimate of the fair market lease rate for the corresponding in-place lease, measured over the remaining non-cancelable term of the lease including any below-market fixed rate renewal options for below-market leases.

In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including real estate valuations prepared by independent valuation firms. The Company also considers information and other factors including market conditions, the industry that the tenant operates in, characteristics of the real estate, e.g. location, size, demographics, value and comparative rental rates, tenant credit profile and the importance of the location of the real estate to the operations of the tenant's business. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Company uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of the accounting standard governing asset retirement obligations and, when necessary, will record an asset retirement obligation as part of the purchase price allocation.

Real estate investments that are intended to be sold are designated as "held for sale" on the consolidated balance sheets at the lesser of carrying amount or fair value less estimated selling costs when they meet specific criteria to be presented as held for sale. Real estate investments are no longer depreciated when they are classified as held for sale. If the disposal, or intended disposal, of certain real estate investments represents a strategic shift that has had or will have a major effect on the Company's operations and financial results, the operations of such real estate investments would be presented as discontinued operations in the consolidated statements of operations and comprehensive income for all applicable periods.

Depreciation is computed using the straight-line method over the estimated useful lives of up to 40 years for buildings and 15 years for site improvements. During the three months ended March 31, 2018 and 2017, the Company recorded \$5.2 million and \$2.5 million of depreciation on its real estate investments, respectively.

Lease incentives are amortized on a straight-line basis as a reduction of rental income over the remaining non-cancellable terms of the respective leases. In the event that a tenant terminates its lease, the unamortized portion of the lease incentive is charged to rental revenue.

Construction in progress is not depreciated until the development has reached substantial completion.

Tenant improvements are depreciated over the non-cancellable term of the related lease or their estimated useful life, whichever is shorter.

Capitalized above-market lease values are amortized on a straight-line basis as a reduction of rental revenue over the remaining non-cancellable terms of the respective leases. Capitalized below-market lease values are accreted on a straight-line basis as an increase to rental revenue over the remaining non-cancellable terms of the respective leases including any below-market fixed rate renewal option periods.

Capitalized above-market ground lease values are accreted as a reduction of property expenses over the remaining terms of the respective leases. Capitalized below-market ground lease values are amortized as an increase to property expenses over the remaining terms of the respective leases and any expected below-market renewal option periods where renewal is considered probable.

The value of in-place leases, exclusive of the value of above-market and below-market lease intangibles, is amortized to depreciation and amortization expense on a straight-line basis expense over the remaining periods of the respective leases.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including in-place lease values, is charged to depreciation and amortization expense, while above- and below-market lease adjustments are recorded within rental revenue in the consolidated statement of operations and comprehensive income.

#### ***Direct Financing Lease Receivables***

Certain of the Company's real estate investment transactions are accounted for as direct financing leases. The Company records the direct financing lease receivables at their net investment, determined as the aggregate minimum lease payments and the estimated non-guaranteed residual value of the leased property less unearned income. The unearned income is recognized over the life of the related lease contracts so as to produce a constant rate of return on the net investment in the asset. The Company's investment in direct financing lease receivables is reduced over the applicable lease term to its non-guaranteed residual value by the portion of rent allocated to the direct financing lease receivables.

If and when an investment in direct financing lease receivables is identified for impairment evaluation, the Company will apply the guidance in both the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310 "Receivables" ("ASC 310") and ASC 840 "Leases" ("ASC 840"). Under ASC 310, the lease receivable portion of the net investment in a direct financing lease receivable is evaluated for impairment when it becomes probable the Company, as the

lessor, will be unable to collect all rental payments associated with the Company's investment in the direct financing lease receivable. Under ASC 840, the Company reviews the estimated non-guaranteed residual value of a leased property at least annually. If the review results in a lower estimate than had been previously established, the Company determines whether the decline in estimated non-guaranteed residual value is other than temporary. If a decline is judged to be other than temporary, the accounting for the transaction is revised using the changed estimate and the resulting reduction in the net investment in direct financing lease receivables is recognized by the Company as a loss in the period in which the estimate is changed. As of March 31, 2018 and December 31, 2017, the Company determined that none of its direct financing lease receivables were impaired.

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

If circumstances indicate that the carrying value of a property may not be recoverable, the Company reviews the asset for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. These estimates consider factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property for properties to be held and used. For properties held for sale, the impairment loss is the adjustment to fair value less estimated cost to dispose of the asset. Impairment assessments have a direct impact on the consolidated statements of operations and comprehensive income because recording an impairment loss results in an immediate negative adjustment to the consolidated statements of operations and comprehensive income. For the three months ended March 31, 2018 and 2017, the Company recorded a provision for impairment of real estate of \$1.8 million and \$0.2 million, respectively.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents includes cash in the Company's bank accounts. The Company considers all cash balances and highly-liquid investments with original maturities of three months or less to be cash and cash equivalents. The Company deposits cash with high quality financial institutions. These deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to an insurance limit. As of March 31, 2018 and December 31, 2017, the Company had deposits of \$1.8 million and \$7.3 million, respectively, of which \$1.6 million and \$7.0 million, respectively, were in excess of the amount insured by the FDIC. Although the Company bears risk to amounts in excess of those insured by the FDIC, it does not anticipate any losses as a result.

#### ***Restricted Cash***

Restricted cash consists of cash held with the trustee for the Company's Master Trust Funding Program (as defined in Note 4—Secured Borrowings). This restricted cash is used to make principal and interest payments on the Company's secured borrowings, to pay trust expenses, and to acquire future real estate investments which will be pledged as collateral under the Master Trust Funding Program. See Note 4—Secured Borrowings for further discussion.

#### ***Allowance for Doubtful Accounts***

The Company continually reviews receivables related to rent and unbilled rent receivables and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectability of a receivable

is in doubt, the accounts receivable and straight-line rent receivable balances are reduced by an allowance for uncollectible accounts on the consolidated balance sheets or a direct write-off of the receivable is recorded in the consolidated statements of operations. The provision for doubtful accounts is included in property expenses in the Company's consolidated statements of operations and comprehensive income. If the accounts receivable balance or straight-line rent receivable balance is subsequently deemed to be uncollectible, such receivable amounts are written-off to the allowance for doubtful accounts. As of March 31, 2018 and December 31, 2017, the Company recorded an allowance for doubtful accounts of \$0.1 million related to base rent receivable and recorded a reserve against straight-line rent receivable of \$0.1 million.

#### ***Deferred Financing Costs***

Financing costs related to the issuance of the Company's long-term debt are deferred and amortized as an increase to interest expense in the consolidated statements of operations and comprehensive income over the term of the related debt instrument and are reported as a reduction of the related debt balance on the consolidated balance sheets.

#### ***Fair Value Measurement***

The Company estimates fair value of financial and non-financial assets and liabilities based on the framework established in fair value accounting guidance. Fair value is defined as 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 (an exit price). The hierarchy described below prioritizes inputs to the valuation techniques used in measuring the fair value of assets and liabilities. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

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

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

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

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

The Company's rental revenue is primarily related to rent received from tenants. Rent from tenants is recorded in accordance with the terms of each lease on a straight-line basis over the non-cancellable initial term of the lease from the later of the date of the commencement of the lease or the date of acquisition of the property subject to the lease. Rental revenue recognition begins when the tenant controls the space through the term of the related lease. Because substantially all of the leases provide for rental increases at specified intervals, the Company records a straight-line rent receivable and recognizes revenue on a straight-line basis over the expiration of the non-cancellable term of the lease. The Company takes into account whether the collectability of rents is reasonably assured in determining the amount of straight-line rent to record. Rental revenue from leases with contingent rentals is recognized when changes in the factors on which the contingent payments are based actually occur.

The Company defers rental revenue related to lease payments received from tenants in advance of their due dates. These amounts are presented within accrued liabilities and other payables on the Company's consolidated balance sheets.

Certain properties in the Company's investment portfolio are subject to leases that provide for contingent rent based on a percentage of the tenant's gross sales. For these leases, the Company recognizes contingent rental revenue when the threshold upon which the contingent lease payment is based is actually reached. During the three months ended March 31, 2018 and 2017, the Company recorded \$0.5 million and \$0.2 million of contingent rent within rental revenue in the Company's consolidated statements of operations and comprehensive income.

#### **Organizational Costs**

Costs related to the initial organization of the Company and its subsidiaries are expensed as they are incurred and are recorded within general and administrative expense in the Company's consolidated statements of operations and comprehensive income.

#### **Offering Costs**

In connection with the Offering, the Company has or will incur legal, accounting and other offering-related costs, which will be reimbursed by the REIT upon the consummation of the Offering. Such costs will be deducted from the proceeds of the Offering when it is consummated or expensed if the Offering is not consummated. As of March 31, 2018 and December 31, 2017, the Company had capitalized \$3.0 million and \$1.3 million of such costs within prepaid expenses and other assets in the Company's consolidated balance sheets.

#### **Gains and Losses on Dispositions of Real Estate**

Gains and losses on dispositions of real estate investments are recorded in accordance with ASC 360-20, *Property, Plant and Equipment—Real Estate Sales*, and include realized proceeds from real estate disposed of in the ordinary course of business, less their related net book value and less any costs incurred in association with the disposition.

On January 1, 2018, the Company adopted FASB Accounting Standards Update 2017-05, "Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"), using the modified retrospective transition method. As leasing is the Company's primary activity, the Company determined that its sales of real estate, which are nonfinancial assets, are sold to noncustomers and fall within the scope of ASC 610-20. The Company recognizes the full gain on the disposition of its real estate as the Company (i) has no controlling financial interest in the real estate and (ii) has no continuing interest or obligation with respect to the disposed real estate. The Company reassessed and determined there were no open contracts or partial sales and, as such, the adoption of ASU 2017-05 (i) did not result in a cumulative adjustment as of January 1, 2018 and (ii) did not have any impact on the Company's consolidated financial statements.

#### **Income Taxes**

From the Company's commencement of operations on March 30, 2016 through January 31, 2017, the Company and its subsidiaries included in the consolidated financial statements were treated as disregarded entities for U.S. federal and state income tax purposes, and accordingly, the Company was not subject to entity-level tax. Therefore, until the Company's issuance of Class A and Class C

units on January 31, 2017, the Company's net income flowed through to the Parent for federal income tax purposes. Following the issuance of Class A and C units, the Company's net income flowed through to Class A and Class C unitholders for federal income tax purposes. Accordingly, no provision or liability for U.S. federal income taxes has been included in the accompanying consolidated financial statements. With regard to state income taxes, the Company is a taxable entity only in certain states that tax all entities, including partnerships.

The Company analyzes its tax filing positions in all of its U.S. federal, state and local tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in such jurisdictions. The Company follows a two step process to evaluate uncertain tax positions. Step one, recognition, occurs when an entity concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Step two, measurement, determines the amount of benefit that is more-likely-than-not to be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited. As of March 31, 2018 and December 31, 2017, the Company has not recorded any accruals for uncertain tax positions. The Company's policy is to classify interest expense and penalties in general and administrative expense in the consolidated statements of operations and comprehensive income. During the three months ended March 31, 2018 and 2017, the Company has not recorded any interest or penalties, and there are no interest or penalties accrued at March 31, 2018 and December 31, 2017. The 2017 and 2016 taxable years remain open to examination by federal and state taxing jurisdictions to which the Company is subject.

#### ***Unit Based Compensation***

In 2017, the Company granted unit awards to certain of its employees and managers, as well as non-employees, consisting of units that vest over a multi-year period, subject to the recipient's continued service. The Company accounts for unit-based compensation in accordance with ASC 718, Compensation—Stock Compensation, which requires that compensation related to all unit-based awards, including restricted member units, be recognized in the financial statements based on their estimated grant-date fair value. The value of unit-based awards is recognized as compensation expense in general and administrative expenses in the accompanying consolidated statements of operations over the requisite service periods, with subsequent remeasurement for any unvested units granted to non-employees.

The Company recognizes unit-based compensation using the straight-line method based on the terms of the individual grant.

#### ***Variable Interest Entities***

FASB provides guidance for determining whether an entity is a variable interest entity ("VIE"). VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. A VIE is required to be consolidated by its primary beneficiary, which is the party that (i) has the power to control the activities that most significantly impact the VIE's economic performance and (ii) has the obligation to absorb losses, or the right to receive benefits, of the VIE that could potentially be significant to the VIE.

The Company uses VIEs for its secured borrowings. The Company transfers real estate investments and their related leases into a trust and the assets held in the trusts can only be used to settle obligations of the trusts. The Company serves as the servicer for these secured borrowings. The

creditors of these trusts have no recourse to the Company. The Company issued its first secured borrowing in December 2016 and issued a second secured borrowing in July 2017. These secured borrowings are reported as secured borrowings on the Company's consolidated balance sheets and the assets included in the trusts are consolidated into the Company's investments as of March 31, 2018 and December 31, 2017. The Company consolidates the VIEs as the Company is the primary beneficiary and has power to direct the activities that most significantly impact the economic performance of the VIE. See Note 4—Secured Borrowings for further discussion.

### **Reportable Segments**

ASC Topic 280, Segment Reporting, establishes standards for the manner in which enterprises report information about operating segments. Substantially all of the Company's investments, at acquisition, are comprised of real estate owned that is leased to tenants on a long-term basis. Therefore, the Company aggregates these investments for reporting purposes and operates in one reportable segment.

### **Recent Accounting Developments**

In May 2014, with subsequent updates in 2015, 2016 and 2017, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which establishes a principles-based approach for accounting for revenue from contracts with customers. The standard does not apply to revenue recognition for lease contracts or to the interest income recognized from direct financing receivables, which together represent substantially all of the Company's revenue. Such revenues are related to lease contracts with tenants, which currently fall within the scope of ASC Topic 840, and will fall within the scope of ASC Topic 842 upon the adoption of Accounting Standards Update 2016-02 on January 1, 2019 (see below). The Company's sales of real estate are within the scope of ASU 2017-05 (see above). The Company adopted ASU 2014-09 on January 1, 2018 using the modified retrospective method for transition. The adoption of this new standard did not result in a cumulative effect adjustment as of January 1, 2018 and did not have any impact on the Company's consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases" (Topic 842), ("ASU 2016-02"), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 requires lessees (applicable to the Company's ground lease and corporate office lease obligations) to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less may be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. Additionally, the new standard and the new revenue recognition guidance (discussed above) will impact how lessors account for lease executory costs (such as property taxes, common area maintenance and utilities). Under the current lease accounting guidance, these payments made by its tenants to third parties are excluded from lease payments and rental revenue. Upon adoption of the new lease accounting standard in 2019, these lease executory cost payments will be accounted for as activities or costs that are not components of the lease contract. As a result, the Company may be required to show these payments made by its tenants on a gross basis (for example, both as property tax expense and as corresponding revenue from the tenant who makes the payment directly to the third party) in its consolidated statements of operations and



comprehensive income. Although there is not expected to be any impact to net income or cash flows as a result of a gross presentation, such presentation would have the impact of increasing both reported revenues and property expenses. The FASB recently decided to add additional guidance to the standard to address the accounting treatment for these payments; the Company will evaluate this additional guidance as it becomes available and continue to assess the impact of this potential change in presentation. The standard also will require new disclosures within the notes accompanying the consolidated financial statements. ASU 2016-02 supersedes the previous lease standard, Leases (Topic 840). The new guidance requires modified retrospective transition, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. The standard will be effective for the Company on January 1, 2019. The Company has commenced the process of implementing the new leasing standard and has completed an initial inventory and evaluation of its lease contracts as both a lessee and lessor. Future steps to be completed in 2018 include the identification of changes needed to the Company's processes and systems impacted by the new standard, the implementation of updates and enhancements to the Company's internal control framework, accounting systems and related documentation surrounding its lease accounting processes and the preparation of any additional disclosures that will be required.

### **3. Investments**

As of March 31, 2018, the Company had investments in 528 property locations, including 4 developments in progress, and owned 2 additional undeveloped land parcels. Of these 528 property locations, 513 represented owned properties (of which 5 were subject to leases accounted for as direct financing leases) and 15 represented ground lease interests (of which one building was subject to a lease accounted for as a direct financing lease). The gross investment portfolio totaled \$994.1 million as of March 31, 2018 and consisted of gross acquisition cost of real estate investments (including transaction costs) totaling \$985.5 million, direct financing lease receivables, net, with an aggregate carrying amount of \$2.7 million and real estate investments held for sale, net of \$5.9 million. As of March 31, 2018, 348 of these investments comprising \$620.6 million of net investments were assets of consolidated special purpose entity subsidiaries and were pledged as collateral under the non-recourse obligations of these special purpose entities (See Note 4—Secured Borrowings).

As of December 31, 2017, the Company had investments in 506 property locations, including 2 developments in progress, and owned 2 additional undeveloped land parcels. Of these 506 property locations, 491 represented owned properties (of which 5 were subject to leases accounted for as direct financing leases) and 15 represented ground lease interests (of which one building was subject to a lease accounted for as a direct financing lease). The gross investment portfolio totaled \$939.1 million as of December 31, 2017 and consisted of gross acquisition cost of real estate investments (including transaction costs) totaling \$932.2 million, direct financing lease receivables, net, with an aggregate carrying amount of \$2.7 million and net real estate investments held for sale of \$4.2 million. As of December 31, 2017, 348 of these investments comprising \$620.0 million of net investments were assets of consolidated special purpose entity subsidiaries and were pledged as collateral under the non-recourse obligations of these special purpose entities (See Note 4—Secured Borrowings).

### Acquisitions in 2018

During the three months ended March 31, 2018, the Company did not have any investments that represented more than 5% of the Company's total investment activity as of March 31, 2018. The following table presents information about the Company's acquisition activity during the three months ended March 31, 2018:

<b>(Dollar amounts in thousands)</b>		<b>Total Investments</b>
Ownership type		Fee Interest
Number of properties acquired		28
Allocation of Purchase Price:		
Land and improvements	\$	18,754
Building and improvements		38,105
Construction in progress(1)		4,533
Leasehold improvement		28
Intangible lease assets		2,679
Assets acquired		64,099
Intangible lease liabilities		(495)
Liabilities assumed		(495)
Purchase price (including acquisition costs)	\$	63,604

(1) Represents amounts incurred at and subsequent to acquisition and includes \$0.1 million of capitalized interest expense.

### Gross Investment Activity

During the three months ended March 31, 2018 and 2017, the Company had the following gross investment activity:

<b>(Dollar amounts in thousands)</b>	<b>Number of Investment Locations</b>	<b>Dollar Amount of Investments</b>
Gross investments, January 1, 2017	344	\$ 458,667
Acquisitions of and additions to real estate investments	35	144,144
Sales of investments in real estate	(7)	(5,179)
Provisions for impairment of real estate(1)		(151)
Principal collections on direct financing lease receivables		(22)
Gross investments, March 31, 2017		597,459
Less: Accumulated depreciation and amortization(2)		(10,436)
Net investments, March 31, 2017	372	\$ 587,023
Gross investments, January 1, 2018	508	\$ 939,072
Acquisitions of and additions to real estate investments	28	64,099
Sales of investments in real estate	(6)	(7,152)
Provisions for impairment of real estate(3)		(1,861)
Principal collections on direct financing lease receivables		(18)
Gross investments, March 31, 2018		994,140
Less: Accumulated depreciation and amortization(2)		(31,310)
Net investments, March 31, 2018	530	\$ 962,830

- (1) During the three months ended March 31, 2017, the Company identified and recorded provisions for impairment at 2 vacant properties where expected future cash flows from the property, based on quoted market or comparable sales prices, were less than the Company's carrying value.
- (2) Includes \$20.4 million and \$5.4 million of accumulated depreciation as of March 31, 2018 and 2017, respectively.
- (3) During the three months ended March 31, 2018, the Company identified and recorded provisions for impairment at 3 vacant and 4 tenanted properties where expected future cash flows from the property, based on quoted market or comparable sales prices, were less than the Company's carrying value. The amount in the table above excludes approximately \$12,000 related to intangible lease liabilities for these assets.

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

The Company's investment properties are leased to tenants under long-term operating leases that typically include one or more renewal options. Substantially all of the leases are triple-net, which provide that the lessees are responsible for the payment of all property operating expenses, including maintenance, insurance, utilities, property taxes and, if applicable, ground rent expense; therefore, the Company is generally not responsible for repairs or other capital expenditures related to the properties while the triple-net leases are in effect.

Scheduled future minimum base rental payments due to be received under the remaining non-cancelable term of the operating leases in place as of March 31, 2018 are as follows:

<b>(in thousands)</b>	<b>Future Minimum Base Rental Receipts</b>
April 1, 2018 - December 31, 2018	\$ 56,433
2019	75,483
2020	75,246
2021	75,739
2022	76,967
Thereafter	797,097
<b>Total</b>	<b>\$ 1,156,965</b>

Since lease renewal periods are exercisable at the option of the lessee, the preceding table presents future minimum lease payments to be received during the initial non-cancelable lease term only. In addition, the future minimum lease payments exclude contingent rent payments, as applicable, that may be collected from certain tenants based on provisions related to performance thresholds and exclude increases in annual rent based on future changes in the Consumer Price Index, among other items.

### Direct Financing Lease Receivables

As of March 31, 2018 and December 31, 2017, the Company had \$2.7 million of net investments accounted for as direct financing lease receivables. The components of the investments accounted for as direct financing lease receivables were as follows:

(in thousands)	March 31, 2018	December 31, 2017
Minimum lease payments receivable	\$ 4,438	\$ 4,518
Estimated unguaranteed residual value of leased assets	270	270
Unearned income	(2,001)	(2,063)
Net investment	<u>\$ 2,707</u>	<u>\$ 2,725</u>

Scheduled future minimum non-cancelable base rental payments due to be received under the direct financing lease receivables as of March 31, 2018 are as follows:

(in thousands)	Future Minimum Base Rental Payments
April 1—December 31, 2018	\$ 241
2019	332
2020	337
2021	340
2022	345
Thereafter	2,843
Total	<u>\$ 4,438</u>

### Real Estate Investments Held for Sale

The Company continually evaluates its portfolio of real estate investments and may elect to dispose of investments considering criteria including, but not limited to, tenant concentration, tenant credit quality, unit financial performance, local market conditions and lease rates, associated indebtedness, asset location and tenant operation type (e.g., industry, sector, or concept/brand). Real estate investments held for sale are expected to be sold to within twelve months.

The following table shows the activity in real estate investments held for sale and intangible lease liabilities held for sale during the three months ended March 31, 2018. No real estate investments were transferred to or from held for sale classification during the three months ended March 31, 2017 and no real estate investments were classified as held for sale as of that date.

(Dollar amounts in thousands)	Number of Properties	Real Estate Investments	Intangible Lease Liabilities	Net Carrying Value
Held for sale balance, December 31, 2017	3	\$ 4,173	\$ (129)	\$ 4,044
Transfers to held for sale classification	4	5,885	—	5,885
Sales	(3)	(4,173)	129	(4,044)
Transfers to held and used classification	—	—	—	—
Held for sale balance, March 31, 2018	<u>4</u>	<u>\$ 5,885</u>	<u>\$ —</u>	<u>\$ 5,885</u>

### Significant Concentrations

The Company did not have any tenants (including for this purpose, all affiliates of such tenants) whose rental revenue for the three months ended March 31, 2018 and 2017 represented 10% or more of total rental revenue in the Company's consolidated statements of operations and comprehensive income.

The following table lists the states where the rental revenue from the properties in that state during the periods presented represented 10% or more of total rental revenue in the Company's consolidated statements of operations and comprehensive income:

State	Three months ended March 31,	
	2018	2017
Florida	*	10.3%
Georgia	12.0%	13.6%
Texas	13.6%	10.8%

\* State's rental revenue was not greater than 10% of total rental revenue during the period specified.

### ***Intangible Assets and Liabilities***

Intangible assets and liabilities consisted of the following as of the dates presented:

(in thousands)	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:						
In-place leases	\$46,809	\$ 7,705	\$39,104	\$44,738	\$ 6,638	\$38,100
Intangible market lease assets	16,952	3,193	13,759	17,715	2,794	14,921
Total intangible assets	<u>\$63,761</u>	<u>\$ 10,898</u>	<u>\$52,863</u>	<u>\$62,453</u>	<u>\$ 9,432</u>	<u>\$53,021</u>
Intangible market lease liabilities	<u>\$15,309</u>	<u>\$ 2,884</u>	<u>\$12,425</u>	<u>\$14,824</u>	<u>\$ 2,503</u>	<u>\$12,321</u>

The remaining weighted average amortization period for the Company's intangible assets and liabilities as of March 31, 2018, by category and in total, were as follows:

	Years Remaining
In-place leases	11.3
Intangible market lease assets	9.2
Intangible market lease liabilities	16.6
Total intangible assets and liabilities	11.9

The following table discloses amounts recognized within the consolidated statements of operations and comprehensive income related to amortization of in-place leases, amortization and accretion of above- and below-market lease assets and liabilities, net and the amortization and accretion of above- and below-market ground leases for the periods presented:

(in thousands)	Three months ended March 31,	
	2018	2017
Amortization of in-place leases assets (1)	\$ 1,229	\$ 1,248
Amortization (accretion) of market lease intangibles, net (2)	280	\$ 210
Amortization (accretion) of above- and below-market ground lease intangibles, net (3)	(141)	\$ (201)

- (1) Reflected within depreciation and amortization expense.
- (2) Reflected within rental revenue.
- (3) Reflected within property expenses.

The following table provides the projected amortization of in-place lease assets to depreciation and amortization expense, net amortization of above- and below-market lease intangibles to rental revenue, and net amortization of above- and below-market ground lease intangibles into property expenses for the next five years:

(in thousands)	April 1 - December 31, 2018	2019	2020	2021	2022
In-place lease assets	\$ 3,356	\$ 4,178	\$ 3,785	\$ 3,641	\$ 3,591
Total to be added to amortization expense	\$ 3,356	\$ 4,178	\$ 3,785	\$ 3,641	\$ 3,591
Above-market lease assets	\$ (1,255)	\$ (1,577)	\$ (1,350)	\$ (1,297)	\$ (1,295)
Below-market lease liabilities	536	689	664	664	662
Net adjustment to rental revenue	\$ (719)	\$ (888)	\$ (686)	\$ (633)	\$ (633)
Below-market ground lease assets	\$ 128	\$ 99	\$ —	\$ —	\$ —
Above-market ground lease liabilities	(416)	(353)	(202)	(154)	(152)
Net adjustment to property expenses	\$ (288)	\$ (254)	\$ (202)	\$ (154)	\$ (152)

During the period from April 1, 2018 to May 25, 2018, the Company acquired 22 real estate investment properties with an aggregate investment (including acquisition-related costs) of \$48.5 million and invested \$1.3 million in new and ongoing construction in progress.

During the period from April 1, 2018 to May 25, 2018, the Company sold or transferred its investment in six real estate properties, including four properties which were classified as held for sale as of March 31, 2018, for an aggregate gross sales price of \$8.2 million and incurred \$0.4 million of disposition costs related to these transactions.

#### 4. Secured Borrowings

In the normal course of business, the Company transfers financial assets in various transactions with Special Purpose Entities ("SPE") determined to be VIEs, which primarily consist of securitization trusts established for a limited purpose (the "Master Trust Funding Program"). These SPEs are formed for the purpose of securitization transactions in which the Company transfers assets to an SPE, which then issues to investors various forms of debt obligations supported by those assets. In these securitization transactions, the Company typically receives cash from the SPE as proceeds for the transferred assets and retains the rights and obligations to service the transferred assets in accordance with servicing guidelines. All debt obligations issued from the VIEs are non-recourse to the Company.

In accordance with the accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheets. For transactions that do not meet the requirements for derecognition and remain in the consolidated balance sheets, the transferred assets may not be pledged or exchanged by the Company.

The Company evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Company is the primary beneficiary and, therefore, should consolidate the entity based on the variable interests it held both at inception and when there was a change in circumstances that required a reconsideration. The Company has determined that the SPEs created in connection with its Master Trust Funding Program should be consolidated as the Company is the primary beneficiary of each of these entities.

In December 2016, the Company issued its first series of notes under the Master Trust Funding Program, consisting of \$263.5 million of Class A Notes and \$17.3 million of Class B Notes ("RC Funding 2016-1"). These notes were issued to an affiliate of Eldridge through underwriting agents. Upon issuance of these notes, the combined net proceeds of \$273.3 million were deposited directly with the Parent and were presented as a non-cash distribution. RC Funding 2016-1 includes two SPEs formed to hold assets and issue the secured borrowings associated with the securitization.

In July 2017, the Company issued its second series of notes under the Master Trust Funding Program, consisting of \$232.4 million of Class A Notes and \$15.7 million of Class B Notes ("RC Funding 2017-1"). Of these notes, \$75.1 million of the Class A Notes and all of the Class B Notes were issued to an affiliate of Eldridge through underwriting agents. The proceeds received from the issuance of RC Funding 2017-1 were used by the Company to repay short-term notes payable to related parties. RC Funding 2017-1 consists of one SPE formed to hold assets and issue the secured borrowings associated with the securitization.

As of March 31, 2018 and December 31, 2017, the Company had \$520.9 million and \$522.9 million, respectively, in combined principal outstanding under the notes issued through its Master Trust Funding Program, and had deferred financing costs, net, of \$10.7 million and \$11.3 million, respectively.

Tenant rentals received on assets transferred to SPEs under the Master Trust Funding Program are sent to the trustee and used to pay monthly principal and interest payments.

The RC Funding 2016-1 notes mature in November 2046, but the terms of the Class A Notes require principal to be paid monthly through November 2021, with a balloon repayment at that time, and the terms of the Class B Notes require no monthly principal payments but require the full principal balance to be paid in November 2021. If the Company does not meet these repayment schedules, the base interest rates on the notes increase by the greater of (i) 5.00% and (ii) the amount by which the sum of the following exceeds the base interest rates on the notes: (a) the yield to maturity of 10-year U.S. treasury securities in November 2021, plus (b) 5.00%, plus (c) 2.73% for the Series A Notes or 3.70% for the Class B Notes. Additionally, in this event, the full amount of any tenant rental payments received on the assets transferred to the securitization would be used to repay principal.

The RC Funding 2016-1 notes may be voluntarily prepaid, in whole or in part, at any time on or after the date that is 24 months prior to the anticipated repayment date in November 2021 without the payment of a make whole amount. Voluntary prepayments may be made before 24 months prior to the anticipated repayment date but will be subject to the payment of a make whole amount. Interest for RC Funding 2016-1 accrues at a weighted-average interest rate of 4.51%.

The RC Funding 2017-1 notes mature in June 2047, but the terms of the Class A Notes require principal to be paid monthly through June 2024, with a balloon repayment at that time, and the terms of the Class B Notes require no monthly principal payments but require the full principal balance to be paid in June 2024. The RC Funding 2017-1 notes contain similar interest rate escalation provisions as detailed above for RC Funding 2016-1 if these repayment schedules are not met.

The RC Funding 2017-1 notes may be voluntarily prepaid, in whole or in part, at any time on or after the date that is 31 months prior to the anticipated repayment date in June 2024 without the payment of a make whole amount. Voluntary prepayments may be made before 31 months prior to the anticipated repayment date but will be subject to the payment of a make whole amount. Interest for the RC Funding 2017-1 notes accrues at a weighted-average interest rate of 4.16%.

During the three months ended March 31, 2018 and 2017 the Company incurred \$5.7 million and \$3.2 million, respectively, of interest expense related to the Master Trust Funding Program.

The following table summarizes the scheduled principal payments on the Company's secured borrowings as of March 31, 2018:

<u>(in thousands)</u>	<u>Future Principal Payments</u>
April 1—December 31, 2018	\$ 5,750
2019	8,009
2020	8,419
2021	267,558
2022	4,292
Thereafter	226,842
<b>Total</b>	<b><u>\$520,870</u></b>

The Company was not in default of any provisions under the Master Trust Funding Program as of March 31, 2018 and December 31, 2017.

#### **5. Notes Payable to Related Party**

The Company has a secured warehouse line of credit with an affiliate of Eldridge through which it issues short-term notes (the "Warehouse Notes") and uses the proceeds to acquire investments in real estate. As of March 31, 2018 and December 31, 2017, the Company had 26 and 19 Warehouse Notes outstanding for a combined \$225.0 million and \$230.0 million, respectively. The Warehouse Notes accrue interest at a rate equal to LIBOR plus a spread of between 2.14% and 2.55% and mature within one year of the date of issuance. As of March 31, 2018, \$180.0 million of the Warehouse Notes mature in 2018 and \$45.0 million mature in 2019.

During the three months ended March 31, 2018, the Company issued 10 Warehouse Notes for a combined \$45.0 million and made principal payments on the Warehouse Notes of \$50.0 million, repaying three of the Warehouse Notes in full and one of the Warehouse Notes in part, prior to maturity. During the three months ended March 31, 2017, the Company issued eight Warehouse Notes for a combined \$215.0 million and made principal payments on the Warehouse Notes of \$83.0 million, repaying one of the Warehouse Notes in part, prior to maturity.

During the three months ended March 31, 2018 and 2017, the Company incurred \$2.1 million and \$0.2 million, respectively, of interest expense related to the Warehouse Notes.

Subsequent to March 31, 2018, through May 25, 2018, the Company issued seven additional Warehouse Notes for a combined \$34.0 million.

#### **6. Members' Equity**

EPRT LLC was capitalized by the Parent through direct and indirect capital contributions. During the period from March 30, 2016 (commencement of operations) to December 31, 2016, the Parent made direct capital contributions of \$288.6 million and made indirect capital contributions of \$163.1 million. During the three months ended March 31, 2017, the Parent made additional indirect capital contributions of \$17.3 million. In these indirect capital contributions, the Parent made direct cash payments to sellers of real estate investments acquired by EPRT LLC.

On January 31, 2017, in exchange for Class A units of EPRT LLC, Stonebriar Holdings made a direct equity contribution of \$80.0 million and certain members of EPRT Management and certain members of the EPRT LLC's board of managers made direct equity contributions of \$3.7 million.



Concurrently, EPRT LLC issued Class C units to the Parent in exchange for the Parent's retention of an equity investment in EPRT LLC of \$91.5 million. The Class A and Class C units were issued at \$1,000 per unit and both classes contain liquidation preferences equal to the per unit value of \$1,000 plus 8% per annum compounded quarterly.

Additionally, on January 31, 2017, EPRT LLC approved and issued unvested Class B units to members of EPRT Management and a member of EPRT LLC's board of managers and approved and issued unvested Class D units to members of EPRT LLC's board of managers and external unitholders. See Note 7 – Unit Based Compensation for additional details.

Pursuant to the Company's limited liability company operating agreement (the "Operating Agreement"), distributions to unitholders are to be made in the following order and priority:

- First, to the holders of Class A and Class C units until each holder of these units has first received an amount equal to each class' yield, as defined in the Operating Agreement, and then until each holder of these units has received an amount equal to each class' aggregate unreturned class contributions;
- Next, to the holders of Class B and Class D units in an aggregate amount based on a return threshold defined in the Operating Agreement for each class of units;
- Then, to the holders of Class B and Class D units in an aggregate amount equal to each class' unit percentage of distributions, as defined in the Operating Agreement; and
- Lastly, any remaining amounts to the holders of Class A and Class C units.

Pursuant to the Operating Agreement, the Company's net income or loss is allocated to the holders of the Class A, B, C and D units in a similar manner as the distribution allocation outlined above.

On December 31, 2017, EPRT LLC completed the Reorganization and the Parent, Stonebriar Holdings, EPRT Management and the holders of Class B and Class D units contributed all of their interests in EPRT LLC to EPRT Holdings, in exchange for interests in EPRT Holdings with the same rights as the interests they held in EPRT LLC. As of such date, EPRT LLC became a wholly-owned subsidiary of EPRT Holdings. Additionally, EPRT Holdings issued a new grant of 500 unvested Class B units to an additional member of EPRT Management on the same date.

On January 31, 2018, Stonebriar Holdings LLC made an additional \$50.0 million direct equity contribution to EPRT Holdings. The Company used these proceeds to repay \$50.0 million of outstanding principal on the Company's Warehouse Notes.

## **7. Unit Based Compensation**

On January 31, 2017, EPRT LLC approved the issuance of Class B and Class D units and issued 8,050 unvested Class B units to members of EPRT Management and a member of EPRT LLC's board of managers and issued 3,000 unvested Class D units to members of EPRT LLC's board of managers and external unitholders. The Class B and Class D units vest in five equal installments, beginning on March 30, 2017 and on each anniversary thereof through March 30, 2021. The holders of vested Class B units can put the Class B units to the Company beginning on the seventh (7th) anniversary of the commencement of the Company's operations.

On December 31, 2017, the holders of Class B and Class D units contributed all of their interests in EPRT LLC to EPRT Holdings in the Reorganization in exchange for interests in EPRT Holdings with the same rights as the interests they held in EPRT LLC. The EPRT LLC units were exchanged on a

one-for-one basis for equivalent units in EPRT Holdings with the same vesting conditions, distribution rights, priority and income allocation rights, among others. Additionally, EPRT Holdings issued a new grant of 500 unvested Class B units to an additional member of EPRT Management on the same date. The Class B units granted on December 31, 2017 vest in five equal installments beginning on May 1, 2018 and on each anniversary thereof through May 1, 2022 and have similar put rights as the Class B units granted on January 31, 2017.

The following table presents information about the unvested Class B and Class D units during the three months ended March 31, 2018 and 2017:

	<u>Class B Units</u>	<u>Class D Units</u>	<u>Total</u>
Unvested units outstanding, January 1, 2017	—	—	—
Granted	8,050	3,000	11,050
Vested	(1,610)	(600)	(2,210)
Forfeited	—	—	—
Unvested units outstanding, March 31, 2017	<u>6,440</u>	<u>2,400</u>	<u>8,840</u>
Unvested units outstanding, January 1, 2018	6,940	2,400	9,340
Granted	—	—	—
Vested	(1,610)	(600)	(2,210)
Forfeited	—	—	—
Unvested units outstanding, March 31, 2018	<u>5,330</u>	<u>1,800</u>	<u>7,130</u>

The Company estimated the grant date fair value of the unvested Class B and Class D awards granted to employees on January 31, 2017 and the March 31, 2018 and 2017 fair value of the Class D awards granted to non-employees using a Black-Scholes valuation model. The Company's assumptions for expected volatility were based on daily historical volatility data related to market trading of publicly traded companies that invest in similar types of real estate as the Company, plus an adjustment to account for differences in the Company's leverage compared to the publicly traded companies. The risk-free interest rate assumptions were determined by using U.S. treasury rates of the same period as the expected vesting term of each award. The marketability discounts were calculated using a Finnerty Model.

The Company determined that the grant date per unit fair value of the unvested Class B and Class D units granted on January 31, 2017 was \$323.65 and \$152.16, respectively. As of March 31, 2018 and December 31, 2017, the Company determined that the per unit fair value of the Class D units granted to non-employees on January 31, 2017 was \$425.40 and \$650.99, respectively. The Company recorded \$0.2 million of compensation expense as a component of general and administrative expense related to the Class B and Class D units during the three months ended March 31, 2018 and 2017.

As of March 31, 2018, there was \$2.5 million and \$0.5 million of total unrecognized compensation cost related to the Class B and Class D units, respectively, and the Company had a liability of \$0.1 million for unvested Class D units granted to non-employees, which is recorded within accrued liabilities and other payables in the Company's consolidated balance sheets. As of December 31, 2017, there was \$2.7 million and \$0.8 million of total unrecognized compensation cost related to the Class B and Class D units, respectively, and the Company had a liability of \$0.2 million for unvested Class D units granted to non-employees. The unrecognized compensation expense for Class B and Class D units is expected to be recognized over a weighted average period of 3.1 and 3.0 years, respectively, from March 31, 2018.

The per unit fair value of unvested Class B and Class D units was estimated using the following assumptions as of the respective valuation dates:

	Valuation Date		
	March 31, 2018	March 31, 2017	January 31, 2017
Volatility	45%	40%	40%
Risk free rate	1.71%	1.30%	1.30%
Marketability discount	15%	30%	30%

#### **8. Commitments and Contingencies**

The Company leases office space in Princeton, New Jersey. The Company is obligated under a non-cancelable operating lease for this space through December 2018. During the three months ended March 31, 2018 and 2017, the Company recorded \$0.1 million of rent expense related to this operating lease within general and administrative expense in the Company's consolidated statements of operations and comprehensive income. This lease has no contingent rental arrangements and the Company does not have any options to renew this lease. During the three months ended March 31, 2018, the Company entered into a new lease agreement for 13,453 square feet of office space in West Windsor Township, New Jersey. The lease has a seven-year term and contains provisions for two five-year renewal periods at the Company's option. The lease has an estimated commencement date of December 15, 2018 and a rent commencement date of January 1, 2019. Initial annualized base rent due under the terms of the lease will be \$0.5 million, with annual escalations in base rent of \$0.50 per square foot per year.

As of March 31, 2018 and December 31, 2017, the Company was a lessee under long-term, non-cancelable ground leases accounted for as operating leases at 15 real estate properties, where the Company did not acquire the fee simple interest in the land. At four of these ground leased properties, the Company's lease as lessor of the building directly obligates the building lessee to pay rents due under the ground lease to the ground lessor; such ground lease rents are presented on a net basis in the Company's consolidated statements of operations and comprehensive income. During the three months ended March 31, 2018 and 2017, the Company recorded \$0.1 million and \$0.2 million, respectively, of ground rent expense within property expenses in the Company's consolidated statements of operations and comprehensive income. The Company's ground leases do not contain contingent rental arrangements and, as of March 31, 2018, 4 of the ground leases escalate based on fixed schedules, with the remaining 11 ground leases containing no rental escalation provisions. As of March 31, 2018, the Company's ground leases have remaining non-cancelable lease terms of between 2 months and 6.2 years, and 4 of the ground leases are renewable at the Company's option for periods of up to 20 years.

As of March 31, 2018, the future minimum base cash rental payments due from the Company under the office and ground leases where the Company is responsible for payment and the future minimum base cash rental payments under the ground leases where the Company's tenants are responsible for payment over the next five years and thereafter are as follows:

(in thousands)	Office and Ground Leases to be Paid by the Company	Ground Leases to be Paid Directly by the Company's Tenants	Total Future Minimum Base Rental Payments
April 1—December 31, 2018	\$ 552	\$ 302	\$ 854
2019	925	422	1,347
2020	793	328	1,121
2021	681	331	1,012
2022	669	327	996
Thereafter	1,749	26	1,775
Total	<u>\$ 5,369</u>	<u>\$ 1,736</u>	<u>\$ 7,105</u>

As of March 31, 2018, the Company has remaining future commitments of \$3.0 million and to provide construction financing to a tenant through a mortgage note at one property and \$11.1 million to reimburse its tenants at four properties for development and construction costs incurred and paid directly by the tenant.

#### ***Litigation and Regulatory Matters***

In the ordinary course of business, the Company may become subject to litigation, claims and regulatory matters. There are no material legal or regulatory proceedings pending or known to be contemplated against the Company or its properties.

#### ***Environmental Matters***

In connection with the ownership of real estate, the Company may potentially be liable for costs and damages related to environmental matters. As of March 31, 2018, the Company had not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition that it believes will have a material adverse effect on the Company's results of operations.

#### ***Defined Contribution Retirement Plan***

The Company has a defined contribution retirement savings plan qualified under Section 401(a) of the Internal Revenue Code (the "401(k) Plan"). The 401(k) Plan is available to all of the Company's full-time employees. The Company provides a matching contribution in cash equal to 100% of the first 3% of eligible compensation contributed by participants and 50% of the next 2% of eligible compensation contributed by participants, which vests immediately. During the three months ended March 31, 2018 and 2017, the matching contributions made by the Company totaled \$0.1 million and approximately \$32,000, respectively.

#### ***9. Fair Value Measurements***

GAAP establishes a hierarchy of valuation techniques based on the observability of inputs used in measuring financial instruments at fair value. GAAP establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs.

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

In addition to the disclosures for assets and liabilities required to be measured at fair value at the balance sheet date, companies are required to disclose the estimated fair values of all financial instruments, even if they are not presented at their fair value on the consolidated balance sheet. The fair values of financial instruments are estimates based upon market conditions and perceived risks at March 31, 2018 and December 31, 2017. These estimates require management's judgment and may not be indicative of the future fair values of the assets and liabilities.

Financial assets and liabilities for which the carrying values approximate their fair values include cash and cash equivalents, restricted cash, accounts receivable included within prepaid expenses and other assets, notes payable to related party and accrued liabilities and other payables. Generally, these assets and liabilities are short term in duration and their carrying value approximates fair value on the consolidated balance sheets.

The estimated fair values of the Company's secured borrowings have been derived based on primarily unobservable market inputs such as interest rates and discounted cash flow analyses using estimates of the amount and timing of future cash flows, market rates and credit spreads. These measurements are classified as Level 3 within the fair value hierarchy. As of March 31, 2018, the Company's secured borrowings had an aggregate carrying value of \$520.9 million (excluding net deferred financing costs of \$10.7 million and an estimated fair value of \$525.8 million. As of December 31, 2017, the Company's secured borrowings had an aggregate carrying value of \$522.9 million (excluding net deferred financing costs of \$11.3 million) and an estimated fair value of \$527.9 million.

The Company measures its real estate investments at fair value on a nonrecurring basis. The fair values of these real estate investments were determined using the following input levels as of the dates presented:

(in thousands)	Net Carrying Value	Fair Value	Fair Value Measurements Using Fair Value Hierarchy		
			Level 1	Level 2	Level 3
<b>March 31, 2018</b>					
Non-financial assets:					
Long-lived assets	\$ 6,901	\$ 6,901	\$ —	\$ —	\$6,901
<b>December 31, 2017</b>					
Non-financial assets:					
Long-lived assets	\$ 5,817	\$ 5,817	\$ —	\$ —	\$5,817

**Long-lived assets:** The Company reviews its investments in real estate when events or circumstances change indicating that the carrying amount of an asset may not be recoverable. In the evaluation of an investment in real estate for impairment, many factors are considered, including estimated current and expected operating cash flows from the asset during the projected holding period, costs necessary to extend the life or improve the asset, expected capitalization rates, projected

stabilized net operating income, selling costs, and the ability to hold and dispose of the asset in the ordinary course of business.

Quantitative information about Level 3 fair value measurements as of March 31, 2018 was as follows:

<u>(dollar amounts in thousands)</u>	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Significant Unobservable Inputs</u>
<b>Non-financial assets:</b>			
Long-lived assets:			
Vacant property—Indianapolis, IN	\$ 325	Sales comparison approach	Non-binding Sales Contract \$ 325
Vacant property—Johnstown, PA	\$ 238	Sales comparison approach	Non-binding Sales Contract \$ 238
Vacant property—Rockford, IL(1)	\$ 260	Sales comparison approach	Binding Sales Contract \$ 275
Convenience store—New Summerfield, TX(1)	\$ 1,330	Sales comparison approach	Binding Sales Contract \$ 1,400
Restaurant—Port Charlotte, FL	\$ 1,700	Sales comparison approach	Non-binding Sales Contract \$ 1,700
Convenience store—Carthage, TX	\$ 1,228	Sales comparison approach	Non-binding Sales Contract \$ 1,228
Restaurant—Las Cruces, NM(1)	\$ 1,820	Sales comparison approach	Binding Sales Contract \$ 1,820

(1) Fair value is net of \$0.1 million of estimated disposition costs as these assets are classified as held for sale within the Company's consolidated balance sheets as of March 31, 2018.

#### 10. Related-Party Transactions

During the three months ended March 31, 2018 and 2017, an affiliate of Eldridge provided certain treasury and information technology services to the Company. Additionally, during the three months ended March 31, 2017, the Manager provided certain administrative services to the Company. The Manager ceased providing these services in March of 2017. The Manager charged the Company a flat monthly fee for its services based on the estimated cost incurred in the provision of the services, and the fee was reviewed by the Company's management and determined to be reasonable. The Company incurred \$0.1 million of expense for these services during the three months ended March 31, 2017, which is included in general and administrative expense in the Company's consolidated statements of operations and comprehensive income, and incurred a *de minimis* amount during the three months ended March 31, 2018. The cost for the services provided by the affiliate of Eldridge and the Manager would likely be different if such services were provided by unrelated parties.

During the three months ended March 31, 2018 and year ended December 31, 2017, the Company issued and repaid short-term notes to an affiliate of Eldridge. See Note 5 – Notes Payable to Related Party for additional information.

#### 11. Subsequent Events

The Company has evaluated all events and transactions that occurred after March 31, 2018 through May 25, 2018, the date these consolidated financial statements were available to be issued and noted there have been no events that have occurred that would require adjustment to disclosures in the consolidated financial statements except as disclosed elsewhere in these notes to the consolidated financial statements.

**Essential Properties Realty Trust, Inc.**

**Unaudited Pro Forma Consolidated Financial Statements**

As used in these unaudited pro forma consolidated financial statements, unless the context otherwise requires, “we,” “us,” and “our company” mean Essential Properties Realty Trust LLC, a Delaware limited liability company, which we refer to as our predecessor or EPRT LLC, for the periods presented and Essential Properties Realty Trust, Inc. and its consolidated subsidiaries upon consummation of this offering, the concurrent Eldridge private placement and the formation transactions, in each case, as described below.

Prior to completion of this offering, the concurrent Eldridge private placement and the formation transactions, our business was owned by and conducted directly and indirectly through EPRT LLC. EPRT LLC is principally owned indirectly by, and is controlled by, Eldridge Industries, LLC, or Eldridge, a private investment firm specializing in providing both equity and debt capital that has historically provided a substantial portion of our equity funding and will have an ownership interest in our company of approximately % on a fully diluted basis (based on the mid-point of the price range set forth on the front cover of this prospectus). Certain members of our senior management team also held interests in EPRT LLC. On December 31, 2017, the owners of EPRT LLC contributed all of their interests in EPRT LLC to a newly formed Delaware limited liability company, EPRT Holdings, LLC, in exchange for interests in EPRT Holdings, LLC with the same rights to the interests they held in EPRT LLC.

Upon completion of this offering, the concurrent Eldridge private placement and the formation transactions, we will hold substantially all of our assets, and will conduct substantially all of our operations, through our operating partnership, Essential Properties, L.P. Our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will be the sole general partner of our operating partnership.

**2017 Net Investment Activity**

During 2017:

- we completed 212 property acquisitions with an aggregate purchase price of \$527.1 million (including transaction costs), or our 2017 completed acquisitions;
- we reimbursed three of our tenants for an aggregate of \$7.5 million in construction costs that they incurred in connection with construction projects at three of our properties (one of which we fully funded in the amount of \$3.5 million) in exchange for contractually specified rent that generally increases proportionally with our funding, or our 2017 funded tenant construction reimbursement obligations; and
- we completed 47 property dispositions with an aggregate sale price, net of transaction costs, of \$53.6 million, or our 2017 completed dispositions.

We collectively refer to our 2017 completed acquisitions, our 2017 funded tenant construction reimbursement obligations and our 2017 completed dispositions as our 2017 net investment activity.

**2018 Net Investment Activity**

**First Quarter 2018 Net Investment Activity**

During the period from January 1, 2018 through March 31, 2018:

- we completed 25 property and three land parcel acquisitions with an aggregate purchase price of \$59.0 million (including transaction costs), or our first quarter 2018 completed acquisitions;

- we reimbursed four of our tenants for \$4.5 million in construction costs that they incurred in connection with construction at four of our properties in exchange for contractually specified rent that generally increases proportionally with our funding, or our first quarter 2018 funded tenant construction reimbursement obligations;
- we funded \$0.6 million of a tenant loan commitment, or our first quarter 2018 funded tenant loan commitment; and
- we completed property dispositions with an aggregate sale price, net of disposition costs, of \$7.7 million, or our first quarter 2018 completed dispositions.

#### *Second Quarter 2018 Net Investment Activity*

During the period from April 1, 2018 through May 18, 2018:

- we completed 21 property acquisitions with an aggregate purchase price of \$48.0 million (including transaction costs), or our second quarter 2018 completed acquisitions and, together with our first quarter 2018 completed acquisitions, our 2018 completed acquisitions;
- we reimbursed two of our tenants for \$1.1 million in construction costs that they incurred in connection with construction at two of our properties (one of which we fully funded in the total project amount of \$1.7 million) in exchange for contractually specified rent that generally increases proportionally with our funding, or our second quarter 2018 funded tenant construction reimbursement obligations and, together with our first quarter 2018 funded tenant construction reimbursement obligations, our 2018 funded tenant construction reimbursement obligations;
- we funded \$0.3 million of a tenant loan commitments, or our second quarter 2018 funded tenant loan commitment and, together with our first quarter 2018 funded tenant loan commitment, our 2018 funded tenant loan commitment; and
- we completed property dispositions with an aggregate sale price, net of disposition costs, of \$6.5 million, or our second quarter 2018 completed dispositions and, together with our first quarter 2018 completed dispositions, our 2018 completed dispositions.

As of May 18, 2018:

- we had 60 properties under contract that are considered probable of acquisition with an aggregate purchase price of \$153.5 million (excluding estimated transaction costs), or our probable acquisitions;
- we had five properties under contract that are considered probable of disposition with an aggregate sale price of \$7.1 million (excluding estimated transaction costs), or our probable dispositions;
- we had aggregate unfunded tenant construction reimbursement obligations totaling \$9.6 million with respect to three of our properties and \$3.9 million with respect to one of our probable acquisitions, or our remaining tenant construction reimbursement obligations; and
- we had an unfunded tenant loan commitment of \$2.7 million, or our remaining tenant loan commitment.

We collectively refer to our second quarter 2018 completed and probable acquisitions, our second quarter 2018 funded and remaining tenant construction reimbursement obligations, our second quarter 2018 funded and remaining loan commitment and our second quarter 2018 completed and probable dispositions as our second quarter 2018 net investment activity. In addition, we collectively refer to our 2018 completed and probable acquisitions, our 2018 funded and remaining tenant construction reimbursement obligations, our 2018 funded and remaining tenant loan commitment and our 2018 completed and probable dispositions as our 2018 net investment activity.



Consummation of each of our 2018 probable acquisitions and dispositions is subject to customary closing conditions, including completion of our and our counterparty's respective due diligence processes, and no assurance can be given that we will complete our 2018 probable acquisitions or dispositions on the terms described above or at all. In addition, no assurance can be given that funding of our remaining tenant construction reimbursement obligations and tenant loan commitment will be completed by any particular date.

#### ***Pre-Offering Equity Investment***

In January 2018, Eldridge made a \$50.0 million equity investment in EPRT Holdings, LLC, or the pre-offering equity investment. Proceeds from the pre-offering equity investment were used to repay short-term notes issued to an affiliate of Eldridge.

#### ***This Offering***

We will sell \_\_\_\_\_ shares of our common stock in this offering and an additional \_\_\_\_\_ shares of our common stock if the underwriters exercise their option to purchase additional shares of our common stock in full. We estimate that the net proceeds to us from this offering will be approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ million if the underwriters exercise in full their option to purchase additional shares, after deducting underwriting discounts and other estimated expenses, in each case, based on an assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the mid-point of the price range set forth on the front cover of this prospectus. These unaudited pro forma financial statements assume no exercise by the underwriters of their option to purchase additional shares.

#### ***Concurrent Eldridge Private Placement***

Concurrently with the completion of this offering, Eldridge will invest \$ \_\_\_\_\_ million in shares of common stock and, if such investment would represent more than 19.0% of our outstanding shares of common stock, in shares of common stock and units in our operating partnership, or the concurrent Eldridge private placement, at a price per share and per share and unit, if applicable, equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discount). Eldridge's investment in the concurrent Eldridge private placement will be allocated so that it will purchase up to 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, with the balance of this additional investment amount to be made in OP units. Assuming an initial public offering price of \$ \_\_\_\_\_ per share, which is the mid-point of the price range set forth on the front cover of this prospectus, Eldridge will purchase \_\_\_\_\_ shares of our common stock and \_\_\_\_\_ OP units in the concurrent Eldridge private placement. See "Pricing Sensitivity Analysis."

#### ***Formation Transactions***

Through the formation transactions, the following have occurred or will occur prior to or concurrently with the completion of this offering.

- Essential Properties Realty Trust, Inc. was formed by EPRT Holdings, LLC as a Maryland corporation on January 12, 2018.
- Essential Properties OP G.P., LLC was formed by Essential Properties Realty Trust, Inc. as a Delaware limited liability company on March 16, 2018, or, together with the formation of Essential Properties Realty Trust, Inc., the entity organization transactions.
- Prior to the completion of this offering, EPRT LLC will convert from a Delaware limited liability company into a Delaware limited partnership, change its name to Essential Properties, L.P. and

adopt the Agreement of Limited Partnership pursuant to which, among other things, our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will become Essential Properties, L.P.'s sole general partner.

- In connection with EPRT LLC's conversion into a Delaware limited partnership, EPRT Holdings, LLC's interest in EPRT LLC will be converted into OP units.
- We will contribute the net proceeds from this offering and the concurrent private placement of common stock to Eldridge in exchange for OP units (or OP units if the underwriters exercise their option to purchase up to an additional shares of our common stock in full), representing a % ownership interest in the operating partnership ( % if the underwriters exercise their option to purchase up to an additional shares of our common stock in full), with EPRT Holdings, LLC and Eldridge holding % and % ownership interests in the operating partnership, respectively ( % and % if the underwriters exercise their option to purchase up to an additional shares of our common stock in full) (in each case, based on the mid-point of the price range set forth on the front cover of this prospectus).

Concurrently with the completion of this offering, we and our operating partnership expect to enter into a revolving credit facility that will be available for general corporate purposes, including for funding future acquisitions. Affiliates of certain of the underwriters are expected to be lenders under our new revolving credit facility.

We expect our operating partnership to use the net proceeds received from us and in any concurrent private placement of OP units (i) to repay short-term notes with an aggregate principal balance of approximately \$ million issued to an affiliate of Eldridge and (ii) for general corporate purposes, including potential future investments. These short term notes accrue interest at an annual rate equal to LIBOR plus a spread of between 2.14% and 2.76% (with a weighted average annual interest rate of 3.83% as of March 31, 2018) and mature on various dates throughout 2018 and 2019 (with a weighted average maturity of 245 days as of March 31, 2018).

The unaudited pro forma consolidated financial statements as of and for the three months ended March 31, 2018 and for the year ended December 31, 2017 are presented as if (i) our second quarter 2018 net investment activity, (ii) this offering and related use of proceeds, (iii) the concurrent Eldridge private placement and related use of proceeds, (iv) the formation transactions (other than the entity organizational transactions) and (v) certain other adjustments had all occurred on March 31, 2018 for the unaudited pro forma consolidated balance sheet and (i) our 2017 net investment activity, (ii) our 2018 net investment activity, (iii) the pre-offering equity investment and related use of proceeds, (iv) this offering and related use of proceeds, (v) the concurrent Eldridge private placement and related use of proceeds, (vi) the formation transactions and (vii) certain other adjustments had all occurred on January 1, 2017 for the unaudited pro forma consolidated statements of operations.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements of our predecessor, including the notes thereto, and other financial information and analysis, including the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented elsewhere in this prospectus. The unaudited pro forma consolidated financial statements (i) are based on available information and assumptions that we deem reasonable; (ii) are presented for informational purposes only; (iii) do not purport to represent our financial position or results of operations or cash flows that would actually have occurred assuming completion of our second quarter 2018 net investment activity, this offering and related use of proceeds, the concurrent Eldridge private placement and related use of proceeds, the formation transactions (other than the entity organizational transactions) and other adjustments described above had all occurred on March 31, 2018 for the unaudited pro forma consolidated balance sheet or

completion of our 2017 net investment activity, our 2018 net investment activity, the pre-offering equity investment, this offering and related use of proceeds, the concurrent Eldridge private placement and related use of proceeds, the formation transactions or other adjustments described above had all occurred on January 1, 2017 for the unaudited pro forma consolidated statements of operations; and (iv) do not purport to be indicative of our future results of operations or our financial position.

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**Unaudited Pro Forma Consolidated Balance Sheet**  
**as of March 31, 2018**  
**(Dollar amounts in thousands)**

	Essential Properties Realty Trust, Inc. (A)	Essential Properties Realty Trust LLC (B)	Second Quarter 2018 Completed and Probable Acquisitions (C)	Second Quarter 2018 Funded and Remaining Tenant Construction Reimbursement Obligations (C)	Second Quarter 2018 Funded and Remaining Tenant Loan Commitment (C)	Second Quarter 2018 Completed and Probable Dispositions (D)	Consolidated Balance Sheet Prior to the Offering and Concurrent Eldridge Private Placement	Proceeds from Offering and Concurrent Eldridge Private Placement (E)	Use of Proceeds from Offering and Concurrent Eldridge Private Placement (F)	Other Pro Forma Adjustments	Company Pro Forma
<b>ASSETS</b>											
Investments:											
Real estate											
investments, at cost:											
Land and											
improvements	\$	\$ 296,081	\$	\$	\$	\$	\$	\$	\$	\$	\$
Building and											
improvements		616,389									
Lease incentive		2,275									
Construction in											
progress		7,042									
Intangible lease											
assets		63,761									
Total real estate											
investments, at		985,548									
cost											
Less: accumulated											
depreciation and											
amortization		(31,310)									
Total real estate											
investments,		954,238									
net											
Direct financing lease											
receivables, net		2,707									
Real estate investments											
held for sale, net		5,885									
Net investments		962,830									
Cash and cash											
equivalents		1,842									(G)
Restricted cash		9,329									
Straight-line rent											
receivable, net		7,148									
Prepaid expenses and											
other assets, net		5,444									(G)
Total assets	\$	\$ 986,593	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>LIABILITIES AND EQUITY</b>											
Secured borrowings, net											
of deferred financing											
costs	\$	\$ 510,138	\$	\$	\$	\$	\$	\$	\$	\$	\$
Notes payable to related											
party		225,000									
Intangible lease liabilities,											
net		12,425									
Intangible lease liabilities											
held for sale, net		—									
Accrued liabilities and											
other payables		6,277									
Total liabilities		753,840									
Commitments and											
contingencies		—									
Common stock		—									(H)
Additional paid in capital		—									
Retained earnings		—									
Equity in Essential											
Properties Realty Trust											
LLC		232,753									(H)
Non-controlling interest		—									(H)
Total equity		232,753									
Total liabilities											
and equity	\$	\$ 986,593	\$	\$	\$	\$	\$	\$	\$	\$	\$

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**Unaudited Pro Forma Consolidated Statement of Operations**  
**For the Three Months Ended March 31, 2018**  
(Dollar amounts in thousands, except per share amounts)

	Essential Properties Realty Trust, Inc. (AA)	Essential Properties Realty Trust LLC (BB)	2018 Completed and Probable Acquisitions (CC)	2018 Funded and Remaining Tenant Construction Reimbursement Obligations (CC)	2018 Funded and Remaining Tenant Loan Commitment (CC)	2018 Completed and Probable Dispositions (DD)	Other Pro Forma Adjustments	Company Pro Forma
<b>Revenues:</b>								
Rental revenue	\$	\$ 20,075	\$	\$	\$	\$	\$	\$
Interest income on direct financing lease receivables		62						
Other revenue		66						
<b>Total revenues</b>		<b>20,203</b>						
<b>Expenses:</b>								
Interest		8,276					(EE) (FF)	
General and administrative		3,386					(HH)	
Property expenses		347						
Depreciation and amortization		6,468						
Provision for impairment of real estate		1,849						
<b>Total expenses</b>		<b>20,326</b>						
Income (loss) before gain on dispositions of real estate		(123)						
Gain on dispositions of real estate, net		1,232						
<b>Net income (loss)</b>	<b>\$</b>	<b>1,109</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Less: net income attributable to non-controlling interests		—					(II)	
<b>Net income attributable to stockholders</b>								<b>\$</b>
<b>Pro forma weighted average common shares outstanding – basic and diluted</b>								
<b>Pro forma basic earnings (loss) per share</b>								<b>\$ (JJ)</b>
<b>Pro forma diluted earnings (loss) per share</b>								<b>\$ (KK)</b>

**ESSENTIAL PROPERTIES REALTY TRUST, INC.**  
**Unaudited Pro Forma Consolidated Statement of Operations**  
**For the Year Ended December 31, 2017**  
(Dollar amounts in thousands, except per share amounts)

	Essential Properties Realty Trust, Inc. (AA)	Essential Properties Realty Trust LLC (BB)	2017 Completed Acquisitions (LL)	2017 Completed Dispositions (MM)	2018 Completed and Probable Acquisitions (CC)	2018 and 2017 Funded and Remaining Tenant Construction Reimbursement Obligations (CC)	2018 Funded and Remaining Tenant Loan Commitment (CC)	2018 Completed and Probable Dispositions (DD)	Other Pro Forma Adjustments	Compa Pro Form
<b>Revenues:</b>										
Rental revenue	\$	\$ 53,373	\$	\$	\$	\$	\$	\$	\$	\$
Interest income on direct financing lease receivables		293								
Other revenue		832								
<b>Total revenues</b>		<b>54,498</b>								
<b>Expenses:</b>										
Interest		22,574							(EE) (FF) (GG)	
General and administrative		8,936							(HH)	
Property expenses		1,547								
Depreciation and amortization		19,516								
Provision for impairment of real estate		2,377								
<b>Total expenses</b>		<b>54,950</b>								
Income (loss) before gain on dispositions of real estate		(452)								
Gain on dispositions of real estate, net		6,748								
<b>Net income (loss)</b>	<b>\$</b>	<b>6,296</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Less: net income attributable to non-controlling interests		—							(II)	
<b>Net income attributable to stockholders</b>										<b>\$</b>
Pro forma weighted average common shares outstanding – basic and diluted										
<b>Pro forma basic earnings (loss) per share</b>										<b>\$</b>
<b>Pro forma diluted earnings (loss) per share</b>										<b>\$</b>

### **1. Adjustments to the Unaudited Pro Forma Consolidated Balance Sheet**

The adjustments to the unaudited pro forma consolidated balance sheet as of March 31, 2018 are as follows:

- (A) Reflects the audited historical balance sheet of Essential Properties Realty Trust, Inc. as of January 17, 2018. Essential Properties Realty Trust, Inc. has had no operating activity since its formation on January 12, 2018, other than the issuance of 100 shares of common stock for an aggregate purchase price of \$100 in connection with its initial capitalization, which was paid on January 17, 2018. These 100 Shares will be repurchased by us at or prior to the closing of the offering for \$100.
- (B) Reflects the unaudited historical consolidated balance sheet of our predecessor as of March 31, 2018. Prior to the completion of this offering, EPRT LLC will convert from a Delaware limited liability company into a Delaware limited partnership, change its name to Essential Properties, L.P. and adopt the Agreement of Limited Partnership pursuant to which, among other things, our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will become Essential Properties, L.P.'s sole general partner. As a result, our predecessor's assets and liabilities will be reflected at their historical cost basis.
- (C) During the period from April 1, 2018 through May 18, 2018, we completed 21 property acquisitions with an aggregate purchase price of \$48.0 million (including transaction costs). As of May 18, 2018, we had 60 properties under contract that are considered probable of acquisition with an aggregate purchase price of \$153.5 million (excluding estimated transaction costs). In addition, during the period from April 1, 2018 through May 18, 2018, we reimbursed \$1.1 million of our tenant construction reimbursement obligations, with an estimated aggregate remaining amount of tenant construction reimbursement obligations of \$13.5 million as of May 18, 2018. During the same period, we also funded \$0.3 million of a tenant loan commitment, with a remaining unfunded loan commitment of \$2.7 million as of May 18, 2018.

Our completed and probable acquisitions will be accounted for as asset acquisitions because there was no substantive process acquired in any of the acquisitions and substantially all of the fair value of the individual acquisitions is concentrated in a single identifiable asset or group of similar identifiable assets. In addition, costs incurred for our tenant construction reimbursement obligations and tenant loan commitment that are directly related to properties under construction, which include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs and real estate taxes and insurance, are capitalized during the period of construction as construction in progress. Once major construction activity has ceased, the costs capitalized to construction in progress are transferred to land and improvements and buildings and improvements as the cost of the property.

The following table presents information about our second quarter 2018 completed and probable acquisitions, including a preliminary purchase price allocation to the assets acquired or expected to be acquired and liabilities assumed or expected to be assumed, as well as an estimated allocation to land and improvements and buildings and improvements of the capitalized costs incurred or expected to be incurred prior to substantial completion of our second quarter 2018 funded and remaining tenant construction reimbursement obligations and tenant loan commitment (dollars in thousands):

	Second Quarter 2018 Completed Acquisitions	Probable Acquisitions	Second Quarter 2018 Funded and Remaining Tenant Construction Reimbursement Obligations	Second Quarter 2018 Funded and Remaining Tenant Loan Commitment	Total
Number of properties					
Allocation of purchase price:					
Land and improvements	\$	\$	\$	\$	\$
Building and improvements					
Intangible lease assets					
Assets acquired					
Intangible lease liabilities					
Liabilities assumed					
Purchase price (including transaction costs)	\$	\$	\$	\$	\$
Cash and cash equivalents	\$	\$	\$	\$	\$

The fair value of the tangible assets of an acquired property with an in-place operating lease is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to the tangible assets based on the fair value of the tangible assets.

The fair value of in-place leases is determined by considering estimates of carrying costs during the expected lease-up periods, current market conditions, as well as costs to execute similar leases based on the specific characteristics of each tenant's lease, including leasing commissions, legal and other related expenses. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from six to 12 months.

The fair value of above- or below-market leases is recorded based on the net present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between the contractual amount to be paid pursuant to the in-place lease and our estimate of the fair market lease rate for the corresponding in-place lease, measured over the remaining non-cancelable term of the lease, including any below-market fixed rate renewal options for below-market leases.

In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including real estate valuations prepared by independent valuation firms. We also consider other information and factors, including market conditions, the industry that the tenant operates in, characteristics of the real estate (i.e., location, size, demographics, value and comparative rental rates), tenant credit profile and the importance of the location of the real estate to the operations of the tenant's business. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. We use the information obtained as a result of our pre-acquisition due diligence as part of our consideration of the



accounting standard governing asset retirement obligations and, when necessary, will record a asset retirement obligation as part of the purchase price allocation.

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statement of operations. The final purchase price allocation will be determined when we have completed our valuations and calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments.

- (D) During the period from April 1, 2018 through May 18, 2018, we completed property dispositions with an aggregate sale price, net of disposition costs, of \$6.5 million. As of May 18, 2018, we had five properties under contract that are considered probable of disposition with an aggregate sale price of \$7.1 million (excluding estimated transaction costs). This adjustment reflects removal of the historical carrying value (including accumulated depreciation and amortization) of our second quarter 2018 completed and probable dispositions.
- (E) Reflects the sale of \_\_\_\_\_ shares of common stock in this offering at a public offering price of \$ \_\_\_\_\_ per share, which is mid-point of the price range set forth on the front cover of this prospectus, net of underwriting discounts and other estimated offering expenses payable by us, and the sale of \_\_\_\_\_ shares of common stock and \_\_\_\_\_ OP units with an aggregate purchase price of \$ \_\_\_\_\_ million in the concurrent Eldridge private placement at a price per share and per unit equal to the initial public offering price per share of common stock in this offering (without payment of any underwriting discounts):

Gross proceeds from concurrent Eldridge private placement	\$ _____
Gross proceeds from this offering	_____
Underwriting discounts	_____
Proceeds before offering expenses payable by us	_____
Offering expenses payable by us(1)	_____
Net proceeds from the concurrent Eldridge private placement and this offering	_____

- (1) Includes offering costs of \$1.3 million on our predecessor's consolidated balance sheet as of March 31, 2018.

Eldridge's investment in the concurrent Eldridge private placement will be allocated so that it will purchase up to 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, with the balance of this additional investment amount to be made in OP units. Assuming an initial public offering price of \$ \_\_\_\_\_ per share, which is the mid-point of the price range set forth on the front cover of this prospectus, Eldridge will purchase \_\_\_\_\_ shares of our common stock and \_\_\_\_\_ OP units in the concurrent Eldridge private placement.

- (F) Reflects the use of the net proceeds from this offering and the concurrent Eldridge private placement to repay approximately \$ \_\_\_\_\_ million of short-term notes issued to an affiliate of Eldridge, with the balance of such net proceeds held in cash and available for general corporate purposes, including potential future investments.
- (G) Reflects the payment of approximately \$ \_\_\_\_\_ million of lender fees in connection with the closing of the unsecured revolving credit facility that we expect to enter into upon completion of this offering. A group of lenders has provided aggregate commitments for an unsecured revolving credit facility allowing borrowings of up to \$300 million. We expect the facility to have a term of four (4) years. We also expect the facility to have an accordion feature that may allow us to increase the availability under the facility by an additional \$200 million, subject to meeting

specified requirements and obtaining additional commitments from lenders. We intend to use the facility to fund new investments and for general corporate purposes, including working capital. Deferred financing costs related to the establishment of our unsecured revolving credit facility are deferred and amortized to interest expense over the term of the facility and are included in prepaid expenses and other assets, net.

- (H) Reflects the elimination of our predecessor's members' equity of \$            million and the rebalancing of common stock and additional paid-in capital to noncontrolling interests of \$            million in connection with the issuance of an aggregate of            shares of common stock and            OP units in this offering, the concurrent Eldridge private placement and the formation transactions. As described in Note E, Eldridge's investment in the concurrent Eldridge private placement will be allocated so that it will purchase up to 19.0% of the common stock to be outstanding immediately after completion of this offering and the concurrent Eldridge private placement, with the balance of this additional investment amount to be made in OP units.

## **2. Adjustments to the Unaudited Pro Forma Consolidated Statement of Operations**

The adjustments to the unaudited pro forma consolidated statements of operations for the three months ended March 31, 2018 and the year ended December 31, 2017 are as follows:

- (AA) Essential Properties Realty Trust, Inc. has had no operating activity since its formation on January 12, 2018, other than the issuance of 100 shares of common stock for an aggregate purchase price of \$100 in connection with its initial capitalization, which was paid on January 17, 2018. These 100 shares will be repurchased by us at or prior to the closing of the offering for \$100.
- (BB) Reflects the historical consolidated statement of operations of our predecessor for the three months ended March 31, 2018 and the year ended December 31, 2017. As discussed in Note B, prior to the completion of this offering, EPRT LLC will convert from a Delaware limited liability company into a Delaware limited partnership, change its name to Essential Properties, L.P. and adopt the Limited Partnership Agreement pursuant to which, among other things, our wholly-owned subsidiary, Essential Properties OP G.P., LLC, will become Essential Properties, L.P.'s sole general partner. As a result, our predecessor's assets and liabilities will be reflected at their historical cost basis.
- (CC) Reflects aggregate rental revenue from our 2018 completed and probable acquisitions, our 2018 funded and remaining tenant construction reimbursement obligations and tenant loan commitment and our 2017 funded tenant construction reimbursement obligations for the period prior to acquisition or completion of funding based on contractually specified cash base rent for these properties or loan terms in effect on the date of acquisition or completion of funding, respectively, recorded on a straight-line basis, assuming completion of the acquisition or funding had occurred on January 1, 2017. We amortize acquired above- and below-market leases as a decrease or increase to rental revenue, respectively, over the lives of the respective leases.

During the period from January 1, 2018 through May 18, 2018, we completed 46 property and three land parcel acquisitions with an aggregate purchase price of \$107.0 million (including transaction costs). As of May 18, 2018, we had 60 properties under contract that are considered probable of acquisition with an aggregate purchase price of \$153.5 million (excluding estimated transaction costs). In addition, we reimbursed \$5.6 million of our tenant construction reimbursement obligations during the period from January 1, 2018 through May 18, 2018, with an estimate aggregate remaining amount of tenant construction reimbursement obligations of \$13.5 million as of May 18, 2018. During the same period, we funded \$0.9 million of a tenant loan commitment with a remaining unfunded loan commitment of \$2.7 million as of May 18, 2018.

This adjustment also reflects aggregate depreciation and amortization expense for the period prior to acquisition or completion of funding, which has been calculated on a straight-line basis based on the estimated useful lives of up to 40 years for buildings and 15 years for site improvements and, with respect to acquired in-place leases, the remaining terms of the respective leases.

- (DD) Reflects the removal of aggregate rental revenue and property expenses from our 2018 completed and probable dispositions for the period prior to disposition, assuming the disposition had occurred on January 1, 2017. During the period from January 1, 2018 through May 18, 2018, we completed property dispositions with an aggregate sale price, net of disposition costs, of \$14.2 million. As of May 18, 2018, we had five properties under contract that are considered probable of disposition with an aggregate sale price of \$7.1 million (excluding estimated transaction costs).
- (EE) Reflects a reduction in interest expense of \$       million for the three months ended March 31, 2018 and \$       million for the year ended December 31, 2017 related to the repayment of \$50.0 million of short-term notes issued to an affiliate of Eldridge with the proceeds from the \$50.0 million pre-offering equity investment made by Eldridge in EPRT Holdings, LLC in January 2018 as if such repayment took place on January 1, 2017.
- (FF) Reflects a reduction in interest expense of \$       million for the three months ended March 31, 2018 and \$       million for the year ended December 31, 2017 related to the repayment of \$       million of indebtedness with the net proceeds from this offering and the concurrent Eldridge private placement described in Note F, partially offset by an increase in interest expense of \$       million for the three months ended March 31, 2018 and \$       million for the year ended December 31, 2017 associated with the unused fee related to the new unsecured revolving credit facility that we expect to enter into in connection with the consummation of this offering and the formation transactions as if such repayment took place on and such facility was entered into on January 1, 2017. The new unsecured revolving credit facility is expected to require that we pay fees equal to a percentage of any unused portion of our borrowing capacity under the facility, and these fees are recorded as interest expense. This adjustment includes the amortization of known deferred financing costs related to the new unsecured revolving credit facility, which is recorded as interest expense. No assurance can be given that we will close on the new unsecured revolving credit facility based on this proposed timing, or at all.
- (GG) Reflects an increase in interest expense of \$       million due to the full year 2017 impact of interest expense associated with the issuance of \$248.1 million of notes under our Master Trust Funding Program in July 2017, the net proceeds from which were used to partially fund our 2017 completed acquisitions described in Note CC, as if such issuance took place on January 1, 2017. These notes accrue interest at a weighted-average annual fixed interest rate of 4.16%.
- (HH) Reflects expected equity-based compensation expense associated with the grant of an aggregate of       shares of restricted common stock to our directors, executive officers and other employees in connection with the completion of this offering pursuant to the Equity Incentive Plan. We recognize equity-based compensation on a straight-line basis over the requisite service period of each award. Compensation costs on these awards are expected to be recognized over a weighted average vesting period of       years. In addition, as a result of the offering, the concurrent Eldridge private placement and the formation transactions, general and administrative expense is expected to increase by \$       for the three months ended March 31, 2018 and \$       for the year ended December 31, 2017. The increase is comprised of estimated additional costs relating to director and officer insurance, director's fees and additional payroll. We expect to incur additional general and administrative expenses of approximately \$       to \$       that are not a current contractual obligation or otherwise factually supportable, which are comprised primarily of legal, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters.
- (II) Reflects the allocation of net income to the noncontrolling interests and stockholders' equity.

- (JJ) Pro forma basic earnings per share is calculated by dividing pro forma consolidated net income attributable to our stockholders by the number of shares of common stock and restricted common stock issued in this offering and the concurrent private placement of common stock to Eldridge.
- (KK) Pro forma diluted earnings per share is calculated by dividing pro forma consolidated net income by the number of shares of common stock, restricted common stock and OP units issued in this offering, the Eldridge concurrent private placement and the formation transactions.
- (LL) During 2017, we completed 212 property acquisitions with an aggregate purchase price of \$527.1 million (including transaction costs). This adjustment reflects the aggregate rental revenue from our 2017 completed acquisitions for the period prior to acquisition based on contractually specified cash base rent under leases for these properties in effect on the date of acquisition recorded on a straight-line basis, assuming completion of the acquisition had occurred on January 1, 2017. We amortize acquired above- and below-market leases as a decrease or increase to rental revenue, respectively, over the lives of the respective leases. This adjustment also reflects aggregate depreciation and amortization expense for the period prior to acquisition, which has been calculated on a straight-line basis based on the estimated useful lives of up to 40 years for buildings and 15 years for site improvements and, with respect to acquired in-place leases, the remaining terms of the respective leases.
- (MM) During 2017, we completed 47 property dispositions with an aggregate sale price, net of transaction costs, of \$53.6 million. This adjustment reflects removal of aggregate rental revenue and property expenses from our 2017 completed dispositions for the period prior to disposition, assuming the disposition had occurred on January 1, 2017.



# ESSENTIAL PROPERTIES

- ✓ Service-Oriented & Experience-Based Tenant Profile
- ✓ Long Weighted Average Remaining Lease Term
- ✓ Smaller-Scale Net Leased Properties
- ✓ Strong Unit-Level Rent Coverage

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# Essential Properties Realty Trust, Inc.

Shares of Common Stock



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## PROSPECTUS

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**Goldman Sachs & Co. LLC**

**Citigroup**

**Barclays**

Through and including \_\_\_\_\_, 2018 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 31. Other Expenses of Issuance and Distribution.**

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except for the SEC registration fee and the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the NYSE listing fee.

SEC Registration Fee	\$ 12,450
FINRA Filing Fee	15,500
NYSE Listing Fees	*
Accounting Fees and Expenses	*
Legal Fees and Expenses	*
Printing Fees and Expenses	*
Transfer Agent and Registrar Fees	*
Miscellaneous	*
Total	\$ *

\* To be filed by amendment.

**Item 32. Sales to Special Parties.**

None.

**Item 33. Recent Sales of Unregistered Securities.**

In connection with our formation and initial capitalization, on January 17, 2018, we issued 100 shares of our common stock, \$0.01 par value per share to EPRT Holdings, LLC for an aggregate purchase price of \$100. These securities were issued in reliance on the exemption set forth in Section 4(a)(2) of the Securities Act of 1933, as amended.

Concurrently with the completion of this offering, an affiliate of Eldridge Industries, LLC will purchase shares of our common stock (based on the mid-point of the price range set forth on the front cover of the prospectus constituting part of this registration statement) at a price per share equal to the initial public offering price per share of common stock in the offering to which the prospectus relates. The foregoing issuance will be exempt from the registration requirements of the Securities Act of 1933, as amended pursuant to Section 4(a)(2) thereof.

**Item 34. Indemnification of Directors and Officers.**

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains such a provision that eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or

otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and:
  - was committed in bad faith; or
  - was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or on behalf of the corporation or if the director or officer was adjudged liable on the basis that personal benefit was improperly received, unless, in either case, a court orders indemnification and then only for expenses. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received.

In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking, which may be unsecured, by the director or officer or on the director's or officer's behalf to repay the amount paid if it shall ultimately be determined that the standard of conduct has not been met.

Our charter obligates us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding without requiring a preliminary determination of the director's or officer's ultimate entitlement to indemnification to:

- any present or former director or officer who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, member, manager or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity.

Our charter also permits us, with the approval of our board of directors, to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

We intend to enter into indemnification agreements with each of our directors and executive officers that will obligate us to indemnify them to the maximum extent permitted by Maryland law. The



indemnification agreements will provide that, if a director or executive officer is a party to, or witness in, or is threatened to be made a party to, or witness in, any proceeding by reason of his or her service as a director, officer, employee or agent of our company or as a director, officer, partner, member, manager, fiduciary, employee, agent or trustee of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that he or she is or was serving in such capacity at our request, we must indemnify the director or executive officer for all expenses and liabilities actually and reasonably incurred by him or her, or on his or her behalf, to the maximum extent permitted under Maryland law, including in any proceeding brought by the director or executive officer to enforce his or her rights under the indemnification agreement, to the extent provided by the agreement. The indemnification agreements will also require us to advance reasonable expenses incurred by the indemnitee within ten days of the receipt by us of a statement from the indemnitee requesting the advance, provided the statement evidences the expenses and is accompanied or preceded by:

- a written affirmation of the indemnitee's good faith belief that he or she has met the standard of conduct necessary for indemnification; and
- a written undertaking, which may be unsecured, by the indemnitee or on his or her behalf to repay the amount paid if it shall ultimately be established that the standard of conduct has not been met.

The indemnification agreements will also provide for procedures for the determination of entitlement to indemnification, including requiring such determination be made by independent counsel after a change of control of us.

In addition, our directors and officers may be entitled to indemnification pursuant to the terms of the partnership agreement of our operating partnership.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

***Item 35. Treatment of Proceeds from Stock Being Registered.***

The consideration to be received by us from the securities registered hereunder will be credited to the appropriate capital account.

***Item 36. Financial Statements and Exhibits.***

(A) Financial Statements: see Index to Financial Statements.

(B) Exhibits: The following exhibits are filed as part of, or incorporated by reference into, this registration statement on Form S-11:

- |      |                                                                                                                                                |
|------|------------------------------------------------------------------------------------------------------------------------------------------------|
| #1.1 | Form of Underwriting Agreement                                                                                                                 |
| #3.1 | Form of Articles of Amendment and Restatement of Essential Properties Realty Trust, Inc., to be in effect upon the completion of this offering |
| #3.2 | Form of Amended and Restated Bylaws of Essential Properties Realty Trust, Inc., to be in effect upon the completion of this offering           |
| 4.1  | Form of Common Stock Certificate of Essential Properties Realty Trust, Inc.                                                                    |

4.2	Amended and Restated Master Indenture dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC and SCF RC Funding III LLC, each a Delaware limited liability company, collectively as issuers, and Citibank, N.A., as indenture trustee, relating to Net-Lease Mortgage Notes
4.3	Amended and Restated Series 2016-1 Indenture Supplement dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC and Citibank, N.A., as indenture trustee
4.4	Series 2017-1 Indenture Supplement dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and Citibank, N.A., as indenture trustee
#5.1	Opinion of Venable LLP
#8.1	Opinion of Sidley Austin LLP with respect to tax matters
#10.1	Form of Agreement of Limited Partnership of Essential Properties, L.P., to be in effect upon the completion of this offering
#10.2	Form of Stockholders Agreement among Essential Properties Realty Trust, Inc. and the persons named therein, to be in effect upon the completion of this offering
#10.3	Form of Registration Rights Agreement between Essential Properties Realty Trust, Inc. and EPRT Holdings, LLC, to be in effect upon the completion of this offering
#10.4	Form of Registration Rights Agreement between Essential Properties Realty Trust, Inc. and Eldridge Industries, LLC, to be in effect upon the completion of this offering
#10.5	Form of Purchase Agreement between Essential Properties Realty Trust, Inc. and the purchaser in the concurrent Eldridge private placement of common stock
#10.6	Form of Purchase Agreement between Essential Properties, L.P. and the purchaser in the concurrent Eldridge private placement of OP units
#10.7	Form of Indemnification Agreement between Essential Properties Realty Trust, Inc. and each of its directors and executive officers
†#10.8	Form of Employment Agreement between Essential Properties Realty Trust, Inc. and Peter M. Mavoides
†#10.9	Form of Employment Agreement between Essential Properties Realty Trust, Inc. and Gregg A. Seibert
†#10.10	Form of Employment Agreement between Essential Properties Realty Trust, Inc. and Hillary P. Hai
†#10.11	Essential Properties Realty Trust, Inc. and Essential Properties, L.P. 2018 Incentive Award Plan
†#10.12	Form of 2018 Incentive Award Plan Restricted Stock Award Grant Notice and Agreement
#10.13	Form of New Credit Agreement (for the revolving credit facility to be in effect upon the completion of this offering)
10.14	Amended and Restated Property Management and Servicing Agreement dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC and SCF RC Funding III LLC, each a Delaware limited liability company, collectively as issuers, SCF Realty Capital LLC, a Delaware limited liability company, as property manager and special servicer, and Midland Loan Services, a division of PNC Bank, National Association, as back-up manager and Citibank, N.A., as indenture trustee

21.1	List of Subsidiaries of Essential Properties Realty Trust, Inc.
23.1	Consent of Ernst & Young LLP as to the balance sheet of Essential Properties Realty Trust, Inc.
23.2	Consent of Ernst & Young LLP as to the consolidated financial statements of Essential Properties Realty Trust, Inc. Predecessor
#23.3	Consent of Venable LLP (contained in Exhibit 5.1)
#23.4	Consent of Sidley Austin LLP (contained in Exhibit 8.1)
23.5	Consent of Rosen Consulting Group
23.6	Consent to be Named as a Director Nominee (Paul T. Bossidy)
23.7	Consent to be Named as a Director Nominee (Todd J. Gilbert)
23.8	Consent to be Named as a Director Nominee (Anthony D. Minella)
23.9	Consent to be Named as a Director Nominee (Stephen D. Sautel)
23.10	Consent to be Named as a Director Nominee (Joyce DeLucca)
23.11	Consent to be Named as a Director Nominee (Scott A. Estes)

# To be filed by amendment.

† Indicates management contract or compensatory plan.

### **Item 37. Undertakings.**

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

The undersigned registrant hereby further undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

## EXHIBIT INDEX

<b><u>Exhibit</u></b>	
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23.11	<a href="#"><u>Consent to be Named as a Director Nominee (Scott A. Estes)</u></a>
#	To be filed by amendment.
†	Indicates management contract or compensatory plan.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Princeton, New Jersey, on this 25th day of May, 2018.

ESSENTIAL PROPERTIES REALTY TRUST, INC.

By: /s/ Peter M. Mavoides  
Peter M. Mavoides  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Peter M. Mavoides</u> Peter M. Mavoides	Director, President and Chief Executive Officer (principal executive officer)	May 25, 2018
<u>/s/ Hillary P. Hai</u> Hillary P. Hai	Chief Financial Officer (principal financial and accounting officer)	May 25, 2018

Number \*0\*

Shares \*0\*

SEE REVERSE FOR IMPORTANT NOTICE  
ON TRANSFER RESTRICTIONS  
AND OTHER INFORMATION

THIS CERTIFICATE IS TRANSFERABLE  
IN THE CITIES OF \_\_\_\_\_ CUSIP \_\_\_\_\_

ESSENTIAL PROPERTIES REALTY TRUST, INC.  
a Corporation Formed Under the Laws of the State of Maryland

THIS CERTIFIES THAT \*\*Specimen\*\* is the owner of \*\*Zero (0)\*\* fully paid and nonassessable shares of Common Stock, \$0.01 par value per share, of

ESSENTIAL PROPERTIES REALTY TRUST, INC.

(the “Corporation”) transferable on the books of the Corporation by the holder hereof in person or by its duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be held subject to all of the provisions of the charter of the Corporation (the “Charter”) and the Bylaws of the Corporation and any amendments or supplements thereto. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed on its behalf by its duly authorized officers.

DATED: \_\_\_\_\_

Countersigned and Registered:  
Transfer Agent  
and Registrar

\_\_\_\_\_(SEAL)  
President

By: \_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Secretary

**IMPORTANT NOTICE**

The Corporation will furnish to any stockholder, on request and without charge, a full statement of the information required by Section 2-211(b) of the Corporations and Associations Article of the Annotated Code of Maryland with respect to the designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption of the stock of each class which the Corporation has authority to issue and, if the Corporation is authorized to issue any preferred or special class in series, (i) the differences in the relative rights and preferences between the shares of each series to the extent set, and (ii) the authority of the Board of Directors to set such rights and preferences of subsequent series. The foregoing summary does not purport to be complete and is subject to and qualified in its entirety by reference to the Charter, a copy of which will be sent without charge to each stockholder who so requests. Such request must be made to the Secretary of the Corporation at its principal office.

The shares represented by this certificate are subject to restrictions on Beneficial Ownership and Constructive Ownership and Transfer for the purpose, among others, of the Corporation's qualification as a Real Estate Investment Trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Corporation's Charter, (i) no Person may Beneficially Own or Constructively Own shares of the Corporation's Common Stock in excess of the Common Stock Ownership Limit unless such Person is (a) an Excepted Holder (in which case the Excepted Holder Limit shall be applicable) or (b) a Designated Investment Entity (in which case the Designated Investment Entity Limit shall be applicable); (ii) no Person may Beneficially Own or Constructively Own shares of Capital Stock of the Corporation in excess of the Aggregate Stock Ownership Limit, unless such Person is (a) an Excepted Holder (in which case the Excepted Holder Limit shall be applicable) or (b) a Designated Investment Entity (in which case the Designated Investment Entity Limit shall be applicable); (iii) no Person may Beneficially Own or Constructively Own Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code or otherwise cause the Corporation to fail to qualify as a REIT; and (iv) no Person may Transfer shares of Capital Stock if such Transfer would result in the Capital Stock of the Corporation being owned by fewer than 100 Persons. Any Person who Beneficially Owns or Constructively Owns or attempts or intends to Beneficially Own or Constructively Own shares of Capital Stock which cause or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. If any of the restrictions on transfer or ownership provided in (i), (ii) or (iii) above are violated, the shares of Capital Stock in excess or in violation of the above limitations will be automatically transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries. In addition, the Corporation may redeem shares upon the terms and conditions specified by the Board of Directors in its sole and absolute discretion if the Board of Directors determines that ownership or a Transfer or other event may violate the restrictions described above. Furthermore, if the ownership restrictions provided in (iv) above would be violated or upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. All capitalized terms in this legend have the meanings defined in the Charter of the Corporation, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of shares of Capital Stock of the Corporation on request and without charge. Requests for such a copy may be directed to the Secretary of the Corporation at its Principal Office.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN OR DESTROYED, THE CORPORATION MAY REQUIRE  
A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	-	as tenants in common	UNIF GIFT MIN ACT _____ Custodian _____
TEN ENT	-	as tenants by the entireties	(Custodian) (Minor)
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common	Under the Uniform Gifts to Minors Act of _____ (State)

FOR VALUE RECEIVED, \_\_\_\_\_ HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO

\_\_\_\_\_  
(NAME & ADDRESS, INCLUDING ZIP CODE & SS# OR OTHER IDENTIFYING # OF ASSIGNEE)

\_\_\_\_\_ (\_\_\_\_\_) shares of stock of the Corporation represented by this Certificate and does hereby irrevocably constitute and appoint

\_\_\_\_\_ attorney to transfer the said shares on the books of the Corporation, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY OTHER CHANGE.



AMENDED AND RESTATED MASTER INDENTURE

Dated as of July 11, 2017

---

among

SCF RC FUNDING I LLC,  
as an Issuer,

SCF RC FUNDING II LLC,  
as an Issuer,

SCF RC FUNDING III LLC,  
as an Issuer,

and

CITIBANK, N.A.,  
as Indenture Trustee

NET-LEASE MORTGAGE NOTES

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#### **Exhibits**

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Exhibit A-3	Form of Definitive Net-Lease Mortgage Note
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Exhibit E-1	Form of Certificate with Respect to Information Request by Beneficial Owner

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Exhibit E-2	Form of Certificate with Respect to Information Request by Prospective Purchaser
Exhibit F	Form of Noteholder Confidentiality Agreement
Exhibit G	Form of Post-Closing Acquisition Notice

AMENDED AND RESTATED MASTER INDENTURE, dated as of July 11, 2017 (as amended, modified or supplemented from time to time as permitted hereby, the “**Indenture**”), among SCF RC FUNDING I LLC, a Delaware limited liability company, as an issuer (“**SCF I**”), SCF RC FUNDING II LLC, a Delaware limited liability company, as an issuer (“**SCF II**”), SCF RC FUNDING III LLC, a Delaware limited liability company, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and CITIBANK, N.A., a national banking association duly organized and existing under the laws of the United States of America, not in its individual capacity, but solely as Indenture Trustee (the “**Indenture Trustee**”) under this Indenture.

#### PRELIMINARY STATEMENT

WHEREAS, the Issuers have duly authorized the execution and delivery of this Indenture to provide for the issuance of their respective series of Net-Lease Mortgage Notes (collectively, the “**Notes**”), to be issued pursuant to this Indenture, and the Notes issuable under this Indenture shall be issued in series (each, a “**Series**”), as from time to time may be created by supplements (each, a “**Series Supplement**”) to this Indenture;

NOW THEREFORE, all things necessary to make the Notes, when the Notes are executed by the applicable Issuers and authenticated and delivered by the Indenture Trustee hereunder and duly issued by such Issuers, the valid and legally binding obligations of such Issuers enforceable in accordance with their terms, and to make this Indenture a valid and legally binding agreement of such Issuers enforceable in accordance with its terms, have been done.

#### GRANTING CLAUSE

Each of the Issuers hereby Grants to the Indenture Trustee on the applicable Series Closing Date, for the benefit of the Indenture Trustee and the Noteholders, all of such Issuer’s right, title and interest in and to all of such Issuer’s “accounts,” “deposit accounts,” “chattel paper,” “payment intangibles,” “commercial tort claims,” “supporting obligations,” “promissory notes,” “letter-of-credit rights,” “documents,” “goods,” “fixtures,” “general intangibles,” “instruments,” “inventory,” “equipment,” “investment property,” “proceeds” (as each of the foregoing terms is defined in the UCC), rights, interests and property (whether now owned or hereafter acquired or arising) (individually, the “**Collateral**” and, collectively, the “**Collateral Pool**”), including the following: (i) fee title to, and, if applicable, ground lease interests in ground leases to, such Issuer’s Owned Properties, (ii) each of the Leases with respect to such Owned Properties and all payments required thereunder on and after the applicable Series Closing Date or Transfer Date, as applicable, (iii) the Loans, if applicable, and all payments required thereunder after the applicable Series Closing Date or Transfer Date, (iv) all of such Issuer’s right, title and interest in all fixtures and reserves and escrows, if any, related to such Issuer’s Properties, (v) any guarantees of and security for the Tenants’ obligations under the Leases, including any security deposits thereunder, (vi) all of such Issuer’s rights under the Performance Support Agreement, the Master Exchange Agreement and the Escrow Agreement, (vii) all of such Issuer’s rights (but none of its obligations) under the Property Transfer Agreements, (viii) the Collection Account, the Release Account, the Lockbox Transfer Account, the DSCR Reserve Account, the Payment Account, the Exchange Reserve Account, the Post-Closing Acquisition Reserve Account and any other accounts established under the Transaction

Documents for purposes of receiving, retaining and distributing amounts received in respect of the Collateral Pool and making payments to the Holders of the Notes and making distributions to the Holders of the Issuer Interests, and all funds and Permitted Investments as may from time to time be deposited therein, (ix) all of such Issuer's right, title and interest in and to a Series Enhancement, if any, (x) all present and future claims, demands and causes of action in respect of the foregoing, and (xi) all proceeds of the foregoing of every kind and nature whatsoever, including, without limitation, all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property that at any time constitute all or part of or are included in the proceeds of the foregoing; provided, that in no event shall any of the foregoing include any right, title or interest in, to or under (i) the Exchange Account, or (ii) any Relinquished Property, the related identifiable Relinquished Property Proceeds or the related Rights with respect to such Relinquished Property, if any (collectively, “**Relinquished Property Rights**”), from the time such Relinquished Property Rights become Relinquished Property Rights as a result of the assignment of the related Relinquished Property and the related Rights with respect to such Relinquished Property to the Qualified Intermediary pursuant to the Master Exchange Agreement, unless and until, such Relinquished Property Proceeds have been transferred to the Release Account in accordance with the terms of the Master Exchange Agreement and the Escrow Agreement.

The foregoing Grants are made in trust to secure the payment of principal of and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture and each Series Supplement.

## **GENERAL COVENANT**

IT IS HEREBY COVENANTED AND DECLARED that the Notes are to be authenticated and delivered by the Indenture Trustee on the applicable Series Closing Dates, that the Collateral is to be held by or on behalf of the Indenture Trustee and that moneys in or from the Collateral Pool are to be applied by the Indenture Trustee for the benefit of the Noteholders, subject to the further covenants, conditions and trusts hereinafter set forth, and each Issuer does hereby represent and warrant, and covenant and agree, to and with the Indenture Trustee, for the equal and proportionate benefit and security of each Noteholder, as follows:

## **ARTICLE I**

### **DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION**

#### **Section 1.01 Definitions.**

Whenever used in this Indenture, including in the Preliminary Statement, the Granting Clause and the General Covenant hereinabove set forth, the following capitalized terms, unless the context otherwise requires, shall have the meanings specified in this Section 1.01 or, if not specified in this Section 1.01, then in the Property Management Agreement.



“**3-Month Average DSCR**”: With respect to any Determination Date, the average of the Monthly DSCRs for such Determination Date and the two immediately preceding Determination Dates.

“**1939 Act**”: The Trust Indenture Act of 1939, as amended, and the rules, regulations and published interpretations of the SEC promulgated thereunder from time to time.

“**1940 Act**”: The Investment Company Act of 1940, as amended, and the rules, regulations and published interpretations of the SEC promulgated thereunder from time to time.

“**95-Person Limit**”: As defined in Section 2.05(m).

“**Access Laws**”: As defined in Section 10.09.

“**Account Control Agreement**”: An agreement with respect to a deposit account or a securities account, in form and substance satisfactory to the Indenture Trustee, pursuant to which the institution at which such account is maintained agrees to follow the instructions or entitlement orders, as the case may be, of the Indenture Trustee or, in certain instances, the Property Manager with respect thereto.

“**Accredited Investor**”: As defined in Section 2.05(d)(i).

“**Accrual Period**”: With respect to any Class of Notes, as defined in the applicable Series Supplement.

“**ACM**”: As defined in Section 2.21(o).

“**Act**”: As defined in Section 12.05.

“**Advance**”: As defined in the Property Management Agreement.

“**Affiliate**”: With respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Aggregate Release Amount**”: As defined in the Property Management Agreement.

“**Aggregate Series Principal Balance**”: On any date of determination, the sum of all Series Principal Balances, in each case, as of such date of determination, after giving effect to any payments of principal on such date.

“**Anticipated Repayment Date**”: For any Series of Notes, the Anticipated Repayment Date for such Series of Notes, as specified in the related Series Supplement.

“**Applicable Law**”: Any federal, state or local law, order, ordinance, court order of law (including common law), statute, constitution, treaty, decree, code, ordinance, rule, regulation, judgment or injunction (whether temporary, preliminary or permanent), arbitration award, license, permit or other requirement of Governmental Authority.

“**Applicable Paydown Percentage**”: With respect to any Series of Notes and as of any applicable Payment Date upon which Unscheduled Proceeds are paid pursuant to Section 2.11(b) and/or upon which a Voluntary Prepayment in part is made, a fraction expressed as a percentage, the numerator of which is the related Series Principal Balance subject to paydown and the denominator of which is the Aggregate Series Principal Balance before giving effect to any payment on such Payment Date.

“**Appraised Value**”: As defined in the Property Management Agreement.

“**Asbestos**”: Asbestos or any substance or material containing asbestos.

“**Authenticating Agent**”: As defined in Section 2.02(b).

“**Authorized Officer**”: With respect to each Issuer, any person who is authorized to act for such Issuer and who is identified on the list delivered by such Issuer to the Indenture Trustee on the applicable Series Closing Date (as such list may be modified or supplemented from time to time thereafter).

“**Authorized Persons**”: As defined in Section 5.03(r).

“**Available Amount**”: As defined in the Property Management Agreement.

“**Back - Up Fee**”: As defined in the Property Management Agreement.

“**Back-Up Manager**”: Midland Loan Services, a division of PNC Bank, National Association, or its successor in interest.

“**Bank**”: As defined in Section 12.07.

“**Book-Entry Custodian**”: Initially, the Indenture Trustee and thereafter, such other bank or trust company as the Indenture Trustee shall appoint pursuant to Section 2.06(a).

“**Book-Entry Note**”: Any Note registered in the name of the Depository or its nominee.

“**Borrower**”: As defined in the Property Management Agreement.

“**Business Day**”: Any day other than a Saturday, a Sunday or a day on which banking institutions are authorized or obligated by law or executive order to remain closed in New York, New York, Princeton, New Jersey, or any other city in which the principal office of the Issuer, the primary servicing office of the Property Manager or the Special Servicer or the Indenture Trustee's Office is located.

“**Cash**”: Coin or currency of the United States or immediately available federal funds, including such funds delivered by wire transfer.

“**CERCLA**”: The Comprehensive Environmental Response, Compensation and Liability Act, as amended.

“**Class**”: Collectively, all of the Notes of a particular Series that bear the same name and the same alphabetical and, if applicable, numerical class designations.

“**Code**”: The Internal Revenue Code of 1986, as amended.

“**Collateral**”: As defined in the Granting Clause hereto.

“**Collateral Defect**”: As defined in the Property Management Agreement.

“**Collateral Pool**”: As defined in the Granting Clause hereto.

“**Collateral Pool Expenses**”: As defined in Section 2.11(b).

“**Collateral Transfer**”: Any voluntary or involuntary sale, transfer, exchange, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, grant of any options with respect to, or any other transfer or disposition of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record), including but not limited to: (i) an installments sales agreement wherein an Issuer agrees to sell a related Loan or Property or any part thereof for a price to be paid in installments or (ii) an agreement by an Issuer leasing all or a substantial part of a related Property for other than actual occupancy by a Tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, such Issuer’s right, title and interest in and to any Loans, Leases or any rents.

“**Collection Account**”: As defined in the Property Management Agreement.

“**Collection Period**”: As defined in the Property Management Agreement.

“**Condemnation Proceeds**”: As defined in the Property Management Agreement.

“**Control Person**”: With respect to any Person, any other Person that constitutes a “controlling person” within the meaning of Section 15 of the Securities Act.

“**Controlling Party**”: With respect to any Series, as defined in the applicable Series Supplement.

“**Custodian**”: U.S. Bank National Association or its successor in interest.

“**Custody Agreement**”: As defined in the Property Management Agreement.

“**Deferred Post-ARD Additional Interest**”: With respect to any Payment Date and any Series of Notes, applicable accrued and unpaid Post-ARD Additional Interest from any prior Payment Date. For the avoidance of doubt, Deferred Post-ARD Additional Interest will not bear interest.

“**Definitive Note**”: As defined in Section 2.01(b)(ii).

“**Department of Labor Regulations**”: Regulations at 29 C.F.R. 2510.3-101.

“**Depository**”: The Depository Trust Company or any successor depository hereafter named as contemplated by Section 2.06. The nominee of the initial Depository, for purposes of registering such Notes that are Book-Entry Notes, is Cede & Co. The Depository shall at all times be a “clearing corporation” as defined in Section 8-102(4) of the UCC of the State of New York and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act.

“**Depository Participant**”: A broker, dealer, bank or other financial institution or other Person for whom from time to time the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

“**Determination Date**”: With respect to any Payment Date, the 15th day of the month in which such Payment Date occurs or, if such 15th day is not a Business Day, the Business Day immediately succeeding such 15th day.

“**Disposition Period**”: If any Series Principal Balance is greater than zero on its related Series Disposition Period Date, a period commencing on such Series Disposition Period Date and ending on the earlier of (i) the date upon which such Series Principal Balance is reduced to zero and (ii) the Rated Final Payment Date for such Series.

“**DSCR Reserve Account**”: As defined in Section 2.18(a).

“**DSCR Sweep Period**”: A period that shall commence on any Determination Date for which the Monthly DSCR is less than or equal to 1.25 and an Early Amortization Period is not in effect, and shall continue until the Monthly DSCR is greater than 1.25 for three (3) consecutive Determination Dates.

“**Early Amortization Period**”: A period that shall commence on any Determination Date: (A) if the 3-Month Average DSCR as of such Determination Date is less than or equal to 1.15; provided, however, that such Early Amortization Period under this clause (A) shall continue until the 3-Month Average DSCR is greater than 1.15 for three (3) consecutive Determination Dates; (B) if an Event of Default, after giving effect to any grace period, shall have occurred and shall not have been cured or waived in accordance with the terms hereof; or (C) in the event that the Issuers do not repay the Outstanding Principal Balance of any Series of Notes in full on or prior to the Anticipated Repayment Date applicable to such Series; provided, that if the Outstanding Principal Balance of each Class of Notes for which the Anticipated Repayment Date has occurred is subsequently repaid, then such Early Amortization Period shall be deemed to have been cured for all purposes and no longer continuing; provided, further, that such cure may only occur two (2) times in any calendar year and five (5) times in total (after which such Early Amortization Period may no longer be cured).

“**Eligible Account**”: Any of (i) a segregated account maintained with a federal-or state-chartered depository institution or trust company, the long-term deposit or long-term unsecured debt obligations of which (or of such institution’s parent holding company) are rated “A-” or better by S&P, if the deposits are to be held in the account for more than thirty (30) days, or the short-term deposit or short-term unsecured debt obligations of which (or of such institution’s parent holding company) are rated “A-1” by S&P if the deposits are to be held in the account for thirty (30) days or less, in any event at any time funds are on deposit therein, (ii) a segregated trust account maintained with a federal- or state-chartered depository institution or trust company acting in its fiduciary capacity, which, in the case of a state-chartered depository institution or trust company is subject to regulations regarding fiduciary funds on deposit therein substantially similar to 12 C.F.R. § 9.10(b), and which, in either case, has a combined capital and surplus of at least \$50,000,000 and is subject to supervision or examination by federal or state authority, or (iii) any other account that is acceptable to the Rating Agencies (as evidenced by written confirmation from such Rating Agencies); provided, that in the event that any of the accounts no longer qualifies as an Eligible Account under this definition, the Issuers shall promptly, and in no event later than thirty (30) calendar days following such account failing to qualify as an Eligible Account, direct the Indenture Trustee to remit all funds in such account to a specified Eligible Account. Eligible Accounts may bear interest.

“**Email Recipient**”: As defined in Section 5.03(q).

“**Embargoed Person**”: As defined in Section 2.19(v).

“**Environmental Laws**”: As defined in Section 10.08(a).

“**ERISA**”: The Employee Retirement Income Security Act of 1974, as amended.

“**Escrow Agent**”: As defined in the Property Management Agreement.

“**Escrow Agreement**”: As defined in the Property Management Agreement.

“**Event of Default**”: As defined in Section 4.01.

“**Exchange Account**”: As defined in the Master Exchange Agreement.

“**Exchange Reserve Account**”: As defined in the Property Management Agreement.

“**Extraordinary Expense Cap**”: (A) With respect to the Extraordinary Expenses paid and payable each calendar year, an amount equal to the greater of (i) \$250,000 per Series per calendar year and (ii) 0.07% of the Aggregate Series Principal Balance (as of the most recent Series Closing Date and each anniversary thereof) per year and 1/12 of such amount per month (such amount as set forth on clause (i) or (ii) above to be cumulative for each month in a calendar year if not used, although any such cumulative amount not to be carried forward into the next calendar year) and (B) with respect to the aggregate Extraordinary Expenses paid and payable pursuant to this Indenture since the most recent Series Closing Date, an amount equal to \$2,500,000.

“**Extraordinary Expenses**”: Unanticipated expenses required to be borne by the applicable Issuers, that consist of, among other things: (i) amounts to be paid for the transfer of the Loan Files, Lease Files and other administrative expenses incurred in connection with the sale or transfer of the related Leases, Loans or Owned Properties by such Issuers; (ii) payments to the Property Manager, the Special Servicer, any applicable Hedge Counterparty, any Issuers, the Indenture Trustee or any of their respective directors, officers, employees, agents and Control Persons of amounts for certain expenses and liabilities as specified in this Indenture (including, but not limited to, Section 5.04(a)(2), the Notes, the Property Management Agreement, the applicable Issuer LLC Agreements, the Custody Agreement or any other agreement related thereto; (iii) payments for the advice of counsel and the cost of certain Opinions of Counsel; provided, however, such expenses shall be subject to the Extraordinary Expense Cap; (iv) costs and expenses incurred in connection with environmental remediation with respect to any Property; and (v) certain indemnities that are not paid under the Performance Support Agreement, including, but not limited to, indemnities payable by the Issuers under the Indenture, the Property Management Agreement or other transaction documents.

“**FDIC**”: Federal Deposit Insurance Corporation or any successor.

“**Final Payment Date**”: With respect to any Class of Notes, the Payment Date on which the final payment on such Notes is made hereunder by reason of all principal, interest and other amounts due and payable on such Notes having been paid.

“**Flow-Through Entity**”: As defined in Section 2.05(m).

“**Foreclosure Proceeding**”: Any proceeding, non-judicial sale or power of sale or other proceeding (judicial or non-judicial) for the foreclosure, sale or assignment of any Loan, Property or Lease or any other Collateral under any Mortgage.

“**Full Redemption Amount**”: With respect to any Series, as defined in the applicable Series Supplement.

“**Governmental Authority**”: means any (i) federal, state, local, municipal, foreign or other government, (ii) governmental or quasi-governmental entity of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal), whether foreign or domestic, or (iii) body exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, whether foreign or domestic, including any arbitral tribunal.

“**Grant**”: To mortgage, pledge, bargain, sell, warrant, alienate, demise, convey, assign, transfer, create and grant a security interest in and right of set-off against, deposit, set over and confirm. A Grant of Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including, without limitation, the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of such Collateral and all other moneys and proceeds payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything which the granting party is or may be entitled to do or receive thereunder or with respect thereto.

“**Hazardous Substances**”: As defined in the Property Management Agreement.

“**Hedge Agreement**”: With respect to any Series, as defined in the applicable Series Supplement.

“**Hedge Counterparty**”: With respect to any Series, as defined in the applicable Series Supplement.

“**Hedge Counterparty Account**”: With respect to any Series, as defined in the applicable Series Supplement.

“**Improvements**”: As defined in the Property Management Agreement.

“**Indenture**”: This Indenture, as may be supplemented or amended from time to time by one or more indentures supplemental hereto, entered into pursuant to the applicable provisions hereof, including, with respect to any Series, the related Series Supplement.

“**Indenture Trustee**”: Citibank, N.A., a national banking association, in its capacity as trustee under this Indenture, or its successor in interest, or any successor trustee appointed as provided in this Indenture.

“**Indenture Trustee Fee**”: With respect to any Determination Date and each Series of Notes issued under this Indenture, a monthly fee that will be an amount equal to the sum of (i) \$500 and (ii) the product of (a) 1/12 of the applicable Indenture Trustee Fee Rate and (b) the aggregate Outstanding Principal Balance of each Class of Notes as of such Determination Date.

“**Indenture Trustee Fee Rate**”: With respect to any Series of Notes issued under this Indenture, the percentage set forth as defined in the applicable Series Supplement.

“**Indenture Trustee’s Office**”: The corporate trust office of the Indenture Trustee at which at any particular time its mortgage-backed securities trust business with respect to this Indenture shall be administered, which office at the date of the execution of this Indenture is located at (i) solely for purpose of the transfer, surrender, exchange or presentation of Notes for final payment, Citibank, N.A., 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey 07310, Attention: Securities Window — SCF Master Funding, and (ii) for all other purposes, 388 Greenwich Street, New York, NY 10013, Attention: Citibank Agency & Trust — SCF Master Funding or call 888-855-9695 to ask for the deal administrator’s email address, or at such other address as the Indenture Trustee or Note Registrar may designate from time to time.

“**Independent**”: As defined in the Property Management Agreement.

“**Independent Manager**”: As defined in Section 9.24.

“**Initial Closing Date**”: December 7, 2016.

“**Initial Principal Balance**”: With respect to any Class of any Series of Notes, as defined in the applicable Series Supplement.

“**Initial Purchaser**”: With respect to a Series of Notes, any Person named as such in the applicable Series Supplement or any successor thereto.

“**Insolvency Opinion**”: As defined in Section 9.26.

“**Insurance Rating Requirements**”: As defined in Section 2.21(n).

“**Insurance Schedule**”: As defined in Section 2.21(n).

“**Interested Person**”: Any Issuer, the related Issuer Manager, the holder of any related Issuer Interest, the Property Manager, the Special Servicer or an Affiliate of any such Person.

“**Issuer**”: Each of SCF I, SCF II and SCF III and any other party designated as an “Issuer” in any Series Supplement, as the context may require. References to a “related” or “applicable” Issuer shall refer to the Issuer that owns the Collateral or has issued or co-issued the Notes being addressed.

“**Issuer Expense Cap**”: (A) With respect to the Issuer Expenses paid and payable each calendar year, an amount equal to 0.10% of the Aggregate Series Principal Balance (as of the most recent Series Closing Date and each anniversary thereof) per year and 1/12 of such amount per month (such amount to be cumulative for each month in a calendar year if not used, although any such cumulative amount not to be carried forward into the next calendar year) and (B) with respect to the aggregate Issuer Expenses paid and payable pursuant to this Indenture since the most recent Series Closing Date, an amount equal to \$2,500,000; provided, that, upon written confirmation from each Rating Agency that such action will not result in the downgrade, qualification or withdrawal of its then current ratings of the Notes, the Issuer Expense Cap will be such higher amount as proposed by the Issuers.

“**Issuer Expenses**”: The costs and expenses relating to the Collateral Pool for (i) general liability insurance policies maintained by the applicable Issuers as owners of the Owned Properties, or such Issuers’ respective proportionate shares of premiums with respect to general liability insurance policies maintained by Affiliates of such Issuers, (ii) casualty insurance policies maintained by the applicable Issuers, or such Issuers’ respective proportionate shares of premiums with respect to casualty insurance policies maintained by Affiliates of such Issuers, to insure casualties not otherwise insured by any related Tenant due to a default by such Tenant under the insurance covenants of its Lease or because any related Tenant permitted to self-insure fails to pay for casualty losses, and (iii) certain state franchise taxes prohibited by the Leases or by law from being passed through by the applicable Issuers as lessor to a Tenant.

“**Issuer Interests**”: The limited liability company interests in any of the Issuers under any Series Supplement.

“**Issuer LLC Agreement**”: With respect to each Series, as defined in the applicable Series Supplement.



“ **Issuer Manager** ”: With respect to each Series of Notes, as defined in the applicable Series Supplement.

“ **Issuer Order** ”: A written order signed in the name of an Issuer by (i) a Responsible Officer of the related Issuer, in his or her capacity as an officer of such Issuer or (ii) the Issuer Manager.

“ **Issuer Request** ”: A written request signed in the name of an Issuer by (i) a Responsible Officer of the related Issuer, in his or her capacity as an officer of such Issuer or (ii) the Issuer Manager.

“ **Issuer’s Office** ”: The principal office of any Issuer, located at the address provided in the related Issuer LLC Agreement.

“ **Lease** ”: As defined in the Property Management Agreement.

“ **Lease File** ”: As defined in the Property Management Agreement.

“ **Lease Guarantor** ”: As defined in the Property Management Agreement.

“ **Lease Guaranty** ”: As defined in the Property Management Agreement.

“ **Legal Requirements** ”: With respect to each Property, all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting such Property or any part thereof, or the construction, use, alteration or operation thereof, or any part thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto.

“ **Letter of Representations** ”: With respect to any Series of Notes, the Letter of Representations, dated on or before the applicable Series Closing Date, among the Depository and the applicable Issuers.

“ **Licenses** ”: As defined in Section 2.20(j).

“ **Lien** ”: With respect to each Property, any mortgage, deed of trust, lien, pledge, hypothecation, assignment, security interest, or any other encumbrance, charge or transfer of, on or affecting the Property, any portion thereof or any interest therein, including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, the filing of any financing statement, and mechanic’s, materialmen’s and other similar liens and encumbrances.

“ **Liquidated Lease** ”: As defined in the Property Management Agreement.

“ **Liquidation Proceeds** ”: As defined in the Property Management Agreement.

“ **Loan** ”: As defined in the Property Management Agreement.

“**Loan File**”: As defined in the Property Management Agreement.

“**Loan Permitted Encumbrances**”: With respect to the Loan and the related Underlying Mortgaged Properties: (i) liens for real estate taxes and special assessments not yet due and payable or due but not yet delinquent, (ii) covenants, conditions and restrictions, rights-of-way, easements and other matters of public record, such exceptions being of a type or nature that are acceptable to mortgage lending institutions generally, and (iii) other matters to which like properties are commonly subject, which matters referred to in clauses (i), (ii), and (iii) do not, individually or in the aggregate, materially interfere with the value of the Underlying Mortgaged Property, or do not materially interfere or restrict the current use or operation of the Underlying Mortgaged Property relating to the Loan or do not materially interfere with the security intended to be provided by the Mortgage, the current use or operation of the Underlying Mortgaged Property or the current ability of the Underlying Mortgaged Property to generate net operating income sufficient to service the Loan.

“**Loan Schedule**”: As defined in the Property Management Agreement.

“**Lockbox Transfer Account**”: As defined in the Property Management Agreement.

“**Make Whole Amount**”: With respect to each Series, as defined in the applicable Series Supplement.

“**Make Whole Date**”: With respect to each Series, as defined in the applicable Series Supplement.

“**Master Exchange Agreement**”: As defined in the Property Management Agreement.

“**Material Action**”: With respect to any Issuer, to consolidate or merge such Issuer with or into any Person, or sell all or substantially all of the assets of such Issuer, or to institute proceedings to have such Issuer be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against such Issuer or file a petition seeking, or consent to, reorganization or relief with respect to such Issuer under any applicable federal or state law relating to bankruptcy, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Issuer or a substantial part of its property, or make any assignment for the benefit of creditors of such Issuer, or admit in writing such Issuer's inability to pay its debts generally as they become due, or take action in furtherance of any such action, or, to the fullest extent permitted by law, dissolve or liquidate such Issuer.

“**Maturity**”: With respect to any Note, the date as of which the principal of and interest on such Note has become due and payable as herein provided, whether on the Rated Final Payment Date, by acceleration or otherwise.

“**Maximum Property Concentration**”: As defined in the Series Supplement relating to the most recent Series of Notes.

“**Monthly DSCR**”: As defined in the Property Management Agreement.

“**Monthly Lease Payment**”: As defined in the Property Management Agreement.

“**Monthly Loan Payment**”: As defined in the Property Management Agreement.

“**Mortgage**”: With respect to any Property, a first priority mortgage (or deed of trust or deed to secure debt), assignment of leases and rents, security agreement and fixture filing or similar document executed by the applicable Issuer or Borrower, as applicable, pursuant to which such Issuer or Borrower grants a lien on its interest in such Property in favor of the initial lender or the lender of the related Loan, as applicable.

“**Mortgage Note**”: As defined in the Property Management Agreement.

“**New Issuance**”: As defined in Section 2.04(c).

“**Non-consolidation Opinion**”: As defined in Section 2.19(t).

“**Nonrecoverable Advance**”: As defined in the Property Management Agreement.

“**Note**”: Any of the Issuers’ Net-Lease Mortgage Notes, executed, authenticated and delivered hereunder and under the related Series Supplements, substantially in the forms attached as Exhibits A -1, A -2 and A -3 hereto.

“**Note Interest**”: On any Payment Date for any Class of Notes, the interest accrued during the related Accrual Period at the Note Rate for such Class, applied to the Outstanding Principal Balance of such Class before giving effect to any payments of principal on such Payment Date. The Note Interest for a Class of Notes will be calculated in the matter set forth in the related Series Supplement.

“**Note Owner**”: With respect to a Book-Entry Note, the Person who is the beneficial owner of such Note as reflected on the books of the Depository, a Depository Participant or an indirect participating brokerage firm for which a Depository Participant acts as agent. With respect to a Definitive Note, the Person who is the holder of such Note as reflected on the Note Register.

“**Note Rate**”: With respect to any Class of Notes, the note interest rate specified in the applicable Series Supplement.

“**Note Register**”: As defined in Section 2.05(a).

“**Note Registrar**”: As defined in Section 2.05(a).

“**Note Transfer Restrictions**”: As defined in Section 2.05(m).

“**Noteholder**” or “**Holder**”: With respect to any Note, the Person in whose name such Note is registered on the Note Register maintained pursuant to Section 2.05. All references herein to “Noteholders” shall reflect the rights of Note Owners as they may indirectly exercise

such rights through the Depository and the Depository Participants, except as otherwise specified herein; provided, however, that the parties hereto shall be required to recognize as a “Noteholder” or “Holder” only the Person in whose name a Note is registered in the Note Register as of the related Record Date.

“**Notice of Default**”: As defined in Section 5.02.

“**Officer’s Certificate**”: A certificate signed by a Responsible Officer of an Issuer, the Issuer Manager, or the Indenture Trustee, as the case may be.

“**Originator**”: SCF Realty Capital LLC, or an Affiliate thereof, that transfers Owned Properties or Loans to an Issuer pursuant to a Property Transfer Agreement.

“**OTS**”: Office of Thrift Supervision or any successor thereto.

“**Outstanding**”: When used with respect to Notes, subject to the provisions of Article V of the applicable Series Supplement, means as of any date of determination, any Note theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation (other than any Note as to which any amount that has become due and payable in respect thereof has not been paid in full); and

(ii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Note Registrar proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the applicable Issuers;

provided, however, that in determining whether the Holders of the requisite amount or percentage have given any request, demand, authorization, vote, direction, notice, consent or waiver hereunder, except as set forth in the applicable Series Supplement, Notes owned by an Interested Person shall be disregarded and deemed not to be Outstanding (other than with respect to a request for consent pursuant to Section 8.02 or unless any such Person or Persons owns all such Notes), except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Responsible Officer of the Indenture Trustee actually knows to be so owned shall be so disregarded. Notes owned by an Interested Person which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Note Registrar in its sole discretion the pledgee’s right to act with respect to such Notes and that the pledgee is not an Interested Person.

“**Outstanding Principal Balance**”: With respect to any Class of Notes on any date of determination, the applicable Initial Principal Balance for such Class of Notes, less the sum of all principal payments actually made on the Notes of such Class as of such date of determination.

“**Owned Property**”: As defined in the Property Management Agreement.

“**Owned Property Schedule**”: As defined in the Property Management Agreement.

“**Ownership Interest**”: As to any Note, any ownership or security interest in such Note as held by the Holder thereof and any other interest therein, whether direct or indirect, legal or beneficial, as owner or as pledgee.

“**Partial Redemption Amount**”: As defined in Section 7.10(d).

“**Patriot Act**”: As defined in Section 2.19(v).

“**Payment Account**”: As defined in Section 2.10(a).

“**Payment Date**”: The 25th day of each calendar month, or, if such 25th day is not a Business Day, the next succeeding Business Day, commencing with respect to each Series on the date specified in the applicable Series Supplement, and with respect to any Voluntary Prepayment, the applicable Redemption Date as set forth herein or in the applicable Series Supplement.

“**Payoff Amount**”: As defined in the Property Management Agreement.

“**Percentage Interest**”: With respect to any Note, the fraction, expressed as a percentage, the numerator of which is the initial principal balance of such Note on the applicable Series Closing Date as set forth on the face thereof, and the denominator of which is the Initial Principal Balance of the related Class of Notes on the applicable Series Closing Date.

“**Percentage Rent**”: As defined in the Property Management Agreement.

“**Performance Support Agreement**”: The Amended and Restated Performance Support Agreement, dated as of July 11, 2017, entered into by the Support Provider in favor of the Indenture Trustee as the same may be amended or supplemented from time to time.

“**Permanent Regulation S Global Note**”: As defined in Section 2.01(c).

“**Permitted Encumbrances**”: With respect to any Property, collectively, (a) the Liens and security interests created by the Transaction Documents, (b) all Liens, encumbrances and other matters disclosed in the Title Insurance Policies relating to such Property or any part thereof, (c) Liens, if any, for taxes imposed by any Governmental Authority not yet delinquent, (d) Leases, (e) such other title and survey exceptions as are required by the Lease for such Property, and (f) such other easements, covenants, restrictions, rights-of-way and encumbrances as the applicable Issuer or the Property Manager has approved or may approve in writing in accordance with the Servicing Standard, which Permitted Encumbrances in the aggregate do not materially adversely affect the value or use or operation of such Property, the security intended to be provided by the related Mortgage or the Issuers' ability to repay the Notes. If reasonably requested by the applicable Issuer or the Property Manager, the Indenture Trustee shall join in the execution of a Permitted Encumbrance described in (e) and (f) above and subordinate the liens under the Transaction Documents to the same.

“ **Permitted Investments** ”: Any one or more of the following obligations or securities:

(i) direct obligations of, or guaranteed as to timely payment of principal and interest by, the United States of America or any agency or instrumentality thereof provided that such obligations are backed by the full faith and credit of the United States of America;

(ii) direct obligations of, or guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal National Mortgage Association or the Federal Farm Credit System, provided that any such obligation, at the time of purchase or contractual commitment providing for the purchase thereof, is qualified by any Rating Agency as an investment of funds backing securities rated “AAA” (or such comparable rating);

(iii) demand and time deposits in or certificates of deposit of, or bankers’ acceptances issued by, any bank or trust company, savings and loan association or savings bank fully insured by the Federal Deposit Insurance Corporation, which such bank, trust company, savings and loan association or savings bank shall have a rating of not less than A-2 from S&P;

(iv) repurchase obligations collateralized at 102% by any security described in clause (i) or (ii) above entered into with a depository institution or trust company (acting as principal) described in clause (iii) above; and

(v) such other obligations as the Issuers consent to in writing and would not cause a downgrade of the Notes.

“ **Permitted Materials** ”: As defined in the Property Management Agreement.

“ **Person** ”: Any individual, corporation, partnership, limited liability company, joint venture, joint-stock company, estate, trust, association, unincorporated organization, or any federal, state, county or municipal government or any agency or political subdivision thereof.

“ **Plan** ”: Any one of: (i)(A) an “employee benefit plan”, as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, or (B) a “plan”, as defined in Section 4975 of the Code, that is subject to the provisions of Section 4975 of the Code; (ii) an entity whose underlying assets include assets of any such employee benefit plan or plan as set forth in clause (i) of this definition by reason of an investment in such entity by such employee benefit plan or plan; or (iii) a governmental, church or non-U.S. plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code.

“ **Post-ARD Additional Interest** ”: On any Payment Date on or after the Anticipated Repayment Date of any applicable Class of Notes, the interest accrued at the applicable Post-ARD Additional Interest Rate from and after such Payment Date on the Outstanding Principal Balance of such Class determined prior to giving effect to any payments of principal on such Payment Date.

“**Post-ARD Additional Interest Rate**”: With respect to any applicable Class of Notes, the note interest rate specified in the applicable Series Supplement.

“**Post-Closing Acquisition Conditions**”: If applicable to a Series of Notes, as defined in the applicable Series Supplement.

“**Post-Closing Acquisition Date**”: Any Business Day on or after the related Series Closing Date through and including the related Post-Closing Acquisition Deadline.

“**Post-Closing Acquisition Deadline**”: With respect to each Series, as defined in the related Series Supplement.

“**Post-Closing Acquisition Deliverables**”: With respect to each Post-Closing Property on each Post-Closing Acquisition Date, the following items:

(a) a Lease File with respect to such Post-Closing Property containing all components of a Lease File;

(b) Opinions of Counsel from counsel to the Issuers, each dated as of the applicable Post-Closing Acquisition Date, relating to the Indenture Trustee’s security interest created by, and enforceability of, the related Mortgages, including perfection of the Indenture Trustee’s security interest in fixtures in the related Post-Closing Property in the form substantially similar to the form of local counsel opinions that are delivered at closing (which covers the form of Mortgage); and;

(c) a duly executed copy of the applicable purchase and sale agreement, or other similar agreement, evidencing transfer of such Post-Closing Property to the related Issuer.

“**Post-Closing Acquisition Notice**”: As defined in Section 12.21(c).

“**Post-Closing Acquisition Remittance Amount**”: With respect to each Post-Closing Acquisition Date, the amount specified in the Post-Closing Acquisition Notice, which amount shall be distributed by the Indenture Trustee in accordance with Section 12.21(b) hereof, and which amount shall be no greater than 80% of the related Aggregate Collateral Value of Post-Closing Properties.

“**Post-Closing Acquisition Reserve Account**”: The segregated trust account established by and in the name of the Indenture Trustee for the deposit and retention of designated proceeds from the sale of the Notes for the purpose of purchasing Post-Closing Properties pursuant to Section 12.21(a) hereof.

“**Post-Closing Acquisition Reserve Amount**”: If applicable to a Series of Notes, as defined in the related Series Supplement.

“**Post-Closing Acquisition Unused Proceeds**”: As defined in Section 12.21(d).

“**Post-Closing Property**”: An Owned Property acquired by an Issuer with amounts on deposit in the Post-Closing Acquisition Reserve Account that, on the applicable Post-Closing Acquisition Date, (i) complies, in all material respects, with all of the applicable representations and warranties hereunder with respect to such Owned Property (with each date therein referring to the relevant Post-Closing Acquisition Date), (ii) is leased to a Tenant or Tenants whose FCCR or Master Lease FCCR is greater than or equal to 1.5, (iii) has, or is leased pursuant to a Lease that has, a remaining term that will not cause the weighted average remaining term of the Collateral Pool to decline by more than three (3) months, (iv) if the Tenant thereon or any third party has an option to purchase such Post-Closing Property, the contractual amount of such Third Party Option Price is not less than what the Allocated Loan Amount of such Post-Closing Property would be after being acquired by the Issuer, (v) is, or is leased pursuant to, a “triple-net” lease; provided, that an Issuer may acquire Post-Closing Properties that are leased pursuant to a “double-net” lease up to an aggregate Collateral Value of \$9,000,000, (vi) has an appraisal meeting the requirements set forth in the definition of Appraised Value that was obtained no more than (12) months prior to the relevant Post-Closing Acquisition Date, (vii) after giving effect to the acquisition of such Owned Property by the related Issuer, either (A) a Maximum Property Concentration is not exceeded, or (B) if, prior to such acquisition, an existing Maximum Property Concentration is already exceeded, the addition of such Post-Closing Property will reduce such property concentration or such property concentration will remain unchanged after giving effect to such acquisition, (viii) is not a ground lease or a Leasehold Property, and (ix) is not a property on which oil or gas was stored underground or which has ever been subject to a REC.

“**Principal Terms**”: With respect to any Series: (i) the name or designation of such Series; (ii) the initial principal amount of the Notes to be issued for such Series; (iii) the interest rate to be paid with respect to such Series (or method for the determination thereof); (iv) the Loans and Properties pledged to the Indenture Trustee in connection with such Series; (v) the designation of any Series Accounts and the terms governing the operation of any such Series Accounts; (vi) the Rated Final Payment Date for the Series; and (vii) such other terms and provisions as may be specified in the applicable Series Supplement with respect to the related Notes and the Collateral Pool.

“**Proceeding**”: Any suit in equity, action at law or other judicial or administrative proceeding.

“**Property**”: As defined in the Property Management Agreement.

“**Property Management Agreement**”: The Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017, among the Issuers, SCF Realty Capital, as the Property Manager and Special Servicer, the Indenture Trustee, the Back-Up Manager, and any other joining party thereto, each such joining party as an Issuer, as the same may be further amended or supplemented from time to time.

“**Property Management Fee**”: As defined in the Property Management Agreement.

“**Property Manager**”: As defined in the Property Management Agreement.



“**Property Transfer Agreements**”: Any agreements pursuant to which Properties and related Leases or Loans have been acquired by an Issuer, whether from an Originator or an unaffiliated third party.

“**PI Owner**”: As defined in the Property Management Agreement.

“**Qualified Deleveraging Event**”: either (i) a firm commitment underwritten public offering of the equity interests of SCF Realty Capital or any direct or indirect parent entity of SCF Realty Capital pursuant to a registration statement under the Securities Act, which results in aggregate cash proceeds to SCF Realty Capital or any direct or indirect parent entity of SCF Realty Capital of at least \$75 million (net of underwriting discounts and commissions), (ii) an acquisition of greater than fifty percent (50%) of the equity interests of SCF Realty Capital or any direct or indirect parent of SCF Realty Capital by an entity that has shares that are traded on a national exchange or (iii) the good faith purchase by a third party, unaffiliated with the Issuer of at least \$50,000,000 of unsecured corporate debt by SCF Realty Capital with an investment grade rating published by Moody’s Investor Services, Inc., S&P or another nationally recognized statistical rating organization.

“**Qualified Institution**”: As defined in the Escrow Agreement

“**Qualified Institutional Buyer**”: A “qualified institutional buyer” within the meaning of Rule 144A.

“**Qualified Intermediary**”: As defined in the Property Management Agreement.

“**Qualified Intermediary Fee**”: The amount specified in an invoice for fees and expenses of the Qualified Intermediary payable in accordance with Section 7.02 of the Master Exchange Agreement.

“**Qualified Release Amount**”: With respect to any Series, as specified in the applicable Series Supplement.

“**Qualified Substitute Loan**”: As defined in the Property Management Agreement.

“**Qualified Substitute Property**”: As defined in the Property Management Agreement.

“**Qualified Transferee**”: As defined in the Performance Support Agreement.

“**Qualified Trust Institution**”: As defined in the Escrow Agreement.

“**Rated Final Payment Date**”: With respect to any Series of Notes, the date specified in the applicable Series Supplement.

“**Rating Agency**”: With respect to any Series of Notes, each nationally recognized statistical rating organization that has been requested by the applicable Issuers to assign a rating to a Class of such Series as specified in the applicable Series Supplement.

“**Rating Condition**”: With respect to any action or event or proposed action or event, will be satisfied upon the provision by each Rating Agency then rating any existing Series of Notes of confirmation in writing that such action or event or proposed action or event will not result in the downgrade, qualification or withdrawal of the then current ratings of any class of Notes of any related Series Notes, as applicable, by such Rating Agency.

“**REC**”: As defined in Section 2.21(o).

“**Record Date**”: As to any Payment Date with respect to Book-Entry Notes, the Business Day immediately preceding such Payment Date. As to any Payment Date with respect to Definitive Notes, the last Business Day of the prior calendar month or, in the case of the initial Payment Date for any Series, the applicable Series Closing Date.

“**Recorded Covenants**”: With respect to a Property, all covenants, agreements, restrictions and encumbrances contained in any instruments recorded against the same or any part thereof, including, without limitation, any which may (a) require repairs, modifications or alterations in or to such Property or any part thereof, or (b) in any way limit the use and enjoyment thereof.

“**Redemption Amount**”: A Full Redemption Amount or a Partial Redemption Amount, as the context requires.

“**Redemption Date**”: As defined in Section 7.01(a).

“**Redemption Notice**”: As defined in Section 7.01(e).

“**Regulation S**”: Regulation S promulgated under the Securities Act.

“**Regulation S Global Note**”: As defined in Section 2.01(c).

“**Release Account**”: As defined in the Property Management Agreement.

“**Relinquished Property Proceeds**”: As defined in the Master Exchange Agreement.

“**Relinquished Property Rights**”: As defined in the Granting Clause hereto.

“**Remedial Work**”: As defined in the Property Management Agreement.

“**Requisite Global Majority**”: As defined in the related Series Supplement.

“**Resolution**”: With respect to any Issuer, a copy of a resolution certified by an Authorized Officer of the applicable Issuer Manager, to have been duly adopted by such Issuer Manager to be in full force and effect on the date of such certification.

“**Responsible Officer**”: With respect to the Indenture Trustee, any officer of the Indenture Trustee assigned to its Agency & Trust Group, customarily performing functions with respect to corporate trust matters and having direct responsibility for the administration of this

Indenture and, with respect to a particular corporate trust matter under this Indenture, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject, in each case, having direct responsibility for the administration of this Indenture; and, with respect to the Issuers and the Issuer Manager, any officer or number of officers or other Person or number of Persons duly authorized to perform the indicated action on behalf of such Person.

“**Restricted Global Note**”: As defined in Section 2.01(b).

“**Restricted Period**”: With respect to the Notes of any Series, the period of time to and including forty (40) days after the later of (a) the date upon which such Notes were first offered to any Persons (other than distributors) in reliance upon Regulation S and (b) the applicable Series Closing Date.

“**Rights**”: As defined in the Master Exchange Agreement.

“**Rule 144A**”: Rule 144A promulgated under the Securities Act.

“**Rule 501(a)**”: Rule 501(a) promulgated under the Securities Act.

“**S&P**”: S&P Global, Inc.

“**SCF Realty Capital**”: SCF Realty Capital LLC, a Delaware limited liability company, or its successor in interest.

“**Securities Exchange Act**”: The Securities Exchange Act of 1934, as amended, and the rules, regulations and published interpretations of the SEC promulgated thereunder from time to time.

“**Scheduled Principal Payment**”: With respect to each Payment Date and each Series, an amount equal to the sum of (a) any unpaid Scheduled Principal Payment or portion thereof for such Series from any prior Payment Date plus (b) the product of (i) (A) the related Scheduled Series Principal Balance for the prior Payment Date minus (B) the related Scheduled Series Principal Balance for the current Payment Date multiplied by (ii) a fraction (A) the numerator of which is equal to the Series Principal Balance immediately prior to such Payment Date (without taking into account any payments to be made on such Payment Date), minus the amounts specified in clause (a) of this definition and (B) the denominator of which is the related Scheduled Series Principal Balance for the prior Payment Date.

“**Scheduled Series Principal Balance**”: With respect to any Payment Date and any Series of Notes, as defined in the applicable Series Supplement.

“**SEC**”: The U.S. Securities and Exchange Commission.

“**Securities Act**”: The Securities Act of 1933, as amended, and the rules, regulations and published interpretations of the SEC promulgated thereunder from time to time.

“**Series**”: Any series of Notes issued pursuant to this Indenture.

“**Series Account**”: Any account described in a related Series Supplement as established in the name of the Indenture Trustee for the benefit of the related Noteholders.

“**Series Available Amount**”: As defined in Section 2.11(b).

“**Series Closing Date**”: With respect to any Series, as defined in the applicable Series Supplement.

“**Series Collateral Release**”: As defined in the Property Management Agreement.

“**Series Collateral Release Price**”: As defined in the Property Management Agreement.

“**Series Disposition Period Date**”: With respect to each Series of Notes, as defined in the related Series Supplement.

“**Series Note**”: Any one of the Notes with the same Series designation, executed by the applicable Issuers and authenticated by or on behalf of the Indenture Trustee.

“**Series Principal Balance**”: For any date of determination and any Series, the sum of the Outstanding Principal Balances of each Class of Notes of such Series.

“**Series Supplement**”: With respect to any Series, a supplement to this Indenture, executed and delivered in connection with the original issuance of the Notes of such Series under Section 2.04 hereof, including all amendments thereof and supplements thereto.

“**Series Transaction Documents**”: With respect to any Series of Notes, any and all of the related Series Supplements, any related supplements or amendments to the Transaction Documents, and any and all other agreements, documents and instruments executed and delivered by or on behalf or in support of the applicable Issuers with respect to the issuance and sale of such Series of Notes, as the same may from time to time be amended, modified, supplemented or renewed.

“**Servicer Replacement Event**”: As defined in the Property Management Agreement.

“**Servicing Standard**”: As defined in the Property Management Agreement.

“**Special Servicer**”: As defined in the Property Management Agreement.

“**Special Servicing Fee**”: As defined in the Property Management Agreement.

“**Specially Managed Unit**”: As defined in the Property Management Agreement.

“**Sub-Manager**”: As defined in the Property Management Agreement.

“**Successor Person**”: As defined in Section 9.08(a)(i).

Transferee. “**Support Provider**”: With respect to each Series of Notes, SCF Realty Capital, as support provider under the Performance Support Agreement or a Qualified

“**Tax Opinion**”: An Opinion of Counsel in respect of Taxes.

“**Taxes**”: As defined in Section 9.03(a).

“**Temporary Regulation S Global Note**”: As defined in Section 2.01(b).

“**Tenant**”: With respect to each Lease, the tenant under such Lease and any successor or assign thereof.

“**Tenant Ground Lease**”: A Property secured by an Issuer’s fee interest in the land comprising such Property, but not by the improvements thereon.

“**Third Party Purchase Option**”: As defined in the Property Management Agreement.

“**Transaction Documents**”: This Indenture, the Property Management Agreement, the Property Transfer Agreements, the Hedge Agreements, the Issuer LLC Agreements and other organizational documents of the Issuers, each Account Control Agreement, the Performance Support Agreement, the Custody Agreement, the Escrow Agreement, the Master Exchange Agreement and other Series Transaction Documents specified in the related Series Supplement.

“**Transfer**”: Any direct or indirect transfer, sale, pledge, hypothecation or other form of assignment of any Ownership Interest in a Note.

“**Transfer Date**”: The date on which a Property or Loan is acquired by the applicable Issuer.

“**Transfer-Restricted Note**”: As defined in Section 2.05(m).

“**Treasury Regulations**”: Temporary, final or proposed regulations (to the extent that by reason of their proposed effective date such proposed regulations would apply to the Issuers) of the United States Department of the Treasury.

“**TRIPRA**”: As defined in Section 2.21(zz).

“**Trustee Report**”: As defined in Section 6.01(a).

“**UCC**”: The Uniform Commercial Code, as in effect in any applicable jurisdiction

“**UCC Financing Statement**”: A financing statement executed and in form sufficient for filing pursuant to the UCC, as in effect in the relevant jurisdiction.

“**Underlying Mortgaged Property**”: As defined in the Property Management Agreement.

“**Unscheduled Principal Payment**”: On any Payment Date, the sum of (A) the Unscheduled Proceeds set forth in clauses (i) through (vi), (viii) and (ix) of the definition thereof that are deposited into the Collection Account for such Payment Date pursuant to the Property Management Agreement and (B) all Allocated Release Amounts in connection with the related Collection Period.

“**Unscheduled Proceeds**”: As defined in the Property Management Agreement.

“**U.S. Person**”: As defined in Regulation S.

“**Voluntary Prepayment**”: Any voluntary prepayment of any Class of Notes, in whole or in part, in accordance with the procedures set forth in Section 7.01.

**Section 1.02 Rules of Construction.**

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP, and, except as otherwise herein expressly provided, the terms “generally accepted accounting principles” or “GAAP” with respect to any computation required or permitted hereunder means such accounting principles as are generally accepted in the United States;
- (3) the word “including” shall be construed to be followed by the words “without limitation”;
- (4) article and section headings are for the convenience of the reader and shall not be considered in interpreting this Indenture or the intent of the parties hereto;
- (5) the definition of or any reference to any agreement, document or instrument herein shall be construed as referring to such agreement, document or instrument as from time to time amended, restated, supplemented or otherwise modified;
- (6) references to any law, constitution, statute, treaty, regulation, rule or ordinance, including any section or other part thereof, shall refer to such law, constitution, statute, treaty, regulation, rule or ordinance as amended from time to time, and shall include any successor thereto;
- (7) references herein to any Person shall be construed to include such Person’s successors and permitted assigns;

(8) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular article, section or other subdivision; and

(9) the pronouns used herein are used in the masculine and neuter genders but shall be construed as feminine, masculine or neuter, as the context requires.

## ARTICLE II

### THE NOTES

#### Section 2.01 Forms; Denominations.

(a) Each Series of Notes shall be designated as the “Net-Lease Mortgage Notes”. The Notes may be issued with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon consistent herewith, as determined by the officers executing such Notes, as evidenced by their execution thereof. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note. The number of Series of Notes which may be created by this Indenture is not limited.

#### (b) Forms of Notes.

(i) Except as set forth in Section 2.01(b)(ii) below and as otherwise set forth in the related Series Supplement, the Notes of each Class in a Series, upon original issuance, shall be issued as Book-Entry Notes in substantially the form of (i) a global note without interest coupons representing the Notes of such Class sold to Qualified Institutional Buyers, in substantially the form of Exhibit A -1 hereto, with such applicable legends as may be set forth in such exhibit (the “**Restricted Global Note**”), and (ii) a temporary global note without interest coupons representing the Notes of such Class sold in “offshore transactions” (within the meaning of Regulation S) to non-U.S. Persons in reliance on Regulation S, in substantially the form of Exhibit A -2 hereto, with such applicable legends as may be set forth in such exhibit (the “**Temporary Regulation S Global Note**”).

(ii) Notes held as of the related Series Closing Date by an Issuer or an Affiliate of an Issuer may be issued initially in the form of certificated notes in definitive, fully registered form without interest coupons in substantially the form of Exhibit A -3 hereto, with such applicable legends as may be set forth in such exhibit (each, a “**Definitive Note**”) which shall be registered in the name of the beneficial owner or nominee thereof, duly executed by the Issuers and authenticated by the Indenture Trustee as hereinafter provided.

(iii) Each Class of Notes will be issuable only in denominations of not less than \$100,000 and in integral multiples of \$1 in excess thereof or as otherwise specified in the applicable Series Supplement. Each Note will be registered on issuance in the names of the initial Noteholders thereof.

(c) After such time as the Restricted Period shall have terminated, and subject to the receipt by the Indenture Trustee of a certificate substantially in the form of Exhibit D-4 hereto (subject to Section 12.03), beneficial interests in a Temporary Regulation S Global Note may be exchanged for an equal aggregate principal amount of beneficial interest in a permanent global note without interest coupons (a “**Permanent Regulation S Global Note**” and, together with the Temporary Regulation S Global Notes, the “**Regulation S Global Notes**”), substantially in the form of Exhibit A -2 hereto, with such applicable legends as may be set forth in such exhibit. Upon any exchange of any beneficial interest in a Temporary Regulation S Global Note for a beneficial interest in a Permanent Regulation S Global Note, (i) such Temporary Regulation S Global Note shall be endorsed by the Indenture Trustee to reflect the reduction of the principal amount evidenced thereby, whereupon the principal amount of such Temporary Regulation S Global Note shall be reduced for all purposes by the amount so exchanged and endorsed and (ii) such Permanent Regulation S Global Note shall be endorsed by the Indenture Trustee to reflect the increase of the principal amount evidenced thereby, whereupon the principal amount of such Permanent Regulation S Global Note shall be increased for all purposes by the amount so exchanged and endorsed.

(d) Each Restricted Global Note will be deposited with the Book-Entry Custodian and registered in the name of the Depository or a nominee thereof. Each Regulation S Global Note will be deposited with the Book-Entry Custodian and registered in the name of the Depository or a nominee thereof for the accounts of Clearstream Banking, *société anonyme*, or its successors, and/or Euroclear Bank S.A./N.V., as operator of the Euroclear System, or its successors. Each Definitive Note will be delivered to and registered in the name of the applicable Noteholder.

**Section 2.02 Execution, Authentication, Delivery and Dating.**

(a) The Notes of each Series shall be executed by manual or facsimile signature on behalf of the applicable Issuers by any Authorized Officers of such Issuers. Notes bearing the manual or facsimile signatures of individuals who were at any time the Authorized Officers of such applicable Issuers shall be entitled to all benefits under this Indenture, subject to the following sentence, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes. No Note shall be entitled to any benefit under this Indenture, or be valid for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein, executed by the Indenture Trustee by manual signature, and such certificate of authentication upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder. All Notes shall be dated the respective dates of their authentication.

(b) At the election of the Indenture Trustee, the Indenture Trustee may appoint one or more agents (each, an “**Authenticating Agent**”) with power to act on its behalf and subject to its direction in the authentication of Notes in connection with transfers and exchanges under Sections 2.05 and 2.07, as fully to all intents and purposes as though each such



Authenticating Agent had been expressly authorized under those Sections to authenticate the Notes. For all purposes of this Indenture, the authentication of Notes by an Authenticating Agent shall be deemed to be the authentication of such Notes “by the Indenture Trustee.” The Indenture Trustee shall be the initial Authenticating Agent.

Any corporation, bank, trust company or association into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation, bank, trust company or association succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation, bank, trust company or association.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Indenture Trustee and the Issuers. The Indenture Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Issuers. Upon receiving such notice of resignation or upon such a termination, the Indenture Trustee may promptly appoint a successor Authenticating Agent, and give written notice of such appointment to the Issuers and to the Noteholders. Upon the resignation or termination of the Authenticating Agent and prior to the appointment of a successor, the Indenture Trustee shall act as Authenticating Agent.

Each Authenticating Agent shall be entitled to all limitations on liability, rights of reimbursement and indemnities that the Indenture Trustee is entitled to hereunder as if it were the Indenture Trustee.

(c) The Indenture Trustee shall upon Issuer Request authenticate and deliver Notes of each Series for original issue in an aggregate amount equal to the initial Outstanding Principal Balance for each related Class as set forth in the applicable Series Supplement.

**Section 2.03 The Exchange Account.** On or about the date hereof, the Indenture Trustee shall establish and maintain the Exchange Account, in the name of the Qualified Intermediary that shall be administered and operated as provided in the Master Exchange Agreement and the Escrow Agreement. The Exchange Account shall be maintained (i) with a Qualified Institution or (ii) as a segregated trust account with a Qualified Trust Institution. If the Exchange Account is not maintained in accordance with this Section 2.03, then within five (5) Business Days of obtaining knowledge of such fact, the Indenture Trustee and the Qualified Intermediary shall establish a new Exchange Account which compliance with this Section 2.03 and transfer into the new Exchange Account all funds from the non-qualifying Exchange Account.

**Section 2.04 The Notes Generally: New Issuances.**

(a) Each Note of a particular Class shall rank *pari passu* with each other Note of such Class and be equally and ratably secured by the Collateral included in the Collateral Pool. All Notes of a particular Class shall be substantially identical except as to denominations and as expressly permitted in this Indenture.

(b) This Indenture, together with the related Mortgages, shall evidence a continuing lien on and security interest in the Collateral Granted hereunder or subsequently included in the Collateral Pool to secure the full payment of the principal, interest and other amounts on the Notes of all Series, which shall in all respects be equally and ratably secured hereby for payment as provided herein, and without preference, priority or distinction on account of the actual time or times of the authentication and delivery of the Notes of any Class with respect to any Series, all in accordance with the terms and provisions of this Indenture and each Series Supplement.

(c) Pursuant to one or more Series Supplements, the applicable Issuers may, from time to time, direct the Indenture Trustee, on behalf of such Issuers, to issue one or more new Series of Notes (a “**New Issuance**”). The Notes of all outstanding Series shall be equally and ratably entitled as provided herein to the benefits of this Indenture without preference, priority or distinction on account of the actual time of the authentication and delivery of any such Notes, all in accordance with the terms and provisions of this Indenture and each Series Supplement.

On or before the Series Closing Date relating to any New Issuance, the applicable Issuers shall execute and deliver a Series Supplement which shall specify the Principal Terms with respect to such Series. The Indenture Trustee shall execute the Series Supplement, the applicable Issuers shall execute the Notes of such Series and the Notes of such Series shall be delivered to the Indenture Trustee for authentication and delivery.

(d) The issuance of the first Series of Notes (which Series shall be issued pursuant to a Series Supplement dated as of the Initial Closing Date) shall be subject to the satisfaction of the following conditions:

(i) receipt by the Indenture Trustee of an Issuer Order authorizing the execution and authentication of such Notes;

(ii) receipt by the Indenture Trustee of the Transaction Documents and the related Series Transaction Documents duly executed and delivered by the parties thereto and being in full force and effect, free of any breach or waiver;

(iii) all Lease Files and Loan Files with respect to the Collateral Pool, as set forth herein, shall have been delivered to the Custodian pursuant to the terms of the Custody Agreement together with all UCC Financing Statements, documents of similar import in other jurisdictions, and other documents reasonably necessary to perfect the Indenture Trustee’s security interest in such Collateral for the benefit of the Noteholders of all Series;

(iv) receipt by the Indenture Trustee of Opinions of Counsel, (A) relating to the corporate and enforceability matters, as well as securities law matters, reasonably acceptable to the related Initial Purchasers and their counsel; (B) relating to the perfection and priority of the Indenture Trustee’s security interest; (C) relating to the

consolidation of the assets and liabilities of the applicable Issuer in a bankruptcy proceeding that involves such Issuer, the Support Provider or the Property Manager; (D) relating to the characterization of the particular Class of Notes indicated in the related Series Supplement as debt for U.S. federal income tax purposes; (E) all opinions relating to enforceability of the related Mortgage; and (F) any other opinion required under the related Series Supplement;

(v) receipt by the Indenture Trustee of copies of letters signed by each applicable Rating Agency confirming that each Class of Notes has been given the ratings as indicated in the related Series Supplement;

(vi) any applicable Issuer has delivered a certificate of such Issuer to the Indenture Trustee, dated the applicable Series Closing Date, to the effect that such Issuer is a solvent, special-purpose entity, organized with an Independent Manager; and

(vii) receipt by the Indenture Trustee of an Officer's Certificate from the applicable Issuer, upon which the Indenture Trustee shall be permitted to fully rely and shall not have any liability for so relying, stating that the conditions precedent to such issuance have been fulfilled.

(e) The issuance of the Notes of any Series other than the first Series of Notes shall be subject to the satisfaction of the following conditions:

(i) receipt by the Indenture Trustee of an Issuer Order authorizing the execution and authentication of such Notes;

(ii) receipt by the Indenture Trustee of the Transaction Documents and the related Series Transaction Documents duly executed and delivered by the parties thereto and being in full force and effect, free of any breach or waiver;

(iii) all Lease Files and Loan Files with respect to the Collateral Pool, as set forth herein, shall have been delivered to the Custodian pursuant to the terms of Custody Agreement together with all UCC Financing Statements, documents of similar import in other jurisdictions, and other documents reasonably necessary to perfect the Indenture Trustee's security interest in such Collateral for the benefit of the Noteholders of all Series;

(iv) satisfaction of the Rating Condition;

(v) receipt by the Indenture Trustee of an Opinion of Counsel to the effect that, for U.S. federal income tax purposes, such New Issuance (A) will not adversely affect the tax characterization of the Class of Notes of any outstanding Series that was characterized as debt at the time of its issuance for U.S. federal income tax purposes, (B) will not cause any of the Issuers of any outstanding Series to be treated as an association that is taxable as a corporation, a publicly-traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation, for U.S. federal income tax purposes, and (C) will not cause or constitute an event in which any U.S. federal income tax gain or loss would be recognized by any Noteholder or any of the Issuers of any outstanding Series;

(vi) receipt by the Indenture Trustee of Opinions of Counsel, (A) relating to corporate and enforceability matters, as well as securities law matters reasonably acceptable to the related Initial Purchasers; (B) relating to the perfection and priority of the Indenture Trustee's security interest; (C) relating to the consolidation of the assets of the applicable Issuers in a bankruptcy proceeding that involves any such Issuer, the Property Manager (if the Property Manager is an Affiliate of the Issuer) or the Support Provider (if the Support Provider is an Affiliate of the Issuer); (D) relating to the characterization of any Class of Notes indicated in the related Series Supplement as debt for U.S. federal income tax purposes; (E) all opinions relating to enforceability of the related Mortgage; and (F) any other opinion required under the related Series Supplement;

(vii) receipt by the Indenture Trustee of copies of letters signed by each applicable Rating Agency confirming that each other Class of Notes has been given the then-current ratings by such Rating Agencies;

(viii) any applicable Issuer of such Series of Notes shall be a solvent, special-purpose entity, organized with an Independent Manager and shall have delivered a certificate to such effect to the Indenture Trustee, dated the applicable Series Closing Date;

(ix) the Rated Final Payment Date with respect to such Notes shall be no earlier than the earliest Rated Final Payment Date with respect to any issued Series of Notes;

(x) (A) no Early Amortization Period is continuing at the time of such issuance and such issuance will not result in the occurrence of an Early Amortization Period or (B) the proceeds of such issuance will be used to cure each such Early Amortization Period and pay all accrued and unpaid Note Interest, Post-ARD Additional Interest and Deferred Post-ARD Additional Interest with respect to such Notes and all accrued and unpaid note interest, post-ARD additional interest and deferred post-ARD additional interest with respect to such Notes;

(xi) no uncured Event of Default is continuing at the time of such New Issuance and such New Issuance shall not result in the occurrence of an Event of Default and the Issuers have delivered to the Indenture Trustee an Officer's Certificate, dated the applicable Series Closing Date (upon which the Indenture Trustee may rely), to the effect that (1) based on the facts known to the Person executing such Officer's Certificate, the Issuers reasonably believe that no uncured Event of Default is continuing at the time of such New Issuance and that such New Issuance shall not result in the occurrence of an Event of Default and (2) all conditions precedent to such execution, authentication and delivery have been satisfied;

(xii) receipt by the Indenture Trustee of an Officer's Certificate from each applicable Issuer, upon which the Indenture Trustee shall be permitted to fully rely and shall not have any liability for so relying, stating that the conditions precedent to such issuance have been fulfilled; and

(xiii) any additional conditions as set forth in the related Series Supplement.

**Section 2.05 Registration of Transfer and Exchange of Notes .**

(a) At all times during the term of this Indenture, there shall be maintained at the office of the Note Registrar a “**Note Register**” in which, subject to such reasonable regulations as the Note Registrar may prescribe, the Note Registrar shall provide for the registration of Notes and of transfers and exchanges of Notes as herein provided. The offices of the Note Registrar shall be initially located (as of the date hereof) at Citibank, N.A., 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey 07310, Attention: Securities Window — SCF Master Funding. The Indenture Trustee is hereby initially appointed (and hereby agrees to act in accordance with the terms hereof) as “**Note Registrar**” for the purpose of registering Notes and transfers and exchanges of Notes as herein provided. The Indenture Trustee may appoint, by a written instrument delivered to the Issuers, any other bank or trust company to act as Note Registrar under such conditions as the predecessor Indenture Trustee may prescribe; provided, that the Indenture Trustee shall not be relieved of any of its duties or responsibilities hereunder by reason of such appointment. If the Indenture Trustee resigns or is removed in accordance with the terms hereof, the successor trustee shall immediately succeed to its predecessor's duties as Note Registrar. The Issuers, the Property Manager, the Special Servicer, the Back-Up Manager and the Indenture Trustee shall have the right to inspect the Note Register or to obtain a copy thereof at all reasonable times, and to rely conclusively upon a certificate of the Note Registrar as to the information set forth in the Note Register. Upon written request of any Noteholder made for purposes of communicating with other Noteholders with respect to their rights under this Indenture, the Note Registrar shall promptly furnish such Noteholder with a list of the other Noteholders of record identified in the Note Register at the time of the request.

(b) No Transfer of any Note or interest therein shall be made unless that Transfer is made pursuant to an effective registration statement under the Securities Act, and effective registration or qualification under applicable state securities laws, or is made in a transaction that does not require such registration or qualification. No purported Transfer of any interest in any Note or any portion thereof which is not made in accordance with this Section 2.05 shall be given effect by or be binding upon the Indenture Trustee and any such purported Transfer shall be null and void *ab initio* and vest in the transferee no rights against the Collateral Pool or the Indenture Trustee.

None of the Issuers or any other person shall be obligated to register or qualify any Notes under the Securities Act or any other securities law or to take any action not otherwise required under this Indenture to permit the transfer of any Note or interest therein without registration or qualification.

By its acceptance of a Note or an Ownership Interest therein, each Holder and Note Owner, respectively, will be deemed to have represented and agreed (or, in the case of Definitive Notes, shall represent and agree) that the Transfer thereof is restricted and agrees that it shall Transfer such Note or Ownership Interest only in accordance with the terms of this Indenture and such Note (including the legends applicable thereto) and in compliance with Applicable Law.

(c) A Noteholder or Note Owner may exchange or Transfer a Book-Entry Note or Ownership Interest therein only in accordance with the following provisions:

(i) No Transfer of any Book-Entry Note or an Ownership Interest therein shall be made unless such Transfer is made to a Qualified Institutional Buyer in reliance on Rule 144A or in an “offshore transaction” (within the meaning of Regulation S) to a non-U.S. Person in reliance on Regulation S, and pursuant to exemption, registration or qualification under applicable state securities laws. The Indenture Trustee shall be entitled to rely upon the representations made or deemed made by each transferee pursuant to this Section 2.05, and shall have no duty to undertake any investigation or verify that any Transfer satisfies the requirements of this paragraph.

(ii) Restricted Global Note to Regulation S Global Note during Restricted Period. If a Holder of or a Note Owner with respect to a Restricted Global Note wishes at any time during the Restricted Period to exchange its interest in such Restricted Global Note for an interest in the corresponding Regulation S Global Note, or to Transfer such Restricted Global Note or an Ownership Interest therein to a Person who wishes to take delivery thereof in the form of a Regulation S Global Note or an Ownership Interest therein, such Holder or Note Owner may, subject to the provisions of this Section 2.05, exchange or Transfer such Restricted Global Note for a Regulation S Global Note of the same Series and Class or an Ownership Interest therein with an equivalent principal amount. Upon receipt by the Indenture Trustee of a certificate substantially in the form of Exhibit D-2 (subject to Section 12.03) given by the transferee of such Note or Ownership Interest (stating that such transferee is a non-U.S. Person and the exchange or Transfer of such interest has been made in compliance with the transfer restrictions applicable to such Notes and in accordance with Regulation S), the Indenture Trustee shall cancel the Restricted Global Note so exchanged or transferred (or reduce the principal amount of the Notes evidenced thereby), the applicable Issuers shall, concurrently with such cancellation (or reduction), issue and the Indenture Trustee shall cause to be authenticated to the transferee a Regulation S Global Note of the same Series and Class (or increase the principal amount of the Notes evidenced by such Regulation S Global Note) in an aggregate principal amount equal to the aggregate principal amount of the Restricted Global Note so exchanged or transferred.

(iii) Restricted Global Note to Regulation S Global Note after the Expiration of Restricted Period. If a Holder of or a Note Owner with respect to a Restricted Global Note wishes at any time after the expiration of the Restricted Period to exchange its interest in such Restricted Global Note for an interest in the corresponding Regulation S Global Note, or to Transfer such Restricted Global Note or an Ownership Interest therein to a Person who wishes to take delivery thereof in the form of a

Regulation S Global Note or an Ownership Interest therein, such Noteholder or Note Owner may, subject to provisions of this Section 2.05, exchange or Transfer such Restricted Global Note for a Regulation S Global Note of the same Series and Class or an Ownership Interest therein with an equivalent principal amount. Upon receipt by the Indenture Trustee of a certificate substantially in the form of Exhibit D-3 (subject to Section 12.03) given by the transferee (stating that the Transfer of such interest has been made in compliance with the transfer restrictions applicable to such Notes and pursuant to and in accordance with Regulation S), the Indenture Trustee shall cancel the Restricted Global Note so exchanged or transferred (or reduce the principal amount of the Notes evidenced thereby) and the applicable Issuers shall, concurrently with such cancellation (or reduction), issue and the Indenture Trustee shall cause to be authenticated to the transferee a Regulation S Global Note of the same Series and Class (or increase the principal amount of the Notes evidenced by such Regulation S Global Note) in an aggregate principal amount equal to the aggregate principal amount of the Restricted Global Note so exchanged or transferred.

(iv) Regulation S Global Note to Restricted Global Note. If a Holder of or a Note Owner with respect to a Regulation S Global Note wishes at any time to exchange its interest in such Regulation S Global Note for an interest in a Restricted Global Note or to Transfer such Regulation S Global Note or an Ownership Interest therein to a Qualified Institutional Buyer who wishes to take delivery thereof in the form of a Restricted Global Note or an Ownership Interest therein, such Noteholder or Note Owner may, subject to the provisions of this Section 2.05, exchange or Transfer such Regulation S Global Note for a Restricted Global Note of the same Series and Class or an Ownership Interest therein in an equivalent principal amount. Upon receipt by the Indenture Trustee of a certificate substantially in the form of Exhibit D-1 (subject to Section 12.03) given by the transferee and stating that such transferee is a Qualified Institutional Buyer and is obtaining such Restricted Global Note or Ownership Interest therein in a transaction meeting the requirements of Rule 144A, the Indenture Trustee shall cancel the Regulation S Global Note so exchanged or transferred (or reduce the principal amount of the Notes evidenced thereby) and the applicable Issuers shall, concurrently with such cancellation (or reduction), issue and the Indenture Trustee shall cause to be authenticated to the transferee a Restricted Global Note of the same Series and Class (or increase the principal amount of the Notes evidenced by such Restricted Global Note) in an aggregate principal amount equal to the aggregate principal amount of the Regulation S Global Note so exchanged or transferred.

(v) Transfer of Ownership Interests in Book-Entry Notes. Ownership Interests in Book-Entry Notes shall be exchanged or transferred in accordance with the rules and procedures of the Depository and the Depository Participants, including, with respect to Regulation S Global Notes, Clearstream Banking, *société anonyme*, or its successors, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, or its successors.

(vi) Book-Entry Note to Definitive Note. If any Book-Entry Note or an Ownership Interest therein is to be exchanged for a corresponding interest held in the form of a Definitive Note, or if any Transfer of a Book-Entry Note or an Ownership

Interest therein is to be held by the related transferee in the form of a Definitive Note, then the Note Registrar shall refuse to register such exchange or Transfer unless it receives (and, upon receipt, may conclusively rely upon) (A) an executed transferor certificate from the transferor substantially in the form attached as Exhibit C -1 (subject to Section 12.03), and (B) an executed transferee certificate from the prospective transferee substantially in the form attached as Exhibit C -2 (subject to Section 12.03). If any such transfer of a Book-Entry Note or Ownership Interest held by the related transferor and also to be held by the related transferee in the form of a Book-Entry Note is to be made without registration under the Securities Act, the transferor will be deemed to have made as of the transfer date each of the representations and warranties set forth on Exhibit C -1 in respect of such Note and the transferee will be deemed to have made as of the transfer date each of the representations and warranties set forth on Exhibit C -2 in respect of such Note, in each case as if such Note were evidenced by a Definitive Note.

(d) A Noteholder or Note Owner may exchange or Transfer a Definitive Note or Ownership Interest therein only in accordance with the following provisions:

(i) No Transfer of any Definitive Note shall be made unless such Transfer is made to a Qualified Institutional Buyer in reliance on Rule 144A or in an “offshore transaction” (within the meaning of Regulation S) to a non-U.S. Person in reliance on Regulation S, and pursuant to exemption, registration or qualification under applicable state securities laws; provided, however, that a Noteholder may Transfer a Definitive Note to an Issuer or an Affiliate of an Issuer that is an accredited investor within the meaning of Rule 501(a) (1), (2), (3) or (7) of the Securities Act (an “**Accredited Investor**.”) and has certified that it is an Affiliate of an Issuer and an Accredited Investor, upon Indenture Trustee’s receipt of (A) such Holder’s Definitive Note properly endorsed for assignment to the transferee, (B) an executed transferor certificate from the transferor substantially in the form attached as Exhibit C -1 (subject to Section 12.03), and (C) an executed transferee certificate from the prospective transferee substantially in the form attached as Exhibit C -2 (subject to Section 12.03). The Indenture Trustee shall be entitled to rely upon the representations made or deemed made by each transferee pursuant to this Section 2.05, and shall have no duty to undertake any investigation or verify that any Transfer satisfies the requirements of this paragraph.

(ii) Transfer of Definitive Note to Regulation S Global Note during Restricted Period. If a Holder of or a Note Owner with respect to a Definitive Note wishes at any time during the Restricted Period to exchange its interest in such Definitive Note for an interest in the corresponding Regulation S Global Note, or to Transfer such Definitive Note or an Ownership Interest therein to a Person who wishes to take delivery thereof in the form of a Regulation S Global Note or an Ownership Interest therein, such Holder or Note Owner may, subject to the provisions of this Section 2.05, exchange or Transfer such Definitive Note for a Regulation S Global Note of the same Series and Class or an Ownership Interest therein with an equivalent principal amount. Upon receipt by the Indenture Trustee of (A) such Holder’s Definitive Note properly endorsed for assignment to the transferee and (B) a certificate substantially in the form of Exhibit D-2 (subject to Section 12.03) given by the transferee of such Note or Ownership Interest (stating that such transferee is a non-U.S. Person and the exchange or Transfer of such



interest has been made in compliance with the transfer restrictions applicable to such Notes and in accordance with Regulation S), the Indenture Trustee shall cancel the Definitive Note so exchanged or transferred (or reduce the principal amount of the Notes evidenced thereby), the applicable Issuers shall, concurrently with such cancellation (or reduction), issue and the Indenture Trustee shall cause to be authenticated to the transferee a Regulation S Global Note of the same Series and Class (or increase the principal amount of the Notes evidenced by such Regulation S Global Note) in an aggregate principal amount equal to the aggregate principal amount of the Definitive Note so exchanged or transferred.

(iii) Transfer of Definitive Note to Regulation S Global Note after the Expiration of Restricted Period. If a Holder of or a Note Owner with respect to a Definitive Note wishes at any time after the expiration of the Restricted Period to exchange its interest in such Definitive Note for an interest in the corresponding Regulation S Global Note, or to Transfer such Definitive Note or an Ownership Interest therein to a Person who wishes to take delivery thereof in the form of a Regulation S Global Note or an Ownership Interest therein, such Noteholder or Note Owner may, subject to provisions of this Section 2.05, exchange or Transfer such Definitive Note for a Regulation S Global Note of the same Series and Class or an Ownership Interest therein with an equivalent principal amount. Upon receipt by the Indenture Trustee of (A) such Holder's Definitive Note properly endorsed for assignment to the transferee and (B) a certificate substantially in the form of Exhibit D-3 (subject to Section 12.03) given by the transferee (stating that the Transfer of such interest has been made in compliance with the transfer restrictions applicable to such Notes and pursuant to and in accordance with Regulation S), the Indenture Trustee shall cancel the Definitive Note so exchanged or transferred (or reduce the principal amount of the Notes evidenced thereby) and the applicable Issuers shall, concurrently with such cancellation (or reduction), issue and the Indenture Trustee shall cause to be authenticated to the transferee a Regulation S Global Note of the same Series and Class (or increase the principal amount of the Notes evidenced by such Regulation S Global Note) in an aggregate principal amount equal to the aggregate principal amount of the Definitive Note so exchanged or transferred.

(iv) Transfer of Definitive Note to Restricted Global Note. If a Holder of or a Note Owner with respect to a Definitive Note wishes at any time to exchange its interest in such Definitive Note for an interest in a Restricted Global Note or to Transfer such Definitive Note or an Ownership Interest therein to a Qualified Institutional Buyer who wishes to take delivery thereof in the form of a Restricted Global Note or an Ownership Interest therein, such Noteholder or Note Owner may, subject to the provisions of this Section 2.05, exchange or Transfer such Definitive Note for a Restricted Global Note of the same Series and Class or an Ownership Interest therein in an equivalent principal amount. Upon receipt by the Indenture Trustee of (A) such Holder's Definitive Note properly endorsed for assignment to the transferee and (B) a certificate substantially in the form of Exhibit D-1 (subject to Section 12.03) given by the transferee and stating that such transferee is a Qualified Institutional Buyer and is obtaining such Restricted Global Note or Ownership Interest therein in a transaction meeting the requirements of Rule 144A, the Indenture Trustee shall cancel the Definitive Note so exchanged or transferred (or reduce the principal amount of the Notes evidenced

thereby) and the applicable Issuers shall, concurrently with such cancellation (or reduction), issue and the Indenture Trustee shall cause to be authenticated to the transferee a Restricted Global Note of the same Series and Class (or increase the principal amount of the Notes evidenced by such Restricted Global Note) in an aggregate principal amount equal to the aggregate principal amount of the Definitive Note so exchanged or transferred.

(v) Transfer of Definitive Note to Definitive Note. If a Holder of a Definitive Note wishes at any time to transfer such Definitive Note to a Person who wishes to take delivery thereof in the form of one or more Definitive Notes, such Holder may transfer or cause the transfer of such Note as provided below. Upon receipt by the Indenture Trustee of (A) such Holder's Definitive Note, properly endorsed for assignment to the transferee, (B) an executed transferor certificate from the transferor substantially in the form attached as Exhibit C -1 (subject to Section 12.03), and (C) an executed transferee certificate from the prospective transferee substantially in the form attached as Exhibit C -2 (subject to Section 12.03), then the Indenture Trustee shall cancel such original Definitive Note in accordance with Section 2.14, record the transfer in the Note Register in accordance with Section 2.05 and upon execution by the Issuer, authenticate and deliver one or more Definitive Notes bearing the same designation as the Definitive Notes, endorsed for transfer, registered in the names specified in the assignment described in clause (A) above, in the aggregate Note Balances designated by the transferee (the aggregate Note Balances being equal to the aggregate Note Balance of the Definitive Notes, surrendered by the transferor), and in authorized denominations.

(e) If a Person is acquiring any Note as a fiduciary or agent for one or more accounts, such Person shall be required to deliver to the Note Registrar a certification to the effect that, and such other evidence as may be reasonably required by the Note Registrar to confirm that, it has (i) sole investment discretion with respect to each such account and (ii) full power to make the foregoing acknowledgments, representations, warranties, certifications and agreements with respect to each such account as set forth in subsections (b) and (c) of this Section 2.05.

(f) Subject to the preceding provisions of this Section 2.05, upon surrender for registration of transfer of any Note at the offices of the Note Registrar maintained for such purpose, the applicable Issuers shall execute, and the Indenture Trustee shall cause to be authenticated and delivered, in the name of the designated transferee or transferees, one or more new Notes of the same Series and Class of a like Percentage Interest.

(g) At the option of any Holder, its Notes may be exchanged for other Notes of authorized denominations of the same Series and Class of a like Percentage Interest upon surrender of the Notes to be exchanged at the offices of the Note Registrar maintained for such purpose. Whenever any Notes are so surrendered for exchange, the applicable Issuers shall execute, and the Indenture Trustee shall cause to be authenticated and delivered the Notes which the Noteholder making the exchange is entitled to receive.

(h) Every Note presented or surrendered for transfer or exchange shall (if so required by the Note Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing.

(i) No service charge shall be imposed for any transfer or exchange of Notes, but the Indenture Trustee or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

(j) All Notes surrendered for transfer and exchange shall be physically canceled by the Note Registrar, and the Note Registrar shall dispose of such canceled Notes in accordance with its customary procedures.

(k) The Note Registrar or the Indenture Trustee shall provide to the Issuers upon reasonable written request and at the expense of the requesting party a current copy of the Note Register.

(l) Each transferee of a Note or an Ownership Interest therein will be deemed to have represented, warranted and agreed (or, in the case of Definitive Notes, shall represent, warrant and agree) that either (i) such transferee is not, and is not purchasing such Note on behalf of, as a fiduciary of, as trustee of, or with the assets of, a Plan or (ii)(A) such Note is rated investment grade or better as of the date of the purchase, (B) such transferee acknowledges that it cannot acquire such Note unless it is properly treated as indebtedness without substantial equity features for purposes of Department of Labor Regulations, as modified by ERISA, and agrees to so treat such Note and (C) such transferee's acquisition and continued holding of such Note or Ownership Interest therein will not constitute or give rise to a non-exempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code (or any law substantially similar to Section 4975 of the Code or Section 406 of ERISA).

(m) If any Note or Class of Notes is directly or indirectly owned by a Person such that such Note or Class of Notes is not properly treated as issued and outstanding for federal income tax purposes (a "**Transfer-Restricted Note**"), then such Transfer-Restricted Note may be sold or transferred to any Person if (a) the Note Registrar has received on the date of such sale or transfer an opinion of nationally recognized tax counsel knowledgeable in the tax aspects of securitization to the effect that at the time of such sale or transfer (1) such Transfer-Restricted Note is treated as indebtedness for federal income tax purposes and (2) such sale or transfer does not cause any Issuer to be treated as an association that is taxable as a corporation, a publicly traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation for federal income tax purposes, or (b) (1) the sum of the number of beneficial owners of the Transfer-Restricted Notes and the equity interests of all Issuers does not exceed the 95-Person Limit (as defined below) for U.S. federal income tax purposes after the proposed sale or transfer, (2) the Transfer-Restricted Notes are in definitive, physical form and (3) the Note Transfer Restrictions (as defined below) shall have been complied with.

For purposes of complying with alternative (b) above in this Section 2.05(m) with respect to the proposed sale or transfer of a Transfer-Restricted Note, each prospective beneficial owner of any Transfer-Restricted Note shall represent, warrant and covenant to the Trustee and the Issuers in writing, on the date of such proposed sale or transfer, that (a) it is a U.S. Person

within the meaning of Code section 7701(a)(30), (b) either (1) such beneficial owner is not a partnership, grantor trust or S corporation (a “**Flow-Through Entity**”) or (2) if such beneficial owner is a Flow-Through Entity or indirectly owns an interest in the Transfer-Restricted Notes through a Flow-Through Entity, (i) more than 50% of the value of such beneficial owner’s ownership interest in the Flow-Through Entity is not attributable to the Flow-Through Entity’s interest in the Transfer-Restricted Notes and (ii) a principal purpose of the use of the Flow-Through Entity is not to enable the sum of the number of beneficial owners of the Transfer-Restricted Notes and the equity interests of all Issuers to exceed 95 persons (the “**95-Person Limit**”) and (c) it will not use the Transfer-Restricted Notes and will not allow the Transfer-Restricted Notes to be used as collateral for the issuance of any securities that could cause any Issuer to become taxable as a corporation for U.S. federal income tax purposes and (2) will not take any action and will not allow any other action that could cause any Issuer to become taxable as a corporation for U.S. federal income tax purposes (the “**Note Transfer Restrictions**”).

**Section 2.06 Book-Entry Notes.**

(a) The Book-Entry Notes of each Series shall be delivered as one or more Notes held by the Book-Entry Custodian or, if appointed to hold such Notes as provided below, the Depository, and registered in the name of the Depository or its nominee and, except as set forth in any related Series Supplement or as otherwise provided in Section 2.06(c) below, transfer of such Notes may not be registered by the Note Registrar unless such transfer is to a successor Depository that agrees to hold such Notes for the respective Note Owners with Ownership Interests therein. Except as provided in Sections 2.01 and 2.05 above, and Section 2.06(c) below, such Note Owners shall hold and transfer their respective Ownership Interests in and to such Notes through the book-entry facilities of the Depository and, except as provided in Sections 2.01 and 2.05 above, and Section 2.06(c) below, shall not be entitled to Definitive Notes in respect of such Ownership Interests. All transfers by Note Owners of their respective Ownership Interests in the Book-Entry Notes to be held by the related transferees as Book-Entry Notes shall be made in accordance with the procedures established by the Depository Participant or brokerage firm representing each such Note Owner. Each Depository Participant shall only transfer the Ownership Interests in the Book-Entry Notes of Note Owners it represents or of brokerage firms for which it acts as agent in accordance with the Depository’s normal procedures. The Indenture Trustee is hereby initially appointed as the Book-Entry Custodian and hereby agrees to act as such in accordance herewith and in accordance with the agreement that it has with the Depository authorizing it to act as such. Neither the Indenture Trustee nor the Note Registrar shall have any responsibility to monitor or restrict the transfer of any Book-Entry Note transferable through the book-entry facilities of the Depository. The Book-Entry Custodian may, and, if it is no longer qualified to act as such, the Book-Entry Custodian shall, appoint, by a written instrument delivered to the Issuers, the Property Manager and Special Servicer, and, if the Indenture Trustee is not the Book-Entry Custodian, the Indenture Trustee, any other transfer agent (including the Depository or any successor Depository) to act as Book-Entry Custodian under such conditions as the predecessor Book-Entry Custodian and the Depository or any successor Depository may prescribe; provided, that the predecessor Book-Entry Custodian shall not be relieved of any of its duties or responsibilities by reason of any such appointment other than with respect to an appointment of the Depository. If the Indenture Trustee resigns or is removed in accordance with the terms hereof, the successor trustee or, if it so elects, the Depository shall immediately succeed to its predecessor’s duties as Book-Entry Custodian. The Issuers shall have the right to inspect, and to obtain copies of, any Notes held as Book-Entry Notes by the Book-Entry Custodian.

(b) The Issuers, the Indenture Trustee, the Property Manager, the Special Servicer, the Back-Up Manager and the Note Registrar may for all purposes, including the making of payments due on the Book-Entry Notes, deal with the Depository as the Noteholder and the authorized representative of the Note Owners with respect to such Notes for the purposes of exercising the rights of Noteholders hereunder. The rights of Note Owners with respect to the Book-Entry Notes shall be limited to those established by law and agreements between such Note Owners and the Depository Participants and brokerage firms representing such Note Owners. Multiple requests and directions from, and votes of, the Depository as holder of the Book-Entry Notes with respect to any particular matter shall not be deemed inconsistent if they are made with respect to different Note Owners. The Indenture Trustee may establish a reasonable record date in connection with solicitations of consents from or voting by Noteholders and shall give notice to the Depository of such record date.

(c) If (i) the Issuers advise the Indenture Trustee and the Note Registrar in writing that the Depository is no longer willing or able to properly discharge its responsibilities with respect to the Book-Entry Notes (or any portion thereof), and (ii) the Issuers are unable to locate a qualified successor, the Note Registrar shall notify all affected Note Owners, through the Depository, of the occurrence of any such event and of the availability of Definitive Notes to such Note Owners requesting the same. Upon surrender to the Note Registrar of the Book-Entry Notes (or any portion thereof) by the Book-Entry Custodian or the Depository, as applicable, and the delivery of registration instructions from the Depository for registration of transfer, the applicable Issuers shall execute, and the Indenture Trustee shall cause to be authenticated and delivered, the Definitive Notes in respect of such Notes to the Note Owners identified in such instructions. None of the applicable Issuers, the Indenture Trustee, the Property Manager, the Special Servicer, the Back-Up Manager or the Note Registrar shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions.

(d) Upon the issuance of Definitive Notes, for purposes of evidencing ownership of any Notes, the registered holders of such Definitive Notes shall be recognized as Noteholders hereunder and, accordingly, shall be entitled directly to receive payments on, to exercise voting and consent rights with respect to, and to transfer and exchange such Definitive Notes.

(e) Each of the Issuers shall provide an adequate inventory of Definitive Notes of each Class of each Series to the Indenture Trustee.

**Section 2.07 Mutilated, Destroyed, Lost or Stolen Notes.**

If any mutilated Note is surrendered to the Note Registrar, the applicable Issuers shall execute and the Indenture Trustee shall cause to be authenticated and delivered, in exchange therefor, a new Note of the same Series, Class and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the applicable Issuers, the Indenture Trustee and the Note Registrar (i) evidence to their satisfaction of the destruction (including mutilation tantamount to destruction), loss or theft of any Note and the ownership thereof, and (ii) indemnity as may be reasonably required by them to hold each of them and any of their agents harmless, then, in the absence of notice to the applicable Issuers or the Note Registrar that such Note has been acquired by a bona fide purchaser, the applicable Issuers shall execute and the Indenture Trustee shall cause to be authenticated and delivered, in lieu of any such destroyed, lost or stolen Note, a new Note of the same Series, Class, tenor and denomination registered in the same manner, dated the date of its authentication and bearing a number not contemporaneously outstanding.

Upon the issuance of any new Note under this Section 2.07, the applicable Issuers, the Indenture Trustee and the Note Registrar may require the payment by the Noteholder of an amount sufficient to pay or discharge any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the reasonable fees and expenses of the Authenticating Agent and the Indenture Trustee) in connection therewith.

Every new Note issued pursuant to this Section 2.07 in lieu of any destroyed, mutilated, lost or stolen Note shall constitute an original additional contractual obligation of the Issuers, whether or not the destroyed, mutilated, lost or stolen Note shall be at any time enforceable by any Person, and such new Note shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes of its Class and Series duly issued hereunder.

The provisions of this Section 2.07 are exclusive and shall preclude (to the extent permitted by Applicable Law) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

**Section 2.08 Noteholder Lists**

The Note Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of the Noteholders of each Series, which list, upon request, will be made available to the Indenture Trustee insofar as the Indenture Trustee is no longer the Note Registrar. Upon written request of any Noteholder made for purposes of communicating with other Noteholders with respect to their rights under this Indenture, the Note Registrar shall promptly furnish such Noteholder at such Noteholder's expense with a list of the Noteholders of record identified in the Note Register at the time of the request. Every Noteholder, by receiving such access, or by receiving a Note or an interest therein, agrees with the Note Registrar that the Note Registrar will not be held accountable in any way by reason of the disclosure of any information as to the names and addresses of any Noteholder regardless of the source from which such information was derived.

**Section 2.09 Persons Deemed Owners**

The Issuers, the Indenture Trustee, the Note Registrar and any of their agents, may treat the Person in whose name a Note is registered as the owner of such Note as of the related Record Date for the purpose of receiving payments of principal, interest and other amounts in respect of such Note and for all other purposes, whether or not such Note shall be overdue, and none of the Issuers, the Indenture Trustee, the Note Registrar or any agents of any of them, shall be affected by notice to the contrary.

**Section 2.10 Payment Account.**

(a) On or prior to the Initial Closing Date, the Indenture Trustee shall establish and maintain one or more segregated trust accounts (collectively, the “**Payment Account**”) at Citibank, N.A., in its name, as Indenture Trustee, bearing a designation clearly indicating that such account and all funds deposited therein are held for the exclusive benefit of the Noteholders and the Issuers as their interests may appear. At all times, the Payment Account shall be an Eligible Account or a sub-account of an Eligible Account. On each Remittance Date, the Indenture Trustee shall deposit or cause to be deposited in the Payment Account, as provided in the Property Management Agreement, the Available Amounts for such Payment Date. Except as otherwise provided in this Indenture, the Indenture Trustee, in accordance with the terms of this Indenture, shall have exclusive control and sole right of withdrawal with respect to the Payment Account. Funds in the Payment Account shall not be commingled with any other moneys. All moneys deposited from time to time in the Payment Account shall be held by and under the control of the Indenture Trustee in the Payment Account for the benefit of the Noteholders and the Issuers as herein provided.

(b) Amounts in the Payment Account shall be held uninvested.

(c) The Indenture Trustee is authorized to make withdrawals from the Payment Account (the order set forth hereafter in this subsection (c) not constituting an order of priority for such withdrawals) to make payments on the Notes and to other parties as set forth in the priorities of payments pursuant to Section 2.11(b) of this Indenture, to the Issuers as provided in Section 2.11.

(d) Upon the satisfaction and discharge of this Indenture pursuant to Section 3.01, the Indenture Trustee shall pay to the holders of the Issuer Interests, as their interests may appear, all amounts, if any, held by it remaining as part of the Collateral Pool.

**Section 2.11 Payments on the Notes.**

(a) Subject to Section 2.11(b), the applicable Issuers agree to pay:

(i) on each Payment Date prior to the Rated Final Payment Date for the Classes of each Series of Notes (but only to the extent of the Available Amount pursuant to Section 2.11(b), in the case of payments of principal), interest on and principal of such Notes in the amounts and in accordance with the priorities set forth in Section 2.11(b); and

(ii) on the Rated Final Payment Date for the Classes of each Series of Notes, the entire applicable Series Principal Balance, together with all accrued and unpaid interest thereon.

Amounts properly withheld under the Code by any Person from a payment to any Holder of a Note of interest, principal or other amounts, or any such payment set aside on the Final Payment Date for such Note as provided in Section 2.11(b), shall be considered as having been paid by the applicable Issuers to such Noteholder for all purposes of this Indenture.

(b) With respect to each Payment Date, any interest, principal and other amounts payable on the Notes shall be paid to each Person that is a registered holder thereof at the close of business on the related Record Date; provided, however, that interest, principal and other amounts payable at the Final Payment Date of any Note shall be payable only against surrender thereof at the Indenture Trustee's Office or such other address as may be specified in the notice of final payment. Payments of interest, principal and other amounts on the Notes shall be made on each Payment Date other than the Final Payment Date, subject to Applicable Law, by wire transfer to such accounts as each such Noteholder shall designate by written instruction received by the Indenture Trustee not later than the Record Date related to such Payment Date or otherwise by check mailed on or before such Payment Date to the Person entitled thereto at such Person's address appearing on the Note Register as of the related Record Date. The Indenture Trustee shall pay each Note in whole or in part as provided herein on its Final Payment Date in immediately available funds from funds in the Payment Account as promptly as possible after presentation to the Indenture Trustee of such Note at the Indenture Trustee's Office, but in no event later than the next Business Day after the day of such presentation. If presentation is made after 3:30 p.m., New York City time, on any day, such presentation shall be deemed to have been made on the immediately succeeding Business Day.

Each payment with respect to a Book-Entry Note shall be paid to the Depository, as holder thereof, and the Depository shall be responsible for crediting the amount of such payment to the accounts of its Depository Participants in accordance with its normal procedures. Each Depository Participant shall be responsible for disbursing such payments to the related Note Owners that it represents and to each indirect participating brokerage firm (a "brokerage firm" or "indirect participating firm") for which it acts as agent. Each brokerage firm shall be responsible for disbursing funds to the related Note Owners that it represents. None of the parties hereto shall have any responsibility therefor except as otherwise provided by this Indenture or Applicable Law. The applicable Issuers and the Indenture Trustee shall perform their respective obligations under each Letter of Representations.

Except as provided in the following sentence, if a Note is issued in exchange for any other Note during the period commencing at the close of business at the office or agency where such exchange occurs on any Record Date and ending before the opening of business at such office or agency on the related Payment Date, no interest, principal or other amounts will be payable on such Payment Date in respect of such new Note, but will be payable on such Payment Date only in respect of the prior Note. Interest, principal and other amounts payable on any Note issued in exchange for any other Note during the period commencing at the close of business at the office or agency where such exchange occurs on the Record Date immediately preceding the Final Payment Date for such Notes and ending on the Final Payment Date for such Notes, shall be payable to the Person that surrenders the new Note as provided in this Section 2.11(b).



All payments of interest, principal and other amounts made with respect to the Notes of a Class of any Series will be allocated *pro rata* among the Outstanding Notes of such Class as set forth below.

If any Note on which the final payment was due is not presented for payment on its Final Payment Date, then the Indenture Trustee shall set aside such payment in a segregated, non-interest bearing account (and shall remain uninvested) separate from the Payment Account (but which may be a sub-account thereof) but which constitutes an Eligible Account (or a sub-account of an Eligible Account), and the Indenture Trustee and the Issuers shall act in accordance with Section 5.10 in respect of the unclaimed funds.

On each Payment Date, the Available Amount on such Payment Date will be applied by the Indenture Trustee, first to pay the following expenses of the Issuers related to the Notes (collectively, “**Collateral Pool Expenses**”) to the extent not withdrawn from the Collection Account by the Property Manager on or prior to the applicable Remittance Date in accordance with the Property Management Agreement in the following order of priority:

- (I) to the Indenture Trustee, the earned and unpaid Indenture Trustee Fees;
- (II) to the Property Manager, the earned and unpaid Property Management Fee;
- (III) to the Special Servicer, any earned and unpaid Special Servicing Fees;
- (IV) to the Back-Up Manager, any earned and unpaid Back-Up Fee;

(V) to the Property Manager, the Special Servicer, the Back-Up Manager and the Indenture Trustee, as applicable, an amount equal to all unreimbursed Advances, including Nonrecoverable Advances (plus interest thereon at the Reimbursement Rate) and Extraordinary Expenses for such Payment Date and to the extent unpaid from any prior Payment Date with interest thereon at the Reimbursement Rate (not to exceed the Extraordinary Expense Cap, unless an Event of Default resulting in the acceleration of any Notes has occurred and is then continuing, in which case, such Extraordinary Expense Cap will not apply);

(VI) to the parties entitled thereto, the amount of any Issuer Expenses (not to exceed the Issuer Expense Cap, unless an Event of Default resulting in the acceleration of any Notes has occurred and is then continuing, in which case, such Issuer Expense Cap will not apply); and

(VII) (a) first, to the Indenture Trustee in any of its capacities under the Indenture, (b) second, to the Property Manager and the Special Servicer, and (c) third, to the relevant party, the amount of Extraordinary Expenses for such Payment Date and to the extent unpaid from any prior Payment Date, to the extent not already reimbursed in sub-clauses (I) through (VI) above, in each case, with interest thereon at the Reimbursement Rate (not to exceed the Extraordinary Expense Cap, unless an Event of Default resulting in the acceleration of any Notes has occurred and is then continuing, in which case (i) such Extraordinary Expense Cap will not apply and (ii) indemnities due to the Issuers or any Control Person, member, manager, officer, employee or agent of any such Issuers, other than any such party in connection with its role as Property Manager or Special Servicer, will be payable only after payments due to the Noteholders pursuant to the allocation of Series Available Amount below).

Subject to the terms and provisions of each Series Supplement, the Available Amount remaining on any Payment Date after payment of Collateral Pool Expenses will be allocated in the following manner and priority (the aggregate amount allocated pursuant to clauses (1), (2), (3), (5) and (6) below, the “**Series Available Amount**”):

(1) to each Series, Note Interest, allocated *pro rata*, based on all amounts due on such Payment Date to each Series in respect of Note Interest on the Notes (plus all unpaid Note Interest from prior Payment Dates and interest thereon at the applicable Note Rates);

(2) so long as no Early Amortization Period is in effect, sequentially:

- a. to each Series, the Scheduled Principal Payments for such Payment Date, allocated *pro rata* based on all amounts due on such Payment Date for all Series in respect of Scheduled Principal Payments on any Notes; provided, however, that scheduled principal payments allocated to any Series shall not exceed the series principal balance of such Series; and
- b. to each Series, the Unscheduled Principal Payment for such Payment Date, allocated *pro rata* based on the applicable Series Principal Balance (in each case after application of the allocations described in clause (2)(a) above); provided, however, that any Unscheduled Principal Payments allocated to any Series shall not exceed such related Series Principal Balance;

(3) during an Early Amortization Period, to each Series, all remaining Available Amounts, allocated *pro rata*, based on the Series Principal Balance of the related Notes, all remaining Series Available Amounts, in an amount not to exceed the applicable Series Principal Balance of such Notes;

(4) during a DSCR Sweep Period, to the DSCR Reserve Account, all remaining Series Available Amounts until the amount on deposit in the DSCR Reserve Account is equal to the Aggregate Series Principal Balance;

(5) to each Series, *pro rata*, based on the Make Whole Amount due to each Series, the applicable Make Whole Amount plus any unpaid Make Whole Amounts from any prior Payment Date;

(6) to each Series, *pro rata*, based on any and all amounts due on such Payment Date for such Series in respect of Post-ARD Additional Interest (if any), as applicable, on the related Notes, and any Deferred Post-ARD Additional Interest, if any, from any prior Payment Date, an amount equal to the Post-ARD Additional Interest with respect to such Series;

(7) to the extent not paid as Collateral Pool Expenses, any Issuer Expenses or Extraordinary Expenses for such Payment Date plus any unpaid Issuer Expenses or Extraordinary Expenses from any prior Payment Dates, with interest thereon at the Reimbursement Rate; and

(8) *pro rata*, to each Issuer, all remaining Series Available Amounts (such amounts to be released from the Lien of this Indenture).

The commencement of an Early Amortization Period caused by the occurrence of an event set forth under clause (A) or clause (B) of the definition of “Early Amortization Period” shall be waivable by the Requisite Global Majority. The occurrence of an event, upon the occurrence of which an Early Amortization Period under clause (C) of the definition of “Early Amortization Period” shall otherwise commence, shall be waivable by the Controlling Parties of all Series of Notes.

(c) In connection with making any payments pursuant to Section 2.11(b), the Indenture Trustee shall make available to each Issuer on the related Payment Date via the Indenture Trustee’s internet website specified in Section 6.01(a), a written statement detailing the amounts so paid; provided, that if such information is not so available on the Indenture Trustee’s internet website for any reason, the Indenture Trustee shall provide each Issuer with such written statement by facsimile transmission, confirmed in writing by first class mail or overnight courier.

#### **Section 2.12 Final Payment Notice.**

(a) Notice of final payment under Section 2.11(b) shall be given by the Indenture Trustee as soon as practicable, but not later than two (2) Business Days prior to the Final Payment Date for a Class of any Series, to each Noteholder of such Series as of the close of business on the Record Date in the calendar month preceding the Final Payment Date at such Noteholder’s address appearing in the Note Register and to each applicable Rating Agency and each applicable Issuer.

(b) All notices of final payment in respect of a Class of Notes of any Series shall state (i) the Final Payment Date for such Notes, (ii) the amount of the final payment for such Notes and (iii) the place where such Notes are to be surrendered for payment.

(c) Notice of final payment of a Class of Notes of any Series shall be given by the Indenture Trustee in the name and at the expense of the Indenture Trustee. Failure to give notice of final payment, or any defect therein, to any Noteholder of such Series shall not impair or affect the validity of the final payment of any other Note.

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**Section 2.13 Compliance with Withholding Requirements.**

Notwithstanding any other provision of this Indenture, the Indenture Trustee shall comply with all federal withholding requirements with respect to payments to Noteholders of interest, original issue discount, or other amounts that the Indenture Trustee reasonably believes are applicable under the Code or any other applicable federal law. The consent of Noteholders shall not be required for any such withholding.

**Section 2.14 Cancellation.**

The applicable Issuers may at any time deliver to the Note Registrar for cancellation any Notes previously authenticated and delivered hereunder which such Issuers may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Note Registrar.

All Notes delivered to the Indenture Trustee for payment shall be forwarded to the Note Registrar. All such Notes and all Notes surrendered for transfer and exchange in accordance with the terms hereof shall be canceled and disposed of by the Note Registrar in accordance with its customary procedures.

**Section 2.15 Reserved.**

**Section 2.16 The Hedge Agreements.**

(a) On any Series Closing Date, the applicable Issuers may enter into one or more Hedge Agreements with respect to any Class of any related Series of Notes as set forth in the applicable Series Supplement.

(b) The Indenture Trustee shall, on behalf of the applicable Issuers, distribute amounts due to each Hedge Counterparty under the applicable Hedge Agreements on any Payment Date from the Payment Account in accordance with Section 2.11 and the applicable Series Supplement.

(c) The Indenture Trustee shall agree to any reduction in the notional amount of any Hedge Agreement requested by the applicable Issuers; provided, that, if any Notes are then Outstanding and rated by the Rating Agencies, the Indenture Trustee shall first have received the written confirmation that the Rating Condition is satisfied. Any amount paid by a Hedge Counterparty to the applicable Issuers in connection with such reduction shall constitute part of the Available Amount except as otherwise provided in the applicable Series Supplement.

(d) Each Hedge Agreement (unless otherwise provided in the applicable Series Supplement) shall permit the complete or partial termination thereof (without the payment by the applicable Issuers of penalties or fees other than termination-related expenses) by the applicable Issuers subject to the provision of at least ten (10) Business Days notification to the Rating Agencies. The Indenture Trustee shall, prior to each applicable Series Closing Dates if required by the applicable Series Supplement, establish at Citibank, N.A. (or at such other financial institution as provided in the applicable Series Supplement and as necessary to ensure that the Hedge Counterparty Account is at all times an Eligible Account or a sub-account of an

Eligible Account) a segregated trust account that shall be designated as a “ **Hedge Counterparty Account** ”, in its name, as Indenture Trustee, bearing a designation clearly indicating that such account and all funds deposited therein are held for the exclusive benefit of the applicable Noteholders, over which the Indenture Trustee shall have exclusive control and the sole right of withdrawal, and in which neither the applicable Issuers nor any other Person shall have any legal or beneficial interest. The Hedge Counterparty Accounts may be sub-accounts of the Payment Account. The only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, a Hedge Counterparty Account shall be for application to obligations of the applicable Hedge Counterparty to the applicable Issuers under the related Hedge Agreement.

(e) In the event a Responsible Officer of the Indenture Trustee becomes aware that a Hedge Counterparty has defaulted in the payment when due of its obligations to the applicable Issuers under the related Hedge Agreement, the Indenture Trustee shall make a demand on such Hedge Counterparty, or any guarantor, if applicable, demanding payment by 12:30 p.m., New York City time, on such date (or by such time on the next succeeding Business Day if such actual knowledge is obtained by such Responsible Officer of the Indenture Trustee after 11:00 a.m., New York City time). The Indenture Trustee shall give notice to the applicable Noteholders upon the continuing failure by such Hedge Counterparty to perform its obligations during the two (2) Business Days following a demand made by the Indenture Trustee on such Hedge Counterparty.

(f) If at any time a Hedge Agreement becomes subject to early termination due to the occurrence thereunder of an event of default or a termination event, the applicable Issuers and the Indenture Trustee shall take such actions (following the expiration of any applicable grace period and after the expiration of the two (2) Business Day period referred to in Section 2.16(e), as applicable) to enforce the rights of the applicable Issuers and the Indenture Trustee thereunder as may be permitted by the terms of such Hedge Agreement and consistent with the terms hereof, and shall apply the proceeds of any such actions (including, without limitation, the proceeds of the liquidation of any collateral pledged by the related Hedge Counterparty) to enter into a replacement Hedge Agreement on such terms or provide such other substitute arrangement (or forebear from doing either of the foregoing) as provided in the applicable Series Supplement. Any costs attributable to entering into a replacement Hedge Agreement which exceed the aggregate amount of the proceeds of the liquidation of the terminated Hedge Agreement shall constitute Issuer Expenses payable under Section 2.11(b). In addition, the applicable Issuers will use their best efforts to cause the termination of a Hedge Agreement to become effective simultaneously with the entry into a replacement Hedge Agreement described as aforesaid.

(g) The applicable obligations under a Hedge Agreement must be non-recourse obligations of the applicable Issuers payable only to the extent of available funds in accordance with Section 2.11(b). In addition, the provisions under each Hedge Agreement shall provide that the related Hedge Counterparty shall not institute against, or join any other person or entity in instituting against, any of the Issuers, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceedings under any federal or state bankruptcy or similar law (including the U.S. Bankruptcy Code), for two (2) years and thirty-one (31) days after the last Note issued by the Issuers is paid in full, and that the agreements in such provisions shall survive termination of such Hedge Agreement.

**Section 2.17 Tax Treatment of the Notes.**

The Issuers have entered into this Indenture, and each Class of Notes will be issued, with the intention that, for purposes of any federal, state and local income or franchise tax and any other taxes imposed on or measured by income, such Notes will qualify as indebtedness (unless otherwise provided in the applicable Series Supplement) upon their issuance for federal income tax purposes. The Issuers, by entering into this Indenture, each Noteholder, by acceptance of its Note, and each Note Owner, by purchasing or otherwise acquiring an Ownership Interest in a Note, agree to treat the Notes and such Ownership Interests for purposes of any federal, state and local income or franchise tax and any other taxes imposed on or measured by income, as indebtedness (unless otherwise provided in the applicable Series Supplement) upon their issuance for federal income tax purposes.

**Section 2.18 DSCR Reserve Account.**

(a) On or prior to the date hereof, the Indenture Trustee shall establish and maintain at Citibank, N.A. one or more segregated trust accounts (collectively, the “**DSCR Reserve Account**”), in its name, as Indenture Trustee, bearing a designation clearly indicating that such account and all funds deposited therein are held for the exclusive benefit of the Noteholders and the Issuers as their interests may appear. At all times, the DSCR Reserve Account shall be an Eligible Account or a sub-account of an Eligible Account.

(b) The Indenture Trustee shall deposit or cause to be deposited in the DSCR Reserve Account during any DSCR Sweep Period the amount allocated for such purpose pursuant to Section 2.11(b). Except as provided in this Indenture, the Indenture Trustee, in accordance with the terms of this Indenture, shall have exclusive control and sole right of withdrawal with respect to the DSCR Reserve Account. Funds in the DSCR Reserve Account shall not be commingled with any other moneys. All moneys deposited from time to time in the DSCR Reserve Account shall be held by and under the control of the Indenture Trustee in the DSCR Reserve Account for the benefit of the Noteholders and the Issuers as herein provided.

(c) All amounts in the DSCR Reserve Account shall remain uninvested.

(d) Upon the termination of a DSCR Sweep Period, the Indenture Trustee shall remit such amounts to the Payment Account for application as Available Amount (other than as Unscheduled Proceeds) by the Indenture Trustee in accordance with Section 2.11(b). During an Early Amortization Period, the Indenture Trustee shall apply all amounts on deposit in the DSCR Reserve Account as Unscheduled Principal Payments and allocate such amounts to all Series in accordance with Section 2.11(b) on the related Payment Date. On the Rated Final Payment Date of any Class of Notes, the Indenture Trustee shall transfer all amounts on deposit in the DSCR Reserve Account on such date to the Payment Account to be applied in accordance with Section 2.11(b).

**Section 2.19 Representations and Warranties with Respect to the Issuers.**

Except as otherwise provided in any applicable Series Supplement, each applicable Issuer hereby represents and warrants to the other parties hereto, as of the applicable Series Closing Date, as follows:

(a) Such Issuer is a limited liability company duly created and validly existing in good standing under the laws of the State of Delaware and has full power, authority and legal right to execute and deliver the Indenture and the other Transaction Documents to which such Issuer is a party and to perform its obligations under the Indenture and the other Transaction Documents to which it is a party.

(b) The execution and delivery by such Issuer of the Indenture and the performance by such Issuer of its obligations under the Indenture and the other Transaction Documents to which such Issuer is a party has been duly and validly authorized and directed and does not violate the applicable Issuer LLC Agreement, nor does such execution, delivery or performance require the authorization, consent or approval of, the giving of notice to, the filing or registration with, or the taking of any other action by, any arbitrator, court or other Governmental Authority or conflict with, or result in a breach or violation of, any provision of any law or regulation governing such Issuer or any order, writ, judgment or decree of any arbitrator, court or other Governmental Authority applicable to such Issuer or any of its assets, any indenture, mortgage, deed of trust, partnership agreement or other agreement or instrument to which such Issuer is a party or by which such Issuer or any portion of the Collateral is a party or by which such Issuer or all or any portion of the Collateral is bound, which breach or violation would materially adversely affect either the ability of such Issuer to perform its obligations under the Indenture and the other Transaction Documents to which it is a party or the financial condition of such Issuer or the value of any Property as security for the Notes.

(c) Such Issuer has requisite power and authority to own the applicable Properties and Loans and to transact the businesses in which it is now engaged. Such Issuer is duly qualified to do business and is in good standing in each jurisdiction where it is required to be so qualified in connection with the applicable Properties and Loans, its business and operations. Such Issuer possesses all rights, licenses, permits and authorizations, governmental or otherwise, necessary to entitle it to own the applicable Properties and Loans and to transact the businesses in which it is now engaged, the failure of which to obtain would result in a material adverse effect on either the ability of such Issuer to perform its obligations under the Indenture and the other Transaction Documents to which it is a party or the financial condition of such Issuer or the value of any such Property or Loans as security for the Notes. The sole business of such Issuer is as set forth in the applicable Issuer LLC Agreement.

(d) The Indenture and the other Transaction Documents have been duly executed and delivered by such Issuer and, assuming due authorization, execution and delivery by each of the other parties hereto, constitutes a valid, legal and binding obligation of such Issuer, enforceable against such Issuer in accordance with the terms hereof, subject to (A) applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and (B) general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law.

(e) Such Issuer has no employee benefit plans and is not required to make any contributions to any Plans.

(f) Such Issuer (a) has not entered into the Indenture or any of the other Transaction Documents with the actual intent to hinder, delay, or defraud any creditor and (b) has received reasonably equivalent value in exchange for its obligations under the Indenture. Giving effect to the applicable Series of Notes, the fair saleable value of all Issuers' assets exceed and will, immediately following the execution and delivery of the Transaction Documents, exceed the Issuers' total liabilities, including, without limitation, subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Issuers' assets is and will, immediately following the execution and delivery of the Transaction Documents, be greater than the Issuers' probable liabilities, including the maximum amount of their contingent liabilities or debts as such debts become absolute and matured. The Issuers' assets do not and, immediately following the execution and delivery of the Transaction Documents will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Such Issuer does not intend to, and does not believe that it will, incur debts and liabilities (including, without limitation, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of such Issuer).

(g) Such Issuer is not: (a) an "investment company" or a company "controlled" by an "investment company," within the meaning of the 1940 Act; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which prevents such Issuer from entering into the Indenture; the Indenture is not required to be qualified under the 1939 Act.

(h) No Issuer is, and neither the sale of the Notes in the manner contemplated by the Private Placement Memorandum nor the activities of any Issuer pursuant to this Agreement will cause such Issuer to be, (a) an "investment company" or under the control of an "investment company" as defined in the Investment Company Act of 1940, as amended (the "**Investment Company Act**") and the rules and regulations thereunder or (b) required to be registered under the Investment Company Act. Each Issuer is relying on an exclusion or exemption from the definition of "investment company" contained in Section 3(c)(5) of the Investment Company Act, although there may be additional exclusions or exemptions available. Each Issuer does not constitute a "covered fund" under the so-called Volcker Rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**").

(i) The Transaction Documents and the applicable Private Placement Memorandum (as defined in the applicable Series Supplement) do not contain any untrue statement of a material fact or omit to state any material fact necessary to make statements contained herein or therein not misleading.



(j) The applicable Series of Notes, the Indenture, the other Transaction Documents and the organizational documents of such Issuer are not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor would the operation of any of the terms of such Series of Notes, the Indenture, any of the other Transaction Documents or the organizational documents of such Issuer, or the exercise of any right thereunder, render the Indenture unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury.

(k) The Indenture is in full force and effect and no Event of Default or violation under the Indenture or any of the other Transaction Documents or the organizational documents of such Issuer by any party thereunder has occurred and is continuing.

(l) Neither such Issuer nor any of its constituent Persons are contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of such Issuer's assets or property, and such Issuer has no knowledge of any Person contemplating the filing of any such petition against it or such constituent Persons.

(m) Such Issuer is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code and the related Treasury Regulations, including temporary regulations.

(n) Such Issuer does not own any asset or property other than the applicable Loans, Owned Properties and related Leases.

(o) Such Issuer has not incurred any indebtedness, secured or unsecured, direct or indirect, absolute or contingent (including guaranteeing any obligation), that has not been repaid in full, other than (i) the Notes, and (ii) trade and operational debt incurred in the ordinary course of business with trade creditors and in amounts as are normal and reasonable under the circumstances.

(p) Such Issuer has not made any loans or advances to any third party (including any Affiliate or constituent party or any Affiliate of any constituent party).

(q) Such Issuer has done or caused to be done all things necessary to observe organizational formalities and preserve its existence.

(r) Such Issuer has maintained its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or constituent party or any Affiliate of any constituent party, or any other Person.

(s) Such Issuer has not guaranteed, become obligated for, pledged its assets as security for, or held itself out to be responsible for the debts or obligations of any other Person or the decisions or actions respecting the daily business or affairs of any other Person, except for (a) guarantees or pledges from which such Issuer has been released or (b) the Notes.

(t) All of the assumptions made in any applicable substantive non-consolidation opinion letter dated the date hereof, delivered by Weil, Gotshal & Manges LLP in connection with the Notes and any subsequent non-consolidation opinion delivered on behalf of such Issuer as required by the terms and conditions of the Indenture (the "**Non-consolidation Opinion**"), including, but not limited to, any exhibits attached thereto, are true and correct in all material respects. Each Person other than such Issuer, if any, with respect to which an assumption is made in the applicable Non-Consolidation Opinion has complied with all of the assumptions made with respect to it in such Non-Consolidation Opinion.

(u) Upon the issuance of the applicable Series of Notes, the Indenture Trustee has a valid and enforceable first priority perfected lien or perfected security interest, as applicable, in the Collateral, subject only to Permitted Encumbrances.

(v) As of the date hereof, each applicable Series Closing Date and at all times throughout the term of the Notes, (i) none of the funds or other assets of such Issuer constitute property of, or are beneficially owned, directly or indirectly, by any Person, entity or government subject to trade restrictions under U.S. law, including but not limited to, the USA PATRIOT Act of 2001 (including the anti-terrorism provisions thereof) (the “**Patriot Act**”), the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701, et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder, with the result that the investment in such Issuer (whether directly or indirectly) is prohibited by law or the Notes are in violation of law (such person, an “**Embargoed Person**”), (ii) no Embargoed Person has any interest of any nature whatsoever in such Issuer, with the result that the investment in such Issuer (whether directly or indirectly) is prohibited by law or the Notes are in violation of law, and (iii) none of the funds of such Issuer have been derived from any lawful activity with the result that the investment in such Issuer (whether directly or indirectly) is prohibited by law or the Notes are in violation of law.

(w) No part of the proceeds of the Notes will be used for the purpose of purchasing or acquiring any “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulation U or any other Regulations of such Board of Governors, or for any purposes prohibited by Legal Requirements or by the terms and conditions of the Indenture or the other Transaction Documents.

**Section 2.20 Representations and Warranties With Respect To Owned Properties and Leases.**

Except as set forth in Schedule I of the applicable Series Supplement, each of the applicable Issuers shall make the following representations and warranties and the representations and warranties set forth in Exhibit A of such Series Supplement, as of (i) the date specified in the applicable representation or warranty or (ii) if no date is specified, the later of (a) the most recent Series Closing Date, (b) with respect to any Qualified Substitute Property, as of the applicable Transfer Date, and (c) with respect to a Post-Closing Property, as of the applicable Post-Closing Acquisition Date with respect to (x) the Owned Properties and Leases indicated in such Series Supplement or otherwise added to the Collateral Pool by such Issuer in connection with the issuance of any Series of Notes, (y) Qualified Substitute Properties acquired by an Issuer from a third party or (z) Post-Closing Properties, as applicable:

(a) There are no pending actions, suits or proceedings, arbitrations or governmental investigations against such Issuer or the related Owned Properties, an adverse outcome of which would materially affect (i) such Issuer's performance under the Notes, the Indenture or the other Transaction Documents, or the use of such Owned Properties for the use currently being made thereof, the operation of such Owned Properties as currently being operated or the value of such Owned Properties or (ii) the enforceability of the Mortgages with respect to such Owned Properties or the collectability of the related Leases.

(b) Such Issuer has good, marketable (or with respect to the related Properties located in Texas, indefeasible) and insurable title to each Owned Property, and has the full power, authority and right to deed, encumber, mortgage, give, grant, bargain, sell, alienate, setoff, convey, confirm, pledge, assign and hypothecate the same and such Issuer possesses an unencumbered fee estate, or ground lease interest, in each Owned Property and other than with respect to the Tenant Ground Leases, the Improvements thereon and it owns each Owned Property free and clear of all liens, encumbrances and charges whatsoever except for Permitted Encumbrances and each Mortgage is a valid and enforceable first lien on and security interest in the applicable Owned Property, subject only to said Permitted Encumbrances.

(c) The Permitted Encumbrances do not materially and adversely affect (i) the ability of such Issuer to pay in full the principal and interest on the Notes in a timely manner or (ii) the use of the related Owned Properties for the use currently being made thereof or the operation of such Owned Properties as currently being operated.

(d) Upon the execution by such Issuer and the recording of each Mortgage, and upon the execution and proper filing of UCC Financing Statements (if required by a jurisdiction to perfect the security interest set forth in the Mortgage), the Indenture Trustee will have a valid first lien on the related Owned Properties and a valid security interest in such Issuer's interest in the "Equipment" (as defined in the Mortgages), if any, subject to no liens, charges or encumbrances other than the Permitted Encumbrances.

(e) Each Owned Property is covered by an ALTA (or an equivalent form thereof as adopted in the applicable jurisdiction) Title Insurance Policy, in an amount at least equal to the initial Allocated Loan Amount of such Owned Property, issued during the six (6) months after the date such Owned Property was added to the Collateral Pool. Each Owned Property insured for the Allocated Loan Amount includes an aggregation endorsement, which provides coverage up to the value of such Owned Property in the event of a loss. The Title Insurance Policy insures, as of the date of such policy (or any date-down endorsement to such policy), that the related Mortgage is a valid first lien on the fee or leasehold interest in such Owned Property subject only to the Permitted Encumbrances (to the extent stated therein); such Title Insurance Policy is in full force and effect and names the Indenture Trustee as the mortgagee of record; such Title Insurance Policy is assignable to assignees of the insured in accordance with its terms. All premiums for the Title Insurance Policy have been paid and no material claims have been made hereunder. The Title Insurance Policy has been issued by a company licensed to issue such policies in the state in which such Owned Property is located.

(f) The related Owned Properties have adequate rights of access to public ways and are served by adequate water, sewer, sanitary sewer and storm drain facilities. Except as disclosed in surveys delivered to the Indenture Trustee in connection with the issuance of the Notes, all public utilities necessary to the continued use and enjoyment of each such Owned Property as presently used and enjoyed are located in the public right-of-way abutting such

Property or an adjacent mortgaged property, and all such utilities are connected so as to serve such Owned Properties, directly from such public right-of-way, through such adjacent mortgaged property or through valid easements insured under the Title Insurance Policies. All roads necessary for the current utilization of each such Owned Property have been completed and dedicated to public use and accepted by all Governmental Authorities or are the subject of access easements for the benefit of the applicable Owned Property or an adjacent mortgaged property.

(g) Except as disclosed in the Title Insurance Policies, to the knowledge of such Issuer, there are no material pending or proposed special or other assessments for public Improvements or otherwise affecting the related Owned Properties, nor, to the knowledge of such Issuer, are there any contemplated Improvements to such Owned Properties that may result in such special or other assessments.

(h) There are no delinquent or unpaid Taxes affecting any Owned Property which are or may become a lien of priority equal to or higher than the lien of the related Mortgage. For purposes of this representation and warranty, Taxes shall not be considered unpaid until the date on which interest and/or penalties would be payable thereon.

(i) Each related Owned Property as of the date such Owned Property was added to the Collateral Pool is free and clear of any mechanics' and materialmen's liens or similar liens that would materially and adversely affect the value of such Owned Property.

(j) All certifications, permits, licenses and approvals, including, without limitation, certificates of completion and occupancy permits required for the legal use, occupancy and operation of the related Owned Properties (collectively, the "Licenses") as currently being operated have been obtained and are in full force and effect except to the extent the failure of any such License to be in full force and effect would not have a material adverse effect on such Issuer or the use and operation of any Owned Property, and there is no proceeding pending or to the knowledge of such Issuer, is threatened or contemplated, for the total or material partial condemnation of, or affecting, such Owned Properties, or for the relocation of roadways providing access to any Owned Property.

(k) There is no valid dispute, claim, offset, defense or counterclaim to such Issuer's rights in the Lease.

(l) The Lease, together with applicable state law, contains customary and enforceable provisions such as to render the rights and remedies of the lessors thereof adequate for the practical realization against the related Underlying Mortgaged Property of the principal benefits of the security intended to be provided thereby, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(m) Except as illustrated on surveys delivered to the Indenture Trustee in connection with the issuance of the Notes, all of the material Improvements that were included in determining the Appraised Value of each Owned Property lie wholly within the boundaries and building restriction lines of such Owned Property except to the extent such Improvements may

encroach upon an adjoining Owned Property, and no improvements on adjoining properties, other than an adjoining Owned Property, encroach materially upon any property, and no easements or other encumbrances upon an Owned Property encroach materially upon any of the Improvements, so as to affect the value or marketability of any Owned Property, except those which are insured against by the Title Insurance Policies. Except as set forth on reports and surveys delivered to the Indenture Trustee in connection with the issuance of the Notes, all of the Improvements comply with all material requirements of any applicable zoning and subdivision laws and ordinances.

(n) Attached to the applicable Series Supplement is a true and correct list of Tenants operating at the related Owned Properties and such Issuer has received no notice of any material defaults under any franchise or operating agreements.

(o) In connection with the acquisition of record title to each Owned Property, such Issuer inspected or caused to be inspected such Owned Property by (i) appraisal inspection performed by an independent, third party Member of the Appraisal Institute appraiser and (ii) by a property condition engineer or (iii) otherwise as required by SCF Realty Capital's underwriting guidelines then in effect; the related Lease File contains a survey with respect to such Owned Property, which survey was deemed sufficient to delete the standard title survey exception (to the extent the deletion of such exception is available in the related state). In addition, such survey of such Owned Property has been performed by a duly licensed surveyor or registered professional engineer in the jurisdiction in which such Owned Property is situated, is certified to the Indenture Trustee, its successors and assigns, and the applicable title insurance company, with the signature and seal of a licensed engineer or surveyor affixed thereto and does not fail to reflect any material matter known to such Issuer affecting such Owned Property or the title thereto. Each appraisal contains a statement, or is accompanied by a letter from the appraiser, to the effect that the appraisal was performed in accordance with the requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as in effect on the date such appraisal was obtained.

(p) The origination, servicing and collection of Monthly Lease Payments on such Lease is in all respects legal, proper and prudent and in accordance with customary industry standards.

(q) To the extent required under Applicable Law, such Issuer was authorized to transact and do business in the jurisdiction in which such Owned Property is located, except where such failure to qualify would not result in a material adverse effect on the enforceability of the related Lease.

(r) The related Owned Properties are in compliance in all material respects with all Recorded Covenants and all Legal Requirements, including, without limitation, building and zoning ordinances and codes, the failure of which to comply with the same would result in a material adverse effect on either the ability of such Issuer to perform its obligations under the Indenture (including such applicable Series Supplement) and the other Transaction Documents or the financial condition of such Issuer or the value of any related Owned Property as security for the Notes.

(s) No fraudulent acts were committed by such Issuer during the origination process with respect to each such Lease; and, there has not been committed by such Issuer or any other Person in occupancy of or involved in the operation or use of the related Owned Properties any act or omission affording the federal government or any state or local government the right of forfeiture as against such Owned Properties or any part thereof or any moneys paid in performance of such Issuer's obligations under any of the Transaction Documents.

(t) Such Issuer is not a party to any agreement or instrument or subject to any restriction which might materially and adversely affect such Issuer or any Owned Property, or such Issuer's business, properties or assets, operations or condition, financial or otherwise. Such Issuer is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party or by which such Issuer or any of the related Owned Properties are bound, which default would materially adversely affect either the ability of such Issuer to perform its obligations under the Indenture (including such applicable Series Supplement) and the other Transaction Documents or the financial condition of such Issuer or the value of any related Owned Property as security for the Notes.

(u) All financial data that have been delivered to the Indenture Trustee in respect of the related Owned Properties, including, to such Issuer's knowledge, any such data relating to Tenants under Leases, (i) are true, complete and correct in all material respects, (ii) accurately represent the financial condition of such Owned Properties as of the date of such reports and (iii) to the extent prepared or audited by an independent certified public accounting firm, have been prepared in accordance with GAAP throughout the periods covered, except as disclosed therein; provided, however, that it is expressly understood by each party hereto that any cost estimates, projections and other predictions contained in such data are not deemed to be representations of such Issuer. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of such Issuer from that set forth in said financial statements.

(v) Each Owned Property is comprised of one (1) or more parcels, which constitute a separate tax lot or lots, and does not constitute a portion of any other tax lot not a part of such Owned Property.

(w) The operation of any of the terms of the related Lease, or the exercise of any rights thereunder, does not render such Lease unenforceable, in whole or in part, or subject to any right of rescission, set-off, abatement, diminution, counterclaim or defense.

(x) The related Issuer has obtained and has delivered to the Indenture Trustee certificates of all insurance policies reflecting the insurance coverages, amounts and other requirements set forth in the Indenture or any of the other Transaction Documents. To such Issuer's knowledge, no material pending claims have been made under any such policy, and no person, including such Issuer, has done, by act or omission, anything which would materially impair the coverage of any such policy.

(y) Each Owned Property is used exclusively for purposes related to each Tenant's existing business on the Series Closing Date and other existing uses permitted under the related leases.

(z) Except as set forth on a schedule to the applicable Series Supplement: (i) each Owned Property, including, without limitation, all buildings, improvements, parking facilities, sidewalks, storm drainage systems, roofs, plumbing systems, HVAC systems, fire protection systems, electrical systems, equipment, elevators, exterior sidings and doors, landscaping, irrigation systems and all structural components, is in good condition, order and repair in all material respects so as to not materially and adversely affect the use or value of such Owned Property, and such Owned Property is free of material damage and is in good repair in all material respects, in each case, as of the date such Owned Property was added to the Collateral Pool, (ii) there exists no structural or other material defects or damages in any Owned Property, whether latent or otherwise, and (iii) no insurance company or bonding company has given notice of any defects or inadequacies in any Owned Property as of the date such Owned Property was added to the Collateral Pool, or any part thereof, which would adversely affect the insurability of the same or cause the imposition of extraordinary premiums or charges thereon or of any termination or threatened termination of any policy of insurance or bond.

(aa) Except as set forth on a schedule to the applicable Series Supplement, in connection with each Owned Property with respect to which a Lease Guarantor has executed a Lease Guaranty with respect to all payments due under the related Lease:

(i) such Lease Guaranty is in full force and effect and, to such Issuer's knowledge, there are no defaults by the related Lease Guarantors thereunder;

(ii) such Lease Guaranty, on its face, (1) contains no conditions to such payment, other than a notice and right to cure; (2) provides that it is the guaranty of both the performance and payment of the financial obligations of the Tenant under the Lease; and (3) does not provide that the rejection of the Lease in a bankruptcy or insolvency of the Tenant shall affect the related Lease Guarantor's obligations under such Lease Guaranty; and

(iii) such Lease Guaranty is binding on the successors and assigns of the related Lease Guarantor and inures to the benefit of the lessor's successors and assigns; such Lease Guaranty cannot be released or amended without the lessor's consent or unless a predetermined performance threshold is achieved or a predetermined period of time has elapsed.

(bb) Except as set forth on a schedule to the applicable Series Supplement:

(i) the related Owned Properties are not subject to any Leases other than the Leases (and the subleases and assignments as permitted thereunder) described in the Owned Property Schedule attached to the applicable Series Supplement and made a part hereof. No Person has any possessory interest in any Owned Property or right to occupy the same except under and pursuant to the provisions of the Leases and subleases or assignments permitted thereunder. The Leases are in full force and effect and there are

no material defaults thereunder by such Issuer or any Tenant. No rent (including security deposits) has been paid more than one (1) month in advance of its due date. All material work, if any, to be performed by such Issuer under each Lease has been performed as required and has been accepted by the applicable Tenant, and any payments, free rent, partial rent, rebate of rent or other payments, credits, allowances or abatements required to be given by such Issuer to any Tenant has already been received by such Tenant. There has been no prior sale, transfer or assignment from such Issuer of any Owned Property or Leases in the Collateral or hypothecation or pledge by such Issuer of any Lease or of the rents received therein, except for such hypothecations or pledges to the Indenture Trustee for the benefit of the Noteholders that have been released. Except as permitted under the Leases, no Tenant listed on the Owned Property Schedule attached to the applicable Series Supplement has assigned its Lease and no such Tenant holds its leased premises under assignment or sublease. Such Owned Property Schedule to the applicable Series Supplement sets forth a true and correct list of each Owned Property that is subject to a Third Party Purchase Option or an option to terminate such Lease prior to the Rated Final Payment Date, together with the earliest date on which each such option may be exercised;

(ii) the Tenant under each Lease (or a permitted sublessee or assignee as permitted under such Lease) is in possession of the Owned Property and paying rent pursuant to the applicable Lease; such Issuer is the owner of the lessor's interest in each Lease; the Tenant or an assignee as permitted under such Lease is required to make rental payments as directed by such Issuer, as lessor, and its successors and assigns;

(iii) each Tenant has all material licenses, permits, material agreements, including, but not limited to franchise agreements, if applicable, necessary for the operation and continuance of such Tenant's business on the related Owned Property; no Issuer has received notice of any Tenant in default of such Tenant's obligations under any such applicable license, permit or agreement, which default would materially and adversely affect its business operations on the subject Property; and no Issuer has received notice of a material default under any applicable franchise or operating agreement;

(iv) neither such Issuer nor to such Issuer's knowledge, any Tenant is the subject of any bankruptcy or insolvency proceeding;

(v) there are no pending actions, suits or proceedings by or before any court or Governmental Authority against or affecting such Issuer, or, to such Issuer's knowledge, the related Owned Properties or any Tenant that, if determined adverse to such Issuer or any Owned Property or any Tenant, would materially and adversely affect the value of any Owned Property, the ability of such Issuer to pay principal, interest or any other amounts due under the Notes, or the ability of any Tenant to pay any amounts due under the applicable Lease;



(vi) the obligations of the related Tenant under the Lease, including, but not limited to, the obligation of Tenant to pay rent, are not affected by reason of: (i) any damage to or destruction of any portion of a related Owned Property, except damage to such Owned Property caused by casualty in the last twelve (12) or twenty-four (24) months of the lease term or substantial damage to the leased property such that the improvements cannot be repaired so as to allow Tenant to conduct a substantial part of its business within a specified time period ranging from one hundred eighty (180) days to one (1) year; (ii) any taking of such Owned Property, except a total condemnation and taking of the leased property or a partial condemnation and taking that renders the leased property unsuitable for the continuation of Tenant's business; or (iii) any prohibition, limitation, interruption, cessation, restriction, prevention or interference of Tenant's use, occupancy or enjoyment of such Owned Property, except with respect to certain abatement rights in connection with casualty and condemnation which may be provided for under the related Lease;

(vii) every obligation associated with managing, owning, developing and operating the Owned Property, including, but not limited to, the costs associated with utilities, taxes, insurance, capital and structural improvements, maintenance and repairs is an obligation of the Tenant;

(viii) all obligations related to the initial construction of the improvements on the Owned Property have been satisfied and, except for the obligation to rebuild such improvements after a casualty (which obligation is limited by available insurance proceeds), such Issuer, as lessor under the Lease, does not have any material monetary or non-monetary obligations under the Lease and has made no representation or warranty under the Lease, the breach of which would result in the abatement of rent, a right of setoff or termination of the Lease;

(ix) except as otherwise provided in the related Lease, the Tenant may not assign or sublease the Owned Property without the consent of such Issuer, and in the event the Tenant assigns or sublets the leased property, the Tenant remains primarily obligated under the Lease.

(x) the Tenant has agreed to indemnify such Issuer, as lessor under the Lease, from any claims of any nature relating to the Lease and the Tenant's operations at the related Owned Property other than the lessor's gross negligence or willful misconduct, including, without limitation, arising as a result of violations of Environmental Laws resulting from the Tenant's operation of the property;

(xi) any obligation or liability imposed by any easement or reciprocal easement agreement is an obligation of the Tenant, and such Issuer has no liability to the Tenant for performance of the same;

(xii) the Tenant under a Lease or related ancillary document (which document does not negate other representations and warranties set forth herein) is required to make rental payments to such Issuer, as lessor, and its successors and assigns;

(xiii) no material improvements on any Owned Property are located in an area designated as Flood Zone A or Flood Zone V by the Federal Emergency Management Agency or otherwise located in a flood zone area as identified by the Federal Emergency Management Agency as a 100 year flood zone or special hazard area, except as may be shown on the surveys delivered to the Indenture Trustee in connection with the issuance of the Notes, for which such applicable Properties such Issuer has caused the Tenant under the related Lease to obtain flood insurance in accordance with the provisions of the Lease and the Property Management Agreement;

(xiv) except for certain rights of first offer or rights of first refusal set forth in certain Leases, the Lease is freely assignable by the lessor and its successors and assigns (including, but not limited to, the Indenture Trustee, which may acquire title to an Owned Property by foreclosure or otherwise) to any person without the consent of the Tenant, and in the event the lessor's interest is so assigned, the Tenant is obligated to recognize the assignee as lessor under such Lease, whether under the Lease or by operation of law; and

(xv) the Tenant has not been released, in whole or in part, from its obligations under the terms of the Lease.

(cc) No adverse selection was employed in selecting such Lease.

(dd) With respect to any Owned Property which is the subject of a Master Lease (noting that not all properties subject to such Master Lease are included as Owned Properties in the Collateral Pool), the lessor under the Master Lease has assigned its interest in the Leases of the Owned Properties to such Issuer and such Issuer and the other lessors under the Master Leases have entered into inter-lessor agreements by which the rents and the rights to enforce the provisions of the Master Leases pertinent to any of the Owned Properties have also been assigned to such Issuer.

(ee) All security deposits collected in connection with such Owned Property are being held in accordance with all Applicable Law.

(ff) With respect to any Owned Property and Lease originated or acquired after the Series Closing Date, including with respect to any Qualified Substitute Properties or Post-Closing Properties purchased or substituted by such Issuer from a third party (subject to exceptions scheduled and set forth in the related Property Transfer Agreement, if applicable), such Owned Property and Lease are required to be originated or acquired pursuant to the terms and provisions of the Indenture and the Property Management Agreement in accordance with the related underwriting guidelines.

(gg) All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the transfer of the related Owned Properties to such Issuer have been paid. All mortgage, mortgage recording, stamp, intangible or other similar taxes required to be paid by any Person under applicable Legal Requirements currently in effect in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Transaction Documents, including, without limitation, the Mortgages, have been paid, and, under current Legal Requirements, each of the Mortgages is enforceable in accordance with their respective terms by the Indenture Trustee (or any subsequent holder thereof).

(hh) To such Issuer's knowledge, except as disclosed in the environmental reports delivered to the Custodian in connection with the issuance of the Notes, in all material respects: (a) no Owned Property is in violation of any Environmental Laws; (b) no Owned Property is subject to any private or governmental lien or judicial or administrative notice or action or inquiry, investigation or claim relating to Hazardous Substances; (c) no Hazardous Substances are or have been (including the period prior to such Issuer's acquisition of each Owned Property) released, discharged, generated, treated, disposed of or stored on, incorporated in, or removed or transported from each Owned Property other than in compliance with all Environmental Laws; and (d) no Hazardous Substances other than Permitted Materials, are present in, on or under any nearby real property which could migrate to or otherwise affect each Property.

(ii) To such Issuer's knowledge, no Asbestos is located on any Owned Property except as may have been disclosed in the environmental reports delivered to the Custodian in connection with the issuance of the Notes.

(jj) No condemnation or other similar proceeding has been commenced, or to the knowledge of such Issuer, is threatened or contemplated with respect to all or any portion of the related Owned Properties or for the relocation of roadways providing access to such Owned Properties.

(kk) No portion of the related Owned Properties has been purchased or leased with proceeds of any illegal activity.

(ll) Each Qualified Substitute Property satisfies the requirements set forth in the definition of Qualified Substitute Property.

(mm) Each Post-Closing Property satisfies the requirements set forth in the definition of "Post-Closing Property".

**Section 2.21 Representations and Warranties With Respect To Loans.**

Except as set forth in Schedule I of the applicable Series Supplement, each of the applicable Issuers shall make the following representations and warranties and the representations and warranties set forth in Exhibit A of such Series Supplement, as of (i) the date specified in the applicable representation or warranty or (ii) if no date is specified, the later of (a) the most recent Series Closing Date and (b) with respect to any Qualified Substitute Loan, the applicable Transfer Date, with respect to the Loans indicated in such Series Supplement or otherwise added to the Collateral Pool by such Issuer in connection with the issuance of any Series of Notes or as Qualified Substitute Loans, as applicable:

(a) Immediately prior to the transfer and assignment of the Loan to the related Issuer, the Originator had good title to, and was the sole owner and holder of, the Loan, free and clear of any and all liens, encumbrances and other interests on, in or to the Loan. Such transfer and assignment from the Originator to such Issuer of the Loan by collateral assignment and by

individual allonges of the Mortgage Notes and assignments of the Mortgages in blank legally and validly assigns all of the Originator's right, title and ownership of the Loan to such Issuer (and with respect to the Mortgage, to the Indenture Trustee) free and clear of any pledge, lien, encumbrance or security interest.

(b) Such Issuer has full right and authority to own and possess the Loan. The entire agreement with the related Originator (whether originated by the Originator or a different originator) is contained in the related Loan Documents and there are no warranties, agreements or options regarding such Loan or the related Underlying Mortgaged Property not set forth therein. Other than the Loan Documents, there are no agreements between any predecessor in interest in the Loan and the Borrower.

(c) The information pertaining to the Loan set forth in the Loan schedule attached to the related Property Transfer Agreement was true and correct in all material respects as of the related transfer date. The Loan was originated or acquired in accordance with, and fully complies with, SCF Realty Capital's underwriting guidelines in all material respects. All documents comprising the Loan File have been delivered to the Custodian, on behalf of the Indenture Trustee, with respect to each Loan by the related Series Closing Date. The related Loan File contains all of the documents and instruments required to be contained therein.

(d) Financing Statements have been filed and/or recorded (or, if not filed and/or recorded, have been submitted in proper form for filing and recording), in all public places necessary to perfect a valid first priority security interest in all items of personal property defined as part of the Underlying Mortgaged Property and in all cases, subject to a purchase money security interest and to the extent perfection may be effected pursuant to Applicable Law solely by recording or filing Financing Statements.

(e) With respect to each Loan, the related Mortgage constitutes a valid, legally binding and enforceable first priority lien upon the related Underlying Mortgaged Property and a fee or leasehold interest in the improvements located thereon and forming a part thereof, prior to all other liens and encumbrances, except for Loan Permitted Encumbrances. The lien of the Mortgage is insured by a Title Insurance Policy, issued by a nationally recognized title insurance company, insuring the originator of the Loan, its successors and assigns, as to the first priority lien of the Mortgage in the original principal amount of the Loan after all advances of principal, subject only to Loan Permitted Encumbrances (or, if a Title Insurance Policy has not yet been issued in respect of the Loan, a policy meeting the foregoing description is evidenced by a commitment for title insurance "marked up" (or by "pro-forma" otherwise agreed to in a closing instruction letter countersigned by the title company) as of the closing date of the Loan). Each Loan insured for the Allocated Loan Amount includes an aggregation endorsement, which provides coverage up to the value of such Loan in the event of a loss. Each Title Insurance Policy (or, if it has yet to be issued, the coverage to be provided thereby) is in full force and effect, all premiums thereon have been paid and no material claims have been made thereunder and no claims have been paid thereunder. Neither the Originator nor the applicable Issuer has, by act or omission, done anything that would materially impair the coverage under such Title Insurance Policy. Each Title Insurance Policy contains no exclusion for, or affirmatively insures (except for any Underlying Mortgaged Property located in a jurisdiction where such affirmative insurance is not available in which case such exclusion may exist),

(a) that the area shown on the survey is the same as the property legally described in the Mortgage and (b) to the extent that the Underlying Mortgaged Property consists of two or more adjoining parcels, such parcels are contiguous. Immediately following the transfer and assignment of the Loan to the applicable Issuer, such Title Insurance Policy (or, if it has yet to be issued, the coverage to be provided thereby) inures to the benefit of such Issuer without the consent of or notice to the insurer.

(f) Neither the Originator nor such Issuer has waived any material default, breach, violation or event of acceleration existing under the Mortgage or Mortgage Note.

(g) The Borrower has not waived any material default, breach, violation or event of acceleration by any Tenant existing under a related Lease.

(h) There is no valid offset, defense, counterclaim or right of rescission to the payment or performance obligations of the Loan.

(i) The Loan complied with all applicable usury laws in effect at its date of origination.

(j) The related Underlying Mortgaged Property is free and clear of any damage that would materially and adversely affect its value as security for the Loan. No proceeding for the condemnation of all or any material portion of such Underlying Mortgaged Property has been commenced.

(k) Each Underlying Mortgaged Property as of the date such Owned Property was added to the Collateral Pool (a) is free and clear of any material damage, (b) is in good repair and condition, (c) to the extent any damage is noted in the report, the related Borrower is required to repair same within a commercially reasonable time frame subject to the terms and provisions of the related Loan, and (d) is free of structural defects, except, in each case, to the extent of any damage or deficiencies that would not materially and adversely affect the use, operation or value the Underlying Mortgaged Property. No proceeding for the condemnation of all or any material portion of such Underlying Mortgaged Property has been commenced or threatened.

(l) The proceeds of the Loan have been fully disbursed and there is no requirement for future advances thereunder. All costs, fees and expenses incurred in making, closing and recording the Loan, including, but not limited to, mortgage recording taxes and recording and filing fees relating to the origination of such Loan, have been paid. Any and all requirements as to completion of any on-site or off-site improvement by the Borrower and as to disbursements of any escrow funds therefor that were to have been complied with have been complied with.

(m) The Borrower under the related Mortgage Note, Mortgage and all other Loan Documents had the power, authority and legal capacity to enter into, execute and deliver the same, and, as applicable, such Mortgage Note, Mortgage and other Loan Documents have been duly authorized, properly executed and delivered by the parties thereto, and each is the legal, valid and binding obligation of the related Borrower, guarantor or other obligor and the maker thereof (subject to any non-recourse provisions contained in any of the foregoing

agreements and any applicable state anti-deficiency legislation), enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(n) All improvements upon the related Underlying Mortgaged Property are insured under insurance policies (as described in a Schedule to the related Property Transfer Agreement, if any, entitled the “ **Insurance Schedule** ”). The Loan Documents require the Borrower to maintain, or cause any related Tenant to maintain, and the related Lease requires such Tenant to maintain, insurance coverage described on the Insurance Schedule and all insurance required under Applicable Law, including, without limitation, insurance against loss by hazards with extended coverage in an amount (subject to a customary deductible) at least equal to the full replacement cost of the improvements located on such Underlying Mortgaged Property, including without limitation, flood insurance if any portion of the improvements located upon such Underlying Mortgaged Property was, at the time of the origination of the Loan, in a flood zone area as identified in the Federal Register by the Federal Emergency Management Agency as a 100 year flood zone or special hazard area, and flood insurance was available under the then current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier. The Loan Documents require the Borrower to maintain, or to cause any related Tenant to maintain, on the related Underlying Mortgaged Property a fire and extended perils insurance policy, in an amount not less than the replacement cost and the amount necessary to avoid the operation of any co-insurance provisions with respect to such Underlying Mortgaged Property. All such insurance policies contain a standard “additional insured” clause (or similar clause) naming the Borrower (as landlord under the related Lease), its successors and assigns (including, without limitation, subsequent owners of such Property), as additional insured, and may not be reduced, terminated or canceled without thirty (30) (and, in some cases, ten (10)) days’ prior written notice to the additional insured. In addition, the Mortgage requires the Borrower to (i) cause the holder of the Mortgage to be named as an additional insured mortgagee, and (ii) maintain (or to require any related Tenant to maintain) in respect of the related Underlying Mortgaged Property workers’ compensation insurance (if applicable), commercial general liability insurance in amounts generally required by such holder of the Mortgage, and at least six (6) months’ rental or business interruption insurance. The related Loan Documents obligate the Borrower to maintain such insurance and, at such Borrower’s failure to do so, authorizes the mortgagee to maintain such insurance at the Borrower’s cost and expense and to seek reimbursement therefor from such Borrower. Each such insurance policy, as applicable, is required to name the holder of the Mortgage as an additional insured or contain a mortgagee endorsement naming the holder of the Mortgage as loss payee and requires prior notice to the holder of the Mortgage of termination or cancellation, and no such notice has been received, including any notice of nonpayment of premiums, that has not been cured. There have been no acts or omissions that would impair the coverage of any such insurance policy or the benefits of the mortgage endorsement. All insurance contemplated in this section is maintained with insurance companies with a General Policy Rating of “A” or better by S&P or “A:VIII” or better by Best’s Insurance Guide and are licensed to do business in the state wherein the Borrower or the Underlying Mortgaged Property subject to the policy, as applicable, is located (“ **Insurance Rating Requirements** ”).

(o) As of the applicable related Series Closing Date, the related Underlying Mortgaged Property was subject to one or more environmental site assessments or reports performed pursuant to ASTM 1527-13 (or an update of a previously conducted assessment or report) within twelve (12) months prior to such related Series Closing Date, and neither the Originator nor the applicable Issuer has knowledge of any Recognized Environmental Concern as defined in ASTM 1527-13 (“**REC**”) affecting such Underlying Mortgaged Property that was not disclosed in the related assessment or report(s). There is no REC affecting any Underlying Mortgaged Property which require remediation pursuant to an applicable state or federal law and that are not expected to be remediated or abated in all material respects by an adjacent or nearby property owner or the related Tenants or otherwise insured against by a public or private environmental insurance policy or with public funds other than, with respect to any REC described in such report, those conditions for which remediation has been completed and, thereafter, to the extent that such report or remediation program is so recommended: (i) a program of annual integrity testing and/or monitoring was recommended and implemented in connection with such Underlying Mortgaged Property or an adjacent or neighboring property; (ii) an operations and maintenance plan or periodic monitoring of such related Underlying Mortgaged Property or nearby properties was recommended and implemented; or (iii) a follow-up plan was otherwise required to be taken under CERCLA or under regulations established thereunder from time to time by the Environmental Protection Agency, and such plan has been implemented in the case of (i), (ii) and (iii) above. The Originator determined in accordance with SCF Realty Capital’s underwriting guidelines that adequate funding was available for such program or plan, as applicable. The Originator has not taken any action with respect to the Loan or the related Underlying Mortgaged Property that can subject the applicable Issuer, or its successors and assigns in respect of the Loan, to any liability under CERCLA or any other applicable federal, state or local environmental law, and neither the Originator nor the applicable Issuer has received any actual notice of a material violation of CERCLA or any applicable federal, state or local environmental law with respect to such Underlying Mortgaged Property that was not disclosed in the related report. The Mortgage or other Loan Documents require the Borrower (and any related Leases require the related Tenant) to comply with all applicable federal, state and local environmental laws and regulations. With respect to each Loan, (i)(a) a property condition or engineering report was prepared, if the related Property was constructed prior to 1985, with respect to asbestos-containing materials (“**ACMs**”) and (b) if such report disclosed the existence of any material and adverse ACMs affecting the related Underlying Mortgaged Property, the related Borrower (A) was required to remediate the identified condition prior to closing the Loan or provide additional security or establish with the mortgagee a reserve in an amount deemed to be sufficient by the Property Manager, for the remediation of the problem and/or (B) agreed in the Loan Documents to establish an operations and maintenance plan after the closing of the Loan that should reasonably be expected to mitigate the environmental risk related to the identified ACMs.

(p) The Loan is not cross-collateralized or cross-defaulted with any Loan that is not included in the Collateral Pool.

(q) Except by written instruments that are part of the Loan File, recorded or filed in the applicable public office if necessary to maintain the priority of the lien of the related Mortgage, (i) the terms of the Mortgage, Mortgage Note and other Loan Documents have not been impaired, waived altered, modified, satisfied, canceled or subordinated in any material

respect, (ii) no related Underlying Mortgaged Property or any portion thereof has been released from the lien of the related Mortgage in any manner which materially interferes with the security intended to be provided by such Mortgage or the use, value or operation of such Underlying Mortgaged Property, and (iii) neither Borrower nor any guarantor has been released from its obligations under the Loan.

(r) There are no delinquent taxes, ground rents, assessments for improvements or other similar outstanding lienable charges affecting the related Underlying Mortgaged Property which are or may become a lien of priority equal to or higher than the lien of the Mortgage. For purposes of this representation and warranty, real property taxes and assessments shall not be considered unpaid until the date on which interest and/or penalties would be payable thereon.

(s) Except for any Loan secured by a ground lease, the interest of the Borrower in the related Underlying Mortgaged Property consists of a fee simple estate in real property.

(t) Each Loan is a whole loan and not a participation interest.

(u) The assignment of the Mortgage referred to in the Loan File constitutes the legal, valid and binding assignment of such Mortgage from the relevant assignor to the applicable Issuer. The assignment of leases and rents set forth in the Mortgage or separate from the Mortgage and related to and delivered in connection with each Loan establishes and creates a valid, subsisting and, subject only to Loan Permitted Encumbrances, enforceable first priority lien and first priority security interest in the Borrower's interest in all leases, subleases, licenses or other agreements pursuant to which any person is entitled to occupy, use or possess all or any portion of the real property subject to the Mortgage, and each assignor thereunder has the full right to assign the same. The related assignment of Mortgage or any assignment of leases and rents not included in a Mortgage, executed and delivered in favor of such Issuer is in recordable form and constitutes a legal, valid and binding assignment, sufficient to convey to the assignee named therein all of the assignor's right, title and interest in, to and under such assignment of leases and rents. No person other than the related Borrower owns any interest in any payment due under such lease or leases that is superior to or of equal priority with the lender's interest therein. The related Mortgage or related assignment of leases, subject to Applicable Law, provides that, upon an event of default under the Loan, a receiver will be appointed for the collection of rents or for the related mortgagee to enter into possession to collect the rents or for rents to be paid directly to the mortgagee.

(v) All escrow deposits relating to the Loan that are required to be deposited with the related holder of the Loan or its agent have been so deposited and there are no deficiencies (subject to any applicable grace or cure periods) in connection therewith, and all such escrows and deposits that are required under the related Loan Documents have been conveyed to the applicable Issuer or its designee and identified as such with appropriate detail. No other escrow amounts have been released except in accordance with the terms and conditions of the related Loan Documents.



(w) As of the date of origination of such Loan and, as of the transfer date, as the case may be, the related Underlying Mortgaged Property securing such Loan was and is free and clear of any mechanics' and materialmen's liens or liens in the nature thereof which create a lien prior to that created by the Mortgage, except those which are insured against by the Title Insurance Policy referred to in paragraph (e) above.

(x) As of the date of the origination of the Loan, no improvement that was included for the purpose of determining the Appraised Value of the related Underlying Mortgaged Property securing such Loan at the time of origination of the Loan lay outside the boundaries and building restriction lines of such property in any way that would materially and adversely affect the value of such related Underlying Mortgaged Property or the ability to operate such Underlying Mortgaged Property under the related Lease (unless affirmatively covered by the Title Insurance Policy referred to in paragraph (e) above), and no improvements on adjoining properties encroached upon such Property or any related easements to any material extent.

(y) (i) There exists no material default, breach or event of acceleration under the Loan or any of the Loan Documents or the related lease, if any, (ii) there exists no event (other than payments due but not yet delinquent) that, with the passage of time or with notice and the expiration of any grace or cure period, would constitute such a material default, breach or event of acceleration, (iii) no payment on any Loan is, or has previously been during any time owned by the Originator or the applicable Issuer, thirty (30) or more days delinquent, and (iv) no payment on any related lease is or has previously been thirty (30) or more days delinquent; provided, however, that this representation and warranty does not cover any default, breach or event of acceleration that specifically pertains to any matter otherwise covered or addressed by any other representation and warranty made by the applicable Issuer with respect to the Loans. No person other than the holder of such Loan may declare any event of default under the Loan or accelerate any indebtedness under the Loan Documents.

(z) In connection with the origination of each Loan, the applicable Issuer inspected or caused to be inspected the related Underlying Mortgaged Property by inspection or otherwise as required in SCF Realty Capital's underwriting guidelines then in effect.

(aa) Except as set forth in the Series Supplement, the Loan contains no equity participation by or shared appreciation rights in the lender or beneficiary under the Mortgage, and does not provide for any contingent or additional interest in the form of participation in the cash flow of the related Underlying Mortgaged Property, or for negative amortization.

(bb) No holder of the Loan has advanced funds or induced, solicited or knowingly received any advance of funds from a party other than the owner of the related Underlying Mortgaged Property, directly or indirectly, for the payment of any amount required by the Loan (other than amounts paid by the related Tenant as specifically provided under the related lease). No Originator or any Affiliate thereof has any obligation to make any capital contribution to any Borrower under a Loan.

(cc) To such Issuer's knowledge, based on due diligence customarily performed in the origination or acquisition of comparable Loans, as of the date of origination or acquisition of the Loans, the related Borrowers, were in compliance with all Applicable Law relating to the ownership and operation of the related Underlying Mortgaged Properties as they were then operated and were in possession of all material licenses, permits and authorizations required by Applicable Law for the ownership and operation of such Underlying Mortgaged Properties as they were operated. With respect to Underlying Mortgaged Properties that are operated as franchised properties, and except with respect to Loans for which the related Tenant is the franchisor, the Tenant of such Underlying Mortgaged Property has entered into a legal, valid, and binding franchise agreement and such Tenant has represented in the applicable Lease Documents that, as of the date of origination or acquisition of the Loan, there were no defaults under the franchise agreement by such Tenant.

(dd) The origination, servicing and collection practices the related Originator or Issuer used with respect to the Loan since such Originator's origination or, as applicable, Originator's or Issuer's acquisition thereof have complied with Applicable Law in all material respects and are consistent and in accordance with the terms of the related Loan Documents and in accordance with the applicable servicing standard and customary industry standards.

(ee) The Mortgage or Mortgage Note, together with applicable state law, contains customary and enforceable provisions (subject to the exceptions set forth in paragraph (l) above) such as to render the rights and remedies of the holders thereof adequate for the practical realization against the Underlying Mortgaged Property of the principal benefits of the security intended to be provided thereby, including the right of foreclosure under the laws of the state in which such Underlying Mortgaged Property is located.

(ff) The Mortgage provides that insurance proceeds and condemnation proceeds will be applied for one of the following purposes: to restore or repair the related Underlying Mortgaged Property (the lender (or a trustee appointed by it) having the right to hold and disburse such proceeds as the repair or restoration progresses); to repay the principal of the Loan; or to be used as otherwise directed by the holder of such Mortgage.

(gg) There are no actions, suits, legal, arbitration or administrative proceedings or investigations by or before any court or governmental authority or, to such Issuer's knowledge, pending against or affecting the Borrower or the related Underlying Mortgaged Property that, if determined adversely to such Borrower or such Underlying Mortgaged Property, would materially and adversely affect (a) title to the Underlying Mortgaged Property, (b) the validity or enforceability of the Mortgage, (c) such Borrower's ability to perform under the related Loan, (d) any related guarantor's ability to perform under the related guaranty, (e) the use, operation or value of the Underlying Mortgaged Property, (f) the principal benefit of the security intended to be provided by the Loan Documents, (g) the current ability of the Underlying Mortgaged Property to generate net cash flow sufficient to service such Loan, or (h) the current principal use of the Property.

(hh) If the Mortgage is a deed of trust, a trustee, duly qualified under Applicable Law to serve as such, is properly designated and serving under such Mortgage. Except in connection with a trustee's sale or as otherwise required by Applicable Law, after default by the Borrower, no fees or expenses are payable to such trustee.

(ii) The Mortgage does not permit the related Underlying Mortgaged Property to be encumbered by any lien junior to or of equal priority with the lien of the Mortgage (excluding any lien relating to another Loan that is cross collateralized with the Loan) without the prior written consent of the holder thereof. There is no mezzanine debt related to the Underlying Mortgaged Property.

(jj) The Mortgage Note or Mortgage does not require the holder thereof to release all or any portion of the Underlying Mortgaged Property securing the Loan from the Lien of the Mortgage except upon payment in full of all amounts due under the Loan.

(kk) The Borrower is not a debtor in any state or federal bankruptcy or insolvency proceeding.

(ll) As of the date of origination by the related Originator or acquisition of each Mortgage by such Issuer, as applicable, each Borrower which is not a natural person was duly organized and validly existing under the laws of the state of its jurisdiction.

(mm) The Loan contains provisions for the acceleration of the payment of the unpaid principal balance of the Loan if, without complying with the requirements of the Loan, (i) the related Underlying Mortgaged Property, or any controlling interest in the Borrower, is directly or indirectly pledged, transferred or sold or (ii) the related Underlying Mortgaged Property is encumbered with a subordinate lien or security interest against the related Property.

(nn) The Loan Documents for each of the Loans generally provide that the Borrower is to provide periodic financial and operating reports including, without limitation, annual profit and loss statements, statements of cash flow and other related information that the applicable Issuer reasonably requests from time to time.

(oo) To the applicable Issuer's actual knowledge, based upon zoning letters, zoning reports, the Title Insurance Policy insuring the lien of the Mortgage, historical use and/or other due diligence customarily performed by the Originator in connection with the origination of the Loan, the improvements located on or forming part of the related Underlying Mortgaged Property comply in all material respects with applicable zoning laws and ordinances (except to the extent that they may constitute legal non-conforming uses). In the event of casualty or destruction, (a) the Underlying Mortgaged Property may be restored or repaired to the full extent necessary to maintain the use of the structure immediately prior to such casualty or destruction, (b) law and ordinance insurance coverage has been obtained for the Underlying Mortgaged Property in amounts customarily required by prudent commercial mortgage lenders that provides coverage for additional costs to rebuild and/or repair the property to current Applicable Law, zoning ordinances, rules, covenants and restrictions, or (c) the inability to restore the Underlying Mortgaged Property to the full extent of the use or structure immediately prior to the casualty would not materially and adversely affect the use, operation or value of such Underlying Mortgaged Property.

(pp) Any Underlying Mortgaged Property is located within one of the 50 United States or the District of Columbia.

(qq) With respect to a Loan secured by an Underlying Mortgaged Property located in “seismic zones” 3 or 4, the Borrower or Issuer (or an Affiliate of Issuer) has obtained, and is required under the Loan Documents to maintain, earthquake insurance from an insurer in compliance with the Insurance Rating Requirements and in an amount not less than 150% of the probable maximum loss for the related Underlying Mortgaged Property with respect to the improvements on and forming a part of such Underlying Mortgaged Property, or is required to cause the Tenant to maintain (and the Tenant has obtained) earthquake insurance if such Underlying Mortgaged Property is located in any such area.

(rr) The applicable Issuer does not have knowledge of any circumstance or condition with respect to such Loan, the related Underlying Mortgaged Property, the related Lease or the Borrower’s or the Tenant’s credit standing that can reasonably be expected to cause such Issuer to regard such Loan as unacceptable security, cause such Loan or the related Lease to become delinquent or have a material adverse effect on the value or marketability of such Loan.

(ss) The related Underlying Mortgaged Property has adequate rights of access to public rights-of-way and is served by utilities, including, without limitation, adequate water, sewer, electricity, gas, telephone, sanitary sewer, and storm drain facilities. All public utilities necessary to the continued use and enjoyment of such Underlying Mortgaged Property as presently used and enjoyed are located in such public rights-of-way abutting such Underlying Mortgaged Property or are the subject of access easements for the benefit of such Underlying Mortgaged Property, and all such utilities are connected so as to serve such Underlying Mortgaged Property without passing over other property or are the subject of access easements for the benefit of such Underlying Mortgaged Property. All roads necessary for the full use of such Underlying Mortgaged Property for its current purpose have been completed and dedicated to public use and accepted by all governmental authorities or are the subject of access easements for the benefit of such Underlying Mortgaged Property. The related Underlying Mortgaged Property constitutes one or more separate tax parcels which do not include any property which is not part of the Underlying Mortgaged Property or is subject to an endorsement under the related Title Insurance Policy insuring the Underlying Mortgaged Property, or in certain cases, an application has been made to the applicable governing authority for creation of separate tax lots, in which case the Loan requires the Borrower to escrow an amount sufficient to pay taxes for the existing tax parcel of which the Underlying Mortgaged Property is a part until the separate tax lots are created.

(tt) With respect to any Loan where all or a material portion of the Underlying Mortgaged Property securing such Loan is a leasehold estate, and the related Mortgage does not also encumber the related ground lessor’s fee interest in such Underlying Mortgaged Property, based upon the terms of the ground lease and any estoppel letter or other writing received from the ground lessor and included in the related Loan File and, if applicable, the related Mortgage:

(i) The ground lease or a memorandum regarding such ground lease has been duly recorded. The ground lessor has permitted the interest of the related lessee to be encumbered by the related Mortgage. There has been no material change in the terms of the ground lease since its recordation, except by any written instruments which are included in the related Loan File.

(ii) The ground lease may not be amended, modified, cancelled or terminated without the prior written consent of the owner of the Loan and that any such action without such consent is not binding on the lender, its successors or assigns.

(iii) The ground lease has an original term (or an original term plus one or more optional renewal terms, which, under all circumstances, may be exercised, and is enforceable, by the lender) that extends not less than twenty (20) years beyond the stated maturity of the related Loan, or the stated term of the related Lease, as applicable.

(iv) Based on the Title Insurance Policy referenced in paragraph (e) above, the ground leasehold interest is not subject to any liens or encumbrances superior to, or of equal priority with, the Mortgage, subject to permitted encumbrances and liens that encumber the ground lease's fee interest.

(v) The ground lease is assignable to the lender and its assigns without the consent of the ground lessor thereunder.

(vi) Neither such Issuer or the Originator has received any written notice of default under or notice of termination of such ground lease. The ground lease is in full force and effect and no default has occurred under the ground lease and there is no existing condition which, but for the passage of time or the giving of notice, would result in a material default under the terms of the ground lease.

(vii) The ground lease or ancillary agreement between the lessor and the lessee requires the lessor to give to the lender written notice of any default, provides that no notice of default or termination is effective unless such notice is given to the lender, and requires that the ground lessor will supply an estoppel.

(viii) The lender is permitted a reasonable opportunity (including, where necessary, sufficient time to gain possession of the interest of the lessee under the ground lease through legal proceedings, or to take other action so long as the lender is proceeding diligently) to cure any default under the ground lease which is curable after the receipt of notice of any default, before the ground lessor may terminate the ground lease.

(ix) The ground lease does not impose restrictions on subletting that would be viewed as commercially unreasonable by a prudent commercial mortgage lender. The ground lessor is not permitted to disturb the possession, interest or quiet enjoyment of any subtenant of the ground lessee in the relevant portion of the related Underlying Mortgaged Property subject to the ground lease for any reason, or in any material manner, which would adversely affect the security provided by the related Mortgage.

(x) Any related insurance proceeds or condemnation award (other than in respect of a total or substantially total loss or taking) is required under the related ground lease to be applied either to the repair or restoration of all or part of the related Underlying Mortgaged Property, with the lender or a trustee appointed by it having the right to hold and disburse such proceeds as repair or restoration progresses, or to the payment of the outstanding principal balance of the Loan, together with any accrued interest.

(xi) Any related insurance proceeds, or condemnation award in respect of a total or substantially total loss or taking of the related Underlying Mortgaged Property is required to be applied first to the payment of the outstanding principal balance of the Loan, together with any accrued interest (except as provided by Applicable Law or in cases where a different allocation would not be viewed as commercially unreasonable by any institutional investor, taking into account the relative duration of the ground lease and the related Mortgage and the ratio of the market value of the related Underlying Mortgaged Property to the outstanding principal balance of such Loan). Pursuant to the related ground lease, until the principal balance and accrued interest are paid in full, neither the lessee nor the ground lessor under the ground lease has an option to terminate or modify the ground lease without the prior written consent of the lender as a result of any casualty or partial condemnation, except to provide for an abatement of the rent.

(xii) Provided that the lender cures any defaults which are susceptible to being cured, the ground lessor has agreed to enter into a new lease upon termination of the ground lease for any reason, including rejection of the ground lease in a bankruptcy proceeding.

(uu) With respect to each Loan and any Qualified Substitute Loans purchased or substituted by the related Issuer from a third-party, each Loan and the related Underlying Mortgaged Property are required to be originated pursuant to the Indenture and the Property Management Agreement in accordance with SCF Realty Capital's underwriting guidelines or in accordance with a Borrower's, Tenant's or a different form of document that is otherwise approved by such Issuer on a case by case basis in a manner that provides for such Issuer to receive the substantive benefits intended to be realized in accordance with SCF Realty Capital's underwriting guidelines.

(vv) None of the Loans are construction loans.

(ww) Each Borrower covenants in the Loan Documents that it shall keep all material licenses, permits, franchises, certificates of occupancy, consents, and other approvals necessary for the operation of the Underlying Mortgaged Property in full force and effect, and to the applicable Issuer's knowledge based upon any of a letter from any government authorities or other affirmative investigation of local law compliance consistent with the investigation conducted by such Issuer for similar commercial Loans intended for securitization; all such material licenses, permits, franchises, certificates of occupancy, consents, and other approvals are in effect. The Loan requires the related Borrower to be qualified to do business in the jurisdiction in which the related Underlying Mortgaged Property is located and for the Borrower and the Underlying Mortgaged Property to be in compliance in all material respects with all regulations, zoning and building laws.

(xx) To the extent required under Applicable Law, as of the related Series Closing Date or as of the date that such entity held the Mortgage Note, each holder of the Mortgage Note was authorized to transact and do business in the jurisdiction in which each related Underlying Mortgaged Property is located, or the failure to be so authorized does not materially and adversely affect the enforceability of such Loan by the applicable Issuer.

(yy) The Loan Documents for each Loan provide that such Loan (a) becomes full recourse to the Borrower and guarantor (which is a natural person or persons, or an entity distinct from the Borrower (but may be affiliated with the Borrower) that has assets other than equity in the related Underlying Mortgaged Property that are not de minimis) in any of the following events: (i) if any petition for bankruptcy, insolvency, dissolution or liquidation pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by, consented to, or acquiesced in by, the Borrower; (ii) Borrower or guarantor shall have colluded with other creditors to cause an involuntary bankruptcy filing with respect to the Borrower or (iii) transfers of either the Underlying Mortgaged Property or equity interests in Borrower made in violation of the Loan Documents; and (b) contains provisions providing for recourse against the Borrower and guarantor (which is a natural person or persons, or an entity distinct from the Borrower (but may be affiliated with the Borrower) that has assets other than equity in the related Underlying Mortgaged Property that are not de minimis), for losses and damages sustained in the case of (i) misappropriation of rents, security deposits, insurance proceeds, or condemnation awards; (ii) the Borrower's fraud or willful misrepresentation; (iii) willful misconduct by the Borrower or guarantor; (iv) breaches of the environmental covenants in the Loan Documents; or (v) commission of material physical waste at the Underlying Mortgaged Property.

(zz) The related special-form all-risk insurance policy and business interruption policy (issued by an insurer meeting the Insurance Rating Requirements) do not specifically exclude Acts of Terrorism, as defined in the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Program Reauthorization Act of 2007 (collectively referred to as "**TRIPRA**"), from coverage, or if such coverage is excluded, it is covered by a separate terrorism insurance policy. With respect to each Loan, the related Loan Documents do not expressly waive or prohibit the mortgagee from requiring coverage for Acts of Terrorism, as defined in TRIPRA, or damages related thereto, except to the extent that any right to require such coverage may be limited by availability on commercially reasonable terms.

(aaa) Each Loan requires the Borrower to be a Single-Purpose Entity for at least as long as the Loan is outstanding. Both the Loan Documents and the organizational documents of the Borrower with respect to each Loan with a principal balance in excess of \$5,000,000 as of the related Series Closing Date provide that the Borrower is a Single-Purpose Entity, and each Loan with a principal balance of \$20,000,000 or more has a counsel's opinion regarding non-consolidation of the Borrower. For this purpose, a "Single-Purpose Entity" shall mean an entity, other than an individual, whose organizational documents (or if the Loan has a principal balance as of the related Series Closing Date equal to \$5,000,000 or less, its organizational documents or the related Loan Documents) provide substantially to the effect that it was formed or organized solely for the purpose of owning and operating one or more of the Underlying Mortgaged Properties securing the Loans and prohibit it from engaging in any business unrelated to such Underlying Mortgaged Property or Underlying Mortgaged Properties, and whose organizational documents further provide, or which entity represented in the related Loan Documents, substantially to the effect that it does not have any assets other than those related to its interest in and operation of such Underlying Mortgaged Property or Underlying Mortgaged Properties, or

any indebtedness other than as permitted by the related Mortgage(s) or the other related Loan Documents, that it has its own books and records and accounts separate and apart from those of any other person (other than a Borrower for a Loan that is cross-collateralized and cross-defaulted with the related Loan), and that it holds itself out as a legal entity, separate and apart from any other person or entity.

(bbb) Prior to the origination date of the related Loan, the applicable Originator obtained financial information with respect to the Borrower and the related tenant in accordance with the requirements of SCF Realty Capital's underwriting guidelines.

(ccc) The applicable Originator has obtained an organizational chart or other description of each Borrower which identifies all beneficial controlling owners of the Borrower. Prior to the origination date of the related Loan, the applicable Originator reviewed and approved the Borrower in accordance with the requirements of SCF Realty Capital's underwriting guidelines.

(ddd) Such Issuer obtained an estoppel from the tenant on the Underlying Mortgaged Property within ninety (90) days prior to the origination date of the related Loan, (w) confirming the rent payments under the related lease, (x) the term of the related lease, including any extension options, (y) the related lease is in full force and effect, and (z) there exists no default under such lease, either by the lessee thereunder or by the Borrower, as lessor.

(eee) The Loan File contains an appraisal of the related Underlying Mortgaged Property with an appraisal date within six (6) months of the Loan origination date, and within twelve (12) months of the related Series Closing Date. The appraisal is signed by an appraiser who is a Member of the Appraisal Institute and, to the best of such Issuer's knowledge, had no interest, direct or indirect, in the Underlying Mortgaged Property or the Borrower or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Loan. Each appraiser has represented in such appraisal or in a supplemental letter that the appraisal satisfies the requirements of the "Uniform Standards of Professional Appraisal Practice" as adopted by the Appraisal Standards Board of the Appraisal Foundation. Each appraisal contains a statement, or is accompanied by a letter from the appraiser, to the effect that the appraisal was performed in accordance with the requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as in effect on the date such appraisal was obtained.

(fff) Issuer and Originator have complied with all applicable anti-money laundering laws and regulations, including without limitation the Patriot Act with respect to the origination of the Loan.

**Section 2.22 Reserved.**



## ARTICLE III

### SATISFACTION AND DISCHARGE

#### Section 3.01 Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect except as to (i) any surviving rights herein expressly provided for, including any rights of transfer or exchange of Notes herein expressly provided for, (ii) in the case of clause (1)(B) below, the rights of the Noteholders hereunder to receive payment of the Outstanding Principal Balance of and interest on the Notes and any other rights of the Noteholders hereunder, and (iii) the provisions of Section 3.02, when:

(1) either: (A) all Notes theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.07 and (ii) Notes for which payment of money has theretofore been deposited in the Payment Account by the Indenture Trustee and thereafter repaid to the Issuers or discharged from such trust, as provided in Section 5.10) have been delivered to the Note Registrar for cancellation; or (B) all such Notes not theretofore delivered to the Note Registrar for cancellation (i) have become due and payable or (ii) will become due and payable on the next Payment Date, and in the case of clause (B)(i) or (B)(ii) above, cash in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Note Registrar for cancellation or sufficient to pay the Outstanding Principal Balance thereof and any interest thereon accrued to the date of such deposit (in the case of Notes which have become due and payable) or to the end of the related Accrual Period for the next Payment Date has been deposited with the Indenture Trustee as trust funds in trust for these purposes;

(2) the Issuers have paid or caused to be paid all other sums payable or reasonably expected to become payable by such Issuers to the Indenture Trustee, the Property Manager, the Special Servicer, the Back-Up Manager, each of the Rating Agencies, each of the other Persons to which amounts are payable hereunder and each of the Noteholders (in each case, if any);

(3) the Issuers have delivered to the Indenture Trustee an Officer's Certificate of the applicable Issuer Manager (upon which the Indenture Trustee may rely) stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with; and

(4) the Issuers have furnished to the Indenture Trustee a Tax Opinion to the effect that the actions contemplated by this Section 3.01 will not (i) cause any Class of Notes of any Series that was characterized as debt at the time of its issuance for U.S. federal income tax purposes, to be characterized other than as indebtedness for U.S. federal income tax purposes, or (ii) cause or constitute an event in which any U.S. federal income tax gain or loss would be recognized by any Noteholder or any Issuer;

provided, however, that if, at any time after the payment that would have otherwise resulted in the satisfaction and discharge of this Indenture and such obligations, such payment is rescinded or must otherwise be returned for any reason, effective upon such rescission or return such satisfaction and discharge of this Indenture and such obligations shall automatically be deemed never to have occurred and this Indenture and such obligations shall be deemed to be in full force and effect.

Notwithstanding the foregoing, the obligations of the Issuers to the Indenture Trustee under Section 5.04 hereof and the obligations of the Indenture Trustee to the Noteholders under Section 3.02 hereof shall survive satisfaction and discharge of this Indenture.

**Section 3.02 Application of Trust Money.**

Subject to the provisions of Section 2.11, Section 5.10 and Section 7.01, all Cash deposited with the Indenture Trustee pursuant to Section 3.01 shall be held in the Payment Account and applied by the Indenture Trustee, in accordance with the provisions of the Notes and this Indenture, to pay to the Persons entitled thereto the amounts to which such Persons are entitled pursuant to the provisions hereof.

**ARTICLE IV**

**EVENTS OF DEFAULT; REMEDIES**

**Section 4.01 Events of Default.**

“**Event of Default**,” wherever used herein with respect to the Notes of any Series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) unless otherwise specified in the related Series Supplement, the failure of any Issuer to pay Note Interest on any related Notes on any Payment Date and such failure continues unremedied for a period of two (2) Business Days;

(b) the failure of any Issuer to reduce to zero the Outstanding Principal Balance of any related Class of Notes on the applicable Rated Final Payment Date;

(c) (i) any material default in the observance or performance of any material covenant or agreement of any Issuer made in this Indenture, the Transaction Documents or any related Mortgage (other than a covenant or agreement, a default in the observance or performance of which is elsewhere in this Section 4.01 specifically dealt with), which default shall continue unremedied for a period of thirty (30) days after there shall have been given to the Issuers by the Indenture Trustee, or to the Issuers and the Indenture Trustee by the Noteholders holding at least 25% of the Aggregate Series Principal Balance, a written notice specifying such default and requiring it to be remedied; (ii) any monetary default by any Issuer under any Transaction Document, other than this Indenture, any Mortgage or any Series of Notes, which monetary default continues beyond any applicable cure period set forth in such Transaction

Document, or if no cure period is set forth in such document, such default continues unremedied for a period of five (5) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to such Issuer by the Indenture Trustee; or (iii) any material default in the observance or performance of any non-monetary covenant or agreement on the part of any Issuer contained in any Transaction Document, other than this Indenture, any Mortgage or any Series of Notes, which continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to such Issuer by the Indenture Trustee, provided, however, if such default under this clause (iii) is reasonably susceptible of cure, but not within such thirty (30) day period, then such Issuer may be permitted an additional ninety (90) days to cure such default provided such Issuer diligently and continuously pursues such cure;

(d) (i) the impairment of the validity or effectiveness of this Indenture or the impairment of the validity or effectiveness of the lien of any Mortgage, the subordination of the lien of any such Mortgage, the creation of any lien or other encumbrance on any part of the Collateral Pool in addition to the lien of any such Mortgage or the failure of the lien of any such Mortgages to constitute a valid first priority perfected security interest in the Collateral included in the Collateral Pool, in each case that has a material adverse effect with respect to the Collateral Pool and subject to liens expressly permitted under the terms of the Property Management Agreement and the related Mortgages; provided, that if susceptible of cure, no Event of Default shall arise pursuant to this clause (d) until the continuation of any such default unremedied for a period of five (5) days or, with respect to the lien of any Mortgage, thirty (30) days after receipt by the Issuers of notice thereof; or (ii) the creation of any mechanic's, materialmen's or other lien or encumbrance, other than a Permitted Encumbrance and subject to such Issuer's right to contest such lien pursuant to Section 9.04(b), on any part of the Collateral in addition to the lien of any Mortgage, which lien is not removed of record or otherwise insured over to Indenture Trustee's satisfaction within forty-five (45) days of the filing or recording of such lien;

(e) a breach of the representations and warranties of any Issuer contained in the Indenture (other than as set forth in Section 2.20 and Section 2.21) and such breach materially and adversely affects the interests of the Noteholders, which continues unremedied for a period of five (5) days after the date on which written notice of such breach, requiring the same to be remedied, shall have been given to such Issuer by the Indenture Trustee;

(f) a decree or order of a court or agency or supervisory authority having jurisdiction in the premises in an involuntary case under any present or future federal or state bankruptcy, insolvency or similar law or appointing a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities and reorganization or similar proceedings, or for the winding up or liquidation of its affairs, shall have been entered against any Issuer or Issuer Manager and such decree or order shall have remained in force undischarged or unstayed for a period of ninety (90) days;

(g) any Issuer shall voluntarily file a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding or consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings of, or relating to, such Issuer or the related Issuer Manager or of, or relating to, all or substantially all of the assets of such Issuers or the related Issuer Manager;

(h) the Loans or Properties are subject to a Collateral Transfer other than as provided in this Indenture or the Property Management Agreement;

(i) any default on the obligations of any Issuer as set forth under any applicable Series Supplement, or any default under any other Transaction Document (that is deemed an “Event of Default under the Indenture” pursuant to the terms of such other Transaction Document); or

(j) with respect to any Series of Notes, any material default by the related Issuer or the Issuer Manager in the observance or performance of the covenants set forth in Section 9.24 of this Indenture, which default shall continue unremedied for a period of two (2) Business Days after the date on which written notice of such breach shall have been given to such Issuer.

**Section 4.02 Acceleration of Maturity, Rescission and Annulment.**

If an Event of Default (other than with respect to clause (f), clause (g) or clause (j) of the definition thereof) should occur and be continuing, at the written direction of the Requisite Global Majority (which shall have the right, but not the obligation, to direct the Indenture Trustee to accelerate the Notes and, subject to the provisions of this Indenture, cause the foreclosure and sale of the Collateral included in the Collateral Pool), the Indenture Trustee shall declare all of the Notes to be immediately due and payable. If an Event of Default specified in Section 4.01(f), (g) or (j) occurs, the unpaid Outstanding Principal Balance of such Notes, together with all accrued interest thereon through the date of acceleration, shall automatically become due and payable in full without any declaration or other act on the part of the Indenture Trustee or any Noteholder.

At any time after such declaration of acceleration has been made and before a judgment or decree for payment of the money due in respect of the Notes has been obtained by the Indenture Trustee as hereinafter provided in this Article IV, the Requisite Global Majority may rescind and annul such declaration and its consequences if:

(a) the Issuers have paid to or deposited with the Indenture Trustee a sum sufficient to pay:

(i) all payments of principal of and interest on the Notes and all other amounts that would, in each case, then be due hereunder or upon the Notes if the Event of Default giving rise to such acceleration had not occurred; and

(ii) all sums paid or advanced by the Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by virtue of such acceleration, have been cured or waived as provided in Section 4.12.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereto.

**Section 4.03 Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.**

(a) If the Issuers fail to pay all amounts due upon an acceleration of the Notes under Section 4.02 forthwith upon demand and such declaration and its consequences shall not have been rescinded and annulled, the Indenture Trustee, in its capacity as Indenture Trustee and as trustee of an express trust, shall, if directed by the Requisite Global Majority (which will have the right, but not the obligation, to direct the Indenture Trustee to cause the foreclosure and sale of the Collateral in the Collateral Pool), institute a judicial proceeding for the collection of the sums so due and unpaid, prosecute such proceeding to judgment or final decree and enforce the same against the Issuers or any other obligor upon such Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the Collateral, wherever situated, or may institute and prosecute such non-judicial proceedings in lieu of judicial proceedings as are then permitted by Applicable Law.

(b) If an Event of Default occurs and is continuing, the Indenture Trustee may, in its discretion and in any order, proceed to protect and enforce its rights and the rights of the Noteholders by such appropriate proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or any Mortgage or by Applicable Law.

(c) In case (x) there shall be pending, relative to the Issuers or any Person having or claiming an interest in the Collateral Pool, proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, (y) a receiver, assignee, debtor-in-possession or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or shall have taken possession of any Issuer or its property or (z) there shall be pending a comparable judicial proceeding brought by creditors of any Issuer or affecting the property of such Issuer, the Indenture Trustee, irrespective of whether the principal of or interest on any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective attorneys, and for

reimbursement of all reasonable expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of willful misconduct, negligence or bad faith of the Indenture Trustee or any predecessor Indenture Trustee, as applicable) and of the Noteholders allowed in such proceedings;

(ii) unless prohibited by Applicable Law, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and of the Indenture Trustee on their and its behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Noteholders allowed in any judicial proceedings relative to any Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such proceeding is hereby authorized by each of Noteholders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective attorneys, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of willful misconduct, negligence or bad faith of the Indenture Trustee or predecessor Indenture Trustee.

(d) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any related Noteholder or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(e) In any proceedings brought by the Indenture Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be necessary to make any Noteholder a party to any such proceedings.

(f) All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee and its counsel, be for the ratable benefit of the Noteholders in respect of which such judgment has been recovered, subject to the payment priorities of Section 2.11(b).

#### **Section 4.04 Remedies.**

If an Event of Default has occurred and is continuing, and the Notes have been declared due and payable pursuant to Section 4.02 and such declaration and its consequences shall not have been rescinded and annulled, the Indenture Trustee shall, at the written direction of the Requisite Global Majority, in addition to performing any tasks as provided in Section 4.03, do one or more of the following:

(a) institute, or cause to be instituted, Proceedings for the collection of all amounts then payable on or under the Collateral or this Indenture with respect to the Notes, whether by declaration of acceleration or otherwise, of the sums due and unpaid, prosecute such Proceedings, enforce any judgment obtained and collect from the Collateral included in the Collateral Pool the moneys adjudged to be payable;

(b) liquidate, or cause to be liquidated, all or any portion of the Collateral Pool at one or more public or private sales called and conducted in any manner permitted by Applicable Law; provided, however, that the Indenture Trustee shall give the Issuers written notice of any private sale called by or on behalf of the Indenture Trustee pursuant to this Section 4.04(b) at least ten (10) days prior to the date fixed for such private sale;

(c) institute, or cause to be instituted, Foreclosure Proceedings with respect to all or part of the Collateral included in the Collateral Pool;

(d) exercise, or cause to be exercised, any remedies of a secured party under the UCC;

(e) maintain the lien of this Indenture and the Mortgages over the Collateral included in the Collateral Pool and, in its own name or in the name of the Issuers or otherwise, collect and otherwise receive in accordance with the Property Management Agreement or this Indenture any money or property at any time payable or receivable on account of or in exchange for the Properties and Leases in the Collateral Pool;

(f) take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee hereunder; and

(g) exercise, or cause to be exercised, any remedies contained in any Mortgage;

provided, however, that the Indenture Trustee shall not, unless required by law, sell or otherwise liquidate all or any portion of the Collateral Pool following any Event of Default except in accordance with Section 4.15; provided, further, that, with respect to instituting any remedies pursuant to this Section 4.04 in any state wherein the law prohibits more than one “judicial action” or “one form of action” to enforce a mortgage obligation, the Indenture Trustee shall enforce any of the Indenture Trustee’s rights hereunder with respect to any Properties in accordance with the directions of the Property Manager.

In the event that the Indenture Trustee, following an Event of Default hereunder, institutes Foreclosure Proceedings, the Indenture Trustee shall promptly give a notice to that effect to the Issuers and each Rating Agency.

**Section 4.05 Application of Money Collected.**

Any money collected by the Indenture Trustee pursuant to this Article shall be deposited in the Payment Account and, on each Payment Date, shall be applied in accordance with Section 2.11 and, in case of the distribution of such money on account of the principal of or interest on the Notes, upon presentation and surrender of the Notes if fully paid.

**Section 4.06 Limitation on Suits.**

Except as provided in Section 4.07, no Noteholder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (1) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Event of Default;
- (2) the Requisite Global Majority shall have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as Indenture Trustee hereunder;
- (3) such Noteholder has offered to the Indenture Trustee adequate indemnity or security satisfactory to the Indenture Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;
- (4) the Indenture Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity or security has failed to institute any such proceeding; and
- (5) an Event of Default shall have occurred and be continuing;

it being understood and intended that no one or more of such Noteholders shall have any right in any manner whatever by virtue of, or by availing itself or themselves of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Noteholders, or to obtain or to seek to obtain priority or preference over any other of such Noteholders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Noteholders. Subject to the foregoing restrictions, the Noteholders may exercise their rights under this Section 4.06 independently.

**Section 4.07 Unconditional Right of Noteholders to Receive Principal and Interest.**

Notwithstanding any other provision in this Indenture, the Holder of any Note at Maturity shall have the right, which is absolute and unconditional, to receive payments of interest, principal and other amounts then due on such Note (subject to Section 2.11) and to institute suit for the enforcement of any such payment (subject to Section 4.06), and such rights



shall not be impaired without the consent of such Noteholder, unless a non-payment has been cured pursuant to the second paragraph of Section 4.02. The Issuers shall, however, be subject to only one consolidated lawsuit by the Noteholders, or by the Indenture Trustee on behalf of the Noteholders, for any one cause of action arising under this Indenture or otherwise.

**Section 4.08 Restoration of Rights and Remedies.**

If the Indenture Trustee or any Noteholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued, waived, rescinded or abandoned for any reason, or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case, subject to any determination in such proceeding, the Issuers, the Indenture Trustee and the Noteholders shall be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such proceeding had been instituted.

**Section 4.09 Rights and Remedies Cumulative.**

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.07, no right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

**Section 4.10 Delay or Omission Not Waiver.**

No delay or omission of the Indenture Trustee or any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Indenture or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, to the extent permitted by Applicable Law, by the Indenture Trustee or the Noteholders, as the case may be.

**Section 4.11 Control by Requisite Global Majority.**

The Requisite Global Majority shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee under Section 4.04, or exercising any trust or power conferred on the Indenture Trustee (including, without limitation, the exercise of its rights under any Account Control Agreement and the waiver of a Servicer Replacement Event under the Property Management Agreement); provided, that such direction shall not be in conflict with any rule of law or with this Indenture or involve the Indenture Trustee in personal liability; provided, further, that the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction. Notwithstanding the foregoing, the Requisite Global Majority will not be required to provide, and the Indenture Trustee will not be required to obtain, a Tax Opinion in the case of a direction by the Requisite Global Majority to the Indenture Trustee, following an Event of Default, to realize upon the Collateral included in the Collateral Pool by liquidating such Collateral or otherwise.

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**Section 4.12 Waiver of Past Defaults.**

Prior to the acceleration of the Maturity of the Notes, the Requisite Global Majority may waive any past default hereunder and its consequences, except a default:

- (1) in the distribution of principal or interest on any Note, for which a waiver shall require the consent of Noteholders holding 100% of the Series Principal Balance of all Notes affected thereby;
- (2) in respect of a covenant or provision hereof which under Article VIII cannot be modified or amended without the consent of the Holder of each Note affected thereby, for which a waiver shall require the consent of each such Holder;
- (3) depriving the Indenture Trustee of a lien on any part the Collateral, for which a waiver shall require the consent of the Indenture Trustee; or
- (4) depriving the Indenture Trustee of any fees, reimbursement, or indemnification, to which the Indenture Trustee is entitled, for which a waiver shall require the written consent of the Indenture Trustee.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom (and any Early Amortization Period under clause (B) of the definition thereof resulting therefrom) shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon. Any costs or expenses incurred by the Indenture Trustee in connection with such waiver shall be reimbursable to the Indenture Trustee, as applicable, as an Extraordinary Expense from amounts on deposit in the Payment Account.

**Section 4.13 Undertaking for Costs.**

All parties to this Indenture agree, and each Noteholder and Note Owner by its acceptance of such Note or an Ownership Interest therein shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses based on time expended, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by any Issuer, or to any suit instituted by the Indenture Trustee, or to any suit instituted by any Noteholder or group of Noteholders, holding in the aggregate at least 25% of the Aggregate Series Principal Balance, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or interest on any Note on or after the Maturity of such Note.

**Section 4.14 Waiver of Stay or Extension Laws.**

Each Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim to take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; each Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of such law and covenants that it will not hinder, delay or impede the exercise of any power herein granted to the Indenture Trustee, but will suffer and permit the exercise of every such power as though no such law had been enacted.

**Section 4.15 Sale of Collateral.**

(a) The power to effect any public or private sale of any portion of the Collateral Pool pursuant to Section 4.03 or Section 4.04 shall not be exhausted by any one or more sales as to any portion of the Collateral remaining unsold, but shall continue unimpaired until either the entirety of the Collateral Pool shall have been sold or all amounts payable on the Notes and under this Indenture with respect thereto shall have been paid. The Indenture Trustee may from time to time postpone any sale by public announcement made at the time and place of such sale. The Indenture Trustee hereby expressly waives its right to any amount fixed by law as compensation for any such sale but such waiver does not apply to any amounts to which the Indenture Trustee is otherwise entitled under Section 5.04.

(b) Subject to Section 4.15(c), the Indenture Trustee shall not sell the Collateral included in the Collateral Pool pursuant to Section 4.03 or Section 4.04, unless:

- (i) the Requisite Global Majority consents to or directs the Indenture Trustee to make the related sales; or
- (ii) the proceeds of such liquidation would be greater than or equal to the Aggregate Series Principal Balance.

The foregoing provisions of this Section 4.15 shall not preclude or limit the ability of the Indenture Trustee or its designee to purchase all or any portion of the Collateral at any sale, public or private, and the purchase by the Indenture Trustee or its designee of all or any portion of the Collateral at any sale shall not be deemed a sale or disposition thereof for purposes of this Section 4.15(b).

(c) In the event that any Series of Notes is not fully paid on the applicable Rated Final Payment Date, the applicable Controlling Party shall have the right to require the sale of the Collateral, subject to Section 4.15(b) and (d).

(d) In connection with a sale of all or any portion of the Collateral Pool:

(i) any Holder or Holders of Notes may bid for and purchase the property offered for sale, and upon compliance with the terms of sale may hold, retain and possess and dispose of such property, without further accountability, and may, in paying the purchase money therefor, deliver any Outstanding Notes or claims for interest thereon in lieu of cash up to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon, and such Notes, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after being appropriately stamped to show such partial payment;

(ii) the Indenture Trustee shall execute and deliver, without recourse, an appropriate instrument of conveyance transferring its interest in any portion of the Collateral Pool in connection with a sale thereof;

(iii) the Indenture Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuers to transfer and convey any such Issuer's interest in any portion of the Collateral Pool in connection with a sale thereof, and to take all action necessary to effect such sale;

(iv) no purchaser or transferee at such a sale shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys; and

(v) no purchaser or transferee at such a sale shall have been a prior owner of such Collateral if such prior owner was SCF Realty Capital or an Affiliate thereof.

**Section 4.16 Action on Notes.**

The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of the Mortgages and this Indenture nor any rights or remedies of the Indenture Trustee, or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against any Issuer or by the levy of any execution under such judgment upon any portion of the Collateral Pool.

**ARTICLE V**

**THE INDENTURE TRUSTEE**

**Section 5.01 Certain Duties and Responsibilities.**

The Issuers hereby irrevocably constitute and appoint the Indenture Trustee, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in place and stead of the Issuers and in the name of the Issuers or in its own name or in the name of a nominee, from time to time in the Indenture Trustee's discretion, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Indenture, all as set forth in this Section.

(a) The rights, duties and liabilities of the Indenture Trustee in respect of this Indenture shall be as follows:

(i) The Indenture Trustee shall have the full power and authority to do all things not inconsistent with the provisions of this Indenture that it may deem advisable in order to enforce the provisions hereof or to take any action with respect to a default or an Event of Default hereunder, or to institute, appear in or defend any suit or other proceeding with respect hereto, or to protect the interests of the Noteholders. The Issuers shall prepare and file or cause to be filed, at the applicable Issuers' expense, a UCC Financing Statement and any continuation statements, describing such Issuers as debtor, the Indenture Trustee as secured party and the Collateral included in the Collateral Pool as the collateral, in all appropriate locations in the State of Delaware promptly following the initial issuance of each Series of Notes, and within six months prior to each fifth anniversary of the original filing. The Indenture Trustee is hereby authorized and obligated to make, at the expense of the applicable Issuers, all required filings and refilings with respect to which the Indenture Trustee receives written direction from an Issuer, necessary to preserve the liens created by the Mortgages and this Indenture as provided therein and herein. The Indenture Trustee shall not be required to take any action to exercise or enforce the trusts hereby created which, in the opinion of the Indenture Trustee, shall be likely to involve expense or liability to the Indenture Trustee, unless the Indenture Trustee shall have received an agreement satisfactory to it in its reasonable discretion to indemnify it against such liability and expense. Except as otherwise expressly provided herein, the Indenture Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements contained herein, or in any other instruments to be performed or observed by the Issuers.

(ii) Subject to the other provisions of this Article V, the Indenture Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to the Indenture Trustee that are specifically required to be furnished pursuant to any provisions of this Indenture, shall examine them to determine whether they are on their face in the form required by this Indenture to the extent expressly set forth herein. If any such instrument is found on its face not to conform to the requirements of this Indenture in a material manner, the Indenture Trustee shall take such action as it deems appropriate to have the instrument corrected. The Indenture Trustee shall not incur any liability in acting upon any signature, notice, request, consent, certificate, opinion, or other instrument reasonably believed by it to be genuine. In administering the trusts hereunder, the Indenture Trustee may execute any of the trusts or powers hereunder directly or through its agents or attorneys; provided, that it shall remain liable for the acts of all such agents and attorneys. The Indenture Trustee may, at its own expense (except as otherwise provided in Section 5.04), consult with counsel, accountants and other professionals to be selected and employed by it, and the Indenture Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice of any such Person nor for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts.

(iii) The Indenture Trustee shall not, except as otherwise provided in Section 5.01(a)(i), have any duty to make, arrange or ensure the completion of any recording, filing or registration of any instrument or other document (including any UCC Financing Statements), or any amendments or supplements to any of said instruments or to determine if any such instrument or other document is in a form suitable for recording, filing or registration, and the Indenture Trustee shall not have any duty to make, arrange or ensure the completion of the payment of any fees, charges or taxes in connection therewith.

(iv) Whenever in performing its duties hereunder, the Indenture Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee may, in the absence of bad faith on the part of the Indenture Trustee, rely upon (unless other evidence in respect thereof be specifically prescribed herein) an Officer's Certificate of any applicable Issuer Manager and such Officer's Certificate shall be full warrant to the Indenture Trustee for any action taken, suffered or omitted by it on the faith thereof.

(v) Except in its capacity as successor to the Property Manager, the Indenture Trustee shall not have any obligations to see to the payment or discharge of any liens (other than the liens of this Indenture and the Mortgages) upon the Collateral included in the Collateral Pool, or to see to the application of any payment of the principal of or interest on any Note secured thereby or to the delivery or transfer to any Person of any property released from any such lien, or to give notice to or make demand upon any mortgagor, mortgagee, trustor, beneficiary or other Person for the delivery or transfer of any such property. The Indenture Trustee (and any successor trustee or co-trustee in its individual capacity) nevertheless agrees that it will, at its own cost and expense, promptly take all action as may be necessary to discharge any liens or encumbrances on the Collateral included in the Collateral Pool, arising as a result of the Indenture Trustee (or such successor trustee or co-trustee, as the case may be) acting negligently, in bad faith or with willful misconduct in its capacity as Indenture Trustee (or such successor trustee or co-trustee, as the case may be).

(vi) The Indenture Trustee shall not be concerned with or accountable to any Person for the use or application of any deposited moneys or of any property or securities or the proceeds thereof that shall be released or withdrawn in accordance with the provisions hereof or of any property or securities or the proceeds thereof that shall be released from the lien hereof or thereof in accordance with the provisions hereof or thereof and the Indenture Trustee shall not have any liability for the acts of other parties that are not in accordance with the provisions hereof.

(b) The rights, duties and liabilities of the Indenture Trustee in respect of the Collateral Pool and this Indenture, in addition to those set forth in Section 5.01(a), shall be as follows:

(i) except during the continuance of an Event of Default with respect to the Notes, the Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) the Indenture Trustee may, in the absence of bad faith on its part, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture or any other Transaction Document, as applicable; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture, to the extent expressly set forth herein.

(c) Subject to Section 4.12, in case an Event of Default known to the Indenture Trustee with respect to the Notes has occurred and is continuing, the Indenture Trustee shall exercise such of the rights and powers vested in it by this Indenture and the Mortgages, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(d) No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsections (a), (b) or (c) of this Section;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the directions of any applicable party pursuant to a Transaction Document, the Requisite Global Majority, any Controlling Party or Noteholders of more than 50% (unless a lower or higher percentage of Noteholders is expressly permitted or required to authorize such action hereunder, in which case such lower or higher percentage) of the Aggregate Series Principal Balance, as the case may be, relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising or omitting exercise any trust or power conferred upon the Indenture Trustee, under this Indenture with respect to the Notes; and

(iv) the Indenture Trustee shall not be required to take notice or be deemed to have notice or knowledge of a default in the observance of any covenant contained in Section 9.06 or Article X unless either (i) a Responsible Officer of the Indenture Trustee shall have actual knowledge of such default or (ii) written notice of such default shall have been given by the Issuers or by any Noteholder to and received by a Responsible Officer of the Indenture Trustee. In the absence of receipt of such notice or actual knowledge the Indenture Trustee may conclusively assume that is no default or Event of Default.

The Indenture Trustee shall perform the duties and obligations specified to be performed by the Indenture Trustee in the Property Management Agreement and in the other Transaction Documents.

**Section 5.02 Notice of Defaults.**

The Indenture Trustee, promptly but not later than two (2) Business Days after a Responsible Officer of the Indenture Trustee acquires actual knowledge of the occurrence of any default under this Indenture, shall notify the Issuers the Noteholders and the Rating Agencies of any such default (a “**Notice of Default**”), unless all such defaults known to the Indenture Trustee shall have been cured before the giving of such notice or unless the same is rescinded and annulled, or waived by the Requisite Global Majority pursuant to Section 4.02 or Section 4.12. For the purpose of this Section 5.02, the term “default” means any event which is, or after notice, or direction of the Requisite Global Majority or lapse of time would become, an Event of Default with respect to the Notes.

**Section 5.03 Certain Rights of Indenture Trustee.**

Subject to the provisions of Section 5.01, in connection with this Indenture:

(a) the Indenture Trustee may request and rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties as may be required by such party or parties pursuant to the terms of this Indenture or any other Transaction Document, as applicable;

(b) any request or direction of an Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order and any resolution of the board of managers of the Issuer Manager may be sufficiently evidenced by a Resolution;

(c) whenever in the administration of this Indenture the Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer’s Certificate;

(d) the Indenture Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel rendered thereby shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;



(e) [reserved];

(f) the Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document, but the Indenture Trustee in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Indenture Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers, personally or by agent or attorney;

(g) the Indenture Trustee may, at its own expense (except as otherwise provided in Section 5.04), execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys of the Indenture Trustee; provided, that it shall remain liable for the acts of all such attorneys and agents;

(h) the Indenture Trustee shall not be required to provide any surety or bond of any kind in connection with the execution or performance of its duties hereunder;

(i) except with respect to the representations made by it in Section 5.06, the Indenture Trustee shall not make any representations as to the validity or sufficiency of this Indenture;

(j) the Indenture Trustee shall not at any time have any responsibility or liability with respect to the legality, validity or enforceability of the Collateral included in the Collateral Pool other than its failure to act in accordance with the terms of this Indenture or the Property Management Agreement;

(k) The Indenture Trustee shall be under no obligation to exercise any of the powers vested in it by this Indenture or any other Transaction Document, as applicable, or to institute, conduct or defend any litigation hereunder or in relation hereto at the request, order or direction of any of the Noteholders, pursuant to the provisions of this Indenture, unless such Noteholders shall have offered to the Indenture Trustee security or indemnity satisfactory to the Indenture Trustee against the costs, expenses and liabilities which may be incurred therein or thereby (which in the case of the Requisite Global Majority will be deemed to be satisfied by a letter agreement with respect to such costs from such Noteholders); nothing contained herein shall, however, relieve the Indenture Trustee of the obligation, upon the occurrence of an Event of Default of which a Responsible Officer of the Indenture Trustee shall have actual knowledge, and such Event of Default having not been cured, to exercise such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs;

(l) The Indenture Trustee shall not be personally liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or the rights and powers conferred upon it by this Indenture;

(m) The right of the Indenture Trustee to perform any discretionary act enumerated in this Indenture shall not be construed as a duty, and the Indenture Trustee shall not be answerable for other than its own negligence or willful misconduct in the performance of such act;

(n) The Indenture Trustee shall not be required to expend or risk its own funds or otherwise incur financial liability for the performance of any of its duties hereunder or the exercise of any of its rights or powers if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not assured to it;

(o) The right of the Indenture Trustee to perform any discretionary act enumerated in this Indenture shall not be construed as a duty, and Indenture Trustee shall not be answerable for other than its negligence or willful misconduct in the performance of such act;

(p) To help the U.S. government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. When an account is opened, the Indenture Trustee shall ask for information that will allow the Indenture Trustee to identify relevant parties. The other parties hereto hereby acknowledge such information disclosure requirements and agree to comply with all such information disclosure requests from time to time from the Indenture Trustee;

(q) Notwithstanding anything to the contrary herein, any and all email communications (both text and attachments) by or from the Indenture Trustee that the Indenture Trustee deems to contain confidential, proprietary, and/or sensitive information may be encrypted. The recipient (the “**Email Recipient**”) of the encrypted email communication will be required to complete a registration process. Instructions on how to register and/or retrieve an encrypted message will be included in the first secure email sent by the Indenture Trustee to the Email Recipient; and

(r) The Indenture Trustee shall have the right to require that any directions, instructions or notices provided to it by any Noteholder be signed by an Authorized Person (as hereinafter defined), be provided on corporate letterhead, be notarized or contain a medallion signature guarantee, or contain such other evidence as may be reasonably requested by the Indenture Trustee to establish the identity and/or signatures thereon. The identity of such Authorized Persons, as well as their specimen signatures, title, telephone number and e-mail address, shall be delivered to the Indenture Trustee in a list of authorized signers form acceptable to the Indenture Trustee and shall remain in effect until the applicable party, or an entity acting on its behalf, notifies the Indenture Trustee of any change thereto (the person(s) so designated from time to time, the “**Authorized Persons**”).

#### **Section 5.04 Compensation; Reimbursement; Indemnification.**

(a) Subject to Section 5.04(b), the applicable Issuers hereby agree:

(1) to pay or cause to be paid to the Indenture Trustee, in accordance with the terms of this Indenture, monthly, the related Indenture Trustee Fee as compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); and

(2) to reimburse, indemnify or cause to be indemnified and hold harmless the Indenture Trustee and its directors, officers, employees, agents, Affiliates and Control Persons for any loss, liability, claim, expense or disbursements (including without limitation costs and expenses of litigation, and of investigation, reasonable counsel fees, damages, judgments and amounts paid in settlement): (A) incurred in connection with any act (including any actions taken by the Indenture Trustee or its agents pursuant to Article IV) or omission on the part of the Indenture Trustee with respect to this Indenture (and the transactions contemplated in connection herewith), any other Transaction Documents, the Collateral Pool (including but not limited to protecting its interest in such Collateral or collecting any amount payable thereunder or in enforcing its rights with respect to such Collateral, whether or not any legal proceeding is commenced hereunder or under the Mortgages) or the Notes (in each case, other than any loss, liability or expense incurred by reason of willful misfeasance, bad faith or negligence in the performance of the Indenture Trustee's obligations or duties under this Indenture); (B) arising out of or in any way relating to any one or more of the following: (i) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about any Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (ii) any use, non-use or condition in, on or about any Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (iii) performance of any labor or services or the furnishing of any materials or other property in respect of any Property or any part thereof; and (iv) any failure of any Property to be in compliance with any Applicable Law; or (C) arising out of or in any way relating to any tax on the making and/or recording of any Mortgage.

With respect to any third party claim:

- (i) the Indenture Trustee shall give the Issuers written notice thereof promptly after the Indenture Trustee shall have knowledge thereof;
- (ii) while maintaining control over its own defense, the Indenture Trustee shall cooperate and consult fully with the Issuers in preparing such defense; and
- (iii) notwithstanding the foregoing provisions of this Section 5.04(a), the Indenture Trustee shall not be entitled to reimbursement out of the Payment Account for settlement of any such claim by the Indenture Trustee entered into without the prior written consent of the applicable Issuers, which consent shall not be unreasonably withheld.

The provisions of this Section 5.04(a) shall survive the termination of this Indenture and the resignation or termination of the Indenture Trustee.

Each of the Authenticating Agents and the Note Registrar shall be entitled to all limitations on liability, rights of reimbursement and indemnities that the Indenture Trustee is entitled to under this Indenture.

The Indenture Trustee agrees to fully perform its duties under this Indenture notwithstanding any failure on the part of any of the Issuers to make any payments, reimbursements or indemnifications to the Indenture Trustee pursuant to this Section 5.04(a); provided, however, that (subject to Sections 5.04(b) and 5.04(c)) nothing in this Section 5.04 shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture in the event of any such Issuer's failure to pay any sums due the Indenture Trustee pursuant to this Section 5.04.

(b) The obligations of the Issuers set forth in Section 5.04(a) are nonrecourse obligations solely of the Issuers and will be payable only from the Collateral Pool. The Indenture Trustee hereby agrees that it has no rights or claims against the Issuers directly and shall only look to the Collateral Pool to satisfy any Issuer's obligations under Section 5.04(a). Notwithstanding the provisions of Section 4.03, the Indenture Trustee hereby agrees not to file or join in filing any petition in bankruptcy or commence any similar proceeding in respect of any Issuer.

(c) The Indenture Trustee shall not institute any proceeding seeking the enforcement of any lien against the Collateral Pool unless (i) such proceeding is in connection with a proceeding in accordance with Article IV hereof for enforcement of the lien of the Mortgages and this Indenture for the benefit of the Noteholders after the occurrence of an Event of Default (other than an Event of Default due solely to a breach of this Section 5.04) and a resulting declaration of acceleration of such Notes that has not been rescinded and annulled, or (ii) such proceeding does not and will not result in or cause a sale or other disposition of the Collateral included in the Collateral Pool.

**Section 5.05 Corporate Indenture Trustee Required: Eligibility**

The Issuers hereby agree that there shall at all times be an Indenture Trustee hereunder which shall be a bank (within the meaning of Section 2(a)(5) of the 1940 Act) organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers, having aggregate capital, surplus and undivided profits of at least \$100,000,000, and subject to supervision or examination by federal or state authority, the long-term unsecured debt of which is rated not lower than "A-" by S&P and the short-term debt of which is rated not lower than "A-1" by S&P, or another institution the retention of which satisfies the Rating Condition. If such bank publishes reports of condition at least annually, pursuant to law or to the requirements of the applicable supervising or examining authority, then for the purposes of this Section, the combined capital, surplus and undivided profits of such bank shall be deemed to be its combined capital, surplus and undivided profits as set forth in its most recent report of condition so published. The Indenture Trustee shall at all times meet the requirements of Section 26(a)(1) of the 1940 Act and shall in no event be an Affiliate of any Issuer or an Affiliate of any Person involved in the organization or operation of any Issuer or be directly or indirectly controlled by any Issuer. If at any time a Responsible Officer of the Indenture Trustee becomes aware that the Indenture Trustee has ceased to be eligible in accordance with the provisions of this Section, the Indenture Trustee shall resign immediately in the manner and with the effect hereinafter specified in this Article.

**Section 5.06 Authorization of Indenture Trustee.**

The Indenture Trustee represents and warrants as to itself: that it is duly authorized under applicable federal law, its charter and its by-laws to execute and deliver this Indenture, and to perform its obligations hereunder, including, without limitation, that (assuming it is enforceable against the other parties hereto) this Indenture constitutes its valid and binding obligation enforceable against it in accordance with the Indenture's terms (subject to applicable bankruptcy and insolvency laws and general principles of equity), that it is duly authorized to accept the Grant to it of the Collateral included in the Collateral Pool and is authorized to authenticate any Series of Notes issued pursuant to the applicable Series Supplement, and that all corporate action necessary or required therefor has been duly and effectively taken or obtained and all federal and state governmental consents and approvals required with respect thereto have been obtained.

**Section 5.07 Merger, Conversion, Consolidation or Succession to Business.**

Any corporation, bank, trust company or association into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or association resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any corporation, bank, trust company or association succeeding to all or substantially all the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder; provided, that such corporation, bank, trust company or association shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

**Section 5.08 Resignation and Removal; Appointment of Successor.**

(a) No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee pursuant to this Article shall become effective until (i) the acceptance of appointment by the successor Indenture Trustee in accordance with the applicable requirements of Section 5.09, (ii) payment to the predecessor Indenture Trustee of all unpaid fees and expenses and (iii) the Rating Condition is satisfied.

(b) Subject to Section 5.08(a), the Indenture Trustee may be removed at any time with respect to the Notes by the Requisite Global Majority and notice of such action by the Noteholders shall be delivered to the Indenture Trustee, the Issuers and the Rating Agencies.

(c) If at any time:

(i) the Indenture Trustee shall cease to be eligible under Section 5.05, or the representations of the Indenture Trustee in Section 5.06 shall prove to be untrue in any material respect, and the Indenture Trustee shall fail to resign after written request therefor by the Issuer Manager or the Noteholders of 10% of the Aggregate Series Principal Balance; or

(ii) the Indenture Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Indenture Trustee or of its property shall be appointed or any public officer shall take charge or control of the Indenture Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in either such case, (i) the Issuer Manager, may, by written notice, remove the Indenture Trustee, or (ii) subject to Section 4.13, any Noteholder may, on its own behalf and on behalf of all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

(d) If the Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Indenture Trustee for any reason (including removal), the Issuer Manager, on behalf of the Issuers, with the consent of the Requisite Global Majority, shall promptly appoint a successor Indenture Trustee, who shall comply with the applicable requirements of Section 5.09. If, within sixty (60) days after such resignation, or incapacity, or the occurrence of such vacancy, a successor Indenture Trustee shall not have been appointed by the Issuer Manager, on behalf of the Issuers, and shall not have accepted such appointment in accordance with the applicable requirements of Section 5.09, then a successor Indenture Trustee shall be appointed by act of the Requisite Global Majority delivered to the Issuers and the retiring Indenture Trustee, and the successor Indenture Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 5.09, become the successor Indenture Trustee with respect to the Notes. If the Indenture Trustee shall resign pursuant to this Section 5.08, then such resigning Indenture Trustee must pay all costs and expenses associated with the transfer of its duties. If the Indenture Trustee shall be removed pursuant to this Section 5.08, then the party requesting such removal of the Indenture Trustee shall pay all costs and expenses associated with the transfer of its duties.

If, within 120 days after such resignation, removal or incapacity, or the occurrence of such vacancy, no successor Indenture Trustee shall have been so appointed and accepted appointment in the manner required by Section 5.09, the resigning Indenture Trustee may, on its own behalf, petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(e) The Issuers shall give notice of any resignation or removal of the Indenture Trustee and the appointment of a successor Indenture Trustee by giving notice of such event to the Rating Agencies and the Noteholders. Each notice shall include the name of the successor Indenture Trustee and the address of its corporate trust office.

**Section 5.09 Acceptance of Appointment by Successor .**

In case of the appointment hereunder of a successor Indenture Trustee, the successor Indenture Trustee so appointed shall execute, acknowledge and deliver to the Issuers and to the retiring Indenture Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Indenture Trustee shall become effective and such successor Indenture Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Indenture Trustee; but, on the request

of the Issuer Manager or the successor Indenture Trustee, such retiring Indenture Trustee shall, upon payment of its fees, execute and deliver an instrument transferring to such successor Indenture Trustee all the rights, powers and trusts of the retiring Indenture Trustee, shall duly assign, transfer and deliver to such successor Indenture Trustee all property and money held by such retiring Indenture Trustee hereunder, and shall take such action as may be requested by the Issuer Manager to provide for the appropriate interest in the Collateral Pool (including, without limitation, the Mortgages) to be vested in such successor Indenture Trustee, but shall not be responsible for the recording of such documents and instruments as may be necessary to give effect to the foregoing.

Upon request of any such successor Indenture Trustee, the Issuers shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Indenture Trustee all such rights, powers and trusts referred to in this Section.

No successor Indenture Trustee shall accept its appointment unless at the time of such acceptance such successor Indenture Trustee shall be qualified and eligible under this Article.

**Section 5.10 Unclaimed Funds.**

The Indenture Trustee is required to hold any payments received by it with respect to the Notes that are not paid to the Noteholders in trust for the Noteholders. Notwithstanding the foregoing, at the expiration of three years following the Final Payment Date for any Class of Notes of any Series any moneys set aside in accordance with Section 2.11(b) for payment of principal, interest and other amounts on such Notes remaining unclaimed by any lawful owner thereof, and, to the extent required by Applicable Law, any accrued interest thereon shall be remitted to the applicable Issuers, as their interest may appear, to be held in trust by such Issuers for the benefit of the applicable Noteholder until distributed in accordance with Applicable Law, and all liability of the Indenture Trustee with respect to such money shall thereupon cease; provided, that the Indenture Trustee, before being required to make any such remittance, may, at the expense of the applicable Noteholder, payable out of such unclaimed funds, to the extent permitted by Applicable Law, and otherwise at the expense of the applicable Issuers payable out of the Collateral Pool, cause to be published at least once but not more than three times in two newspapers in the English language customarily published on each Business Day and of general circulation in New York, New York, a notice to the effect that such moneys remain unclaimed and have not been applied for the purpose for which they were deposited, and that after a date specified therein, which shall be not less than 30 days after the date of first publication of said notice, any unclaimed balance of such moneys then remaining in the hands of the Indenture Trustee will be paid to the applicable Issuers upon their written directions to be held in trust for the benefit of the applicable Noteholder until distributed in accordance with Applicable Law. Any successor to an Issuer through merger, consolidation or otherwise or any recipient of substantially all the assets of an Issuer in a liquidation of such Issuer shall remain liable for the amount of any unclaimed balance paid to such Issuer pursuant to this Section 5.10.

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**Section 5.11 Illegal Acts.**

No provision of this Indenture or any amendment or supplement hereto shall be deemed to impose any duty or obligation on the Indenture Trustee to do any act in the performance of its duties hereunder or to exercise any right, power, duty or obligation conferred or imposed on it, which under any present or future law shall be unlawful, or which shall be beyond the corporate powers, authorization or qualification of the Indenture Trustee.

**Section 5.12 Communications by the Indenture Trustee.**

The Indenture Trustee, if any principal of or interest on any Notes due and payable hereunder is not paid, shall send to the applicable Issuers, within one (1) Business Day after the Maturity thereof, a written demand for payment thereon.

**Section 5.13 Separate Indenture Trustees and Co-Trustees.**

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting legal requirements applicable to it in the performance of its duties hereunder, the Indenture Trustee shall have the power to, and shall execute and deliver all instruments to, appoint one or more Persons to act as separate trustees or co-trustees hereunder, jointly with the Indenture Trustee, of any portion of the Collateral Pool subject to this Indenture, and any such Persons shall be such separate trustee or co-trustee, with such powers and duties consistent with this Indenture as shall be specified in the instrument appointing such Person but without thereby releasing the Indenture Trustee from any of its duties hereunder. If the Indenture Trustee shall request the Issuers to do so, the Issuers shall join with the Indenture Trustee in the execution of such instrument, but the Indenture Trustee shall have the power to make such appointment without making such request. A separate trustee or co-trustee appointed pursuant to this Section 5.13 need not meet the eligibility requirements of Section 5.05.

(b) Every separate trustee and co-trustee shall, to the extent not prohibited by law, be subject to the following terms and conditions:

(i) the rights, powers, duties and obligations conferred or imposed upon such separate or co-trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate or co-trustee jointly, as shall be provided in the appointing instrument, except to the extent that under any law of any jurisdiction in which any particular act is to be performed any nonresident trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such separate trustee or co-trustee at the direction of the Indenture Trustee;

(ii) all powers, duties, obligations and rights conferred upon the Indenture Trustee, in respect of the custody of all cash deposited hereunder shall be exercised solely by the Indenture Trustee; and

(iii) the Indenture Trustee may at any time by written instrument accept the resignation of or remove any such separate trustee or co-trustee, and, upon the request of the Indenture Trustee, the Issuers shall join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to make effective such resignation or removal, but the Indenture Trustee shall have the power to accept such resignation or to make such removal without making such request. A successor to a separate trustee or co-trustee so resigning or removed may be appointed in the manner otherwise provided herein.



(c) Such separate trustee or co-trustee, upon acceptance of such trust, shall be vested with the estates or property specified in such instruments, jointly with the Indenture Trustee, and the Indenture Trustee shall take such action as may be necessary to provide for (i) the appropriate interest in the Collateral Pool to be vested in such separate trustee or co-trustee, and (ii) the execution and delivery of any transfer documentation or bond powers that may be necessary to give effect to the transfer of the lien of this Indenture and the Mortgages to the co-trustee. Any separate trustee or co-trustee may, at any time, by written instrument constitute the Indenture Trustee, its agent or attorney-in-fact with full power and authority, to the extent permitted by law, do all acts and things and exercise all discretion authorized or permitted by it, for and on behalf of it and in its name. If any separate trustee or co-trustee shall be dissolved, become incapable of acting, resign, be removed or die, all the estates, property, rights, powers, trusts, duties and obligations of said separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Indenture Trustee, without the appointment of a successor to said separate trustee or co-trustee, until the appointment of a successor to said separate trustee or co-trustee is necessary as provided in this Indenture.

(d) Any notice, request or other writing, by or on behalf of any Noteholder, delivered to the Indenture Trustee shall be deemed to have been delivered to all separate trustees and co-trustees.

(e) Although co-trustees may be jointly liable, no co-trustee or separate trustee shall be severally liable by reason of any act or omission of the Indenture Trustee or any other such trustee hereunder.

(f) No appointment of a separate trustee or co-trustee pursuant to this Section 5.13 shall relieve the Indenture Trustee of any of its obligations, duties or responsibilities hereunder in any way or to any degree.

**Section 5.14 Communications with the Rating Agency.**

The Indenture Trustee will transmit a copy of each statement, notice or other document required to be provided to any applicable Rating Agency pursuant to this Indenture via email to the applicable Rating Agency's website(s) set forth in the applicable Series Supplements contemporaneously with its posting or delivery of such statement, notice or other document to each such Rating Agency, as the case may be. Except as expressly provided in this Indenture, the Indenture Trustee shall not have any oral or written communications regarding the terms and provisions of the Transaction Documents or of the transactions contemplated hereunder or thereunder with any applicable Rating Agency without the prior written consent of the Support Provider.

## ARTICLE VI

### REPORTS TO NOTEHOLDERS

#### Section 6.01 Reports to Noteholders and Others.

(a) Based on information with respect to the Loans, Properties and Leases provided to the Indenture Trustee by the Property Manager and the Special Servicer pursuant to the Property Management Agreement (and the Indenture Trustee's calculations based on such information and the Indenture Trustee's records with respect to the Notes), the Indenture Trustee shall prepare, or cause to be prepared, and make available either in electronic format or by first class mail on each Payment Date, or as soon thereafter as is practicable, to the Issuers, the Initial Purchasers, the Rating Agencies, each Noteholder and any other Person upon the direction of any Issuer a statement in respect of the payments made on such Payment Date setting forth the information set forth in Exhibit B hereto (the "**Trustee Report**"). The Indenture Trustee shall promptly make each Trustee Report available via the Indenture Trustee's internet website to any Noteholder, Note Owner or prospective investor upon receipt by the Indenture Trustee from such person of a certification in the form of Exhibit E-1 or E-2 attached hereto, as applicable, and to the Issuers, designees of the Issuers, the Property Manager, the Special Servicer, the Back-Up Manager, any Sub-Manager, the Rating Agencies and the Initial Purchasers. The Indenture Trustee's internet website will be located at "<http://www.sf.citidirect.com>" or at such other address as the Indenture Trustee shall notify the parties hereto from time to time. For assistance with the Indenture Trustee's internet website, Noteholders may call (888) 855-9695.

In connection with providing access to the Indenture Trustee's internet website, the Indenture Trustee shall require registration and the acceptance of a disclaimer as well as the delivery of a request for information, substantially in the form of Exhibit E-1 or Exhibit E-2, as applicable. The Indenture Trustee shall not be liable for having disseminated information in accordance with this Indenture.

The Indenture Trustee shall be entitled to rely on and shall not be responsible for the content or accuracy of any information provided by third parties for purposes of preparing the Trustee Report and may affix thereto any disclaimer it deems appropriate in its reasonable discretion (without suggesting liability on the part of any other party hereto).

(b) Within a reasonable period of time after the end of each calendar year (but in no event more than sixty (60) days following the end of such calendar year), the Indenture Trustee shall prepare, or cause to be prepared, and make available either in electronic format or by first class mail to each Person who at any time during the calendar year was a Noteholder (i) a statement containing the aggregate amount of principal and interest payments on the Notes for such calendar year or applicable portion thereof during which such person was a Noteholder and (ii) such other customary information as the Indenture Trustee deems necessary or desirable for Noteholders to prepare their federal, state and local income tax returns including, without limitation (and to the extent provided to it by the Issuers which shall so cause such information to be provided), the amount of original issue discount accrued on the Notes, if applicable. The obligations of the Indenture Trustee in the immediately preceding sentence shall be deemed to have been satisfied to the extent that substantially comparable information has been provided by the Indenture Trustee.

**Section 6.02 Certain Communications with the Rating Agencies**

Upon request by any Rating Agency, the Indenture Trustee shall make available or send, in the case of all material items, and shall endeavor to make available or send, in the case of all other items, a copy of each supplement, notice, certificate, request, demand, financial statement and amortization schedule sent by it or received by it pursuant to or in connection with this Indenture or the Collateral Pool or any part thereof, other than statements of the Indenture Trustee's fees and expenses sent by it to the Issuers and any other communications of a similar and solely administrative nature in the Indenture Trustee's sole opinion, to such Rating Agency.

**Section 6.03 Access to Certain Information**

(a) The Indenture Trustee shall afford to the Noteholders, the Issuers, the Property Manager, the Special Servicer, the Back-Up Manager, the OTS, the FDIC and any other banking or insurance regulatory authority that may exercise authority over any Noteholder, access to any documentation regarding the Collateral Pool within its control; provided, however, to the extent SCF Realty Capital delivers any operating statements or other financial information to the Indenture Trustee pursuant to Section 4.01(c)(B) or Section 4.01(d)(v) of the Property Management Agreement (and such statements or information are designated in writing (by email or otherwise) by SCF Realty Capital to the Indenture Trustee as confidential), the Indenture Trustee shall not disseminate any such information to any Noteholder unless such Noteholder executes a confidentiality agreement substantially in the form attached hereto as Exhibit F. Any such confidentiality agreement executed by a Noteholder shall apply to all future disclosures of operating statements and other financial information delivered by SCF Realty Capital to the Indenture Trustee pursuant to Section 4.01(c)(B) or Section 4.01(d)(v) of the Property Management Agreement and provided to such Noteholder by the Indenture Trustee under this Section 6.03(a). Such access shall be afforded without charge but only upon reasonable prior written request and during normal business hours at the offices of the Indenture Trustee designated by it.

(b) The Indenture Trustee shall maintain at its office primarily responsible for administration of the Collateral Pool and shall deliver to the Issuers, the Rating Agencies and, subject to the succeeding paragraph, any Noteholder or Note Owner or Person identified to the Indenture Trustee as a prospective transferee of a Note or an Ownership Interest therein (at the reasonable request and, except for the Rating Agencies, expense of the requesting party), copies of the following items (to the extent that such items have been delivered to the Indenture Trustee or the Indenture Trustee can cause such items to be delivered to it without unreasonable burden or expense): (i) any private placement memorandum or disclosure document relating to the applicable Notes, in the form most recently provided to the Indenture Trustee by the applicable Issuers or by any Person designated by such Issuers; (ii) this Indenture, the Issuer LLC Agreements, the Property Management Agreement and any amendments hereto or thereto; (iii) all reports prepared by, and all reports delivered to, the Indenture Trustee, the Property Manager, the Special Servicer or the Back-Up Manager in such capacities since the Initial Closing Date; (iv) all Officer's Certificates delivered by the Property Manager and the Special

Servicer since the Initial Closing Date pursuant to Section 3.11 of the Property Management Agreement and all Officer's Certificates delivered by the Issuer Manager since the Initial Closing Date pursuant to Section 9.07; (v) all accountants' reports caused to be delivered by the Property Manager and the Special Servicer since the Initial Closing Date pursuant to Section 3.12 of the Property Management Agreement; (vi) all Determination Date Reports, Special Servicer Reports and Modified Collateral Detail and Realized Loss Reports (each, as defined in the Property Management Agreement) since the Initial Closing Date prepared pursuant to Section 4.01 of the Property Management Agreement; (vii) the Lease Files and Loan Files, including any and all modifications, waivers and amendments of the terms of each Lease and Loan, as applicable, entered into or consented to by the Property Manager or the Special Servicer and delivered to the Indenture Trustee pursuant to Section 3.16(c) of the Property Management Agreement or otherwise; and (viii) any and all Officer's Certificates and other evidence to support the Property Manager's or the Special Servicer's, as the case may be, determination that any Advance was or, if made, would be a Nonrecoverable Advance. The Indenture Trustee shall make available copies of any and all of the foregoing items upon written request of any party set forth in the previous sentence. However, the Indenture Trustee shall be permitted to require of such party the payment of a sum sufficient to cover the reasonable costs and expenses of providing such copies as are requested by such party.

If requested by any Noteholder, the Indenture Trustee (to the extent it is able to obtain such information from the Property Manager) shall provide: (i) the most recent inspection report prepared by the Property Manager or the Special Servicer in respect of each Property pursuant to Section 3.10 of the Property Management Agreement; (ii) the most recent available documentation and information collected by the Property Manager or the Special Servicer pursuant to Article IV of the Property Management Agreement, together with the accompanying written reports to be prepared by the Property Manager or the Special Servicer, as the case may be, pursuant to Article IV of the Property Management Agreement; and (iii) any and all notices and reports with respect to any Property as to which environmental testing is contemplated by Section 10.08.

The Indenture Trustee will make available, upon reasonable advance notice and at the expense of the requesting party, copies of the above items to any Noteholder or Note Owner and to prospective purchasers of Notes; provided, that, as a condition to making such items available, the Indenture Trustee shall require (a) in the case of Noteholders or Note Owners, a confirmation executed by the requesting Person substantially in the form of Exhibit E-1 hereto generally to the effect that such Person is a Noteholder or Note Owner, is requesting the information solely for use in evaluating such Person's investment in the related Notes and will otherwise keep such information confidential and (b) in the case of a prospective purchaser, confirmation executed by the requesting Person and such Person's prospective transferor substantially in the form of Exhibit E-2 hereto generally to the effect that such Person is a prospective purchaser of Notes, is requesting the information solely for use in evaluating a possible investment in such Notes and will otherwise keep such information confidential.

(c) The Indenture Trustee shall not be liable for any dissemination of information made in accordance with Section 6.03(a) or (b).

(d) Each Issuer shall permit agents, representatives and employees of the Indenture Trustee to inspect the Properties or any part thereof at reasonable hours upon reasonable advance notice, subject to the applicable Leases.

## ARTICLE VII

### REDEMPTION

#### Section 7.01 Redemption of the Notes.

(a) Redemption Date. Unless otherwise specified in a Series Supplement for a Series of Notes, and subject to Sections 7.01(b) and (c), on any Business Day, the Issuers may, at their option, elect to prepay the Outstanding Notes (i) in whole in accordance with Section 7.01(c) or (ii) in part in accordance with Section 7.01(d) (the date of such prepayment, the “Redemption Date”).

(b) Redemption Amount. In the event that the Issuers elect to cause a Voluntary Prepayment pursuant to this Section 7.01, the Issuers shall deposit into the Collection Account not later than the applicable Redemption Date, the applicable Redemption Amount in immediately available funds equal to the amount described in Sections 7.01(c) or (d), as applicable. Upon confirmation that such deposit has been made, the Indenture Trustee shall: (1) remit principal amounts set forth in clause (i) of the definition of Full Redemption Amount pursuant to Section 7.01(c)(i) or under Section 7.01(d)(i)(1), as applicable, *pro rata*, to the applicable Noteholders based on their respective Outstanding Principal Balances, and shall remit interest amounts set forth in clause (ii) of the definition of Full Redemption Amount pursuant to Section 7.01(c)(i) or under Section 7.01(d)(i)(2), as applicable, in accordance with the respective accrued and unpaid amounts to which they are then entitled to payment; and (2) pay all amounts set forth in clause (iii) of the definition of Full Redemption Amount pursuant to Section 7.01(c)(i) or under Section 7.01(d)(i)(3), as applicable, to each applicable party as set forth in the applicable Redemption Notice.

#### (c) Full Prepayment.

(i) Unless otherwise specified in the related Series Supplement, with respect to a Voluntary Prepayment in full of a Series of Notes, the Issuers will be required to deposit with the Indenture Trustee an amount equal to the Full Redemption Amount; provided, that a Series of Notes may only be prepaid in full if no other Class of Notes with a higher alphabetical designation and an Anticipated Repayment Date that is the same or sooner than the Anticipated Repayment Date of the Class of Notes being prepaid is still outstanding, unless (x) such Series is being prepaid in full in connection with a Series Collateral Release or (y) the applicable Redemption Date is on or after the Make-Whole Date.

(ii) Pursuant to Section 7.11 of the Property Management Agreement, one or more Issuers may elect to sell Owned Properties and the related Leases or Loans in connection with a prepayment in full of a Series of Notes, subject to the requirements set forth therein. The related Series Collateral Release Price received or contributed in

connection with a Series Collateral Release shall be deposited into the Collection Account and shall be treated as the Redemption Amount and applied in accordance with the terms of this Section 7.01(c); provided, that if any Series Collateral Release Prices in the Collection Account exceed the applicable Full Redemption Amount, such excess amounts shall be transferred to the Release Account and treated as a Release Price in accordance with the terms of the Property Management Agreement.

(d) Partial Prepayment.

(i) With respect to a Voluntary Prepayment in part of a Series of Notes, the Issuers will be required to deposit with the Indenture Trustee an amount equal to the sum (such amount, the “**Partial Redemption Amount**”) of (1) the Applicable Paydown Percentage with respect to the then outstanding Aggregate Series Principal Balance, (2) all accrued and unpaid interest (including any Post-ARD Additional Interest) thereon, (3) all amounts outstanding to the Indenture Trustee, the Property Manager, the Special Servicer and the Back-Up Manager and (3) the required Make Whole Amount, if any, any such amounts deposited pursuant to clauses (1) through (3) above to be allocated *pro rata* among all Series of Notes.

(ii) Proceeds in connection with a Series Collateral Release shall not be used to effect a partial Voluntary Prepayment pursuant to this Section 7.01(c).

(e) Redemption Notice. No Voluntary Prepayment shall occur unless the Issuers provide written notice (a “Redemption Notice”) to the Indenture Trustee, the Property Manager, the Special Servicer, the Back-Up Manager and the Rating Agencies no less than fifteen (15) days prior to the Redemption Date, which Redemption Notice shall specify (i) with respect to a Voluntary Prepayment in full of a Series of Notes, the Series of Notes that the Issuers are electing to prepay, (ii) with respect to a Voluntary Prepayment in part of a Series of Notes, the Applicable Paydown Percentage of the Notes to be purchased on such Redemption Date, (iii) the Redemption Amount required pursuant to Section 7.01(b), (iv) the parties to whom payments are owed and the respective amounts thereof pursuant to Sections 7.01(c) and (d), and (iv) the targeted Redemption Date.

(f) Make Whole Amount. Unless otherwise specified in the related Series Supplement, with respect to a Class of Notes, if a Redemption Date occurs (i) prior to the applicable Make Whole Date, a Make Whole Amount shall be due to the Noteholders of such Class or (ii) on or after the applicable Make Whole Date, a Make Whole Amount shall not be due to each Noteholder of such Class based on the principal amount of such prepayment.

(g) Release of Collateral. With respect to a purchase of all of the Outstanding Notes, the Indenture Trustee shall release or cause to be released to the Issuers the Lease Files and the Loan Files for the Properties, the Leases and the Loans specified in the applicable redemption notice and execute all assignments, endorsements and other instruments furnished to it by the Issuers without recourse, as shall be necessary to effectuate transfer of the Notes, the Mortgages, the Loans and the Leases to the Issuers or their respective designees.

(h) In addition to the right of redemption set forth in this Article VII, a Series of Notes shall be subject to mandatory or optional redemption as specified in the applicable Series Supplement, if any.

## ARTICLE VIII

### SUPPLEMENTAL INDENTURES; AMENDMENTS

#### Section 8.01 Supplemental Indentures or Amendments Without Consent of Noteholders.

Without the consent of any Noteholder, but upon ten (10) days' prior written notice to the Rating Agencies, the parties to each agreement listed below, at any time and from time to time, may enter into one or more indentures supplemental hereto, or one or more amendments hereto or to the Notes, the Property Management Agreement, the Performance Support Agreement, the Mortgage with respect to an Owned Property or any other Transaction Documents, as applicable, for any of the following purposes:

(1) to correct any typographical error or cure any ambiguity, or to cure, correct, amend or supplement any provision herein or in the Notes, the Property Management Agreement, any Performance Support Agreement, any Mortgage with respect to an Owned Property or any other Transaction Document; provided, that such action shall not adversely affect the interests of the Noteholders in any material respect; provided, further, that if the Rating Condition is satisfied, any such action shall be deemed not to materially adversely affect the interests of any Noteholder;

(2) to cause any provision herein or in the Notes, the Property Management Agreement, any Performance Support Agreement, any Mortgage or any other Transaction Document to conform or be consistent with or in furtherance of the statements set forth in the applicable Private Placement Memorandum (as defined in the applicable Series Supplement) or to correct or supplement any provisions herein or therein which may be defective or inconsistent with any other provisions herein or therein, as applicable;

(3) to institute or modify any procedures relating to compliance with Rule 17g-5 under the Securities Exchange Act;

(4) to convey, transfer, assign, mortgage or pledge any property to the Indenture Trustee so long as the interests of the Noteholders would not be adversely affected in any material respect;

(5) to correct any manifestly incorrect description, or amplify the description, of any property subject to the lien of the Mortgages or this Indenture;

(6) to modify the Indenture, the Property Management Agreement, any Mortgage with respect to an Owned Property, the Performance Support Agreement or any other Transaction Documents as required or made necessary by any change in Applicable Law, so long as the interests of the Noteholders would not be adversely affected in any material respect; provided, that if the Rating Condition is satisfied, any such action shall be deemed not to materially adversely affect the interests of any Noteholder;

(7) to add to the covenants of any Issuer, or any other party for the benefit of the Noteholders, or to surrender any right or power conferred upon any Issuer under this Indenture, the Property Management Agreement, any Mortgage with respect to an Owned Property, any Performance Support Agreement or any other Transaction Document;

(8) to add any additional Events of Default hereunder or Servicer Replacement Events (as defined in the Property Management Agreement) under the Property Management Agreement; provided, that such action shall not adversely affect the interests of the Noteholders in any material respect; provided, further, that if the Rating Condition is satisfied, any such action shall be deemed not to materially adversely affect the interests of any Noteholder; or

(9) to evidence and provide for the acceptance of appointment by a successor Indenture Trustee, Custodian, Property Manager, Special Servicer or Back-Up Manager.

No such supplemental indenture or amendment shall be effective unless the Indenture Trustee shall have first received a Tax Opinion to the effect that such amendment will not (x) adversely affect the tax characterization of any Note that was characterized as debt at the time of its issuance, (y) cause any Issuers to be treated as an association that is taxable as a corporation, a publicly traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation, and (z) cause or constitute an event in which any tax gain or loss would be recognized by any Noteholder or any Issuers for federal income tax purposes.

Without the consent of any Noteholder, but upon ten (10) days' prior written notice to the Rating Agencies, the Issuers and the Indenture Trustee, at any time and from time to time, may enter into one or more amendments to any Account Control Agreement.

#### **Section 8.02 Supplemental Indentures With Consent.**

With the consent of the Controlling Party of each Series, and ten (10) days' prior written notice to the Rating Agencies, the parties to the agreements listed below may enter into one or more indentures supplemental hereto, or one or more amendments hereto or to the Notes, the Property Management Agreement, any Mortgage, the Performance Support Agreement or any other Transaction Document for the purpose of adding any provisions hereto or thereto, changing in any manner or eliminating any of the provisions hereof or thereof or modifying in any manner the rights of the Noteholders hereunder or thereunder; provided, that no such supplemental indenture or amendment shall be effective unless the Indenture Trustee shall have first received a Tax Opinion to the effect that such amendment will not (x) adversely affect the



tax characterization of any Note that was characterized as debt at the time of its issuance, (y) cause any Issuers to be treated as an association that is taxable as a corporation, a publicly traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation, and (z) cause or constitute an event in which any tax gain or loss would be recognized by any Noteholder or any Issuers for federal income tax purposes; provided, further, that no such supplemental indenture or amendment may, without the consent of the Noteholders of 100% of the Aggregate Series Principal Balance of the Outstanding Notes affected thereby:

- (1) change a Rated Final Payment Date or the Payment Date of any principal, interest or other amount on any Note;
- (2) reduce the Outstanding Principal Balance, the applicable Note Rate or the applicable Post-ARD Additional Interest Rate (if any) with respect to any Note;
- (3) authorize the Indenture Trustee to agree to delay the timing of, or reduce the payments to be made on or in respect of, the Loans, the Owned Properties or the Leases, except as provided in this Indenture or in the Property Management Agreement;
- (4) change the coin or currency in which the principal of any Note or interest thereon is payable;
- (5) impair the right to institute suit for the enforcement of any such payment on or after a Rated Final Payment Date;
- (6) reduce the percentage of the then Outstanding Aggregate Series Principal Balance, the consent of whose Noteholders is required for any such supplemental indenture or amendment, or the consent of whose Noteholders is required for any waiver of defaults under this Indenture and their consequences provided for in this Indenture, or for any other reason under this Indenture;
- (7) change any obligation of the Issuers to maintain an office or agency in the places and for the purposes set forth in this Indenture;
- (8) except as otherwise expressly provided in this Indenture, in the Property Management Agreement or in any Mortgage, deprive the Indenture Trustee of the benefit of a first priority security interest in the Collateral;
- (9) modify Section 2.11; or
- (10) release from the lien of this Indenture and the applicable Mortgage and (except as specifically permitted under this Indenture, the Property Management Agreement or such Mortgage) all or any portion of the Collateral.

It shall not be necessary for the consent of the Noteholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Notwithstanding anything to the contrary in this Indenture, none of the above-referenced Transaction Documents may be amended without the consent of the Property Manager, the Special Servicer or the Back-Up Manager, as applicable, if such person would be materially adversely affected by such amendment, regardless of whether any such person is a party to such agreement.

**Section 8.03 Delivery of Supplements and Amendments.**

Promptly after the execution by the Issuers and the Indenture Trustee (and any other party, if required) of any supplemental indenture or amendment pursuant to the provisions hereof, the Indenture Trustee, at the expense of the Issuers, payable out of the Collateral Pool pursuant to Section 5.04, shall furnish a notice setting forth in general terms the substance of such supplemental indenture or amendment to the Rating Agencies and to each Noteholder at the address for such Noteholder set forth in the Note Register.

**Section 8.04 Series Supplements.**

(a) For purposes of this Article VIII, a Series Supplement executed in accordance with the provisions of Section 2.04(c) shall not be considered an amendment or supplemental indenture for the purposes of this Article VIII. Accordingly, any Series Supplement executed in accordance with the provisions of Section 2.04(c) may amend, modify or supplement this Indenture and the Issuers and the other parties thereto may amend, modify or supplement any of the Mortgages, and any other of the Transaction Documents in connection with any such New Issuance, in each case without the consent of the Noteholders; provided, that no such Series Supplement may, without the consent of each Noteholder holding 100% of the Aggregate Series Principal Balance of the Outstanding Notes affected thereby:

(1) change the Rated Final Payment Date, or the Payment Date of any principal, interest or other amount on any such Note, or reduce the Outstanding Principal Balance thereof, the Note Rate thereon or the applicable Post-ARD Additional Interest Rate thereon (if any), or change the coin or currency in which the principal of any Note or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Rated Final Payment Date thereof;

(2) reduce the percentage of the then Aggregate Series Principal Balance, the consent of whose Holders is required for any such Series Supplement, or the consent of whose Holders is required for any waiver of defaults hereunder and their consequences provided for in this Indenture, or for any other reason under this Indenture (including for actions taken by the Indenture Trustee pursuant to Section 4.01);

(3) change any obligation of the Issuers to maintain an office or agency in the places and for the purposes set forth in this Indenture;

(4) except as otherwise expressly provided in this Indenture, in the Property Management Agreement or in any Mortgage, deprive any Noteholder of the benefit of a valid first priority perfected security interest in the Collateral included in the Collateral Pool;

(5) release from the lien of the Mortgages or this Indenture (except as specifically permitted under this Indenture, the Property Management Agreement or the related Mortgage) all or any portion of the Collateral Pool;

(6) modify the definition of Noteholder; or

(7) modify this Section 8.04.

**Section 8.05 Execution of Supplemental Indentures, Etc.**

In executing, or accepting the additional trusts created by, any supplemental indenture or amendment permitted by this Article or in accepting the modifications thereby of the trusts created by this Indenture or in giving any consent to any modification of any Loan or any Lease pursuant to this Indenture, the Indenture Trustee shall be entitled to receive, at the applicable Issuers' expense payable out of the Collateral Pool pursuant to Section 5.04, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture, amendment or modification is authorized or permitted by this Indenture and each Series Supplement. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture or amendment or consent to any such modification which affects the Indenture Trustee's own rights, duties or immunities under this Indenture or otherwise.

**ARTICLE IX**

**COVENANTS; WARRANTIES**

**Section 9.01 Maintenance of Office or Agency.**

The Issuers shall maintain or cause to be maintained an office or agency in the continental United States where notices and demands to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers shall give prompt written notice to the Indenture Trustee and the Noteholders of the location, and any change in the location, of such office or agency.

**Section 9.02 Existence and Good Standing.**

Subject to Section 9.08, the Issuers shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect their existence, rights, licenses, permits and corporate franchises and comply in all material respects with all Legal Requirements applicable to them and the Properties. There shall never be committed by any Issuer or any other Person in occupancy of or involved with the operation or use of any Properties any act or omission affording any Governmental Authority the right of forfeiture as against any Property or any part thereof or any moneys paid in performance of such Issuer's obligations under any of the Transaction Documents. The Issuers hereby covenant and agree not to commit, permit or suffer to exist any act or omission affording such right of forfeiture. The Issuers shall at all times

maintain, preserve and protect, or cause to be maintained, preserved and protected, all franchises and trade names and preserve all the remainder of its property required for the conduct of its business and shall keep (or cause to be kept) such properties in good working order and repair, and from time to time make, or cause to be made, all reasonably necessary repairs, renewals, replacements, betterments and improvements thereto, as is more fully provided in this Indenture and the Property Management Agreement. The Issuers shall keep (or cause the Tenants under each applicable Lease to keep) the Properties insured at all times by financially sound and reputable insurers, to such extent and against such risks, and maintain liability and such other insurance, as is more fully provided in this Indenture and the Property Management Agreement.

**Section 9.03 Payment of Taxes and Other Claims.**

(a) Each Issuer shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all applicable taxes, assessments and governmental charges and claims (the “**Taxes**”) levied or imposed upon such Issuer or upon the income, profits or property of such Issuer, or shown to be due on the tax returns filed by such Issuer, except as set forth in Section 9.03(b); provided, that such failure to pay or discharge will not cause a forfeiture of, or a lien (other than a Permitted Encumbrance) to encumber, any property included in the Collateral. Upon the written direction of Property Manager, the Indenture Trustee is authorized to pay out of the Payment Account, prior to making payments on the Notes, any such Taxes which, if not paid, would cause a forfeiture or sale of, or a lien (other than a Permitted Encumbrance) to encumber, any property included in the Collateral.

(b) After prior written notice to the Indenture Trustee, any Issuer, at its own expense, may in good faith contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any applicable Taxes; provided, that: (i) no Event of Default has occurred and remains uncured; (ii) such proceeding shall not be precluded by, and be conducted in accordance with the provisions of, any other instrument to which such Issuer is subject and shall not constitute a default thereunder and such proceeding shall be conducted in accordance with all applicable statutes, laws and ordinances; (iii) no applicable Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, canceled or lost; (iv) such Issuer shall promptly upon final determination thereof pay, or cause to be paid, the amount of any such Taxes, together with all costs, interest and penalties which may be payable in connection therewith; (v) such proceeding shall suspend the collection of such contested Taxes from the applicable Property; and (vi) such Issuer shall furnish such security and/or reserves as may be required in the proceeding, or as may be reasonably requested by the Indenture Trustee or as required in accordance with GAAP, to insure the payment of any such Taxes, together with all interest and penalties thereon; provided, that the Indenture Trustee shall not require such Issuer to post additional security if a contest is being conducted by a Tenant under an applicable Lease (even if such Issuer has joined in such proceeding to accommodate such Tenant’s contest) if such contest is conducted in accordance with such Lease and the related Tenant has provided such security as such Issuer may be entitled to require under such Lease. The Indenture Trustee may transfer any such cash deposit or part thereof held by the Indenture Trustee to the claimant entitled thereto at any time when, in the judgment of the Indenture Trustee, the entitlement of such claimant is established.

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**Section 9.04 Validity of the Notes; Title to the Collateral; Lien**

(a) Each Issuer represents and warrants to the other parties hereto that such Issuer is duly authorized under Applicable Law and the related Issuer LLC Agreement to create and issue the Notes, to pledge the applicable Collateral included in the Collateral Pool to the Indenture Trustee, to execute and deliver this Indenture, the other documents referred to herein to which it is a party and all instruments included in the Collateral Pool which it has executed and delivered, and that all partnership, limited liability company, corporate or trust action and governmental consents, authorizations and approvals necessary or required therefor have been duly and effectively taken or obtained. The Notes, when issued, will be, and this Indenture and such other documents are, valid and legally binding obligations of the Issuers enforceable in accordance with their terms, subject only to bankruptcy, reorganization, insolvency and other laws affecting the enforcement of creditor's rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law).

(b) Each Issuer represents and warrants to the other parties hereto that (i) such Issuer has good title to, and is the sole owner of, each Loan, Property and Lease, as applicable, and all other applicable Collateral included in the Collateral Pool, free and clear of any pledge, lien, encumbrance or security interest other than Permitted Encumbrances and the liens created hereby and under the related Mortgages, (ii) this Indenture creates a valid and continuing security interest in each such item of the Collateral Pool in which a security interest may be created under Article 9 of the UCC in favor of the Indenture Trustee, which security interest is prior to all other liens, encumbrances and security interests, subject only to exceptions permitted in this Indenture, in the Property Management Agreement and in the related Mortgages, and is enforceable as such against creditors of and purchasers from such Issuer, subject only to bankruptcy, reorganization, insolvency and other laws affecting the enforcement of creditor's rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law), (iii) each Mortgage creates a valid lien upon the Loans, Property and Lease, as applicable, specified therein, which lien is prior to all other liens, encumbrances and security interests, subject only to exceptions permitted in this Indenture, in the Property Management Agreement and in such Mortgage, and is enforceable as such against creditors of and purchasers from such Issuer, subject only to bankruptcy, reorganization, insolvency and other laws affecting the enforcement of creditor's rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law), (iv) the assignment of rents contained in each related Mortgage (or in a separate document, if required by the local jurisdiction) constitutes the legal, valid, binding and enforceable assignment of such Issuer's rights in each related Loan or Lease, as applicable, subject only to exceptions permitted in this Indenture, in the Property Management Agreement and in such Mortgage or separate document and to bankruptcy reorganization, insolvency and other laws affecting the enforcement of creditor's rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law), and (v) such Issuer has received all consents and approvals required by the terms of the applicable Collateral to Grant such Collateral included in the Collateral Pool to the Indenture Trustee as provided herein and in the related Mortgages.

(c) The Issuers have caused the filing of appropriate financing statements with the Secretary of State of the State of Delaware in order to perfect the security interests in the Collateral granted to the Indenture Trustee hereunder, to the extent such security interests may be perfected by such filing.

(d) Other than the lien and security interest Granted to the Indenture Trustee hereunder and under the Mortgages (and as otherwise permitted in the Property Management Agreement or this Indenture) the Issuers have not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral included in the Collateral Pool. The Issuers have not authorized the filing of and are not aware of any financing statements against any such Issuer that include a description of collateral covering the Collateral other than any financing statements filed in favor of the Indenture Trustee. The Issuers are not aware of any judgment or tax lien filings against any such Issuer.

(e) The Issuers shall ensure that all cash and investment property at any time owned by the Issuers and held as part of the Collateral Pool is deposited and maintained in the Collection Account, Lockbox Transfer Account, Post-Closing Acquisition Reserve Account, Payment Account, DSCR Reserve Account, Release Account, Hedge Counterparty Accounts or any other account subject to an Account Control Agreement. Each such account shall be maintained in the name of the Indenture Trustee, and the Issuers shall not consent to the bank or securities intermediary maintaining any such account complying with instructions or entitlement orders of any Person other than the Property Manager in accordance with the Property Management Agreement or the Indenture Trustee. If any such account is not held at a depository institution that is the same as the Indenture Trustee, the Issuers will cause the bank or securities intermediary maintaining the Collection Account, Release Account, Post-Closing Acquisition Reserve Account, Payment Account, DSCR Reserve Account or any other account held as part of the Collateral Pool, to execute and deliver to the Indenture Trustee an Account Control Agreement with respect to such account.

(f) The Issuers represent and warrant that the Indenture is not required to be qualified under the 1939 Act and that no Issuer is required to be registered as an “investment company” under the 1940 Act.

#### **Section 9.05 Protection of Collateral Pool.**

The Issuers, and, to the extent directed by the Issuers or the Requisite Global Majority, the Indenture Trustee, will from time to time execute and deliver all such amendments and supplements hereto (subject to Sections 8.01 and 8.02) and all such financing statements, continuation statements, instruments of further assurance and other instruments ( provided, however, that the Indenture Trustee will not be obligated to prepare or file any such supplements, statements or other instruments), and will take such other action necessary or advisable to:

- (a) Grant more effectively all or any portion of the Collateral Pool;
- (b) maintain or preserve the lien (and the priority thereof) of the Mortgages and this Indenture or carry out more effectively the purposes hereof;
- (c) perfect, publish notice of, or protect the validity of any Grant made or to be made by or in the Mortgages or this Indenture;

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- (d) subject to the Property Management Agreement, enforce any of the Loans or Leases included in the Collateral Pool; or
  - (e) preserve and defend title to the Collateral included in the Collateral Pool and the rights of the Indenture Trustee in such Collateral against the claims of all Persons and parties.

Each of the Issuers hereby designates the Indenture Trustee, its agent and attorney-in-fact, to execute and deliver any financing statement, continuation statement or other instrument required pursuant to this Section 9.05; provided, that, subject to and consistent with Section 5.01, the Indenture Trustee will not be obligated to prepare or file any such statements or instruments.

**Section 9.06 Covenants.**

- (a) For so long as the Notes of any Series are outstanding, no Issuer shall:
  - (i) cause or permit any Collateral Transfer of a legal or beneficial interest in any Loan, Property, Lease or any part thereof or any legal or beneficial interest therein or any other part of the Collateral Pool, except as expressly permitted by this Indenture or the Property Management Agreement;
  - (ii) dissolve or liquidate in whole or in part, except as provided in Section 9.08;
  - (iii) engage, directly or indirectly, in any business other than that arising out of the issuance of the Notes and the actions contemplated or required to be performed under the related Issuer LLC Agreement, this Indenture or the Property Management Agreement;
  - (iv) incur, create or assume any indebtedness for borrowed money other than the Notes or otherwise pursuant to this Indenture or the Property Management Agreement;
  - (v) voluntarily file a petition for bankruptcy or reorganization, make an assignment for the benefit of creditors or commence any similar proceeding;
  - (vi) change its state of organization, name, identity or organizational status, or otherwise amend its Issuer LLC Agreement, without notifying the Indenture Trustee of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in such Issuer's organizational status or any such amendment, without first obtaining the prior written consent of the Indenture Trustee and satisfying the Rating Condition;
  - (vii) withdraw or direct any party to withdraw any funds from the Lockbox Transfer Account or the Collection Account, other than in accordance with the terms of this Indenture or the Property Management Agreement;

(viii) [reserved];

(ix) except as contemplated by the Transaction Documents, commingle its funds or assets with those of any other Person and shall not participate in any cash management system with any other Person;

(x) pledge its assets to or for the benefit of any other Person other than with respect to loans secured by the Property or the Loans and no such pledge remains outstanding except to the Indenture Trustee, for the benefit of the Noteholders to secure the Notes;

(xi) other than capital contributions and distributions permitted under the terms of its organizational documents, enter into or be a party to, any transaction with any of its partners, members, shareholders or Affiliates except in the ordinary course of its business and on terms which are commercially reasonable terms comparable to those of an arm's-length transaction with an unrelated third party;

(xii) indemnify its partners, officers, directors or members, as the case may be, in each case unless such an obligation or indemnification is fully subordinated to the Notes and shall not constitute a claim against it in the event that its cash flow is insufficient to pay the Notes;

(xiii) other than with respect to a pledge or financing under a repurchase transaction of the related Issuer Interests, cause or permit a voluntary or involuntary sale, transfer, exchange, encumbrance, pledge or assignment or any other transfer or disposition of (directly, voluntarily or involuntarily, by operation of law or otherwise, and whether for consideration or of record) any of the ownership interests in such Issuer; or

(xiv) without the consent the Requisite Global Majority, be, become or hold itself out (or permit itself to be held out) as being liable for the debts or other obligations of any other Person, or hold out its credit (or permit its credit to be held out) as being available to satisfy the obligation of any other Person; except for (A) debts or other obligations secured by the Collateral and assumed in its entirety by such Issuer at the time it acquired the related Collateral, and (B) the Notes.

(b) For so long as the Notes of any Series are outstanding, each Issuer covenants, that:

(i) it shall be organized solely for the purpose of acquiring, developing, owning, holding, selling, leasing, transferring, exchanging, managing and operating the related Property and Loans, entering into and performing its obligations under the Transaction Documents and transacting lawful business that is incident, necessary and appropriate to accomplish the foregoing;

(ii) it shall not have any assets other than as contemplated in the Transaction Documents and personal property necessary or incidental to its ownership and operation of such assets;



(iii) (A) it shall be structured as a single member, bankruptcy-remote, special-purpose Delaware limited liability company consistent with the requirements of each applicable Rating Agency and (B) it shall have at least one Independent Director and an independent "Springing Member" if the Issuer Manager is dissolved or is otherwise no longer a member of such Issuer;

(iv) it (A) shall maintain its financial statements, accounting records and other entity documents separate from those of any other Person; (B) show, in its financial statements, its asset and liabilities separate and apart from those of any other Person; and (C) shall not permit its assets to be listed as assets on the financial statement of any of its Affiliates except as required by GAAP; provided, however, that any such consolidated financial statement contains a note indicating that its separate assets and credit are not available to pay the debts of such Affiliate and that its liabilities do not constitute obligations of the consolidated entity;

(v) it shall cause the related Issuer Manager to provide the Indenture Trustee with thirty (30) days prior written notice prior to the removal of the Independent Director of such Issuer;

(vi) it shall have a limited liability company agreement that provides that such Issuer will not take any Material Action without the affirmative vote of an Independent Director;

(vii) it shall maintain an arm's-length relationship with each of its Affiliates, not enter into any contract or agreement or amendment thereof with any of its Affiliates, unless the terms are commercially reasonable, intrinsically fair and substantially similar to those that would be available on an arm's-length basis with third parties, and transact all business with its Affiliates pursuant to enforceable agreements with material terms established at the inception that will not be amendable except with the consent of each of the parties to such agreement;

(viii) to the extent that any Issuer leases premises from an Affiliate, such Issuer shall pay appropriate, fair and reasonable compensation or rental to the lessor; or

(ix) so long as SCF Realty Capital or an Affiliate of any Issuer is the Property Manager, any legal proceedings to collect rent, principal or interest or other income from the Properties and Loans, or to oust or dispossess a Tenant or other Person from a Property or foreclose on a Loan, shall be brought only in the name of the related Issuer and at such Issuer's expense. So long as SCF Realty Capital or an Affiliate of any Issuer is the Property Manager, the applicable Issuer shall execute all Leases and Loans, service contracts and other contracts, including amendments thereto. So long as SCF Realty Capital or an Affiliate of any Issuer is the Property Manager, the Property Manager shall not bind any Issuer in respect of any term or condition of any such Lease, Loan or contract except in Leases, Loans or other contracts that are executed by the applicable Issuer.

**Section 9.07 Statement as to Compliance.**

Each Issuer shall deliver to the Indenture Trustee and to each Rating Agency, within 120 days after the end of each fiscal year commencing with 2017, an Officer's Certificate of the related Issuer Manager on behalf of such Issuer stating that, in the course of the performance by the officer executing such Officer's Certificate of such officer's present duties as an officer of such Issuer, such officer would normally obtain knowledge or have made due inquiry of employees of such Issuer and such Issuer's Affiliates as to the existence of any condition or event which would constitute an Event of Default after notice or lapse of time or both and that to the best of the officer's knowledge, (a) such Issuer has fulfilled all of its obligations under this Indenture in all material respects throughout such year, or, if there has been an Event of Default in the fulfillment of any such obligation in any material respect, specifying each such default known to such officer and the nature and status thereof, and (b) as of the end of such fiscal year, no Event of Default has occurred and is continuing and no condition or event that would constitute an Event of Default after notice or lapse of time or both has occurred, or, if such an event has occurred and is continuing, specifying each such event known to such officer and the nature and status thereof.

**Section 9.08 Issuers May Consolidate, Etc., Only on Certain Terms.**

(a) For so long as the Notes of any Series are outstanding, no Issuer may consolidate or merge with or into any other Person or convey or transfer all or substantially all of the applicable Collateral Pool to any Person (other than as provided in the Transaction Documents) without the consent of the Requisite Global Majority, unless:

(i) the Person (if other than any such Issuer) formed by or surviving such consolidation or merger or that acquires by conveyance or transfer the Collateral Pool (the "**Successor Person**") shall be a Person organized and existing under the laws of the United States of America or of any State thereof, shall have expressly assumed by written instrument, and executed and delivered such written instrument to the Indenture Trustee, the obligation (to the same extent as such Issuer was so obligated) to make payments of principal, interest and other amounts, as applicable, on all of the applicable Notes and the obligation to perform every covenant of this Indenture on the part of such Issuer to be performed or observed, all as provided herein;

(ii) at the time of, and immediately after giving effect to, such transaction, no Event of Default shall have occurred and be continuing or Early Amortization Period shall have occurred and be continuing;

(iii) the Indenture Trustee shall have received written confirmation that the Rating Condition is satisfied;

(iv) any such Issuer shall have delivered to the Indenture Trustee an Officers' Certificate and an Opinion of Counsel, each to the effect that, such consolidation, merger, conveyance or transfer complies with and satisfies all conditions precedent set forth in this Article IX;

(v) the Successor Person shall have delivered to the Indenture Trustee an Officer's Certificate stating that (1) the Successor Person has good and marketable title to the applicable Collateral included in the Collateral Pool, free and clear of any lien, security interest or charge other than the lien and security interest of the related Mortgages and this Indenture and any other lien permitted hereby, and (2) immediately following the event which causes the Successor Person to become the Successor Person, the Indenture Trustee continues to have a perfected security interest in such Collateral included in the Collateral Pool to the extent a security interest may be created and perfected under Article 9 of the UCC and a valid, first priority lien (subject to Permitted Encumbrances) in the related Loans, Properties and Leases; and

(vi) the Successor Person shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel each stating that, with respect to a Successor Person that is a corporation, partnership or trust: such Successor Person shall be duly organized, validly existing and in good standing in the jurisdiction in which such Successor Person is organized; that the Successor Person has sufficient power and authority to assume the obligations set forth in clause (i) above and to execute and deliver an indenture supplement hereto for the purpose of assuming such obligation; that the Successor Person has duly authorized the execution, delivery and performance of any indenture supplement and that such supplemental indenture is a valid, legal and binding obligation of the Successor Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency and other laws affecting the enforcement of creditor's rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law); and that, immediately following the event which causes the Successor Person to become the Successor Person, the Indenture Trustee continues to have a perfected security interest in the applicable Collateral included in the Collateral Pool to the extent a security interest may be created and perfected under Article 9 of the UCC.

(b) Upon any consolidation or merger, or any conveyance or transfer of all or substantially all of the Collateral Pool (unless in connection with a Series Collateral Release), the Successor Person shall succeed to, and be substituted for, and may exercise every right and power of, an Issuer under this Indenture with the same effect as if such Successor Person had been named as an Issuer herein. In the event of any such conveyance or transfer of the Collateral Pool permitted by this Section 9.08, the Person named as an "Issuer" in the first paragraph of this Indenture, or any successor that shall theretofore have become such in the manner prescribed in this Article and that has thereafter effected such a conveyance or transfer, may be dissolved, wound up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker on all of the then Outstanding Notes and from its obligations under this Indenture.

**Section 9.09 Litigation.** Each Issuer shall give prompt written notice to the Indenture Trustee of any litigation or governmental proceedings pending against such Issuer which might materially and adversely affect such Issuer's condition (financial or otherwise) or business or any Property.

**Section 9.10 Notice of Default.** Each Issuer shall promptly advise the Indenture Trustee in writing of any material adverse change in such Issuer's condition, financial or otherwise not otherwise reported, or of the occurrence of any material Event of Default of which such Issuer has knowledge.

**Section 9.11 Cooperate in Legal Proceedings.** Each Issuer shall cooperate fully with the Indenture Trustee with respect to any proceedings before any court, board or other Governmental Authority which may in any way affect the rights of the Indenture Trustee hereunder or any rights obtained by the Indenture Trustee under any of the other Transaction Documents and, in connection therewith, permit the Indenture Trustee, at its election, to participate in any such proceedings.

**Section 9.12 Insurance Benefits.** Each Issuer shall cooperate with the Indenture Trustee in obtaining for the Indenture Trustee the benefits of any proceeds of the insurance policies lawfully or equitably payable in connection with any applicable Property, subject to the rights of Tenants under the applicable Leases and the terms of the Property Management Agreement, and the Indenture Trustee shall be reimbursed for any expenses incurred in connection therewith (including reasonable attorneys' fees and disbursements) out of such insurance proceeds.

**Section 9.13 Costs of Enforcement.** In the event (a) that any Mortgage encumbering any Property is foreclosed in whole or in part or that any such Mortgage is put into the hands of an attorney for collection, suit, action or foreclosure, (b) of the foreclosure of any mortgage prior to or subsequent to any Mortgage encumbering any Property in which proceeding the Indenture Trustee is made a party, or (c) of the bankruptcy, insolvency, rehabilitation or other similar proceeding in respect of any Issuer or related Issuer Manager or an assignment by such Issuer or related Issuer Manager for the benefit of its creditors, such Issuer, its successors or assigns, shall be chargeable with and agrees to pay all reasonable costs of collection and defense, including reasonable attorneys' fees and costs, incurred by the Indenture Trustee or such Issuer in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, together with all required service or use taxes.

**Section 9.14 Performance of Issuers' Duties by the Related Issuer Manager.** The duties of each Issuer will be performed on behalf of such Issuer by its Board of Managers or the related Issuer Manager pursuant to the applicable Issuer LLC Agreement.

**Section 9.15 Further Acts, etc.** Each Issuer will, at such Issuer's expense, and without expense to the Indenture Trustee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, UCC Financing Statements or continuation statements, transfers and assurances as the Indenture Trustee shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto the Indenture Trustee the property and rights hereby deeded, mortgaged, given, granted, bargained, sold, alienated, offset, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which such Issuer may be or may hereafter become bound to convey or assign to the Indenture Trustee, or for carrying out the intention or facilitating the performance of the terms of this Indenture or for filing, registering or recording this Indenture. Each Issuer will promptly execute and deliver and hereby authorizes the Indenture Trustee to execute in the name of such Issuer or without the signature of such

Issuer to the extent the Indenture Trustee may lawfully do so, one or more financing statements or other instruments, to evidence more effectively the security interest of the Indenture Trustee in the Properties or the Loans. Upon foreclosure, the appointment of a receiver or any other relevant action, each such Issuer will, at the cost of such Issuer and without expense to the Indenture Trustee, cooperate fully and completely to effect the assignment or transfer of any license, permit, agreement or any other right necessary or useful to the operation of the Properties. Each Issuer grants to the Indenture Trustee an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to the Indenture Trustee at law and in equity, including, without limitation, such rights and remedies available to the Indenture Trustee pursuant to this Section.

**Section 9.16 Recording of Mortgages, etc.** Each Issuer forthwith upon the execution and delivery of this Indenture and thereafter, from time to time, will cause the applicable Mortgages, and any security instrument creating a lien or security interest or evidencing the lien thereof upon the related Properties and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien or security interest upon, and the interest of the Indenture Trustee in, such Properties. Each Issuer will pay all filing, registration or recording fees, and all expenses incident to the preparation, execution and acknowledgment of the applicable Mortgages, any Mortgages supplemental thereto, any security instrument with respect to the related Properties and any instrument of further assurance, and all federal, state, county and municipal, taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such Mortgages, any Mortgages supplemental thereto, any security instrument with respect to such Properties or any instrument of further assurance, except where prohibited by law so to do. Each Issuer shall hold harmless and indemnify the Indenture Trustee, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of the applicable Mortgages.

**Section 9.17 Treatment of the Notes as Debt for Tax Purposes.** Each Issuer shall, and shall cause the Indenture Trustee to, treat each Series of Notes as indebtedness for all federal and state income tax purposes upon its issuance for U.S. federal income tax purposes. Each Issuer, the Indenture Trustee and each Noteholder, by its acceptance of a Note, agrees to treat each Series of Notes as indebtedness for all federal and state income tax purposes and agrees not to take any position on its books or tax returns inconsistent therewith upon its issuance for U.S. federal income tax purposes.

**Section 9.18 Payment of Debts.** Each Issuer will remain solvent and such Issuer will pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its assets as the same shall become due.

**Section 9.19 Single-Purpose Status.** Each Issuer will do all things necessary to observe organizational formalities and preserve its existence, and such Issuer will not, nor will such Issuer permit the applicable Issuer Manager to, amend, modify or otherwise change the certificate of formation, limited liability agreement, articles of incorporation and bylaws, operating agreement, certificate of organization, trust or other organizational documents of such Issuer in any manner that would affect the status of such Issuer or Issuer Manager as a single-purpose, bankruptcy-remote entity, without (i) the prior written consent of the Requisite Global Majority, in its sole discretion, and (ii) the satisfaction of the Rating Condition.

**Section 9.20 Separateness of Each Issuer.** Each Issuer will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliate of such Issuer), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, shall not identify itself or any of its Affiliates as a division or part of the other and shall maintain and utilize separate stationery, invoices and checks.

**Section 9.21 Capitalization of the Issuers.** Each Issuer shall maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

**Section 9.22 Maintenance of Assets.** Each Issuer will maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or constituent party or any Affiliate of any constituent party, or any other Person.

**Section 9.23 Compliance with Representations and Warranties.** Each Issuer Manager shall at all times comply, and will cause the Issuers to comply, with each of the applicable representations, warranties, and covenants contained in this Indenture (including any Series Supplement) as if such representation, warranty or covenant was made directly by such Issuer Manager.

**Section 9.24 Independent Managers or Independent Directors.** Each Issuer shall at all times cause there to be at least one (1) duly appointed director or one (1) duly appointed manager (an “**Independent Manager**”) of such Issuer who is an individual duly who, at the time of such appointment, is not and will not be serving as the Manager of the Company, and has not been at any time during the preceding five (5) years: (a) a direct or indirect legal or beneficial owner of any equity interest in the Company, the Member or any of their respective Affiliates, (b) a creditor, customer, supplier, employee, officer, director, member, manager or contractor of, or other Person who derives any of its purchases or revenues from its activities with, the Company, the Member or any of their respective Affiliates (except as an Independent Manager of the Company), (c) an individual directly or indirectly controlling, controlled by or under common control with the Company, the Member or any of their respective Affiliates, or any creditors, suppliers, customers, employees, officers, other directors, Manager, or contractors of the Company, the Member or any of their respective Affiliates, or (d) a member of the immediate family of any individual described in (a), (b) or (c) above Each Independent Manager is designated as a “manager” of the Company within the meaning of Section 18-101(10) of the Act.

As used herein, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies or activities of a Person, whether through ownership of voting securities, by contract or otherwise.

Notwithstanding the foregoing, no individual shall be disqualified from serving as an Independent Manager solely on account of (i) his or her receipt of customary compensation, if any, from the Company in exchange for his or her service as Independent Manager, (ii) his or her employment by or ownership interest in any reputable, national service entity engaged by the Company to fill the position of Independent Manager required hereunder and that (A) is not an Affiliate of the Company or the Member and (B) regularly provides as a principal component of its business the services of an independent director, independent trustee or independent manager (as determined pursuant to requirements substantially similar in all material respects to those set forth in this definition) to special-purpose, bankruptcy-remote entities, (iii) his or her service as an independent director, independent trustee or independent manager (as determined pursuant to requirements substantially similar in all material respects to those set forth in this definition) of another limited or special-purpose, bankruptcy-remote entity or (iv) his or her receipt of customary compensation, if any, in exchange therefor from such other limited or special-purpose bankruptcy-remote entity.

**Section 9.25 Employees.** Each Issuer shall pay its own liabilities and expenses, including, without limitation, the salaries of its own employees, if any, out of its own funds and assets and maintain a sufficient number of employees if any are required in light of its contemplated business operations.

**Section 9.26 Assumptions in Insolvency Opinion.** Each Issuer shall conduct its business so that the assumptions made with respect to such Issuer in any non-consolidation Opinion of Counsel, dated the date of the applicable Series Supplement, delivered in connection with the Notes and any subsequent non-consolidation opinion delivered on behalf of such Issuer as required by the terms and conditions of this Indenture (an “**Insolvency Opinion**”) shall be true and correct in all respects.

**Section 9.27 Performance by the Issuers.** (a) Each Issuer shall observe, perform and satisfy all the terms, provisions, covenants and conditions of, and shall pay when due all applicable costs, fees and expenses to the extent required under, the Transaction Documents executed and delivered by, or applicable to, such Issuer.

(b) Each Issuer shall in a timely manner observe, perform, enforce and fulfill each and every covenant, term and provision of each Transaction Document executed and delivered by, or applicable to, such Issuer, or recorded instrument affecting or pertaining to the applicable Properties, to the extent the failure to observe or perform the same would materially and adversely affect such Issuer’s interest in such Properties, and shall not enter into or otherwise suffer or permit any amendment, waiver, supplement, termination or other modification of any Transaction Document executed and delivered by, or applicable to, such Issuer except in accordance with the terms and provisions thereof and hereof.

**Section 9.28 Use of Proceeds.** The Issuers shall use the proceeds of the Notes to (a) repay and discharge, or cause to be repaid and discharged, any existing loans relating to the Properties, (b) pay costs and expenses incurred in connection with the closing of any transaction contemplated by this Indenture, (c) fund any working capital requirements of the Properties, (d) distribute the balance, if any, to their respective partners or equity holders, (e) to acquire Post-Closing Properties as described herein and (f) as otherwise provided in the related Series Supplement.

**Section 9.29 Other Rights, etc.** It is agreed that the risk of loss or damage to any Property is on the Issuers, and the Indenture Trustee shall have no liability whatsoever for decline in value of the Property or for failure to determine whether insurance in force is adequate as to the amount of risks insured.

**Section 9.30 Books and Records.** The Issuers will maintain all of their respective books, records, financial statements and bank accounts separate from those of its Affiliates and any constituent party and file its own tax returns (provided that each such Issuer's financial statements and tax returns may be prepared on a consolidated basis with other entities provided that such consolidated financial statements and tax returns indicate the separate existence of such Issuer and its assets and liabilities). The Issuers shall maintain their respective books, records, resolutions and agreements as official records.

**Section 9.31 Overhead Expenses.** The Issuers shall allocate fairly and reasonably overhead expenses, if any, that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate.

**Section 9.32 Embargoed Persons.** Each Issuer has performed and shall perform reasonable due diligence to insure that at all times throughout the term of the Notes, (a) none of the funds or other assets of such Issuer constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person; (b) no Embargoed Person has any interest of any nature whatsoever in such Issuer, with the result that the investment in such Issuer (whether directly or indirectly) is prohibited by law or the Notes are in violation of law; and (c) none of the funds of such Issuer, have been derived from, or are the proceeds of, any unlawful activity, including money laundering, terrorism or terrorism activities, with the result that the investment in such Issuer (whether directly or indirectly) is prohibited by law or the Notes are in violation of law, or may cause any of the related Properties to be subject to forfeiture or seizure.

## ARTICLE X

### COVENANTS REGARDING PROPERTIES

**Section 10.01 General.**

The Issuers will be required to maintain and manage, or cause the Property Manager to maintain and manage, each of its related Properties in accordance with the terms and provisions set forth in the Property Management Agreement.

**Section 10.02 Insurance.**

The Issuers will be required to maintain, or cause to be maintained, insurance of the types and amounts set forth in the Property Management Agreement.

**Section 10.03 Loans, Leases and Rents.**

With respect to each Property, the related Issuer (i) shall observe and perform all the obligations imposed upon the Borrower under the related Loan or the lessor under the related Lease and shall not do or permit to be done anything to impair materially the value of Loan,



Property or related Lease as security, (ii) shall promptly send copies to the Indenture Trustee of all notices of event of default which such Issuer shall send or receive under the Loans and Leases, (iii) shall notify the Indenture Trustee in writing of any material change in the status of any tenancy at such Property, including, without limitation, the vacating, surrender or going dark of any Tenant, even if such action is expressly permitted by the terms of such Tenant's Lease, (iv) shall, consistent with the Property Management Agreement, enforce all of the material terms, covenants and conditions contained in the Loans upon the part of the Borrower and the Leases upon the part of the Tenant, as applicable, thereunder to be observed or performed (including, without limitation, collecting financial information from each Borrower or Tenant), (v) shall not execute any assignment of the Borrower's interest in the Loan or the monthly Loan Payments or the lessor's interest in the Lease or the Monthly Lease Payments except as permitted under the Property Management Agreement, and (vi) shall not consent to any assignment of or subletting under a Lease not in accordance with its terms or as permitted under the Property Management Agreement. No Issuer shall agree to any material modification of a Loan or Lease except in accordance with the terms of the Property Management Agreement.

**Section 10.04 Compliance With Laws.**

With respect to each Property:

- (a) The related Issuer shall promptly comply, or shall take commercially reasonable efforts to enforce the Tenants' obligations under the Leases to comply, in all material respects with Applicable Law affecting such Property, or the use thereof, currently existing or enacted in the future.
- (b) The Issuers shall give prompt notice to the Indenture Trustee of the receipt by any such Issuer of any written governmental agency notice related to a violation of any Applicable Law and of the commencement of any governmental agency proceedings or investigations which relate to compliance with Applicable Law.
- (c) After prior written notice to the Indenture Trustee, the related Issuer, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the Applicable Law affecting any Property; provided, that (i) no Event of Default has occurred and is continuing under any Mortgage or this Indenture, (ii) such Issuer is not prohibited from doing so under the provisions of any Loan or Lease and any other mortgage, deed of trust or deed to secure debt affecting the related Property, (iii) such proceeding shall not be prohibited under, and shall be conducted in accordance with, the Property Management Agreement, (iv) none of such Property, any part thereof or interest therein, any of the related Borrowers, the Tenants or occupants thereof, or such Issuer shall be affected in any materially adverse way as a result of such proceeding, (v) non-compliance with the Applicable Law shall not impose criminal liability on such Issuer or civil or criminal liability on the Indenture Trustee, and (vi) such Issuer shall have furnished to the Indenture Trustee all other items reasonably requested by the Indenture Trustee.

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**Section 10.05 Estoppel Certificates.**

The Issuers shall deliver or cause to be delivered to the Indenture Trustee, promptly upon request but in no event later than twenty (20) days following such request, duly executed estoppel certificates from any one or more Borrowers or Tenants as required by the Property Management Agreement and the Loan or Lease, as applicable, attesting to such facts regarding the Loan or Lease, as applicable, as the Property Manager may require in accordance with the Property Management Agreement.

**Section 10.06 Other Rights, Etc.**

It is agreed that the risk of loss or damage to a Property is on the related Issuer, and the Indenture Trustee shall have no liability whatsoever for decline in value of such Property, for failure to maintain insurance policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by the Indenture Trustee shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any Loan or Property or any other Collateral included in the Collateral Pool and not in the Indenture Trustee's possession.

**Section 10.07 Right to Release Any Portion of the Collateral Pool.**

The Indenture Trustee shall not release any portion of the Collateral Pool except as expressly set forth in the terms and provisions of the Property Management Agreement, the Indenture and the other Transaction Documents and shall release such portion without, as to the remainder of such Collateral, in any way impairing or affecting the lien or priority of this Indenture, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by the Indenture Trustee for such release, and may accept by assignment, pledge or otherwise any other property in place thereof, all in accordance with the terms hereof and of the Property Management Agreement. This Indenture shall continue as a lien and security interest in the remaining portion of the Collateral Pool to which it applies.

**Section 10.08 Environmental Covenants.**

(a) So long as the Issuers own or are in possession of each Property, the Issuers shall keep or cause each Property to be kept free from Hazardous Substances other than Permitted Materials and in compliance with any and all local, state, federal or other Governmental Authority, statute, ordinance, code, order, decree, law, rule or regulation pertaining to or imposing liability or standards of conduct concerning environmental regulation, contamination or clean-up including, without limitation, CERCLA, the Resource Conservation and Recovery Act, as amended, the Emergency Planning and Community Right-to-Know Act of 1986, as amended, the Hazardous Substances Transportation Act, as amended, the Solid Waste Disposal Act, as amended, the Clean Water Act, as amended, the Clean Air Act, as amended, the Toxic Substance Control Act, as amended, the Safe Drinking Water Act, as amended, the Occupational Safety and Health Act, as amended, any state super-lien and environmental statutes and all rules and regulations adopted in respect to the foregoing laws whether presently in force or coming into being and/or effectiveness hereafter (collectively, "**Environmental Laws**").

(b) The Issuers shall protect, indemnify, and hold harmless the Indenture Trustee from and against all liabilities, obligations, claims, demands, damages, penalties, causes of action, losses, fines, costs and expenses (including without limitation reasonable attorneys' fees and disbursements), imposed upon or incurred by or asserted against the Indenture Trustee by reason of (i) the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Substance or Asbestos on, from or affecting any Properties or other real properties owned by an Issuer at any time since the initial formation of such Issuer; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Substance or Asbestos; (iii) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Substance or Asbestos; and (iv) any violation of Environmental Laws, including, without limitation, the costs and expenses of any Remedial Work, reasonable attorney and consultant fees and disbursements, investigation and laboratory fees, court costs, and litigation expenses.

(c) The Issuers shall, within six (6) months of each Series Closing Date (or such longer time as may reasonably be required to complete the same with diligent effort by the applicable Issuers, in light of the Legal Requirements and Governmental Authorities involved), deliver evidence reasonably satisfactory to the Property Manager establishing that such Issuers have performed and paid or caused the Tenants or Borrowers, as applicable, to perform and pay for the work set forth in exhibits to the applicable Series Supplement, if any, all in accordance with all Environmental Laws.

(d) The Issuers shall not install Asbestos in any Property and, upon discovery of any Asbestos in any Property, shall, to the extent permitted under the related Lease and at the Issuers' sole expense, cause an operations and maintenance program to be established with respect to such Asbestos. The Issuers shall in all instances comply with, and ensure compliance by all occupants of each Property with, all applicable federal, state and local laws, ordinances, rules and regulations with respect to Asbestos, and shall keep each Property free and clear of any liens imposed pursuant to such laws, ordinances, rules or regulations. In the event that the Issuers receives any written notice or advice from any governmental agency or any source whatsoever with respect to Asbestos on, affecting or installed on any Property, the Issuers shall promptly notify the Property Manager and the Indenture Trustee. The obligations and liabilities of the Issuers under this Section 10.08(d) shall survive any termination, satisfaction, or assignment of this Indenture and the exercise by the Indenture Trustee of any of its rights or remedies hereunder, including but not limited to, the acquisition of any Property by foreclosure or a conveyance in lieu of foreclosure.

**Section 10.09 Handicapped Access.** (a) The Issuers agree that the Properties shall at all times comply in all material respects to the extent applicable with the requirements of the Americans with Disabilities Act of 1990, the Fair Housing Amendments Act of 1988 (if applicable), all state and local laws and ordinances related to handicapped access and all rules, regulations, and orders issued pursuant thereto including, without limitation, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities (collectively, "**Access Laws**"). The Issuers agree to give prompt notice to the Indenture Trustee of the receipt by any Issuer of any complaints related to material violation of any Access Laws and of the commencement of any proceedings or investigations which relate to compliance with applicable Access Laws.

**Section 10.10 Preservation of Title.** Subject to any Permitted Encumbrances, the Issuers shall forever warrant, defend and preserve such title and the validity and priority of the lien of any Mortgage and the other Transaction Documents and shall forever warrant and defend the same to the Indenture Trustee against the claims of all Persons whomsoever.

**Section 10.11 Maintenance and Use of Properties.** The Properties shall be maintained in accordance with the terms of the Leases and the Property Management Agreement.

**Section 10.12 Access to Properties.** The Issuers shall permit the agents, representatives and employees of the Indenture Trustee to inspect the Properties or any part thereof at reasonable hours upon reasonable advance notice, subject to the Leases.

## ARTICLE XI

### COSTS

**Section 11.01 Performance at the Issuers' Expense.**

The Issuers acknowledge and confirm that the Indenture Trustee shall impose certain administrative processing fees in connection with the release or substitution of any Loan or Property, which fees are payable to the Indenture Trustee under the Property Management Agreement as an Extraordinary Expense. The Issuers further acknowledge and confirm that they shall be responsible for the payment of all costs of reappraisal of any Property or any part thereof, whether required by law, regulation or any Governmental Authority. The Issuers hereby acknowledge and agree to pay, immediately, upon demand, all such fees (as the same may be reasonably increased or decreased from time to time), and any additional fees of a similar type or nature which may reasonably be imposed by the Indenture Trustee from time to time, upon the occurrence of any release or substitution of any Loan or Property or otherwise, in accordance with the priorities set forth herein and in the Property Management Agreement. Wherever it is provided for herein that an Issuer pay any costs and expenses, such costs and expenses shall include, but not be limited to, all reasonable legal fees and disbursements of the Indenture Trustee in accordance with the priorities set forth herein.

## ARTICLE XII

### MISCELLANEOUS

**Section 12.01 Execution Counterparts.**

This Indenture may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original regardless of whether delivered in physical or electronic form, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Indenture in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Indenture.

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**Section 12.02 Compliance Certificates and Opinions, Etc.**

Upon any application or request by an Issuer to the Indenture Trustee to take any action under any provision of this Indenture, such Issuer shall furnish to the Indenture Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

**Section 12.03 Form of Documents Delivered to Indenture Trustee.**

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of an Issuer or Issuer Manager may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of an Issuer or Issuer Manager stating that the information with respect to such factual matters is in the possession of such Issuer or Issuer Manager, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Whenever this Indenture requires that a document or instrument (other than any Note) be delivered in substantially the form attached hereto as an exhibit, modifications and additions to and deletions from any such exhibit reflected in such document or instrument as delivered hereunder shall not impair the validity or acceptability of such document or instrument (nor shall any Person be entitled to reject such document or instrument as a result thereof) to the extent that such modifications, additions or deletions are approved by the Issuers and are made in a manner consistent with Applicable Law (including changes thereto).

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that any Person shall deliver any document as a condition of the granting of such application, or as evidence of such Person's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts

and opinions stated in such document shall in such case be conditions precedent to the right of such Person to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article V.

**Section 12.04 No Oral Change.**

This Indenture, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any Issuer, Issuer Manager or the Indenture Trustee, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought and otherwise in accordance herewith.

**Section 12.05 Acts of Noteholders.**

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by the Noteholders of any Class of any Series or in their entirety may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the applicable Issuers. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" or "Acts" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 5.01) conclusive in favor of the Indenture Trustee and the Issuers if made in the manner provided in this Section. With respect to authorization to be given or taken by Noteholders, the Indenture Trustee shall be authorized to follow the written directions or the vote of Noteholders of Notes representing more than 50% of the Aggregate Series Principal Balance (or Outstanding Notes of the affected Class, if applicable), unless any greater or lesser percentage is required by the terms hereunder.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The Series, Class, Outstanding Principal Balance and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, election, declaration, waiver or other act of any Noteholder shall bind every future Noteholder of the same Note and the Noteholder of every Note issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, suffered or omitted to be done by the Indenture Trustee or the applicable Issuers in reliance thereon, whether or not notation of such action is made upon such Note.

**Section 12.06 Computation of Percentage of Noteholders.**

Unless otherwise specified herein, whenever this Indenture states that any action may be taken by a specified percentage of the Noteholders or the Noteholders of any Class, such statement shall mean that such action may be taken by the Noteholders of such specified percentage of the Aggregate Series Principal Balance or of such Class of Notes, respectively.

**Section 12.07 Notice to the Indenture Trustee, the Issuers and Certain Other Persons.**

Any communication provided for or permitted hereunder shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given if delivered by courier or mailed by first class mail, postage prepaid, or if transmitted by facsimile and confirmed in a writing delivered or mailed as aforesaid, to: (i) in the case of any Issuer, to SCF Realty Capital LLC, 47 Hulfish St. Ste. 210, Princeton, New Jersey 08542, Attention: Secretary or to such other address as provided in the applicable Series Supplement, as applicable; (ii) in the case of the Indenture Trustee, Citibank, N.A., 388 Greenwich Street, New York, NY 10013, Attention: Citibank Agency & Trust — SCF Master Funding or call 888-855-9695 to ask for the deal administrator's email address, or at such other address as the Indenture Trustee or Note Registrar may designate from time to time; and (iii) with respect to any applicable Series, in the case of any Rating Agency, the address of such Rating Agency as provided in the applicable Series Supplement, or, as to each such Person, such other address or facsimile number as may hereafter be furnished by such Person to the parties hereto in writing.

Citibank, N.A. (the “**Bank**”) (in each of its capacities hereunder and under the Transaction Documents) agrees to accept and act upon instructions or directions pursuant to this Indenture or any documents executed in connection herewith sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that any person providing such instructions or directions shall provide to the Bank an incumbency certificate listing persons designated to provide such instructions or directions (including the email addresses of such persons), which incumbency certificate shall be amended whenever a person is added or deleted from the listing. If such person elects to give the Bank email (of.pdf or similar files) or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's reasonable understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflicting with or being inconsistent with a subsequent written instruction. Any person providing such instructions or directions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

**Section 12.08 Notices to Noteholders : Notification Requirements and Waiver.**

Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given if in writing and delivered by courier or mailed by first class mail, postage prepaid to each Noteholder affected by such event, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for

the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is delivered or mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular courier and mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Where this Indenture provides for notice to the Rating Agencies, failure to give any such notice shall not affect any other rights or obligations created hereunder, and shall not under any circumstance constitute a default or Event of Default.

**Section 12.09 Successors and Assigns.**

All covenants and agreements in this Indenture by the Issuers shall bind their successors and permitted assigns, whether so expressed or not.

**Section 12.10 Interest Charges; Waivers.**

This Indenture is subject to the express condition that at no time shall any Issuer be obligated or required to pay interest hereunder at a rate which could subject the Indenture Trustee to either civil or criminal liability as a result of being in excess of the maximum interest rate which such Issuer is permitted by Applicable Law to contract or agree to pay. If by the terms of this Indenture, any Issuer is at any time required or obligated to pay interest hereunder at a rate in excess of such maximum rate, such rate shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder.

The Issuers expressly waives presentment, demand, diligence, protest and all notices of any kind whatsoever with respect to this Indenture, except for notices expressly provided for in this Indenture, the Mortgages or the Notes.

**Section 12.11 Severability Clause.**

In case any provision of this Indenture or of the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall, to the extent permitted by law, not in any way be affected or impaired thereby.



**Section 12.12 Governing Law .**

(a) THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES).

(b) Any action or proceeding against any of the parties hereto relating in any way to this Indenture or any Note or the Collateral included in the Collateral Pool may be brought and enforced in the courts of the State of New York sitting in the borough of Manhattan or of the United States District Court for the Southern District of New York and each of the Issuers irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding. The Issuers hereby waive, to the fullest extent permitted by law, any right to remove any such action or proceeding by reason of improper venue or inconvenient forum. As long as any of the Notes remain Outstanding, service of process upon any Issuer shall, to the fullest extent permitted by law, be deemed in every respect effective service in any such legal action or proceeding.

**Section 12.13 Effect of Headings and Table of Contents .**

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

**Section 12.14 Benefits of Indenture .**

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Noteholders, the Property Manager, the Special Servicer, the Back-Up Manager and any other party secured hereunder or named as a beneficiary of any provision hereof, any benefit or any legal or equitable right, remedy or claim under this Indenture.

**Section 12.15 Trust Obligation .**

No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuers on the Notes or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) any Issuer, any Issuer Manager, the Indenture Trustee, the Collateral Agent, the Property Manager, the Back-Up Manager or the Special Servicer, each in its individual capacity, (ii) any owner of a beneficial interest in an Issuer or Issuer Manager or (iii) any partner, owner, beneficiary, agent, officer, director, employee, agent or Control Person of an Issuer, an Issuer Manager, the Indenture Trustee, the Collateral Agent, the Property Manager, the Back-Up Manager or the Special Servicer in its individual capacity, any holder of a beneficial interest in an Issuer or of any successor or assignee of an Issuer, an Issuer Manager, the Indenture Trustee, the Collateral Agent, the Property Manager, the Back-Up Manager or the Special Servicer, each in its individual capacity, except as any such Person may have expressly agreed (it being understood that none of any Issuer Manager, the Indenture Trustee, the Collateral Agent, the Property Manager, the Back-Up Manager or the Special Servicer has any such obligations in its individual capacity).

**Section 12.16 Inspection.**

Each Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during such Issuer's normal business hours, to examine all the books of account, records, reports, and other papers of such Issuer, to make copies and extracts therefrom and to discuss such Issuer's affairs, finances and accounts relating to such Issuer with the officers of SCF Realty Capital on behalf of such Issuer and such Issuer's employees and independent public accounting firm, all at such reasonable times and as often as may be reasonably requested. The Indenture Trustee shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) or the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

**Section 12.17 Method of Payment.**

Except as otherwise provided in Section 2.11(b), all amounts payable or to be remitted pursuant to this Indenture shall be paid or remitted or caused to be paid or remitted in immediately available funds by wire transfer to an account specified in writing by the recipient thereof.

**Section 12.18 Limitation on Liability of the Issuers and Issuer Manager.**

None of the Issuers, Issuer Manager, or any of the directors, managers, officers, employees, agents or Control Persons of any Issuer or Issuer Manager, shall be under any liability to the Noteholders for any action taken or for refraining from the taking of any action in good faith pursuant to this Agreement, or for errors in judgment. The Issuers, Issuer Manager and any director, manager, officer, employee or agent of any Issuer or Issuer Manager, may rely in good faith on any document of any kind which, *prima facie*, is properly executed and submitted by any Person respecting any matters arising hereunder. No Issuer or Issuer Manager shall be under any obligation to appear in, prosecute or defend any legal action unless such action is related to its duties under this Indenture and which in its opinion does not involve it in any expenses or liability; provided, however, that any such Issuer or Issuer Manager may in its discretion undertake any such action which it may deem necessary or desirable with respect to this Indenture and the rights and duties of the parties hereto and the interests of the Noteholders hereunder.

**Section 12.19 Non-Petition.**

Each of the Noteholders, by its acceptance of a Note, and the Indenture Trustee hereby covenants and agrees that, prior to the date which is two years and thirty-one days after the payment in full of the latest maturing Note, it will not institute against, or join with, encourage or cooperate with any other Person in instituting, against an Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any federal or state bankruptcy or similar law; provided, however, that nothing in this Section 12.19 shall constitute a waiver of any right to indemnification, reimbursement or other payment from any Issuer pursuant to this Indenture. In the event that any such Noteholder or the

Indenture Trustee takes action in violation of this Section 12.19, the applicable Issuer, shall file or cause to be filed an answer with the bankruptcy court or otherwise properly contesting the filing of such a petition by any such Noteholder or the Indenture Trustee against such Issuer or the commencement of such action and raising the defense that such Noteholder or the Indenture Trustee has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert. The provisions of this Section 12.19 shall survive the termination of this Indenture, and the resignation or removal of the Indenture Trustee. Nothing contained herein shall preclude participation by any Noteholder or the Indenture Trustee in the assertion or defense of its claims in any such proceeding involving an Issuer.

**Section 12.20 Non-Recourse.**

The obligations of each Issuer under this Indenture are solely the obligations of such Issuer. No recourse shall be had for the payment of any amount owing in respect of any fee hereunder or any other obligation or claim arising out of or based upon this Indenture against any member, employee, officer or director of such Issuer. Fees, expenses, costs or other obligations payable by an Issuer hereunder shall be payable by such Issuer only to the extent that funds are then available or thereafter become available for such purpose pursuant to Section 2.11. In the event that sufficient funds are not available for their payment pursuant to Section 2.11, the excess unpaid amount of such fees, expenses, costs or other obligations shall in no event constitute a claim (as defined in Section 101 of the Bankruptcy Code) against, or corporate obligation of, such Issuer. Nothing in this Section 12.20 shall be construed to limit the Indenture Trustee, on behalf of the Noteholders, from exercising its rights hereunder and otherwise in accordance with the provisions of the applicable Series Supplement with respect to the Collateral Pool.

**Section 12.21 Acquisition of Post-Closing Properties and the Post-Closing Acquisition Reserve Account.**

(a) The Indenture Trustee shall establish and maintain a non-interest bearing, segregated account in the name of the Indenture Trustee at Citibank, N.A. for the deposit and retention of designated proceeds from the sale of the Notes for the purpose of purchasing Post-Closing Properties (the “**Post-Closing Acquisition Reserve Account**”). On each Series Closing Date, the Indenture Trustee will deposit or cause to be deposited into the Post-Closing Acquisition Reserve Account the related Post-Closing Acquisition Reserve Amount. The Post-Closing Acquisition Reserve Account will constitute an “Eligible Account” within the meaning of the Indenture. The funds held in the Post-Closing Acquisition Reserve Account may be held as cash. In accordance with the terms of this Indenture, the Indenture Trustee shall have exclusive control and sole right of withdrawal with respect to the Post-Closing Acquisition Reserve Account. Funds in the Post-Closing Acquisition Reserve Account shall not be commingled with any other moneys.

(b) Subject to the satisfaction of the Post-Closing Acquisition Conditions, on each Post-Closing Acquisition Date, the Indenture Trustee shall release from the Post-Closing Acquisition Reserve Account the applicable Post-Closing Acquisition Remittance Amount and distribute such amount to an account specified in the Post-Closing Acquisition Notice (as defined below) by the applicable Issuers. Any Post-Closing Properties acquired by an Issuer shall become part of the Collateral Pool on the applicable Post-Closing Acquisition Date.

(c) No later than one (1) Business Day prior to a proposed Post-Closing Acquisition Date, the Issuers shall provide written notice in the form of Exhibit G attached hereto (“**Post-Closing Acquisition Notice**”) to the Indenture Trustee, with a copy to the Property Manager and the Custodian, of the Issuers’ intent to acquire one or more Post-Closing Properties. Such notice shall include the following with respect to each such Post-Closing Property: (i) the proposed Post-Closing Acquisition Date; (ii) the expected purchase price; (iii) the requested Post-Closing Acquisition Remittance Amount; (iv) wire instructions for the account of the related Issuer or its designee into which the Indenture Trustee shall deposit the Post-Closing Acquisition Remittance Amount; and (v) all of the information contained in the Owned Property Schedule. Subject to the satisfaction of the Post-Closing Acquisition Conditions, on each Post-Closing Acquisition Date, the Indenture Trustee shall transfer to the account designated by the Issuer in the related Post-Closing Acquisition Notice, from the Post-Closing Acquisition Reserve Account, the Post-Closing Acquisition Remittance Amount.

(d) If (A) a responsible officer of the Indenture Trustee obtains actual knowledge (either through notice or otherwise) of the occurrence of an Early Amortization Period, the Indenture Trustee will deposit all amounts on deposit in the Post-Closing Acquisition Reserve Account into the Collection Account as Unscheduled Proceeds to be paid as Unscheduled Principal Payments on the following Payment Date or (B) there are any amounts remaining on deposit in the Post-Closing Acquisition Reserve Account as of the Post-Closing Acquisition Deadline, the Indenture Trustee shall add the amount on deposit in the Post-Closing Acquisition Reserve Account to the Series Available Amount for such Series of Notes and such amount will be applied as an Unscheduled Principal Payment in accordance with the Priority of Payments for such Series of Notes (any such amounts set forth in clauses (A) and (B) above, the “**Post-Closing Acquisition Unused Proceeds**”).

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

SCF RC FUNDING I LLC, a Delaware limited liability company, as an  
Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides

Name: Peter M. Mavoides

Title: President

*A&R Master Indenture (SCF 2017-1)*

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SCF RC FUNDING II LLC, a Delaware limited liability company, as an  
Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President

*A&R Master Indenture (SCF 2017-1)*

SCF RC FUNDING III LLC, a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President

*A&R Master Indenture (SCF 2017-1)*

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CITIBANK, N.A., not in its individual capacity but solely as Indenture Trustee

By: /s/ John Hannon  
Name: John Hannon  
Title: Vice President

*A&R Master Indenture (SCF 2017-1)*



STATE OF NEW JERSEY                    )  
                                                      ) ss.:  
COUNTY OF MERCER                    )

On this 1st day of July 2017, before me, the undersigned officer, personally appeared Peter M. Mavoides and acknowledged himself to me to be the President of SCF RC Funding I LLC, a Delaware limited liability company, and that as such officer, being duly authorized to do so pursuant to such entity’s by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of such entity by him as such officer as his free and voluntary act and deed and the free and voluntary act and deed of said entity.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Vanessa N. Riscica  
\_\_\_\_\_  
Notary Public

NOTARIAL SEAL

*A&R Master Indenture (SCF 2017-1)*

STATE OF NEW JERSEY )  
 ) ss.:  
COUNTY OF MERCER )

On this 1st day of July 2017, before me, the undersigned officer, personally appeared Peter M. Mavoides and acknowledged himself to me to be the President of SCF RC Funding II LLC, a Delaware limited liability company, and that as such officer, being duly authorized to do so pursuant to such entity’s by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of such entity by him as such officer as his free and voluntary act and deed and the free and voluntary act and deed of said entity.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Vanessa N. Riscica  
\_\_\_\_\_  
Notary Public

NOTARIAL SEAL

*A&R Master Indenture (SCF 2017-1)*

STATE OF NEW JERSEY )  
 ) ss.:  
COUNTY OF MERCER )

On this 1st day of July 2017, before me, the undersigned officer, personally appeared Peter M. Mavoides and acknowledged himself to me to be the President of SCF RC Funding III LLC, a Delaware limited liability company, and that as such officer, being duly authorized to do so pursuant to such entity’s by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of such entity by him as such officer as his free and voluntary act and deed and the free and voluntary act and deed of said entity.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Vanessa N. Riscica  
\_\_\_\_\_  
Notary Public

NOTARIAL SEAL

STATE OF NEW YORK )  
 ) ss.:  
COUNTY OF NEW YORK )

On this 7th day of July 2017, before me, the undersigned officer, personally appeared John Hannon and acknowledged himself to me to be a Vice President of Citibank, N.A., and that as such officer, being duly authorized to do so pursuant to such entity’s by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of such entity by him as such officer as his free and voluntary act and deed and the free and voluntary act and deed of said entity.

IN WITNESS WHEREOF, I hereunto set, my hand and official seal.

/s/ Noreen Santos  
\_\_\_\_\_  
Notary Public

NOTARIAL SEAL

**EXHIBIT A-1**

**FORM OF RESTRICTED GLOBAL NET-LEASE MORTGAGE NOTE**

**144A NOTE**

**SERIES [     ], CLASS [     ] NOTE**

Note Rate: [     ]%

Post-ARD Spread: [     ]%

Series Closing Date: [     ], 20[     ]

First Payment Date: [     ], 20[     ]

Issuer(s): [SCF]

Indenture Trustee:  
Citibank, N.A.:

Note No. \_\_\_\_

Aggregate Series Principal Balance as of the Series Closing Date: \$[     ]

Outstanding Principal Balance of the Class [     ] Notes as of the Series Closing Date:  
\$[     ]

Initial Principal Balance of this Class [     ] Note: \$[     ]

CUSIP No.

ISIN No.

Property Manager and Special Servicer: [     ]

Rated Final Payment Date: [     ]

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UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE INDENTURE TRUSTEE, THE NOTE REGISTRAR OR ANY AGENT THEREOF FOR REGISTRATION OF TRANSFER, EXCHANGE, OR DISTRIBUTION, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, AND EACH PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN THIS NOTE, BY ITS ACCEPTANCE OF SUCH INTEREST, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, *PROVIDED* THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE INDENTURE TRUSTEE MAY REASONABLY REQUIRE; OR (B) OUTSIDE THE UNITED STATES IN “OFFSHORE TRANSACTIONS” TO NON-US PERSONS IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR DEFINITIVE NOTES, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

THE HOLDER HEREOF, BY ACCEPTING THIS NOTE, AND EACH BENEFICIAL OWNER BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, EACH AGREES TO TREAT THIS NOTE AND SUCH BENEFICIAL INTEREST FOR PURPOSES OF UNITED STATES FEDERAL, STATE AND LOCAL INCOME OR FRANCHISE TAXES AND ANY OTHER TAXES IMPOSED ON OR MEASURED BY INCOME, AS INDEBTEDNESS AND TO REPORT THIS NOTE AND SUCH BENEFICIAL INTEREST ON ALL APPLICABLE TAX RETURNS IN A MANNER CONSISTENT WITH SUCH TREATMENT.

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[CERTAIN PAYMENTS WITH RESPECT TO THIS NOTE WILL BE SUBORDINATE TO PAYMENTS WITH RESPECT TO THE CLASS [ ] NOTES AS AND TO THE EXTENT DESCRIBED IN THE INDENTURE.] <sup>1</sup>

REDUCTIONS OF THE OUTSTANDING PRINCIPAL BALANCE OF THIS NOTE MAY BE MADE MONTHLY AS SET FORTH IN THE INDENTURE REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL BALANCE HEREOF AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ABOVE.

THE NOTES ARE SOLELY OBLIGATIONS OF THE ISSUERS AND DO NOT REPRESENT OBLIGATIONS OF ANY OTHER PERSON, INCLUDING, WITHOUT LIMITATION, THE INDENTURE TRUSTEE, THE CUSTODIAN, THE PROPERTY MANAGER, THE SUPPORT PROVIDER, THE SPECIAL SERVICER, THE BACK-UP MANAGER, THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AFFILIATES. THE NOTES ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY. EACH NOTE IS ONE OF A SERIES OF NOTES, ALL OF WHICH ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE COLLATERAL POOL. ADDITIONAL SERIES OF NOTES SECURED PRO RATA BY THE COLLATERAL POOL MAY ALSO BE ISSUED IN THE FUTURE. PROSPECTIVE INVESTORS SHOULD MAKE AN INVESTMENT DECISION BASED UPON AN ANALYSIS OF THE SUFFICIENCY OF THE COLLATERAL POOL.

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<sup>1</sup> Include only in subordinate Classes of Notes, if any.

The Issuers, each a Delaware limited liability company, for value received, hereby promise to pay to Cede & Co. or its registered assigns, upon presentation and surrender of this Note (this “**Note**”), the principal sum of up to [ ] United States dollars (\$[ ]) on the Rated Final Payment Date referred to above, together with interest hereon from time to time in the amounts and at the times specified in the Indenture referred to below.

This Note is one of a series of Net-Lease Mortgage Notes (collectively, the “**Notes**”) issued by the Issuers (each, a “**Class**”) pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as such Master Indenture is supplemented by the Series [ ] Supplement (the “**Series [ ] Supplement**” and, together with the Master Indenture, the “**Indenture**”), dated as of [ ], among the Issuers and the Indenture Trustee, and will be payable solely from the assets of the Issuers (individually, the “**Collateral**” and, collectively, the “**Collateral Pool**”). To the extent not defined herein, capitalized terms used herein have the respective meanings assigned in the Master Indenture. This Note is issued under and is subject to the terms, provisions and conditions of the Indenture, to which Indenture the Holder of this Note by virtue of the acceptance hereof assents and by which such Holder is bound.

Pursuant to the terms of the Indenture, payments of any interest, principal and other amounts payable on this Note shall be made on the Class of Notes to which this Note belongs, *pro rata* among the Notes of such Class based on their respective Outstanding Principal Balance, on the 25th day of each calendar month or, if any such day is not a Business Day, then on the next succeeding Business Day (each, a “**Payment Date**”), commencing on the first Payment Date specified above, to the Person in whose name this Note is registered at the close of business on the related Record Date. All payments made under the Indenture on this Note will be made by the Indenture Trustee by wire transfer of immediately available funds to the account of the Person entitled thereto at a bank or other entity having appropriate facilities therefor, if such Noteholder shall have provided the Indenture Trustee with wiring instructions prior to the related Record Date (which wiring instructions may be in the form of a standing order applicable to all subsequent payments), or otherwise by check mailed to the address of such Noteholder as it appears in the Note Register as of the related Record Date. Notwithstanding the foregoing, the final payment on this Note on the Final Payment Date will be made in like manner, but only upon presentation and surrender of this Note at the offices of the Indenture Trustee or such other location specified in the notice to the Holder hereof of such final payment. Notwithstanding anything herein to the contrary, no payments will be made with respect to a Note that has previously been surrendered as contemplated by the preceding sentence or, with limited exception, that should have been surrendered as contemplated by the preceding sentence.

The Notes are limited in right of payment to certain distributions on the Loans, Owned Properties and Leases and the other Collateral included in the Collateral Pool, all as more specifically set forth herein and in the Indenture.



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Any payment to the Holder of this Note in reduction of the Outstanding Principal Balance hereof is binding on such Holder and all future Holders of this Note and any Note issued upon the transfer hereof or in exchange therefor or in lieu hereof whether or not notation of such payment is made upon this Note.

The Class of Notes to which this Note belongs are issuable in fully registered form only without coupons in minimum denominations specified in the Indenture. As provided in the Indenture and subject to certain limitations therein set forth, this Note is exchangeable for new Notes of the same Class in authorized denominations of a like Percentage Interest, as requested by the Holder surrendering the same.

No transfer of this Note or any interest herein may be made unless that transfer is made pursuant to an effective registration statement under the Securities Act, and effective registration or qualification under applicable state securities laws, or is made in a transaction that does not require such registration or qualification. No person is obligated to register or qualify any of the Notes under the Securities Act or any other securities law or to take any action not otherwise required under the Indenture to permit the transfer of any Note or interest therein without registration or qualification.

If this Note or Class of Notes is directly or indirectly owned by a Person such that such Note or Class of Notes is not properly treated as issued and outstanding for federal income tax purposes (a “**Transfer-Restricted Note**”), then such Transfer-Restricted Note may be sold or transferred to any Person if (a) the Note Registrar has received on the date of such sale or transfer an opinion of nationally recognized tax counsel knowledgeable in the tax aspects of securitization to the effect that at the time of such sale or transfer (1) such Transfer-Restricted Note is treated as indebtedness for federal income tax purposes and (2) such sale or transfer does not cause any Issuer to be treated as an association that is taxable as a corporation, a publicly traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation for federal income tax purposes, or (b) (1) the sum of the number of beneficial owners of the Transfer-Restricted Notes and the equity interests of all Issuers does not exceed the 95-Person Limit (as defined in the Master Indenture) for U.S. federal income tax purposes after the proposed sale or transfer, (2) the Transfer-Restricted Notes are in definitive, physical form and (3) the Note Transfer Restrictions (as defined in the Master Indenture) shall have been complied with.

Each transferee of a Note or an Ownership Interest therein will be deemed to have represented, warranted and agreed that either (i) such transferee is not, and is not purchasing such Note on behalf of, as a fiduciary of, as trustee of, or with the assets of, a Plan or (ii)(A) such Note is rated investment grade or better as of the date of the purchase, (B) such transferee acknowledges that it cannot acquire such Note unless it is properly treated as indebtedness without substantial equity features for purposes of Department of Labor Regulations, as modified by ERISA, and agrees to so treat such Note and (C) such transferee’s acquisition and continued holding of such Note or Ownership Interest therein will not constitute or give rise to a nonexempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code (or any law substantially similar to Section 4975 of the Code or Section 406 of ERISA).

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As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Note Register upon surrender of this Note for registration of transfer at the offices of the Note Registrar, duly endorsed by, or accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of the same Class in authorized denominations evidencing the same Aggregate Series Principal Balance will be issued to the designated transferee or transferees.

No service charge will be imposed for any transfer or exchange of this Note, but the Indenture Trustee or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of this Note.

The Issuers, the Indenture Trustee, the Note Registrar and any agent thereof may treat the Person in whose name this Note is registered as the owner hereof for all purposes, and none of the Issuers, the Indenture Trustee, the Note Registrar or any such agent shall be affected by notice to the contrary.

The Indenture, the Property Management Agreement and the Notes are subject to amendment, including by supplemental indenture, from time to time in accordance with the terms thereof, including in circumstances which do not require the consent of any or all Noteholders.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee, by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid for any purpose.

The registered Holder hereof, by its acceptance hereof, agrees that it will look solely to the Collateral Pool (to the extent of its rights therein) for payments hereunder.

The Indenture Trustee makes no representation as to the validity or sufficiency of this Note (other than as to its signature set forth hereon below).

This Note shall be governed by and construed in accordance with the laws of the State of New York (including Section 5-1401 of the General Obligations Law of the State of New York, but otherwise without regard to conflict of laws principles).

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IN WITNESS WHEREOF, the Issuers have caused this instrument to be duly executed by the Issuers.

Dated: [\_\_\_\_\_]

[SCF]

By: \_\_\_\_\_  
Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This is one of the Class [ ] Notes referred to in the within-mentioned Indenture.

CITIBANK, N.A.,  
not in its individual capacity but solely as  
Indenture Trustee

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(please print or typewrite name and address including postal zip code of assignee)

the within Net-Lease Mortgage Note and hereby authorize(s) the registration of transfer of such Note to assignee on the Note Register.

I (we) further direct the Note Registrar to issue a new Net-Lease Mortgage Note of a like Outstanding Principal Balance and Class to the above named assignee and deliver such Note to the following address:

Dated:

Signature by or on behalf of Assignor

Signature Guaranteed

PAYMENT INSTRUCTIONS

The Assignee should include the following for purposes of payment:

Payments shall, if permitted, be made by wire transfer or otherwise, in immediately available funds, to \_\_\_\_\_ for the account  
of \_\_\_\_\_ . Payments made by check (such check to be made payable to \_\_\_\_\_ ) and all applicable statements and notices should  
be mailed to \_\_\_\_\_ .

This information is provided by \_\_\_\_\_ , the Assignee named above, or \_\_\_\_\_ , as its agent.

**EXHIBIT A-2**

**FORM OF REGULATION S GLOBAL NET-LEASE MORTGAGE NOTE**

**[TEMPORARY] [PERMANENT] REGULATION S GLOBAL NOTE**

**SERIES [     ], CLASS [     ] NOTE**

Note Rate: [     ]%

Post-ARD Spread: [     ]%

Series Closing Date: [     ], 20[     ]

First Payment Date: [     ], 20[     ]

Issuer(s): [SCF]

Indenture Trustee:  
Citibank, N.A.:

Note No. \_\_\_\_\_

Aggregate Series Principal Balance as of the Series Closing Date: \$[     ]

Outstanding Principal Balance of the Class [     ] Notes as of the Series Closing Date:  
\$[     ]

Initial Principal Balance of this Class [     ] Note: \$[     ]

CUSIP No.

ISIN No.

Property Manager and Special Servicer:

Rated Final Payment Date: [     ]

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UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE INDENTURE TRUSTEE, THE NOTE REGISTRAR OR ANY AGENT THEREOF FOR REGISTRATION OF TRANSFER, EXCHANGE, OR DISTRIBUTION, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, AND EACH PERSON WHO ACQUIRES A BENEFICIAL INTEREST IN THIS NOTE, BY ITS ACCEPTANCE OF SUCH INTEREST, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, *PROVIDED* THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE INDENTURE TRUSTEE MAY REASONABLY REQUIRE; OR (B) OUTSIDE THE UNITED STATES IN “OFFSHORE TRANSACTIONS” TO NON-US PERSONS IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR DEFINITIVE NOTES, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

[THIS NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE SECURITIES ACT, WHICH IS EXCHANGEABLE FOR A PERMANENT GLOBAL NOTE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE.]

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THE HOLDER HEREOF, BY ACCEPTING THIS NOTE, AND EACH BENEFICIAL OWNER BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, EACH AGREES TO TREAT THIS NOTE AND SUCH BENEFICIAL INTEREST FOR PURPOSES OF UNITED STATES FEDERAL, STATE AND LOCAL INCOME OR FRANCHISE TAXES AND ANY OTHER TAXES IMPOSED ON OR MEASURED BY INCOME, AS INDEBTEDNESS AND TO REPORT THIS NOTE AND SUCH BENEFICIAL INTEREST ON ALL APPLICABLE TAX RETURNS IN A MANNER CONSISTENT WITH SUCH TREATMENT.

[CERTAIN PAYMENTS WITH RESPECT TO THIS NOTE WILL BE SUBORDINATE TO PAYMENTS WITH RESPECT TO THE CLASS [ ]NOTES AS AND TO THE EXTENT DESCRIBED IN THE INDENTURE.]<sup>2</sup>

REDUCTIONS OF THE OUTSTANDING PRINCIPAL BALANCE OF THIS NOTE MAY BE MADE MONTHLY AS SET FORTH IN THE INDENTURE REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL BALANCE HEREOF AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ABOVE.

THE NOTES ARE SOLELY OBLIGATIONS OF THE ISSUERS AND DO NOT REPRESENT OBLIGATIONS OF ANY OTHER PERSON, INCLUDING, WITHOUT LIMITATION, THE INDENTURE TRUSTEE, THE CUSTODIAN, THE PROPERTY MANAGER, THE SUPPORT PROVIDER, THE SPECIAL SERVICER, THE BACK-UP MANAGER, THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AFFILIATES. THE NOTES ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY. EACH NOTE IS ONE OF A SERIES OF NOTES, ALL OF WHICH ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE COLLATERAL POOL. ADDITIONAL SERIES OF NOTES SECURED PRO RATA BY THE COLLATERAL POOL MAY ALSO BE ISSUED IN THE FUTURE. PROSPECTIVE INVESTORS SHOULD MAKE AN INVESTMENT DECISION BASED UPON AN ANALYSIS OF THE SUFFICIENCY OF THE COLLATERAL POOL.

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<sup>2</sup> Include only in subordinate Classes of Notes, if any.

The Issuers, each a Delaware limited liability company, for value received, hereby promise to pay to Cede & Co. or its registered assigns, upon presentation and surrender of this Note (this “**Note**”), the principal sum of up to [ ] United States dollars (\$[ ]) on the Rated Final Payment Date referred to above, together with interest hereon from time to time in the amounts and at the times specified in the Indenture referred to below.

This Note is one of a series of Net-Lease Mortgage Notes (collectively, the “**Notes**”) issued by the Issuers (each, a “**Class**”) pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as such Master Indenture is supplemented by the Series [ ] Supplement (the “**Series [ ] Supplement**” and, together with the Master Indenture, the “**Indenture**”), dated as of [ ], among the Issuers and the Indenture Trustee, and will be payable solely from the assets of the Issuers (individually, the “**Collateral**” and, collectively, the “**Collateral Pool**”). To the extent not defined herein, capitalized terms used herein have the respective meanings assigned in the Master Indenture. This Note is issued under and is subject to the terms, provisions and conditions of the Indenture, to which Indenture the Holder of this Note by virtue of the acceptance hereof assents and by which such Holder is bound.

Pursuant to the terms of the Indenture, payments of any interest, principal and other amounts payable on this Note shall be made on the Class of Notes to which this Note belongs, *pro rata* among the Notes of such Class based on their respective Outstanding Principal Balance, on the 25th day of each calendar month or, if any such day is not a Business Day, then on the next succeeding Business Day (each, a “**Payment Date**”), commencing on the first Payment Date specified above, to the Person in whose name this Note is registered at the close of business on the related Record Date. All payments made under the Indenture on this Note will be made by the Indenture Trustee by wire transfer of immediately available funds to the account of the Person entitled thereto at a bank or other entity having appropriate facilities therefor, if such Noteholder shall have provided the Indenture Trustee with wiring instructions prior to the related Record Date (which wiring instructions may be in the form of a standing order applicable to all subsequent payments), or otherwise by check mailed to the address of such Noteholder as it appears in the Note Register as of the related Record Date. Notwithstanding the foregoing, the final payment on this Note on the Final Payment Date will be made in like manner, but only upon presentation and surrender of this Note at the offices of the Indenture Trustee or such other location specified in the notice to the Holder hereof of such final payment. Notwithstanding anything herein to the contrary, no payments will be made with respect to a Note that has previously been surrendered as contemplated by the preceding sentence or, with limited exception, that should have been surrendered as contemplated by the preceding sentence.

The Notes are limited in right of payment to certain distributions on the Loans, Owned Properties and Leases and the other Collateral included in the Collateral Pool, all as more specifically set forth herein and in the Indenture.



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Any payment to the Holder of this Note in reduction of the Outstanding Principal Balance hereof is binding on such Holder and all future Holders of this Note and any Note issued upon the transfer hereof or in exchange therefor or in lieu hereof whether or not notation of such payment is made upon this Note.

The Class of Notes to which this Note belongs are issuable in fully registered form only without coupons in minimum denominations specified in the Indenture. As provided in the Indenture and subject to certain limitations therein set forth, this Note is exchangeable for new Notes of the same Class in authorized denominations of a like Percentage Interest, as requested by the Holder surrendering the same.

No transfer of this Note or any interest herein may be made unless that transfer is made pursuant to an effective registration statement under the Securities Act, and effective registration or qualification under applicable state securities laws, or is made in a transaction that does not require such registration or qualification. No person is obligated to register or qualify any of the Notes under the Securities Act or any other securities law or to take any action not otherwise required under the Indenture to permit the transfer of any Note or interest therein without registration or qualification.

If this Note or Class of Notes is directly or indirectly owned by a Person such that such Note or Class of Notes is not properly treated as issued and outstanding for federal income tax purposes (a “**Transfer-Restricted Note**”), then such Transfer-Restricted Note may be sold or transferred to any Person if (a) the Note Registrar has received on the date of such sale or transfer an opinion of nationally recognized tax counsel knowledgeable in the tax aspects of securitization to the effect that at the time of such sale or transfer (1) such Transfer-Restricted Note is treated as indebtedness for federal income tax purposes and (2) such sale or transfer does not cause any Issuer to be treated as an association that is taxable as a corporation, a publicly traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation for federal income tax purposes, or (b) (1) the sum of the number of beneficial owners of the Transfer-Restricted Notes and the equity interests of all Issuers does not exceed the 95-Person Limit (as defined in the Master Indenture) for U.S. federal income tax purposes after the proposed sale or transfer, (2) the Transfer-Restricted Notes are in definitive, physical form and (3) the Note Transfer Restrictions (as defined in the Master Indenture) shall have been complied with.

Each transferee of a Note or an Ownership Interest therein will be deemed to have represented, warranted and agreed that either (i) such transferee is not, and is not purchasing such Note on behalf of, as a fiduciary of, as trustee of, or with the assets of, a Plan or (ii)(A) such Note is rated investment grade or better as of the date of the purchase, (B) such transferee acknowledges that it cannot acquire such Note unless it is properly treated as indebtedness without substantial equity features for purposes of Department of Labor Regulations, as modified by ERISA, and agrees to so treat such Note and (C) such transferee’s acquisition and continued holding of such Note or Ownership Interest therein will not constitute or give rise to a nonexempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code (or any law substantially similar to Section 4975 of the Code or Section 406 of ERISA).

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Note Register upon surrender of this Note for registration of transfer at the offices of the Note Registrar, duly endorsed by, or accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of the same Class in authorized denominations evidencing the same Aggregate Series Principal Balance will be issued to the designated transferee or transferees.

No service charge will be imposed for any transfer or exchange of this Note, but the Indenture Trustee or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of this Note.

[After such time as the Restricted Period shall have terminated, and subject to the receipt by the Indenture Trustee of a certificate substantially in the form of Exhibit D-4 to the Indenture, beneficial interests in this Note may be exchanged for an equal aggregate principal amount of beneficial interest in the Permanent Regulation S Global Note. Upon any exchange of any beneficial interest in this Note for a beneficial interest in the Permanent Regulation S Global Note, (i) this Note shall be endorsed by the Indenture Trustee to reflect the reduction of the principal amount evidenced hereby, whereupon the principal amount of this Note shall be reduced for all purposes by the amount so exchanged and endorsed and (ii) the Permanent Regulation S Global Note shall be endorsed by the Indenture Trustee to reflect the increase of the principal amount evidenced thereby, whereupon the principal amount of the Permanent Regulation S Global Note shall be increased for all purposes by the amount so exchanged and endorsed.]

The Issuers, the Indenture Trustee, the Note Registrar and any agent thereof may treat the Person in whose name this Note is registered as the owner hereof for all purposes, and none of the Issuers, the Indenture Trustee, the Note Registrar or any such agent shall be affected by notice to the contrary.

The Indenture, the Property Management Agreement and the Notes are subject to amendment, including by supplemental indenture, from time to time in accordance with the terms thereof, including in circumstances which do not require the consent of any or all Noteholders.

Unless the certificate of authentication hereon has been executed by the Indenture Trustee, by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid for any purpose.

The registered Holder hereof, by its acceptance hereof, agrees that it will look solely to the Collateral Pool (to the extent of its rights therein) for payments hereunder.

The Indenture Trustee makes no representation as to the validity or sufficiency of this Note (other than as to its signature set forth hereon below).

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This Note shall be governed by and construed in accordance with the laws of the State of New York (including Section 5-1401 of the General Obligations Law of the State of New York, but otherwise without regard to conflict of laws principles).

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IN WITNESS WHEREOF, the Issuers have caused this instrument to be duly executed by the Issuers.

Dated: [ \_\_\_\_\_ ]

[SCF]

By: \_\_\_\_\_  
Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This is one of the Class [ \_\_\_\_\_ ] Notes referred to in the within-mentioned Indenture.

CITIBANK, N.A., not in its individual capacity but solely as Indenture  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(please print or typewrite name and address including postal zip code of assignee)

the within Net-Lease Mortgage Note and hereby authorize(s) the registration of transfer of such Note to assignee on the Note Register.

I (we) further direct the Note Registrar to issue a new Net-Lease Mortgage Note of a like Outstanding Principal Balance and Class to the above named assignee and deliver such Note to the following address:

Dated: \_\_\_\_\_

Signature by or on behalf of Assignor

Signature Guaranteed

PAYMENT INSTRUCTIONS

The Assignee should include the following for purposes of payment:

Payments shall, if permitted, be made by wire transfer or otherwise, in immediately available funds, to \_\_\_\_\_ for the account of \_\_\_\_\_.  
Payments made by check (such check to be made payable to \_\_\_\_\_) and all applicable statements and notices should be mailed to \_\_\_\_\_.

This information is provided by \_\_\_\_\_, the Assignee named above, or \_\_\_\_\_, as its agent.

**EXHIBIT A-3**

**FORM OF DEFINITIVE NET-LEASE MORTGAGE NOTE**

**DEFINITIVE NOTE**

**SERIES [     ], CLASS [     ] NOTE**

Note Rate: [     ]%

Post-ARD Spread: [     ]%

Series Closing Date: [     ], 20[     ]

First Payment Date: [     ], 20[     ]

Issuer(s): [SCF]

Indenture Trustee:  
Citibank, N.A.:

Note No. \_\_\_\_

Aggregate Series Principal Balance as of the Series Closing Date: \$[     ]

Outstanding Principal Balance of the Class [     ] Notes as of the Series Closing Date:  
\$[     ]

Initial Principal Balance of this Class [     ] Note: \$[     ]

CUSIP No.

ISIN No.

Property Manager and Special Servicer:

Rated Final Payment Date: [     ]

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. EXCEPT WITH RESPECT TO THE INITIAL TRANSFER OF A BENEFICIAL INTEREST IN THIS NOTE BY ANY ISSUER OR THE INITIAL PURCHASERS TO AN AFFILIATE OF ANY ISSUER, OR WITH RESPECT TO THE TRANSFER OF A BENEFICIAL INTEREST IN THIS NOTE TO ANY ISSUER OR AN AFFILIATE OF ANY ISSUER THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF PARAGRAPHS (1), (2), (3) OR (7) OF RULE 501(a) OF THE SECURITIES ACT (AN “ACCREDITED INVESTOR”), THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, *PROVIDED* THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE INDENTURE TRUSTEE MAY REASONABLY REQUIRE; OR (B) OUTSIDE THE UNITED STATES IN “OFFSHORE TRANSACTIONS” TO NON-US PERSONS IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, *PROVIDED* THAT SUCH PURCHASER DELIVERS ALL DOCUMENTS AND CERTIFICATIONS AS THE INDENTURE TRUSTEE MAY REASONABLY REQUIRE.

THE HOLDER HEREOF, BY ACCEPTING THIS NOTE, AGREES TO TREAT THIS NOTE FOR PURPOSES OF UNITED STATES FEDERAL, STATE AND LOCAL INCOME OR FRANCHISE TAXES AND ANY OTHER TAXES IMPOSED ON OR MEASURED BY INCOME, AS INDEBTEDNESS AND TO REPORT THIS NOTE ON ALL APPLICABLE TAX RETURNS IN A MANNER CONSISTENT WITH SUCH TREATMENT.

[CERTAIN PAYMENTS WITH RESPECT TO THIS NOTE WILL BE SUBORDINATE TO PAYMENTS WITH RESPECT TO THE CLASS [ ] NOTES AS AND TO THE EXTENT DESCRIBED IN THE INDENTURE.]<sup>3</sup>

REDUCTIONS OF THE OUTSTANDING PRINCIPAL BALANCE OF THIS NOTE MAY BE MADE MONTHLY AS SET FORTH IN THE INDENTURE REFERRED TO HEREIN. ACCORDINGLY, THE OUTSTANDING PRINCIPAL BALANCE HEREOF AT ANY TIME MAY BE LESS THAN THE AMOUNT SHOWN ABOVE.

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<sup>3</sup> Include only in subordinate Classes of Notes, if any.

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THE NOTES ARE SOLELY OBLIGATIONS OF THE ISSUERS AND DO NOT REPRESENT OBLIGATIONS OF ANY OTHER PERSON, INCLUDING, WITHOUT LIMITATION, THE INDENTURE TRUSTEE, THE CUSTODIAN, THE PROPERTY MANAGER, THE SUPPORT PROVIDER, THE SPECIAL SERVICER, THE BACK-UP MANAGER, THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AFFILIATES. THE NOTES ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY. EACH NOTE IS ONE OF A SERIES OF NOTES, ALL OF WHICH ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE COLLATERAL POOL. ADDITIONAL SERIES OF NOTES SECURED PRO RATA BY THE COLLATERAL POOL MAY ALSO BE ISSUED IN THE FUTURE. PROSPECTIVE INVESTORS SHOULD MAKE AN INVESTMENT DECISION BASED UPON AN ANALYSIS OF THE SUFFICIENCY OF THE COLLATERAL POOL.



The Issuers, each a Delaware limited liability company, for value received, hereby promise to pay to [ ] or its registered assigns, upon presentation and surrender of this Note (this “**Note**”), the principal sum of up to [ ] United States dollars (\$[ ]) on the Rated Final Payment Date referred to above, together with interest hereon from time to time in the amounts and at the times specified in the Indenture referred to below.

This Note is one of a series of Net-Lease Mortgage Notes (collectively, the “**Notes**”) issued by the Issuers (each, a “**Class**”) pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as such Master Indenture is supplemented by the Series [ ] Supplement (the “**Series [ ] Supplement**” and, together with the Master Indenture, the “**Indenture**”), dated as of [ ], among the Issuers and the Indenture Trustee, and will be payable solely from the assets of the Issuers (individually, the “**Collateral**” and, collectively, the “**Collateral Pool**”). To the extent not defined herein, capitalized terms used herein have the respective meanings assigned in the Master Indenture. This Note is issued under and is subject to the terms, provisions and conditions of the Indenture, to which Indenture the Holder of this Note by virtue of the acceptance hereof assents and by which such Holder is bound.

Pursuant to the terms of the Indenture, payments of any interest, principal and other amounts payable on this Note shall be made on the Class of Notes to which this Note belongs, *pro rata* among the Notes of such Class based on their respective Outstanding Principal Balance, on the 25th day of each calendar month or, if any such day is not a Business Day, then on the next succeeding Business Day (each, a “**Payment Date**”), commencing on the first Payment Date specified above, to the Person in whose name this Note is registered at the close of business on the related Record Date. All payments made under the Indenture on this Note will be made by the Indenture Trustee by wire transfer of immediately available funds to the account of the Person entitled thereto at a bank or other entity having appropriate facilities therefor, if such Noteholder shall have provided the Indenture Trustee with wiring instructions prior to the related Record Date (which wiring instructions may be in the form of a standing order applicable to all subsequent payments), or otherwise by check mailed to the address of such Noteholder as it appears in the Note Register as of the related Record Date. Notwithstanding the foregoing, the final payment on this Note on the Final Payment Date will be made in like manner, but only upon presentation and surrender of this Note at the offices of the Indenture Trustee or such other location specified in the notice to the Holder hereof of such final payment. Notwithstanding anything herein to the contrary, no payments will be made with respect to a Note that has previously been surrendered as contemplated by the preceding sentence or, with limited exception, that should have been surrendered as contemplated by the preceding sentence.

The Notes are limited in right of payment to certain distributions on the Loans, Owned Properties and Leases and the other Collateral included in the Collateral Pool, all as more specifically set forth herein and in the Indenture.

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Any payment to the Holder of this Note in reduction of the Outstanding Principal Balance hereof is binding on such Holder and all future Holders of this Note and any Note issued upon the transfer hereof or in exchange therefor or in lieu hereof whether or not notation of such payment is made upon this Note.

The Class of Notes to which this Note belongs are issuable in fully registered form only without coupons in minimum denominations specified in the Indenture. As provided in the Indenture and subject to certain limitations therein set forth, this Note is exchangeable for new Notes of the same Class in authorized denominations of a like Percentage Interest, as requested by the Holder surrendering the same.

No transfer of this Note or any interest herein may be made unless that transfer is made pursuant to an effective registration statement under the Securities Act, and effective registration or qualification under applicable state securities laws, or is made in a transaction that does not require such registration or qualification. No person is obligated to register or qualify any of the Notes under the Securities Act or any other securities law or to take any action not otherwise required under the Indenture to permit the transfer of any Note or interest therein without registration or qualification.

If this Note or Class of Notes is directly or indirectly owned by a Person such that such Note or Class of Notes is not properly treated as issued and outstanding for federal income tax purposes (a “**Transfer-Restricted Note**”), then such Transfer-Restricted Note may be sold or transferred to any Person if (a) the Note Registrar has received on the date of such sale or transfer an opinion of nationally recognized tax counsel knowledgeable in the tax aspects of securitization to the effect that at the time of such sale or transfer (1) such Transfer-Restricted Note is treated as indebtedness for federal income tax purposes and (2) such sale or transfer does not cause any Issuer to be treated as an association that is taxable as a corporation, a publicly traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation for federal income tax purposes, or (b) (1) the sum of the number of beneficial owners of the Transfer-Restricted Notes and the equity interests of all Issuers does not exceed the 95-Person Limit (as defined in the Master Indenture) for U.S. federal income tax purposes after the proposed sale or transfer, (2) the Transfer-Restricted Notes are in definitive, physical form and (3) the Note Transfer Restrictions (as defined in the Master Indenture) shall have been complied with.

Each transferee of a Note or an Ownership Interest therein shall represent, warrant and agree that either (i) such transferee is not, and is not purchasing such Note on behalf of, as a fiduciary of, as trustee of, or with the assets of, a Plan or (ii)(A) such Note is rated investment grade or better as of the date of the purchase, (B) such transferee acknowledges that it cannot acquire such Note unless it is properly treated as indebtedness without substantial equity features for purposes of Department of Labor Regulations, as modified by ERISA, and agrees to so treat such Note and (C) such transferee’s acquisition and continued holding of such Note or Ownership Interest therein will not constitute or give rise to a non-exempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code (or any law substantially similar to Section 4975 of the Code or Section 406 of ERISA).

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As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Note Register upon surrender of this Note for registration of transfer at the offices of the Note Registrar, duly endorsed by, or accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of the same Class in authorized denominations evidencing the same Aggregate Series Principal Balance will be issued to the designated transferee or transferees.

No service charge will be imposed for any transfer or exchange of this Note, but the Indenture Trustee or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of this Note.

The Issuers, the Indenture Trustee, the Note Registrar and any agent thereof may treat the Person in whose name this Note is registered as the owner hereof for all purposes, and none of the Issuers, the Indenture Trustee, the Note Registrar or any such agent shall be affected by notice to the contrary.

The Indenture, the Property Management Agreement and the Notes are subject to amendment, including by supplemental indenture, from time to time in accordance with the terms thereof, including in circumstances which do not require the consent of any or all Noteholders.

Unless the certificate of authentication hereon has been executed by the Note Registrar, by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid for any purpose.

The registered Holder hereof, by its acceptance hereof, agrees that it will look solely to the Collateral Pool (to the extent of its rights therein) for payments hereunder.

The Indenture Trustee makes no representation as to the validity or sufficiency of this Note (other than as to its signature set forth hereon below).

This Note shall be governed by and construed in accordance with the laws of the State of New York (including Section 5-1401 of the General Obligations Law of the State of New York, but otherwise without regard to conflict of laws principles).

IN WITNESS WHEREOF, the Issuers have caused this instrument to be duly executed by the Issuers.

Dated: [            ]

[SCF]  
By: \_\_\_\_\_  
Authorized Signatory

CERTIFICATE OF AUTHENTICATION

This is one of the Class [            ] Notes referred to in the within-mentioned Indenture.

CITIBANK, N.A., not in its individual capacity but solely as Indenture  
Trustee  
By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(please print or typewrite name and address including postal zip code of assignee)

the within Net-Lease Mortgage Note and hereby authorize(s) the registration of transfer of such Note to assignee on the Note Register.

I (we) further direct the Note Registrar to issue a new Net-Lease Mortgage Note of a like Outstanding Principal Balance and Class to the above named assignee and deliver such Note to the following address:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature by or on behalf of Assignor

\_\_\_\_\_  
Signature Guaranteed

PAYMENT INSTRUCTIONS

The Assignee should include the following for purposes of payment:

Payments shall, if permitted, be made by wire transfer or otherwise, in immediately available funds, \_\_\_\_\_ to for the account of \_\_\_\_\_  
. Payments made by check (such check to be made payable to \_\_\_\_\_) and all applicable statements and notices should be mailed

to \_\_\_\_\_.

This information is provided by \_\_\_\_\_, the Assignee named above, or \_\_\_\_\_, as its agent.

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**EXHIBIT B**

**FORM OF TRUSTEE REPORT**

[ *to be attached* ]

B-1

**EXHIBIT C-1**

**FORM OF TRANSFEROR CERTIFICATE  
FOR TRANSFERS OF DEFINITIVE NOTES**

[Date]

Citibank, N.A.  
480 Washington Boulevard  
30th Floor  
Jersey City, New Jersey 07310  
Attention: Securities Window — SCF Master Funding

Re: SCF Realty Capital, Net-Lease Mortgage Notes, Series 20[ ]-[ ] (the “**Notes**”)

Ladies and Gentlemen:

This letter is delivered to you in connection with the transfer by \_\_\_\_\_ (the “**Transferor**”) to \_\_\_\_\_ (the “**Transferee**”) of Class [ ] Notes having an Initial Principal Balance as of [ ], 2017 (the “**Closing Date**”) of \$ [ ] (the “**Transferred Notes**”). The Notes, including the Transferred Notes, were issued pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[ ]-[ ] Supplement (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Indenture. The Transferor hereby certifies, represents and warrants to you, as Note Registrar, and for the benefit of the Issuers, the Indenture Trustee and the Transferee, that:

1. The Transferor is the lawful owner of the Transferred Notes with the full right to transfer such Notes free from any and all claims and encumbrances whatsoever.
2. Neither the Transferor nor anyone acting on its behalf has (a) offered, transferred, pledged, sold or otherwise disposed of any Note, any interest in any Note or any other similar security to any person in any manner, (b) solicited any offer to buy or accept a transfer, pledge or other disposition of any Note, any interest in any Note or any other similar security from any person in any manner, (c) otherwise approached or negotiated with respect to any Note, any interest in any Note or any other similar security with any person in any manner, (d) made any general solicitation by means of general advertising or in any other manner, or (e) taken any other action, which (in the case of any of the acts described in clauses (a) through (e) hereof) would constitute a distribution of any Note under the Securities Act, or would render the disposition of any Note a violation of Section 5 of the Securities Act or any state securities laws, or would require registration or qualification of any Note pursuant to the Securities Act or any state securities laws.

[3. The Transferor and any person acting on behalf of the Transferor in this matter reasonably believe that the Transferee is a Non-U.S. Person that is not acquiring the Transferred Notes for the account or benefit of any U.S. Person (as defined in Regulation S) and is acquiring the Transferred Notes in an offshore transaction.]

[3. The Transferor and any person acting on behalf of the Transferor in this matter reasonably believe that the Transferee is a “qualified institutional buyer” as that term is defined in Rule 144A (“**Rule 144A**”) under the Securities Act (a “**Qualified Institutional Buyer**”) purchasing for its own account or for the account of a Qualified Institutional Buyer. In determining whether the Transferee is a Qualified Institutional Buyer, the Transferor and any person acting on behalf of the Transferor in this matter have relied upon the following method(s) of establishing the Transferee’s ownership and discretionary investments of securities (check one or more):

- ☐ (a) The Transferee’s most recent publicly available financial statements, which statements present the information as of a date within 16 months preceding the date of sale of the Transferred Note in the case of a U.S. purchaser and within 18 months preceding such date of sale for a foreign purchaser; or
- ☐ (b) The most recent publicly available information appearing in documents filed by the Transferee with the SEC or another United States federal, state, or local governmental agency or self-regulatory organization, or with a foreign governmental agency or self-regulatory organization, which information is as of a date within 16 months preceding the date of sale of the Transferred Note in the case of a U.S. purchaser and within 18 months preceding such date of sale for a foreign purchaser; or
- ☐ (c) The most recent publicly available information appearing in a recognized securities manual, which information is as of a date within 16 months preceding the date of sale of the Transferred Note in the case of a U.S. purchaser and within 18 months preceding such date of sale for a foreign purchaser; or
- ☐ (d) A certification by the chief financial officer, a person fulfilling an equivalent function, or other executive officer of the Transferee, specifying the amount of securities owned and invested on a discretionary basis by the Transferee as of a specific date on or since the close of the Transferee’s most recent fiscal year, or, in the case of a Transferee that is a member of a “family of investment companies”, as that term is defined in Rule 144A, a certification by an executive officer of the investment adviser specifying the amount of securities owned by the “family of investment companies” as of a specific date on or since the close of the Transferee’s most recent fiscal year.]



[3. The Transferor and any person acting on behalf of the Transferor in this matter reasonably believe that, with respect to the initial transfer of the Transferred Note by the [insert applicable Issuer[s]] or the Initial Purchasers, the Transferee is an Affiliate of the [insert applicable Issuer[s]].]

[3. The Transferor and any person acting on behalf of the Transferor in this matter reasonably believe that the Transferee is an Affiliate of [insert applicable Issuer[s]] and is an “Accredited Investor” within the meaning of Rule 501(a) (1), (2), (3) or (7) of the Securities Act.]

4. The Transferor and any person acting on behalf of the Transferor understand that in determining the aggregate amount of securities owned and invested on a discretionary basis by an entity for purposes of establishing whether such entity is a Qualified Institutional Buyer:

- (a) the following instruments and interests shall be excluded: securities of issuers that are affiliated with the Transferee; securities that are part of an unsold allotment to or subscription by the Transferee, if the Transferee is a dealer; securities of issuers that are part of the Transferee’s “family of investment companies”, if the Transferee is a registered investment company; bank deposit notes and certificates of deposit; loan participations; repurchase agreements; securities owned but subject to a repurchase agreement; and currency, interest rate and commodity swaps;
- (b) the aggregate value of the securities shall be the cost of such securities, except where the entity reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published, in which case the securities may be valued at market;
- (c) securities owned by subsidiaries of the entity that are consolidated with the entity in its financial statements prepared in accordance with generally accepted accounting principles may be included if the investments of such subsidiaries are managed under the direction of the entity, except that, unless the entity is a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act, securities owned by such subsidiaries may not be included if the entity itself is a majority-owned subsidiary that would be included in the consolidated financial statements of another enterprise.

5. [The Transferor or a person acting on its behalf has taken reasonable steps to ensure that the Transferee is aware that the Transferor is relying on the exemption from the provisions of Section 5 of the Securities Act provided by [Rule 144A][Regulation S].]

6. The Transferor or a person acting on its behalf has furnished, or caused to be furnished, to the Transferee all information regarding (a) the Transferred Notes and payments thereon, (b) the nature and performance of the Loans, the Leases and the Properties, (c) the Indenture and the Collateral, and (d) any credit enhancement mechanism associated with the Transferred Notes, that the Transferee has requested.

Very truly yours,

\_\_\_\_\_  
(Transferor)

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C-2**

**FORM OF TRANSFeree CERTIFICATE  
FOR TRANSFERS OF DEFINITIVE NOTES**

[Date]

Citibank, N.A.  
480 Washington Boulevard  
30th Floor  
Jersey City, New Jersey 07310  
Attention: Securities Window — SCF Master Funding

Re: SCF Realty Capital, Net-Lease Mortgage Notes, Series 20[ ]-[ ] (the “**Notes**”)

Ladies and Gentlemen:

This letter is delivered to you in connection with the transfer by (the “**Transferor**”) to (the “**Transferee**”) of Class [ ] Notes (the “**Transferred Notes**”) having an Initial Principal Balance as of [ ], 2017 (the “**Closing Date**”) of \$ [ ]. The Notes, including the Transferred Notes, were issued pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**”) and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[ ]-[ ] Supplement (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”). All terms used herein and not otherwise defined shall have the meanings set forth in the Indenture. The Transferee hereby certifies, represents and warrants to you, as Note Registrar, and for the benefit of the Issuers, the Indenture Trustee and the Transferor, that:

1. The Transferee understands that (a) the Transferred Notes have not been and will not be registered or qualified under the Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities law, (b) none of the Issuer[s] or the Indenture Trustee is required to so register or qualify the Transferred Notes, (c) the Transferred Notes may be resold only if registered and qualified pursuant to the provisions of the Securities Act or any state securities law, or if an exemption from such registration and qualification is available, (d) the Indenture contains restrictions regarding the transfer of the Transferred Notes and (e) the Transferred Notes will bear a legend to the foregoing effect.
2. The Transferee is acquiring the Transferred Notes for its own account for investment only and not with a view to or for sale in connection with any distribution thereof in any manner that would violate the Securities Act or any applicable state securities laws.
3. The Transferee is (a) a Non-U.S. Person, is not acquiring the Notes or interests therein for the account or benefit of any U.S. Person (as that term is defined in Regulation S under the Securities Act) and is acquiring the Transferred Notes in an offshore

transaction; or (b) a “qualified institutional buyer” (a “**Qualified Institutional Buyer**”) as that term is defined in Rule 144A (“**Rule 144A**”) under the Securities Act and has completed one of the forms of certification to that effect attached hereto as Annex 1 and Annex 2; or (c) with respect to the initial transfer of the Transferred Note by the [insert applicable Issuer[s]] or the Initial Purchasers, an Affiliate of the [insert applicable Issuer[s]]; or (d) an Affiliate of [insert applicable Issuer[s]] and an “Accredited Investor” within the meaning of Rule 501(a) (1), (2), (3) or (7) of the Securities Act. Other than with respect to the Transfer of a Definitive Note to an Issuer or an Affiliate of an Issuer that is an Accredited Investor, the Transferee is aware that the sale to it of the Transferred Notes is being made in reliance on Rule 144A or pursuant to Regulation S under the Securities Act, as applicable. The Transferee is acquiring the Transferred Notes for its own account or for the account of a Qualified Institutional Buyer, the account of an Accredited Investor or another Non-U.S. Person in an offshore transaction, and understands that such Transferred Notes may be resold, pledged or transferred only (i) to a person reasonably believed to be a Qualified Institutional Buyer that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, or (ii) pursuant to another exemption from registration under the Securities Act. The Transferee is (a) a substantial, sophisticated institutional investor having such knowledge and experience in financial and business matters, and, in particular, in such matters related to securities similar to the Transferred Notes, such that it is capable of evaluating the merits and risks of investment in the Transferred Notes, and (b) able to bear the economic risks of such an investment.

4. The Transferee has reviewed and understands the restrictions on transfer of the Transferred Notes and acknowledges that such transfer restrictions may adversely affect the liquidity of the Transferred Notes.

5. The Transferee understands that each Noteholder, by virtue of its acceptance thereof, assents to, and agrees to be bound by, the terms, provisions and conditions of the Indenture, including those relating to the transfer restrictions.

6. The Transferee understands that the information contained in the Memorandum (as defined below) and all such additional information, as well as all information to be received by the Transferee as a Noteholder, is confidential and agrees to keep such information confidential (a) by not disclosing any such information other than to a person who needs to know such information and who has agreed to keep such information confidential and (b) by not using any such information other than for the purpose of evaluating an investment in the Transferred Notes; provided, however, that any such information may be disclosed as required by Applicable Law if the Issuers are given written notice of such requirement sufficient to enable the Issuers to seek a protective order or other appropriate remedy in advance of disclosure.

7. The Transferee has been furnished with, and has had an opportunity to review (a) a copy of the Private Placement Memorandum dated [ ], 20[ ], relating to the Transferred Notes (the “**Memorandum**”), (b) a copy of the Indenture and the Transferred Notes and (c) such other information concerning the Transferred Notes and payments thereon, the Loans, Properties and Leases and the other Collateral and the Issuer[s] and is relevant to the Transferee’s decision to purchase the Transferred Notes. The Transferee has had any questions arising from such review answered by the Issuer[s] or the Transferor to the satisfaction of the Transferee.

8. The Transferee has not and will not nor has it authorized or will it authorize any person to (a) offer, pledge, sell, dispose of or otherwise transfer any Transferred Note, any interest in any Transferred Note or any other similar security from any person in any manner, (b) otherwise approach or negotiate with respect to any Transferred Note, any interest in any Transferred Note or any other similar security with any person in any manner, (c) make any general solicitation by means of general advertising or in any other manner or (d) take any action, that (as to any of (a) through (d) above) would constitute a distribution of any Transferred Note under the Securities Act, that would render the disposition of any Transferred Note a violation of Section 5 of the Securities Act or any state securities law, or that would require registration or qualification pursuant thereto. The Transferee will not sell or otherwise transfer any of the Transferred Notes, except to a person reasonably believed to be (x) a Non-U.S. Person that is not acquiring the Transferred Notes for the account or benefit of any U.S. Person (as defined in Regulation S) and is acquiring the Transferred Notes or interests therein in an offshore transaction, or (y) a Qualified Institutional Buyer that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, or otherwise in accordance with the terms and provisions of the Indenture.

9. The Transferee is duly authorized to purchase the Transferred Notes acquired thereby, and its purchase of investments having the characteristics of the Notes acquired thereby is authorized under, and not directly or indirectly in contravention of, any law, charter, trust instrument or other operative document, investment guidelines or list of permissible or impermissible investments applicable to the investor.

10. If the Transferee is acquiring any Transferred Notes or interests therein as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, warranties and agreements with respect to each such account.

11. If the Transferee is other than SCF Realty Capital or one or more of its directly or indirectly wholly-owned subsidiaries that are disregarded for federal income tax purposes, it is not part of the “expanded group” of the Issuers within the meaning of Treasury Regulation section 1.385-1(b)(4) and is not acquiring the Note with a principal purpose of avoiding the application of Treasury Regulation sections 1.385-3, 1.385-3T or 1.385-4T.

Very truly yours,

\_\_\_\_\_  
(Transferee)

By: \_\_\_\_\_  
Name:  
Title:

**QUALIFIED INSTITUTIONAL BUYER STATUS UNDER SECURITIES ACT**  
**RULE 144A**

*[for Transferees other than Registered Investment Companies]*

The undersigned hereby certifies as follows to [name of Transferor (the “Transferor”)] and [name of Note Registrar], as Note Registrar, with respect to the Notes being transferred (the “**Transferred Notes**”) as described in the Transferee Certificate to which this certification relates and to which this certification is an Annex:

1. As indicated below, the undersigned is the chief financial officer, a person fulfilling an equivalent function, or other executive officer of the entity purchasing the Transferred Notes (the “**Transferee**”).

2. The Transferee is a “qualified institutional buyer” as that term is defined in Rule 144A (“**Rule 144A**”) under the Securities Act of 1933, as amended (the “**Securities Act**”), because (i) the Transferee owned and/or invested on a discretionary basis \$<sup>4</sup> in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year (such amount being calculated in accordance with Rule 144A) and (ii) the Transferee satisfies the criteria in the category marked below:

\_\_\_\_\_ Corporation, etc.. The Transferee is a corporation (other than a bank, savings and loan association or similar institution), Massachusetts or similar business trust, partnership, or any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

\_\_\_\_\_ Bank. The Transferee (a) is a national bank or a banking institution organized under the laws of any State, U.S. territory or the District of Columbia, the business of which is substantially confined to banking, and is supervised by the State or territorial banking commission or similar official or is a foreign bank or equivalent institution, and (b) has an audited net worth of at least \$25,000,000 as demonstrated in its latest annual financial statements, a copy of which is attached hereto, as of a date not more than 16 months preceding the date of sale of the Note in the case of a U.S. bank, and not more than 18 months preceding such date of sale for a foreign bank or equivalent institution.

\_\_\_\_\_ Savings and Loan. The Transferee (a) is a savings and loan association, building and loan association, cooperative bank, homestead association or similar institution, which is supervised and examined by a state or federal authority having supervision over any such institutions or is a foreign

<sup>4</sup> Transferee must own and/or invest on a discretionary basis at least \$100,000,000 in securities unless Transferee is a dealer, and, in that case, Transferee must own and/or invest on a discretionary basis at least \$10,000,000 in securities.

savings and loan association or equivalent institution and (b) has an audited net worth of at least \$25,000,000 as demonstrated in its latest annual financial statements, a copy of which is attached hereto, as of a date not more than 16 months preceding the date of sale of the Note in the case of a U.S. savings and loan association, and not more than 18 months preceding such date of sale for a foreign savings and loan association or equivalent institution.

\_\_\_\_ Broker-dealer. The Transferee is a dealer registered pursuant to Section 15 of the Securities Exchange Act.

\_\_\_\_ Insurance Company. The Transferee is an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a State, U.S. territory or the District of Columbia.

\_\_\_\_ State or Local Plan. The Transferee is a plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of the State or its political subdivisions, for the benefit of its employees.

\_\_\_\_ Employee Benefit Plan. The Transferee is an "employee benefit plan", as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA.

\_\_\_\_ Investment Advisor. The Transferee is an investment advisor registered under the Investment Advisers Act of 1940, as amended.

\_\_\_\_ Other. (Please supply a brief description of the entity and a cross-reference to the paragraph and subparagraph under subsection (a)(1) of Rule 144A pursuant to which it qualifies. Note that registered investment companies should complete Annex 2 rather than this Annex 1.) \_\_\_\_\_

3. The term "**securities**" as used herein does not include (i) securities of issuers that are affiliated with the Transferee, (ii) securities that are part of an unsold allotment to or subscription by the Transferee, if the Transferee is a dealer, (iii) bank deposit notes and certificates of deposit, (iv) loan participations, (v) repurchase agreements, (vi) securities owned but subject to a repurchase agreement and (vii) currency, interest rate and commodity swaps. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, the Transferee did not include any of the securities referred to in this paragraph.

4. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, the Transferee used the cost of such securities to the Transferee, unless the Transferee reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published, in which case the securities were valued at market.



Further, in determining such aggregate amount, the Transferee may have included securities owned by subsidiaries of the Transferee, but only if such subsidiaries are consolidated with the Transferee in its financial statements prepared in accordance with generally accepted accounting principles and if the investments of such subsidiaries are managed under the Transferee’s direction. However, such securities were not included if the Transferee is a majority-owned, consolidated subsidiary of another enterprise and the Transferee is not itself a reporting company under the Securities Exchange Act.

5. The Transferee acknowledges that it is familiar with Rule 144A and understands that the Transferor and other parties related to the Transferred Notes are relying and will continue to rely on the statements made herein because one or more sales to the Transferee may be in reliance on Rule 144A.

\_\_\_\_\_ Will the Transferee be purchasing the Transferred Notes  
Yes No only for the Transferee’s own account?

6. If the answer to the foregoing question is “no”, then in each case where the Transferee is purchasing for an account other than its own, such account belongs to a third party that is itself a “qualified institutional buyer” within the meaning of Rule 144A, and the “qualified institutional buyer” status of such third party has been established by the Transferee through one or more of the appropriate methods contemplated by Rule 144A.

7. The Transferee will notify each of the parties to which this certification is made of any changes in the information and conclusions herein. Until such notice is given, the Transferee’s purchase of the Transferred Notes will constitute a reaffirmation of this certification as of the date of such purchase. In addition, if the Transferee is a bank or savings and loan as provided above, the Transferee agrees that it will furnish to such parties any updated annual financial statements that become available on or before the date of such purchase, promptly after they become available.

\_\_\_\_\_  
Print Name of Transferee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**QUALIFIED INSTITUTIONAL BUYER STATUS UNDER SECURITIES ACT RULE 144A***[for Transferees that are Registered Investment Companies]*

The undersigned hereby certifies as follows to [name of Transferor (the “**Transferor**”)] and [name of Note Registrar], as Note Registrar, with respect to the Notes being transferred (the “**Transferred Notes**”) as described in the Transferee Certificate to which this certification relates and to which this certification is an Annex:

1. As indicated below, the undersigned is the chief financial officer, a person fulfilling an equivalent function, or other executive officer of the entity purchasing the Transferred Notes (the “**Transferee**”) or, if the Transferee is a “qualified institutional buyer” as that term is defined in Rule 144A (“**Rule 144A**”) under the Securities Act of 1933, as amended (the “**Securities Act**”), because the Transferee is part of a Family of Investment Companies (as defined below), is an executive officer of the investment adviser (the “**Adviser**”).

2. The Transferee is a “qualified institutional buyer” as defined in Rule 144A because (i) the Transferee is an investment company registered under the Investment Company Act of 1940, as amended, and (ii) as marked below, the Transferee alone owned and/or invested on a discretionary basis, or the Transferee’s Family of Investment Companies owned, at least \$100,000,000 in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year. For purposes of determining the amount of securities owned by the Transferee or the Transferee’s Family of Investment Companies, the cost of such securities was used, unless the Transferee or any member of the Transferee’s Family of Investment Companies, as the case may be, reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published, in which case the securities of such entity were valued at market.

\_\_\_\_\_ The Transferee owned and/or invested on a discretionary basis \$ \_\_\_\_\_ in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year (such amount being calculated in accordance with Rule 144A).

\_\_\_\_\_ The Transferee is part of a Family of Investment Companies which owned in the aggregate \$ \_\_\_\_\_ in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year (such amount being calculated in accordance with Rule 144A).

3. The term “**Family of Investment Companies**” as used herein means two or more registered investment companies (or series thereof) that have the same investment adviser or investment advisers that are affiliated (by virtue of being majority owned subsidiaries of the same parent or because one investment adviser is a majority owned subsidiary of the other).

4. The term “**securities**” as used herein does not include (i) securities of issuers that are affiliated with the Transferee or are part of the Transferee’s Family of Investment Companies, (ii) bank deposit notes and certificates of deposit, (iii) loan participations, (iv) repurchase agreements, (v) securities owned but subject to a repurchase agreement and (vi) currency, interest rate and commodity swaps. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, or owned by the Transferee’s Family of Investment Companies, the securities referred to in this paragraph were excluded.

5. The Transferee is familiar with Rule 144A and understands that the parties to which this certification is being made are relying and will continue to rely on the statements made herein because one or more sales to the Transferee will be in reliance on Rule 144A.

\_\_\_\_\_ Will the Transferee be purchasing the Transferred Notes

Yes No only for the Transferee’s own account?

6. If the answer to the foregoing question is “no”, then in each case where the Transferee is purchasing for an account other than its own, such account belongs to a third party that is itself a “qualified institutional buyer” within the meaning of Rule 144A, and the “qualified institutional buyer” status of such third party has been established by the Transferee through one or more of the appropriate methods contemplated by Rule 144A.

7. The undersigned will notify the parties to which this certification is made of any changes in the information and conclusions herein. Until such notice, the Transferee’s purchase of the Transferred Notes will constitute a reaffirmation of this certification by the undersigned as of the date of such purchase.

\_\_\_\_\_  
Print Name of Transferee or Adviser

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

IF AN ADVISER:

\_\_\_\_\_  
Print Name of Transferee

Date: \_\_\_\_\_

**EXHIBIT D-1**

**FORM OF TRANSFER CERTIFICATE FOR TRANSFERS FROM**

**[REGULATION S GLOBAL][DEFINITIVE] NOTE TO RESTRICTED GLOBAL NOTE**

[DATE]

Citibank, N.A.  
480 Washington Boulevard  
30th Floor  
Jersey City, New Jersey 07310  
Attention: Securities Window — SCF Master Funding

Re: SCF Realty Capital, Net-Lease Mortgage Notes, Series 20[ ]-[ ] (the “**Notes**”)

Ladies and Gentlemen:

This letter is delivered to you in connection with the transfer by [ ] (the “**Transferor**”) to [ ] (the “**Transferee**”) of [beneficial interests in] Class [ ] Notes evidenced by [Regulation S Global][Definitive] Notes (the “**Transferred Notes**”) having an Initial Principal Balance as of [ ], 2017 of \$[ ] evidencing a [ ]% Percentage Interest in such Class. The Transferor has requested a transfer of such Transferred Note for a [beneficial interest in a] Restricted Global Note evidencing Notes of the same Class, in a like principal balance to be registered in the name of the Transferee. The Notes, including the Transferred Notes, were issued pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[ ]-[ ] Supplement (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Indenture. The Transferee hereby certifies, represents and warrants to you, as Note Registrar, and for the benefit of the Issuers, the Indenture Trustee and the Transferor, that:

1. The Transferee is a “qualified institutional buyer” (a “**Qualified Institutional Buyer**”) as that term is defined in Rule 144A (“**Rule 144A**”) under the Securities Act of 1933, as amended (the “**Securities Act**”), and has completed one of the forms of certification to that effect attached hereto as Annex A and Annex B. The Transferee is aware that the sale to it of the Transferred Notes is being made in reliance on Rule 144A. The Transferee is acquiring the Transferred Notes for its own account or for the account of a Qualified Institutional Buyer, and understands that such Transferred Notes may be resold, pledged or transferred only (i) to a person reasonably believed to be a Qualified Institutional Buyer that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A, or (ii) pursuant to another exemption from registration under the Securities Act.

2. The Transferee has been furnished with all information regarding (a) the Transferred Notes and distributions thereon, (b) the nature, performance and servicing of the Loans the Leases and the Properties, (c) the Indenture and the Collateral and (d) any credit enhancement mechanism associated with the Transferred Notes, that it has requested.

Very truly yours,  
\_\_\_\_\_  
(Transferee)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**QUALIFIED INSTITUTIONAL BUYER STATUS UNDER SECURITIES ACT RULE 144A***[for Transferees other than Registered Investment Companies]*

The undersigned hereby certifies as follows to [name of Transferor] (the “**Transferor**”) and [name of Note Registrar], as Note Registrar, with respect to the Notes being transferred (the “**Transferred Notes**”) as described in the Transferee Certificate to which this certification relates and to which this certification is an Annex:

1. As indicated below, the undersigned is the chief financial officer, a person fulfilling an equivalent function, or other executive officer of the entity purchasing the Transferred Notes (the “**Transferee**”).

2. The Transferee is a “qualified institutional buyer” as that term is defined in Rule 144A (“**Rule 144A**”) under the Securities Act of 1933, as amended (the “**Securities Act**”), because (i) the Transferee owned and/or invested on a discretionary basis \$<sup>5</sup> in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year (such amount being calculated in accordance with Rule 144A) and (ii) the Transferee satisfies the criteria in the category marked below:

- \_\_\_\_\_ *Corporation, etc.* The Transferee is a corporation (other than a bank, savings and loan association or similar institution), Massachusetts or similar business trust, partnership, or any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.
- \_\_\_\_\_ *Bank.* The Transferee (a) is a national bank or a banking institution organized under the laws of any State, U.S. territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official or is a foreign bank or equivalent institution, and (b) has an audited net worth of at least \$25,000,000 as demonstrated in its latest annual financial statements, *a copy of which is attached hereto*, as of a date not more than 16 months preceding the date of sale of the Note in the case of a U.S. bank, and not more than 18 months preceding such date of sale for a foreign bank or equivalent institution.
- \_\_\_\_\_ *Savings and Loan.* The Transferee (a) is a savings and loan association, building and loan association, cooperative bank, homestead association or similar institution that is supervised and examined by a state or federal authority having supervision over any such institutions or is a foreign savings and loan association or equivalent institution and (b) has an audited net worth of at least \$25,000,000

<sup>5</sup> Transferee must own and/or invest on a discretionary basis at least \$100,000,000 in securities unless Transferee is a dealer, and, in that case, Transferee must own and/or invest on a discretionary basis at least \$10,000,000 in securities.

as demonstrated in its latest annual financial statements, *a copy of which is attached hereto*, as of a date not more than 16 months preceding the date of sale of the Note in the case of a U.S. savings and loan association, and not more than 18 months preceding such date of sale for a foreign savings and loan association or equivalent institution.

\_\_\_\_ *Broker-dealer* . The Transferee is a dealer registered pursuant to Section 15 of the Securities Exchange Act.

\_\_\_\_ *Insurance Company* . The Transferee is an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a State, U.S. territory or the District of Columbia.

\_\_\_\_ *State or Local Plan* . The Transferee is a plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of the State or its political subdivisions, for the benefit of its employees.

\_\_\_\_ *Employee Benefit Plan* . The Transferee is an “employee benefit plan”, as defined in Section 3(3) of ERISA.

\_\_\_\_ *Investment Advisor* . The Transferee is an investment advisor registered under the Investment Advisers Act of 1940, as amended.

\_\_\_\_ *Other* . (Please supply a brief description of the entity and a cross-reference to the paragraph and subparagraph under subsection (a)(1) of Rule 144A pursuant to which it qualifies. Note that registered investment companies should complete Annex B rather than this Annex A.) \_\_\_\_\_

3. The term “securities” as used herein *does not include* (i) securities of issuers that are affiliated with the Transferee, (ii) securities that are part of an unsold allotment to or subscription by the Transferee, if the Transferee is a dealer, (iii) bank deposit notes and certificates of deposit, (iv) loan participations, (v) repurchase agreements, (vi) securities owned but subject to a repurchase agreement and (vii) currency, interest rate and commodity swaps. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, the Transferee did not include any of the securities referred to in this paragraph.

4. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, the Transferee used the cost of such securities to the Transferee, unless the Transferee reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published, in which case the securities were valued at market. Further, in determining such aggregate amount, the Transferee may have included securities owned by subsidiaries of the Transferee, but only if such subsidiaries are consolidated with the Transferee in its financial statements prepared in accordance with generally accepted accounting

principles and if the investments of such subsidiaries are managed under the Transferee’s direction. However, such securities were not included if the Transferee is a majority-owned, consolidated subsidiary of another enterprise and the Transferee is not itself a reporting company under the Exchange Act.

5. The Transferee acknowledges that it is familiar with Rule 144A and understands that the Transferor and other parties related to the Transferred Notes are relying and will continue to rely on the statements made herein because one or more sales to the Transferee may be in reliance on Rule 144A.

\_\_\_\_\_ Will the Transferee be purchasing the Transferred Notes  
Yes No only for the Transferee’s own account?

6. If the answer to the foregoing question is “no,” then in each case where the Transferee is purchasing for an account other than its own, such account belongs to a third party that is itself a “qualified institutional buyer” within the meaning of Rule 144A, and the “qualified institutional buyer” status of such third party has been established by the Transferee through one or more of the appropriate methods contemplated by Rule 144A.

7. The Transferee will notify each of the parties to which this certification is made of any changes in the information and conclusions herein. Until such notice is given, the Transferee’s purchase of the Transferred Notes will constitute a reaffirmation of this certification as of the date of such purchase. In addition, if the Transferee is a bank or savings and loan as provided above, the Transferee agrees that it will furnish to such parties any updated annual financial statements that become available on or before the date of such purchase, promptly after they become available.

\_\_\_\_\_  
Print Name of Transferee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**QUALIFIED INSTITUTIONAL BUYER STATUS UNDER SECURITIES ACT RULE 144A***[for Transferees that are Registered Investment Companies]*

The undersigned hereby certifies as follows to [name of Transferor (the “**Transferor**”) and [ ], as Note Registrar, with respect to the Notes being transferred (the “**Transferred Notes**”) as described in the Transferee Certificate to which this certification relates and to which this certification is an Annex:

1. As indicated below, the undersigned is the chief financial officer, a person fulfilling an equivalent function, or other executive officer of the entity purchasing the Transferred Notes (the “**Transferee**”) or, if the Transferee is a “qualified institutional buyer” as that term is defined in Rule 144A (“**Rule 144A**”) under the Securities Act of 1933, as amended (the “**Securities Act**”), because the Transferee is part of a Family of Investment Companies (as defined below), is an executive officer of the investment adviser (the “**Adviser**”).

2. The Transferee is a “qualified institutional buyer” as defined in Rule 144A because (i) the Transferee is an investment company registered under the Investment Company Act of 1940, and (ii) as marked below, the Transferee alone owned and/or invested on a discretionary basis, or the Transferee’s Family of Investment Companies owned, at least \$100,000,000 in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year. For purposes of determining the amount of securities owned by the Transferee or the Transferee’s Family of Investment Companies, the cost of such securities was used, unless the Transferee or any member of the Transferee’s Family of Investment Companies, as the case may be, reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published, in which case the securities of such entity were valued at market:

- \_\_\_\_\_ The Transferee owned and/or invested on a discretionary basis \$ \_\_\_\_\_ in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year (such amount being calculated in accordance with Rule 144A).
- \_\_\_\_\_ The Transferee is part of a Family of Investment Companies that owned in the aggregate \$ \_\_\_\_\_ in securities (other than the excluded securities referred to below) as of the end of the Transferee’s most recent fiscal year (such amount being calculated in accordance with Rule 144A).

3. The term “**Family of Investment Companies**” as used herein means two or more registered investment companies (or series thereof) that have the same investment adviser or investment advisers that are affiliated (by virtue of being majority owned subsidiaries of the same parent or because one investment adviser is a majority owned subsidiary of the other).

4. The term “**securities**” as used herein does not include (i) securities of issuers that are affiliated with the Transferee or are part of the Transferee’s Family of Investment Companies, (ii) bank deposit notes and certificates of deposit, (iii) loan participations, (iv) repurchase agreements, (v) securities owned but subject to a repurchase agreement and (vi) currency, interest rate and commodity swaps. For purposes of determining the aggregate amount of securities owned and/or invested on a discretionary basis by the Transferee, or owned by the Transferee’s Family of Investment Companies, the securities referred to in this paragraph were excluded.

5. The Transferee is familiar with Rule 144A and understands that the parties to which this certification is being made are relying and will continue to rely on the statements made herein because one or more sales to the Transferee will be in reliance on Rule 144A.

\_\_\_\_\_ Will the Transferee be purchasing the Transferred Notes  
Yes No only for the Transferee’s own account?

6. If the answer to the foregoing question is “no,” then in each case where the Transferee is purchasing for an account other than its own, such account belongs to a third party that is itself a “qualified institutional buyer” within the meaning of Rule 144A, and the “qualified institutional buyer” status of such third party has been established by the Transferee through one or more of the appropriate methods contemplated by Rule 144A.

7. The undersigned will notify the parties to which this certification is made of any changes in the information and conclusions herein. Until such notice, the Transferee’s purchase of the Transferred Notes will constitute a reaffirmation of this certification by the undersigned as of the date of such purchase.

\_\_\_\_\_  
Print Name of Transferee or Adviser

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IF AN ADVISER:  
Print Name of Transferee

Date: \_\_\_\_\_

**EXHIBIT D-2**

**FORM OF TRANSFER CERTIFICATE FOR TRANSFER  
FROM [RESTRICTED GLOBAL][DEFINITIVE] NOTE  
TO REGULATION S GLOBAL NOTE  
DURING THE RESTRICTED PERIOD**

[DATE]

Citibank, N.A.  
480 Washington Boulevard  
30th Floor  
Jersey City, New Jersey 07310  
Attention: Securities Window — SCF Master Funding

Re: SCF Realty Capital, Net-Lease Mortgage Notes, Series 20[ ]-[ ] (the “**Notes**”)

Ladies and Gentlemen:

This letter is delivered to you in connection with the transfer by [ ] (the “**Transferor**”) to [ ] (the “**Transferee**”) of [beneficial interests in] Class [ ] Notes evidenced by [Restricted Global][Definitive] Notes (the “**Transferred Notes**”) having an Initial Principal Balance as of [ ], 20[ ] of \$[ ] evidencing a [ ]% Percentage Interest in such Class. The Transferor has requested a transfer of such Transferred Note for a [beneficial interest in a] Temporary Regulation S Global Note, evidencing Notes of the same Class, in a like principal balance to be registered in the name of the Transferee. The Notes, including the Transferred Notes, were issued pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[ ]-[ ] Supplement (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

In connection with such request and in respect of such Notes, the Transferee does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Notes and pursuant to and in accordance with Rule 904 of Regulation S, and accordingly the Transferee does hereby certify, represent and warrant to you, as Note Registrar, and for the benefit of the Issuers and the Indenture Trustee that:

1. The Transferee is not a U.S. person (as defined in Regulation S) or holding the Notes for the account or benefit of any U.S. person.

- 
- 2. The offer of the Notes was not made to a person in the United States.
  - [3. At the time the buy order was originated, the Transferee was outside the United States.] <sup>6</sup>
  - [3. The transaction was executed in, on or through the facilities of a designated offshore securities market and the transaction was not prearranged with a buyer in the United States.]

Very truly yours,  
\_\_\_\_\_  
(Transferee)  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

---

<sup>6</sup> Insert one of these two provisions, which come from the definition of “offshore transaction” in Regulation S.

**EXHIBIT D-3**

**FORM OF TRANSFER CERTIFICATE FOR TRANSFER  
FROM [RESTRICTED GLOBAL][DEFINITIVE] NOTE TO REGULATION S  
GLOBAL NOTE AFTER THE RESTRICTED PERIOD**

[DATE]

Citibank, N.A.  
480 Washington Boulevard  
30th Floor  
Jersey City, New Jersey 07310  
Attention: Securities Window — SCF Master Funding

Re: SCF Realty Capital, Net-Lease Mortgage Notes, Series 20[ ]-[ ] (the “**Notes**”)

Ladies and Gentlemen:

This letter is delivered to you in connection with the transfer by [ ] (the “**Transferor**”) to [ ] (the “**Transferee**”) of [beneficial interests in] Class [ ] Notes evidenced by [Restricted Global][Definitive] Notes (the “**Transferred Notes**”) having an Initial Principal Balance as of [ ], 20[ ] of \$[ ] evidencing a [ ]% Percentage Interest in such Class. The Transferor has requested a transfer of such Transferred Note for a [beneficial interest in a] Permanent Regulation S Global Note, evidencing Notes of the same Class, in a like principal balance to be registered in the name of the Transferee. The Notes, including the Transferred Notes, were issued pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**”) and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[ ]-[ ] Supplement (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

In connection with such request and in respect of such Notes, the transferee does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Notes and pursuant to and in accordance with Rule 904 of Regulation S, and accordingly the Transferee does hereby certify, represent and warrant to you, as Note Registrar, and for the benefit of the Issuers, the Indenture Trustee and the Transferee, that:

1. The offer of the Notes was not made to a person in the United States.

[2. At the time the buy order as originated, the Transferee was outside the United States.] <sup>7</sup>

[2. The transaction was executed in, on or through the facilities of a designated offshore securities market and the transaction was not prearranged with a buyer in the United States.]

Very truly yours,

\_\_\_\_\_  
(Transferee)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

<sup>7</sup> Insert one of these two provisions, which comes from the definition of “offshore transaction” in Regulation S.

**EXHIBIT D-4**

**FORM OF REGULATION S LETTER FOR EXCHANGE OF INTERESTS IN THE  
TEMPORARY REGULATION S GLOBAL NOTE FOR INTERESTS IN THE  
PERMANENT REGULATION S GLOBAL NOTE**

[DATE]

Citibank, N.A.  
480 Washington Boulevard  
30th Floor  
Jersey City, New Jersey 07310  
Attention: Securities Window — SCF Master Funding

Re: SCF Realty Capital, Net-Lease Mortgage Notes, Series 20[ ]-[ ] (the “**Notes**”)

Ladies and Gentlemen:

This letter is delivered to you in connection with the exchange by [ ] (the “**Transferor**”) to [ ] (the “**Transferee**”) of \$[ ] principal amount of beneficial interests in the Temporary Regulation S Global Note evidencing Class [ ] Notes for a like amount of beneficial interests in the Permanent Regulation S Global Note evidencing Notes of the same Class. The Notes, including the Transferred Notes, were issued pursuant to an Amended and Restated Master Indenture, dated on or about July [ ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[ ]-[ ] Supplement (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Indenture.

In connection with such request, we hereby certify that, based solely on certifications we have received in writing, by tested telex or by electronic transmission, from member organizations appearing in our records as persons entitled to a portion of the principal amount set forth above (our “**Member Organizations**”) substantially to the effect that the beneficial interests in the Temporary Regulation S Global Note are beneficially owned by (a) non-U.S. persons or (b) U.S. persons who purchased their beneficial interests in transactions that did not require registration under the United States Securities Act of 1933.

We further certify that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party to such proceedings.

Yours faithfully,

[EUROCLEAR BANK, S.A./N.A., as operator of the Euroclear Clearance Systems S.C., a Belgian cooperative corporation]

or

[CLEARSTREAM BANKING, S.A.]

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT E-1**

**FORM OF CERTIFICATE WITH RESPECT TO INFORMATION  
REQUEST BY BENEFICIAL OWNER**

[ Date ]

Citibank, N.A.  
388 Greenwich Street  
New York, New York 10013  
Attention: Citibank Agency & Trust—SCF  
Master Funding

SCF RC Funding I LLC  
[            ]  
[            ]  
Attention: Secretary

SCF RC Funding II LLC  
[            ]  
[            ]  
Attention: Secretary

SCF RC Funding III LLC  
[            ]  
[            ]  
Attention: Secretary

[ADDITIONAL ISSUERS]

In accordance with Section 6.03 of the Amended and Restated Master Indenture, dated on or about July [    ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[    ]-[    ] Supplement, dated as of [            ], 20[    ] (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”), with respect to the Net-Lease Mortgage Notes, Series 20[    ]-[    ] (the “**Notes**”), the undersigned hereby certifies and agrees as follows:

1. The undersigned is a beneficial owner of Class [    ] Notes.
2. The undersigned is requesting access to certain non-public information contained on the Indenture Trustee’s website relating to the Notes or such other information identified on the schedule attached hereto pursuant to Section 6.03 of the Indenture (in each case, the “**Information**”) for use in evaluating its investment in the Class A Notes.
3. In consideration of the Indenture Trustee’s disclosure to the undersigned of the Information, the undersigned will keep the Information confidential (except from such outside persons as are assisting it in making the evaluation described in paragraph 2 and from its accountants, attorneys and any governmental agency or authority which regulates the undersigned), and such Information will not, without the prior written consent of the Indenture Trustee, be disclosed by the undersigned or by its officers, directors, partners, employees, agents or representatives (collectively, the “**Representatives**”) in any manner whatsoever, in whole or in part.

4. The undersigned will not use or disclose the Information in any manner which could result in a violation of any provision of the Securities Act of 1933, as amended (the “**Securities Act**”), or the Securities Exchange Act, or would require registration of any Note pursuant to Section 5 of the Securities Act.

5. The undersigned shall be fully liable for any breach of this agreement by itself or any of its Representatives and shall indemnify the Issuers, the Indenture Trustee and the Collateral for any loss, liability or expense incurred thereby with respect to any such breach by the undersigned or any of its Representatives.

Capitalized terms used but not defined herein shall have the respective meanings assigned thereto in the Indenture.

IN WITNESS WHEREOF, the undersigned has caused its name to be signed hereto by its duly authorized officer, as of the day and year written above.

\_\_\_\_\_  
[BENEFICIAL OWNER OF A NOTE]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT E-2**

**FORM OF CERTIFICATE WITH RESPECT TO INFORMATION  
REQUEST BY PROSPECTIVE PURCHASER**

[ Date ]

Citibank, N.A.  
388 Greenwich Street  
New York, New York 10013  
Attention: Citibank Agency & Trust—SCF  
Master Funding  
SCF RC Funding II LLC  
[            ]  
[            ]  
Attention: Secretary

SCF RC Funding I LLC  
[            ]  
[            ]  
Attention: Secretary

SCF RC Funding III LLC  
[            ]  
[            ]  
Attention: Secretary

[ADDITIONAL ISSUERS]

In accordance with Section 6.03 of the Amended and Restated Master Indenture, dated on or about July [    ], 2017 (as amended or supplemented thereafter, the “**Master Indenture**”), between SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”); SCF RC Funding III LLC, as an issuer (“**SCF III**” and, collectively with SCF I and SCF II, the “**Issuers**”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), as supplemented by the Series 20[    ]-[    ] Supplement, dated as of [            ], 20[    ] (together with the Master Indenture and any other indenture supplement thereto (each, a “**Supplement**”), the “**Indenture**”), with respect to the Net-Lease Mortgage Notes, Series 20[    ]-[    ] (the “**Notes**”), the undersigned hereby certifies and agrees as follows:

1. The undersigned is contemplating an investment in the Class [    ] Notes.
2. The undersigned is requesting access to certain non-public information contained on the Indenture Trustee’s website relating to the Notes or such other information identified on the schedule attached hereto pursuant to Section 6.03 of the Indenture (in each case, the “**Information**”) solely for use in evaluating such possible investment.
3. In consideration of the Indenture Trustee’s disclosure to the undersigned of the Information, the undersigned will keep the Information confidential (except from such outside persons as are assisting it in making the investment decision described in paragraphs 1 and 2 and from its accountants, attorneys and any governmental agency or authority which regulates the undersigned), and such Information will not, without the prior written consent of the Indenture Trustee, be disclosed by the undersigned or by its officers, directors, partners, employees, agents or representatives (collectively, the “**Representatives**”) in any manner whatsoever, in whole or in part.
4. The undersigned will not use or disclose the Information in any manner which could result in a violation of any provision of the Securities Act of 1933, as amended (the “**Securities Act**”), or the Securities Exchange Act of 1934, as amended, or would require registration of any Note pursuant to Section 5 of the Securities Act.

5. The undersigned shall be fully liable for any breach of this agreement by itself or any of its Representatives and shall indemnify the Issuers, the Transferor, the Indenture Trustee and the Collateral for any loss, liability or expense incurred thereby with respect to any such breach by the undersigned or any of its Representatives.

Capitalized terms used but not defined herein shall have the respective meanings assigned thereto in the Indenture.

IN WITNESS WHEREOF, the undersigned has caused its name to be signed hereto by its duly authorized officer, as of the day and year written above.

\_\_\_\_\_  
[PROSPECTIVE PURCHASER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

The undersigned is a beneficial owner of Class        Notes contemplating a transfer of all or a portion of such Notes to the prospective purchaser named above.

[PROSPECTIVE TRANSFEROR]  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT F**

**FORM OF NOTEHOLDER CONFIDENTIALITY AGREEMENT**

[DATE]

Citibank, N.A.  
388 Greenwich Street  
New York, New York 10013  
Attention: Citibank Agency & Trust—SCF Master Funding

Reference is hereby made to (i) the Amended and Restated Master Indenture (collectively, with any supplements or amendments thereto, the “**Indenture**”), dated as of July [ ], 2017, among SCF RC Funding I LLC, as an issuer (“**SCF I**”), SCF RC Funding II LLC, as an issuer (“**SCF II**”), SCF RC Funding III LLC, as an issuer (“**SCF III**”) and, collectively with SCF I and SCF II, the “**Issuers**.”) and Citibank, N.A., as indenture trustee (in such capacity, the “**Indenture Trustee**”), pursuant to which the Issuers and certain of their affiliates issue, from time to time, notes and (ii) the Property Management and Servicing Agreement (collectively, with any supplements or amendments thereto, the “**Property Management Agreement**”), dated as of July [ ], 2017, among the Issuers, SCF Realty Capital LLC, as the property manager and special servicer, the Indenture Trustee, Midland Loan Services, a division of PNC Bank, National Association, as the back-up manager, and each joining party thereto, each such joining party as an issuer.

As a “Noteholder” under the Indenture, pursuant to Section 6.03(a) thereof, we have requested that you deliver to us certain operating statements and/or other confidential and proprietary financial information concerning the business, assets, properties and/or operations of certain tenants and/or borrowers under the properties, leases and Loans that collateralize the Notes. All such information furnished or made available to us or to our affiliates and Representatives (defined below), whether in written or electronic form, or derived by us or our affiliates, their respective directors, officers, employees, financial advisors, legal counsel, independent certified public accountants, or other agents, advisors or representatives (collectively, “**Representatives**”) from any of the foregoing, are herein collectively referred to as “**Confidential Material**”.

Evidenced by our signature below, we hereby acknowledge and agree that it is imperative that the Confidential Material remains confidential. We also agree that prior to any of our affiliates or Representatives being given access to the Confidential Material, we shall cause each of our affiliates and Representatives to whom or which any Confidential Material is to be furnished or made available to become subject to obligations of confidentiality equivalent or greater to those required of us under the terms of this agreement.

To maintain the confidentiality of the Confidential Material, we agree not to (a) use or allow the use for any purpose of any portion of the Confidential Material or notes, summaries or other material derived from your review of the Confidential Material except to analyze and evaluate the Notes and our position as owner of the Notes and (b) disclose or allow disclosure to others of any portion of the Confidential Material (including any copies of any of the

Confidential Material) except to our affiliates and Representatives, in each case of (a) and (b), except (i) to the extent the Confidential Material or any portion thereof has become available to the public and (ii) to the extent disclosure of the Confidential Information or any portion thereof is (A) required by law, rule, regulation, subpoena, or in connection with any legal or regulatory proceeding or (B) requested by any governmental or regulatory authority having jurisdiction over us.

We acknowledge and agree that this agreement shall be binding upon us, as well as our Representatives and be governed by and construed in accordance with the laws of the State of New York.

With respect to all Confidential Material furnished to us, we understand and agree that none of the Indenture Trustee or its affiliates or Representatives make any representations or warranties, express or implied, with respect thereto.

[INVESTOR]

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged by:

CITIBANK, N.A., not in its individual capacity but solely as Indenture Trustee

By: \_\_\_\_\_  
Name:  
Title:

---

**EXHIBIT G**

**FORM OF ISSUERS' POST-CLOSING ACQUISITION NOTICE**

[            ], 20[    ]

Citibank, N.A., as Indenture Trustee  
388 Greenwich Street  
New York, NY 10013  
Attn: Citibank Agency & Trust—SCF Master Funding

U.S. Bank National Association  
[            ]

Reference is hereby made to (i) the Amended and Restated Master Indenture, dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and Citibank, N.A., and any supplement thereto (the “**Indenture**”) and (ii) the Custody Agreement, dated as of December 7, 2016, among SCF RC Funding I LLC, SCF RC Funding II LLC, the Indenture Trustee and U.S. Bank National Association (the “**Custodian**”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture or the Custody Agreement, as applicable.

The Issuers hereby notify the Indenture Trustee and the Custodian that, pursuant to and in accordance with Section 12.21 of the Indenture, [APPLICABLE ISSUER] intends to acquire each of the Post-Closing Properties identified and described on Schedule I attached hereto.

---

Very truly yours,

SCF RC FUNDING I LLC,  
a Delaware limited liability company, as Issuer

By: \_\_\_\_\_

Name:

Title:

SCF RC FUNDING II LLC,  
a Delaware limited liability company, as Issuer

By: \_\_\_\_\_

Name:

Title:

SCF RC FUNDING III LLC,  
a Delaware limited liability company, as Issuer

By: \_\_\_\_\_

Name:

Title:

[ADDITIONAL JOINING ISSUERS]



## [PROVIDE FOR EACH POST-CLOSING PROPERTY]

1. Proposed Post-Closing Acquisition Date: [ ], 20[ ];
2. Expected purchase price of Post-Closing Property: \$[ ];
3. Requested Post-Closing Acquisition Remittance Amount: \$[ ];
4. Wire Instructions for Post-Closing Acquisition Remittance Amount:
4. Wire Instructions for Post-Closing Acquisition Remittance Amount:

[ ]  
[ ]  
[ ]  
[ ]  
[ ]

5. Identification number for the Post-Closing Property;
6. Related Issuer lease number and name of the related Tenant;
7. Lease Expiration Date for such Lease;
8. Street address (including city, state and zip code) of such Property;
9. Appraised Value of such Property;
10. Concept operated on such Property; and
11. Allocated Loan Amount.

SCF RC FUNDING I LLC,  
as an Issuer,  
SCF RC FUNDING II LLC,  
as an Issuer,

and

CITIBANK, N.A.,  
as Indenture Trustee

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AMENDED AND RESTATED SERIES 2016-1 SUPPLEMENT

Dated as of July 11, 2017

to

MASTER INDENTURE

Dated as of December 7, 2016

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NET-LEASE MORTGAGE NOTES, SERIES 2016-1, CLASS A AND CLASS B

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AMENDED AND RESTATED SERIES 2016-1 SUPPLEMENT, dated as of July 11, 2017 (the “**Series 2016-1 Supplement**”), among SCF RC FUNDING I LLC, SCF RC FUNDING II LLC (each an “**Issuer**” and together, the “**Issuers**”) and the Indenture Trustee.

WHEREAS, Pursuant to the original series 2016-1 supplement, dated as of December 7, 2016 (the “**Original Series 2016-1 Supplement**”), to the original master indenture, dated as of December 7, 2016 (the “**Original Master Indenture**”), between the Issuers and the Indenture Trustee, the Issuers and the Indenture Trustee created a new Series of Notes (the “**Series 2016-1 Notes**”), which consisted of the Series 2016-1 Class A Notes (as defined below) and the Series 2016-1 Class B Notes (as defined below), and specified the Principal Terms thereof;

WHEREAS, pursuant to Section 4.07 of the Original Series 2016-1 Supplement and Section 8.02 of the Original Master Indenture, with the consent of the Controlling Party of each Series and ten (10) days’ prior written notice to the Rating Agencies, the parties to the Original Master Indenture, the Notes, the Property Management Agreement, any Mortgage, the Performance Support Agreement or any other Transaction Document, as applicable, may enter into one or more amendments thereto for the purpose of adding any provisions thereto, changing in any manner or eliminating any of the provisions thereof or modifying in any manner the rights of the Noteholders thereunder; *provided*, that no such supplemental indenture or amendment shall be effective unless the Indenture Trustee shall have first received a Tax Opinion to the effect that such amendment will not (x) adversely affect the tax characterization of any Note that was characterized as debt at the time of its issuance, (y) cause any Issuers to be treated as an association that is taxable as a corporation, a publicly traded partnership that is taxable as a corporation or a taxable mortgage pool that is taxable as a corporation, and (z) cause or constitute an event in which any tax gain or loss would be recognized by any Noteholder or any Issuers for federal income tax purposes;

WHEREAS, the requirements for consent, notice and opinions listed in the preceding paragraph have been complied with and obtained as applicable;

WHEREAS, in connection with the execution of the Amended and Restated Master Indenture, dated as of July 11, 2017 (as amended and restated, the “**Master Indenture**”), among the Issuers, SCF RC Funding III LLC, as an Issuer, and the Indenture Trustee, amending and restating the terms of the Original Master Indenture, the parties hereto desire to amend and restate certain of the terms of the Original Series 2016-1 Supplement;

WHEREAS, pursuant to the Indenture, the Issuers, together with any applicable co-issuers, may from time to time direct the Indenture Trustee to authenticate one or more new Series of Notes. The Principal Terms of any new Series are to be set forth in a related Series Supplement to the Indenture;

NOW THEREFORE, the parties hereto agree as follows:

## ARTICLE I DEFINITIONS

### Section 1.01 Definitions.

Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Indenture or in the Property Management Agreement, as applicable.

“**Accrual Period**”: With respect to the Series 2016-1 Notes and any Payment Date, the period from and including the 25<sup>th</sup> day of the preceding month (or, with respect to the initial Accrual Period, from and including the Series Closing Date) to, but excluding, the 25<sup>th</sup> day of the month of payment. For the avoidance of doubt, the Accrual Period will always be computed on the basis of a 360-day year consisting of twelve 30-day months.

“**Affiliate Party**”: Means (i) SCF Realty Capital, (ii) any of its affiliates or subsidiaries, or (iii) any party controlling or under common control with any entity specified in clauses (i) and (ii).

“**Allocated Loan Amount**”: As defined in the Property Management Agreement.

“**Anticipated Repayment Date**”: With respect to the Series 2016-1 Notes, the Payment Date occurring in November 2021.

“**Collateral Defect**”: As defined in the Property Management Agreement.

“**Controlling Party**”: With respect to the Series 2016-1 Notes, the Noteholders representing in the aggregate more than 50% of the Outstanding Principal Balance of the Series 2016-1 Class A Notes, or, if such Series 2016-1 Class A Notes have been paid in full, Noteholders representing in the aggregate more than 50% of the Outstanding Principal Balance of the Series 2016-1 Class B Notes; *provided, however*, if on any date of determination one or more Affiliate Parties are Noteholders representing in the aggregate 50% or less of (i) the Outstanding Principal Balance of the Series 2016-1 Class A Notes as of such date or (ii) if the Series 2016-1 Class A Notes have been paid in full, the Outstanding Principal Balance of the Series 2016-1 Class B Notes as of such date, the Notes held by such Affiliate Party or Parties will not be included in the calculation of “Controlling Party” and such Affiliate Parties will have no voting rights in connection therewith on such date.

“**Early Refinancing Prepayment**”: As defined in Section 2.04.

“**Early Refinancing Notice Date**”: As defined in Section 2.04.

“**FCCR**”: As defined in the Property Management Agreement.

“**Full Redemption Amount**”: The amount specified in Section 2.03(b).

“**Hedge Agreement**”: Not applicable to the Series 2016-1 Notes.

“**Hedge Counterparty**”: Not applicable to the Series 2016-1 Notes.

“**Hedge Counterparty Account**”: Not applicable to the Series 2016-1 Notes.

“**Indenture**”: The Master Indenture, as supplemented by this Series 2016-1 Supplement and any other Series Supplement, as applicable.

“**Indenture Trustee Fee Rate**”: With respect to the Series 2016-1 Notes, 0.0085%.

“**Initial Purchaser**”: Each of Credit Suisse Securities (USA) LLC and Guggenheim Securities, LLC.

“**Issuer LLC Agreement**”: As the context requires, (i) the second amended and restated limited liability company agreement of SCF RC Funding I LLC, dated as of July 11, 2017 or (ii) the second amended and restated limited liability company agreement of SCF RC Funding II LLC, dated as of July 11, 2017, in each case as may be amended or restated from time to time.

“**Issuer Manager**”: SCF Realty Capital in its capacity as manager of each Issuer, and its permitted successors and assigns.

“**Make Whole Amount**”: With respect to the Series 2016-1 Notes and any Voluntary Prepayment or Unscheduled Principal Payment is equal to an amount not less than zero (as calculated two (2) Business Days prior to such Payment Date) equal to: (A) using the Reinvestment Yield, the sum of the discounted present values of the scheduled payments of principal and interest remaining for such Class of Notes until twenty-four (24) months prior to the applicable Anticipated Repayment Date for the portion of the Class of Notes being prepaid (calculated prior to the application of the Voluntary Prepayment or Unscheduled Principal Payment), minus (B) the amount of principal repaid by the Voluntary Prepayment or Unscheduled Principal Payment made with respect to such Class of Notes, as applicable.

“**Make Whole Date**”: The Payment Date occurring in November 2019.

“**Maximum Property Concentration**”: Means, with respect to any Determination Date, after giving effect to any Qualified Substitute Property, Qualified Substitute Loan, Qualified Mortgaged Property, Post-Closing Property, Replacement Property and, in each case, the Leases thereunder, the following percentages equal to the aggregate Allocated Loan Amounts of the Properties in such concentration over the aggregate Allocated Loan Amounts of the Collateral Pool: (i) (a) with respect to the Restaurants – Casual Dining, Restaurants – Family Dining, and Restaurants – Quick Service Business Sectors as of any Determination Date, no limit, so long as no related Restaurant Concept exceeds 25.0% as of such Determination Date and (b) with respect to each other Business Sector as of any Determination Date, a percentage equal to 20.0%; (ii) with respect to any Tenant (including affiliates thereof), (a) in the case of the largest Tenant (including affiliates thereof) as of such Determination Date, a percentage equal to 25.0% and (b) in the case of the five (5) largest Tenants (including affiliates thereof) as of such Determination Date, an aggregate percentage equal to 60.0% as of such Determination Date; (iii) (a) with respect to Properties located in any state (other than Texas, Florida or Georgia) as of such Determination Date, a percentage equal to 17.5% and (b) with respect to Properties located in Texas, Florida or Georgia as of such Determination Date, a percentage equal to 25.0% as of

such Determination Date; (iv) with respect to Properties with a FCCR less than 1.25 as of such Determination Date, a percentage equal to 10.0% as of such Determination Date; (v) with respect to Tenant Ground Leases as of such Determination Date, a percentage equal to 3.0% as of such Determination Date; (vi) with respect to Leasehold Properties as of such Determination Date, a percentage equal to 5.0% as of such Determination Date; (vii) with respect to Percentage Rent as a percentage of total rent as of such Determination Date, a percent equal to 5.0% as of such Determination Date; (viii) with respect to Properties with less than twelve (12) months of operating history at such location as of such Determination Date, a percentage equal to 10.0% as of such Determination Date and (ix) (a) with respect to Loans, as of such Determination Date prior to the first Related Series Closing Date occurring after the Series Closing Date, a percentage no greater than 0.0% as of such Determination Date and (b) with respect to Loans, as of such Determination Date on or after the first Related Series Closing Date occurring after the Series Closing Date, a percentage no greater than 20.0% as of such Determination Date.

“**Note Rate**”: The Note Rate set forth in Section 2.01(a) hereof that corresponds to each Class of Notes, as applicable.

“**Post-ARD Additional Interest Rate**”: With respect to the Series 2016-1 Notes, a rate determined by the Property Manager to be the greater of (i) 5.00% and (ii) the amount, if any, by which the sum of the following exceeds the Note Rate for such Class of Notes: (A) the yield to maturity (adjusted to a “mortgage equivalent basis” pursuant to the standards and practices of the Securities Industry and Financial Markets Association) on such Anticipated Repayment Date of the United States Treasury Security having a term closest to ten (10) years, plus (B) 5.00%, plus (C) the applicable Post-ARD Spread.

“**Post-ARD Spread**”: With respect to (i) the Series 2016-1 Class A Notes, a percentage equal to 2.73%, and (ii) the Series 2016-1 Class B Notes, a percentage equal to 3.70%.

“**Private Placement Memorandum**”: With respect to the Series 2016-1 Notes, the Private Placement Memorandum dated November 23, 2016.

“**Qualified Intermediary**”: SCF Exchange LLC.

“**Qualified Release Amount**”: An amount equal to one hundred fifteen percent (115%) of the Early Refinancing Prepayment.

“**Rated Final Payment Date**”: With respect to the Series 2016-1 Notes, the Payment Date occurring in November 2046.

“**Rating Agencies**”: S&P Global, Inc. and Kroll Bond Rating Agency, Inc.

“**Reinvestment Yield**”: With respect to any Class of Series 2016-1 Notes, the yield on the United States Treasury Securities having the closest maturity (month and year) to the weighted average life of such Class of Notes as of such Payment Date, measured twenty-four (24) months prior to the Anticipated Repayment Date of such Class of Notes (prior to the application of any Voluntary Prepayment or Unscheduled Principal Prepayment with respect thereto, plus 0.50%. If more than one such United States Treasury Security is quoted as maturing on such date, then the yield of the United States Treasury Security quoted closest to par shall be used in the calculation of the Reinvestment Yield.

“**Related Series Closing Date**”: The date of issuance of any Related Series Notes.

“**Related Series Notes**”: One or more additional series of Notes issued by the Issuers and any applicable co-issuer pursuant to the Indenture and the applicable Series Supplement, each of which will also be secured by the Collateral Pool on a pro rata basis.

“**Requisite Global Majority**”: The Noteholders representing more than 66 2/3% of the Aggregate Series Principal Balance; *provided, however*, if on any date of determination one or more Affiliate Parties is a Noteholder representing in the aggregate 50% or less of (i) the Outstanding Principal Balances of the Series 2016-1 Class A Notes and any class A notes of any Related Series Notes as of such date or (ii) if the Series 2016-1 Class A Notes and any class A notes of any Related Series Notes have been paid in full, the Outstanding Principal Balance of the Series 2016-1 Class B Notes and any class B notes of any Related Series Notes as of such date, the Notes held by such Affiliate Party or Parties will not be included in the calculation of the “Requisite Global Majority” and such Affiliate Party or Parties will have no voting rights in connection therewith on such date; *provided further*, that if on any date of determination one or more Affiliate Party or Parties own in the aggregate less than 100% of the Aggregate Series Principal Balance of the Notes as of such date, the Notes held by such Affiliate Party or Parties will not be included in the calculation of “Requisite Global Majority” for the purpose of exercising any voting rights with respect to directing, waiving, rescinding, declaring, voting or acting with respect to any Event of Default, acceleration of the Notes, Early Amortization Period, Servicer Replacement Event or the exercise of remedies under the Indenture or any Mortgage.

“**Scheduled Class A Principal Balance**”: With respect to any Payment Date and the Series 2016-1 Class A Notes, the amount set forth for such date on the Amortization Schedule annexed hereto as Schedule II-A.

“**Scheduled Class A Principal Payment**”: With respect to each Payment Date and the Series 2016-1 Class A Notes, an amount equal to the sum of (a) any unpaid portion of Scheduled Class A Principal Payment from prior Payment Dates plus (b) the product of (i)(A) the related Scheduled Class A Principal Balance for the prior Payment Date minus (B) the Scheduled Class A Principal Balance for the current Payment Date multiplied by (ii) a fraction (A) the numerator of which is equal to the Outstanding Principal Balance of the Series 2016-1 Class A Notes (without taking into account any payments to be made on such Payment Date) minus the amounts specified in clause (a) of this definition and (B) the denominator of which is the Scheduled Class A Principal Balance for the prior Payment Date.

“**Scheduled Class B Principal Balance**”: With respect to any Payment Date and the Series 2016-1 Class B Notes, the amount set forth for such date on the Amortization Schedule annexed hereto as Schedule II-B.



“**Scheduled Class B Principal Payment**”: With respect to each Payment Date and the Series 2016-1 Class B Notes, an amount equal to (i) on any Payment Date prior to the Anticipated Repayment Date, zero dollars (\$0) and (ii) on the Anticipated Repayment Date, the Outstanding Principal Balance of the Series 2016-1 Class B Notes.

“**Scheduled Series Principal Balance**”: The Scheduled Class A Principal Balance or the Scheduled Class B Principal Balance, as the context requires.

“**Series 2016-1 Class A Notes**”: Any of the \$263,500,000 Net-Lease Mortgage Notes, Series 2016-1, Class A, issued pursuant to this Series 2016-1 Supplement and the Indenture, executed by the Issuers and authenticated by the Indenture Trustee or the Authenticating Agent, if any, substantially in the form of Exhibits A-1, A-2 or A-3 attached to the Indenture.

“**Series 2016-1 Class A Note Interest**”: On any Payment Date for the Series 2016-1 Class A Notes, the interest accrued during the related Accrual Period at the Series 2016-1 Class A Note Rate, applied to the Outstanding Principal Balance of the Series 2016-1 Class A Notes before giving effect to any payments of principal on such Payment Date.

“**Series 2016-1 Class A Note Rate**”: The Note Rate set forth in Section 2.01 hereof that corresponds to the Series 2016-1 Class A Notes.

“**Series 2016-1 Class A Noteholder**”: With respect to any Series 2016-1 Class A Note, the Person in whose name such Note is registered on the Note Register.

“**Series 2016-1 Class B Notes**”: Any of the \$17,250,000 Net-Lease Mortgage Notes, Series 2016-1, Class B, issued pursuant to this Series 2016-1 Supplement and the Indenture, executed by the Issuers and authenticated by the Indenture Trustee or the Authenticating Agent, if any, substantially in the form of Exhibits A-1, A-2 or A-3 attached to the Indenture.

“**Series 2016-1 Class B Note Interest**”: On any Payment Date for the Series 2016-1 Class B Notes, the interest accrued during the related Accrual Period at the Series 2016-1 Class B Note Rate, applied to the Outstanding Principal Balance of the Series 2016-1 Class B Notes before giving effect to any payments of principal on such Payment Date.

“**Series 2016-1 Class B Note Rate**”: The Note Rate set forth in Section 2.01 hereof that corresponds to the Series 2016-1 Class B Notes.

“**Series 2016-1 Class B Noteholder**”: With respect to any Series 2016-1 Class B Note, the Person in whose name such Note is registered on the Note Register.

“**Series 2016-1 Early Refinancing Period**”: As defined in Section 2.04.

“**Series 2016-1 Note**”: Any of the Series 2016-1 Class A Notes and the Series 2016-1 Class B Notes.

“**Series 2016-1 Noteholder**”: Any of the Series 2016-1 Class A Noteholders and the Series 2016-1 Class B Noteholders.

“**Series Closing Date**”: December 7, 2016.

“**Series Disposition Period Date**”: As defined in Section 2.01(f).

## ARTICLE II CREATION OF THE SERIES 2016-1 NOTES; PAYMENTS ON THE SERIES 2016-1 NOTES

### Section 2.01 Designation.

(a) There is hereby created a Series of Notes consisting of the Series 2016-1 Class A Notes and the Series 2016-1 Class B Notes to be issued by the Issuers pursuant to the Indenture and this Series 2016-1 Supplement to be known as “Net-Lease Mortgage Notes, Series 2016-1.” The Series 2016-1 Notes shall have the following Class designations, Initial Principal Balances, Note Rates and Ratings:

<u>Class Designation</u>	<u>Initial Principal Balance</u>	<u>Note Rate</u>	<u>Ratings (S&amp;P/KBRA)</u>
Series 2016-1 Class A Notes	\$263,500,000	4.45%	A / A(sf)
Series 2016-1 Class B Notes	\$17,250,000	5.43%	BBB / BBB(sf)

The Note Interest with respect to the Series 2016-1 Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2016-1 Notes shall not have preference or priority over the Notes of any other Series except to the extent set forth in the Indenture. The Series 2016-1 Notes shall not be subordinate to any other Series.

(b) The initial Payment Date with respect to the Series 2016-1 Notes shall be the Payment Date occurring in December 2016. The Rated Final Payment Date with respect to the Series 2016-1 Notes shall be in November 2046.

(c) The initial Collection Period with respect to the Series 2016-1 Notes shall be the period commencing on the Series Closing Date and ending on (and including) the Determination Date in December 2016.

(d) On the Series Closing Date, the Series 2016-1 Notes shall be issued in the form of Book-Entry Notes. For the avoidance of doubt, the Series 2016-1 Notes may be transferred in accordance with Article II of the Master Indenture, subject to the additional requirements set forth herein.

(e) Each statement, notice or other document related to the Series 2016-1 Notes required to be provided to any applicable Rating Agency pursuant to Section 5.14 of the Indenture via email shall be sent to the following addresses: [servicer\\_reports@sandp.com](mailto:servicer_reports@sandp.com) and [abssurveillance@kbra.com](mailto:abssurveillance@kbra.com), in each case, with a copy to [scfrealtycapitaltqa@17g5.com](mailto:scfrealtycapitaltqa@17g5.com).

(f) The “Series Disposition Period Date” with respect to the Series 2016-1 Notes shall be the Payment Date occurring in November 2043.

Section 2.02 Payments on the Series 2016-1 Notes. On each Payment Date, the Indenture Trustee will apply the Series Available Amount with respect to the Series 2016-1 Notes for such Payment Date for the following purposes and in the following order of priority:

- (1) to the Series 2016-1 Class A Noteholders, the Series 2016-1 Class A Note Interest, plus unpaid Series 2016-1 Class A Note Interest from any prior Payment Date, together with interest on any such unpaid Series 2016-1 Class A Note Interest at the Series 2016-1 Class A Note Rate;
- (2) to the Series 2016-1 Class B Noteholders, the Series 2016-1 Class B Note Interest, plus unpaid Series 2016-1 Class B Note Interest from any prior Payment Date, together with interest on any such unpaid Series 2016-1 Class B Note Interest at the Series 2016-1 Class B Note Rate;
- (3) (I) for so long as no Early Amortization Period or Event of Default has occurred and is continuing, to the Series 2016-1 Class A Noteholders, an amount equal to the Scheduled Class A Principal Payment and the Unscheduled Principal Payment allocable to the Series 2016-1 Notes for such Payment Date; or (II) if an Early Amortization Period or Event of Default has occurred and is continuing to the Series 2016-1 Class A Noteholders all remaining Series Available Amounts until the Outstanding Principal Balance of the Series 2016-1 Class A Notes has been reduced to zero;
- (4) (I) for so long as no Early Amortization Period or Event of Default has occurred and is continuing, to the Series 2016-1 Class B Noteholders, an amount equal to the sum of the Scheduled Class B Principal Payment and the Unscheduled Principal Payments allocable to the Series 2016-1 Notes for such Payment Date remaining after distributions to the Series 2016-1 Class A Noteholders pursuant to clause 3(I) immediately above; or (II) if an Early Amortization Period or Event of Default has occurred and is continuing, to the Series 2016-1 Class B Noteholders, all remaining Series Available Amounts until the Outstanding Principal Balance of the Series 2016-1 Class B Notes has been reduced to zero;
- (5) to the Series 2016-1 Class A Noteholders, the Make Whole Amounts allocated to the Series 2016-1 Class A Notes, if any, due on such Payment Date;
- (6) to the Series 2016-1 Class B Noteholders, the Make Whole Amounts allocated to the Series 2016-1 Class B Notes, if any, due on such Payment Date;
- (7) to the Series 2016-1 Class A Noteholders any Post-ARD Additional Interest and Deferred Post-ARD Additional Interest, if any, due on the Series 2016-1 Class A Notes on such Payment Date;

(8) to the Series 2016-1 Class B Noteholders, any Post-ARD Additional Interest and Deferred Post-ARD Additional Interest, if any, due on the Series 2016-1 Class B Notes on such Payment Date;

(9) to the Qualified Intermediary, the earned and unpaid Qualified Intermediary Fees; and

(10) to the Issuers, all remaining Series Available Amounts (such amounts to be released from the lien of the Indenture).

Section 2.03 Voluntary Prepayment.

(a) The Issuers may, at their option, elect to make a Voluntary Prepayment with respect to each Class of Series 2016-1 Notes in whole or in part on the related Redemption Date in accordance with Section 7.01 of the Master Indenture.

(b) The Full Redemption Amount in connection with a Voluntary Prepayment of the Series 2016-1 Notes shall be an amount equal to the sum of (i) the then Outstanding Principal Balance of the Series 2016-1 Notes being prepaid, (ii) all accrued and unpaid interest thereon, (iii) all amounts related to the Series 2016-1 Notes that are outstanding to the Indenture Trustee, the Property Manager, the Special Servicer the Back-Up Manager and any other parties to the Transaction Documents and (iv) the required Make Whole Amount, if applicable. The Issuers may prepay a Class of Series 2016-1 Notes in full (without prepaying any Related Series Notes or any other Class of Series 2016-1 Notes) on any Business Day that is on or following the Make Whole Date; *provided, that*, such Class of Series 2016-1 Notes may only be prepaid in full (without prepaying any other Related Series Notes or other Class of Series 2016-1 Notes) if no other Class of Series 2016-1 Notes or class of Related Series Notes with a higher alphabetical designation and an Anticipated Repayment Date that is the same as or sooner than the Anticipated Repayment Date of the Series 2016-1 Notes is still outstanding.

(c) The Partial Redemption Amount in connection with a Voluntary Prepayment of the Series 2016-1 Notes shall be as defined in Section 7.01(d) of the Master Indenture.

Section 2.04 Early Refinancings. With respect to the Series 2016-1 Notes and any Payment Date that is greater than thirty-six (36) calendar months after the Series Closing Date, on such Payment Date, the Issuers have the right to prepay an aggregate amount up to 25% of the Series Principal Balance of the Series 2016-1 Notes as of the Series Closing Date (the “**Early Refinancing Prepayment**”). No Make Whole Amount will be due in relation to any Early Refinancing Prepayment; *provided, that* (i) the prepayment is made with funds obtained from a Qualified Deleveraging Event, (ii) the Issuers provided no less than thirty (30) days’ notice to the Noteholders (such date, the “**Early Refinancing Notice Date**”) and (iii) such Early Refinancing Prepayment is used to prepay a portion of the Outstanding Principal Balance of the Notes no later than twelve (12) months following the Early Refinancing Notice Date (the “**Series 2016-1 Early Refinancing Period**”).

Section 2.05 Unscheduled Principal Payments. A Make Whole Amount will be due to Noteholders of each Class of Notes in connection with the payment of any Unscheduled

Principal Payment actually paid on the related Payment Date, other than any portion thereof consisting of Insurance Proceeds, Condemnation Proceeds, Early Refinancing Prepayments made in connection with the Qualified Deleveraging Event, Post-Closing Acquisition Unused Proceeds, amounts disbursed to the Payment Account from the DSCR Reserve Account and amounts received in respect of a Specially Managed Unit or a repurchase due to a Collateral Defect.

### ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties.

(a) Reserved.

(b) Each of the Issuers and the Indenture Trustee hereby represents and warrants to each other as of the date hereof:

(i) it has full corporate power and authority to execute, deliver and perform under this Series 2016-1 Supplement, and to consummate the transactions set forth herein. The consummation of the transactions contemplated by this Series 2016-1 Supplement is in the ordinary course of its business and will not conflict with, or result in a breach of, any of the terms, conditions or provisions of its organizational documents, or any material agreement or instrument to which it is now a party or by which it is bound, or result in the violation of any law, rule, regulation, order, judgment or decree to which it or its property is subject, except any such violation that would not result in a material adverse effect on the business or financial condition of such party or the enforceability of any of the Transaction Documents. The execution, delivery and performance by it of this Series 2016-1 Supplement, and the consummation by it of the transactions contemplated hereby, have been duly authorized by all necessary corporate action. This Series 2016-1 Supplement has been duly executed and delivered by it and constitutes the valid and legally binding obligation of it enforceable against it in accordance with its terms; and

(ii) No consent, approval, order or authorization of, or declaration, filing or registration with, any governmental entity is required to be obtained or made by it in connection with the execution, delivery or performance by it of this Series 2016-1 Supplement, or the consummation by it of the transactions contemplated hereby, except such as have already been obtained.

Section 3.02 Conditions Precedent Satisfied. The Issuers hereby represent and warrant to the Indenture Trustee that, as of the date hereof, each of the amendment requirements set forth in the Master Indenture have been satisfied.

Section 3.03 Reserved.

**ARTICLE IV  
MISCELLANEOUS PROVISIONS**

Section 4.01   Ratification of Indenture  . The Indenture is in all respects ratified and confirmed and the Indenture, as so supplemented by this Series 2016-1 Supplement shall be read, taken and construed as one and the same instrument.

Section 4.02   Counterparts  . This Series 2016-1 Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original regardless of whether delivered in physical or electronic form, but all of which shall constitute one and the same instrument.

Section 4.03   Governing Law  . THIS SERIES 2016-1 SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PROVISIONS THEREOF, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 4.04   Beneficiaries  . As supplemented by this Series 2016-1 Supplement, the Indenture shall inure to the benefit of and be binding upon the parties hereto, the Series 2016-1 Noteholders, and their respective successors and permitted assigns. No other Person shall have any right or obligation hereunder.

Section 4.05   Non-Petition  . Each Series 2016-1 Noteholder shall be deemed to have agreed, by acceptance of its Series 2016-1 Note, not to file or join in filing any petition in any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any federal or state bankruptcy or similar law in respect of any Issuer for a period of two (2) years and thirty-one (31) days following payment in full of all of the Notes (including the Series 2016-1 Notes) issued or co-issued by the Issuers under the Indenture *provided , however ,* that nothing in this Section 4.05 shall constitute a waiver of any right to indemnification, reimbursement or other payment from the Issuers pursuant to the Indenture. In the event that any such Series 2016-1 Noteholder or the Indenture Trustee takes action in violation of this Section 4.05, the applicable Issuer, shall file or cause to be filed an answer with the bankruptcy court or otherwise properly contesting the filing of such a petition by any such Series 2016-1 Noteholder or the Indenture Trustee against such Issuer or the commencement of such action and raising the defense that such Series 2016-1 Noteholder or the Indenture Trustee has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert. The provisions of this Section 4.05 shall survive the termination of the Indenture, and the resignation or removal of the Indenture Trustee. Nothing contained herein shall preclude participation by any Series 2016-1 Noteholder or the Indenture Trustee in the assertion or defense of its claims in any such proceeding involving any Issuer.

Section 4.06   Non-Recourse  . Notwithstanding anything to the contrary herein or otherwise in the Indenture, the Series 2016-1 Notes are nonrecourse obligations solely of the Issuers and shall be payable only from the Collateral Pool. Upon the exhaustion of the Collateral included in the Collateral Pool, any liabilities of the Issuers hereunder shall be extinguished. No recourse shall be had for the payment of any amount owing in respect of any fee hereunder or any other obligation or claim arising out of or based upon the Indenture against any member,

employee, officer or director of the Issuers. Fees, expenses, costs or other obligations payable by the Issuers hereunder shall be payable by the Issuers only to the extent that funds are then available or thereafter become available for such purpose pursuant to Section 2.11 of the Indenture. In the event that sufficient funds are not available for their payment pursuant to Section 2.11 of the Indenture, the excess unpaid amount of such fees, expenses, costs or other obligations shall in no event constitute a claim (as defined in Section 101 of the Bankruptcy Code) against, or corporate obligation of, the Issuers. Nothing in this Section 4.06 shall be construed to limit the Indenture Trustee, on behalf of the Noteholders, from exercising its rights hereunder and otherwise in accordance with Article IV of the Master Indenture with respect to the Collateral Pool.

Section 4.07 Amendments. This Series 2016-1 Supplement may, from time to time, be further amended, modified or waived in accordance with Article VIII of the Master Indenture.

Section 4.08 Notice to the Rating Agencies. Any communication provided for or permitted hereunder or otherwise pursuant to the Indenture shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given if delivered by courier or mailed by first class mail, postage prepaid, or if transmitted by facsimile and confirmed in a writing delivered or mailed as aforesaid, to, in the case of (i) S&P, 55 Water Street, 41<sup>st</sup> Floor, New York, New York, 10004, Attention: Asset-Backed Surveillance Department, facsimile number: (212) 438-2435 (ii) Kroll Bond Rating Agency, Inc., 845 Third Avenue, 4<sup>th</sup> Floor, New York, New York, 10022, in each case, with an electronic copy to [scfrealtycapitaltqa@17g5.com](mailto:scfrealtycapitaltqa@17g5.com); or, (iii) as to such Person, such other address or facsimile number as may hereafter be furnished by such Person to the parties hereto in writing, with an electronic copy to [scfrealtycapitaltqa@17g5.com](mailto:scfrealtycapitaltqa@17g5.com).

## **ARTICLE V AFFILIATE PARTIES**

Section 5.01 Affiliate Parties. In the event that any Affiliate Parties, in the aggregate, own less than 100% of the Outstanding Principal Balance of the Series 2016-1 Notes, such Affiliate Party or Affiliate Parties will have no rights with respect to directing, waiving, rescinding, declaring, voting or acting with respect to any Early Amortization Period, Servicer Replacement Event, Event of Default, acceleration of the Notes pursuant to Section 4.02 of the Indenture, or the exercise of remedies under the Indenture or any Mortgage.

For the avoidance of doubt, the Series 2016-1 Notes held by such Affiliate Parties shall be deemed to be Outstanding for all purposes other than as described in the immediately preceding sentence in this Section 5.01.

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IN WITNESS WHEREOF, the Issuers and the Indenture Trustee have caused this Series 2016-1 Supplement to be duly executed and delivered by their respective officers thereunto duly authorized and their respective seals, duly attested, to be hereunto affixed, all as of the day and year first above written.

SCF RC FUNDING I LLC,  
a Delaware limited liability company, as Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides

Name: Peter M. Mavoides

Title: President

SCF RC FUNDING II LLC,  
a Delaware limited liability company, as Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides

Name: Peter M. Mavoides

Title: President

*[Indenture Supplement - SCF 2016-1]*



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CITIBANK, N.A.,  
not in its individual capacity but solely as  
Indenture Trustee

By: /s/ John Hannon  
Name: John Hannon  
Title: Vice President

*[Indenture Supplement - SCF 2016-1]*

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**EXHIBIT A**

**ADDITIONAL REPRESENTATIONS AND WARRANTIES**

NONE.

A-1

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**SCHEDULE I-A**

**PROPERTIES / LOCATIONS**

Prop ID
4104
4105
4107
4108
4111
4112
4113
4114
4118
4121
6415
6419
6420
6421
6422
6423
6693
6696
6698
6701
6703
6705
6706
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6708
6711
6715
6716
6718
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6720
6721
6722
6724
6725
6726
10825
16259
4662
4663

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Prop ID
4664
4665
4666
4667
4668
4670
4675
4681
4682
4683
4684
4685
4686
4687
4688
4689
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Prop ID
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I-A-3

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Prop ID
3586
3543
3563
3565
3589
7096
7108
4256
4257
4258
4259
4260
4261
4262
4263
4264
4265
4267
4268
4271
113
134
135
252
321
393
397
419
484
533
538
554
575
667
747
844
907
909
1056
1057
1137
1435
1455
1542

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Prop ID
1579
1581
1587
1591
1592
2882
3733
3738
3841
3974
4007
4057
4095
4139
4203
4355
4356
4367
4379
4419
4470
4583
4651
4719
4746
4798
5021
5024
5034
5077
5083
5091
5500
5501
5596
6064
6125
6164
6255
6424
6550
6556
6694
6695

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Prop ID
7109
55908
56004
56005
56006
56007
56008
56009
56010
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56012
56013
56014
56015
56016
56017
56018
56019
56020
56021
56022
56023
56024
56025
56026
56027
56028
56029
1465
4092
4390
4674
6196
56030
56031
56032
56033
56034
56035
56036



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**SCHEDULE I-B**

**MORTGAGE LOANS**

NONE.

I-B-1

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**SCHEDULE I-C**

**REPRESENTATIONS AND WARRANTIES EXCEPTION SCHEDULE**

For the following Leasehold Properties, an estoppel agreement is not in existence. If such defect is not cured within 90 days of the Series Closing Date, the related Leasehold Property will be subject to a Collateral Defect.

Property Number/Location

4092 (Mansfield, OH)  
4057 (Westminster, MD)  
1465 (Salem, NH)  
4095 (Clay, NY)  
4139 (Vernon, CT)  
4390 (Springfield, MA)  
4007 (Battleboro, VT)

I-C-1

**SCHEDULE II-A****SERIES 2016-1 CLASS A NOTES****AMORTIZATION SCHEDULE**

<b>Payment Date</b>	<b>Scheduled Class A Principal Balance (\$)</b>
Series Closing Date	263,500,000
12/25/2016	263,183,392
1/25/2017	262,865,464
2/25/2017	262,546,212
3/25/2017	262,225,630
4/25/2017	261,903,712
5/25/2017	261,580,452
6/25/2017	261,255,846
7/25/2017	260,929,887
8/25/2017	260,602,570
9/25/2017	260,273,889
10/25/2017	259,943,839
11/25/2017	259,612,413
12/25/2017	259,279,606
1/25/2018	258,945,413
2/25/2018	258,609,827
3/25/2018	258,272,843
4/25/2018	257,934,455
5/25/2018	257,594,657
6/25/2018	257,253,443
7/25/2018	256,910,807
8/25/2018	256,566,744
9/25/2018	256,221,247
10/25/2018	255,874,311
11/25/2018	255,525,929
12/25/2018	255,176,095
1/25/2019	254,824,804
2/25/2019	254,472,049
3/25/2019	254,117,824
4/25/2019	253,762,123
5/25/2019	253,404,940
6/25/2019	253,046,269
7/25/2019	252,686,103
8/25/2019	252,324,437
9/25/2019	251,961,264
10/25/2019	251,596,578
11/25/2019	251,230,372
12/25/2019	250,862,640
1/25/2020	250,493,376

<b>Payment Date</b>	<b>Scheduled Class A Principal Balance (\$)</b>
2/25/2020	250,122,573
3/25/2020	249,750,225
4/25/2020	249,376,326
5/25/2020	249,000,869
6/25/2020	248,623,848
7/25/2020	248,245,256
8/25/2020	247,865,086
9/25/2020	247,483,332
10/25/2020	247,099,988
11/25/2020	246,715,046
12/25/2020	246,328,500
1/25/2021	245,940,344
2/25/2021	245,550,570
3/25/2021	245,159,172
4/25/2021	244,766,144
5/25/2021	244,371,478
6/25/2021	243,975,168
7/25/2021	243,577,206
8/25/2021	243,177,586
9/25/2021	242,776,301
10/25/2021	242,373,344
11/25/2021	-

II-A-2

**SCHEDULE II-B****SERIES 2016-1 CLASS B NOTES****AMORTIZATION SCHEDULE**

<b>Payment Date</b>	<b>Scheduled Class B Principal Balance (\$)</b>
Series Closing Date	17,250,000
12/25/2016	17,250,000
1/25/2017	17,250,000
2/25/2017	17,250,000
3/25/2017	17,250,000
4/25/2017	17,250,000
5/25/2017	17,250,000
6/25/2017	17,250,000
7/25/2017	17,250,000
8/25/2017	17,250,000
9/25/2017	17,250,000
10/25/2017	17,250,000
11/25/2017	17,250,000
12/25/2017	17,250,000
1/25/2018	17,250,000
2/25/2018	17,250,000
3/25/2018	17,250,000
4/25/2018	17,250,000
5/25/2018	17,250,000
6/25/2018	17,250,000
7/25/2018	17,250,000
8/25/2018	17,250,000
9/25/2018	17,250,000
10/25/2018	17,250,000
11/25/2018	17,250,000
12/25/2018	17,250,000
1/25/2019	17,250,000
2/25/2019	17,250,000
3/25/2019	17,250,000
4/25/2019	17,250,000
5/25/2019	17,250,000
6/25/2019	17,250,000
7/25/2019	17,250,000
8/25/2019	17,250,000
9/25/2019	17,250,000
10/25/2019	17,250,000
11/25/2019	17,250,000
12/25/2019	17,250,000
1/25/2020	17,250,000

<b>Payment Date</b>	<b>Scheduled Class B Principal Balance (\$)</b>
2/25/2020	17,250,000
3/25/2020	17,250,000
4/25/2020	17,250,000
5/25/2020	17,250,000
6/25/2020	17,250,000
7/25/2020	17,250,000
8/25/2020	17,250,000
9/25/2020	17,250,000
10/25/2020	17,250,000
11/25/2020	17,250,000
12/25/2020	17,250,000
1/25/2021	17,250,000
2/25/2021	17,250,000
3/25/2021	17,250,000
4/25/2021	17,250,000
5/25/2021	17,250,000
6/25/2021	17,250,000
7/25/2021	17,250,000
8/25/2021	17,250,000
9/25/2021	17,250,000
10/25/2021	17,250,000
11/25/2021	-

II-B-2

SCF RC FUNDING I LLC,  
SCF RC FUNDING II LLC,  
and

SCF RC FUNDING III LLC,  
each, as an Issuer,

and

CITIBANK, N.A.,  
as Indenture Trustee

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SERIES 2017-1 SUPPLEMENT

Dated as of July 11, 2017

to

AMENDED AND RESTATED MASTER INDENTURE

Dated as of July 11, 2017

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NET-LEASE MORTGAGE NOTES, SERIES 2017-1, CLASS A AND CLASS B

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SCHEDULE I-B	Mortgage Loans
SCHEDULE I-C	Representations and Warranties Exception Schedule
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SCHEDULE II-B	Amortization Schedule (Series 2017-1 Class B Notes)

SERIES 2017-1 SUPPLEMENT, dated as of July 11, 2017 (the “**Series 2017-1 Supplement**”), among SCF RC FUNDING I LLC, SCF RC FUNDING II LLC, SCF RC FUNDING III LLC (each an “**Issuer**” and collectively, the “**Issuers**”) and CITIBANK, N.A. (the “**Indenture Trustee**”).

Pursuant to this Series 2017-1 Supplement to the Amended and Restated Master Indenture, dated as of July 11, 2017 (the “**Master Indenture**”), among the Issuers and the Indenture Trustee, the Issuers and the Indenture Trustee hereby create a new Series of Notes (the “**Series 2017-1 Notes**”), which consists of the Series 2017-1 Class A Notes (as defined below) and the Series 2017-1 Class B Notes (as defined below), and specify the Principal Terms thereof.

Pursuant to the Indenture, the Issuers, together with any applicable co-issuers, may from time to time direct the Indenture Trustee to authenticate one or more new Series of Notes. The Principal Terms of any new Series are to be set forth in a related Series Supplement to the Indenture.

## ARTICLE I

### DEFINITIONS

#### Section 1.01. Definitions.

Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Indenture or in the Property Management Agreement, as applicable.

“**Accrual Period**”: With respect to the Series 2017-1 Notes and any Payment Date, the period from and including the 25th day of the preceding month (or, with respect to the initial Accrual Period, from and including the Series Closing Date) to, but excluding, the 25th day of the month of payment. For the avoidance of doubt, the Accrual Period will always be computed on the basis of a 360-day year consisting of twelve 30-day months.

“**Affiliate Party**”: Means (i) SCF Realty Capital, (ii) any of its affiliates or subsidiaries, or (iii) any party controlling or under common control with any entity specified in clauses (i) and (ii).

“**Allocated Loan Amount**”: As defined in the Property Management Agreement.

“**Anticipated Repayment Date**”: With respect to the Series 2017-1 Notes, the Payment Date occurring in June 2024.

“**Controlling Party**”: With respect to the Series 2017-1 Notes, the Noteholders representing in the aggregate more than 50% of the Outstanding Principal Balance of the Series 2017-1 Class A Notes, or, if such Series 2017-1 Class A Notes have been paid in full, Noteholders representing in the aggregate more than 50% of the Outstanding Principal Balance of the Series 2017-1 Class B Notes; provided, however, if on any date of determination one or more Affiliate Parties are Noteholders representing in the aggregate 50% or less of (i) the Outstanding Principal Balance of the Series 2017-1 Class A Notes as of such date or (ii) if the Series 2017-1 Class A Notes have been paid in full, the Outstanding Principal Balance of the Series 2017-1 Class B Notes as of such date, the Notes held by such Affiliate Party or Parties will not be included in the calculation of “Controlling Party” and such Affiliate Parties will have no voting rights in connection therewith on such date.

“**Early Refinancing Prepayment**”: As defined in Section 2.04.

“**Early Refinancing Notice Date**”: As defined in Section 2.04.

“**Existing Issuers**”: Together, SCF RC Funding I LLC and SCF RC Funding II LLC.

“**FCCR**”: As defined in the Property Management Agreement.

“**Full Redemption Amount**”: The amount specified in Section 2.03(b).

“**Hedge Agreement**”: Not applicable to the Series 2017-1 Notes.

“**Hedge Counterparty**”: Not applicable to the Series 2017-1 Notes.

“**Hedge Counterparty Account**”: Not applicable to the Series 2017-1 Notes.

“**Indenture**”: The Master Indenture, as supplemented by the Series 2016-1 Supplement, and as further supplemented by this Series 2017-1 Supplement and any other Series Supplement, as applicable.

“**Indenture Trustee Fee Rate**”: With respect to the Series 2017-1 Notes, 0.0085%.

“**Initial Purchasers**”: Guggenheim Securities, LLC and Credit Suisse Securities (USA) LLC.

“**Issuer Manager**”: SCF Realty Capital in its capacity as manager of each Issuer, and its permitted successors and assigns.

“**Issuer LLC Agreement**”: As the context requires, (i) the second amended and restated limited liability company agreement of SCF RC Funding I LLC, dated as of the Series Closing Date, (ii) the second amended and restated limited liability company agreement of SCF RC Funding II LLC, dated as of the Series Closing Date or (ii) the third amended and restated limited liability company agreement of SCF RC Funding III LLC, dated as of the Series Closing Date, in each case as may be amended or restated from time to time.

“**Make Whole Amount**”: With respect to any Class of the Series 2017-1 Notes and any Voluntary Prepayment or Unscheduled Principal Payment, an amount (not less than zero) equal to: (A) using the Reinvestment Yield, the sum of the discounted present values of the aggregate payments of principal and interest remaining for such Class of Notes due on or prior to the Payment Date in November 2021 with respect to such Class of Notes being prepaid (calculated prior to the application of the Voluntary Prepayment or Unscheduled Principal Payment), minus (B) the amount of principal repaid by the Voluntary Prepayment or Unscheduled Principal Payment made with respect to such Class of Notes, as applicable.

“**Make Whole Date**”: The Payment Date occurring in November 2021.

“**Maximum Property Concentration**”: Means, with respect to any Determination Date, after giving effect to any Qualified Substitute Property, Qualified Substitute Loan, Qualified Mortgaged Property, Post-Closing Property, Replacement Property and, in each case, the Leases thereunder, the following percentages equal to the aggregate Allocated Loan Amounts of the Properties in such concentration over the aggregate Allocated Loan Amounts of the Collateral Pool: (i) (a) with respect to the Restaurants – Casual Dining, Restaurants – Family Dining, and Restaurants – Quick Service Business Sectors as of any Determination Date, no limit, so long as no related Restaurant Concept exceeds 25.0% as of such Determination Date and (b) with respect to each other Business Sector as of any Determination Date, a percentage equal to 20.0%; (ii) with respect to any Tenant (including affiliates thereof), (a) in the case of the largest Tenant (including affiliates thereof) as of such Determination Date, a percentage equal to 25.0% and (b) in the case of the five (5) largest Tenants (including affiliates thereof) as of such Determination Date, an aggregate percentage equal to 60.0% as of such Determination Date; (iii) (a) with respect to Properties located in any state (other than Texas, Florida or Georgia) as of such Determination Date, a percentage equal to 17.5% and (b) with respect to Properties located in Texas, Florida or Georgia as of such Determination Date, a percentage equal to 25.0% as of such Determination Date; (iv) with respect to Properties with a FCCR less than 1.25 as of such Determination Date, a percentage equal to 10.0% as of such Determination Date; (v) with respect to Tenant Ground Leases as of such Determination Date, a percentage equal to 3.0% as of such Determination Date; (vi) with respect to Leasehold Properties as of such Determination Date, a percentage equal to 5.0% as of such Determination Date; (vii) with respect to Percentage Rent as a percentage of total rent as of such Determination Date, a percent equal to 5.0% as of such Determination Date; (viii) with respect to Properties with less than twelve (12) months of operating history at such location as of such Determination Date, a percentage equal to 10.0% as of such Determination Date and (ix) (a) with respect to Loans, as of such Determination Date prior to the first Related Series Closing Date occurring after the Series Closing Date, a percentage no greater than 0.0% as of such Determination Date and (b) with respect to Loans, as of such Determination Date on or after the first Related Series Closing Date occurring after the Series Closing Date, a percentage no greater than 20.0% as of such Determination Date.

“**Note Rate**”: The Note Rate set forth in Section 2.01(a) hereof that corresponds to each Class of Notes, as applicable.

“**Post-ARD Additional Interest Rate**”: With respect to the Series 2017-1 Notes, a rate determined by the Property Manager to be the greater of (i) 5.00% and (ii) the amount, if any, by which the sum of the following exceeds the Note Rate for such Class of Notes: (A) the yield to maturity (adjusted to a “mortgage equivalent basis” pursuant to the standards and practices of the Securities Industry and Financial Markets Association) on such Anticipated Repayment Date of the United States Treasury Security having a term closest to ten (10) years, plus (B) 5.00%, plus (C) the applicable Post-ARD Spread.

3.10%.

“ **Post-ARD Spread** ”: With respect to (i) the Series 2017-1 Class A Notes, a percentage equal to 2.10%, and (ii) the Series 2017-1 Class B Notes, a percentage equal to

“ **Post-Closing Acquisition Conditions** ”: With respect to each Post-Closing Property on each Post-Closing Acquisition Date, the following conditions precedent:

(a) receipt by the Indenture Trustee of an Officer’s Certificate from the Issuers (upon which the Indenture Trustee may conclusively rely with no liability therefor), dated as of the applicable Post-Closing Acquisition Date, in the form of Exhibit B -1 attached hereto, certifying to the following, and a Responsible Officer of the Indenture Trustee has no actual knowledge that anything contained therein is untrue:

(i) no Early Amortization Period or DSCR Sweep Period is continuing and the acquisition of the Post-Closing Properties will not result in the occurrence of an Early Amortization Period or DSCR Sweep Period;

(ii) based on the facts known to the person executing such Officer’s Certificate, the Issuers reasonably believe that no uncured Indenture Event of Default is continuing as of the applicable Post-Closing Acquisition Date and the acquisition of the Post-Closing Properties will not result in the occurrence of an Indenture Event of Default;

(iii) each Issuer is a solvent, special purpose, bankruptcy-remote entity with an independent manager;

(iv) the representations and warranties of the Issuers made pursuant to Section 2.20 of the Indenture with respect to the Post-Closing Properties are true and correct as of the Post-Closing Acquisition Date;

(v) all Post-Closing Acquisition Deliverables have been delivered to the Custodian as of the applicable Post-Closing Acquisition Date or such Post-Closing Acquisition Deliverables are addressed by a certification from counsel to the Issuers;

(vi) each of the UCC Financing Statements (in the form of the UCC Financing Statements delivered in the ordinary course with respect to the Issuers’ Owned Properties), including those (A) to the extent required by the jurisdiction in which the Post-Closing Property is located, which, upon filing, perfect the Indenture Trustee’s security interest in fixtures with respect to each such Post-Closing Property for the benefit of the Noteholders to the extent not covered by the related Mortgage and (B) that relate to the termination of any applicable liens with respect to each such Post-Closing Property, have been delivered to the applicable Title Company with appropriate direction to file such UCC Financing Statements in connection with the acquisition of the Post-Closing Properties; and

(vii) each Post-Closing Property satisfies the criteria set forth in the definition of Post-Closing Property.

(b) the Indenture Trustee has received an Officer's Certificate from SCF Realty Capital (upon which the Indenture Trustee may conclusively rely with no liability therefor), dated as of the applicable Post-Closing Acquisition Date, in the form of Exhibit B -2 attached hereto, certifying that (i) the terms, covenants, agreements and conditions to be complied with and performed by SCF Realty Capital pursuant to the Transaction Documents have been complied with and performed in all material respects and (ii) each of the representations and warranties of SCF Realty Capital contained in the Transaction Documents are true and correct in all material respects as though expressly made on and as of the Post-Closing Acquisition Date;

(c) receipt by the Indenture Trustee and the Custodian of a certification from counsel to the Issuers, dated as of the Post-Closing Acquisition Date and in form and substance of Exhibit B -3 attached hereto, that each of the items required to be delivered pursuant to the Master Indenture, this Series 2017-1 Supplement and the Custody Agreement in connection with the acquisition of a Post-Closing Property has been duly delivered in the form and substance required therein or, to the extent such documents have not been so delivered, that (i) such documents are in the possession of the related Title Company and such Title Company has been instructed to record or file such documents, as applicable, or (ii) such counsel has such documents in its possession and is acting as the document agent on behalf of the Custodian and the Noteholders with respect thereto and that such documents will be delivered as required pursuant to this Master Indenture and the Custody Agreement; and

(d) receipt by the Indenture Trustee of a receipt and certification of the Custodian pursuant to the Custody Agreement with respect to such Post-Closing Property.

“**Post-Closing Acquisition Deadline**”: January 11, 2018.

“**Post-Closing Acquisition Reserve Amount**”: An amount equal to \$19,057,654 from the proceeds of the sale of the Series 2017-1 Notes, such amount to be deposited into the Post-Closing Acquisition Reserve Account on the Series Closing Date.

“**Private Placement Memorandum**”: With respect to the Series 2017-1 Notes, the Private Placement Memorandum dated June 29, 2017.

“**Qualified Intermediary**”: SCF Exchange LLC.

“**Qualified Intermediary Fee**”: As defined in the Property Management Agreement.

“**Qualified Release Amount**”: An amount equal to one hundred fifteen percent (115%) of the Early Refinancing Prepayment.

“**Rated Final Payment Date**”: With respect to the Series 2017-1 Notes, the Payment Date occurring in June 2047.

“**Rating Agencies**”: S&P Global, Inc. and Kroll Bond Rating Agency, Inc.

“**Related Series Closing Date**”: The date of issuance of any Related Series Notes.

“**Related Series Notes**”: Together with the Series 2016-1 Notes, one or more additional series of Notes issued by the Issuers and any applicable co-issuer pursuant to the Indenture and the applicable Series Supplement, each of which will also be secured by the Collateral Pool on a pro rata basis.

“**Reinvestment Yield**”: With respect to any Class of Series 2017-1 Notes, the yield on the United States Treasury Securities having the closest maturity (month and year) to the weighted average life of such Class of Notes as of such Payment Date, measured as of the Payment Date in November 2021 with respect to such Class of Notes (prior to the application of any Voluntary Prepayment or Unscheduled Principal Prepayment with respect thereto, plus 0.50%. If more than one such United States Treasury Security is quoted as maturing on such date, then the yield of the United States Treasury Security quoted closest to par shall be used in the calculation of the Reinvestment Yield.

“**Requisite Global Majority**”: The Noteholders representing more than 66 2/3% of the Aggregate Series Principal Balance; provided, however, if on any date of determination one or more Affiliate Parties is a Noteholder representing in the aggregate 50% or less of (i) the Outstanding Principal Balances of the Series 2017-1 Class A Notes and any class A notes of any Related Series Notes as of such date or (ii) if the Series 2017-1 Class A Notes and any class A notes of any Related Series Notes have been paid in full, the Outstanding Principal Balance of the Series 2017-1 Class B Notes and any class B notes of any Related Series Notes as of such date, the Notes held by such Affiliate Party or Parties will not be included in the calculation of the “Requisite Global Majority” and such Affiliate Party or Parties will have no voting rights in connection therewith on such date; provided further, that if on any date of determination one or more Affiliate Party or Parties own in the aggregate less than 100% of the Aggregate Series Principal Balance of the Notes as of such date, the Notes held by such Affiliate Party or Parties will not be included in the calculation of “Requisite Global Majority” for the purpose of exercising any voting rights with respect to directing, waiving, rescinding, declaring, voting or acting with respect to any Event of Default, acceleration of the Notes, Early Amortization Period, Servicer Replacement Event or the exercise of remedies under the Indenture or any Mortgage.

“**Scheduled Class A Principal Balance**”: With respect to any Payment Date and the Series 2017-1 Class A Notes, the amount set forth for such date on the Amortization Schedule annexed hereto as Schedule II-A.

“**Scheduled Class A Principal Payment**”: With respect to each Payment Date and the Series 2017-1 Class A Notes, an amount equal to the sum of (a) any unpaid portion of Scheduled Class A Principal Payment from prior Payment Dates plus (b) the product of (i)(A) the related Scheduled Class A Principal Balance for the prior Payment Date minus (B) the Scheduled Class A Principal Balance for the current Payment Date multiplied by (ii) a fraction (A) the numerator of which is equal to the Outstanding Principal Balance of the Series 2017-1 Class A Notes (without taking into account any payments to be made on such Payment Date) minus the amounts specified in clause (a) of this definition and (B) the denominator of which is the Scheduled Class A Principal Balance for the prior Payment Date.

“**Scheduled Class B Principal Balance**”: With respect to any Payment Date and the Series 2017-1 Class B Notes, the amount set forth for such date on the Amortization Schedule annexed hereto as Schedule II-B.

“**Scheduled Class B Principal Payment**”: With respect to each Payment Date and the Series 2017-1 Class B Notes, an amount equal to (i) on any Payment Date prior to the Anticipated Repayment Date, zero dollars (\$0) and (ii) on the Anticipated Repayment Date, the Outstanding Principal Balance of the Series 2017-1 Class B Notes.

“**Scheduled Series Principal Balance**”: The Scheduled Class A Principal Balance or the Scheduled Class B Principal Balance, as the context requires.

“**Series 2016-1 Notes**”: The Net-Lease Mortgage Notes, Series 2016-1, issued by the Existing Issuers pursuant to the Master Indenture as supplemented by the Series 2016-1 Supplement.

“**Series 2016-1 Supplement**”: The Amended and Restated Series 2016-1 Supplement, dated as of July 11, 2017, among the Existing Issuers and the Indenture Trustee.

“**Series 2017-1 Class A Notes**”: Any of the \$232,425,000 Net-Lease Mortgage Notes, Series 2017-1, Class A, issued pursuant to this Series 2017-1 Supplement and the Indenture, executed by the Issuers and authenticated by the Indenture Trustee or the Authenticating Agent, if any, substantially in the form of Exhibits A -1, A -2 or A -3 attached to the Indenture.

“**Series 2017-1 Class A Note Interest**”: On any Payment Date for the Series 2017-1 Class A Notes, the interest accrued during the related Accrual Period at the Series 2017-1 Class A Note Rate, applied to the Outstanding Principal Balance of the Series 2017-1 Class A Notes before giving effect to any payments of principal on such Payment Date.

“**Series 2017-1 Class A Note Rate**”: The Note Rate set forth in Section 2.01(a) that corresponds to the Series 2017-1 Class A Notes.

“**Series 2017-1 Class A Noteholder**”: With respect to any Series 2017-1 Class A Note, the Person in whose name such Note is registered on the Note Register.

“**Series 2017-1 Class B Notes**”: Any of the \$15,675,000 Net-Lease Mortgage Notes, Series 2017-1, Class B, issued pursuant to this Series 2017-1 Supplement and the Indenture, executed by the Issuers and authenticated by the Indenture Trustee or the Authenticating Agent, if any, substantially in the form of Exhibits A -1, A -2 or A -3 attached to the Indenture.

“**Series 2017-1 Class B Note Interest**”: On any Payment Date for the Series 2017-1 Class B Notes, the interest accrued during the related Accrual Period at the Series 2017-1 Class B Note Rate, applied to the Outstanding Principal Balance of the Series 2017-1 Class B Notes before giving effect to any payments of principal on such Payment Date.



“**Series 2017-1 Class B Note Rate**”: The Note Rate set forth in Section 2.01(a) that corresponds to the Series 2017-1 Class B Notes.

“**Series 2017-1 Class B Noteholder**”: With respect to any Series 2017-1 Class B Note, the Person in whose name such Note is registered on the Note Register.

“**Series 2017-1 Early Refinancing Period**”: As defined in Section 2.04.

“**Series 2017-1 Note**”: Any of the Series 2017-1 Class A Notes and the Series 2017-1 Class B Notes.

“**Series 2017-1 Noteholder**”: Any of the Series 2017-1 Class A Noteholders and the Series 2017-1 Class B Noteholders.

“**Series Closing Date**”: July 11, 2017.

“**Series Collateral Release**”: As defined in the Property Management Agreement.

“**Series Disposition Period Date**”: As defined in Section 2.01(f).

## ARTICLE II

### CREATION OF THE SERIES 2017-1 NOTES; PAYMENTS ON THE SERIES 2017-1 NOTES

Section 2.01. Designation.

(a) There is hereby created a Series of Notes consisting of the Series 2017-1 Class A Notes and the Series 2017-1 Class B Notes to be issued by the Issuers pursuant to the Indenture and this Series 2017-1 Supplement to be known as “Net-Lease Mortgage Notes, Series 2017-1.” The Series 2017-1 Notes shall have the following Class designations, Initial Principal Balances, Note Rates and Ratings:

<u>Class Designation</u>	<u>Initial Principal Balance</u>	<u>Note Rate</u>	<u>Ratings (S&amp;P/KBRA)</u>
Class A	\$ 232,425,000	4.10%	A (sf) / A (sf)
Class B	\$ 15,675,000	5.11%	BBB (sf) / BBB (sf)

The Note Interest with respect to the Series 2017-1 Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2017-1 Notes shall not have preference or priority over the Notes of any other Series except to the extent set forth in the Indenture. The Series 2017-1 Notes shall not be subordinate to any other Series.

(b) The initial Payment Date with respect to the Series 2017-1 Notes shall be the Payment Date occurring in July 2017.

(c) The initial Collection Period with respect to the Series 2017-1 Notes shall be the period commencing on the Series Closing Date and ending on (and including) the Determination Date in July 2017.

(d) On the Series Closing Date, the Series 2017-1 Notes shall be issued in the form of Book-Entry Notes. For the avoidance of doubt, the Series 2017-1 Notes may be transferred in accordance with Article II of the Master Indenture, subject to the additional requirements set forth herein.

(e) Each statement, notice or other document related to the Series 2017-1 Notes required to be provided to any applicable Rating Agency pursuant to Section 5.14 of the Master Indenture via email shall be sent to the following addresses: [servicer\\_reports@sandp.com](mailto:servicer_reports@sandp.com) and [abssurveillance@kbra.com](mailto:abssurveillance@kbra.com), in each case, with a copy to [scfrealtycapitaltqa@17g5.com](mailto:scfrealtycapitaltqa@17g5.com).

(f) The “**Series Disposition Period Date**” with respect to the Series 2017-1 Notes shall be the Payment Date occurring in June 2044.

Section 2.02. Payments on the Series 2017-1 Notes. On each Payment Date, the Indenture Trustee will apply the Series Available Amount with respect to the Series 2017-1 Notes for such Payment Date for the following purposes and in the following order of priority:

(1) to the Series 2017-1 Class A Noteholders, the Series 2017-1 Class A Note Interest, plus unpaid Series 2017-1 Class A Note Interest from any prior Payment Date, together with interest on any such unpaid Series 2017-1 Class A Note Interest at the Series 2017-1 Class A Note Rate;

(2) to the Series 2017-1 Class B Noteholders, the Series 2017-1 Class B Note Interest, plus unpaid Series 2017-1 Class B Note Interest from any prior Payment Date, together with interest on any such unpaid Series 2017-1 Class B Note Interest at the Series 2017-1 Class B Note Rate;

(3) (I) for so long as no Early Amortization Period or Event of Default has occurred and is continuing, to the Series 2017-1 Class A Noteholders, an amount equal to the Scheduled Class A Principal Payment and the Unscheduled Principal Payment allocable to the Series 2017-1 Notes for such Payment Date; or (II) if an Early Amortization Period or Event of Default has occurred and is continuing to the Series 2017-1 Class A Noteholders all remaining Series Available Amounts until the Outstanding Principal Balance of the Series 2017-1 Class A Notes has been reduced to zero;

(4) (I) for so long as no Early Amortization Period or Event of Default has occurred and is continuing, to the Series 2017-1 Class B Noteholders, an amount equal to the sum of the Scheduled Class B Principal Payment and the Unscheduled Principal Payments allocable to the Series 2017-1 Notes for such Payment Date remaining after distributions to the Series 2017-1 Class A Noteholders pursuant to clause 3(I) immediately above; or (II) if an Early Amortization Period or Event of Default has occurred and is continuing, to the Series 2017-1 Class B Noteholders, all remaining Series Available Amounts until the Outstanding Principal Balance of the Series 2017-1 Class B Notes has been reduced to zero;

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- (5) to the Series 2017-1 Class A Noteholders, the Make Whole Amounts allocated to the Series 2017-1 Class A Notes, if any, due on such Payment Date;
  - (6) to the Series 2017-1 Class B Noteholders, the Make Whole Amounts allocated to the Series 2017-1 Class B Notes, if any, due on such Payment Date;
  - (7) to the Series 2017-1 Class A Noteholders any Post-ARD Additional Interest and Deferred Post-ARD Additional Interest, if any, due on the Series 2017-1 Class A Notes on such Payment Date;
  - (8) to the Series 2017-1 Class B Noteholders, any Post-ARD Additional Interest and Deferred Post-ARD Additional Interest, if any, due on the Series 2017-1 Class B Notes on such Payment Date;
  - (9) to the Qualified Intermediary, the earned and unpaid Qualified Intermediary Fees; and
  - (10) to the Issuers, all remaining Series Available Amounts (such amounts to be released from the lien of the Indenture).

Section 2.03. Voluntary Prepayment.

(a) The Issuers may, at their option, elect to make a Voluntary Prepayment with respect to each Class of Series 2017-1 Notes in whole or in part on the related Redemption Date in accordance with Section 7.01 of the Master Indenture.

(b) The “**Full Redemption Amount**” in connection with a Voluntary Prepayment of the Series 2017-1 Notes shall be an amount equal to the sum of (i) the then Outstanding Principal Balance of the Series of Notes being prepaid, (ii) all accrued and unpaid interest thereon, (iii) all amounts related to such Series of Notes that are outstanding to the Indenture Trustee, the Property Manager, the Special Servicer, the Back-Up Manager and any other parties to the Transaction Documents and (iv) the required Make Whole Amount, if applicable. The Issuers may prepay a Class of Series 2017-1 Notes in full (without prepaying any Related Series Notes or any other Class of Series 2017-1 Notes) on any Business Day that is on or following the Make Whole Date; provided, that, except in connection with a Series Collateral Release, such Class of Series 2017-1 Notes may only be prepaid in full (without prepaying any other Related Series Notes or other Class of Series 2017-1 Notes) if no other Class of Series 2017-1 Notes or class of Related Series Notes with a higher alphabetical designation and an Anticipated Repayment Date that is the same as or sooner than the Anticipated Repayment Date of the Series 2017-1 Notes is still outstanding.

(c) The Partial Redemption Amount in connection with a Voluntary Prepayment of the Series 2017-1 Notes shall be as set forth in Section 7.01(d) of the Master Indenture. For the avoidance of doubt, proceeds from a Series Collateral Release are not permitted to be used for a Voluntary Prepayment in connection with a partial prepayment of the Notes or any Related Series Notes.

Section 2.04. Early Refinancings. With respect to the Series 2017-1 Notes and on any Payment Date on or following the Payment Date in November 2019, the Issuers have the right to prepay an aggregate amount up to 25% of the Series Principal Balance of the Series 2017-1 Notes as of the Series Closing Date (the “**Early Refinancing Prepayment**”). No Make Whole Amount will be due in relation to any Early Refinancing Prepayment; *provided*, that (i) the prepayment is made with funds obtained from a Qualified Deleveraging Event, (ii) the Issuers provided no less than thirty (30) days’ notice to the Noteholders (such date, the “**Early Refinancing Notice Date**”) and (iii) such Early Refinancing Prepayment is used to prepay a portion of the Outstanding Principal Balance of the Notes no later than twelve (12) months following the Early Refinancing Notice Date (the “**Series 2017-1 Early Refinancing Period**”).

Section 2.05. Unscheduled Principal Payments. A Make Whole Amount will be due to Noteholders of each Class of Notes in connection with the payment of any Unscheduled Principal Payment actually paid on the related Payment Date, other than any portion thereof consisting of Insurance Proceeds, Condemnation Proceeds, Early Refinancing Prepayments made in connection with the Qualified Deleveraging Event, Post-Closing Acquisition Unused Proceeds, amounts disbursed to the Payment Account from the DSCR Reserve Account and amounts received in respect of a Specially Managed Unit or a repurchase due to a Collateral Defect.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

Section 3.01. Representations and Warranties.

(a) The Issuers and the Indenture Trustee hereby restate as of the Series Closing Date, or as of such other date as is specifically referenced in the body of such representation and warranty, all of the representations and warranties set forth in Section 2.19, Section 2.20, Section 2.21, Section 2.22, Section 5.06 and Section 9.04, as applicable, of the Master Indenture.

(b) Each of the Issuers and the Indenture Trustee hereby represents and warrants to each other as of the Series Closing Date:

(i) it has full corporate power and authority to execute, deliver and perform under this Series 2017-1 Supplement, and to consummate the transactions set forth herein. The consummation of the transactions contemplated by this Series 2017-1 Supplement is in the ordinary course of its business and will not conflict with, or result in a breach of, any of the terms, conditions or provisions of its organizational documents, or any material agreement or instrument to which it is now a party or by which it is bound, or result in the violation of any law, rule, regulation, order, judgment or decree to which it or its property is subject, except any such violation that would not result in a material adverse effect on the business or financial

condition of such party or the enforceability of any of the Transaction Documents. The execution, delivery and performance by it of this Series 2017-1 Supplement, and the consummation by it of the transactions contemplated hereby, have been duly authorized by all necessary corporate action. This Series 2017-1 Supplement has been duly executed and delivered by it and constitutes the valid and legally binding obligation of it enforceable against it in accordance with its terms; and

(ii) No consent, approval, order or authorization of, or declaration, filing or registration with, any governmental entity is required to be obtained or made by it in connection with the execution, delivery or performance by it of this Series 2017-1 Supplement, or the consummation by it of the transactions contemplated hereby, except such as have already been obtained.

Section 3.02. Conditions Precedent Satisfied. The Issuers hereby represent and warrant to the Indenture Trustee that, as of the Series Closing Date, each of the conditions precedent set forth in the Master Indenture have been satisfied.

Section 3.03. Collateral Representations and Warranties. The Issuers hereby represent and warrant to the Indenture Trustee on behalf of the Series 2017-1 Noteholders that the representations and warranties set forth in Section 2.20 of the Master Indenture and Exhibit A hereto, if any, are true and correct as of the Series Closing Date (or such other date as is set forth in any such representation or warranty) with respect to the Owned Properties and Leases Granted by such Issuer on the Series Closing Date, except as otherwise set forth in Schedule I-C hereto.

## ARTICLE IV

### MISCELLANEOUS PROVISIONS

Section 4.01. Ratification of Indenture. The Indenture is in all respects ratified and confirmed and the Indenture, as so supplemented by this Series 2017-1 Supplement shall be read, taken and construed as one and the same instrument.

Section 4.02. Counterparts. This Series 2017-1 Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original regardless of whether delivered in physical or electronic form, but all of which shall constitute one and the same instrument.

Section 4.03. Governing Law. THIS SERIES 2017-1 SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PROVISIONS THEREOF, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 4.04. Beneficiaries. As supplemented by this Series 2017-1 Supplement, the Indenture shall inure to the benefit of and be binding upon the parties hereto, the Series 2017-1 Noteholders, and their respective successors and permitted assigns. No other Person shall have any right or obligation hereunder.

Section 4.05. Non-Petition. Each Series 2017-1 Noteholder shall be deemed to have agreed, by acceptance of its Series 2017-1 Note, not to file or join in filing any petition in any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any federal or state bankruptcy or similar law in respect of any Issuer for a period of two (2) years and thirty-one (31) days following payment in full of all of the Notes (including the Series 2017-1 Notes) issued or co-issued by the Issuers under the Indenture provided, however, that nothing in this Section 4.05 shall constitute a waiver of any right to indemnification, reimbursement or other payment from the Issuers pursuant to the Indenture. In the event that any such Series 2017-1 Noteholder or the Indenture Trustee takes action in violation of this Section 4.05, the applicable Issuer, shall file or cause to be filed an answer with the bankruptcy court or otherwise properly contesting the filing of such a petition by any such Series 2017-1 Noteholder or the Indenture Trustee against such Issuer or the commencement of such action and raising the defense that such Series 2017-1 Noteholder or the Indenture Trustee has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert. The provisions of this Section 4.05 shall survive the termination of the Indenture, and the resignation or removal of the Indenture Trustee. Nothing contained herein shall preclude participation by any Series 2017-1 Noteholder or the Indenture Trustee in the assertion or defense of its claims in any such proceeding involving any Issuer.

Section 4.06. Non-Recourse. Notwithstanding anything to the contrary herein or otherwise in the Indenture, the Series 2017-1 Notes are nonrecourse obligations solely of the Issuers and shall be payable only from the Collateral Pool. Upon the exhaustion of the Collateral included in the Collateral Pool, any liabilities of the Issuers hereunder shall be extinguished. No recourse shall be had for the payment of any amount owing in respect of any fee hereunder or any other obligation or claim arising out of or based upon the Indenture against any member, employee, officer or director of the Issuers. Fees, expenses, costs or other obligations payable by the Issuers hereunder shall be payable by the Issuers only to the extent that funds are then available or thereafter become available for such purpose pursuant to Section 2.11 of the Indenture. In the event that sufficient funds are not available for their payment pursuant to Section 2.11 of the Indenture, the excess unpaid amount of such fees, expenses, costs or other obligations shall in no event constitute a claim (as defined in Section 101 of the Bankruptcy Code) against, or corporate obligation of, the Issuers. Nothing in this Section 4.06 shall be construed to limit the Indenture Trustee, on behalf of the Noteholders, from exercising its rights hereunder and otherwise in accordance with Article IV of the Master Indenture with respect to the Collateral Pool.

Section 4.07. Amendments. This Series 2017-1 Supplement may, from time to time, be amended, modified or waived in accordance with Article VIII of the Master Indenture.

Section 4.08. Notice to the Rating Agencies. Any communication provided for or permitted hereunder or otherwise pursuant to the Indenture shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given if delivered by courier or mailed by first class mail, postage prepaid, or if transmitted by facsimile and confirmed in a writing delivered or mailed as aforesaid, to, in the case of (i) S&P Global, Inc., 55 Water Street, 41st Floor, New York, New York, 10004, Attention: Asset-Backed Surveillance Department, facsimile number: (212) 438-2435 (ii) Kroll Bond Rating Agency, Inc., 845 Third

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Avenue, 4th Floor, New York, New York, 10022, in each case, with an electronic copy to scfrealtycapitaltqa@17g5.com; or, as to such Person, such other address or facsimile number as may hereafter be furnished by such Person to the parties hereto in writing, with an electronic copy to scfrealtycapitaltqa@17g5.com.

Section 4.09. Post-Closing Properties. For the avoidance of doubt, the four (4) Owned Properties owned by SCF RC Funding III LLC on or before the date hereof, as described in Exhibit C hereto, shall constitute “Post-Closing Properties” subject to the satisfaction of the Post-Closing Acquisition Conditions.

## **ARTICLE V**

### **AFFILIATE PARTIES**

Section 5.01. Affiliate Parties. In the event that any Affiliate Parties, in the aggregate, own less than 100% of the Outstanding Principal Balance of the Series 2017-1 Notes, such Affiliate Party or Affiliate Parties will have no rights with respect to directing, waiving, rescinding, declaring, voting or acting with respect to any Early Amortization Period, Servicer Replacement Event, Event of Default, acceleration of the Notes pursuant to Section 4.02 of the Indenture, or the exercise of remedies under the Indenture or any Mortgage.

For the avoidance of doubt, the Series 2017-1 Notes held by such Affiliate Parties shall be deemed to be Outstanding for all purposes other than as described in the immediately preceding sentence in this Section 5.01.

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IN WITNESS WHEREOF, the Issuers and the Indenture Trustee have caused this Series 2017-1 Supplement to be duly executed and delivered by their respective officers thereunto duly authorized and their respective seals, duly attested, to be hereunto affixed, all as of the day and year first above written.

SCF FUNDING I LLC, a Delaware limited liability company, as an  
Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides

Name: Peter M. Mavoides

Title: President

*Indenture Supplement (SCF 2017-1)*



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SCF RC FUNDING II LLC, a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President

*Indenture Supplement (SCF 2017-1)*

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SCF RC FUNDING III LLC, a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President

*Indenture Supplement (SCF 2017-1)*

CITIBANK, N.A., not in its individual capacity but solely as Indenture Trustee

By:  /s/ John Hannon

Name: John Hannon

Title: Vice President

*Indenture Supplement (SCF 2017-1)*

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**EXHIBIT A**

**ADDITIONAL REPRESENTATIONS AND WARRANTIES**

None.

A-1

EXHIBIT B-1

FORM OF ISSUERS' POST-CLOSING ACQUISITION OFFICER'S CERTIFICATE

NET LEASE MORTGAGE NOTES, SERIES [ ] - [ ]

[ ], 20[ ]

Citibank, N.A., as Indenture Trustee  
388 Greenwich Street  
New York, NY 10013  
Attn: Citibank Agency & Trust—SCF 2017-1

I, , hereby certify that I am a duly appointed [ ] of the following entities:

- (1) SCF RC Funding I LLC;
- (2) SCF RC Funding II LLC;
- (3) SCF RC Funding III LLC; and
- (4) [ADDITIONAL ISSUERS];

Reference is hereby made to the Amended and Restated Master Indenture, dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and Citibank, N.A., and any supplement thereto (the “**Indenture**”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture. I have examined the Transaction Documents and further certify that, as of the date hereof:

(i) no Early Amortization Period or DSCR Sweep Period is continuing and the acquisition of the Post-Closing Properties will not result in the occurrence of an Early Amortization Period or a DSCR Sweep Period;

(ii) based on the facts known to me, the Issuers reasonably believe that no uncured Indenture Event of Default is continuing as of the date hereof and the acquisition of the Post-Closing Properties on the date hereof will not result in the occurrence of an Event of Default;

(iii) each Issuer is a solvent, special purpose, bankruptcy-remote entity;

(iv) the representations and warranties of the Issuers made pursuant to the Indenture with respect to the Post-Closing Properties are true and correct as of the date hereof;

(v) all Post-Closing Acquisition Deliverables have been delivered to the Custodian as of the date hereof or such Post-Closing Acquisition Deliverables are addressed by a certification from counsel to the Issuers in the form of Exhibit G-3 of the Indenture;

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(vi) each of the UCC Financing Statements (in the form of the UCC Financing Statements delivered in the ordinary course with respect to the Issuers' Properties), including those (A) to the extent required by the jurisdiction in which the Post-Closing Property is located, which, upon filing, perfect the Indenture Trustee's security interest in each such Post-Closing Property for the benefit of the Noteholders and (B) that relate to the termination of any applicable liens with respect to each such Post-Closing Property, have been delivered to the applicable Title Company with appropriate direction to file such UCC Financing Statements in connection with the acquisition of the Post-Closing Properties; and

(vii) each Post-Closing Property satisfies the requirements set forth in the definition Post-Closing Property.

[ *Signature Appears on Following Page* ]

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT B-2

FORM OF  
SCF REALTY CAPITAL LLC  
POST-CLOSING ACQUISITION OFFICER'S CERTIFICATE

NET LEASE MORTGAGE NOTES, SERIES [    ]-[    ]

[    ], 20[    ]

Citibank, N.A., as Indenture Trustee  
388 Greenwich Street  
New York, NY 10013  
Attn: Citibank Agency & Trust—SCF 2017-1

We,                      and                      , hereby certify that we are duly appointed [                      ] and [                      ], respectively, of SCF Realty Capital LLC (the “ **Company** ”). Reference is hereby made to the Amended and Restated Master Indenture, dated as of dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and Citibank, N.A., and any supplement thereto (the “ **Indenture** ”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture.

We have examined Transaction Documents and hereby certify that, as of the date hereof:

(1) the terms, covenants, agreements and conditions to be complied with and performed by the Corporation pursuant to the Transaction Documents have been complied with and performed in all material respects; and

(2) each of the representations and warranties of the Corporation contained in the Transaction Documents are true and correct in all material respects as though expressly made on and as of the date hereof.

[ *Signature Appears on Following Page* ]



IN WITNESS WHEREOF, each of the undersigned has hereto set his hand as of the date first written above.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT B-3

FORM OF ISSUERS' COUNSEL POST-CLOSING ACQUISITION CERTIFICATE

NET LEASE MORTGAGE NOTES, SERIES [ ] - [ ]

Form of Officer's Certificate

[ ], 20[ ]

Citibank, N.A., as Indenture Trustee  
388 Greenwich Street  
New York, NY 10013  
Attn: Citibank Agency & Trust—SCF 2017-1

U.S. Bank National Association

[ ]

We have acted as counsel to the Issuers, in connection with the issuance by the Issuers of [ ] pursuant to that certain Amended and Restated Master Indenture, dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and Citibank, N.A., and any supplement thereto (the “**Indenture**”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture.

This letter is being provided to you pursuant to clause (c) of the definition of “Post-Closing Acquisition Conditions” defined in the Indenture.

We hereby certify that we have reviewed the Indenture and the definition of “Post-Closing Acquisition Conditions” contained therein, and further certify as to the following:

(i) each of the following documents required to be delivered pursuant to the Post-Closing Acquisition Conditions and pursuant to the Custody Agreement in connection with the acquisition of Post-Closing Properties has been delivered in the form and substance required therein; [ISSUERS' COUNSEL TO LIST ALL DOCUMENTS DELIVERED AT TIME OF CERTIFICATION]

(ii) each of the following documents required to be delivered pursuant to the Post-Closing Acquisition Conditions and pursuant to the Custody Agreement in connection with the acquisition of Post-Closing Properties is in the possession of the related Title Company and such Title Company has been instructed to record or file such document, as applicable: [ISSUERS' COUNSEL TO LIST DOCUMENTS AS APPLICABLE]

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(iii) each of the following documents required to be delivered pursuant to such definition and pursuant to the Custody Agreement in connection with the acquisition of Post-Closing Properties is in our possession, and we are acting as the document agent on behalf of the Custodian and the Noteholders, and which such documents will be delivered as soon as possible in accordance with the Indenture and the Custody Agreement: [ISSUERS' COUNSEL TO LIST DOCUMENTS AS APPLICABLE].

Very truly yours,

B-3-2

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**EXHIBIT C**

**POST-CLOSING PROPERTIES**

<b><u>Property ID</u></b>	<b><u>City</u></b>	<b><u>State</u></b>
56141	Farmington	NM
56142	Farmington	NM
56143	Pueblo	CO
56167	Kenosha	WI

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**SCHEDULE I-A****PROPERTIES / LOCATIONS**

<b>Prop ID</b>	<b>City</b>	<b>State</b>
56050	Burlington	IA
56051	Cedar Rapids	IA
56052	Muscatine	IA
56053	Fort Madison	IA
56054	Newton	IA
56055	Ottawa	IL
56056	Platteville	WI
56057	Waterloo	IA
56058	Fort Dodge	IA
56059	Mason City	IA
56060	Cedar Falls	IA
56061	Atlantic	IA
56062	Nebraska City	NE
56063	Plattsmouth	NE
56064	Red Oak	IA
56113	Lackawanna	NY
56126	Cheektowaga	NY
56127	Amherst	NY
56128	Cheektowaga	NY
56129	Tonawanda	NY
56130	Niagara Falls	NY
56131	Williamsville	NY
56132	Dunkirk	NY
56041	Tucson	AZ
56042	Tucson	AZ
56043	Tucson	AZ
56039	Lawrence Township	NJ
56040	Mount Olive	NJ
56046	Florence	AL
56111	North Myrtle Beach	SC
56047	Gardendale	AL
56048	Jasper	AL
56049	Homewood	AL
56065	Stevenson	AL
56066	Tucson	AZ
56067	Miami	FL
56068	Sarasota	FL
56069	Sarasota	FL
56070	Dalton	GA

I-A-1

<b>Prop ID</b>	<b>City</b>	<b>State</b>
56071	Alton	IL
56072	Quincy	IL
56073	Clarksville	IN
56074	Terre Haute	IN
56075	Brewster	MA
56076	Kansas City	MO
56077	Laurel	MS
56078	Picayune	MS
56079	Rochester	NH
56080	Canandaigua	NY
56081	Anderson	SC
56082	Camden	SC
56083	Columbia	SC
56084	Austin	TX
56085	Richmond	TX
56086	Terrell Hills	TX
56089	Bridgeton	MO
56090	Mokena	IL
56091	Lexington	KY
56092	Islip Terrace	NY
56087	West Valley City	UT
56093	Westland	MI
56097	Holland	MI
56095	Muskegon	MI
56094	Ann Arbor	MI
56096	Battle Creek	MI
56102	Plano	TX
56103	Frisco	TX
56104	Grapevine	TX
56105	Prosper	TX
56106	McKinney	TX
56107	Southlake	TX
56108	Lakeway	TX
56115	Shreveport	LA
56114	Bossier City	LA
56123	Huntingtown	MD
56122	New Freedom	PA
56124	Gambrills	MD
56101	Topeka	KS
56100	Alpena	AR
56116	Tyler	TX
56117	Tyler	TX
56118	Atlanta	TX

<b>Prop ID</b>	<b>City</b>	<b>State</b>
56119	New Summerfield	TX
56112	Alpharetta	GA
56099	Forsyth	GA
56098	Cedartown	GA
56121	Opelika	AL
56134	San Antonio	TX
56110	Rock Springs	WY
56148	Columbia Station	OH
56149	Maumee	OH
56150	Troy	OH
56151	Jackson	OH
56152	Lancaster	OH
56153	Portsmouth	OH
56154	Bridgeport	WV
56155	Radcliff	KY
56156	Gainesville	FL
56157	Cartersville	GA
56158	Douglasville	GA
56159	El Paso	TX
56160	Garland	TX
56161	Conroe	TX
56162	Amarillo	TX
56163	Grand Junction	CO
56164	Mt. Pleasant	SC
56165	Irondale	AL
56166	Bessemer	AL
56139	Las Cruces	NM
56140	Las Cruces	NM
56120	Burlington	NC

I-A-3

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**SCHEDULE I-B**

**MORTGAGE LOANS**

None.

I-B-1



**SCHEDULE I-C**

**REPRESENTATIONS AND WARRANTIES EXCEPTION SCHEDULE**

<u>Property Number/Location</u>		
<u>Property ID</u>	<u>City</u>	<u>State</u>
56111	North Myrtle Beach	SC
56046	Florence	AL
I-C-1		

**SCHEDULE II-A****SERIES 2017-1 CLASS A NOTES  
AMORTIZATION SCHEDULE**

<b>Payment Date</b>	<b>Scheduled Class A Principal Balance</b>
Series Closing Date	\$ 232,425,000
7/25/2017	\$ 232,145,730
8/25/2017	\$ 231,865,296
9/25/2017	\$ 231,583,694
10/25/2017	\$ 231,300,918
11/25/2017	\$ 231,016,964
12/25/2017	\$ 230,731,827
1/25/2018	\$ 230,445,502
2/25/2018	\$ 230,157,984
3/25/2018	\$ 229,869,268
4/25/2018	\$ 229,579,349
5/25/2018	\$ 229,288,222
6/25/2018	\$ 228,995,882
7/25/2018	\$ 228,702,324
8/25/2018	\$ 228,407,543
9/25/2018	\$ 228,111,533
10/25/2018	\$ 227,814,290
11/25/2018	\$ 227,515,809
12/25/2018	\$ 227,216,084
1/25/2019	\$ 226,915,110
2/25/2019	\$ 226,612,882
3/25/2019	\$ 226,309,395
4/25/2019	\$ 226,004,643
5/25/2019	\$ 225,698,621
6/25/2019	\$ 225,391,324
7/25/2019	\$ 225,082,747
8/25/2019	\$ 224,772,884
9/25/2019	\$ 224,461,730
10/25/2019	\$ 224,149,280
11/25/2019	\$ 223,835,528
12/25/2019	\$ 223,520,468
1/25/2020	\$ 223,204,096
2/25/2020	\$ 222,886,405
3/25/2020	\$ 222,567,391
4/25/2020	\$ 222,247,047
5/25/2020	\$ 221,925,369
6/25/2020	\$ 221,602,350
7/25/2020	\$ 221,277,985

<b><u>Payment Date</u></b>	<b><u>Scheduled Class A Principal Balance</u></b>
8/25/2020	\$ 220,952,269
9/25/2020	\$ 220,625,196
10/25/2020	\$ 220,296,760
11/25/2020	\$ 219,966,956
12/25/2020	\$ 219,635,777
1/25/2021	\$ 219,303,218
2/25/2021	\$ 218,969,274
3/25/2021	\$ 218,633,938
4/25/2021	\$ 218,297,205
5/25/2021	\$ 217,959,069
6/25/2021	\$ 217,619,524
7/25/2021	\$ 217,278,564
8/25/2021	\$ 216,936,184
9/25/2021	\$ 216,592,377
10/25/2021	\$ 216,247,138
11/25/2021	\$ 215,900,460
12/25/2021	\$ 215,552,338
1/25/2022	\$ 215,202,765
2/25/2022	\$ 214,851,736
3/25/2022	\$ 214,499,244
4/25/2022	\$ 214,145,283
5/25/2022	\$ 213,789,847
6/25/2022	\$ 213,432,930
7/25/2022	\$ 213,074,526
8/25/2022	\$ 212,714,629
9/25/2022	\$ 212,353,232
10/25/2022	\$ 211,990,329
11/25/2022	\$ 211,625,914
12/25/2022	\$ 211,259,981
1/25/2023	\$ 210,892,523
2/25/2023	\$ 210,523,534
3/25/2023	\$ 210,153,008
4/25/2023	\$ 209,780,938
5/25/2023	\$ 209,407,318
6/25/2023	\$ 209,032,141
7/25/2023	\$ 208,655,401
8/25/2023	\$ 208,277,091
9/25/2023	\$ 207,897,205
10/25/2023	\$ 207,515,736
11/25/2023	\$ 207,132,677
12/25/2023	\$ 206,748,022
1/25/2024	\$ 206,361,764
2/25/2024	\$ 205,973,897

<u>Payment Date</u>	<u>Scheduled Class A Principal Balance</u>
3/25/2024	\$ 205,584,414
4/25/2024	\$ 205,193,308
5/25/2024	\$ 204,800,572
6/25/2024	\$ 0

**SCHEDULE II-B****SERIES 2017-1 CLASS B NOTES  
AMORTIZATION SCHEDULE**

<b>Payment Date</b>	<b>Scheduled Class B Principal Balance</b>
Series Closing Date	\$ 15,675,000
7/25/2017	\$ 15,675,000
8/25/2017	\$ 15,675,000
9/25/2017	\$ 15,675,000
10/25/2017	\$ 15,675,000
11/25/2017	\$ 15,675,000
12/25/2017	\$ 15,675,000
1/25/2018	\$ 15,675,000
2/25/2018	\$ 15,675,000
3/25/2018	\$ 15,675,000
4/25/2018	\$ 15,675,000
5/25/2018	\$ 15,675,000
6/25/2018	\$ 15,675,000
7/25/2018	\$ 15,675,000
8/25/2018	\$ 15,675,000
9/25/2018	\$ 15,675,000
10/25/2018	\$ 15,675,000
11/25/2018	\$ 15,675,000
12/25/2018	\$ 15,675,000
1/25/2019	\$ 15,675,000
2/25/2019	\$ 15,675,000
3/25/2019	\$ 15,675,000
4/25/2019	\$ 15,675,000
5/25/2019	\$ 15,675,000
6/25/2019	\$ 15,675,000
7/25/2019	\$ 15,675,000
8/25/2019	\$ 15,675,000
9/25/2019	\$ 15,675,000
10/25/2019	\$ 15,675,000
11/25/2019	\$ 15,675,000
12/25/2019	\$ 15,675,000
1/25/2020	\$ 15,675,000
2/25/2020	\$ 15,675,000
3/25/2020	\$ 15,675,000
4/25/2020	\$ 15,675,000
5/25/2020	\$ 15,675,000
6/25/2020	\$ 15,675,000
7/25/2020	\$ 15,675,000

<u>Payment Date</u>	<u>Scheduled Class B Principal Balance</u>
8/25/2020	\$ 15,675,000
9/25/2020	\$ 15,675,000
10/25/2020	\$ 15,675,000
11/25/2020	\$ 15,675,000
12/25/2020	\$ 15,675,000
1/25/2021	\$ 15,675,000
2/25/2021	\$ 15,675,000
3/25/2021	\$ 15,675,000
4/25/2021	\$ 15,675,000
5/25/2021	\$ 15,675,000
6/25/2021	\$ 15,675,000
7/25/2021	\$ 15,675,000
8/25/2021	\$ 15,675,000
9/25/2021	\$ 15,675,000
10/25/2021	\$ 15,675,000
11/25/2021	\$ 15,675,000
12/25/2021	\$ 15,675,000
1/25/2022	\$ 15,675,000
2/25/2022	\$ 15,675,000
3/25/2022	\$ 15,675,000
4/25/2022	\$ 15,675,000
5/25/2022	\$ 15,675,000
6/25/2022	\$ 15,675,000
7/25/2022	\$ 15,675,000
8/25/2022	\$ 15,675,000
9/25/2022	\$ 15,675,000
10/25/2022	\$ 15,675,000
11/25/2022	\$ 15,675,000
12/25/2022	\$ 15,675,000
1/25/2023	\$ 15,675,000
2/25/2023	\$ 15,675,000
3/25/2023	\$ 15,675,000
4/25/2023	\$ 15,675,000
5/25/2023	\$ 15,675,000
6/25/2023	\$ 15,675,000
7/25/2023	\$ 15,675,000
8/25/2023	\$ 15,675,000
9/25/2023	\$ 15,675,000
10/25/2023	\$ 15,675,000
11/25/2023	\$ 15,675,000
12/25/2023	\$ 15,675,000
1/25/2024	\$ 15,675,000
2/25/2024	\$ 15,675,000

<u>Payment Date</u>	<u>Scheduled Class B Principal Balance</u>
3/25/2024	\$ 15,675,000
4/25/2024	\$ 15,675,000
5/25/2024	\$ 15,675,000
6/25/2024	\$ 0

**SCHEDULE II-C****SERIES 2016-1 NOTES  
AMORTIZATION SCHEDULE**

<b>Payment Date</b>	<b>Scheduled Class A Principal Balance</b>	<b>Scheduled Class B Principal Balance</b>
Series Closing Date	\$ 261,255,846	\$ 17,250,000
7/25/2017	\$ 260,929,887	\$ 17,250,000
8/25/2017	\$ 260,602,570	\$ 17,250,000
9/25/2017	\$ 260,273,889	\$ 17,250,000
10/25/2017	\$ 259,943,839	\$ 17,250,000
11/25/2017	\$ 259,612,413	\$ 17,250,000
12/25/2017	\$ 259,279,606	\$ 17,250,000
1/25/2018	\$ 258,945,413	\$ 17,250,000
2/25/2018	\$ 258,609,827	\$ 17,250,000
3/25/2018	\$ 258,272,843	\$ 17,250,000
4/25/2018	\$ 257,934,455	\$ 17,250,000
5/25/2018	\$ 257,594,657	\$ 17,250,000
6/25/2018	\$ 257,253,443	\$ 17,250,000
7/25/2018	\$ 256,910,807	\$ 17,250,000
8/25/2018	\$ 256,566,744	\$ 17,250,000
9/25/2018	\$ 256,221,247	\$ 17,250,000
10/25/2018	\$ 255,874,311	\$ 17,250,000
11/25/2018	\$ 255,525,929	\$ 17,250,000
12/25/2018	\$ 255,176,095	\$ 17,250,000
1/25/2019	\$ 254,824,804	\$ 17,250,000
2/25/2019	\$ 254,472,049	\$ 17,250,000
3/25/2019	\$ 254,117,824	\$ 17,250,000
4/25/2019	\$ 253,762,123	\$ 17,250,000
5/25/2019	\$ 253,404,940	\$ 17,250,000
6/25/2019	\$ 253,046,269	\$ 17,250,000
7/25/2019	\$ 252,686,103	\$ 17,250,000
8/25/2019	\$ 252,324,437	\$ 17,250,000
9/25/2019	\$ 251,961,264	\$ 17,250,000
10/25/2019	\$ 251,596,578	\$ 17,250,000
11/25/2019	\$ 251,230,372	\$ 17,250,000
12/25/2019	\$ 250,862,640	\$ 17,250,000
1/25/2020	\$ 250,493,376	\$ 17,250,000
2/25/2020	\$ 250,122,573	\$ 17,250,000
3/25/2020	\$ 249,750,225	\$ 17,250,000
4/25/2020	\$ 249,376,326	\$ 17,250,000
5/25/2020	\$ 249,000,869	\$ 17,250,000
6/25/2020	\$ 248,623,848	\$ 17,250,000
7/25/2020	\$ 248,245,256	\$ 17,250,000



<u>Payment Date</u>	<u>Scheduled Class A Principal Balance</u>	<u>Scheduled Class B Principal Balance</u>
8/25/2020	\$ 247,865,086	\$ 17,250,000
9/25/2020	\$ 247,483,332	\$ 17,250,000
10/25/2020	\$ 247,099,988	\$ 17,250,000
11/25/2020	\$ 246,715,046	\$ 17,250,000
12/25/2020	\$ 246,328,500	\$ 17,250,000
1/25/2021	\$ 245,940,344	\$ 17,250,000
2/25/2021	\$ 245,550,570	\$ 17,250,000
3/25/2021	\$ 245,159,172	\$ 17,250,000
4/25/2021	\$ 244,766,144	\$ 17,250,000
5/25/2021	\$ 244,371,478	\$ 17,250,000
6/25/2021	\$ 243,975,168	\$ 17,250,000
7/25/2021	\$ 243,577,206	\$ 17,250,000
8/25/2021	\$ 243,177,586	\$ 17,250,000
9/25/2021	\$ 242,776,301	\$ 17,250,000
10/25/2021	\$ 242,373,344	\$ 17,250,000
11/25/2021	\$ 0	\$ 0
12/25/2021	\$ 0	\$ 0
1/25/2022	\$ 0	\$ 0
2/25/2022	\$ 0	\$ 0
3/25/2022	\$ 0	\$ 0
4/25/2022	\$ 0	\$ 0
5/25/2022	\$ 0	\$ 0
6/25/2022	\$ 0	\$ 0
7/25/2022	\$ 0	\$ 0
8/25/2022	\$ 0	\$ 0
9/25/2022	\$ 0	\$ 0
10/25/2022	\$ 0	\$ 0
11/25/2022	\$ 0	\$ 0
12/25/2022	\$ 0	\$ 0
1/25/2023	\$ 0	\$ 0
2/25/2023	\$ 0	\$ 0
3/25/2023	\$ 0	\$ 0
4/25/2023	\$ 0	\$ 0
5/25/2023	\$ 0	\$ 0
6/25/2023	\$ 0	\$ 0
7/25/2023	\$ 0	\$ 0
8/25/2023	\$ 0	\$ 0
9/25/2023	\$ 0	\$ 0
10/25/2023	\$ 0	\$ 0
11/25/2023	\$ 0	\$ 0
12/25/2023	\$ 0	\$ 0
1/25/2024	\$ 0	\$ 0
2/25/2024	\$ 0	\$ 0

<u>Payment Date</u>	<u>Scheduled Class A Principal Balance</u>	<u>Scheduled Class B Principal Balance</u>
3/25/2024	\$ 0	\$ 0
4/25/2024	\$ 0	\$ 0
5/25/2024	\$ 0	\$ 0
6/25/2024	\$ 0	\$ 0

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**SCF RC Funding I LLC**  
as an Issuer,

**SCF RC Funding II LLC**  
as an Issuer,

**SCF RC Funding III LLC**  
as an Issuer,

and

**EACH JOINING PARTY**  
each, as an Issuer,

**SCF REALTY CAPITAL LLC**  
as Property Manager and Special Servicer,

**MIDLAND LOAN SERVICES, A DIVISION OF PNC BANK, NATIONAL  
ASSOCIATION**  
as Back-Up Manager

and

**CITIBANK, N.A.**  
not individually but solely as Indenture Trustee

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**AMENDED AND RESTATED PROPERTY MANAGEMENT AND SERVICING  
AGREEMENT**

Dated as of July 11, 2017

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**Net-Lease Mortgage Notes**

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This AMENDED AND RESTATED PROPERTY MANAGEMENT AND SERVICING AGREEMENT, dated as of July 11, 2017 (this “**Agreement**”), is made among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “**Issuer**” and collectively, the “**Issuers**”), SCF Realty Capital LLC (“**SCF Realty Capital**”), as property manager and special servicer (together with its successors in such capacities, the “**Property Manager**” and “**Special Servicer**,” respectively), Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “**Indenture Trustee**”) and Midland Loan Services, a division of PNC Bank, National Association, as back-up manager (together with its successors in such capacity, the “**Back-Up Manager**”).

## PRELIMINARY STATEMENT

As of the date hereof, the Issuers own the Owned Properties and related Leases and, as of each successive Series Closing Date, the applicable Issuer will own the Owned Properties and related Leases and the Loans as set forth in the applicable Series Supplement, and upon the issuance of the Notes under the Indenture, each Issuer will grant or has granted a first priority security interest in its right, title and interest in and to such Properties, Leases and Loans to the Indenture Trustee as security for the indebtedness evidenced by the Indenture and the Notes issued under the Indenture. The Property Manager has agreed to provide property management services with respect to the Properties and to service the Leases and the Loans in accordance with this Agreement. Subsequent to the date hereof and only in connection with the issuance of a Related Series Notes or a permitted substitution conducted thereafter, the Collateral Pool may include Loans.

## ARTICLE I

### DEFINITIONS

#### Section 1.01 Defined Terms.

Whenever used in this Agreement, including in the Preliminary Statement, the capitalized terms, unless the context otherwise requires, shall have the meanings specified in this Section 1.01. Capitalized terms used in this Agreement, including the Preliminary Statement, and not defined herein, unless the context otherwise requires, shall have the respective meanings specified in Section 1.01 of the Indenture (as defined below).

“**Additional Servicing Compensation**”: Property Manager Additional Servicing Compensation and Special Servicer Additional Servicing Compensation.

“**Additional Subsidies**”: As defined in the Master Exchange Agreement.

“**Adjusted Delayed Proceeds**”: As defined in Section 7.10(e).

“**Advance**”: Any P&I Advance or Property Protection Advance.



“**Advance Interest**”: Interest accrued on any Advance at the Reimbursement Rate and payable to the Property Manager, the Back-Up Manager or the Indenture Trustee, as the case may be, each in accordance with Section 3.09(e).

“**Aggregate Appraised Value**”: On any date of determination, the sum of the Appraised Values of all Properties in the Collateral Pool.

“**Aggregate Collateral Value**”: On any date of determination, the sum of the Collateral Values of the Loans and Properties in the Collateral Pool.

“**Agreement**”: This Amended and Restated Property Management and Servicing Agreement and all amendments hereof and supplements hereto.

“**AIFMR**”: Article 17 of the European Union Alternative Investment Fund Managers Directive (Directive 2011/61 (EU), as supplemented by Section 5 of Chapter III of Commission Delegated Regulation (EU) No 231/2013).

“**Allocated Loan Amount**”: With respect to any Owned Property or Loan at any time, the product of (i) the Aggregate Series Principal Balance at such time and (ii) a fraction, (a) the numerator of which is the Collateral Value of such Owned Property or Loan at such time and (b) the denominator of which is the sum of (A) the Aggregate Collateral Value at such time and (B) the product of (1) the Aggregate Collateral Value of Post-Closing Properties at such time and (2) a fraction, the numerator of which is the outstanding balance of the Post-Closing Acquisition Reserve Account at such time and the denominator of which is the initial balance of the Post-Closing Acquisition Reserve Account at such time.

“**Allocated Release Amount**”: With respect to a Released Loan or Released Property (other than any Delinquent Asset or Defaulted Asset purchased by the Special Servicer or the Property Manager or any assignee thereof or sold to SCF Realty Capital or to an SCF SPE), an amount equal to the lesser of (A) the Fair Market Value and (B) one hundred fifteen percent (115%) of the Allocated Loan Amount of such Released Loan or Released Property.

“**ALTA**”: American Land Title Association, or any successor thereto.

“**Amendment**”: As defined in Section 3.16(c)(i).

“**Appraised Value**”: With respect to any Property means an appraised value obtained in accordance with the Indenture and determined pursuant to an independent appraisal completed by an MAI certified appraiser in accordance with the Uniform Standards of Professional Appraisal Practice and which takes into account the leased fee value of the related buildings and land of such Property, consistent with industry standards, and excludes the value of trade equipment and other tangible personal property and business enterprise value, and (1) with respect to any Underlying Mortgaged Property in the Collateral Pool (other than Underlying Mortgaged Properties relating to Qualified Substitute Loans added since the most recent Issuance Date) is the most recent appraisal report completed by an MAI certified appraiser with respect to such Underlying Mortgaged Property, (2) with respect to any Owned Property in the Collateral Pool, is the most recent appraisal report completed by an MAI certified appraiser obtained in connection with the related Series Closing Date in accordance with the requirements of FIRREA

with respect to such Owned Property as of the related Issuance Date and (3) with respect to any Qualified Substitute Property or Underlying Mortgaged Property relating to a Qualified Substitute Loan added to the Collateral Pool since the most recent Issuance Date, is the most recent appraisal report completed by an MAI certified appraiser and obtained for such Underlying Mortgaged Property or Qualified Substitute Property in conjunction with such addition (which appraisal will not be obtained in accordance with the requirements of FIRREA).

“**Asbestos**”: As defined in Section 3.23(b).

“**Assignment of Leases**”: With respect to any Loan, any assignment of leases, rents and profits or similar document or instrument executed by the Borrower in connection with the origination or subsequent modification or amendment of the related Loan.

“**Available Amount**”: The Available Amount on any Payment Date will consist of (i) all amounts received in respect of the Collateral Pool during the related Collection Period, (ii) all amounts on deposit in the Collection Account on the related Determination Date, including amounts earned, if any, on the investment of funds on deposit in the Collection Account, the Exchange Reserve Account and the Release Account during the related Collection Period, (iii) Unscheduled Proceeds, (iv) amounts received on account of payments under any Lease Guaranties and (v) amounts received on account of payments under the Performance Support Agreement; provided, however, that the following amounts will be excluded from Available Amount: (a) amounts on deposit in the Release Account and not transferred to the Collection Account for such Payment Date, (b) the amount of any Workout Fees, Liquidation Fees or Additional Servicing Compensation, (c) amounts withdrawn from the Collection Account to reimburse the Property Manager, the Indenture Trustee or the Back-Up Manager, as applicable, for any unreimbursed Advances, including any Nonrecoverable Advances (plus interest thereon) and to pay the Property Management Fee, the Back-Up Fee, any Special Servicing Fee and any Emergency Property Expenses, (d) amounts required to be paid by the related Issuer or any Co-Issuer as lessor under the Leases in respect of franchise or similar taxes, (e) any amount received from a Tenant or Borrower as reimbursement for any cost paid by or on behalf of the related Issuer or any applicable Co-Issuer as lessor or lender under any Lease or Loan, (f) amounts on deposit in the Exchange Account and not transferred to the Release Account for such Payment Date, (g) any amounts collected by or on behalf of the Issuers or any applicable Co-Issuer as lessor or lender and held in escrow or impound to pay future obligations due under a Lease or Loan, as applicable, (h) amounts received in connection with a Voluntary Prepayment and (i) amounts received in connection with a Series Collateral Release that are not required to be deposited into the Release Account.

“**Back-Up Fee**”: With respect to each Loan and Owned Property, the monthly fee payable to the Back-Up Manager pursuant to Section 3.09(f) in an amount equal to the product of (i) the Back-Up Fee Rate and (ii) the aggregate Allocated Loan Amount of all Owned Properties and Loans in the Collateral Pool as of the related Determination Date.

“**Back-Up Fee Rate**”: With respect to each Property, a monthly rate equal to the product of (i) one-twelfth and (ii) 0.0100%.

“**Back-Up Manager**”: As defined in the preamble.

“**Back-Up Servicing Transfer Date**”: As defined in Section 6.03(c).

“**Bankruptcy Code**”: The federal Bankruptcy Code of 1978, Title 11 of the United States Code, as amended from time to time.

“**Borrower**”: The obligor or obligors on a Mortgage Note, including any Person that has acquired the related Collateral and assumed the obligations of the original obligor under the Mortgage Note.

“**Collateral Defect**”: As defined in Section 2.04(a).

“**Collateral Value**”: As of any date of determination (i) with respect to each Owned Property, such Property’s Appraised Value and (ii) with respect to each Loan, the lesser of (1) the Appraised Value of the related Underlying Mortgaged Property or Underlying Mortgaged Properties and (2) the outstanding principal balance of such Loan.

“**Collection Account**”: As defined in Section 3.02(d) hereof.

“**Collection Account Bank**”: As defined in Section 3.02(d) hereof.

“**Collection Period**”: With respect to any Payment Date, the period commencing on the day immediately following the Determination Date in the month immediately preceding the month in which such Payment Date occurs (or, in the case of the initial Payment Date, commencing on the Initial Closing Date) and ending on (and including) the Determination Date related to such Payment Date.

“**Condemnation**”: As defined in Section 3.20(a) hereof.

“**Condemnation Proceeds**”: As defined in Section 3.20(a) hereof.

“**Consolidated**” (or “**consolidated**”) or “**Consolidating**” (or “**consolidating**”): When used with reference to any financial term in this Agreement, the aggregate for two or more Persons of the amounts signified by such term for all such Persons determined on a consolidated basis in accordance with GAAP.

“**Corrected Unit**”: Any Property or Loan that had been a Specially Managed Unit but with respect to which (a) as of the date of determination, no circumstance identified in clauses (i) through (v) of the definition of the term “Specially Managed Unit” then exists and (b) one or more of the following as are applicable occur:

(i) if a circumstance described in clause (i) of the definition of the term “Specially Managed Unit” previously existed with respect to such Property or Loan, such condition shall have ceased to exist and (A) the related Tenant or Borrower has made two consecutive full and timely Monthly Lease Payments or Monthly Loan Payments under the terms of the related Lease or Loan (as such terms may be changed or modified in connection with a bankruptcy or similar proceeding involving the related Tenant or Borrower or by reason of a modification, waiver or amendment granted or agreed to by the Special Servicer) or (B) with respect to a Lease, such Lease has been terminated and the related Owned Property has been re-leased;

(ii) if a default described in clause (ii) of the definition of the term “Specially Managed Unit” previously existed with respect to such Property or Loan, such default is cured in the good faith and reasonable judgment of the Special Servicer;

(iii) if a circumstance described in clause (iii) of the definition of the term “Specially Managed Unit” previously existed with respect to such Property or Loan, such circumstances cease to exist in the good faith and reasonable judgment of the Special Servicer;

(iv) if a circumstance described in clause (iv) of the definition of the term “Specially Managed Unit” previously existed with respect to such Property or Loan, such default is cured; and

(v) if a circumstance described in clause (v) of the definition of the term “Specially Managed Unit” previously existed with respect to such Property or Loan, such circumstances no longer exist.

“**Credit Risk**”: As defined in Section 7.06.

“**CRR**”: Articles 404 to 410 of the European Union Capital Requirements Regulation (Regulation (EU) No 575/2013).

“**Cure Party**”: (i) For so long as SCF Realty Capital is the Property Manager, the Property Manager or (ii) if SCF Realty Capital is not the Property Manager, the applicable Issuer.

“**Custody Agreement**”: The Custody Agreement, dated as of the Initial Closing Date, among the Issuers, the Indenture Trustee, the Custodian and each joining party thereto, as amended, restated, supplemented or otherwise modified from time to time.

“**Default Interest**”: With respect to any (i) Lease, any amounts collected thereon (other than late payment charges or amounts representing the Third Party Option Price paid by the related Tenant or any third party) that represent penalty interest accrued at the rate specified in such Lease and (ii) Loan, any amounts collected thereon (other than late payments, late payment charges or Yield Maintenance Premiums) that represent penalty interest in excess of interest on the principal balance of such Loan accrued at the related Interest Rate.

“**Defaulted Asset**”: Any Lease or Loan in the Collateral Pool that has experienced a default (other than a delinquency in respect of such Lease or Loan that constitutes a Delinquent Asset) that materially and adversely affects the interests of the Issuers and that continues unremedied for the applicable grace period under the terms of such Lease or Loan (or if no grace period is specified, for 30 days).

“**Defaulting Party**”: As defined in Section 6.02(a).

“**Delayed Proceeds**”: As defined in Section 7.10(d).

“**Delinquent Asset**”: Any Lease or Loan in the Collateral Pool (other than a Defaulted Asset) with respect to which any Monthly Lease Payment or Monthly Loan Payment, as applicable, becomes delinquent more than 60 consecutive days (without taking into account the required giving of notices under such Lease or Loan) and which Lease or Loan has not been rejected in any bankruptcy, insolvency or similar proceeding.

“**Determination Date Report**”: As defined in Section 4.01(a).

“**Direct Purchase Assets**”: Any Lease, Loan or Owned Property acquired by an Issuer from a third-party unaffiliated with SCF Realty Capital.

“**Disbursement Occurrence**”: As defined in the Master Exchange Agreement.

“**Due Date**”: With respect to any Loan or Lease, the day of each calendar month on which the Monthly Loan Payment or Monthly Lease Payment, as applicable, with respect thereto is due.

“**Emergency Property Expenses**”: As defined in Section 3.03(e).

“**Environmental Insurer**”: Any Qualified Insurer that issues Environmental Policies relating to any of the Loans or Properties.

“**Environmental Policy**”: Any insurance policy issued by an Environmental Insurer, together with any endorsements thereto, providing insurance coverage for losses, with respect to certain Loans or Properties, caused by the presence of Hazardous Substances on, or the migration of Hazardous Substances from, the related Properties.

“**Escrow Agent**”: Investment Property Exchange Services, Inc., in its capacity as Escrow Agent under the Escrow Agreement, and its permitted successors and assigns.

“**Escrow Agreement**”: The Escrow Agreement, dated as of July 11, 2017, among the Escrow Agent, the Qualified Intermediary, SCF Realty Capital, the Issuers and any joining party thereto, as amended, restated, supplemented or otherwise modified from time to time.

“**Escrow Payment**”: Any payment received by the Property Manager or the Special Servicer for the account of any Tenant or Borrower or otherwise deposited in the Servicing Account for application toward the payment of real estate taxes, assessments, insurance premiums, ground rents (if applicable) and similar items in respect of the related Property.

“**ERA Transfer Date**”: As defined in Section 7.10(d).

“**Excess Exchange Amounts**”: As of any date, an amount equal to the greater of: (i) (x) all Relinquished Property Proceeds on deposit in the Exchange Account as of such date minus (y) the Exchange Threshold; and (ii) zero.

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“ **Exchange** ”: As defined in the Master Exchange Agreement.

“ **Exchange Account** ”: As defined in the Master Exchange Agreement.

“ **Exchange Cash Collateral** ”: As defined in Section 7.10(b).

“ **Exchange Commencement Date** ”: As defined in the Master Exchange Agreement.

“ **Exchange Reserve Account** ”: As defined in Section 7.10(a).

“ **Exchange Threshold** ”: As of any Determination Date, an amount equal to the lesser of (i) \$10,000,000 and (ii) 2.0% of the Aggregate Collateral Value as of such Determination Date.

“ **Exchanged Assets** ”: Collectively, all Exchanged Loans and Exchanged Properties.

“ **Exchanged Loan** ”: A Loan that is exchanged for a Qualified Substitute Property or Qualified Substitute Loan, in each case, in a transaction with SCF Realty Capital or one of its Affiliates, an SCF SPE or a third party and subject to the conditions and limitations described in this Agreement.

“ **Exchanged Property** ”: A Property and the related Lease that is exchanged for a Qualified Substitute Property in a transaction with SCF Realty Capital or one of its Affiliates, an SCF SPE or a third party and subject to the conditions and limitations described in this Agreement.

“ **Excess Proceeds** ”: As defined in Section 3.02(f).

“ **Fair Market Value** ”: At any time, a price determined by the Property Manager (or by the Special Servicer with respect to a Specially Managed Unit) in accordance with the Servicing Standard to be the most probable price that the related Lease, Loan or Property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus, plus any unreimbursed Advances, Emergency Property Expenses, Liquidation Fees, Workout Fees, Special Servicing Fees and Extraordinary Expenses (plus interest thereon as applicable), in each case related to such Lease, Loan or Property. In making any such determination, the Property Manager or Special Servicer may obtain an MAI certified appraisal of the related Property and shall assume the consummation of a sale as of a specified date (and, with respect to Owned Properties, the passing of title from seller to buyer) under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for such Lease, Loan or Property unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

“**Financing Statement**”: One or more financing statements filed or recorded or in a form suitable for filing and recording under the UCC.

“**FIRREA**”: The Financial Institutions Reform, Recovery and Enforcement Act of 1989.

“**Fixed Charge Coverage Ratio**” or “**FCCR**”: The fixed charge coverage ratio for a Tenant determined in accordance with the provisions of Exhibit I attached hereto.

“**GAAP**”: Generally accepted accounting principles as in effect in the United States, consistently applied, as of the date of such application.

“**General Receipts Account**”: As defined in Section 3.02(b).

“**General Receipts Account Bank**”: As defined in Section 3.02(b).

“**Ground Lease**”: With respect to any Property, the lease agreement, if any, between the Ground Lessor thereof and the applicable Issuer with respect to the land comprising such Property.

“**Ground Lessor**”: The fee owner (or intermediate lessor) of the land with respect to any Property which is subject to a Ground Lease.

“**Hazardous Substances**”: As defined in Section 3.23(a).

“**Improvements**”: As defined in the granting clause of the related Mortgage with respect to each Mortgaged Property.

“**Indenture**”: The Amended and Restated Master Indenture, dated as of July 11, 2017, among the Issuers and the Indenture Trustee, and any supplement thereto relating to the issuance of any series of Notes, including all amendments and supplements thereto.

“**Indenture Trustee**”: As defined in the preamble.

“**Independent**”: When used with respect to any specified Person, any such Person who (i) is not an Issuer, an Issuer Member, the Indenture Trustee, the Property Manager, the Special Servicer or an Affiliate thereof, (ii) does not have any direct financial interest in or any material indirect financial interest in any of the Issuers, the Issuer Members, the Indenture Trustee, the Property Manager, the Special Servicer or any of their respective Affiliates, and (iii) is not connected with the Issuers, the Issuer Members, the Indenture Trustee, the Property Manager, the Special Servicer or any of their respective Affiliates as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions; provided, however, that a Person shall not fail to be Independent of the Issuers, the Issuer Members, the Indenture Trustee, the Property Manager, the Special Servicer or an Affiliate thereof merely because such Person is the beneficial owner of 1% or less of any class of securities issued by any Issuer, any Issuer Member, the Indenture Trustee, the Property Manager, the Special Servicer or an Affiliate thereof, as the case may be.

“**Insurance Proceeds**”: As defined in Section 3.19.

“**Insured Casualty**”: As defined in Section 3.19.

“**Interest Accrual Period**”: With respect to each Due Date related to any Loan, the period specified in the related Loan Documents.

“**Interest Rate**”: With respect to any Loan, the annualized rate at which interest is scheduled (in the absence of a default) to accrue on such Loan from time to time during any Interest Accrual Period in accordance with the related Mortgage Note and applicable law, as such rate may be modified in accordance with this Agreement or in connection with a bankruptcy, insolvency or similar proceeding involving the related Borrower.

“**Issuance Date**”: With respect to any Series of Notes, the applicable Series Closing Date.

“**Joinder Agreement**”: With respect to any Series of Notes, the Joinder Agreement, dated as of the applicable Series Closing Date, among the applicable Joining Party, the Property Manager, the Special Servicer, the Indenture Trustee and the Back-Up Manager, substantially in the form of Exhibit F attached hereto.

“**Joining Party**”: Any SCF SPE, as indicated in the applicable Joinder Agreement.

“**Land and Building Lease**”: A lease pursuant to which land, buildings and other Improvements are leased by a Tenant from the related land and building lessor.

“**Lease**”: Each lease listed on the Owned Property Schedule from time to time. As used herein and in the other Transaction Documents, the term “Lease” includes the related lease agreement and all amendments, modifications and waiver agreements related thereto.

“**Lease Documents**”: Any related lease agreement, non-disturbance agreement, guaranty or other agreement or instrument, to the extent made for the benefit of the related Originator.

“**Lease Expiration Date**”: With respect to any Lease, the date specified in such Lease (as in effect on the Initial Closing Date or, if later, the date such Lease was first included in the Collateral Pool) on which the term of the Lease expires or such earlier date on which the Tenant has an option to terminate the Lease (as in effect on the Initial Closing Date or, if later, the date such Lease was first included in the Collateral Pool), without regard to any unexercised options to renew or extend such Lease or change in or modification of such terms in connection with a bankruptcy or similar proceeding involving the related Tenant or a modification, waiver, extension or amendment of such Lease granted or agreed to by the Special Servicer pursuant to Section 3.16.

“**Lease File**”: With respect to each Property and the related Lease, the following documentation:



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- (i) the executed original or a copy of the Lease;
  - (ii) the executed original or a copy of any Lease Guaranty of the Lease and any amendment, modification, waiver agreement or instrument related thereto;
  - (iii) copies of any Financing Statements filed under the UCC relating to the Lease and any amendments and continuation statements, if any;
  - (iv) the executed original recorded Mortgage and any assignment thereof in favor of the Indenture Trustee with respect to the related Owned Property or a complete copy thereof delivered by the related Originator or the related Issuer or any applicable title company that closed or is closing such Mortgage as a true and complete copy of the original thereof submitted for recording (which delivery shall be deemed to be a certification by such Originator and such Issuer that such copy is a true and complete copy of the original submitted for recording);
  - (v) an original or copy of the lender's title insurance policy relating to the Mortgage for such Owned Property, together with all riders thereto showing the Indenture Trustee and its successors and assigns as the named insured; or, with respect to each Owned Property as to which a title insurance policy has not yet been issued, a policy meeting the foregoing description as evidenced by either a commitment for title insurance "marked up" by the title company or a proforma title policy which the title company has agreed to issue pursuant to an email from the title company or pursuant to a closing instruction letter or email setting forth such requirements of the lender's title insurance policy; provided, that such email or closing instruction letter shall not be part of the Lease File or be included in the Custodian Inventory List;
  - (vi) a Tenant estoppel certificate, if any, to the extent in the possession of the related Issuer or the related Originator, in which the Tenant acknowledges that the Lease is in full force and effect, that the lessor is not in default under the terms of the Lease, and that no circumstances currently exist that would give the Tenant the right to abate or offset its rent;
  - (vii) a copy of the appraisal (whether in hard copy, electronic copy or CD ROM format) containing the appraisal information for such Owned Property;
  - (viii) Environmental Reports, if applicable;
  - (ix) a copy of the environmental insurance policy, if applicable, together with the original assignment thereof to the Indenture Trustee;
  - (x) evidence of insurance showing the related Issuer or its affiliate as the insured or an additional insured party under certain casualty insurance policies, if any;
  - (xi) with respect to any Lease to a franchisee, a copy of the related franchise agreement, to the extent in the possession of the related Issuer or the related Originator;
  - (xii) any purchase option agreements, to the extent not included in the Lease;

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- (xiii) a survey of the Owned Property;
  - (xiv) a property condition report, if applicable;
  - (xv) any property zoning reports;
  - (xvi) the related ground lease, if any, and any amendment, modification, waiver agreement or instrument relating thereto, together with the applicable ground lessor estoppel;
  - (xvii) with respect to any ground lease, an assignment of ground lease, if any, and a non-disturbance agreement from the ground lessor and the fee mortgagee, if any;
  - (xviii) all original letters of credit, if any; and
  - (xix) a checklist of the foregoing documents;

provided, that (x) no assignment of any of the foregoing documents in favor of the Indenture Trustee shall be considered to be effective until the applicable Series Closing Date, notwithstanding any earlier date on any such assignment, (y) whenever the term “Lease File” is used to refer to documents actually received by the Custodian pursuant to this Agreement or the Custody Agreement, such term shall not be deemed to include such documents required to be included therein unless they are actually so received and (z) whenever the term “Lease File” is used in connection with any receipt or certification by the Custodian for documents described in clauses (ii), (vi), (ix), (xi), (xv), (xvi), (xvii), (xviii) and (xix) of this definition, such term shall be deemed to include such documents and any amendment, modification, waiver, agreement or instrument related thereto, only to the extent that a Responsible Officer of the Custodian has actual knowledge of their existence.

“**Lease Guarantor**”: Any guarantor under any Lease Guaranty.

“**Lease Guaranty**”: With respect to any Lease, the guaranty related to such Lease executed by an Affiliate or parent of the Tenant in favor of the lessor.

“**Lease Security Deposits**”: The meaning specified in Section 3.02(g).

“**Lease Transfer Property**”: As defined in Section 7.03.

“**Leasehold Property**”: A Property for which an Issuer (or the applicable Borrower, in the case of an Underlying Mortgaged Property) does not own fee title to the related property, but instead has entered into a ground lease with the owner of the property and therefore possesses a leasehold estate in such property, along with title to the buildings and other improvements located on such property.

“**Liquidated Lease**”: A Defaulted Asset that is a Lease with respect to which the related Property has been either re-leased or sold, or any Lease related to a Property purchased from the applicable Issuer or disposed of by such Issuer pursuant to an exchange, whether or not terminated because of a default by the Tenant.

“**Liquidation Fee**”: A liquidation fee payable to the Special Servicer with respect to (i) each Loan, Lease or Property repurchased by the Issuers or the Support Provider due to a Collateral Defect if purchased after the applicable cure period, and shall equal the product of (a) the repurchase price with respect to any such repurchase and (b) the Liquidation Fee Rate, (ii) any Specially Managed Unit as to which the Special Servicer obtains a full, partial or discounted payoff for some or all of the Allocated Loan Amount of the Owned Property from the related Tenant or Loan from the related Borrower, and shall equal the product of (a) the amount of such payoff and (b) the Liquidation Fee Rate, or (iii) any Specially Managed Unit or REO Property as to which the Special Servicer recovered any Liquidation Proceeds, and shall equal the product of (i) the amount of such Liquidation Proceeds and (ii) the Liquidation Fee Rate; provided, that no Liquidation Fee will be payable from any Liquidation Proceeds collected in connection with the purchase of any Specially Managed Unit related to a Specially Managed Unit by the Property Manager or the Special Servicer.

“**Liquidation Fee Rate**”: A percentage equal to 0.50%.

“**Liquidation Proceeds**”: (i) All cash proceeds and all other amounts (other than Insurance Proceeds and REO Revenues) received by the applicable Issuer, the Property Manager, or the Special Servicer and retained in connection with the liquidation of any Loan, Lease or Property which is (or relates to) a Defaulted Asset; (ii) all cash proceeds and all other amounts (other than Insurance Proceeds and REO Revenues) from the release or substitution of any Loan or Property other than to the extent deposited into the Release Account; (iii) all proceeds from the investment of funds on deposit in the Release Account; and (iv) all cash proceeds from the release or substitution of any Loan or Property transferred from the Release Account to the Collection Account pursuant to Section 7.01(e).

“**Loan**”: Each fixed- and adjustable-rate, monthly pay, first lien, commercial loan, as listed on the Loan Schedule and from time to time included in the Collateral Pool.

“**Loan Documents**”: With respect to each of the Loans, the related loan agreement, if any, and Mortgage Note, and any related Mortgage, Ground Lease or Land and Building Lease, as applicable, Loan Guaranty or other agreement or instrument, to the extent made for the benefit of the related lender or holder of the Mortgage Note.

“**Loan File**”: With respect to each Loan the following documentation:

(i) the original Mortgage Note endorsed, without recourse, to the order of the Indenture Trustee or in blank and bearing all intervening endorsements;

(ii) the original of the Mortgage and, if applicable, the originals of any intervening recorded assignments thereof showing a complete chain of assignment from the Originator of the Loan to the most recent assignee of record thereof, if any, in each case with evidence of recording indicated thereof or, if any such original Mortgage or assignment has not been returned from the applicable public recording office, a copy thereof as a true and complete copy of the original thereof submitted for recording (which delivery shall be deemed to be a certification by such Originator and such Issuer that such copy is a true and complete copy of the original submitted for recording);

(iii) originals or copies of any other documents related to the Loan (other than the Mortgage Note and Mortgage described in clauses (i) and (ii) above) and copies of any related Financing Statements filed under the Uniform Commercial Code as in effect in any jurisdiction, if any, together with originals or copies of any intervening assignments of such Loan Documents and Financing Statements, with evidence of filing indicated on each such Financing Statement and assignment thereof;

(iv) original letters of credit, if any;

(v) an original assignment of the related Mortgage, in favor of the Indenture Trustee and in recordable form, to the extent applicable;

(vi) an original omnibus assignment of the documents related to the Loan (other than the Mortgage described in clause (v) above) in favor of the Indenture Trustee (or in blank), together with original assignments of any related Financing Statements in favor of the Indenture Trustee and in a form suitable for filing;

(vii) originals or copies of all assumption, modification and substitution agreements in those instances where the terms of any related loan document have been modified or the Loan has been assumed, together with any evidence of recording thereon or that such document has been submitted for recording, when appropriate;

(viii) originals or copies of all ground leases, if any, the related ground lease estoppels and amendments thereof;

(ix) the original or a copy of the lender's title insurance policy, together with all endorsements or riders (or copies thereof) that were issued with or subsequent to the issuance of such policy, insuring the priority of the Mortgage as a first lien on the Underlying Mortgaged Property or, with respect to each Loan as to which a title insurance policy has not yet been issued, a policy meeting the foregoing description as evidenced by a commitment for title insurance "marked up" together with a closing instruction letter setting forth such requirements of the lender's title insurance policy (or by "pro-forma" otherwise agreed to by the title company) as of the closing date of the Loan;

(x) a copy of any tenant estoppel certificate, if available;

(xi) a copy of the appraisal (whether in hard copy, electronic copy or CD-ROM format) containing the appraisal information for the related Underlying Mortgaged Property;

(xii) copies of Environmental Reports, if applicable;

(xiii) a copy of any environmental insurance policy, if applicable, together with the original assignment thereof to the Indenture Trustee;

(xiv) a checklist of the foregoing documents; and

(xv) evidence of insurance showing the applicable Issuer or its affiliate as the insured or an additional insured party under certain casualty insurance policies, if any; provided, that (x) no assignment of any of the foregoing documents in favor of the Indenture Trustee shall be considered to be effective until the applicable Series Closing Date, notwithstanding any earlier date on any such assignment, (y) whenever the term “Loan File” is used to refer to documents actually received by the Custodian pursuant to this Agreement or the Custody Agreement, such term shall not be deemed to include such documents required to be included therein unless they are actually so received and (z) whenever the term “Loan File” is used in connection with any receipt or certification by the Indenture Trustee for documents described in clauses (ii), (xii), (xiii), (xiv) and (xv) of this definition, such term shall be deemed to include such documents and any amendment, modification, waiver, agreement or instrument related thereto, only to the extent that a Responsible Officer of the Custodian has actual knowledge of their existence.

“**Loan Guarantor**”: Any guarantor under a Loan Guaranty.

“**Loan Guaranty**”: With respect to any Loan, the guaranty related to such Loan executed by an Affiliate or parent of the Borrower in favor of an Issuer.

“**Loan Schedule**”: The list of Loans identified on an exhibit or schedule to each applicable Series Supplement in connection with the issuance of a related Series of Notes. Such list shall set forth the following information with respect to each Loan:

- (i) the identification number for the related Property;
- (ii) the street address (including city, state and zip code) of the related Property;
- (iii) the related Issuer loan number and name of Borrower;
- (iv) the Appraised Value of the related Property;
- (v) the Loan’s maturity date, if applicable;
- (vi) the concept of the related Property; and
- (vii) the Allocated Loan Amount.

“**Lockbox Transfer Account**”: As defined in Section 3.02(c).

“**Lockbox Transfer Account Bank**”: As defined in Section 3.02(c).

“**MAI**”: A designation signifying that the designee is a member of the Appraisal Institute.

“**Master Exchange Agreement**”: The Master Exchange Agreement, dated as of July 11, 2017, among the Issuers, SCF Realty Capital, the Qualified Intermediary, and the QI Owner, as amended, restated, supplemented or otherwise modified from time to time.

“**Master Lease FCCR**”: The aggregate FCCR for all Owned Properties under a Master Lease, which includes the sum of all cash flows for all of the Owned Properties under that Master Lease.

“**Midland**”: Midland Loan Services, a division of PNC Bank, National Association.

“**Modified Collateral Detail and Realized Loss Report**”: As defined in Section 4.01(c).

“**Monthly DSCR**”: With respect to any Determination Date, the quotient, expressed as a ratio, of (i) the sum of all Monthly Lease Payments, Monthly Loan Payments and any income earned from the investment of funds on deposit in the Collection Account and the Release Account in Permitted Investments during the related Collection Period, and (ii) the Total Debt Service for the related Payment Date; provided, that with respect to the initial Collection Period for any Series, the amount in clause (i) above will include the Property Manager’s good faith estimate (in accordance with the Servicing Standard) of what such amount would have been if such first Collection Period had commenced on the day immediately after the Determination Date in the month immediately preceding the first Payment Date, based on amounts actually received by the Property Manager during the initial Collection Period. For purposes of determining the Monthly DSCR, the Total Debt Service will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

“**Monthly Lease Payment**”: With respect to any Lease, the fixed or “base” rent monthly payment that is actually payable by the related Tenant from time to time under the terms of such Lease (excluding any Percentage Rent), after giving effect to any provision of such Lease providing for periodic increases in such fixed or “base” rent by fixed percentages or dollar amounts or by percentages based on increases in the Consumer Price Index.

“**Monthly Loan Payment**”: With respect to any Loan, the scheduled monthly payment of principal and interest on such Loan that is or would be, as the case may be, payable by the related Borrower on each Due Date under the terms of the related Mortgage Note as in effect on the applicable Series Closing Date or, if otherwise applicable, such date such Loan was first included in the Collateral Pool, without regard to any subsequent change in or modification of such terms in connection with a bankruptcy or similar proceeding involving the related Borrower or a modification, waiver or amendment of such Loan granted or agreed to by the Special Servicer pursuant to this Agreement, and assuming that each prior Monthly Loan Payment has been made in a timely manner.

“**Mortgage Note**”: The original executed note evidencing the indebtedness of a Borrower under a Loan, together with any rider, addendum or amendment thereto, or any renewal, substitution or replacement of such note.

“**NAICS**”: The North American Industry Classification System developed to classify establishments by the type of activity in which they were primarily engaged and to promote the comparability of establishment data describing various facets of the U.S. economy.

“**Net Default Interest**”: With respect to any (i) Lease, any Default Interest collected thereon, net of any Advance Interest accrued on Advances made in respect of such Lease and reimbursable from such Default Interest in accordance with Section 2.11 of the Indenture and (ii) Loan, any Default Interest collected thereon, net of any Advance Interest accrued on Advances made in respect of such Loan and reimbursable from such Default Interest in accordance with Section 2.11 of the Indenture.

“**Net Investment Earnings**”: The amount by which the aggregate of all interest and other income realized during a Collection Period on funds held in the Collection Account, Release Account and any other accounts established under the Indenture from time to time, if any, exceeds the aggregate of all losses, if any, incurred during such Collection Period in connection with the investment of such funds in accordance with Section 3.05.

“**Net Worth**”: With respect to any entity means the difference between (i) the fair market value of such entity’s assets determined in accordance with GAAP, but excluding accumulated depreciation, and (ii) such entity’s liabilities determined in accordance with GAAP.

“**Non-Renewal Risk**”: As defined in Section 7.06.

“**Nonrecoverable Advance**”: Any portion of an Advance previously made or proposed to be made which, in the case of an Advance previously made, has not been previously reimbursed to the Property Manager or the Indenture Trustee, as applicable, and which the Property Manager, in accordance with the terms hereof, or the Indenture Trustee, in its sole discretion exercised in good faith, as applicable, determines, taking into account amounts that may be collected or realized on such Loans, Properties or Leases prior to final liquidation and Liquidation Proceeds, will not, or, in the case of a proposed Advance, would not, be ultimately recoverable together with interest thereon at the Reimbursement Rate from amounts to be deposited in the Collection Account under the terms of this Agreement with respect to such Loans, Properties or Leases (including, without limitation, payments by the Tenants and Borrowers and collections under the related Leases and Loans, Default Interest and late payment fees, Insurance Proceeds, Condemnation Proceeds, Liquidation Proceeds, and proceeds from the operation and servicing of such Properties, Leases and Loans), as evidenced by an Officer’s Certificate pursuant to Section 3.03(f). In making any determination as to nonrecoverability pursuant to the provisions of the Transaction Documents following the occurrence and continuance of an event of default under the Indenture, the Property Manager (including the Back-Up Manager, as successor Property Manager, and the Indenture Trustee, as applicable) may consider the limitations on its enforcement remedies.

“**Officer’s Certificate**”: A certificate signed by a Servicing Officer of the Property Manager or the Special Servicer or a Responsible Officer of the Indenture Trustee or SCF Realty Capital on behalf of an Issuer, as the case may be, and with respect to any other Person, a certificate signed by the Chairman of the Board, the President, a Vice President or Assistant Vice President, the Treasurer, the Secretary, or one of the Assistant Treasurers or Assistant Secretaries of such Person.

“**Opinion of Counsel**”: A written opinion of counsel (which shall be rendered by counsel that is Independent of the Issuers, the Issuer Members, the Indenture Trustee, the Property Manager and the Special Servicer) in form and substance reasonably acceptable to and delivered to the addressees thereof.

“**Owned Property**”: Each parcel of real property listed on the Owned Property Schedule and from time to time included in the Collateral Pool.

“**Owned Property Schedule**”: The list of Owned Properties and related Leases identified on an exhibit or schedule to each applicable Series Supplement in connection with the issuance of a related Series of Notes. Such list shall set forth the following information with respect to each Lease:

- (i) the identification number for the Property;
- (ii) the related Issuer lease number and name of the related Tenant;
- (iii) the Lease Expiration Date for such Lease;
- (iv) the street address (including city, state and zip code) of such Property;
- (v) the Appraised Value of such Property;
- (vi) the concept operated on such Property; and
- (vii) the Allocated Loan Amount.

“**P&I Advance**”: Any advance of principal and/or interest made by the Property Manager or the Indenture Trustee, as applicable, pursuant to Section 3.03. Each reference to reimbursement or payment of a P&I Advance shall be deemed to include, whether or not specifically referred to, payments or reimbursement of interest thereon at the Reimbursement Rate through the date of payments or reimbursement.

“**Payoff Amount**”: With respect to any Released Loan or Released Property released or sold due to a Collateral Defect, an amount equal to the Collateral Value of such Released Loan or Released Property, plus any unpaid Monthly Loan Payments or Monthly Lease Payments, as applicable, and any unreimbursed Advances, Emergency Property Expenses, Liquidation Fees, Workout Fees, Special Servicing Fees, Issuer Expenses, Back-Up Fees, Extraordinary Expenses and any fees and expenses incurred in connection with such release (in each case, plus interest thereon as applicable), in each case related to such Released Loan or Released Property or the related Lease.

“**Percentage Rent**”: With respect to any Lease, the rent thereunder, if any, calculated as a percentage of the total sales generated by the related Tenant at the related Property in excess of or in lieu of, as applicable the Monthly Lease Payments as provided in the applicable Lease.



“**Permitted Leases**”: Those Leases referenced on the Owned Property Schedule and any other Leases entered into in accordance with the terms and conditions of the Indenture and this Agreement.

“**Permitted Materials**”: Hazardous Substances used or generated by any Tenant or Borrower in the ordinary course of business and treated in accordance with applicable Environmental Laws.

“**Primary Servicing Office**”: (i) With respect to the Property Manager or the Special Servicer, the office of the Property Manager or the Special Servicer, as the context may require, that is primarily responsible for such party’s servicing obligations hereunder and (ii) with respect to the Back-Up Manager, the office of the Back-Up Manager, as the context may require, that is primarily responsible for such party’s servicing obligations hereunder.

“**Prime Rate**”: The “prime rate” published in the “Money Rates” section of *The Wall Street Journal*, as such “prime rate” may change from time to time. If *The Wall Street Journal* ceases to publish the “prime rate,” then the Indenture Trustee shall select an equivalent publication that publishes such “prime rate”; and if such “prime rate” is no longer generally published or is limited, regulated or administered by a governmental or quasi-governmental body, then the Indenture Trustee shall select a comparable interest rate index. In either case, such selection shall be made by the Indenture Trustee in its sole discretion and the Indenture Trustee shall notify the Property Manager and the Special Servicer in writing of its selection.

“**Property**” or “**Properties**”: An Owned Property and/or an Underlying Mortgaged Property, as the context may require.

“**Property Insurance Policy**”: With respect to any Loan and/or Property, any hazard insurance policy, flood insurance policy, or other insurance policy that is maintained from time to time in respect of such Loan and/or Property (including, without limitation, any blanket insurance policy maintained by or on behalf of the applicable Issuer.

“**Property Management Fee**”: With respect to each Loan and each Property owned by an Issuer, the monthly fee payable to the Property Manager pursuant to Section 3.09(a) in amount equal to the product of (i) the Property Management Fee Rate and (ii) the aggregate Allocated Loan Amount (as of the related Determination Date) of all Loans and Properties in the Collateral Pool that did not relate to Specially Managed Units during the related Collection Period.

“**Property Management Fee Rate**”: With respect to each Lease and Loan, a monthly rate equal to the product of (i) one-twelfth and (ii) 0.25%.

“**Property Manager**”: SCF Realty Capital, in its capacity as property manager under this Agreement, or any successor property manager appointed as herein provided.

“**Property Manager Additional Servicing Compensation**”: The additional servicing compensation payable to the Property Manager pursuant to Section 3.09(b).

“**Property Protection Advance**”: With respect to the Leases, the Loans and the Properties:

(i) All customary, reasonable and necessary out-of-pocket costs and expenses incurred by the Property Manager (or, if applicable, the Back-Up Manager), in connection with servicing the Leases, the Properties and the Loans, in accordance with the Servicing Standard and this Agreement, for the purpose of paying real estate taxes, premiums on Property Insurance Policies (not already paid pursuant to Section 2.11 of the Indenture, as confirmed by the applicable Issuer), in the case of Leasehold Properties, payments required to be made under the related ground leases and other amounts necessary to preserve or maintain the security interest and lien of the Indenture Trustee in, and value of, each related Property (including any costs and expenses necessary to re-lease such Property), Lease or Loan (including costs and expenses related to collection efforts), including, but not limited to, amounts incurred by the Property Manager to (a) repair, or make improvements to, a Property in order to re-lease such Property or to induce a Tenant to extent, modify and/or renew the related Lease, and/or (b) provide to an existing or proposed Tenant a tenant allowance to enable such existing or proposed Tenant to repair, or make improvements to, a Property in connection with a new Lease or the extension, modification and/or renewal of an existing Lease; and

(ii) all customary, reasonable and necessary out-of-pocket costs and expenses incurred by the Property Manager, the Back-Up Manager or Special Servicer in connection with the servicing of a Loan after a default, delinquency or other unanticipated event, or in connection with the administration of any REO Property, including, but not limited to, the cost of (a) the preservation, insurance, restoration, protection and management of any Collateral, including the cost of any “force placed” insurance policy purchased by the Property Manager to the extent such cost is allocable to a particular item of Collateral that the Property Manager is required to cause to be insured pursuant to Section 3.06, (b) obtaining any Liquidation Proceeds (insofar as such Liquidation Proceeds are of the nature described in the definition thereof) or Insurance Proceeds in respect of any Collateral or REO Property, (c) any enforcement of judicial proceedings with respect to any Collateral, including foreclosures, and (d) the operation, management, maintenance and liquidation of any REO Property. Notwithstanding anything to the contrary, “Property Protection Advances” shall not include allocable overhead of the Property Manager or the Special Servicer, such as costs for office space, office equipment, supplies and related expenses, employee salaries and related expenses and similar internal costs and expenses.

“**QI Owner**”: IPX1031 LLC and its permitted successors and assigns.

“**Qualified Insurer**”: An insurance company or security or bonding company qualified to write the related Property Insurance Policy in the relevant jurisdiction, which company has a claims-paying ability rated at least “A:VIII” by A.M. Best’s Key Rating Guide.

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“**Qualified Intermediary**”: SCF Exchange LLC, a Delaware limited liability company.

“**Qualified Substitute Loan**”: Any commercial real estate loan, acquired by an Issuer in substitution for an Exchanged Loan or with the proceeds (or a portion thereof) from the sale of a Released Loan and which, as of the date of the acquisition thereof (i) is secured by a Qualified Underlying Property, (ii) has a Collateral Value not less than the Collateral Value of the Released Loan or Exchanged Loan, as applicable (iii) has an Interest Rate not less than such Released Loan or Exchanged Loan, (iv) complies with all of the representations and warranties originally made with respect to such Released Loan or Exchanged Loan under the Indenture (with each date therein referring to the date of substitution), (v) pays interest and, if applicable, principal on a monthly basis, (vi) has a maturity date that is not earlier than the related Released Loan or Exchanged Loan, and (vii) if such Released Loan or Exchanged Loan is a balloon Loan, has a balloon payment that is not more than 5% larger than such Released Loan’s or Exchanged Loan’s balloon payment.

“**Qualified Substitute Property**”: An Owned Property acquired by an Issuer (A) in substitution for any Exchanged Property or Exchanged Loan that, on the date of such substitution, (i) has a Collateral Value that, when combined with the Collateral Value of all other Qualified Substitute Properties and Qualified Substitute Loans to be acquired by the Issuers on such date of substitution, is at least equal to the sum of (1) the Fair Market Value of all Exchanged Properties and (2) the Collateral Value of all Exchanged Loans on the date of substitution, (ii) complies, in all material respects, with all of the representations and warranties made with respect to Owned Properties under the Indenture (with each date therein referring to the date of substitution), (iii) has, together with all other Qualified Substitute Properties and Qualified Substitute Loans to be acquired by the Issuers on such date, the same or greater aggregate Monthly Lease Payments and Monthly Loan Payments as the Exchanged Properties and Exchanged Loans, (iv) is leased pursuant to a Lease, that when combined with the Leases of all other Qualified Substitute Properties and the Loans of all other Qualified Substitute Loans to be acquired on such date, has a weighted average remaining term that equals or exceeds the weighted average remaining term of the Leases associated with the Exchanged Properties and the Loans associated with the Exchanged Loans for such date, (v) if the Tenant thereof or any third party has an option to purchase such Qualified Substitute Property, the contractual amount of such Third Party Option Price is not less than what the Allocated Loan Amount of such Qualified Substitute Property would be after giving effect to the substitution of such Property, (vi) when combined with all other Qualified Substitute Properties and Qualified Substitute Loans since the most recent Issuance Date, does not cause the weighted average FCCR of such Qualified Substitute Properties and Qualified Substitute Loans to be less than the weighted average FCCR (measured as of the date of each respective substitution) of all Exchanged Properties and Exchanged Loans since the most recent Issuance Date; provided, however, with respect to no more than 10% of the Aggregate Appraised Value of all Owned Properties, such Qualified Substitute Properties will not be subject to the weighted average FCCR criteria set forth in this clause (vi), but instead will be required to have a minimum FCCR of 2.5 (measured as of the date of each respective substitution), (vii) is leased pursuant to a “triple-net” lease, and (viii) has an appraisal that meets the requirements set forth in the definition of Appraised Value and was obtained no more than twelve (12) months prior to such substitution or (B) with proceeds deposited in the Release Account that, on the date of such acquisition, (i) complies, in all

material respects, with all of the representations and warranties made with respect to Owned Properties under the Indenture (with each date therein referring to the date of acquisition), (ii) is leased pursuant to a Lease that has a remaining term that equals or exceeds the weighted average remaining term of the Leases and Loans associated with the Released Properties and Released Loans, (iii) if the Tenant thereof or any third party has an option to purchase such Qualified Substitute Property, the contractual amount of such Third Party Option Price is not less than what the Allocated Loan Amount of such Qualified Substitute Property would be after being acquired by such Issuer, (iv) is leased to the Tenant who leased the related Released Property or was the Borrower under the Released Loan, or to a different Tenant whose FCCR is greater than or equal to the then-current FCCR, (v) is leased pursuant to a “triple-net” lease and (vi) has an appraisal meeting the requirements set forth in the definition of Appraised Value that was obtained no more than twelve (12) months prior to such substitution.

Notwithstanding the foregoing, with respect to a Risk-Based Substitution, the related Qualified Substitute Property or Qualified Substitute Loan, as applicable, shall not be required to comply with clauses (A) (iv), (v), or (vi) or (B) (ii), (iii) or (iv) above.

“**Qualified Underlying Property**”: Any commercial real estate property securing a Qualified Substitute Loan, which, as of the date of the acquisition of such related Qualified Substitute Loan, (i) has a Fair Market Value or, when combined with the Fair Market Value of all other Qualified Substitute Properties and Qualified Underlying Properties to be acquired on the date of such acquisition as substitution for the related Released Loan or Exchanged Loan, has a Fair Market Value in the aggregate, that is equal to or greater than the Fair Market Value of the Underlying Mortgaged Property that secures the related Released Loan or Exchanged Loan, and (ii) complies with all of the representations and warranties originally made with respect to the Underlying Mortgaged Property securing the related Released Loan or Exchanged Loan under the Indenture (with each date therein referring to the date of substitution).

“**Reimbursement Amounts**”: Any amounts payable by a Tenant to the Property Manager or the related Issuer pursuant to the terms of the related Lease as reimbursement for the payment of taxes or other expenses made by the Property Manager or such Issuer in connection with the Owned Property.

“**Reimbursement Rate**”: The rate per annum applicable to the accrual of Advance Interest, which rate per annum is equal to the Prime Rate plus 3%.

“**Release Account**”: As defined in Section 3.02(f).

“**Release Price**”: With respect to any Released Property or Released Loan, an amount equal to (i) the Third Party Option Price, if the release occurs in connection with any Third Party Purchase Option, (ii) with respect to any Delinquent Asset or Defaulted Asset purchased by the Special Servicer or the Property Manager or any assignee thereof, the greater of (A) the Fair Market Value and (B) one hundred fifteen percent (115%) of the Allocated Loan Amount, (iii) the Payoff Amount with respect to any Released Property or Released Loan released due to a Collateral Defect, (iv) the Fair Market Value for any Released Property or Released Loan sold to a third party, SCF Realty Capital or to SCF SPE or (v) any funds deposited into the Release Account in connection with a Series Collateral Release.

“**Released Asset**”: Any Released Loan or Released Property, as applicable.

“**Released Loan**”: As defined in Section 7.04(a).

“**Released Property**”: As defined in Section 7.04(a).

“**Relinquished Property**”: As defined in the Master Exchange Agreement.

“**Relinquished Property Proceeds**”: As defined in the Master Exchange Agreement.

“**Remedial Work**”: As defined in Section 3.23(c).

“**Remittance Date**”: The Business Day preceding each Payment Date.

“**Removed Loan**”: A Released Loan or Exchanged Loan that has either been released or substituted pursuant to Section 2.04 and Article VII hereof.

“**Removed Property**”: A Released Property or Exchanged Property that has either been released or substituted pursuant to Section 2.04 and Article VII hereof.

“**REO Property**”: A Property acquired by or on behalf of an Issuer as “real estate owned” whether through foreclosure, deed in lieu of foreclosure or otherwise.

“**REO Revenues**”: All income, rents, profits and proceeds derived from the ownership, operation or leasing of any REO Property.

“**Replacement Property**”: As defined in the Master Exchange Agreement.

“**Request for Release**”: A request signed by a Servicing Officer of the applicable Issuer or the Property Manager in the form of Exhibit B-1 attached hereto or of such Issuer or the Special Servicer in the form of Exhibit B -2 attached hereto.

“**Required Conditions**”: Subject to any additional requirements set forth in any applicable Series Supplement, with respect to any proposed substitution, release, exchange or lease transfer of any Property or Loan, the Required Conditions will be satisfied if:

(i) the applicable Issuer shall submit to the Indenture Trustee all documentation that is reasonably required to be delivered by any party hereto in connection with such substitution, release, exchange or lease transfer, together with an Officer’s Certificate certifying that such documentation (A) is in compliance with all Legal Requirements, and (B) will effect such release in accordance with the terms of this Agreement; and

(ii) if the Property sought to be substituted, released, exchanged or have its lease transferred is subject to a Lease or Loan that also covers any other Property, such Lease or Loan shall be severed and amended so that, after giving effect to such release, no Property shall be subject to a Lease or Loan that also affects any Property that is not subject to a Mortgage.

“**Required Transfer Instruction Date**”: The date on which an Issuer or SCF Realty Capital is required to direct the transfer of Relinquished Property Proceeds from the Exchange Account to the Release Account pursuant to the Escrow Agreement.

“**Risk-Based Substitution**”: The meaning specified in Section 7.06.

“**Risk Retention Agreement**”: The Amended and Restated Risk Retention Agreement, dated as of July 11, 2017, entered into by SCF Realty Capital in favor of the Indenture Trustee, as amended, restated, supplemented or otherwise modified from time to time.

“**Sales Tax Deposits**”: The meaning specified in Section 3.02(g).

“**Series 2016-1 Notes**”: The Net-Lease Mortgage Notes, Series 2016-1, issued by SCF RC Funding I LLC and SCF RC Funding II LLC pursuant to the Master Indenture as supplemented by the Amended and Restated Series 2016-1 Supplement, dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC and the Indenture Trustee.

“**Series Collateral Release**”: The meaning specified in Section 7.11(a).

“**Series Collateral Release Price**”: With respect to a Released Asset in connection with a Series Collateral Release, an amount equal to the greater of (i) one hundred fifteen percent (115%) of the Allocated Loan Amount of such Released Asset and (ii) the Fair Market Value of such Released Asset.

“**Servicer Replacement Event**”: The meaning specified in Section 6.01(a).

“**Servicing Accounts**”: The meaning specified in Section 3.02(g).

“**Servicing Fees**”: With respect to each Property and the related Lease or Loan, the Property Management Fee, the Back-Up Fee, the Property Manager Additional Servicing Compensation, if any, the Special Servicing Fee, if any, and the Special Servicer Additional Servicing Compensation, if any.

“**Servicing File**”: Any documents (other than documents required to be part of the related Lease File or Loan File) in the possession of the Property Manager or the Special Servicer and relating to the origination and servicing of any Loan or Lease or the administration of any Property.

“**Servicing Officer**”: Any officer or employee of the Property Manager or the Special Servicer involved in, or responsible for, the administration, management and servicing of the Properties, Leases or Loans, whose name and specimen signature appear on a list of Servicing Officers furnished by such party to the applicable Issuer Members, the applicable Issuer and the Indenture Trustee on the related Series Closing Date, as such list may be amended from time to time.

“**Servicing Standard**”: To provide property management services for the Properties and to service the Loans and the Leases (a) in the same manner in which, and with the same care, skill, prudence and diligence with which, SCF Realty Capital, the Property Manager

or the Special Servicer, as the case may be, services and administers similar leases, properties and loans, including, without limitation, the granting of Permitted Encumbrances, for their own account and the account of their Affiliates or any third-party portfolios, to the extent applicable, or (b) in a manner normally associated with the prudent management and operation of similar properties, whichever standard is highest, and in each such case, in material compliance with all applicable laws, but without regard to: (i) any known relationship that the Property Manager or Special Servicer, or an Affiliate of the Property Manager or Special Servicer, may have with any Issuer, any Tenant, any Borrower, any of their respective Affiliates or any other party to the Transaction Documents; (ii) the ownership of any Note or Issuer Interest by the Property Manager or Special Servicer or any Affiliate of the Property Manager or Special Servicer, as applicable; (iii) the Property Manager's obligation to make Advances, incur servicing expenses or to direct the Indenture Trustee to withdraw funds from the Collection Account to pay Emergency Property Expenses with respect to the Leases, Properties and Loans; (iv) the Property Manager's or Special Servicer's right to receive compensation for its services or reimbursements of the costs under this Agreement; (v) the ownership, servicing or management for others, by the Property Manager or Special Servicer of any other leases, commercial real properties or loans; (vi) the release, transfer or indemnification obligations of the Property Manager or Special Servicer; or (vii) the existence of any loans made to a Tenant by the Property Manager or Special Servicer or any Affiliate thereof.

“**Servicing Transfer Event**”: With respect to any Property, the occurrence of any of the events described in the definition of “Specially Managed Unit.”

“**Special Servicer**”: SCF Realty Capital, in its capacity as special servicer under this Agreement, or any successor special servicer appointed as herein provided.

“**Special Servicer Additional Servicing Compensation**”: The additional servicing compensation payable to the Special Servicer pursuant to Section 3.09(d).

“**Special Servicer Report**”: As defined in Section 4.01(b).

“**Special Servicing Fee**”: With respect to each Specially Managed Unit, the monthly fee payable to the Special Servicer pursuant to the first paragraph of Section 3.09(c) in amount equal to the product of (i) the Special Servicing Fee Rate and (ii) the aggregate Allocated Loan Amount (as of the related Determination Date) of all Loans and Properties in the Collateral Pool that did not relate to Specially Managed Units during the related Collection Period.

“**Special Servicing Fee Rate**”: With respect to each Specially Managed Unit, a monthly rate equal to the product of (i) one-twelfth and (ii) 0.75%.

“**Specially Managed Unit**”: Any Property or Loan as to which any of the following events has occurred:

(i) such Property or Loan is a Delinquent Asset; or

(ii) such Property or Loan is a Defaulted Asset, with respect to which the related default materially and adversely affects the interests of the applicable Issuer; or

(iii) there shall have been commenced in a court or agency or supervisory authority having jurisdiction an involuntary action against the Tenant or Borrower under any present or future federal or state bankruptcy, insolvency or similar law or the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings or for the winding up or liquidation of its affairs, which action shall not have been dismissed for a period of 90 days, and the subject Lease or Loan has not been rejected in any related proceeding; or the Tenant or Borrower shall have consented to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to the Tenant or Borrower or of or relating to all or substantially all of its property, and the subject Lease or Loan has not been rejected in any related proceeding; or the Tenant or Borrower shall have admitted in writing its inability to pay its debts generally as they become due, filed a petition to take advantage of any applicable insolvency or reorganization statute, made an assignment for the benefit of its creditors, or voluntarily suspend payment of its obligations, and the subject Lease or Loan has not been rejected in any related proceeding; or

(iv) the Lease or Loan has expired, been terminated, or rejected in any bankruptcy or related proceeding; or

(v) the Property Manager receives notice that a Tenant or Borrower will no longer make Monthly Lease Payments or Monthly Loan Payments under such under such Tenant's Lease or Borrower's Loan.

“**SCF SPE**”: Any special purpose, bankruptcy remote subsidiary (direct or indirect) of SCF Realty Capital (other than any Originator).

“**Sub-Manager**”: Any Person with which the Property Manager or the Special Servicer has entered into a Sub-Management Agreement.

“**Sub-Management Agreement**”: The written contract between the Property Manager or the Special Servicer, on the one hand, and any Sub-Manager, on the other hand, relating to servicing and administration of Loans, Leases and Properties, as provided in Section 3.18.

“**Successor Property Manager**”: As defined in Section 6.02.

“**Successor Special Servicer**”: As defined in Section 6.02.

“**Tenant**”: With respect to each Lease, the tenant under such Lease and any successor or assign thereof.

“**Terminated Lease Property**”: A Property, the Lease with respect to which has expired, has been terminated or has been rejected in a bankruptcy, insolvency or similar proceeding of the Tenant or from which the Tenant has been evicted or otherwise removed.

“**Termination Date**”: As defined in the Master Exchange Agreement.



“**Third Party Option Price**”: With respect to any Property pursuant to which a Third Party Purchase Option is exercised, a cash price equal to the amount specified in the related Lease or other Lease Document, as applicable, as payable by a Tenant or other third party in connection with the exercise of such Third Party Purchase Option.

“**Third Party Asset**”: Any Loan or Owned Property and related Lease acquired by an Issuer from a third party.

“**Third Party Purchase Option**”: The option under a Lease, whether conditional or otherwise, for the related Tenant or another third party to purchase the related Property before or at the expiration of the term of the Lease for the Third Party Option Price.

“**Title Companies**”: As defined in Section 2.03(a).

“**Title Insurance Policies**”: With respect to each Property, an ALTA mortgagee title insurance policy in the customary form (or, if any Property is in a state which does not permit the issuance of such ALTA policy, such form as shall be permitted in such state) issued with respect to such Property and insuring the lien of the Mortgage encumbering such Property.

“**Total Debt Service**”: (a) the sum of (i) the Scheduled Class A Principal Payment and all Note Interest with respect to each Class of Notes, (ii) the scheduled principal payment and note interest with respect to all classes of Related Series Notes (in each case, less any scheduled principal payment due on the Anticipated Repayment Date with respect to each Class of Notes or the applicable anticipated repayment date with respect to any such Related Series Notes), (iii) the Property Management Fee, (iv) the Special Servicing Fee, if any, (v) the Back-Up Fee, and (vi) the Indenture Trustee Fee, each as accrued during the related Collection Period minus (b) the Post-Closing Properties Adjustment Amount. For the purpose of calculation “Monthly DSCR,” the Note Interest component of Total Debt Service shall, for each Series, be computed on the basis of a 360-day year consisting of twelve 30-day months. For the avoidance of doubt, Post-ARD Additional Interest and Deferred Post-ARD Additional Interest will not be included in the calculation of Total Debt Service.

“**UCC**”: The Uniform Commercial Code as in effect in any applicable jurisdiction.

“**Underlying Mortgaged Property**”: Each parcel of real property securing a Loan, including the buildings, structures, fixtures (to the extent not property of the related Tenant), additions, enlargements, extensions, modifications, repairs, replacements or Improvements now or hereinafter erected or located on such parcel and appurtenant easements and other property rights relating thereto.

“**Unscheduled Proceeds**”: Collectively, without duplication, (i) Liquidation Proceeds and any other proceeds received by the Property Manager or the Special Servicer with respect to the disposition of an Owned Property or a Loan that is a Defaulted Asset, (ii) Proceeds in connection with a Condemnation or Insured Casualty, (iii) any Third Party Option Price received as a result of the exercise of a Third Party Purchase Option (only up to the Collateral Value), (iv) Payoff Amounts received in connection with the release and sale of a Lease, a Loan or an Owned Property in relation to a Collateral Defect, (v) any proceeds derived from each un-

leased Owned Property (exclusive of related operating costs, including certain reimbursements payable to the Property Manager in connection with the operation and disposition of such un-leased Owned Property), (vi) all amounts disbursed to the Payment Account from the DSCR Reserve Account during an Early Amortization Period, (vii) amounts disbursed from the Release Account to the Collection Account for the related Payment Date, (viii) any Exchange Cash Collateral transferred from the Exchange Reserve Account to the Release Account and (ix) any Post-Closing Acquisition Unused Proceeds.

“**U.S. Credit Risk Retention Rules**”: The United States Securities and Exchange Commission’s credit risk retention rules, 17 C.F.R. Part 246.

“**Weighted Average FCCR**”: An amount equal to the quotient of (i) the sum of the products of the FCCRs and the Allocated Loan Amounts of each Owned Property and Loan in the Collateral Pool and (ii) the aggregate Allocated Loan Amount of all Owned Properties and Loans in the Collateral Pool.

“**Weil Nonconsolidation Opinion**”: The nonconsolidation opinion of Weil, Gotshal & Manges LLP, dated as of the date hereof, that is rendered to Credit Suisse Securities (USA) LLC, Guggenheim Securities, LLC, the Indenture Trustee, S&P Global, Inc. and Kroll Bond Rating Agency, Inc.

“**Workout Fee**”: As defined in Section 3.09(g).

“**Yield Maintenance Premium**”: With respect to any Loan, any premium, penalty or fee paid or payable, as the context requires, by a Borrower in connection with a principal prepayment on or other early collection of principal of a Loan.

#### Section 1.02 Other Definitional Provisions.

(a) All capitalized terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used in this Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document, to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(c) The words “hereof,” “herein,” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section and Exhibit references contained in this Agreement are references to Sections and Exhibits in or to this Agreement unless otherwise specified; a reference to a subsection or other subdivision without further reference to a Section is a reference to such subsection or other subdivision as contained in the Section in which the reference appears; and the words “include” and “including” shall mean without limitation by reason of enumeration.

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as the feminine and neuter genders of such terms.

(e) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted assignees.

Section 1.03 Certain Calculations in Respect of the Leases and the Loans.

(a) All amounts collected in respect of any Lease in the form of payments from the related Tenants, guaranties provided by related Lease Guarantors, Unscheduled Proceeds or otherwise shall be applied to amounts due and owing under the Lease in accordance with the express provisions of such Lease, and all amounts collected in respect of any Loan in the form of payments from the related Borrower, guaranties provided by related Loan Guarantors or Unscheduled Proceeds shall be applied to amounts due and owing under the related Mortgage Note and Mortgage (including for principal and accrued and unpaid interest) in accordance with the express provisions of the related Mortgage Note and Mortgage; in the absence of such express provisions, all amounts collected shall be applied for purposes of this Agreement: (i) with respect to amounts collected in respect to any Lease, first, as a recovery of any related and unreimbursed Advances; and second, in accordance with the Servicing Standard, but subject to Section 1.03(c), as a recovery of any other amounts then due and owing under such Lease, including, without limitation, Percentage Rent, Reimbursement Amounts and Default Interest; and (ii) with respect to amounts collected in respect of any Loan, first, as a recovery of any related and unreimbursed Advances, second, as a recovery of accrued and unpaid interest at the related Interest Rate on such Loan to but not including, as appropriate, the date of receipt or the Due Date in the Collection Period of receipt, third, as a recovery of principal of such Loan then due and owing, including by reason of acceleration of the Loan following a default thereunder (or, if a liquidation event has occurred in respect of such Loan, a recovery of principal to the extent of its entire remaining unpaid principal balance), fourth, as a recovery of any Yield Maintenance Premium then due and owing under such Loan, fifth, in accordance with the Servicing Standard, but subject to Section 1.03(c), as a recovery of any other amounts then due and owing under such Loan, including Default Interest, and sixth, as a recovery of any remaining principal of such Loan to the extent of its entire remaining unpaid principal balance. Any proceeds derived from an unleased Property (exclusive of related operating costs, including reimbursement of Advances made by the Property Manager, the Special Servicer or the Indenture Trustee in connection with the operation and disposition of such Property) shall be applied by the Property Manager in the same manner as if they were Monthly Lease Payments due on the previously existing Lease for such Property until such Lease becomes a Liquidated Lease pursuant to the terms of such Lease and the related Lease Documents.

(b) Collections in respect of each REO Property (exclusive of amounts to be applied to the payment of the costs of operating, managing, maintaining and disposing of such REO Property) shall be treated: first, as a recovery of any related and unreimbursed Advances; second, as a recovery of accrued and unpaid interest on the related Loan at the related Interest Rate to but not including the Due Date in the Collection Period of receipt; third, as a recovery of principal of the related Loan to the extent of its entire unpaid principal balance; and fourth, in accordance with the Servicing Standard, but subject to Section 1.03(c), as a recovery of any other amounts deemed to be due and owing in respect of the related Loan.

(c) Insofar as amounts received in respect of any Lease, Loan or REO Property and allocable to fees and charges owing in respect of such Lease, Loan or REO Property constituting Additional Servicing Compensation payable to the Property Manager or Special Servicer are insufficient to cover the full amount of such fees and charges, such amounts shall be allocated between such of those fees and charges as are payable to the Property Manager, on the one hand, and as are payable to the Special Servicer, on the other, pro rata in accordance with their respective entitlements.

(d) The foregoing applications of amounts received in respect of any Lease, Loan or REO Property shall be determined by the Property Manager and reflected in the appropriate monthly Determination Date Report and any Modified Collateral Detail and Realized Loss Report.

(e) Notwithstanding the early termination of any Lease resulting from a default by the related Tenant, such Lease will be treated for purposes of determining Servicing Fees, Liquidation Fees, Workout Fees and Indenture Trustee Fees as remaining in effect until such Lease becomes a Liquidated Lease.

(f) Insofar as amounts received in respect of any Lease and allocable to fees and charges owing in respect of such Lease constituting Additional Servicing Compensation payable to the Property Manager or Special Servicer are insufficient to cover the full amount of such fees and charges, such amounts shall be allocated between such of those fees and charges as are payable to the Property Manager, on the one hand, and as are payable to the Special Servicer, on the other, pro rata in accordance with their respective entitlements.

(g) The foregoing applications of amounts received in respect of any Lease shall be determined by the Property Manager and reflected in the appropriate monthly Determination Date Report and Modified Collateral Detail and Realized Loss Reports.

#### Section 1.04 Fee Calculations.

(a) The calculation of the Servicing Fees shall be made in accordance with Section 3.09; the payment of Indenture Trustee Fees shall be made pursuant to the terms of the Indenture. All dollar amounts calculated hereunder shall be rounded to the nearest penny with one-half of one penny being rounded up.

(b) The amount of interest on each Loan during any Interest Accrual Period will be calculated in arrears based on the terms specified in the related Mortgage Documents.

ARTICLE II

REPRESENTATIONS AND WARRANTIES; RECORDINGS  
AND FILINGS; BOOKS AND RECORDS; DEFECT,  
BREACH, CURE, REPURCHASE AND SUBSTITUTION

Section 2.01 Representations and Warranties of SCF Realty Capital and the Back-Up Manager.

(a) SCF Realty Capital represents and warrants to the other parties hereto, and for the benefit of the Issuers, and the Indenture Trustee for the benefit of the Noteholders as of Series Closing Date:

(i) SCF Realty Capital is a limited liability company duly organized, validly existing, and in good standing under the laws of its state of organization and is in compliance with the laws of each state (within the United States of America) in which any Property is located to the extent necessary to its performance under this Agreement;

(ii) The execution and delivery of this Agreement by SCF Realty Capital, and the performance and compliance with the terms of this Agreement by SCF Realty Capital, do not violate its organizational documents or constitute an event that, with notice or lapse of time, or both, would constitute a default under, or result in the breach of, any material agreement or other instrument to which it is a party or by which it is bound;

(iii) SCF Realty Capital has the limited liability company power and authority to enter into and consummate all transactions to be performed by it contemplated by this Agreement, has duly authorized the execution, delivery and performance by it of this Agreement, and has duly executed and delivered this Agreement;

(iv) This Agreement, assuming due authorization, execution and delivery by each of the other parties hereto, constitutes a valid, legal and binding obligation of SCF Realty Capital, enforceable against SCF Realty Capital in accordance with the terms hereof, subject to (A) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, receivership, moratorium and other similar laws affecting the enforcement of creditors' rights generally and (B) general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(v) SCF Realty Capital is not in violation of, and its execution and delivery of this Agreement and its performance and compliance with the terms of this Agreement will not constitute a violation of, any law, any order or decree of any court or arbiter, or any order, regulation or demand of any federal, state or local governmental or regulatory authority, which violation is likely to affect materially and adversely either the ability of SCF Realty Capital to perform its obligations under this Agreement or the financial condition of SCF Realty Capital;

(vi) No litigation is pending or, to SCF Realty Capital's knowledge, threatened against SCF Realty Capital that is reasonably likely to be determined adversely to SCF

Realty Capital and, if determined adversely to SCF Realty Capital, would prohibit SCF Realty Capital from entering into this Agreement or that, in SCF Realty Capital's good faith and reasonable judgment, is likely to materially and adversely affect either the ability of SCF Realty Capital to perform its obligations under this Agreement or the financial condition of SCF Realty Capital.

(vii) No consent, approval, authorization or order under any court or governmental agency or body is required for the execution, delivery and performance by SCF Realty Capital of, or the compliance by SCF Realty Capital with, this Agreement or the consummation of the transactions of SCF Realty Capital contemplated by this Agreement, except for any consent, approval, authorization or order that has been obtained or that if not obtained would not have a material and adverse effect on the ability of SCF Realty Capital to perform its obligations hereunder; and

(viii) Each officer and employee of SCF Realty Capital that has responsibilities concerning the management, servicing and administration of Properties, Leases and Loans is covered by errors and omissions insurance and the fidelity bond as and to the extent required by Section 3.06.

(b) The representations and warranties of SCF Realty Capital set forth in Section 2.01(a) shall survive the execution and delivery of this Agreement and shall inure to the benefit of the Persons to whom and for whose benefit they were made until all amounts owed to the Noteholders under or in connection with this Agreement, the Indenture and the Notes have been indefeasibly paid in full. Upon discovery by any party hereto of any breach of any of the foregoing representations and warranties, the party discovering such breach shall give prompt written notice to the other parties.

(c) Any successor Property Manager or Special Servicer shall be deemed to have made, as of the date of its succession, each of the representations and warranties set forth in Section 2.01(a), subject to such appropriate modifications to the representation and warranty set forth in Section 2.01(a)(i) to accurately reflect such successor's jurisdiction of organization and whether it is a corporation, partnership, bank, association or other type of organization.

(d) The Back-Up Manager represents and warrants to the other parties hereto, and for the benefit of the Issuers, and the Indenture Trustee on behalf of the Noteholders, as of each Series Closing Date:

(i) The Back-Up Manager is an entity duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation and is in compliance with the laws of each state (within the United States of America) in which any Property is located to the extent necessary to its performance under this Agreement;

(ii) The execution and delivery of this Agreement by the Back-Up Manager, and the performance and compliance with the terms of this Agreement by the Back-Up Manager, do not violate its organizational documents or constitute an event that, with notice or lapse of time, or both, would constitute a default under, or result in the breach of, any material agreement or other instrument to which it is a party or by which it is bound;

(iii) The Back-Up Manager has the corporate power and authority to enter into and consummate all transactions to be performed by it contemplated by this Agreement, has duly authorized the execution, delivery and performance by it of this Agreement, and has duly executed and delivered this Agreement;

(iv) This Agreement, assuming due authorization, execution and delivery by each of the other parties hereto, constitutes a valid, legal and binding obligation of the Back-Up Manager, enforceable against the Back-Up Manager in accordance with the terms hereof, subject to (A) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, receivership, moratorium and other similar laws affecting the enforcement of creditors' rights generally and (B) general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(v) The Back-Up Manager is not in violation of, and its execution and delivery of, this Agreement and its performance and compliance with the terms of this Agreement will not constitute a violation of, any law, any order or decree of any court or arbiter, or any order, regulation or demand of any federal, state or local governmental or regulatory authority, which violation is likely to affect materially and adversely either the ability of the Back-Up Manager to perform its obligations under this Agreement or the financial condition of the Back-Up Manager;

(vi) No litigation is pending or, to the Back-Up Manager's knowledge, threatened (in writing received by the Back-Up Manager) against the Back-Up Manager, which if determined adversely to the Back-Up Manager, would prohibit the Back-Up Manager from entering into this Agreement or that, in the Back-Up Manager's good faith and reasonable judgment, is likely to materially and adversely affect either the ability of the Back-Up Manager to perform its obligations under this Agreement or the financial condition of the Back-Up Manager;

(vii) No consent, approval, authorization or order under any court or governmental agency or body is required for the execution, delivery and performance by the Back-Up Manager of, or the compliance by the Back-Up Manager with, this Agreement or the consummation of the transactions contemplated by the Back-Up Manager by this Agreement, except for any consent, approval, authorization or order that has been obtained or that if not obtained would not have a material and adverse affect on the ability of the Back-Up Manager to perform its obligations hereunder; and

(viii) The Back-Up Manager is covered by errors and omissions insurance and the fidelity bond as and to the extent required by Section 3.06.

#### Section 2.02 Representations and Warranties of the Issuer.

(a) Each Issuer hereby represents and warrants to each of the other parties hereto and for the benefit of the Indenture Trustee, on behalf of the Noteholders as of the related Series Closing Date on or after the date on which such Issuer becomes a party to this Agreement:

(i) Such Issuer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of Delaware and is in compliance with the laws of each state (within the United States of America) in which any applicable Property is located to the extent necessary to its performance under this Agreement;

(ii) The execution and delivery of this Agreement by such Issuer, and the performance and compliance with the terms of this Agreement by such Issuer, do not violate its organizational documents or constitute an event that, with notice or lapse of time, or both, would constitute a default under, or result in the breach of, any material agreement or other instrument to which it is a party or by which it is bound;

(iii) Such Issuer has the limited liability company power and authority to enter into and consummate all transactions to be performed by it contemplated by this Agreement, has duly authorized the execution, delivery and performance by it of this Agreement and any applicable Joinder Agreement, and has duly executed and delivered this Agreement and any applicable Joinder Agreement;

(iv) This Agreement, assuming due authorization, execution and delivery by each of the other parties hereto, constitutes a valid, legal and binding obligation of such Issuer, enforceable against such Issuer in accordance with the terms hereof, subject to (A) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, receivership, moratorium and other similar laws affecting the enforcement of creditors' rights generally and (B) general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(v) Such Issuer is not in violation of, and its execution and delivery of, this Agreement or any applicable Joinder Agreement and its performance and compliance with the terms of this Agreement will not constitute a violation of, any law, any order or decree of any court or arbiter, or any order, regulation or demand of any federal, state or local governmental or regulatory authority, which violation is likely to affect materially and adversely either the ability of such Issuer to perform its obligations under this Agreement or the financial condition of such Issuer;

(vi) No litigation is pending or, to such Issuer's knowledge, threatened against such Issuer that is reasonably likely to be determined adversely to such Issuer and, if determined adversely to such Issuer, would prohibit such Issuer from entering into this Agreement or that, in such Issuer's good faith and reasonable judgment, is likely to materially and adversely affect either the ability of such Issuer to perform its obligations under this Agreement or the financial condition of such Issuer;

(vii) No consent, approval, authorization or order under any court or governmental agency or body is required for the execution, delivery and performance by such Issuer of, or the compliance by such Issuer with, this Agreement or the consummation of the transactions of such Issuer contemplated by this Agreement, except for any consent, approval, authorization or order that has been obtained or that if not obtained would not have a material and adverse affect on the ability of such Issuer to perform its obligations hereunder;



(viii) Each officer and employee of such Issuer that has responsibilities concerning the management, servicing and administration of the applicable Properties, Leases and Loans is covered by errors and omissions insurance and the fidelity bond as and to the extent required by Section 3.06; and

(ix) To such Issuer's knowledge, each of the Properties owned by such Issuer or securing a Loan owned by such Issuer is a commercial property and is operated for commercial purposes.

The representations and warranties of each Issuer set forth in this Section 2.02 shall survive the execution and delivery of this Agreement and shall inure to the benefit of the Persons to whom and for whose benefit they were made for so long as such Issuer remains in existence. Upon discovery by any party hereto of any breach of any of the foregoing representations and warranties, the party discovering such breach shall give prompt written notice to the other parties.

#### Section 2.03 Recordings and Filings; Books and Records.

(a) In connection with the Grant made by each Issuer to the Indenture Trustee pursuant to the granting clause of the Indenture, each Issuer shall cause the delivery of the applicable Lease Files for the applicable Leases and the applicable Loan Files for the applicable Loans to the Custodian in accordance with the Custody Agreement (which may provide for electronic delivery with respect to certain items specified therein) for the benefit of the Indenture Trustee in furtherance of such Grant and such Issuer shall cause: (i) with respect to the Properties owned by such Issuer: (A) each Mortgage, Financing Statement and continuation statement referred to in the definition of "Lease File" herein to be submitted to the appropriate Title Company (as defined below) on or before the applicable Series Closing Date or Transfer Date for recording or filing, as the case may be, in the appropriate public office for real property records or for Financing Statements, at the expense of such Issuer and (B) each title insurance binder or commitment referred to in the definition of "Lease File" herein to be issued as a Title Insurance Policy by the title companies (the "**Title Companies**") issuing the same and (ii) with respect to the Loans owned by such Issuer, promptly (and in any event within 60 days following the applicable Series Closing Date or Transfer Date) each assignment of Mortgage in favor of the Indenture Trustee referred to in clauses (v) and (vi) of the definition of "Loan File" in the Custody Agreement and each Financing Statement on Form UCC-2 and UCC-3 in favor of the Indenture Trustee referred to in clause (iii) of such definition to be submitted for recording or filing, as the case may be, in the appropriate public office for real property records or for Financing Statements. Each such assignment and each Mortgage shall reflect that, following recording, it should be returned by the public recording office to the Custodian, on behalf of the Indenture Trustee (or to the Property Manager (or its designee), who shall then deliver such recorded document to the Custodian), and each such Financing Statement shall reflect that the file copy thereof should be returned to the Custodian, for the benefit of the Indenture Trustee (or to the Property Manager (or its designee), who shall then deliver such recorded document to the Custodian) following filing; provided, that delivery of a copy of each such Mortgage with recording information within thirty (30) days of the Property Manager's receipt of such recorded Mortgage shall satisfy the foregoing. Each of the Title Companies issuing the Title Insurance Policies shall be instructed by the applicable Issuer to deliver such policies to the Custodian (or

to the Property Manager (or its designee), who shall then deliver such recorded document to the Custodian), in each case for the benefit of the Indenture Trustee. The Property Manager, on behalf of the Indenture Trustee, shall use reasonable efforts to diligently pursue with the Title Companies the return of each of the Mortgages, assignments of Mortgages and Financing Statements from the appropriate recording or filing offices and the delivery of the Title Insurance Policies by the related Title Company. If any such document or instrument is lost or returned unrecorded or unfiled, as the case may be, because of a defect therein, the Indenture Trustee or the Custodian shall notify the Property Manager and the Property Manager shall promptly prepare and cause to be executed a substitute therefor or cure such defect, as the case may be, and thereafter, the Property Manager shall cause the same to be duly recorded or filed, as appropriate. The Property Manager shall file any continuation statements necessary to continue the effectiveness of the Financing Statements. The Indenture Trustee and the related Issuer shall cooperate as necessary for the Property Manager to perform such obligations.

(b) Each Issuer shall deliver to and deposit with, or cause to be delivered to and deposited with, the Property Manager all documents and records in the possession of such Issuer or any related Originators that relate to the applicable Properties, Leases and Loans and that are not required to be a part of a Lease File or a Loan File in accordance with the definitions thereof, and the Property Manager shall hold all such documents and records in trust on behalf of the Indenture Trustee (in hard copy or electronic format). The Property Manager's possession of such documents and records shall be at the will of the related Issuer and the Indenture Trustee for the sole purpose of facilitating the servicing of the applicable Leases, Loans and Properties pursuant to this Agreement and such possession by the Property Manager shall be in a custodial capacity only on behalf of the Indenture Trustee. The ownership of such documents and records shall be vested in each Issuer, as applicable, subject to the lien of the Indenture, and the ownership of all documents and records with respect to the applicable Leases, Loans and Properties that are prepared by or which come into possession of the Property Manager or the Special Servicer shall immediately vest in such Issuer, subject to the lien of the Indenture, and shall be delivered to and deposited with the Property Manager, in the case of documents or records in the hands of the Special Servicer, and retained and maintained in trust by the Property Manager in such custodial capacity only on behalf of the Indenture Trustee, except as otherwise provided herein. All such documents and records shall be appropriately maintained in a manner to clearly reflect the ownership of such documents and records by the applicable Issuer, subject to the lien of the Indenture, and that such documents and records are being held on behalf of the Indenture Trustee, and the Property Manager shall release such documents and records from its custody only in accordance with this Agreement.

(c) The Property Manager shall monitor the delivery of the Lease Files and the Loan Files to the Custodian, for the benefit of the Indenture Trustee.

#### Section 2.04 Repurchase or Transfer and Exchange for Collateral Defects and Breaches of Representations and Warranties.

(a) If any party hereto discovers or receives notice that any document required to be included in any Loan File or Lease File is missing (after the date it is required to be delivered) or is otherwise deficient or that there exists a breach of any representation or warranty relating to any Loan, Property or Lease set forth in Section 2.20 or Section 2.21 of the Indenture

and if such absence, deficiency or breach materially and adversely affects (a) the value of the related Loan, Property or Lease or (b) the interests of the Issuers or any Noteholders in the related Loan, Property or Lease (a “**Collateral Defect**”), the party discovering such Collateral Defect shall give prompt written notice thereof to the other parties hereto. Promptly upon becoming aware of any such Collateral Defect, the applicable Cure Party shall, not later than 60 days from the receipt by such Cure Party of such request, (i) cure such Collateral Defect in all material respects, (ii) cause such Property, Lease or Loan to be released from the Collateral in accordance with Section 7.04 of this Agreement, or (iii) substitute one or more Qualified Substitute Properties for the subject Property, one or more Qualified Substitute Properties or Qualified Substitute Loans for the subject Loan in accordance with the procedures set forth in Section 7.01 of this Agreement; provided that if (i) such Collateral Defect is capable of being cured (including by delivery of a missing document) but not within such 60-day period, (ii) such Cure Party has commenced and is diligently proceeding with the cure of such Collateral Defect (which may including the delivery of a missing document) within such 60-day period, and (iii) such Cure Party shall have delivered to, the Property Manager, the Indenture Trustee and the Custodian a certification executed on behalf of such Cure Party by an officer thereof setting forth the reason such Collateral Defect is not reasonably capable of being cured within an initial 60-day period and what actions such Cure Party is pursuing in connection with the cure thereof and stating that such Cure Party anticipates that such Collateral Defect will be cured within an additional period not to exceed 60 more days, then such Cure Party shall have up to an additional 60 days commencing on the 61st day from receipt by such Cure Party of such request to complete such cure.

(b) If a Cure Party has elected to release or to substitute one or more of the Properties or Loans and the Property Manager and/or such Issuer has delivered the Officer’s Certificates referenced in Sections 7.01 and 7.04, respectively, the Property Manager shall, and is hereby authorized and empowered by such Issuer and the Indenture Trustee to, prepare, execute and deliver in its own name, on behalf of such Issuer, the Indenture Trustee or any of them, the endorsements, assignments and other documents contemplated by Section 7.01 or Section 7.04 necessary to effectuate an exchange or release pursuant to Section 2.04(a) and such Issuer and the Indenture Trustee shall execute and deliver any limited powers of attorney substantially in the form of Exhibit D prepared by the Property Manager and necessary to permit the Property Manager to do so; provided, however, that none of the applicable Issuer, the applicable Issuer Member, the applicable Issuer board of managers and the Indenture Trustee shall be held liable for any misuse of any such power of attorney by the Property Manager and the Property Manager hereby agrees to indemnify such Issuer, such Issuer Member, such Issuer board of managers and the Indenture Trustee against, and hold such Issuer, such Issuer Member, such Issuer board of managers and the Indenture Trustee harmless from, any loss or liability arising from any misuse of such power of attorney. In connection with any such release or substitution by an Issuer, the Property Manager or the Special Servicer, as appropriate, shall concurrently deliver the related Lease File or Loan File, as applicable, to such Issuer. For the avoidance of doubt, the Indenture Trustee shall execute and deliver a limited power of attorney on or before December 7 of each year.

(c) In the event of any Collateral Defect with respect to any Third Party Asset, the Property Manager (if SCF Realty Capital is the Property Manager) is deemed to have made, in its own name, each of the representations and warranties set forth in Section 2.20 or Section 2.21 of the Indenture, as if such representation or warranty were set forth in full herein.

(d) Subject to the terms of the Performance Support Agreement, this Section 2.04 provides the sole remedies available to the Indenture Trustee and the Noteholders with respect to any Collateral Defect. If any Cure Party or the Support Provider defaults on its obligations to release or substitute for any Property or Loan as contemplated by Section 2.04(a) or the Performance Support Agreement, as the case may be, such default shall be deemed an Event of Default under the Indenture and the Property Manager shall promptly notify the Indenture Trustee and any applicable Rating Agency and shall take such actions with respect to the enforcement of such obligations, including the institution and prosecution of appropriate proceedings as the Property Manager shall determine, in its good faith and reasonable judgment, are in the best interests of the applicable Issuer and the Noteholders, and the Property Manager shall notify the Controlling Party of each Series of any proposed action and, prior to the Property Manager taking such action, such Controlling Parties shall consent to such action. Any and all expenses incurred by the Property Manager or the Indenture Trustee with respect to the foregoing shall constitute Property Protection Advances in respect of the affected Property or Loan.

Section 2.05 Non Petition Agreement.

Each Issuer will cause each party to any Property Transfer Agreement to covenant and agree that such party shall not institute against, or join any other Person in instituting against, any Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any other proceeding under any federal or state bankruptcy or similar law.

ARTICLE III

ADMINISTRATION AND SERVICING OF PROPERTIES, LEASES AND LOANS

Section 3.01 Administration of the Properties, Leases and Loans.

(a) Each of the Property Manager and the Special Servicer shall service and administer the Properties, Leases and Loans that it is obligated to service and administer pursuant to this Agreement on behalf of the Issuers and in the best interests and for the benefit of the Noteholders and the holders of the Issuer Interests (as a collective whole), in accordance with any and all applicable laws and the terms of this Agreement, the Property Insurance Policies and the respective Leases and Loans and, to the extent consistent with the foregoing, in accordance with the Servicing Standard. Without limiting the foregoing, and subject to Section 3.18, (i) the Property Manager shall service and administer each Lease (and each related Property) and each Loan as to which no Servicing Transfer Event has occurred and each Corrected Unit, and (ii) the Special Servicer shall service and administer each Lease (and each related Property) and each Loan as to which a Servicing Transfer Event has occurred and that is not a Corrected Unit or has not been released from the Lien of the related Mortgage in accordance with this Agreement and the other Transaction Documents; provided, however, that the Property Manager shall continue to collect information and prepare and deliver all reports to the Indenture Trustee and each Issuer required hereunder with respect to any Specially Managed Unit (and the related Mortgage or

Leases), and further to render such incidental services with respect to any Specially Managed Unit as are specifically provided for herein. No direction, consent or approval or lack of direction, consent or approval of any Controlling Party or the Requisite Global Majority may (and the Special Servicer or the Property Manager will ignore and act without regard to any such advice or approval or lack of approval that the Special Servicer or the Property Manager has determined, in its reasonable, good faith judgment, would) (A) require or cause the Special Servicer or the Property Manager to violate applicable law, the Servicing Standard or the terms of any Loan or any Lease or (B) expand the scope of the Property Manager's or Special Servicer's responsibilities under this Agreement. In addition, neither the Property Manager nor the Special Servicer, acting in its individual capacity, shall take any action or omit to take any action as lessor of any Property or holder of any Loan if such action or omission would materially and adversely affect the interests of the Noteholders or the Issuer Interests, or any Issuer. None of the Property Manager, the Special Servicer or the Back-Up Manager shall be liable to the Indenture Trustee, any Noteholder or any other Person for following any direction of a Controlling Party hereunder.

(b) Subject to Section 3.01(a), the Property Manager and the Special Servicer each shall have full power and authority, acting alone, to do or cause to be done any and all things in connection with such servicing and administration in accordance with the Servicing Standard. Without limiting the generality of the foregoing, each of the Property Manager and the Special Servicer, in its own name, with respect to each of the Properties, Leases and Loans it is obligated to service or administer hereunder, is hereby authorized and empowered by the applicable Issuer and the Indenture Trustee to execute and deliver, on behalf of each such Issuer and the Indenture Trustee: (i) any and all Financing Statements, continuation statements and other documents or instruments necessary to maintain the lien created by any Mortgage or other security document in the related Lease File or Loan File on the related Collateral; (ii) in accordance with the Servicing Standard and subject to Section 3.16, any and all modifications, waivers, amendments or consents to or with respect to any documents contained in the related Lease File or Loan File, other than the Transaction Documents, (iii) subject to the Servicing Standard, all documents to be executed by the Indenture Trustee pursuant to the last sentence of the definition of Permitted Encumbrances and (iv) any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments. Subject to Section 3.08, each applicable Issuer and the Indenture Trustee shall, at the written request of a Servicing Officer of the Property Manager or the Special Servicer, execute and deliver to the Property Manager or the Special Servicer, as the case may be, any limited powers of attorney (substantially in the form of Exhibit D attached hereto) and other documents furnished by the Property Manager or the Special Servicer, as applicable, and necessary or appropriate to enable it to carry out its servicing and administrative duties hereunder; provided, however, that none of the Issuers, the Issuer Members or the Indenture Trustee shall be held liable for any misuse of any such power of attorney by the Property Manager or the Special Servicer and each of the Property Manager and the Special Servicer hereby agree to indemnify each Issuer, the Issuer Members and the Indenture Trustee against, and hold each Issuer, the Issuer Members and the Indenture Trustee harmless from, any cost, loss or liability arising from any misuse of such power of attorney. Notwithstanding anything contained herein to the contrary, the Property Manager shall not, without the Indenture Trustee's written consent: (i) initiate any action, suit or proceeding solely under the Indenture Trustee's name without indicating the Indenture Trustee's representative capacity or (ii) take any action with the intent to cause, and which actually does cause, the Indenture Trustee to be registered to do business in any state.

(c) Promptly after any request therefor, the Property Manager shall provide to the Indenture Trustee: (i) the most recent inspection report prepared or obtained by the Property Manager or the Special Servicer in respect of each Property pursuant to Section 3.10(a); (ii) the most recent available operating statement and financial statements of the related Tenant or Borrower collected by the Property Manager or the Special Servicer pursuant to Section 3.10(d), together with the accompanying written reports to be prepared by the Property Manager or the Special Servicer, as the case may be, pursuant to Section 3.10(b); and (iii) any and all notices and reports with respect to any Property as to which environmental testing is contemplated by this Agreement or the other Transaction Documents.

(d) The relationship of each of the Property Manager and the Special Servicer to each Issuer and the Indenture Trustee under this Agreement is intended by the parties to be and shall be that of an independent contractor and not that of a joint venturer, partner or agent.

Section 3.02 Collection of Monthly Lease Payments and Monthly Loan Payments; General Receipts Accounts; Lockbox Transfer Accounts; Collection Account; Release Account; Servicing Account.

(a) Each of the Property Manager and the Special Servicer shall undertake reasonable efforts to collect all payments called for under the terms and provisions of the Leases and the Loans it is obligated to service hereunder and shall, to the extent such procedures shall be consistent with this Agreement, follow such collection procedures as it would follow were it the owner of such Leases and Loans. Consistent with the foregoing and the Servicing Standard (and without regard to Section 3.16), the Special Servicer or the Property Manager, as the case may be, may waive any Net Default Interest or late payment charge it is entitled to in connection with any delinquent payment on a Lease or Loan it is obligated to service hereunder.

(b) The Property Manager shall establish and maintain, or cause to be established and maintained, one or more accounts (each, a “**General Receipts Account**”) with one or more banks (each, a “**General Receipts Account Bank**”). Each General Receipts Account shall (i) be maintained at an institution that satisfies the institutional requirements of clauses (i) or (ii) of the definition of Eligible Account or (ii) is otherwise acceptable to the Rating Agencies (as evidenced by written confirmation from such Rating Agencies) and may be an account to which payments relating to other assets are paid; provided, that such account shall be in the nature of a clearing account and the Property Manager shall not have access to such account. Each of the Property Manager and the Special Servicer shall, on or prior to each Series Closing Date (or, if applicable, such other date of acquisition), as to those Leases and Loans it is obligated to service hereunder, instruct the related Tenant or Borrower to make all Monthly Lease Payments and Monthly Loan Payments to a General Receipts Account. With respect to amounts contained in the General Receipts Account, the Property Manager or the Back-Up Manager shall at all times be able to readily identify any amounts that constitute Collateral.

(c) The Property Manager may establish and maintain one or more segregated accounts in the name of the Midland on behalf of the Indenture Trustee, held for the benefit of the Noteholders (each, a “**Lockbox Transfer Account**”) with one or more banks (each, a “**Lockbox Transfer Account Bank**”). Each Lockbox Transfer Account shall be an Eligible Account. Each Lockbox Transfer Account shall be subject to an account control agreement among the Property Manager or the Back-Up Manager, as applicable, the Issuers, the Indenture Trustee and the applicable Lockbox Transfer Account Bank, which may be substantially in the form of the Clearing Account Agreement, dated as of the date hereof, among the Issuers, the Back-Up Manager, the Indenture Trustee, and PNC Bank, National Association. Subject to Section 3.02(g), neither the Property Manager nor any Issuer will have any right of withdrawal from the Lockbox Transfer Account, and each of the Property Manager and the Back-Up Manager hereby covenants and agrees that it shall not withdraw, or direct any Person to withdraw, any funds from the Lockbox Transfer Account.

(d) The Property Manager shall establish and maintain one segregated account in the name of the Indenture Trustee on behalf of the Noteholders for the collection of payments on and other amounts received in respect of the Leases, the Properties and the Loans (collectively, the “**Collection Account**”), which shall be established in such manner and with the type of depository institution (the “**Collection Account Bank**”) specified in this Agreement that permits the Collection Account to be an Eligible Account. Initially, the Collection Account Bank shall be Citibank, N.A. The Collection Account shall be an Eligible Account. If the Collection Account Bank is not the same depository institution as the Indenture Trustee, then the Collection Account will be subject to an Account Control Agreement in form and substance reasonably satisfactory to the Indenture Trustee pursuant to which the Collection Account Bank agrees to follow the instructions of the Indenture Trustee with respect to the Collection Account and the amounts on deposit therein. Prior to the occurrence of an Event of Default, subject to Sections 3.03 and 3.04, neither the Property Manager nor any Issuer will have any right of withdrawal from the Collection Account, and the Property Manager hereby covenants and agrees that it shall not withdraw, or direct any Person to withdraw, any funds from the Collection Account. Following an Event of Default, neither the Property Manager nor any Issuer will have any right of withdrawal from the Collection Account, and the Property Manager hereby covenants and agrees that it shall not withdraw, or direct any Person to withdraw, any funds from the Collection Account. The Collection Account shall be maintained as a segregated account, separate and apart from trust funds created for trust certificates or bonds of other series serviced and the other accounts of the Property Manager.

(e) Each of the Property Manager and the Special Servicer shall, as to those Leases it is obligated to service hereunder, instruct the related Tenant to make all Monthly Lease Payments to a General Receipts Account on or prior to the applicable Series Closing Date (or, if later, the date such Lease is first included in the Collateral). The Property Manager and the Special Servicer shall deposit or cause to be deposited in the Collection Account, within two (2) Business Days after receipt, the following payments and collections received or made by or on behalf of the Property Manager on or after the later of the related Series Closing Date and the applicable Transfer Date (other than payments due before the applicable Transfer Date) or, in the case of collections and payments to the General Receipts Account, on each Business Day, the Property Manager shall instruct each General Receipts Account Bank to transfer the following payments and collections deposited in the General Receipts Account prior to the end of such Business Day (A) to the Lockbox Transfer Account and, within one Business Day thereafter from the Lockbox Transfer Account into the Collection Account or (B) directly into the Collection Account, in each case, immediately after such funds have been identified, cleared and become available (but in no event later than two (2) Business Days after receipt thereof) in accordance with the policies of the General Receipts Account Bank:

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- (i) all payments on account of Monthly Lease Payments and Monthly Loan Payments;
  - (ii) all payments of other amounts payable by the Tenants on the Leases and Borrowers on the Loans, except for escrows and impounds and including without limitation amounts in respect of Additional Servicing Compensation pursuant to Section 3.09;
  - (iii) all Insurance Proceeds, Condemnation Proceeds and Liquidation Proceeds received in respect of any Property, Lease or Loan other than (A) proceeds applied to the restoration of property or released to the related Tenant or Borrower in accordance with this Agreement, or (B) Excess Proceeds;
  - (iv) any Release Price received by the Property Manager or the Special Servicer in connection with the release of a Released Property or Released Loan pursuant to the terms and provisions of this Agreement and all other amounts not deposited into the Release Account that were received and retained in connection with the liquidation of any Owned Property, Lease or Loan (a) with respect to which a Monthly Lease Payment or Monthly Loan Payment is overdue for more than 90 consecutive days (without taking into account the required giving of notices under the related Lease or Loan) or (b) with respect to which a Tenant or Borrower is otherwise in default beyond any applicable notice, grace or cure period, and which Lease or Loan has not been rejected in any bankruptcy, insolvency or similar proceeds;
  - (v) any amounts required to be deposited by the Property Manager or the Special Servicer in the Collection Account in connection with losses resulting from a deductible clause in a blanket hazard insurance policy;
  - (vi) any amounts paid by any party to indemnify the Issuers, the Issuer Members, the Indenture Trustee, the Property Manager, Back-Up Manager or the Special Servicer pursuant to any provision of this Agreement or the Indenture;
  - (vii) any amounts received on account of payments under the guaranties provided by related Lease Guarantors or Loan Guarantor; and
  - (viii) any other amounts required to be so deposited under this Agreement.

Upon receipt of any of the amounts described in clauses (i) through (iii) above with respect to any Specially Managed Unit, the Special Servicer shall promptly but in no event later than the second Business Day after receipt remit such amounts to the Property Manager for deposit into the Collection Account in accordance with this Section 3.02(e), unless the Special Servicer determines, consistent with the Servicing Standard, that a particular item should not be deposited because of a restrictive endorsement or other reasonably appropriate reason. With respect to any such amounts paid by check to the order of the Special Servicer, the Special



Servicer shall endorse such check to the order of the Property Manager and shall deliver promptly, but in no event later than one Business Day after receipt, any such check to the Property Manager by overnight courier, unless the Special Servicer determines, consistent with the Servicing Standard, that a particular item cannot be so endorsed and delivered because of a restrictive endorsement or other reasonably appropriate reason.

(f) Other than the deposit of (i) Relinquished Property Proceeds into the Exchange Account pursuant to Section 7.09 and the Master Exchange Agreement and (ii) Series Collateral Release Prices into the Collection Account pursuant to Section 7.11 and the Indenture, the Property Manager shall deposit or cause to be deposited in a segregated account in the name of the Indenture Trustee, cash proceeds from the sale of any Released Property or Released Loan (the “**Release Account**”) within one Business Day after such funds have been identified, cleared and become available. The Release Account shall be an Eligible Account. Initially, the Release Account bank shall be Citibank, N.A. The funds held in the Release Account may be held as cash or invested in Permitted Investments in accordance with the provisions of Section 3.05(a). All right, title and interest of each Issuer in the Release Account and the amounts on deposit therein will be pledged to the Indenture Trustee under the Indenture. The Property Manager will deposit or cause to be deposited in the Release Account, on the date of receipt, (i) any cash proceeds from the sale of any Released Property or Released Loan and (ii) to the extent that Proceeds in connection with an Insured Casualty or Condemnation exceeds the Collateral Value of the related Owned Property or Loan, such excess amounts (the “**Excess Proceeds**”). Pursuant to the Escrow Agreement, Relinquished Property Proceeds in the Exchange Account may be transferred to the Release Account following the occurrence of certain events specified therein and, in accordance Section 3.05(b), such Relinquished Property Proceeds may be used to acquire a Qualified Substitute Property. Pursuant to the Indenture, any excess proceeds remaining after prepaying the applicable Series of Notes in connection with a Series Collateral Release will be remitted to the Release Account as a Release Price.

(g) Each of the Property Manager and the Special Servicer shall, as to those Properties, Leases and Loans it is obligated to service and administer hereunder, establish and maintain one or more accounts (the “**Servicing Accounts**”), and shall cause to be deposited from the Lockbox Transfer Account or otherwise into such Servicing Accounts all Escrow Payments, security deposits received from Tenants pursuant to the Leases, subject to the Tenants’ rights to such amounts (“**Lease Security Deposits**”), and amounts required to be paid by the applicable Issuers as lessors under the Leases in respect of sales taxes (“**Sales Tax Deposits**”). Notwithstanding the foregoing, no Servicing Accounts shall be established and maintained with respect to those Properties, Leases or Loans pursuant to which the Tenant or Borrower is not required to make Escrow Payments, Lease Security Deposit or Sales Tax Deposits. Each Servicing Account shall be an Eligible Account. Withdrawals of amounts so collected from a Servicing Account (other than Lease Security Deposits may be made only to: (i) effect payment of real estate or personal property taxes, sales taxes, assessments, insurance premiums, ground rents (if applicable) and comparable items (including taxes or other amounts that could constitute liens prior to or on parity with the lien of the related Mortgage); (ii) refund to the related Tenant or Borrower any sums as may be determined to be overages; (iii) pay interest, if required and as described below in clause (h), to the related Tenant or Borrower on balances in the Servicing Account; (iv) clear and terminate the Servicing Account at the termination of this Agreement in accordance with Section 8.01; (v) withdraw any amounts deposited in error or (vi) for any other

purpose required by the applicable Lease or Loan; provided, however, that Lease Security Deposits may not be withdrawn for such purposes and shall be withdrawn only in accordance with the terms of the related Lease, to be repaid to the related Tenant or applied in full or partial satisfaction of the obligations of the related Tenant in accordance with the Servicing Standard (for application in the same manner as payments in respect of such obligations). Any remaining portion of such Lease Security Deposit (after no further allocations could be required pursuant to clauses (i) through (vi) above) shall be withdrawn by the Property Manager from the Servicing Account and deposited into the Collection Account and shall constitute part of the Available Amount on the next Payment Date.

(h) The Property Manager and the Special Servicer shall each pay or cause to be paid to the applicable Tenant or Borrower interest, if any, earned on the investment of funds in Servicing Accounts maintained thereby, if required by law or the terms of the related Lease or Loan. If the Property Manager or the Special Servicer shall deposit in a Servicing Account any amount not required to be deposited therein, it may at any time withdraw such amount from such Servicing Account, any provision herein to the contrary notwithstanding.

### Section 3.03 Advances.

(a) Each of the Property Manager and the Special Servicer shall, as to those Properties and Loans it is obligated to service hereunder, maintain accurate records with respect to each Property and Loan reflecting the status of real estate taxes, ground rents, assessments and other similar items that are or may become a lien thereon, and Ground Lease renewals and the status of insurance premiums payable in respect thereof that, in each case, the related Tenant or Borrower is contractually or legally obligated to pay under the terms of the applicable Lease or Loan, and, subject to Section 3.03(c) below, the Property Manager shall effect payment thereof, as an Advance or otherwise as payment of an Emergency Property Expense from funds on deposit in the Collection Account, as described below, if not paid by such Tenant or Borrower prior to the applicable penalty or termination date, promptly after the Property Manager or Special Servicer, as applicable, receives actual notice from any source of such nonpayment by such Tenant or Borrower. For purposes of effecting any such payment for which it is responsible, the Property Manager or the Special Servicer, as the case may be, shall apply Escrow Payments as allowed under the terms of the related Lease or Loan or, if such Lease or Loan does not require the related Tenant or Borrower to escrow for the payment of real estate taxes, assessments and insurance premiums, each of the Property Manager and the Special Servicer shall, as to those Leases and Loans it is obligated to service hereunder, enforce the requirement of the related Lease and Loan that such Tenant or Borrower make payments in respect of such items at the time they first become due.

(b) In the event that the Series Available Amount allocated (or to be allocated) to any Series of Notes on any Payment Date will be insufficient to pay in full (i) the Scheduled Principal Payment (if any) with respect to each Class of Notes in such Series other than any such Class of Notes whose Anticipated Repayment Date (x) occurs on such Payment Date or (y) has occurred prior to such Payment Date and (ii) accrued and unpaid Note Interest in respect of the Notes of such Series due on such Payment Date, the Property Manager, subject to its determination that such amounts are not Nonrecoverable Advances, shall be required to make a P&I Advance; provided, that the Property Manager will not be required to make any advance to

cover (A) any shortfall in the scheduled payment of principal on any Class of Notes on or after the related Anticipated Repayment Date, (B) the Make Whole Amount, (C) Post-ARD Additional Interest or (D) Deferred Post-ARD Additional Interest. The Property Manager will be required to deposit such P&I Advance into the Payment Account not later than 11:00 a.m. New York time on the Remittance Date, in an amount equal to the excess of (x) the scheduled monthly amount required to be paid with respect to principal and interest on the Notes on the related Payment Date, over (y) the amount on deposit in the Payment Account prior to such deposit by the Property Manager, taking into account all amounts on deposit in the Collection Account that are required to be transferred to the Payment Account for such Payment Date. If a late payment of a Monthly Lease Payment is received on or prior to the Remittance Date, the Property Manager shall immediately set-off such late payment against such P&I Advance, and no interest shall be payable on such P&I Advance unless such late payment shall have been received too late on the date of its receipt for the Property Manager to invest such funds. On or before 5:00 p.m. New York time on the Remittance Date in the event that the full amount of any P&I Advance required to be made by the Property Manager has not been so made, the Indenture Trustee shall provide notice of such failure to a Servicing Officer of the Property Manager and the Back-Up Manager. The Back-Up Manager, as successor Property Manager, will be required to make any required P&I Advance by 11:00 a.m. New York City time on the related Payment Date to the extent that any P&I Advance required to be made by the Property Manager pursuant to the immediately preceding sentence is not made and the Back-Up Manager, as successor Property Manager, receives notice thereof, subject to the Back-Up Manager's sole discretion exercised in good faith and in accordance with Section 3.03(g) below, that the P&I Advance will not be a Nonrecoverable Advance. If the Property Manager (including the Back-Up Property Manager, as successor Property Manager) fails to make such Advance, the Indenture Trustee will be required to make any required P&I Advance by 3:00 p.m. New York City time on the related Payment Date to the extent that any P&I Advance required to be made by the Property Manager pursuant to the immediately preceding sentence is not made and the Indenture Trustee receives notice thereof, subject to the Indenture Trustee's sole discretion exercised in good faith, that the P&I Advance will ultimately be recoverable from subsequent payments or collections on or in respect of Loans, Leases or the Properties.

(c) In accordance with the Servicing Standard, the Property Manager shall advance with respect to each Property any and all Property Protection Advances; provided, that in no event shall the Property Manager be required to make any Property Protection Advance that it determines would constitute a Nonrecoverable Advance in accordance with Section 3.03(f). The Property Manager shall not have any obligation under this Section 3.03(c) to advance any funds in respect of (i) delinquent payments of principal or interest in respect of the Loans and (ii) real estate taxes or premiums on Insurance Policies that the related Tenant or Borrower or the applicable Issuer is not contractually or legally obligated to pay, nor shall it have any obligation to monitor the timely payment of real estate taxes and insurance premiums the payment of which is the responsibility of a person other than such Tenant, Borrower or Issuer, unless it has actual knowledge of the non-payment of such items and would otherwise make such advance in accordance with the Servicing Standard. The Back-Up manager, as successor Property Manager, will be required to make any required Property Protection Advance to the extent that any Property Protection Advance required to be made by the Property Manager pursuant to the immediately preceding sentence is not made and the Back-Up Manager, as successor Property Manager, receives notice thereof, subject to the Back-Up Manager's sole

discretion exercised in good faith, that the Property Protection Advance will not be a Nonrecoverable Advance. The Indenture Trustee will be required to make any required Property Protection Advance to the extent that any Property Protection Advance required to be made by the Property Manager (or the Back-Up Manager, as successor Property Manager) pursuant to the immediately preceding sentence is not made and the Indenture Trustee receives notice thereof, subject to the Indenture Trustee's sole discretion exercised in good faith, that the Property Protection Advance will ultimately be recoverable from subsequent payments or collections on or in respect of Leases, Properties or Loans.

(d) All Advances, together with Advance Interest thereon, shall be reimbursable in the first instance from collections from the related Leases, Properties and Loans and further as provided in Section 2.11(b) of the Indenture.

(e) If, prior to making any Property Protection Advance, the Property Manager shall have determined, in accordance with the Servicing Standard, (i) that such Property Protection Advance, if made, would constitute a Nonrecoverable Advance, and (ii) that the payment of such cost, expense or other amount for which a Property Protection Advance might be made is nonetheless in the best interest of the Noteholders, the Property Manager shall, in accordance with the Servicing Standard, instruct the Indenture Trustee to withdraw funds from the Collection Account and use such funds in order to pay such costs, expenses and other amounts (collectively, "**Emergency Property Expenses**") to the extent necessary to preserve the security interest in, and value of, any Property or Loan, as applicable. Any such funds withdrawn from the Collection Account to pay Emergency Property Expenses shall not constitute part of the Available Amount on any Payment Date and shall not be available to make payments to the Noteholders or to pay any other expenses or obligations of the Issuers.

(f) The determination by the Property Manager (or the Back-Up Manager as successor Property Manager) that it has made a Nonrecoverable Advance or that any proposed Advance, if made, would constitute a Nonrecoverable Advance, shall be in accordance with (i) with respect to Property Protection Advances, the Servicing Standard and (ii) with respect to P&I Advances, Section 3.03(g) below, and, in each case, shall be evidenced by an Officer's Certificate delivered promptly to each Issuer and to the Indenture Trustee setting forth the basis for such determination. The determination by the Indenture Trustee that it has made a Nonrecoverable Advance or that any proposed Advance, if made, would constitute a Nonrecoverable Advance, shall be made in good faith. The Indenture Trustee may conclusively rely on any determination by the Property Manager that an Advance, if made, would be a Nonrecoverable Advance.

(g) In making a nonrecoverability determination with respect to any P&I Advance, the Property Manager (including the Back-Up Manager as successor Property Manager) and the Special Servicer may only consider the obligations of the Issuers under the terms of the Transaction Documents as they may have been modified, the related Collateral in its "as is" or then current conditions and the timing and availability of anticipated cash flows as modified by such party's assumptions regarding the possibility and effect of future adverse changes, together with such other factors, including but not limited to an estimate of future expenses, timing of recovery, the inherent risk of a protracted period to complete liquidation or the potential inability to liquidate Collateral as a result of intervening creditor claims or of a

bankruptcy proceeding affecting any Issuer and the effect thereof on the existence, validity and priority of any security interest encumbering the Collateral, the direct and indirect equity interests in the Issuers, available cash on deposit in the Collection Account, the future allocations and disbursements of cash on deposit in the Collection Account, and the net proceeds derived from any of the foregoing. Any such determination shall be conclusive and binding on the applicable Issuer, the Property Manager, the Special Servicer, the Noteholders, the Back-Up Manager and the Indenture Trustee.

Section 3.04 Withdrawals from the Collection Account.

(a) The applicable Account Control Agreement, if any, shall provide that on each Remittance Date the Collection Account Bank shall deliver the Available Amount by wire transfer of immediately available funds for deposit into the Payment Account for application by the Indenture Trustee to make payments in accordance with the priorities set forth pursuant to Section 2.11(b) of the Indenture. On or prior to each Remittance Date, the Property Manager may instruct the Indenture Trustee to withdraw funds from the Collection Account to pay the Property Management Fee, Back-Up Fee, Workout Fees, Liquidation Fees, Additional Servicing Compensation, any applicable Special Servicing Fee due and payable to the Property Manager, Back-Up Manager and Special Servicer, and to pay any Emergency Property Expenses (pursuant to Section 3.03(e)) and Advances (including Nonrecoverable Advances) plus interest thereon (including to reimburse the Indenture Trustee therefor); provided, however, that no other amounts may be withdrawn from the Collection Account by the Property Manager, except as otherwise provided in this Agreement. Funds withdrawn by the Property Manager for the payment of the Property Management Fee, Back-Up Fee, Workout Fees, Liquidation Fees, Additional Servicing Compensation, any reimbursements of Advances (including Nonrecoverable Advances) plus interest thereon, and any applicable Special Servicing Fee shall not constitute part of the Available Amount on any Payment Date.

Section 3.05 Investment of Funds in the Collection Account and the Release Account.

(a) The Property Manager shall direct the Collection Account Bank to invest the funds held in the Collection Account in one or more Permitted Investments bearing interest or sold at a discount, and maturing, unless payable on demand, not later than the Business Day immediately preceding the next succeeding Remittance Date, which may be in the form of a standing direction. The Property Manager may direct any institution maintaining the Release Account to invest the funds held therein in one or more specific Permitted Investments bearing interest or sold at a discount, and maturing, unless payable on demand, not later than the Business Day immediately preceding the day such amounts are required to be distributed pursuant to this Agreement, which may be in the form of a standing direction. The Property Manager may direct any institution maintaining the Exchange Reserve Account to invest the funds held therein in one or more specific Permitted Investment bearing interest or sold at a discount, and maturing, unless payable on demand, prior to the Payment Date following the date of such direction, which may be in the form of a standing direction; provided, that such Permitted Investment must have (i) a short-term rating of not less than "A-2" by S&P and (ii) a maturity date prior to the Payment Date following the date of such direction. All such Permitted Investments in the Collection Account, the Servicing Accounts, the Release Account and the

Exchange Reserve Account shall be held to maturity, unless payable on demand. Any investment of funds in the Collection Account, the Servicing Accounts, the Release Account and the Exchange Reserve Account shall be made in the name of the applicable Issuer for the benefit of the Indenture Trustee (in its capacity as such). The Property Manager shall promptly deliver to the Indenture Trustee, and the Indenture Trustee shall maintain continuous possession of, any Permitted Investment that is either (i) a “certificated security,” as such term is defined in the Uniform Commercial Code, or (ii) other property in which a secured party may perfect its security interest by possession under the Uniform Commercial Code or any other applicable law. If amounts on deposit in the Collection Account, the Servicing Accounts, the Release Account or the Exchange Reserve Account are at any time invested in a Permitted Investment payable on demand, the Property Manager shall:

(i) consistent with any notice required to be given thereunder, demand that payment thereon be made on the last day such Permitted Investment may otherwise mature hereunder in an amount equal to the lesser of (x) all amounts then payable thereunder and (y) the amount required to be withdrawn on such date; and

(ii) demand payment of all amounts due thereunder promptly upon determination by the Property Manager that such Permitted Investment would not constitute a Permitted Investment in respect of funds thereafter on deposit in the Collection Account, the Servicing Accounts or the Release Account, as applicable.

(b) In the event that (i) any Issuer elects to remove a Property or Loan from the Collateral Pool under Section 2.04, 7.01 or 7.04, (ii) Relinquished Property Proceeds are transferred from the Exchange Account to the Release Account in accordance with the terms of the Master Exchange Agreement and the Escrow Agreement or (iii) amounts in connection with a Series Collateral Release are deposited into the Release Account pursuant to Section 7.11(c) and the Indenture, in each case, amounts deposited in the Release Account shall be applied by the Property Manager (or the Indenture Trustee based solely on the instructions of the Property Manager if the Property Manager is SCF Realty Capital), first, to reimburse the Property Manager, the Special Servicer and the Indenture Trustee any amounts owed with respect to unreimbursed Extraordinary Expenses, Advances (plus Advance Interest) thereon and Emergency Property Expenses related to such Loan, Lease or Property and to pay the expenses related to such release and, second, either to (i) allow any Issuer to acquire a Qualified Substitute Loan or Qualified Substitute Property within twelve (12) months following the removal of the related Released Property or Released Loan or the related Exchange Commencement Date, as applicable, or (ii) at the option of the Property Manager, be deposited as Unscheduled Proceeds into the Collection Account. Any amounts remaining in the Release Account following the twelve (12) month period described in clause (i) above shall be transferred as Unscheduled Proceeds into the Collection Account; provided, that only the related Allocated Release Amount will be applied as Unscheduled Principal Payments. During an Early Amortization Period, all amounts in the Release Account shall be deposited as Unscheduled Proceeds into the Collection Account and will be applied as Unscheduled Principal Payments on the Payment Date following the commencement of such Early Amortization Period.

(c) Whether or not the Property Manager directs the investment of funds in the Collection Account, the Release Account or the Exchange Reserve Account, interest and investment income realized on funds deposited therein, to the extent of the Net Investment Earnings, if any, for the Collection Account, the Servicing Accounts, the Release Account or the Exchange Reserve Account for each Collection Period, shall be added to the Available Amount for such Collection Period.

(d) Except as otherwise expressly provided in this Agreement, if any default occurs in the making of a payment due under any Permitted Investment, or if a default occurs in any other performance required under any Permitted Investment, the Indenture Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate proceedings.

(e) Notwithstanding the investment of funds held in the Collection Account, the Release Account or the Exchange Reserve Account, for purposes of the calculations hereunder, including the calculation of the Available Amount, the amounts so invested shall be deemed to remain on deposit in the Collection Account, the Release Account or the Exchange Reserve Account, as applicable.

(f) Any actual losses sustained on the liquidation of a Permitted Investment in the Collection Account or the Release Account shall be deposited by the applicable Issuer immediately, but in no event later than one Business Day following such liquidation, into the Collection Account or the Release Account, as applicable.

Section 3.06 Maintenance of Insurance Policies: Errors and Omissions and Fidelity Coverage.

(a) The Property Manager (other than with respect to Specially Managed Units) and the Special Servicer (with respect to Specially Managed Units) shall use reasonable efforts in accordance with the Servicing Standard to cause the related Tenant or Borrower to maintain for each Property all insurance coverage as is required under the terms of the related Lease or Loan, as applicable (including for the avoidance of doubt, any Environmental Policy); provided, that if and to the extent that any such Lease or Loan permits the lessor thereunder any discretion (by way of consent, approval or otherwise) as to the insurance coverage that the related Tenant or Borrower is required to maintain, the Property Manager or the Special Servicer, as the case may be, shall exercise such discretion in a manner consistent with the Servicing Standard; and provided, further, that, if and to the extent that a Lease or Loan so permits, the related Tenant or Borrower shall be required to obtain the required insurance coverage from Qualified Insurers that have a claims-paying ability rated at least "A:VIII" by A.M. Best's Key Rating Guide. If such Tenant or Borrower does not maintain the required insurance or, with respect to any Environmental Policy in place as of the related Series Closing Date or Transfer Date, the Property Manager will itself cause such insurance to be maintained with Qualified Insurers; provided, that the Property Manager shall not be required to maintain such insurance if the Indenture Trustee (as mortgagee of record on behalf of the Noteholders) does not have an insurable interest or the Property Manager has determined, in its reasonable judgment in accordance with the Servicing Standard, that either (i) such insurance is not available at a commercially reasonable rate and the subject hazards are at the time not commonly insured against by prudent owners of properties similar to the Property located in or around the region in which such Property is located or (ii) such insurance is not available at any rate. Subject to

Section 3.14(a), the Special Servicer shall also use reasonable efforts to cause to be maintained for each REO Property no less property insurance coverage than was previously required of the Tenant or Borrower under the related Mortgage or Lease and at a minimum, (i) hazard insurance with a replacement cost rider and (ii) comprehensive general liability insurance, in each case, in an amount customary for the type and geographic location of such REO Property and consistent with the Servicing Standard; provided, that all such insurance shall be obtained from Qualified Insurers that, if they are providing casualty insurance, shall have a claims-paying ability rated at least “A-:VIII” by A.M. Best’s Key Rating Guide. The cost of any such insurance coverage obtained by either the Property Manager or the Special Servicer shall be a Property Protection Advance to be paid by the Property Manager. All such insurance policies shall contain (if they insure against loss to property) a “standard” mortgagee clause, with loss payable to the Property Manager, as agent of and for the account of the applicable Issuer and the Indenture Trustee, and shall be issued by an insurer authorized under applicable law to issue such insurance. Any amounts collected by the Property Manager or the Special Servicer under any such policies (other than amounts to be applied to the restoration or repair of the related Property or amounts to be released to the related Tenant, in each case in accordance with the Servicing Standard) shall be deposited in the Collection Account, subject to withdrawal pursuant to Section 2.11 of the Indenture.

(b) The Property Manager or Special Servicer may satisfy its obligations under Section 3.06(a) by obtaining, maintaining or causing to be maintained a blanket or forced place insurance policy. If applicable, the Property Manager or the Special Servicer shall obtain and maintain, or cause to be obtained and maintained on behalf of each applicable Issuer, a master forced place insurance policy or a blanket policy (or an endorsement to an existing policy) insuring against hazard losses (not otherwise insured by a Tenant or Borrower due to a default by such Tenant or Borrower under the insurance covenants of its Lease or Loan or because a Tenant or Borrower permitted to self-insure fails to pay for casualty losses) on the applicable Properties that it is required to service and administer, which policy shall (i) be obtained from a Qualified Insurer having a claims-paying ability rated at least “A:VIII” by A.M. Best’s Key Rating Guide and at least “A” by S&P, and (ii) provide protection equivalent to the individual policies otherwise required under Section 3.06(a). The Property Manager and the Special Servicer shall bear the cost of any premium payable in respect of any such blanket policy (other than blanket policies specifically obtained for Properties or REO Properties) without right of reimbursement; provided, that if the Property Manager or the Special Servicer, as the case may be, causes any Property or REO Property to be covered by such blanket policy, the incremental costs of such insurance applicable to such Property or REO Property shall constitute, and be reimbursable as, a Property Protection Advance to the extent that, except with respect to an REO Property, such blanket policy provides insurance that the related Tenant or Borrower, as applicable, has failed to maintain. If the Property Manager or Special Servicer, as applicable, causes any Property or REO Property to be covered by a force-placed insurance policy, the incremental costs of such insurance applicable to such Property or REO Property (which shall not include any minimum or standby premium payable for such policy whether or not any Property or REO Property is covered thereby) shall be paid as a Property Protection Advance. Such policy may contain a deductible clause (not in excess of a customary amount) in which case the Property Manager or the Special Servicer, as appropriate, shall, if there shall not have been maintained on the related Property or REO Property a hazard insurance policy complying with the requirements of Section 3.06(a) and there shall have been one or more losses that would have



been covered by such policy, promptly deposit into the Collection Account from its own funds the amount not otherwise payable under the blanket policy in connection with such loss or losses because of such deductible clause. The Property Manager or the Special Servicer, as appropriate, shall prepare and present, on behalf of itself, the Indenture Trustee and the applicable Issuer, claims under any such blanket policy in a timely fashion in accordance with the terms of such policy. Any payments on such policy shall be made to the Property Manager as agent of and for the account of the applicable Issuer, the Noteholders and the Indenture Trustee.

(c) Each of the Property Manager and the Special Servicer shall at all times during the term of this Agreement (or, in the case of the Special Servicer, at all times during the term of this Agreement in which Specially Managed Units exist as part of the Collateral) keep in force with a Qualified Insurer having a claims paying ability rated at least “A:VIII” by A.M. Best’s Key Rating Guide and at least “A” by S&P, a fidelity bond in such form and amount as would not adversely affect any rating assigned by any Rating Agency to the Notes (as evidenced in writing from each Rating Agency). Each of the Property Manager and the Special Servicer shall be deemed to have complied with the foregoing provision if an Affiliate thereof has such fidelity bond coverage and, by the terms of such fidelity bond, the coverage afforded thereunder extends to the Property Manager or the Special Servicer, as the case may be. Such fidelity bond shall provide that it may not be canceled without ten (10) days’ prior written notice to each Issuer.

Each of the Property Manager and the Special Servicer shall at all times during the term of this Agreement (or, in the case of the Special Servicer, at all times during the term of this Agreement in which Specially Managed Units exist as part of the Collateral) also keep in force with a Qualified Insurer having a claims-paying ability rated at least “A:VIII” by A.M. Best’s Key Rating Guide and at least “A” by S&P, a policy or policies of insurance covering loss occasioned by the errors and omissions of its officers, employees and agents in connection with its servicing obligations hereunder, which policy or policies shall name the Indenture Trustee as an additional insured and shall be in such form and amount as would not adversely affect any rating assigned by any Rating Agency to the Notes (as evidenced in writing from each Rating Agency). Each of the Property Manager and the Special Servicer shall be deemed to have complied with the foregoing provisions if an Affiliate thereof has such insurance and, by the terms of such policy or policies, the coverage afforded thereunder extends to the Property Manager or the Special Servicer, as the case may be. Any such errors and omissions policy shall provide that it may not be canceled without ten (10) days’ prior written notice to each Issuer.

The Back-Up Manager (whether as Back-Up Manager, Property Manager or Special Servicer) shall at all times during the term of this Agreement maintain insurance in conformity with market requirements and shall keep in force with a Qualified Insurer having a claims paying ability rated by at least one of the following Rating Agencies of at least (a) “A3” by Moody’s Investor Services, Inc., (b) “A-” by S&P, (c) “A-” by Fitch Ratings Inc. or (d) “A:X” by A.M. Best Company, Inc., (i) a fidelity bond (employee dishonesty insurance) in such form and amount as is consistent with the Servicing Standard, and (ii) a policy or policies of insurance covering loss occasioned by the errors and omissions of its officers and employees in connection with its servicing obligations hereunder, which policy or policies shall be in such

form and amount as is consistent with the Servicing Standard. The Back-Up Manager shall cause any awards or other amounts payable under such policy or policies that result from the errors or omissions of its officers and employees in connection with its servicing obligations hereunder to be promptly remitted to the Indenture Trustee for application in accordance with the Indenture. The Back-Up Manager shall be deemed to have complied with the foregoing provision if an Affiliate thereof has such fidelity bond and/or errors and omissions coverage and, by the terms of such fidelity bond and/or errors and omissions policy, the coverage afforded thereunder extends to the Property Manager or the Special Servicer, as the case may be.

Each of the Property Manager and the Special Servicer shall at all times during the term of this Agreement (or, in the case of the Special Servicer, at all times during the term of this Agreement in which Specially Managed Units exist as part of the Collateral) also, on behalf of each Issuer, keep in force with a Qualified Insurer having a claims-paying ability rated at least "A:VIII" by A.M. Best's Key Rating Guide and at least "A" by S&P, a lessor's general liability insurance policy or policies, which policy or policies shall be in such form and amount as would not adversely affect any rating assigned by any Rating Agency to the Notes without giving effect to any Insurance Policy (as evidenced in writing from each Rating Agency). Any such general liability insurance policy shall provide that it may not be canceled without ten (10) days' prior written notice to each Issuer and the Indenture Trustee. Any payments on such policy shall be made to the Property Manager as agent of and for the account of any applicable Issuer and the Indenture Trustee.

If the Property Manager (or its corporate parent), the Special Servicer (or its corporate parent) or the Back-Up Manager (or its corporate parent), as applicable, are rated not lower than "A" by S&P, the Property Manager, the Special Servicer or the Back-Up Manager, as applicable, may self-insure with respect to any insurance coverage or fidelity bond coverage required hereunder, in which case it shall not be required to maintain an insurance policy with respect to such coverage; provided, that SCF Realty Capital may not self-insure with respect to any such insurance coverage or fidelity bond.

#### Section 3.07 DSCR Reserve Account.

On each Payment Date occurring during any DSCR Sweep Period, the Indenture Trustee shall deposit funds into the DSCR Reserve Account in accordance with Sections 2.11(b) and 2.18 of the Indenture. The DSCR Reserve Account shall be an Eligible Account. The Property Manager shall deliver to the Indenture Trustee a calculation of the Monthly DSCR on or before each Remittance Date. The Issuers grant to the Indenture Trustee a first-priority perfected security interest in the DSCR Reserve Account and any and all monies now or hereafter deposited in the DSCR Reserve Account as additional security for payment of the Notes. Until disbursed or applied in accordance herewith, the DSCR Reserve Account shall constitute additional security for the Notes. Upon the occurrence of an Event of Default, the Indenture Trustee may, in addition to any and all other rights and remedies available to the Indenture Trustee, apply any sums then present in the DSCR Reserve Account to the payment of the Notes in such order and priority as set forth in the Indenture.

#### Section 3.08 Issuers, Custodian and Indenture Trustee to Cooperate; Release of Lease Files and Loan Files.

(a) If from time to time, and as appropriate for servicing of any Loan, Lease, assumption of a Lease, modification of a Lease or the re-lease or sale of any Property, the Property Manager or the Special Servicer shall otherwise require the use of any Lease File or Loan File, as applicable (or any portion thereof), the Custodian, upon written request of the Property Manager and receipt from the Property Manager of a Request for Release substantially in the form of Exhibit B-1 attached hereto signed by a Servicing Officer thereof, or upon request of the Special Servicer and receipt from the Special Servicer of a Request for Release substantially in the form of Exhibit B-2 attached hereto, shall release such Lease File or Loan File, as applicable (or portion thereof) to the Property Manager or the Special Servicer, as the case may be. Upon return of such Lease File or Loan File, as applicable (or portion thereof) to the Custodian, or upon the Special Servicer's delivery to the Indenture Trustee of an Officer's Certificate stating that (i) such Lease has become a Liquidated Lease or such Loan has been liquidated and all amounts received or to be received in connection with such Lease or Loan are required to be deposited into the Collection Account pursuant to Section 3.02(a) have been or will be so deposited or (ii) such Property or Loan has been sold, a copy of the Request for Release shall be released by the Custodian to the Property Manager or the Special Servicer, as applicable.

(b) Within seven (7) Business Days of the Special Servicer's request therefor (or, if the Special Servicer notifies each Issuer and the Indenture Trustee of an exigency, within such shorter period as is reasonable under the circumstances), each of the applicable Issuer and the Indenture Trustee shall execute and deliver to the Special Servicer, in the reasonable form supplied to such Issuer and the Indenture Trustee by the Special Servicer, any court pleadings, leases, sale documents or other documents reasonably necessary to the re-lease, foreclosure or sale in respect of any Loan or Property or to any legal action brought to obtain judgment against any Tenant or Borrower on the related Lease or Loan or to obtain a judgment against an Tenant or Borrower, or to enforce any other remedies or rights provided by the Lease or Loan or otherwise available at law or in equity or to defend any legal action or counterclaim filed against such Issuer, the Property Manager or the Special Servicer; provided that each of such Issuer and the Indenture Trustee may alternatively execute and deliver to the Special Servicer, in the form supplied to such Issuer and the Indenture Trustee by the Special Servicer, a limited power of attorney substantially in the form of Exhibit D issued in favor of the Special Servicer and empowering the Special Servicer to execute and deliver any or all of such pleadings or documents on behalf of such Issuer or the Indenture Trustee, as the case may be, provided, however, that neither the applicable Issuer nor the Indenture Trustee shall be held liable for any misuse of such power of attorney by the Special Servicer and the Special Servicer hereby agrees to indemnify such Issuer and the Indenture Trustee against, and hold such Issuer and the Indenture Trustee harmless from, any loss or liability arising from any misuse of such power of attorney. Notwithstanding anything to the contrary, the Special Servicer shall not, without the Indenture Trustee's written consent (i) initiate any action, suit or proceeding solely under the Indenture Trustee's name without indicating its representative capacity or (ii) take any action with the primary purpose of causing, and which actually does cause, the Indenture Trustee to be registered to do business in any state. Together with such pleadings or documents (or such power of attorney empowering the Special Servicer to execute the same on behalf of such Issuer and the Indenture Trustee), the Special Servicer shall deliver to each of such Issuer and the Indenture Trustee an Officer's Certificate requesting that such pleadings or documents (or such power of attorney empowering the Special Servicer to execute the same on behalf of such Issuer or the Indenture Trustee, as the case may be) be executed by such Issuer or the Indenture Trustee and certifying as to the reason such pleadings or documents are required.

Section 3.09 Property Management Compensation: Interest on Advances.

(a) As compensation for its activities hereunder, the Property Manager shall be entitled to receive the Property Management Fee with respect to each Property and Loan included in the Collateral Pool (excluding the Specially Managed Units, if any). The Property Management Fee with respect to any Property and Loan shall cease to accrue if the Property or Loan becomes a Specially Managed Unit. The right to receive the Property Management Fee may not be transferred in whole or in part except in connection with the transfer of all of the Property Manager's responsibilities and obligations under this Agreement. Earned but unpaid Property Management fees shall be distributable monthly on the Payment Date by the Indenture Trustee from the Available Amount pursuant to Section 2.11(b) of the Indenture.

(b) On each Payment Date, the Property Manager shall be entitled to receive, and the Indenture Trustee shall distribute to the Property Manager from the Payment Account, all transaction, returned check fees, assumption, modification and similar fees and late payment charges received with respect to Loans and Properties that are not Specially Managed Units. The Property Manager will also be entitled to any Default Interest collected on a Lease or Loan, but only to the extent that (i) such Default Interest is allocable to the period (not to exceed 60 days) when the related Property or Loan did not constitute a Specially Managed Unit and (ii) such Default Interest is not allocable to cover interest payable to the Property Manager or the Indenture Trustee with respect to any Advances made in respect of the related Property or Loan.

(c) As compensation for its activities hereunder, the Special Servicer shall be entitled to receive the Special Servicing Fee with respect to each Specially Managed Unit. The Special Servicing Fee with respect to any Specially Managed Unit shall cease to accrue if (i) the related Property or Loan is sold or otherwise released from the lien of the related Mortgage, or (ii) such Specially Managed Unit becomes a Corrected Unit. Earned but unpaid Special Servicing Fees shall be payable monthly on the Payment Date by the Indenture Trustee out of general collections on the Leases, Loans and the Properties on deposit in the Payment Account pursuant to Section 2.11(b) of the Indenture.

The Special Servicer's right to receive the Special Servicing Fee may not be transferred in whole or in part except in connection with the transfer of all of the Special Servicer's responsibilities and obligations under this Agreement.

(d) On each Payment Date, the Special Servicer shall be entitled to receive, and the Indenture Trustee shall distribute to the Special Servicer from the Payment Account, all returned check fees, assumption, modification and similar fees and late payment charges received on or with respect to the Specially Managed Units as Special Servicer Additional Servicing Compensation out of funds available for such purpose pursuant to Section 2.11(b) of the Indenture.

(e) The Property Manager, Back-Up Manager and the Special Servicer shall each be required to pay all ordinary expenses incurred by it in connection with its servicing activities under this Agreement, including fees of any subservicers retained by it; provided, however, that if Midland is the Back-Up Manager and assumes the role of Property Manager or Special Servicer hereunder, in accordance with the Servicing Standard and the terms of this Agreement it shall be permitted to engage third party valuation experts and other consultants to conduct appraisals at the cost of the Issuers. As and to the extent permitted by Section 2.11(b) of the Indenture, the Property Manager and the Indenture Trustee shall each be entitled to receive interest at the Reimbursement Rate in effect from time to time, accrued on the amount of each Advance and unreimbursed Extraordinary Expenses made by it for so long as such Advance is outstanding.

(f) As compensation for its activities hereunder, the Back-Up Manager shall be entitled to receive the monthly Back-Up Fee with respect to each Property and Loan included in the Collateral Pool. The right to receive the monthly Back-Up Fee may not be transferred in whole or in part except in connection with the transfer of all of the Back-Up Manager's responsibilities and obligations under this Agreement. Earned but unpaid Back-Up Fees shall be payable monthly pursuant to Section 2.11(b) of the Indenture.

(g) A Workout Fee shall be payable to the Special Servicer with respect to each Corrected Unit. As to each such Corrected Unit, the "**Workout Fee**" will be payable out of, and will be calculated by application of 0.50% to, each collection of rents and principal and interest payments (other than any default interest) received on the related Lease or Loan, as applicable, so long as it remains a Corrected Unit; provided, that no Workout Fee will be payable from any Liquidation Proceeds collected in connection with (i) the purchase of any Specially Managed Unit by the Property Manager or the Special Servicer or (ii) the repurchase of any Specially Managed Unit by the applicable Issuer or the Support Provider due to a Collateral Defect within the period provided to cure such Collateral Defect.

#### Section 3.10 Property Inspections; Collection of Financial Statements; Delivery of Certain Reports.

(a) The Property Manager shall obtain a physical inspection with respect to each Property (i) whose Weighted Average FCCR is below 1.5x, on an annual basis, or (ii) with respect to which the Property Manager has received notice from the Tenant or has actual knowledge that the Tenant is a non-renewal or termination risk, within a reasonable amount of time from receipt of such notice or knowledge. If a Lease or Loan becomes a Specially Managed Unit, the Special Servicer shall perform or obtain a physical inspection of the related Property within six (6) months after such Property becomes a Specially Managed Unit.

(b) Following the completion of a physical inspection pursuant to Section 3.10(a), if applicable, the Property Manager or the Special Servicer, as applicable, shall prepare a written report of each such inspection performed by it. Such written report prepared by the Property Manager or the Special Servicer or written report obtained by the Property Manager or the Special Servicer, as applicable, shall set forth in detail the condition of the related Property and that specifies the condition of the related Property and the existence of (i) any sale, transfer or abandonment of such Property, or (ii) any material change in the condition or value of such Property. The Special Servicer shall deliver to each Issuer, the Back-Up Manager, the Indenture Trustee and the Property Manager a copy of each such written report prepared by it during each calendar quarter within 15 days of the completion of each such inspection.

(c) The Property Manager or Special Servicer, as applicable, shall receive reimbursement for reasonable out-of-pocket expenses related to any Property inspections from the applicable Issuer pursuant to Section 2.11(b) of the Indenture.

(d) The Special Servicer, in the case of any Specially Managed Unit, and the Property Manager, in the case of all other Leases and Loans, shall make reasonable efforts to collect promptly from each related Tenant or Borrower and review annual and quarterly financial statements of such Tenant or Borrower and the Properties it operates as the same are required to be delivered by the Tenant or Borrower to the applicable Issuer under its Lease or Loan.

Section 3.11 Statements as to Compliance.

Each of the Property Manager and the Special Servicer shall deliver to the Issuers, the Indenture Trustee and, in the case of the Special Servicer, the Property Manager, within sixty (60) days after the end of each April, August and December, beginning August 2017, an Officer's Certificate stating, as to each signer thereof, that (i) a review of the activities of the Property Manager and the Special Servicer throughout the preceding reporting period, and of its performance under this Agreement, has been made under such officer's supervision, and (ii) to the best of such officer's knowledge, based on such review, the Property Manager or the Special Servicer, as the case may be, complied in all material respects throughout such period with the minimum servicing standards in this Agreement and fulfilled in all material respects throughout such period its obligations under this Agreement or, if there was noncompliance with such standards or a default in the fulfillment of any such obligation in any material respect, such Officer's Certificate shall include a description of such noncompliance or specify each such default, as the case may be, known to such officer and the nature and status thereof.

Section 3.12 Reports by Independent Public Accountants.

On or before September 30 of each year, beginning September 30, 2017, each of the Property Manager and the Special Servicer, at its expense, shall cause an independent, registered public accounting firm (which may also render other services to the Property Manager or the Special Servicer, as the case may be) to furnish to each Issuer and the Indenture Trustee and, in the case of the Special Servicer, to the Property Manager a report containing such firm's opinion that, on the basis of an examination conducted by such firm substantially in accordance with standards established by the American Institute of Certified Public Accountants, the assertion made pursuant to Section 3.11 regarding compliance by the Property Manager or the Special Servicer, as the case may be, with the minimum servicing standards identified in the Uniform Single Attestation for Mortgage Bankers (to the extent applicable to the servicing obligations set forth in this Agreement) during the preceding calendar year (or from the date hereof through August 30, 2017, in the case of the first such report) is fairly stated in all material respects, subject to such exceptions and other qualifications that, in the opinion of such firm, such institute's standards require it to report. In rendering such statement, such firm may rely, as to matters relating to direct servicing of Leases and Loans by Sub-Managers, upon comparable reports for examinations conducted substantially in accordance with such institute's standards (rendered within one year of such report) of independent public accountants with respect to the related Sub-Managers.

Section 3.13 Access to Certain Information; Delivery of Certain Information.

Each of the Property Manager and the Special Servicer shall afford to the other, to the Issuers, the Indenture Trustee, the Back-Up Manager and the Rating Agencies and to the Federal Deposit Insurance Corporation and any other banking or insurance regulatory authority that may exercise authority over any Noteholder or holder of Issuer Interests, reasonable access to any documentation regarding the Leases, Loans and Properties and its servicing thereof within its control, except to the extent it is prohibited from doing so by applicable law, rule or regulation or contract or to the extent such information is subject to a privilege under applicable law to be asserted on behalf of an Issuer, the Noteholders or the holders of Issuer Interests. Such access shall be afforded without charge but only upon reasonable prior written request and during normal business hours at the offices of the Property Manager or the Special Servicer, as the case may be, designated by it.

The Property Manager or the Special Servicer shall notify the Indenture Trustee and the Back-Up Manager of any Property whose Tenant has ceased to exercise its business activity on such Property within 30 days of becoming aware of such a circumstance.

Section 3.14 Management of REO Properties and Properties Relating to Defaulted Assets.

(a) At any time that a Property is not subject to a Loan or a Lease or is subject to a Loan or a Lease that is a Defaulted Asset or with respect to an REO Property, the Special Servicer's decision as to how such Property or REO Property shall be managed and operated shall be based on the good faith and reasonable judgment of the Special Servicer as to the best interest of the applicable Issuer and the Noteholders by maximizing (to the extent commercially feasible) the net after-tax revenues received by the applicable Issuer with respect to such property and, to the extent consistent with the foregoing, in the same manner as would commercial loan and lease servicers and asset managers operating property comparable to the respective Property or REO Property under the Servicing Standard. The applicable Issuer, the Indenture Trustee and the Special Servicer may consult with counsel at the expense of the applicable Issuer in connection with determinations required under this Section 3.14(a). None of the Indenture Trustee, the Property Manager or the Special Servicer shall be liable to any Issuer, the Noteholders, the other parties hereto or each other, nor shall any Issuer be liable to any Noteholders or to the other parties hereto, for errors in judgment made in good faith in the exercise of their discretion while performing their respective responsibilities under this Section 3.14(a). Nothing in this Section 3.14(a) is intended to prevent the sale or release of a Property or REO Property pursuant to the terms and conditions contained elsewhere in this Agreement.

(b) With respect to any Property not subject to a Loan or a Lease and any REO Property, the Special Servicer shall manage, conserve, protect and operate such Property or REO Property for the benefit of the Issuers in accordance with the Servicing Standard. Subject to the foregoing, however, the Special Servicer shall have full power and authority to do any and

all things in connection therewith as are consistent with the Servicing Standard and, consistent therewith, shall direct that the Property Manager make, and the Property Manager shall make, Property Protection Advances, or pay Emergency Property Expenses from funds on deposit in the Collection Account, necessary for the proper operation, management, maintenance and disposition of such Property or REO Property, including:

- (i) all insurance premiums due and payable in respect of such Property or REO Property;
- (ii) all real estate and personal property taxes and assessments in respect of such Property or REO Property that may result in the imposition of a lien thereon (including taxes or other amounts that could constitute liens prior to or on parity with the lien of the related Mortgage);
- (iii) any Ground Lease rent payments in respect of such Property or REO Property; and
- (iv) all costs and expenses necessary to maintain, lease, sell, protect, manage, operate and restore such Property or REO Property.

Notwithstanding the foregoing, the Property Manager shall have no obligation to make any such Property Protection Advance if (as evidenced by an Officer's Certificate delivered to the applicable Issuer and the Indenture Trustee) the Property Manager determines, in accordance with the Servicing Standard, that such payment would be a Nonrecoverable Advance. The Special Servicer shall submit requests to make Property Protection Advances to the Property Manager not more than once per month unless the Special Servicer determines on an emergency basis in accordance with the Servicing Standard that earlier payment is required to protect the interests of each Issuer and the Noteholders.

(c) If title to any REO Property is acquired by the Special Servicer on behalf of an Issuer, the deed or certificate of sale shall be issued to the applicable Issuer and the Property Manager shall deliver to the applicable Rating Agency, the Indenture Trustee and the Issuers an amended Owned Property Schedule and Loan Schedule reflecting the removal of the related Loan from the Collateral Pool and the addition of any related Property to the Collateral Pool. Upon acquisition of such REO Property, the Special Servicer shall, if any amounts remain due and owing under the related Mortgage Note, cause the applicable Issuer to execute and deliver to the Indenture Trustee a new Mortgage (along with appropriate Financing Statements), as applicable, in favor of the Indenture Trustee to secure the lien of the Indenture. The Special Servicer shall remit to the Property Manager for deposit in the Collection Account or Release Account, as applicable, upon receipt, all REO Revenues, Insurance Proceeds and Liquidation Proceeds received in respect of an REO Property.

#### Section 3.15 Release, Sale and Exchange of Defaulted Assets and Terminated Lease Properties.

(a) Subject to any additional requirements set forth in any applicable Series Supplement, the Property Manager, the Special Servicer and the applicable Issuer may sell or purchase, or permit the release, sale or purchase of, a Loan or Property only on the terms and subject to the conditions set forth in this Section 3.15 and Section 7.08 or as otherwise expressly provided in or contemplated by Section 2.04 and Article VII or elsewhere in this Agreement and the Master Exchange Agreement.



(b) The Special Servicer and the Property Manager, as applicable, shall exercise reasonable efforts, to the extent consistent with the Servicing Standard, to enforce remedies with respect to a Defaulted Asset, including, without limitation, the commencement and prosecution of any eviction or foreclosure proceedings, as to which no satisfactory arrangements can be made for collection of delinquent payments. In the event any Property becomes a Terminated Lease Property or an Issuer obtains title to a REO Property, the Special Servicer shall use reasonable efforts, consistent with the Servicing Standard, to (i) with respect to such Terminated Lease Property, attempt to induce another Tenant to assume the obligations under the existing Lease, with or without modification, (ii) lease the Terminated Lease Property or REO Property under a new Lease on economically desirable terms or (iii) dispose of such Property or REO Property. The decision to enter into a lease assumption or re-lease the Terminated Lease Property or REO Property shall be made by the Special Servicer in accordance with the Servicing Standard. The Special Servicer shall pay all costs and expenses (other than costs or expenses that would, if incurred, constitute a Nonrecoverable Advance) incurred by it in connection with the foregoing as a Property Protection Advance, and shall be entitled to reimbursement therefor as provided herein. If the Special Servicer is successful in leasing the Terminated Lease Property or REO Property, a new Appraised Value will be obtained by the Special Servicer for the Terminated Lease Property or REO Property in the Special Servicer's discretion, and the costs of any such appraisal shall be a Property Protection Advance. If the Special Servicer leases any Terminated Lease Property or REO Property, the Property Manager shall deliver to the applicable Rating Agency, the Indenture Trustee and the Issuers an amended Owned Property Schedule reflecting the addition of such Lease to the Collateral Pool. Monthly Lease Payments on the modified or new Lease will be applied pursuant to the Indenture.

(c) If the Lease has not been assumed or the Terminated Lease Property or REO Property has not been leased to a new tenant and the Terminated Lease Property or REO Property has not been released from the lien of the Mortgage pursuant to Section 3.15(h) below within twenty-four (24) months of becoming a Terminated Lease Property or REO Property, the Special Servicer may offer to sell the Terminated Lease Property or REO Property pursuant to this Section 3.15, for a fair price, free and clear of the lien of the related Mortgage, if and when the Special Servicer determines, consistent with the Servicing Standard, that such a sale would be in the best interests of the Noteholders. No Interested Person shall be obligated to submit a bid to purchase any such Terminated Lease Property or REO Property. The Liquidation Proceeds shall be deposited into the Collection Account and applied as set forth herein.

(d) If and when the Special Servicer deems it necessary and prudent for purposes of establishing a fair price for any Terminated Lease Property or REO Property for purposes of conducting a sale of such Terminated Lease Property or REO Property pursuant to subsection (c) above, the Special Servicer is authorized to have an appraisal conducted by an Independent MAI-designated appraiser or other expert (the cost of which appraisal shall constitute a Property Protection Advance).

(e) Whether any cash bid constitutes a fair price for any Terminated Lease Property or REO Property for purposes of Section 3.15(c) shall be determined by the Special Servicer or, if such cash bid is from an Interested Person, by the Indenture Trustee or, if the expected Liquidation Proceeds with respect to such Terminated Lease Property or REO Property would be insufficient to provide reimbursement for all unreimbursed Advances made with respect to the subject Terminated Lease Property or REO Property, together with any related Advance Interest thereon, by the Property Manager. In determining whether any bid received from an Interested Person represents a fair price for any Terminated Lease Property or REO Property, the Indenture Trustee shall be supplied with and may conclusively rely on the most recent appraisal conducted in accordance with Section 3.15(d) within the preceding 12-month period or, in the absence of any such appraisal, on a narrative appraisal prepared by an Independent MAI-designated appraiser or other expert retained by the Special Servicer, at Issuer's cost or as a Property Protection Advance. Such appraiser shall be selected by the Special Servicer if the Special Servicer is not bidding with respect to a Terminated Lease Property or REO Property and shall be selected by the Property Manager if the Special Servicer is bidding, provided that if the Property Manager and the Special Servicer are the same Person and such Person is bidding, then such appraiser shall be selected by the Indenture Trustee. In determining whether any bid constitutes a fair price for any such Terminated Lease Property or REO Property, the Special Servicer, the Indenture Trustee (if applicable) or the Property Manager, as applicable, shall take into account, among other factors, the occupancy status and physical condition of the Terminated Lease Property or REO Property, the state of the local economy, and, with respect to Terminated Lease Properties, the period and amount of any delinquency on the effected Lease. In connection therewith, the Special Servicer may charge prospective bidders fees that approximate the Special Servicer's actual costs in the preparation and delivery of information pertaining to such sales or evaluating bids without obligation to deposit such amounts into the Collection Account.

(f) The Special Servicer shall act on behalf of the applicable Issuer and the Indenture Trustee in negotiating and taking any other action necessary or appropriate in connection with the sale of any Terminated Lease Property or REO Property and the collection of all amounts payable in connection therewith. The Special Servicer shall take such actions as it determines in accordance with the Servicing Standard will be in the best interests of the applicable Issuer and the Indenture Trustee on behalf of the Noteholders. Any sale of a Terminated Lease Property or REO Property shall be free and clear of the lien of the Indenture and shall be final and without recourse to the applicable Issuer or the Indenture Trustee. If such sale is consummated in accordance with the terms of this Agreement, none of the Property Manager, the Special Servicer or the Indenture Trustee shall have any liability to any Issuer or any Noteholder with respect to the purchase price therefor accepted by the Property Manager, the Special Servicer or the Indenture Trustee, as the case may be.

(g) The Special Servicer shall accept the first (and, if multiple bids are received contemporaneously, highest) cash bid received from any Person that constitutes a fair price for such Terminated Lease Property or REO Property. Notwithstanding the foregoing, the Special Servicer shall not be obligated to accept the highest cash bid if the Special Servicer determines, in accordance with the Servicing Standard, that rejection of such bid would be in the best interests of the Noteholders, and the Special Servicer may accept a lower cash bid if it determines, in accordance with the Servicing Standard, that acceptance of such bid would be in the best interests of the Noteholders (for example, if the prospective buyer making the lower bid is more likely to perform its obligations or the terms offered by the prospective buyer making the lower bid are more favorable).

(h) At any time that a Terminated Lease Property or REO Property has not already been sold or leased pursuant to the terms hereof, the related Issuer may at its option (i) release the lien of the Indenture and the related Mortgage from such Terminated Lease Property or REO Property pursuant to Section 7.04 or (ii) exchange one or more Qualified Substitute Properties for the subject Terminated Lease Property or REO Property or Qualified Substitute Loans for the subject Loan pursuant to Section 7.01.

(i) The Special Servicer shall, and is hereby authorized and empowered by the Issuers and the Indenture Trustee to, prepare, execute and deliver in its own name, on behalf of the Issuers and the Indenture Trustee or any of them, the endorsements, assignments and other documents necessary to effectuate a sale of a Terminated Lease Property or REO Property pursuant to this Section 3.15, and the Issuers and the Indenture Trustee shall execute and deliver any limited powers of attorney substantially in the form of Exhibit D necessary to permit the Special Servicer to do so; provided, however, that none of the Issuers, the Issuer Members or the Indenture Trustee shall be held liable for any misuse of any such power of attorney by the Special Servicer and the Special Servicer hereby agrees to indemnify the Issuers, the Issuer Members and the Indenture Trustee against, and hold the Issuers, the Managers and the Indenture Trustee harmless from, any loss or liability arising from any misuse in the exercise of such power of attorney.

(j) The Special Servicer shall give the applicable Rating Agencies, the applicable Issuer, the Indenture Trustee and the Property Manager not less than five (5) Business Days' prior written notice of its intention to sell any Terminated Lease Property or REO Property pursuant to this Section 3.15.

Section 3.16 Renewals, Modifications, Waivers, Amendments; Consents and Other Matters.

(a) The applicable Issuer and the Property Manager may enter into renewals of Leases and new Leases that provide for rental rates comparable to existing local market rates and are on commercially reasonable terms. All Leases executed after the Initial Closing Date shall provide that they are subordinate to the Mortgage encumbering the applicable Property and that the lessee agrees to attorn to the Indenture Trustee or any purchaser at a sale by foreclosure or power of sale. The Property Manager shall observe and perform the obligations imposed upon the lessor under the Leases in accordance with the Servicing Standard. The applicable Issuer shall execute and deliver, or cause to be executed and delivered, at the request of any party hereto all such further assurances, confirmations and assignments in connection with the Leases as may be required by such party.

(b) Except as specifically set forth herein, neither the applicable Issuer nor the Property Manager (i) shall amend or modify in any material respect, or terminate (other than in connection with a bona fide default by the Tenant or Borrower thereunder beyond any applicable notice or grace period or with respect to Lease Transfer Properties) any Lease or Loan; provided,

however, a reduction in rent with respect to a Lease will not be deemed to be a material modification if (A) the Monthly Lease Payment following such reduction is consistent with market prices for similar leases, (B) such reduction is in exchange for an extended lease term and (C) the Property Manager reasonably determines that such modification will not materially and adversely affect the interests of the applicable Issuer, (ii) unless permitted by the related Lease or Loan and remitted and initiated thereunder by the related Tenant or Borrower, shall not collect any rents or principal or interest more than one (1) month in advance (other than security deposits), and (iii) shall not execute any other assignment of lessor's interest in the Leases or the rents or the related Issuer's interest in the Loan (except as contemplated by the Transaction Documents or the Leases or Loans, as applicable).

(c) Notwithstanding the foregoing:

(i) Each of the Property Manager and the Special Servicer may, consistent with the Servicing Standard, agree to any modification, waiver or amendment of any term of, forgive any payment on, and permit the release of the Tenant or Borrower on or any Lease Guarantor or Loan Guarantor, and approve of the assignment of a Tenant's interest in its Lease or Borrower's interest in its Loan or the sublease of all or a portion of a Property (each, an "Amendment") without the consent of the applicable Issuer, the Indenture Trustee, the Back-Up Manager, any Noteholder or any other Person, provided that the Property Manager certifies to the Indenture Trustee that:

(A) such Amendment is entered into for a commercially reasonable purpose in an arm's-length transaction on market terms; and

(B) subject to the provisions below, such Amendment shall not cause the Monthly DSCR to be less than 1.35; and

(C) in the reasonable judgment of the Property Manager and the Special Servicer, as the case may be, such Amendment is in the best interest of the Noteholders and (other than in connection with a Tenant or Borrower default or with respect to Lease Transfer Properties) will not have an adverse effect on the Collateral Value of the related Property or Loan.

Any Amendment that would cause the Monthly DSCR to fall below 1.35 shall require the approval of the Property Manager, if the Property Manager is not also the Special Servicer, in accordance with the Servicing Standard after notice thereof to the Indenture Trustee and Back-Up Manager. In the event that Property Manager shall fail to respond to any request for approval hereunder within such ten (10) Business Day period, the applicable Issuer may send a second notice, which shall state in capitalized, bold faced 16 point type at the top of the first page that: "If the Property Manager fails to approve or disapprove the proposed Amendment within ten (10) Business Days, the Amendment shall be deemed approved", and if the Property Manager shall fail to respond to such second request within such ten (10) Business Day period, the Amendment shall be deemed approved by the Property Manager."

(ii) Any Amendment in connection with a bona fide default by the Tenant or Borrower shall not be subject to the foregoing terms of this Section 3.16. Regardless of whether any Amendment is material or not, the Property Manager will give the Indenture Trustee prompt written notice thereof and shall indicate whether such action is being taken pursuant to the preceding sentence and upon request will deliver a copy of any documents executed in connection therewith to the Rating Agencies and the Indenture Trustee.

(iii) To the extent that the applicable Issuer is not entitled, under the terms of any Lease or Loan, to withhold its consent to an assignment, subletting or assumption thereunder, the granting of such consent shall not be restricted by this Section 3.16.

(iv) The limitations, conditions and restrictions set forth in Section 3.16(c)(i) above shall not apply to any Lease or Loan with respect to which there exists a bona fide default by the related Tenant or Borrower, any Amendment or other action with respect to any Lease or Loan that is required under the terms of such Lease or Loan or that is solely within the control of the related Tenant or Borrower.

(v) Neither the Property Manager nor the Special Servicer shall be required to oppose the confirmation of a plan in any bankruptcy or similar proceeding involving a Tenant or Borrower if in their reasonable and good faith judgment such opposition would not ultimately prevent the confirmation of such plan or one substantially similar.

(vi) The limitations, conditions and restrictions set forth in Section 3.16(c)(i) above shall not apply to the Property Manager's or the Special Servicer's ability to terminate a Lease or Loan in accordance with the terms thereof.

(d) The Property Manager and the Special Servicer shall have no liability to the Issuers, the Indenture Trustee, the Noteholders or to any other Person if its analysis and determination that the Amendment or other action contemplated by Section 3.16(c) would not materially reduce the likelihood of timely payment of amounts due thereon, or that such Amendment or other action is reasonably likely to produce a greater recovery to the related Issuer on a present value basis than would liquidation, should prove to be wrong or incorrect, so long as the analysis and determination were made on a reasonable basis in accordance with the Servicing Standard in good faith by the applicable Issuer, the Property Manager or the Special Servicer, as the case may be.

(e) The Property Manager and the Special Servicer each may, as a condition to its granting any request by a Tenant or Borrower for consent, modification, waiver or indulgence or any other matter or thing, the granting of which is within the Property Manager's or Special Servicer's, as the case may be, discretion pursuant to the terms of the instruments evidencing or securing the related Lease or Loan and is permitted by the terms of this Agreement, require that such Tenant or Borrower, to the extent permitted by the subject Lease or Loan, or, if not so permitted, the related Issuer, pay to the Property Manager or Special Servicer, as applicable, as additional servicing compensation a reasonable or customary fee for the additional services performed in connection with such request, together with any related costs and expenses incurred by it.

(f) All modifications, waivers, amendments and other actions entered into or taken in respect of a Lease or Loan pursuant to this Section 3.16 shall be in writing. Each of the Property Manager and the Special Servicer shall notify the other such party and each Issuer, the Back-Up Manager, the applicable Rating Agencies and the Custodian, in writing, of any modification, waiver, amendment or other action entered into or taken in respect of any Lease or Loan pursuant to this Section 3.16 and the date thereof, and shall deliver to the Custodian for deposit in the related Lease File or Loan File an original counterpart of the agreements relating to such modification, waiver, amendment or other action, promptly (and in any event within 10 Business Days) following the execution thereof. In addition, following any Amendment or other action agreed to by the Property Manager or the Special Servicer pursuant to Section 3.16(c) above, the Property Manager or the Special Servicer, as the case may be, shall deliver to each Issuer, to the Indenture Trustee and, in the case of the Special Servicer, to the Property Manager, an Officer's Certificate certifying compliance with such subsection (c).

(g) From time to time, subject to the Servicing Standard, the Property Manager or Special Servicer, as applicable, shall be entitled (on behalf of the Issuer and the Indenture Trustee) to release an immaterial portion of any Property that it is then administering from the lien of the Indenture and the Mortgage (and simultaneously release the Issuer's interest in such portion of such Property) or consent to, or make, an immaterial modification with respect to any Property that it is then administering; provided, that, such Property Manager or Special Servicer shall have delivered an Officer's Certificate to the Indenture Trustee (upon which the Indenture Trustee shall be entitled to conclusively rely) that it reasonably believes that such release or modification (both individually and collectively with any other similar releases or modifications with respect to such Property) will not materially adversely affect (i) the Appraised Value of such Property or (ii) the Noteholders' or the holders' of the Related Series Notes interests in such Property. Following the Indenture Trustee's receipt of such Officer's Certificate, the Indenture Trustee shall execute and deliver such instruments of release, transfer or assignment, in each case without recourse, as shall be provided to it and are reasonably necessary to effect such release or modification.

#### Section 3.17 Transfer of Servicing Between Property Manager and Special Servicer; Record Keeping.

(a) Upon determining that a Servicing Transfer Event has occurred with respect to any Lease or Loan and if the Property Manager is not also the Special Servicer, the Property Manager shall immediately give notice thereof, and shall deliver the related Servicing File, to the Special Servicer, the Indenture Trustee and the Back-Up Manager and shall provide the Special Servicer with all information, documents (or copies thereof) and records (including records stored electronically on computer tapes, magnetic discs and the like) relating to such Lease or Loan and reasonably requested by the Special Servicer to the extent in Property Manager's possession, to enable it to assume its functions hereunder with respect thereto without acting through a Sub-Manager. The Property Manager shall use its best efforts to comply with the preceding sentence within five (5) Business Days of its receipt of Special Servicer's request following the occurrence of each related Servicing Transfer Event.

Upon determining that a Specially Managed Unit has become a Corrected Unit and if the Property Manager is not also the Special Servicer, the Special Servicer shall immediately give notice thereof, and shall return the related Servicing File, to the Property Manager and, upon giving such notice and returning such Servicing File, to the Property Manager, (i) the Special Servicer's obligation to service such Lease or Loan shall terminate, (ii) the Special Servicer's right to receive the Special Servicing Fee with respect to such Lease or Loan, shall terminate and (iii) the obligations of the Property Manager to service and administer such Lease or Loan shall resume, in each case, effective as of the first day of the following calendar month.

(b) In servicing any Specially Managed Unit, the Special Servicer shall provide to the Custodian, for the benefit of the Indenture Trustee, originals of documents included within the definition of "Lease File" for inclusion in the related Lease File and "Loan File" for inclusion in the related Loan File (with a copy of each such original to the Property Manager), and copies of any additional related Lease and Loan information, including correspondence with the related Tenant or Borrower.

(c) Notwithstanding anything in this Agreement to the contrary, in the event that the Property Manager and the Special Servicer are the same Person, all notices, certificates, information and consents required to be given by the Property Manager to the Special Servicer or vice versa shall be deemed to be given without the necessity of any action on such Person's part.

#### Section 3.18 Sub-Management Agreements.

(a) The Property Manager and the Special Servicer may enter into Sub-Management Agreements to provide for the performance by third parties of any or all of their respective obligations hereunder; provided, that, in each case, the Sub-Management Agreement: (i) is consistent with this Agreement in all material respects and requires the Sub-Manager to comply with all of the applicable conditions of this Agreement; (ii) provides that if the Property Manager or the Special Servicer, as the case may be, shall for any reason no longer act in such capacity hereunder (including by reason of a Servicer Replacement Event), the Back-Up Manager (or if the Back-Up Manager is then terminated and another successor has not been named, the Indenture Trustee) may thereupon assume all of the rights and, except to the extent they arose prior to the date of assumption, obligations of the Property Manager or the Special Servicer, as the case may be, under such agreement or, alternatively, may terminate such Sub-Management Agreement without cause and without payment of any penalty or termination fee; (iii) provides that each Issuer, the Back-Up Manager, the Indenture Trustee, the other parties hereto and, as and to the extent provided herein, the third party beneficiaries hereof shall be third party beneficiaries under such agreement, but that (except to the extent the Indenture Trustee, Back-Up Manager or their respective designees assume the obligations of the Property Manager or the Special Servicer, as the case may be, thereunder as contemplated by the immediately preceding clause (ii) and, in such case, only from the date of such assumption) none of any Issuer, the Indenture Trustee, the Back-Up Manager, any other party hereto, any successor Property Manager or Special Servicer, as the case may be, any Noteholder or holder of Issuer Interests or any other third party beneficiary hereof shall have any duties under such agreement or any liabilities arising therefrom; (iv) permits any purchaser of a Property or Loan pursuant to this Agreement to terminate such agreement with respect to such purchased Property or Loan at its option and without penalty; (v) does not permit the Sub-Manager to enter into or consent to any modification, waiver or amendment or otherwise take any action on behalf of the Property

Manager or Special Servicer, as the case may be, contemplated by Section 3.16 hereof without the written consent of the Property Manager or Special Servicer, as the case may be; and (vi) does not permit the Sub-Manager any rights of indemnification that may be satisfied out of the Collateral (it being understood that any Sub-Manager shall be entitled to recover amounts in respect of Property Protection Advances as described in the following paragraph). In addition, each Sub-Management Agreement entered into by the Property Manager shall provide that such agreement shall terminate with respect to any Lease and Property, and Loan serviced thereunder at the time such Property or Loan becomes a Specially Managed Unit, and each Sub-Management Agreement entered into by the Special Servicer shall relate only to Specially Managed Units and shall terminate with respect to any such Property or Loan that ceases to be a Specially Managed Unit.

The Property Manager and the Special Servicer shall each deliver to each Issuer and the Indenture Trustee copies of all Sub-Management Agreements, and any amendments thereto and modifications thereof, entered into by it promptly upon its execution and delivery of such documents. References in this Agreement to actions taken or to be taken by the Property Manager or the Special Servicer include actions taken or to be taken by a Sub-Manager on behalf of the Property Manager or the Special Servicer, as the case may be, and in connection therewith, all amounts advanced by any Sub-Manager to satisfy the obligations of the Property Manager or Special Servicer hereunder to make Advances shall be deemed to have been advanced by the Property Manager or Special Servicer out of its own funds and, accordingly, such Advances shall be recoverable by such Sub-Manager in the same manner and out of the same funds as if such Sub-Manager were the Property Manager or Special Servicer. For so long as they are outstanding, Advances shall accrue Advance Interest in accordance with Sections 3.09(e), such interest to be allocable between the Property Manager and such Sub-Manager as they may agree. For purposes of this Agreement, the Property Manager and the Special Servicer each shall be deemed to have received any payment, and shall be obligated to handle such payment in accordance with the terms of this Agreement, when a Sub-Manager retained by it receives such payment. The Property Manager and the Special Servicer each shall notify the other, each Issuer, the Indenture Trustee and the Back-Up Manager in writing promptly of the appointment by it of any Sub-Manager.

(b) The Property Manager shall have determined to its commercially reasonable satisfaction that each Sub-Manager shall be authorized to transact business, and shall have obtained all necessary licenses and approvals, in each jurisdiction in which the failure to be so authorized or qualified or to have obtained such licenses would adversely affect its ability to carry out its obligations under the Sub-Management Agreement to which it is a party.

(c) The Property Manager and the Special Servicer, for the benefit of each Issuer, shall (at no expense to an Issuer or the Indenture Trustee) monitor the performance and enforce the obligations of their respective Sub-Managers under the related Sub-Management Agreements. Such enforcement, including the legal prosecution of claims, termination of Sub-Management Agreements in accordance with their respective terms and the pursuit of other appropriate remedies, shall be in such form and carried out to such an extent and at such time as the Property Manager or the Special Servicer, as applicable, in its good faith and reasonable judgment, would require were it the owner of the Properties and Loans. Subject to the terms of the related Sub-Management Agreement, the Property Manager and the Special Servicer shall each have the right to (in its sole discretion and without the consent of any other person remove a Sub-Manager retained by it at any time it considers such removal to be in the best interests of each Issuer.



(d) If the Property Manager or the Special Servicer ceases to serve as such under this Agreement for any reason (including by reason of a Servicer Replacement Event) and no successor Property Manager or Special Servicer, as the case may be, has succeeded to its rights and assumed its obligations hereunder or, in the case of the Special Servicer, no replacement Special Servicer has been designated pursuant to Section 5.06, so long as the Back-Up Manager is appointed as Property Manager and Special Servicer, as applicable, pursuant to Section 6.02, the Back-Up Manager shall succeed to the rights and assume the obligations of the Property Manager or the Special Servicer under any Sub-Management Agreement, unless the Back-Up Manager or the Indenture Trustee elects to terminate any such Sub-Management Agreement in accordance with its terms. In any event, if a Sub-Management Agreement is to be assumed by the Back-Up Manager, then the Property Manager or the Special Servicer, as applicable, at its expense shall, upon request of the Back-Up Manager or the Indenture Trustee, deliver to the Back-Up Manager all documents and records relating to such Sub-Management Agreement and the Properties and the Loans then being serviced thereunder and an accounting of amounts collected and held on behalf of it thereunder, and otherwise use its commercially reasonable efforts to effect the orderly and efficient transfer of the Sub-Management Agreement to the assuming party.

(e) Notwithstanding any Sub-Management Agreement, the Property Manager and the Special Servicer shall remain obligated and liable to each Issuer, the Noteholders, the Indenture Trustee and each other for the performance of their respective obligations and duties under this Agreement in accordance with the provisions hereof to the same extent and under the same terms and conditions as if each alone were servicing and administering the Loans, the Properties and Leases for which it is responsible.

(f) The Property Manager or the Special Servicer, as applicable, will be solely liable for all fees owed by it to any Sub-Manager, irrespective of whether its compensation pursuant to this Agreement is sufficient to pay such fees, and in no event shall such Sub-Manager have any claim against the Collateral with respect to such fees.

#### Section 3.19 Casualty.

An Issuer shall promptly give the Indenture Trustee and the Property Manager written notice in the event that any Property or Improvements thereon is materially damaged or destroyed, in whole or in part, by fire or other casualty (an “**Insured Casualty**”) and shall deliver to the Indenture Trustee and the Property Manager copies of any and all papers served upon such Issuer in connection with such Insured Casualty. Following the occurrence of an Insured Casualty, the Property Manager shall, in its sole discretion and in accordance with the Servicing Standard, either (i) direct the Indenture Trustee to make all proceeds received under the related Property Insurance Policy available to the applicable Issuer for the purposes of restoring, repairing, replacing or rebuilding to the extent required by the related Loan Documents or Lease Documents, or (ii) deposit or cause to be deposited such proceeds into the Collection Account to be applied in accordance with the Indenture; provided, that Excess Proceeds will instead be deposited into the Release Account (the amounts specified in this clause (ii), the “**Insurance Proceeds**”).

Section 3.20 Condemnation.

(a) An Issuer shall promptly give the Indenture Trustee and the Property Manager written notice of the actual or threatened commencement of any condemnation or eminent domain proceeding of which such Issuer receives notice (a “**Condemnation**”) and shall deliver to the Indenture Trustee and the Property Manager copies of any and all papers served upon such Issuer in connection with such Condemnation. Following the occurrence of a Condemnation, the Property Manager shall, in its sole discretion and in accordance with the Servicing Standard, either (i) direct the Indenture Trustee to make all proceeds received in connection with such Condemnation available to the applicable Issuer for the purposes of restoring, repairing, replacing or rebuilding the Property or portion thereof subject to Condemnation in accordance with Section 3.20(b), or (ii) deposit or cause to be deposited such amounts into the Collection Account to be applied in accordance with the Indenture; provided, that Excess Proceeds will instead be deposited into the Release Account (the amounts specified in this clause (ii), the “**Condemnation Proceeds**”).

(b) If proceeds received in connection with a Condemnation or Insured Casualty are made available to an Issuer in accordance with Section 3.20(a), such Issuer shall promptly cause the related Tenant or Borrower to restore, repair, replace or rebuild the related Property in accordance with the terms of the related Lease Documents or Loan Documents.

Section 3.21 Separateness Provisions.

SCF Realty Capital, as the Member and Manager of each Issuer, and as Property Manager hereunder, shall comply in all material respects with (i) the operating requirements set forth in Section 4.02 of the each Issuer LLC Agreement and (ii) the factual statements and representations relating to SCF Realty Capital set forth in the Weil Nonconsolidation Opinion under “ASSUMPTIONS OF FACT”, including, without limitation, subsection (B) thereof and in each case, shall conduct all of its duties and obligations hereunder in a manner that is consistent with each such representation, warranty and requirement.

Section 3.22 Estoppels.

The Property Manager shall deliver or cause to be delivered to the Indenture Trustee, promptly upon request but in no event later than twenty (20) days following receipt by Property Manager of such estoppel, from each applicable Issuer, certifications, duly acknowledged and certified, setting forth (i) the original Series Principal Balance of each Series of Notes, (ii) the outstanding Series Principal Balance of each Series of Notes, (iii) the applicable Note Rate of each Class of Notes in each Series, (iv) the last Payment Date, (v) any offsets or defenses to the payment of the Notes, if any, and (vi) that the Notes, this Indenture, the Mortgages, the organizational documents of such Issuer and the other Transaction Documents are valid, legal and binding obligations and have not been modified or, if modified, giving particulars of such modification.

Section 3.23 Environmental Matters.

(a) So long as an Issuer owns or is in possession of each Property or Loan, each such Issuer shall, or shall cause the Property Manager to, promptly notify the Indenture Trustee in writing if such Issuer or the Property Manager shall become aware of the presence of any hazardous and/or toxic, dangerous and/or regulated, substances, wastes, materials, raw materials which include hazardous constituents, pollutants or contaminants including without limitation, petroleum, tremolite, anthrophyllite, actinolite or polychlorinated biphenyls and any other substances or materials which are included under or regulated by Environmental Laws (collectively, “**Hazardous Substances**”) to the extent that such Hazardous Substances are in violation of any Environmental Law. If such Issuer or the Property Manager shall become aware that any such Property is in direct violation of any Environmental Laws or if such Issuer or the Property Manager shall become aware of any condition on or near any such Property which violates any Environmental Laws, in each case the Property Manager shall cause such Issuer to cure such violations of such Environmental Law as shall be reasonably required by the Property Manager in accordance with reasonable commercial lending standards and practices, at such Issuer’s sole expense. Notwithstanding anything to the contrary in this paragraph, each such Issuer and its related Tenants or Borrowers may use and store Hazardous Substances at each Property if such use or storage is in connection with the ordinary operation, cleaning and maintenance of each Property so long as such use and storage is in compliance with any applicable Environmental Laws. Nothing herein shall prevent such Issuer from recovering such expenses from any other party that may be liable for such removal or cure.

(b) Each Issuer shall, or shall cause the Property Manager to, give prompt written notices to the Indenture Trustee and the Property Manager, as the case may be, of any of the following: (i) any demand, notice of any violation, notice of any potential responsibility, proceeding or official inquiry by any Governmental Authority with respect to the presence of any Hazardous Substance or asbestos or any substance or material containing asbestos (“**Asbestos**”) on, under, from or about any Property; (ii) all claims made by any third party against such Issuer or any Property relating to any loss or injury resulting from any Hazardous Substance or Asbestos; and (iii) such Issuer’s or the Property Manager’s discovery of any occurrence or condition on any real property adjoining or in the vicinity of any Property, in each case, that causes such Property to be subject to any official investigation or cleanup pursuant to any Environmental Law. Subject to the rights of the applicable Tenant under the related Lease or Borrower under the related Loan, each Issuer shall permit the Indenture Trustee to join and participate in, as a party if it so elects, any legal proceedings or actions initiated with respect to any Property in connection with any Environmental Law or Hazardous Substance and in such an instance, the Issuers and the Indenture Trustee shall be represented by the same counsel; provided, however, that, if a conflict of interest arises between any Issuer and the Indenture Trustee because potential claims could be brought against the Indenture Trustee, then the Indenture Trustee shall be represented by its own counsel and such Issuer shall pay all reasonable attorney’s fees and disbursements incurred by the Indenture Trustee in connection therewith.

(c) Upon the Property Manager’s request and subject to the rights of the Tenants under the Leases and the rights of the Borrowers under the Loans, at any time and from time to time while this Indenture is in effect, when (x) the Property Manager has determined (in the exercise of its good faith judgment) that reasonable cause exists for the performance of an environmental inspection or audit of any Property or (y) an Event of Default exists, each Issuer

shall, or shall cause the Property Manager to, provide at such Issuer's sole expense, (I) an inspection or audit of each such Property prepared by a licensed hydrogeologist or licensed environmental engineer indicating the presence or absence of Hazardous Substances on, in or near each such Property, and (II) an inspection or audit of such Property prepared by a duly qualified engineering or consulting firm, indicating the presence or absence of Asbestos on such Property. If such Issuer fails to provide such inspection or audit within thirty (30) days after such request, the Property Manager, at such Issuer's sole expense, which shall be deemed a Property Protection Advance, may order the same, and such Issuer hereby grants to the Property Manager and its employees and agents access to each Property and a license to undertake such inspection or audit in each case subject to the rights of the Tenants under the Leases and the rights of the Borrowers under the Loans. In the event that any environmental site assessment report prepared in connection with such inspection or audit reasonably recommends that an operations and maintenance plan be implemented for Asbestos or any Hazardous Substance, the related Issuer shall, to the extent permitted under the related Lease or Loan, cause such operations and maintenance plan to be prepared and implemented at such Issuer's expense upon request of the Property Manager. In the event that any investigation, site monitoring, containment, cleanup, removal, restoration, or other work of any kind is reasonably necessary under an applicable Environmental Law (the "**Remedial Work**"), each Issuer shall, or shall cause the Property Manager to, promptly commence and thereafter diligently prosecute, or cause any related Tenant or Borrower to commence and thereafter diligently prosecute, to completion all such Remedial Work after written demand by the Property Manager for performance thereof. All Remedial Work shall be performed by contractors, and under the supervision of a consulting engineer. All costs and expenses of such Remedial Work shall be paid by the related Issuer. In the event such Issuer shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, the Property Manager may, but shall not be required to, cause such Remedial Work to be performed, and all costs and expenses thereof, or incurred in connection therewith, shall be deemed a Property Protection Advance.

(d) The Property Manager shall enforce or pursue in accordance with the Servicing Standard any claim for payment, indemnity or reimbursement available to any of the Issuers or the Indenture Trustee in respect of any liabilities, losses, claims, costs or expenses in respect of Hazardous Substances including, without limitation, any right to payment under the Performance Support Agreement.

#### Section 3.24 Realization Upon Specially Managed Units.

(a) If the Special Servicer has determined, in its good faith and reasonable judgment, that any material default related to a Specially Managed Unit will not be cured by the related Tenant or Borrower, the Special Servicer will be required to evaluate the possible alternatives available in accordance with the Servicing Standard and this Agreement with respect to such Specially Managed Unit. Such alternatives may include, among other things, modification or restructuring of the related Loan or Lease, sale or exchange of the related Mortgage Loan or Mortgaged Property in accordance with Section 3.15 or the enforcement of remedies available under the related Mortgage Loan or Lease in accordance with Section 3.16, including foreclosure of the Mortgage Loan or eviction of the Tenant, as applicable, and the re-leasing of the related Mortgaged Property. Subject to all other provisions and limitations set forth herein, the Special Servicer shall take such actions with respect to each Specially Managed

Unit as it determines in accordance with the Servicing Standard, acting in the best interests of the applicable Issuer and the Noteholders. If the Property Manager re-leases any Mortgaged Property, the Property Manager shall deliver to the Indenture Trustee and the Issuers an amended Owned Property Schedule reflecting the addition of such Lease to the Collateral Pool.

(b) Upon the request of the Special Servicer, the Property Manager shall pay or cause to be paid, as Property Protection Advances or Emergency Property Expenses, as applicable, in accordance with Section 3.14(b), all costs and expenses (other than costs or expenses that would, if incurred, constitute a Nonrecoverable Advance) incurred in connection with each Specially Managed Unit, and shall be entitled to reimbursement therefor as provided herein. If and when the Property Manager or the Special Servicer deems it necessary and prudent for purposes of establishing the Fair Market Value of any Mortgaged Property related to a Specially Managed Unit, the Special Servicer or the Property Manager, as the case may be, is authorized to have an appraisal done by an Independent MAI-designated appraiser or other expert (the cost of which appraisal shall be paid by the Property Manager and shall constitute a Property Protection Advance).

(c) Notwithstanding anything to the contrary contained herein, neither the Property Manager nor the Special Servicer shall, on behalf of the applicable Issuer, obtain title to an Underlying Mortgaged Property by deed in lieu of foreclosure or otherwise, or take any other action with respect to any Underlying Mortgaged Property, if, as a result of any such action, the applicable Issuer or the Indenture Trustee could, in the reasonable judgment of the Property Manager or the Special Servicer, as the case may be, made in accordance with the Servicing Standard and which shall be based on Opinions of Counsel (of which the Indenture Trustee shall be an addressee) and evidenced by an officer's certificate delivered to the Indenture Trustee, be considered to hold title to, to be a "mortgagee-in-possession" of, or to be an "owner" or "operator" of such Underlying Mortgaged Property within the meaning of CERCLA or any comparable law, unless:

(i) the Property Manager or the Special Servicer, as the case may be, has previously determined in accordance with the Servicing Standard, based on (x) a Phase I Environmental Assessment or comparable environmental assessment (and any additional environmental testing, investigation or analysis that the Property Manager or the Special Servicer, as applicable, deems necessary and prudent) of such Underlying Mortgaged Property conducted by an Independent Person who regularly conducts such environmental testing, investigation or analysis, or (y) any environmental testing, investigation and/or analysis conducted in connection with any related Environmental Policy, and performed during the twelve-month period preceding any such acquisition of title or other action and in each case after consultation with an environmental expert, that:

(A) the Underlying Mortgaged Property is in compliance with applicable environmental laws and regulations or, if not, that it would maximize the recovery to the applicable Issuer on a present value basis (the relevant discounting of anticipated collections to be performed at the relevant interest rate for the applicable Loan or the capitalization rate used in respect of the Lease for any Underlying Mortgaged Property) to acquire title to or possession of the Underlying Mortgaged Property and to effect such compliance, which determination shall take into account any coverage afforded under any related Environmental Policy with respect to such Underlying Mortgaged Property; and

(B) there are no circumstances or conditions present at the Underlying Mortgaged Property relating to the use, management or disposal of Hazardous Materials for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any currently applicable environmental laws and regulations or, if such circumstances or conditions are present for which any such action could reasonably be expected to be required, that it would maximize the recovery to the applicable Issuer on a present value basis (the relevant discounting of anticipated collections to be performed at the relevant interest rate for the applicable Loan or the capitalization rate used in respect of the Lease for any Underlying Mortgaged Property) to acquire title to or possession of the Underlying Mortgaged Property and to take such actions, which determination shall take into account any coverage afforded under any related Environmental Policy with respect to such Underlying Mortgaged Property; or

(ii) in the event that the conditions set forth in clauses (i)(A) or (i)(B) are not satisfied, it shall have notified the Indenture Trustee in writing that it has determined that the applicable Issuer or the Indenture Trustee could not reasonably be considered to be a potentially responsible party, which determination shall be based on (x) an Opinion of Counsel or (y) an environmental report prepared by an Independent Person who regularly conducts such environmental testing, investigation or analysis, which report shall identify a responsible party other than the Issuers or the Indenture Trustee, in each case, the cost of which shall be a Property Protection Advance.

(d) Any such determination in Section 3.24(c)(i) or (ii) by the Property Manager or the Special Servicer shall be evidenced by an Officer's Certificate to such effect delivered to the Indenture Trustee (which the Indenture Trustee shall provide to the Noteholders), the Issuers and, in the case of the Special Servicer, the Property Manager, specifying all of the bases for such determination, such Officer's Certificate to be accompanied by all related environmental reports. The Property Manager or the Special Servicer, as appropriate, shall undertake reasonable efforts to make the determination referred to in clause (ii) immediately above, and may conclusively rely on any related environmental assessments referred to above in making such determination. The cost of any opinions, testing, analysis and investigation and any remedial, corrective or other action contemplated by clause (c) above, shall be reimbursed, to the extent not paid by an Environmental Insurer or other party with liability for such amounts, to the Property Manager from the Collection Account as a Property Protection Advance, subject to Section 5.03.

(e) [Reserved].

(f) The Property Manager or the Special Servicer, as applicable, shall report to the Indenture Trustee and the Property Manager (if applicable) monthly in writing as to any actions taken by such party with respect to any Underlying Mortgaged Property as to which the environmental testing contemplated in Section 3.24(c) has revealed that any of the conditions set forth in either Section 3.24(c)(i)(A) or (i)(B) have not been satisfied, in each case until such matter has been resolved.

(g) The Special Servicer shall have the right to determine, in accordance with the Servicing Standard, the advisability of seeking to obtain a deficiency judgment if the state in which the Collateral securing a Specially Managed Unit is located and the terms of the Loan permit such an action and shall, in accordance with the Servicing Standard, seek such deficiency judgment if it deems advisable.

(h) The Special Servicer shall prepare and file the reports of foreclosures and abandonments of any Underlying Mortgaged Property and the information returns relating to cancellation of indebtedness income with respect to any Underlying Mortgaged Property required by Sections 6050J and 6050P of the Code and promptly deliver to the Indenture Trustee an Officer's Certificate stating that such reports have been filed. Such reports shall be in form and substance sufficient to meet the reporting requirements imposed by Sections 6050J and 6050P of the Code.

(i) All sales of Underlying Mortgaged Properties pursuant to this Section 3.24 shall be conducted in accordance with the provisions of Section 3.15 and Article VII, as applicable.

Section 3.25 Appraised Values. The Property Manager may, if it determines in accordance with the Servicing Standard that obtaining a new appraisal is necessary, obtain a new appraisal for any Property following the Series Closing Date.

#### ARTICLE IV

##### REPORTS

###### Section 4.01 Reports to the Issuers and the Indenture Trustee.

(a) Not later than 3:00 p.m. (New York City time), three (3) Business Days prior to each Payment Date, the Property Manager shall deliver to each Issuer, the Indenture Trustee, the Back-Up Manager and each Rating Agency a report containing the information specified on Exhibit H hereto, and such other information with respect to the Loans, the Leases and Properties as the Indenture Trustee may reasonably request (such report, the "**Determination Date Report**") in a mutually agreeable electronic format, reflecting as of the close of business on the last day of the related Collection Period, the information required for purposes of making the payments required by Section 2.11(b) of the Indenture and the calculations and reports referred to in Section 6.01 of the Indenture, including, but not limited to, the maturity date and the required monthly rent or loan payment of each Lease or Loan. So long as SCF Realty Capital or another Affiliate of an Issuer is the Property Manager, the Determination Date Report shall also contain a certification by the Property Manager that each Issuer has not incurred any indebtedness except indebtedness permitted by the Transaction Documents. The Determination Date Report shall also contain a certification by the Property Manager pursuant to Section 1(c) of the Risk Retention Agreement, as specified on Exhibit H hereto. Such information shall be delivered by the Property Manager to each Issuer and the

Indenture Trustee in such form as may be reasonably acceptable to each Issuer and the Indenture Trustee, as applicable. The Special Servicer shall from time to time (and, in any event, as may be reasonably required by the Property Manager) provide the Property Manager with such information regarding the Specially Managed Units as may be necessary for the Property Manager to prepare each Determination Date Report and any supplemental information to be provided by the Property Manager to each Issuer or the Indenture Trustee.

(b) Not later than 3:00 p.m. (New York City time) three (3) Business Days prior to each Payment Date, the Special Servicer shall deliver to the Property Manager, the Indenture Trustee and each Rating Agency a report containing such information relating to the Specially Managed Units and in such form as the Indenture Trustee may reasonably request (such report, the “**Special Servicer Report**”) reflecting information as of the close of business on the last day of the immediately preceding Collection Period.

(c) Not later than the 45th day following the end of each calendar quarter, commencing with the quarter ended March 31, 2017 the Special Servicer shall deliver to the Indenture Trustee, the Rating Agencies and the Property Manager (A) a report containing such information and in such form as the Indenture Trustee may reasonably request (such report, a “**Modified Collateral Detail and Realized Loss Report**”) with respect to all renewals, modifications, waivers, security deposits paid or rental concessions made pursuant to Section 3.16 as of such calendar quarter and (B) subject to Section 6.03(a) of the Indenture, upon the reasonable request of the Indenture Trustee, the Rating Agencies or the Property Manager, operating statements and other financial information collected or otherwise obtained by the Special Servicer during such calendar quarter (together with copies of the operating statements and other financial information on which it is based) to the extent such information is not prohibited from being disclosed or restricted by confidentiality under the terms of the applicable Lease Documents or Loan Documents.

(d) The Property Manager or the Special Servicer, to the extent received by such party, shall deliver to the Indenture Trustee and each applicable Rating Agency:

(i) within forty-five (45) days after the end of each calendar quarter the following items received by it, each executed by a Responsible Officer of each applicable Issuer or the applicable Issuer Manager on behalf of such Issuer as being true and correct: (A) a written statement dated as of the last day of each such calendar quarter identifying to its knowledge any defaults under a Lease or Mortgage Loan which continues after the expiration of applicable cure periods and not otherwise included in the Special Servicer Report, in each case as of the last day of such calendar quarter, and (B) the principal amount, aggregate unfunded loan commitments and maturity dates of all credit and loan facilities then in place as of the last day of such calendar quarter relating to the Support Provider or any of its subsidiaries so long as the maturity date of such indebtedness is scheduled to occur within 365 days of the end of such calendar quarter, which shall be calculated by the Support Provider; and



(ii) within forty-five (45) days after the end of each of the first three fiscal quarters of each year the following items received by it, each executed by a Responsible Officer of each applicable Issuer as being true and correct (A) consolidated financial statements of the related Issuer's (consolidated with any co-Issuer) financial affairs and condition for each such fiscal quarter, including a balance sheet and statement of profit and loss for the related Issuers (prepared on a consolidated basis for all Issuers) in such detail as the Indenture Trustee may request for the Issuers, in each case, for the immediately preceding calendar quarter, which statements shall be prepared by such Issuers, (B) consolidated financial statements of SCF Realty Capital's financial affairs and condition, including a balance sheet, a cash flow summary report for the Support Provider and an operating statement including detailed income and expense statement, in each case in such detail as the Indenture Trustee may request for the Support Provider, in each case, for the immediately preceding calendar quarter, which statements shall be prepared by the Support Provider, and (C) the Net Worth of the Support Provider at the end of the immediately preceding calendar quarter, which shall be calculated by the Support Provider; and

(iii) within one hundred fifty (150) days after the end of each calendar year, (A) consolidated financial statements of the financial affairs and condition of the related Issuer (consolidated with any co-Issuer), including a balance sheet and statement of profit and loss prepared on a consolidated basis for all Issuers, in such detail as the Indenture Trustee may reasonably request, in each case, for the immediately preceding calendar year, audited in conjunction with the audit of the Support Provider by a "Big Four" accounting firm or other nationally recognized independent certified public accountant reasonably acceptable to the Indenture Trustee and (B) consolidated financial statements of the Support Provider's financial affairs and condition and all related footnotes, audited in conjunction with the audit of the Support Provider by a "Big Four" accounting firm, or other nationally recognized independent certified public accountant reasonably acceptable to the Indenture Trustee, for the immediately preceding calendar year, and (C) the Net Worth of the Support Provider at the end of the immediately preceding year, which shall be calculated by the Support Provider; and

(iv) within forty-five (45) days after the end of each calendar quarter copies of notices of defaults under, or any material modifications to, any of the Leases and Mortgage Loans, in each case, for such calendar quarter; and

(v) subject to Section 6.03(a) of the Indenture, at any time and from time to time such other financial data as the Indenture Trustee or its agents shall reasonably request with respect to the Support Provider or any of its subsidiaries or the ownership, maintenance, use and operation of the Properties and servicing and administration of the Leases and Mortgage Loans, to the extent such information is not prohibited from being disclosed or restricted by confidentiality under the terms of the applicable Lease or Loan documents.

(e) The Indenture Trustee and Property Manager shall have the right, at any time and from time to time when an Event of Default exists, upon reasonable notice to the Issuers and during normal business hours at the Issuers' principal place of business, to conduct an inspection or review, at the Issuers' expense, of the Issuers' books and records. Each Issuer shall cooperate, and shall cause its agents and employees to cooperate in the conduct of any such inspection or review.

(f) The Indenture Trustee shall have no obligations or duties (i) to monitor SCF Realty Capital's compliance with the Risk Retention Agreement or (ii) to verify, recalculate or confirm any of the information contained in the Determination Date Report with respect to the Risk Retention Agreement.

Section 4.02 Use of Agents.

The Property Manager may at its own expense utilize agents or attorneys-in-fact, including Sub-Managers, in performing any of its obligations under this Article IV, but no such utilization shall relieve the Property Manager from any of such obligations, and the Property Manager shall remain responsible for all acts and omissions of any such agent or attorney-in-fact. The Property Manager shall have all the limitations upon liability and all the indemnities for the actions and omissions of any such agent or attorney-in-fact that it has for its own actions hereunder pursuant to Article V hereof, and any such agent or attorney-in-fact shall have the benefit of all the limitations upon liability, if any, and all the indemnities provided to the Property Manager under Section 5.03. Such indemnities shall be expenses, costs and liabilities of each Issuer, and any such agent or attorney-in-fact shall be entitled to be reimbursed therefor from the Collection Account as provided in Section 2.11(b) of the Indenture.

ARTICLE V

THE PROPERTY MANAGER AND THE SPECIAL SERVICER

Section 5.01 Liability of the Property Manager, the Special Servicer and the Back-Up Manager.

The Property Manager, the Special Servicer and the Back-Up Manager shall be liable in accordance herewith only to the extent provided in Section 5.03 with respect to the obligations specifically imposed upon and undertaken by the Property Manager, the Special Servicer and the Back-Up Manager, respectively, herein.

Section 5.02 Merger, Consolidation or Conversion of the Property Manager, the Special Servicer and the Back-Up Manager.

Subject to the following paragraph, the Property Manager, the Special Servicer and the Back-Up Manager shall each keep in full effect its existence, rights and franchises as a partnership, corporation, bank or association under the laws of the jurisdiction of its formation, and each will obtain and preserve its qualification to do business as a foreign partnership, corporation, bank or association in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement or any of the Leases and the Loans and to perform its respective duties under this Agreement.

Each of the Property Manager, the Special Servicer and the Back-Up Manager may be merged or consolidated with or into any Person, or may transfer all or substantially all of its assets to any Person, in which case any Person resulting from any merger or consolidation to which the Property Manager, the Special Servicer or the Back-Up Manager is a party, or any Person succeeding to the business of the Property Manager, the Special Servicer or the Back-Up Manager, will be the successor Property Manager, the successor Special Servicer or the

successor Back-Up Manager, as the case may be, hereunder, and each of the Property Manager, the Special Servicer and the Back-Up Manager may transfer its rights and obligations under this Agreement to an Affiliate or non-Affiliate; provided, however, that no such successor, surviving Person or transferee will succeed to the rights of the Property Manager or the Special Servicer (other than with respect to Midland Loan Services, a division of PNC Bank, National Association if the successor surviving entity is affiliated with PNC Bank, National Association) unless (i) it shall have furnished to the Issuers and the Indenture Trustee evidence that the Rating Condition is satisfied or (ii) such successor is (x) an affiliate of the Property Manager, (y) the obligations of such successor hereunder are guaranteed by the Support Provider, and (z) such successor shall furnish evidence to the Issuers and the Indenture Trustee that it is regularly engaged in the management, ownership or operation of commercial real estate properties and of comparable or better experience to the Property Manager.

Section 5.03 Limitation on Liability of the Property Manager, the Special Servicer and the Back-Up Manager.

None of the Property Manager, the Special Servicer or the Back-Up Manager or any director, officer, employee, agent or Control Person of any of them shall be under any liability to the Issuers, the Indenture Trustee, the Custodian or the Noteholders or the holders of the Issuer Interests or to any other Person for any action taken, or not taken, in good faith pursuant to this Agreement, or for errors in judgment; provided, however, that none of the Property Manager, the Special Servicer or the Back-Up Manager shall be protected against any liability that would otherwise be imposed by reason of misfeasance, bad faith or negligence in the performance (including the failure to perform) of obligations or duties hereunder. The Property Manager, the Special Servicer and the Back-Up Manager and any director, officer, employee, agent or Control Person of any of them shall be entitled to indemnification by the Issuers, payable, subject to Section 2.11(b) of the Indenture, out of the Payment Account, against any claim, loss, liability or expense incurred in connection with any legal action that relates to this Agreement, the Issuer LLC Agreements, the Issuer Interests, the Indenture or the Notes; provided, however, that such indemnification shall not extend to any loss, liability or expense incurred by reason of misfeasance, bad faith or negligence in the performance (including the failure to perform) of obligations or duties under this Agreement. None of the Property Manager, the Back-Up Manager or the Special Servicer shall be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its respective responsibilities under this Agreement and that in its opinion may involve it in any expense or liability; provided, however, that each of the Property Manager, the Special Servicer and the Back-Up Manager shall undertake any such action necessary or desirable with respect to the enforcement or protection of the rights and duties of the parties hereto or the interests of the Issuers hereunder. In such event, the legal expenses and costs of such action, and any liability resulting therefrom, shall be expenses, costs and liabilities of the Issuers as an Extraordinary Expense and the Property Manager, the Special Servicer, or the Back-Up Manager as the case may be, shall be entitled to be reimbursed therefor from the Payment Account, pursuant to Section 2.11(b) of the Indenture.

Section 5.04 Term of Service; Property Manager and Special Servicer Not to Resign.

None of the Property Manager, the Back-Up Manager or the Special Servicer (subject to Section 5.02 and 5.06) shall resign from the obligations and duties hereby imposed on it, except upon determination that the performance of its duties hereunder are no longer permissible under applicable law or are in material conflict by reason of applicable law with any other activities carried on by it, the other activities of the Property Manager, the Back-Up Manager or the Special Servicer, as the case may be, so causing such a conflict being of a type and nature carried on by the Property Manager, the Back-Up Manager or the Special Servicer, as the case may be, at the date of this Agreement. Any such determination permitting the resignation of the Property Manager, the Special Servicer or the Back-Up Manager, as applicable, shall be evidenced by an Opinion of Counsel to such effect that shall be delivered to each Issuer and the Indenture Trustee. No such resignation shall become effective until the Back-Up Manager or another successor shall have assumed the responsibilities and obligations of the resigning party hereunder. If within 120 days of the date of such determination, no successor shall have assumed the applicable responsibilities and obligations of the resigning party, Property Manager, Back-Up Manager or Special Servicer, as applicable, shall be permitted to petition a court of competent jurisdiction to appoint a successor.

Notwithstanding the foregoing, each of the Property Manager, the Back-Up Manager and the Special Servicer may cause all of the obligations and duties imposed on it by this Agreement to be assumed by, and may assign its rights, benefits or privileges hereunder to, with the prior written approval of each Issuer, which approval shall not be unreasonably withheld, conditioned or delayed, an Affiliate or a servicer that is not an Affiliate, in each case, upon its delivery to each Issuer and the Indenture Trustee of written confirmation from each Rating Agency that such a transfer and assignment will not adversely affect its then-current rating of any Class of the Notes, and the assumption by the assignee of all of the obligations and duties of the Property Manager, the Back-Up Manager and/or the Special Servicer, as applicable. Upon any such assignment and assumption by the assignee of all of the obligations of the Property Manager, the Back-Up Manager and/or the Special Servicer, the assignor, SCF Realty Capital (or its successor acting prior to such assignment, shall be relieved from all liability hereunder for acts or omissions of the Property Manager and/or the Special Servicer, as applicable, occurring after the date of the assignment and assumption.

Except as expressly provided herein, neither the Property Manager nor the Special Servicer shall assign or transfer any of its rights, benefits or privileges hereunder to any other Person or delegate to or subcontract with, or authorize or appoint, any other Person to perform any of the duties, covenants or obligations to be performed by it hereunder, or cause any other Person to assume such duties, covenants or obligations. If, pursuant to any provision hereof, the duties and obligations of the Property Manager or the Special Servicer are transferred by an assignment and assumption to a successor thereto, the entire amount of compensation payable to the Property Manager or the Special Servicer, as the case may be, that accrues pursuant hereto from and after the date of such transfer shall be payable to such successor.

Notwithstanding anything to the contrary herein, Midland may resign as the Back-Up Manager, Property Manager and Special Servicer ( provided that upon such resignation, Midland shall be deemed to have resigned from all such duties) upon the issuance of any Series of Notes after the initial Issuance Date, and upon such resignation a successor Property Manager, Special Servicer or Back-Up Manager, as the case may be, shall be appointed in connection with the issuance of any such Series and otherwise in accordance with the terms of this Agreement.

Section 5.05 Rights of Certain Persons in Respect of the Property Manager and the Special Servicer.

Each of the Property Manager and the Special Servicer shall afford to the other and, also, to each Issuer, the Indenture Trustee and the Back-Up Manager, upon reasonable notice, during normal business hours (a) access to all records maintained by it relating to the Loans, Properties and Leases included in the Collateral Pool and in respect of its rights and obligations hereunder, to the extent not prohibited by confidentiality (including attorney-client privilege), contract or applicable law, and (b) access to such of its officers as are responsible for such obligations. Upon reasonable request, the Property Manager and the Special Servicer shall each furnish the Issuers and the Indenture Trustee with its most recent financial statements and such other information as it possesses, and which it is not prohibited by confidentiality (including attorney-client privilege), applicable law or contract from disclosing, regarding its business, affairs, property and condition, financial or otherwise. Each Issuer may, but is not obligated to, enforce the obligations of the Property Manager and the Special Servicer hereunder and may, but is not obligated to, perform, or cause a designee to perform, any defaulted obligation of the Property Manager or the Special Servicer hereunder, or exercise the rights of the Property Manager or the Special Servicer hereunder; provided, however, that neither the Property Manager nor the Special Servicer shall be relieved of any of its obligations hereunder by virtue of such performance by any such Issuer or its designee. The Issuers shall not have any responsibility or liability for any action or failure to act by or with respect to the Property Manager or the Special Servicer.

Section 5.06 Designation of Special Servicer by the Indenture Trustee.

Subject to Section 5.04 and Section 6.02, and only in the event that the Back-Up Manager cannot serve, the Indenture Trustee may from time to time designate a Person to serve as Special Servicer hereunder to replace any Special Servicer that has resigned or otherwise ceased to serve as Special Servicer. The Indenture Trustee shall so designate a Person to serve by the delivery to the Issuers, the Property Manager and the existing Special Servicer of a written notice stating such designation. The Indenture Trustee shall, promptly after delivering any such notice, deliver to the applicable Rating Agency an executed Notice and Acknowledgment in the form attached hereto as Exhibit C -1. The designated Person shall become the Special Servicer on the date that any Issuer and the Indenture Trustee shall have satisfied the Rating Condition with respect to such appointment. The appointment of such designated Person as Special Servicer shall also be subject to receipt by the Issuers and the Indenture Trustee of (i) an Acknowledgment of Proposed Special Servicer in the form attached hereto as Exhibit C -2, executed by the designated Person, and (ii) an Opinion of Counsel (at the expense of the Person designated to become the Special Servicer) to the effect that the designation of such Person to serve as Special Servicer is in compliance with this Section 5.06 and all other applicable provisions of this Agreement, that upon the execution and delivery of the Acknowledgment of Proposed Special Servicer the designated Person shall be bound by the terms of this Agreement and that this Agreement shall be enforceable against the designated Person in accordance with its terms. Any existing Special Servicer shall be deemed to have resigned simultaneously with such

designated Person's becoming the Special Servicer hereunder; provided, however, that the resigning Special Servicer shall continue to be entitled to receive all amounts accrued or owing to it under this Agreement on or prior to the effective date of such resignation, whether in respect of Advances or otherwise, and it shall continue to be entitled to the benefits of Section 5.03 notwithstanding any such resignation. Such resigning Special Servicer shall cooperate with the Indenture Trustee and the replacement Special Servicer in effecting the termination of the resigning Special Servicer's responsibilities and rights hereunder.

Section 5.07 Property Manager or Special Servicer as Owner of Notes.

Subject to Section 3.17 herein and the terms of the Indenture, if, at any time during which an Affiliate Party is the holder of any Note or Issuer Interests the Property Manager or the Special Servicer proposes to take or omit to take action (i) which action or omission is not expressly prohibited by the terms hereof and would not, in the Property Manager or the Special Servicer's good faith judgment, violate the Servicing Standard, and (ii) which action, if taken, or omission, if made, might nonetheless, in the Property Manager's or the Special Servicer's good faith judgment, be considered by other Persons to violate the Servicing Standard, the Property Manager or the Special Servicer may, but need not, seek the approval of the Noteholders and the holders of the Issuer Interests to such action or omission by delivering to each Issuer and the Indenture Trustee a written notice that (a) states that it is delivered pursuant to this Section 5.07, (b) identifies the portion of Notes and Issuer Interests beneficially owned by an Affiliate Party, and (c) describes in reasonable detail the action that the Property Manager or the Special Servicer, as the case may be, proposes to take. Upon receipt of such notice, each Issuer shall forward such notice to the applicable holders of the Issuer Interests. If, at any time, the holders of Issuer Interests representing greater than 50% of the Issuer Interests and a Requisite Global Majority (calculated in accordance with the terms of the Indenture) separately consent in writing to the proposal described in the related notices, and if the Property Manager or the Special Servicer shall act as proposed in the written notice, and if the Property Manager or the Special Servicer, as the case may be, takes action or omits to take action as proposed in such notices, such action or omission will be deemed to comply with the Servicing Standard. It is not the intent of the foregoing provision that the Property Manager or the Special Servicer be permitted to invoke the procedure set forth herein with respect to routine servicing matters arising hereunder, but rather in the case of unusual circumstances.

ARTICLE VI

SERVICER REPLACEMENT EVENTS

Section 6.01 Servicer Replacement Events.

(a) "**Servicer Replacement Event**" wherever used herein with respect to the Property Manager or Special Servicer, means any one of the following events:

(i) any failure by the Property Manager or the Special Servicer to remit to the Collection Account, the Release Account or the Payment Account (or to the Indenture Trustee for deposit into the Payment Account) any amount as and when required to be so remitted pursuant to the terms of this Agreement or the Indenture, which failure remains

unremedied for two (2) Business Days after the earlier of (x) the date on which notice of such failure, requiring the same to be remedied, is given to the Property Manager or Special Servicer, as applicable, by the Indenture Trustee or (y) actual knowledge of such failure by such Property Manager or Special Servicer, as applicable; or

(ii) the Property Manager fails to make any P&I Advance as required by the Indenture or this Agreement; or

(iii) the Property Manager fails to make any Property Protection Advance as required by the Indenture or this Agreement, which failure remains unremedied for the earlier of (A) four (4) Business Days and (B) the due date for which such Property Protection Advance is being made;

(iv) any failure on the part of the Property Manager or the Special Servicer to observe or perform in any material respect any other of the covenants or agreements on the part of the Property Manager or the Special Servicer, as the case may be, contained in this Agreement, the Master Exchange Agreement or the Escrow Agreement which failure continues unremedied for a period of thirty (30) days (or such longer period as is reasonably required to cure the subject matter provided that (A) the Property Manager or the Special Servicer shall diligently prosecute such cure, (B) such extended cure period does not have a material adverse effect on the Issuers, the Noteholders or the Properties and (C) such longer period shall not exceed sixty (60) days) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Property Manager and the Special Servicer by any other party hereto or the Property Manager or the Special Servicer otherwise has notice of such failure; or

(v) any breach on the part of the Property Manager or the Special Servicer of any representation or warranty contained in this Agreement that materially and adversely affects the interests of the Issuers, which remains unremedied for five (5) days after the earlier of the date on which written notice of such breach, requiring the same to be remedied, shall have been given to the Property Manager and the Special Servicer by any other party hereto or the Property Manager or Special Servicer becomes aware of any such breach; provided, however, that if the breach is capable of being cured and the Property Manager or Special Servicer is diligently pursuing such cure, the five (5) day period will be extended for an additional fifteen (15) days; or

(vi) there shall have been commenced before a court or agency or supervisory authority having jurisdiction an involuntary proceeding against the Property Manager or the Special Servicer under any present or future federal or state bankruptcy, insolvency or similar law for the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, which action shall not have been dismissed for a period of ninety (90) days; or

(vii) either the Property Manager or the Special Servicer shall consent to the appointment of a conservator, receiver, liquidator, trustee or similar official in any bankruptcy, insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to it or of or relating to all or substantially all of its property; or

(viii) either the Property Manager or the Special Servicer shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable bankruptcy, insolvency or reorganization statute, make an assignment for the benefit of its creditors; or

(ix) either the Property Manager or the Special Servicer assigns any of its obligations under this Agreement to any third party other than as permitted under this Agreement or any other Transaction Document and does not remedy such breach within five (5) business days of such assignment; or

(x) either the Property Manager or the Special Servicer fails to observe reporting requirements under this Agreement, which failure remains unremedied for five (5) days after notice; provided, that with respect to the delivery of the Determination Date report, such period shall be for one (1) day after notice; or

(xi) both the current President and the Chief Operating Officer of the Property Manager or the Special Servicer, within a six-month period, are no longer employed by the Property Manager or the Special Servicer, as applicable;

(xii) the Issuers or the Indenture Trustee shall have received confirmation in writing from any Rating Agency that the failure to remove the Property Manager or the Special Servicer in such capacity would in and of itself cause a downgrade, qualification or withdrawal of any of the ratings then assigned by such Rating Agency to the Notes; or

(xiii) an Event of Default under Section 4.01(a), (b), (c), (f), (g) or (j) of the Indenture shall have occurred; or

(xiv) any other Event of Default under the Indenture, other than an Event of Default under Section 4.01(a), (b), (c), (f), (g) or (j) thereof, shall have occurred and the Indenture Trustee shall have accelerated the Notes; or

(xv) the Monthly DSCR shall be less than 1.15 for three consecutive Payment Dates and such reduction in Monthly DSCR is reasonably determined by the Back-Up Manager (unless the Back-Up Manager is then serving as Property Manager or Special Servicer) or the Requisite Global Majority to be primarily attributable to acts or omissions of the Property Manager.

(b) When a single entity acts as Property Manager and Special Servicer, a Servicer Replacement Event in one capacity shall constitute a Servicer Replacement Event in each capacity; provided, however, that, subject to this Section 6.01(b), each Issuer, the Indenture Trustee and the holders of the Notes and the Issuer Interests may at their option elect to terminate the Property Manager or the Special Servicer in one or the other capacity rather than both such capacities. Each of the Property Manager and the Special Servicer will notify the Indenture Trustee and the Back-Up Manager in writing of the occurrence of a Servicer Replacement Event or an event that, with the giving of notice or the expiration of any cure period, or both, would constitute a Servicer Replacement Event promptly upon obtaining actual knowledge thereof.



Section 6.02 Appointment of Successor Servicer.

(a) If any Servicer Replacement Event (other than under clauses (ii) or (iii) of Section 6.01(a) above) with respect to the Property Manager or the Special Servicer (in either case, for purposes of this Section 6.02, the “**Defaulting Party**”) shall occur and be continuing, then, and in each and every such case, subject to the remainder of this Section 6.02, the Indenture Trustee shall provide written notice thereof to the Noteholders (with a copy of such notice to each other party hereto) advising the Noteholders of their right to approve the removal of the Defaulting Party in accordance with the Property Management Agreement and the Indenture or to waive such Servicer Replacement Event. In the event that the Noteholders representing the Requisite Global Majority have either approved of the removal of the Defaulting Party or not waived the occurrence of such Servicer Replacement Event within thirty (30) days of such notice, the Indenture Trustee will cause such Defaulting Party to be immediately replaced with the Back-Up Manager and terminate all of the rights and obligations accruing from and after such notice of the Defaulting Party under this Agreement and in and to the Collateral (other than as a holder of any Note or Issuer Interest). Upon the occurrence of a Servicer Replacement Event under clause (ii) or (iii) with respect to a Defaulting Party, the Indenture Trustee shall immediately terminate such Defaulting Party and replace them with the Back-Up Manager. Upon the occurrence of a Servicer Replacement Event under clause (ii) or (iii) with respect to the Defaulting Party, the Indenture Trustee shall immediately terminate such Defaulting Party and shall replace them with the Back-Up Manager.

Subject to the terms of the Indenture, upon the occurrence of a Servicer Replacement Event with respect to the Property Manager or the Special Servicer that is not SCF Realty Capital or an Affiliate of an Issuer, the Indenture Trustee (i) may (with the consent of the Requisite Global Majority) cause the Property Manager and/or the Special Servicer to be replaced with a successor Property Manager (the “**Successor Property Manager**”) and/or successor Special Servicer (the “**Successor Special Servicer**”), and (ii) shall at the direction of the Requisite Global Majority cause the Property Manager and/or the Special Servicer to be replaced with a Successor Property Manager and/or Successor Special Servicer.

(b) From and after the termination of the Defaulting Party following a Servicer Replacement Event, all authority and power of the Defaulting Party under this Agreement, whether with respect to the Issuers (other than as a holder of any Note or Issuer Interest) or the Loans, Leases or Properties or otherwise, shall pass to and be vested in the Back-Up Manager pursuant to and under this Section, and, without limitation, the Back-Up Manager is hereby authorized and empowered to execute and deliver, on behalf of and at the expense of the Defaulting Party, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such notice of termination, whether to complete the transfer and endorsement or assignment of the Loans, Leases, Properties and related documents, or otherwise.

(c) The appointment of a Successor Property Manager or Successor Special Servicer will be subject to, among other things, (i) except in the case of the appointment of Midland as the Successor Property Manager or Successor Special Servicer, the satisfaction of the Rating Condition and (ii) the written agreement of the Successor Property Manager or Successor Special Servicer to be bound by the terms and conditions of this Agreement, together with an Opinion of Counsel regarding the enforceability of such agreement. Subject to the foregoing, any person, including any holder of Notes or Issuer Interests or any Affiliate thereof, may be appointed as the Successor Property Manager or Successor Special Servicer.

(d) In the event that a Successor Property Manager or Successor Special Servicer has failed to assume the responsibilities of the Property Manager or Special Servicer as provided in this Agreement within thirty (30) days of written notice of termination, the Back-Up Manager will be both the Property Manager and the Special Servicer, under this Agreement; provided, however, that each Issuer will have the right to replace the Back-Up Manager acting as Property Manager or Special Servicer without cause upon thirty (30) days' written notice. If Midland is terminated as the Property Manager or Special Servicer under this Agreement, such termination shall be deemed to automatically terminate Midland as the Property Manager, the Special Servicer and the Back-Up Manager, as applicable. In addition, if the Back-Up Manager, as Property Manager, or Special Servicer makes any Advances or incurs any other expenses in accordance with the terms and provisions of this Agreement, any Successor Property Manager will be required to reimburse the Back-Up Manager, as predecessor Property Manager or predecessor Special Servicer, for such Advances and other expenses incurred in accordance with the terms and provisions of this Agreement as a condition to its appointment as successor Property Manager.

Each of the Property Manager and the Special Servicer agrees that, if it is terminated pursuant to this Section 6.02, it shall promptly (and in any event not later than ten (10) days subsequent to its receipt of the notice of termination) provide the Indenture Trustee and the Back-Up Manager with all documents and records in its possession requested thereby to enable the Back-Up Manager (or such other applicable successor) to assume the Property Manager or Special Servicer's, as the case may be, functions hereunder, and shall cooperate with the Back-Up Manager (or such other applicable successor) in effecting the termination of the Property Manager or Special Servicer's, as the case may be, responsibilities and rights hereunder, including the transfer within two (2) Business Days after receipt by the terminated Property Manager or Special Servicer to the Successor Property Manager for administration by it of all cash amounts that shall at the time be or should have been credited by the Property Manager to the Collection Account or any sub-account or thereafter be received by or on behalf of it with respect to any Loan, Lease or Property ( provided, however, that the Property Manager and the Special Servicer each shall, if terminated pursuant to this Section 6.02, continue to be obligated for or entitled to pay or receive all costs in connection with such transfer and all amounts accrued or owing by or to it under this Agreement on or prior to the date of such termination, whether in respect of Property Protection Advances or otherwise, and it and its directors, officers, employees and agents shall continue to be entitled to the benefits of Section 5.03 notwithstanding any such termination). In the event any Advances made by the Property Manager or the Indenture Trustee shall at any time be outstanding, or any amounts of interest thereon shall be accrued and unpaid, all amounts available to repay Advances and interest hereunder shall be applied first entirely to Advances made by the Indenture Trustee (and the accrued and unpaid interest thereon) until such Advances made by the Indenture Trustee (and the accrued and unpaid interest thereon) shall have been repaid in full and then to Advances

made by the Property Manager (and the accrued and unpaid interest thereon). Any costs or expenses in connection with any actions to be taken by the Property Manager or Special Servicer pursuant to this paragraph shall be borne by the Property Manager or Special Servicer, as the case may be, and to the extent not paid by such defaulting party, such expense shall be borne by the applicable Issuer and paid from amounts distributed pursuant to Section 2.11(b) of the Indenture. In the event that the Back-Up Manager cannot serve, the Indenture Trustee may designate a Person to serve as Back-Up Manager hereunder to replace any Property Manager and/or Special Servicer that has resigned or otherwise ceased to serve as Property Manager and/or Special Servicer. The Indenture Trustee shall so designate a Person to so serve by the delivery to the Issuers, the Property Manager and the existing Special Servicer of a written notice stating such designation.

Section 6.03 Back-Up Manager.

(a) The Back-Up Manager shall maintain current servicing records and systems concerning the Properties, the Leases and the Loans in order to enable it to timely and efficiently assume the responsibilities of the Property Manager and/or Special Servicer in accordance with the Servicing Standard and otherwise in accordance with the terms and conditions of this Agreement.

(b) Subject to Section 6.02, following a Servicer Replacement Event, the Property Manager shall arrange for the delivery to the Back-Up Manager of all of the Servicing Files, which Servicing Files shall contain sufficient data to permit the Back-Up Manager to assume the duties of the Property Manager or Special Servicer hereunder without delay. Subject to Section 6.02, following the Servicer Replacement Event with respect to the Special Servicer, the Special Servicer shall arrange for the delivery to the Back-Up Manager of each of the Servicing Files for any Specially Managed Unit, which Servicing Files shall contain sufficient data to permit the Back-Up Manager to assume the duties of the Special Servicer hereunder without delay. If Midland is the Back-Up Manager, (i) any appointment of Back-Up Manager as Property Manager or Special Servicer shall be deemed to be an appointment of Back-Up Manager as both Property Manager and Special Servicer and (ii) in the event Midland is terminated as Property Manager or Special Servicer, Midland shall automatically be terminated both as Property Manager and Special Servicer. In the event Midland is terminated as Sub-Manager under the Sub-Management Agreement, it shall automatically be terminated as Property Manager, Special Servicer and Back-Up Manager, as applicable.

(c) Subject to Section 6.02, following a Servicer Replacement Event, the Back-Up Manager shall use reasonable efforts to diligently complete the physical transfer of servicing from the terminated Property Manager or Special Servicer with the cooperation of such Defaulting Party. From and after the date physical transfer of servicing is completed (the “**Back-Up Servicing Transfer Date**”), the Back-Up Manager shall service and/or specially service the Properties, Leases and the Loans in accordance with the provisions of this Agreement with all the rights and obligations of the Property Manager and the Special Servicer and shall have no liability or responsibility with respect to any obligations of each Defaulting Party, arising or accruing prior to the Back-Up Servicing Transfer Date. Each Issuer, if it determines in its reasonable discretion that enforcement rights and/or remedies are available to the Noteholders against the terminated Property Manager or Special Servicer and it is prudent under the

circumstances to enforce such rights, agree to enforce their rights under this Agreement against the terminated Property Manager or Special Servicer, including any rights they have to enforce each Defaulting Party's obligation to fully cooperate in the orderly transfer and transition of servicing and otherwise comply with the terms of this Agreement. In the event that the Back-Up Manager discovers or becomes aware of any errors in any records or data of each Defaulting Party which impairs its ability to perform its duties hereunder, the Back-Up Manager shall notify each Issuer and the Indenture Trustee in writing of such errors and shall, at each Defaulting Party's expense (or, if not paid by such party, as a Property Protection Advance) and upon the Issuers' direction, undertake to correct or reconstruct such records or data.

(d) From and after the date of this Agreement until the Back-Up Servicing Transfer Date, the Property Manager shall provide or cause to be provided to the Back-Up Manager on or before the 20th day of each month, in electronic form, a complete data tape of the Loan Schedule, the Owned Property Schedule and such other information as any Issuer may reasonably deem necessary, including all information necessary to determine the Release Price and original purchase price paid by the applicable Issuer, and shall make available to the Back-Up Manager a copy of each Determination Date Report and any Special Servicer Report. In addition, the Property Manager shall provide all other documents and materials as are reasonably requested by the Back-Up Manager. The Back-Up Manager will perform an initial comprehensive data integrity review and a monthly review of this information to determine whether it provides adequate information to enable the Back-Up Manager to perform its obligations hereunder as the Back-Up Manager. To the extent that the Back-Up Manager determines within ten (10) calendar days of its receipt of such information that such information is inadequate for the Back-Up Manager to perform its obligations as the Back-Up Manager, the Back-Up Manager will provide prompt written notice to each Issuer, the Indenture Trustee and the Property Manager identifying any deficiencies in such information that do not enable the Back-Up Manager to perform its obligations as the Back-Up Manager. The Property Manager shall use its best efforts to provide any such deficient information to the Back-Up Manager within ten (10) calendar days of receipt of such notice from the Back-Up Manager.

(e) Within ten (10) Business Days of the date of receipt from the Property Manager, the Back-Up Manager shall, in order to understand the purpose of each data field (and the interrelationships among such data fields), review the form of Determination Date Report and the Special Servicer Report, each in the form agreed to by the Property Manager, the Indenture Trustee and the Back-Up Manager. Provided the data in the Determination Date Report and the Special Servicer Report are in a format readable by the Back-Up Manager, the Back-Up Manager shall create a set of conversion routines and database mapping programs, as necessary, that will enable the Back-Up Manager to (i) receive such data from the Property Manager on a monthly basis and to ensure that the data is readable, and (ii) independently generate such Determination Date Reports and Special Servicer Reports, as applicable, following the Back-Up Servicing Transfer Date; provided, however, that the Back-Up Manager shall have no obligations with respect to the information contained in the Determination Date Report with respect to the Risk Retention Agreement.

(f) On a monthly basis, the Back-Up Manager shall (x) verify receipt of the Determination Date Report and the Special Servicer Report required to be delivered by the Property Manager, and (y) verify that such records and data are in a readable format.

(g) The Back-Up Manager may resign from its obligations under this Agreement (i) pursuant to the terms and provisions of Section 5.04, and (ii) other than in connection with a resignation under the last paragraph of Section 5.04, if the Back-Up Manager identifies a successor back-up manager who agrees to undertake the obligations of the Back-Up Manager under this Agreement and provides the Indenture Trustee with written confirmation of satisfaction of the Rating Condition.

Section 6.04 Additional Remedies of Issuers and the Indenture Trustee upon a Servicer Replacement Event.

During the continuance of any Servicer Replacement Event, so long as such Servicer Replacement Event shall not have been remedied, in addition to the rights specified in Section 6.01, each Issuer shall have the right, and the Indenture Trustee shall have the right, in its own name and as trustee of an express trust, to take all actions now or hereafter existing at law, in equity or by statute to enforce its rights and remedies and to protect the interests, and enforce the rights and remedies of the holders of the Issuer Interests and the Notes (including the institution and prosecution of all judicial, administrative and other proceedings and the filings of proofs of claim and debt in connection therewith). Except as otherwise expressly provided in this Agreement, no remedy provided for by this Agreement shall be exclusive of any other remedy, and each and every remedy shall be cumulative and in addition to any other remedy, and no delay or omission to exercise any right or remedy shall impair any such right or remedy or shall be deemed to be a waiver of any Servicer Replacement Event.

ARTICLE VII

TRANSFERS AND EXCHANGES OF PROPERTIES AND LOANS BY ISSUERS; RELEASE  
OF PROPERTIES AND LOANS BY ISSUERS

Section 7.01 Exchange of Loans and Properties.

(a) Each Issuer may remove an Exchanged Property or an Exchanged Loan from the Collateral Pool in exchange for the addition of one or more Qualified Substitute Properties or Qualified Substitute Loans, as applicable to the Collateral Pool provided that after giving effect to a substitution or exchange pursuant to this Section 7.01, (i) the sum of the Collateral Value of all Released Assets and Exchanged Assets released or exchanged since the most recent Series Closing Date shall not exceed 35% of the Aggregate Collateral Value as of such Series Closing Date; and (ii) the sum of the Collateral Value of all Released Assets released since the most recent Series Closing Date by paying the Release Price shall not exceed 25% of the Aggregate Collateral Value as of such Series Closing Date. No Property will constitute a Qualified Substitute Property or Qualified Underlying Property and no Loan will constitute a Qualified Substitute Loan unless, after giving effect to the transfer of such Property or Loan to the related Issuer, either (i) a Maximum Property Concentration is not exceeded, or (ii) if, prior to such substitution, an existing Maximum Property Concentration is already exceeded, the addition of such Qualified Substitute Property, Qualified Underlying Property or Qualified Substitute Loan will reduce the Maximum Property Concentration or such Maximum Property Concentration will remain unchanged after giving effect to such substitution. In addition, no exchange of a Property, Lease or Loan to a third party, SCF Realty Capital or any of its Affiliates

or to an SCF SPE may occur (other than pursuant to a Third Party Purchase Option) if an Early Amortization Period would occur as a result of such exchange. Notwithstanding the foregoing, (i) a sale, substitution or exchange pursuant to any of Sections 2.04, 3.15, 3.24, 7.02, 7.03, 7.05, 7.06 or 7.07 of this Agreement or (ii) in connection with a Series Collateral Release or a Qualified Deleveraging Event, a sale of Owned Properties or Loans to (x) a third party that is unaffiliated with SCF Realty Capital or (y) an SCF SPE, in each case, shall not be taken into consideration for purposes of the first sentence of this Section 7.01(a).

(b) In the event that any Issuer elects to substitute (i) one or more Qualified Substitute Properties or Qualified Substitute Loans pursuant to this Section 7.01 or (ii) one or more Qualified Substitute Properties pursuant to Section 7.09 and the Master Exchange Agreement, the Property Manager shall require such Issuer to deliver to the Custodian all documents as specified in the definition of "Lease File" or "Loan File," as applicable, in Section 1.01 with respect to each Qualified Substitute Property or Qualified Substitute Loan in accordance with this Agreement. Monthly Lease Payments due with respect to Qualified Substitute Properties and Monthly Loan Payments due with respect to Qualified Substitute Loans in the month of substitution shall not be part of the Collateral and will be retained by the Property Manager and remitted by the Property Manager to such Issuer on the next succeeding Payment Date. For the month of substitution, the Available Amount shall include the Monthly Lease Payment due on the Lease for the Removed Property and Monthly Loan Payment due on the Loan for the Removed Loan for such month and, thereafter, the applicable Issuer designee shall be entitled to retain all amounts received in respect of such Lease or Loan. On or prior to the effective date of any such substitution, the Property Manager shall deliver to the Custodian and each Issuer an amended Owned Property Schedule and an amended Loan Schedule reflecting the addition to the Collateral of each new Qualified Substitute Property and related Lease and Qualified Substitute Loan and the removal from the Collateral of each Removed Property and related Lease and Removed Loan. Upon such substitution, each Qualified Substitute Property and Qualified Substitute Loan shall be subject to the terms of this Agreement in all respects, and the applicable Issuer shall be deemed to have made the representations and warranties contained in Section 2.20 of the Indenture with respect to each Qualified Substitute Property, Section 2.21 of the Indenture and with respect to each Qualified Substitute Loan, as applicable, and the applicable Issuer shall deliver to the Custodian a certificate in the form of Exhibit G attached hereto certifying to the Custodian that such exceptions as have been proposed by the Property Manager or the Issuers are materially consistent with the underwriting criteria for existing Properties and Loans.

(c) Each Issuer shall effect such substitution by having each Qualified Substitute Property, which may include Replacement Properties acquired by an Issuer pursuant to the Master Exchange Agreement, deeded (or, with respect to Qualified Substitute Properties, having the leasehold interest in the ground lease therein assigned) or Qualified Substitute Loan assigned to such Issuer and distributing or otherwise transferring the Removed Property or Removed Loan to a designee of the Issuer Manager and delivering to and depositing with the Custodian (i) the deed (or assignment of Ground Lease), if applicable, and any other transfer documents transferring such Qualified Substitute Property (or leasehold interest in the ground lease) or Qualified Substitute Loan to such designee, (ii) the deed (or assignment of Ground Lease), if applicable, and any other transfer documents transferring such Removed Property (or leasehold interest in the ground lease) or Removed Loan to a designee of the applicable Issuer

Manager, or the entity purchasing the Removed Property or Removed Loan, (iii) the Lease Files for such Qualified Substitute Properties or Loan Files for such Qualified Substitute Loan, all of which shall meet the Lease File or Loan File requirements for such Qualified Substitute Property or Qualified Substitute Loan, and (iv) an Officer's Certificate certifying that all of the taxes (including transfer taxes with respect to Qualified Substitute Property) in connection with the acquisition of the Qualified Substitute Property or Qualified Substitute Loan and the transfer of the Removed Property or Removed Loan have been paid.

(d) Upon receipt of an Officer's Certificate from the Property Manager or the applicable Issuer to the effect that all requirements with respect to any substitution pursuant to the foregoing terms of this Section 7.01 have been satisfied, which Officer's Certificate shall be furnished by the Property Manager upon becoming appropriate, and upon which the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify, (i) the Indenture Trustee shall release or cause to be released to such Issuer's designee the related Lease File for the Removed Property or Loan File for the Removed Loan and (ii) each of the Indenture Trustee and such Issuer shall execute and deliver such instruments of release, transfer or assignment, in each case without recourse, as shall be provided to it and are reasonably necessary to vest in such Issuer's designee the ownership of the Removed Property and the related Lease or the Removed Loan and to release any Mortgage or other lien or security interest in such Removed Property or the related Lease or the Removed Loan. In connection with any such release or transfer, the Special Servicer shall deliver the related Servicing File to such Issuer's designee. Simultaneously with any substitution made pursuant to this Section 7.01, such Issuer shall distribute or transfer the Removed Property and Lease or the Removed Loan at the direction of the applicable Issuer Manager.

(e) Any Release Price received by the applicable Issuer shall be deposited into the Release Account and applied in accordance with Section 3.05(b).

#### Section 7.02 Sale Pursuant to Third Party Purchase Option.

(a) If any Person shall exercise its Third Party Purchase Option prior to the Rated Final Payment Date, the applicable Issuer shall, simultaneously with the transfer of the applicable Property pursuant to the Third Party Purchase Option, deposit the Third Party Option Price into the Release Account, and upon receipt of an Officer's Certificate from the Property Manager or the Issuers to the effect that such deposit has been made (which the Property Manager shall deliver to the Indenture Trustee and the Issuers promptly upon such deposit being made and upon which Officer's Certificate the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify), the Indenture Trustee shall release to such Issuer or its designee the related Lease File and execute and deliver such instruments of release, transfer or assignment, in each case without recourse, that shall be provided by such Issuer or the Property Manager and reasonably necessary to release the subject Mortgage and the other liens and security interests in such Property and the related Lease.

(b) After such release, the released Property shall not be deemed to be a Property (except for the purposes of obligations under the Transaction Documents that are expressly provided to survive repayment in full of the Notes and satisfaction of the Mortgage).

Section 7.03 Transfer of Lease to New Property.

In the event a Tenant under a Lease requests that such Lease be modified to apply to a different Property (the “**Lease Transfer Property**”) owned by such Tenant or substituted for a Lease on a different Property owned by such Tenant, the related Issuer may, with the approval of the Property Manager or the Special Servicer, as applicable, to the extent permitted under the subject Lease or imposed by the Property Manager, approve such transfer. Each of the Property Manager, the Special Servicer and the applicable Issuer has covenanted that it will not give its consent to a transfer unless: (i) the substituted property is a Qualified Substitute Property; (ii) all Advances, Extraordinary Expenses and Emergency Property Expenses related to the Property being transferred are reimbursed; and (iii) such Lease will not be treated as a new Lease but instead will be treated as a modification of the original Lease. Such Qualified Substitute Property will be included in the Collateral Pool and pledged to the Indenture Trustee to secure the Notes. Upon the Indenture Trustee’s receipt of an Officer’s Certificate (upon which the Indenture Trustee shall be entitled to conclusively rely) from the Property Manager or the Special Servicer to the effect that such modification or substitution has been completed in accordance with the terms hereof, including satisfaction of the Required Conditions (which shall include a certification that such Issuer has executed and delivered a Mortgage or, within sixty (60) days of the Property Manager’s receipt of the related recorded Mortgage, will deliver a copy thereof with recording information) with respect thereto to the Indenture Trustee, the Indenture Trustee shall execute and deliver such instruments of release, transfer or assignment, in each case without recourse, as shall be provided to it by such Issuer and are reasonably necessary to release any lien or security interest in the original Property and related Lease, whereupon such original Property shall be free and clear of the lien of the Indenture and any Mortgage and the other Transaction Documents. Any proceeds of such sale, transfer or other disposition shall not constitute part of the Collateral and shall not be deposited in the Collection Account or the Release Account, as applicable.

Section 7.04 Release of Property by an Issuer.

(a) Except in connection with the release or encumbrance of an immaterial portion of any Property pursuant to Section 3.16(g), and subject to Section 7.09, 7.11 and 7.12, the applicable Issuer shall have the right to have released from the lien of the related Mortgage and the Indenture any Property and related Leases or Loan (following such release, a “**Released Loan**” or “**Released Property**”, as applicable) by depositing or causing to be deposited in the Release Account an amount equal to the Release Price in immediately available funds for the Released Property or Released Loan and satisfying the Required Conditions. Upon the Indenture Trustee’s receipt of an Officer’s Certificate by the applicable Issuer or Property Manager certifying that all conditions set forth herein have been satisfied, the Indenture Trustee shall release to such Issuer or its designee the related Lease File or Loan File and execute and deliver such instruments of release, transfer or assignment, in each case without recourse, that shall be provided to it by such Issuer and are reasonably necessary to release any Mortgage or other lien or security interest in such Property and the related Lease or Loan from the lien of the Indenture.

(b) After giving effect to a release pursuant to this Section 7.04, 7.09, 7.11 or 7.12, (i) the sum of the Collateral Value of all Released Assets and Exchanged Assets released or exchanged since the most recent Series Closing Date shall not exceed 35% of the Aggregate



Collateral Value; and (ii) the sum of the Collateral Value of all Released Assets released since the most recent Series Closing Date by paying the Release Price shall not exceed 25% of the Aggregate Collateral Value. Notwithstanding the foregoing, (i) a sale, substitution or exchange pursuant to any of Sections 2.04, 3.15, 7.02, 7.03, 7.05 or 7.06 or (ii) in connection with a Series Collateral Release or a Qualified Deleveraging Event, a sale of Owned Properties or Loans to (x) a third party that is unaffiliated with SCF Realty Capital or (y) an SCF SPE, in each case, shall not be taken into consideration for purposes of the first sentence of this Section 7.04(b).

(c) No sale of a Property or Loan to a third party, SCF Realty Capital or any of its Affiliates or to an SCF SPE may occur if an Early Amortization Period would occur as a result of such sale.

Section 7.05 Terminated Lease Property and REO Property.

An Issuer may remove a Terminated Lease Property or REO Property from the Collateral Pool in exchange for the addition of one or more Qualified Substitute Properties to the Collateral Pool pursuant to the provisions of Section 7.01, 7.09 and 7.11.

Section 7.06 Risk-Based or Credit Risk Substitution.

Each applicable Issuer may (A) with respect to a Lease, remove an Owned Property from the Collateral Pool in exchange for the addition of one or more Qualified Substitute Properties to the Collateral Pool, or (B) solely with respect to (iv) below, remove a Loan from the Collateral Pool in exchange for one or more Qualified Substitute Loans or Qualified Substitute Properties to the Collateral Pool pursuant to the provisions of Section 7.01; provided that: (i) the remaining term to maturity of the related Lease is less than three (3) years from the date of the proposed substitution and the Property Manager, in accordance with the Servicing Standard, determines that there is a reasonable risk of non-renewal of such Lease (“**Non-Renewal Risk**”); (ii) based on written communications from the Tenant under such Lease, the Property Manager, in accordance with the Servicing Standard, determines that there is a Non-Renewal Risk; (iii) the applicable Issuer has received from the Tenant under the related Lease for such Owned Property written notice of the non-renewal of such Lease; or (iv) the Property Manager, in accordance with the Servicing Standard, determines that there is a reasonable risk of monetary default by the Tenant under such Lease or the Borrower under such Loan, as applicable (“**Credit Risk**” and any substitution related to clauses (i), (ii), (iii) or (iv), collectively, a “**Risk-Based Substitution**”). In addition, the Property Manager or the applicable Issuer shall provide to the Indenture Trustee an explanation of the Non-Renewal Risk or Credit Risk, including, if applicable, a copy of any written communication from the Tenant or Borrower related to such Non-Renewal Risk or Credit Risk, as well as a summary description of the anticipated Qualified Substitute Property or Qualified Substitute Loan, as applicable.

Section 7.07 Disposition Period.

During the Disposition Period, the Property Manager will be required to utilize efforts consistent with the Servicing Standard to cause all of the Loans and Owned Properties and related Leases to be released from the Collateral Pool prior the Rated Final Payment Date by receiving payment of the Release Price for such Loans, Owned Properties and Leases through the sale of such Properties to a third party, SCF Realty Capital or to an SCF SPE.

Section 7.08 Minimum Required Interest and U.S. Credit Risk Retention Rules.

(a) No Issuer shall, and the Property Manager shall not permit any Issuer to, acquire any Lease, Loan or Owned Property unless such acquisition complies with the terms of the Risk Retention Agreement. For the avoidance of doubt, (i) Leases, Loans and Owned Properties contributed by SCF Realty Capital to an Issuer pursuant to a Property Transfer Agreement and (ii) Direct Purchase Assets that are distributed by an Issuer to SCF Realty Capital and subsequently contributed by SCF Realty Capital to such Issuer shall satisfy the foregoing.

(b) SCF Realty Capital is the appropriate entity to comply with all legal requirements imposed on the “sponsor of a securitization transaction” in accordance with the U.S. Credit Risk Retention Rules and will comply with all legal requirement imposed on the “sponsor of a securitization transaction” in accordance with the U.S. Credit Risk Retention Rules.

(c) SCF Realty Capital and its Affiliates shall not (i) transfer, assign, exchange or otherwise pledge or convey all or any part of its limited liability company interests in the Issuers, (ii) engage in any hedging transaction if payments on the hedge instrument are materially related to the limited liability company interests of the Issuers and the hedge position would limit the financial exposure of the holder of the limited liability company interests of the Issuers, or (iii) pledge its interest in the limited liability company interests of the Issuers as collateral for any financing, in each case, unless permitted by the U.S. Credit Risk Retention Rules.

(d) On the first Payment Date following the date hereof, the Property Manager shall cause the Trustee Report to include the disclosure required pursuant to §246.4(c)(1) (ii) of the U.S. Credit Risk Retention Rules.

Section 7.09 Like-Kind Exchange.

(a) Subject to the limitations set forth in Section 7.01(a), each Issuer shall have the right to have released from the lien of the related Mortgage and the Indenture a Released Property for the purposes of consummating an Exchange in accordance with the terms of the Master Exchange Agreement. The funds held in the Exchange Account may be held as cash or invested in Permitted Investments in accordance with the Escrow Agreement. In connection with a release of Properties or Loans pursuant to this Section 7.09(a), upon the Indenture Trustee’s receipt of an Officer’s Certificate by the applicable Issuer or the Property Manager certifying that all conditions set forth herein have been satisfied, upon which the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify, the Indenture Trustee shall release to such Issuer or its designee, which may include the Qualified Intermediary, the related Lease File and execute and deliver such instruments of release, transfer or assignment, in each case without recourse, that shall be provided to it by such Issuer and are reasonably necessary to release any Mortgage or other lien or security interest in such Property and the related Lease from the lien of the Indenture.

(b) Any Replacement Property acquired by an Issuer pursuant to the Master Exchange Agreement shall satisfy the criteria set forth in the definition of “Qualified Substitute Property”.

(c) No Issuer may transfer a Released Property to the Qualified Intermediary pursuant to Section 7.09(a) and the Master Exchange Agreement unless:

(i) no Early Amortization Period or DSCR Sweep Period has occurred and is continuing or would result from the making of such transfer;

(ii) the Termination Date has not occurred and is not then in effect;

(iii) if, after giving effect to such transfer, the amount of Relinquished Property Proceeds in the Exchange Account exceeds the Exchange Threshold, SCF Realty Capital has deposited the related Exchange Cash Collateral pursuant to Section 7.10(b);

(iv) the Required Conditions have been satisfied; and

(v) the representations and warranties of the Qualified Intermediary in the Master Exchange Agreement are true and correct on and as of the date of such transfer with the same effect as though made on and as of such date.

(d) The Relinquished Property Proceeds deposited into the Exchange Account in connection with the sale or disposition of a Relinquished Property shall be an amount equal to or greater than the Fair Market Value of such Relinquished Property.

(e) Relinquished Property Proceeds transferred from the Exchange Account to the Release Account pursuant to the Escrow Agreement shall be applied in accordance with Section 3.05(b).

(f) In no event shall funds in the Release Account, the Collection Account or the Exchange Reserve Account or any other funds that are subject to the lien of the Indenture be utilized as Additional Subsidies for the purposes of acquiring a Replacement Property pursuant to the Master Exchange Agreement. In no event shall SCF Realty Capital directly deposit any Additional Subsidies into the Exchange Account; provided, that SCF Realty Capital may elect to make a capital contribution to the applicable Issuer and cause such Issuer to deposit such amounts into the Exchange Account as Additional Subsidies.

(g) For the avoidance of doubt, the Indenture Trustee shall not have the benefit, directly or indirectly, of a lien on any amounts on deposit in the Exchange Account.

#### Section 7.10 Exchange Reserve Account.

(a) SCF Realty Capital shall deposit or cause to be deposited, in a segregated account in the name of the Indenture Trustee (the “**Exchange Reserve Account**”), Exchange Cash Collateral in accordance with this Section 7.10. The Exchange Reserve Account shall be an Eligible Account. Initially, the Exchange Reserve Account bank shall be Citibank, N.A.

(b) If (i) on any Determination Date, the amount of Relinquished Property Proceeds in the Exchange Account exceeds the Exchange Threshold or (ii) in connection with a transfer of a Released Property to the Qualified Intermediary pursuant to Section 7.09(a) the amount of Relinquished Property Proceeds in the Exchange Account would exceed the Exchange Threshold after giving effect to such transfer, in each case SCF Realty Capital shall deposit the applicable Excess Exchange Amount, if any, into the Exchange Reserve Account (any such amounts deposited into the Exchange Reserve Account, the “**Exchange Cash Collateral**”).

(c) At any time that the Excess Exchange Amounts are reduced to zero, the Indenture Trustee shall transfer all of the Exchange Cash Collateral to SCF Realty Capital; provided, that SCF Realty Capital has delivered an Officer’s Certificate to the Indenture Trustee, upon which the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify, certifying that the Excess Exchange Amounts have been reduced to zero; provided, further that if an Early Amortization Period is in effect, all amounts on deposit in the Exchange Reserve Account shall be immediately transferred as Unscheduled Proceeds to the Collection Account and applied as Unscheduled Principal Payments on the Payment Date following the commencement of such Early Amortization Period.

(d) On or before any Required Transfer Instruction Date, the Property Manager or the Special Servicer shall deliver a notice to the Indenture Trustee, upon which the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify, stating the Required Transfer Instruction Date and the amount of Relinquished Property Proceeds that are required to be transferred from the Exchange Account to the Release Account pursuant to the terms of the Master Exchange Agreement and the Escrow Agreement. If such Relinquished Property Proceeds are not deposited into the Release Account on or before the third (3rd) Business Day following such Required Transfer Instruction Date (such Relinquished Property Proceeds, the “**Delayed Proceeds**”), an amount equal to the lesser of (i) such Delayed Proceeds and (ii) the then-current amount of Exchange Cash Collateral will be transferred from the Exchange Reserve Account to the Collection Account and treated as Unscheduled Proceeds (the date of such transfer, the “**ERA Transfer Date**”).

(e) If, following the ERA Transfer Date, the related Delayed Proceeds are transferred from the Exchange Account to the Release Account, and an Early Amortization Period is not then in effect, the amount of such Delayed Proceeds will be reduced by the amount of such Exchange Cash Collateral (such amount as reduced, the “**Adjusted Delayed Proceeds**”) and (i) such Adjusted Delayed Proceeds will remain in the Release Account and (ii) the excess of the amounts of such Delayed Proceeds over the Adjusted Delayed Proceeds will be remitted to SCF Realty Capital. For the avoidance of doubt, if an Early Amortization Period is in effect, all Delayed Proceeds deposited into the Release Account shall immediately be transferred to the Collection Account and treated as Unscheduled Proceeds.

Section 7.11 Series Collateral Release.

(a) In accordance with Article VII of the Indenture and subject to Section 7.01(a) and 7.11(b), one or more Issuers may sell any Owned Property and the related Lease or any Loan in connection with a prepayment in full of a Series of Notes (a “**Series Collateral Release**”). Any Series Collateral Release Price received or contributed in connection with a Series Collateral Release shall be deposited into the Collection Account and applied by the Indenture Trustee in accordance with the terms of the Indenture. For the avoidance of doubt, SCF Realty Capital may elect to make a capital contribution to one or more Issuers for the purposes of paying the applicable Series Collateral Release Price and the related Released Properties and/or Released Loans may be distributed by the applicable Issuer to SCF Realty Capital.

(b) No Series Collateral Release shall occur unless (i) the Rating Condition is satisfied, (ii) no Early Amortization Period will occur following such Series Collateral Release and (iii) the Series 2016-1 Notes have been redeemed in full.

(c) Any Series Collateral Release Prices that are required to be transferred from the Collection Account to the Release Account pursuant to the Indenture shall be treated as a “Release Price” and applied in accordance with Section 3.05(b).

(d) Any Released Property or Released Loan sold (i) directly to SCF Realty Capital in connection with a Series Collateral Release shall be taken into consideration for the purposes of the limitations set forth in Sections 7.01(a) and 7.04(b) or (ii) (x) to a third party unaffiliated with SCF Realty Capital or (y) an SCF SPE, in each case, shall not be taken into consideration for the purposes of the limitations set forth in Sections 7.01(a) or 7.04(b).

(e) In connection with a release of Properties or Loans pursuant to Section 7.11(a), upon the Indenture Trustee’s receipt of an Officer’s Certificate by the applicable Issuer or Property Manager, upon which the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify, certifying that all conditions set forth herein have been satisfied, upon which the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify, the Indenture Trustee shall release to such Issuer or its designee the related Lease File or Loan File and execute and deliver such instruments of release, transfer or assignment, in each case without recourse, that shall be provided to it by such Issuer and are reasonably necessary to release any Mortgage or other lien or security interest in such Property and the related Lease or Loan from the lien of the Indenture.

(f) Any Replacement Property acquired by an Issuer pursuant to the Master Exchange Agreement shall constitute Collateral and become subject to the lien of the Indenture in accordance with the terms thereof.

(g) To the extent that the Master Exchange Agreement or the Escrow Agreement requires the Property Manager or any Issuer to provide written instruction to the Escrow Agent directing the transfer of Relinquished Property Proceeds from the Exchange Account to the Release Account, the Property Manager or such Issuer, as applicable, shall promptly deliver such written instruction in accordance with the terms of the Master Exchange Agreement and the Escrow Agreement; provided, that in no event shall Additional Subsidies be transferred from the Exchange Account to the Release Account.

Section 7.12 Qualified Deleveraging Event.

(a) In connection with a Qualified Deleveraging Event, if applicable to a Series of Notes, and subject to the restrictions set forth in Section 7.04(a), the Issuers may release Properties or Loans with an aggregate Allocated Loan Amount not to exceed the Qualified Release Amount; provided, however, after giving effect to the release of such Properties or Loans to the related Issuer, (i) the release of such Properties or Loans shall not trigger an Event of Default or Early Amortization Period (including but not limited to the Issuers' obligations to maintain the 3-month Average DSCR) and (ii) a Maximum Property Concentration is not exceeded (or if, prior to such release, an existing Maximum Property Concentration is already exceeded, the release of such Properties or Loans will reduce such property concentration or such property concentration will remain unchanged after giving effect to such release).

(b) In connection with a release of Properties or Loans pursuant to Section 7.12(a), upon the Indenture Trustee's receipt of an Officer's Certificate by the applicable Issuer or Property Manager, upon which the Indenture Trustee shall be permitted to fully rely and shall have no liability for so relying without any obligation to confirm or verify, certifying that all conditions set forth herein have been satisfied, the Indenture Trustee shall release to such Issuer or its designee the related Lease File or Loan File and execute and deliver such instruments of release, transfer or assignment, in each case without recourse, that shall be provided to it by such Issuer and are reasonably necessary to release any Mortgage or other lien or security interest in such Property and the related Lease or Loan from the lien of the Indenture.

ARTICLE VIII

TERMINATION

Section 8.01 Termination.

The respective obligations and responsibilities under this Agreement of the Property Manager, the Special Servicer, the Back-Up Manager and each Issuer shall terminate upon the earlier of (i) liquidation or final payment under the last remaining Loan or Lease with respect to a Property included in the Collateral Pool and (ii) satisfaction of the indebtedness evidenced by the Notes, whereupon the Indenture Trustee shall execute and deliver to the Issuers such instruments of release, transfer or assignment, in each case without recourse, as shall be provided to it by the Issuers and reasonably necessary to release any lien or security interest in the subject Loans, Properties and Leases.

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ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01 Amendment.

Subject to the provisions of the Indenture governing amendments, supplements and other modifications to this Agreement, this Agreement may be amended by the parties hereto from time to time but only by the mutual written agreement signed by the parties hereto. The Property Manager shall furnish to each party hereto and to each Issuer a fully executed counterpart of each amendment to this Agreement.

The parties hereto agree that no modifications or amendments will be made to the Indenture, any Series Supplement or other Transaction Documents without the consent of the Property Manager, the Special Servicer or the Back-Up Manager, as applicable, if such person would be materially adversely affected by such modification or amendment, regardless of whether such person is a party to such agreement.

Section 9.02 Counterparts.

This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. Delivery of an executed counterpart of a signature page of this Agreement in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Agreement.

Section 9.03 Governing Law.

**THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE (WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

Section 9.04 Notices.

All notices, requests and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been duly given if delivered by courier or mailed by first class mail, postage prepaid, or if transmitted by facsimile and confirmed in a writing delivered or mailed as aforesaid, to:

- (a) in the case of SCF Realty Capital, as the initial Property Manager and initial Special Servicer, SCF Realty Capital LLC, 47 Hulfish St., Ste. 210, Princeton, NJ 08542;
- (b) in the case of any Issuer, 47 Hulfish St., Ste. 210, Princeton, NJ 08542, or such address as provided in any Joinder Agreement;
- (c) in the case of the Indenture Trustee, 388 Greenwich Street, New York, NY 10013, Attention: Citibank Agency & Trust – SCF Realty Capital Master Trust;
- (d) in the case of the applicable Rating Agency, as provided in each outstanding Series Supplement; and
- (e) in the case of the Back-Up Manager, 10851 Mastin, Suite 300, Overland Park, Kansas 66210, Attention: President;

or, as to each such Person, to such other address and facsimile number as shall be designated by such Person in a written notice to parties hereto. Any notice required or permitted to be delivered to a holder of Issuer Interests or Notes shall be deemed to have been duly given if mailed by first class mail, postage prepaid, at the address of such holder as shown in the register maintained for such purposes under the applicable Issuer LLC Agreement and the Indenture, respectively. Any notice so mailed within the time prescribed in this Agreement shall conclusively be presumed to have been duly given, whether or not such holder receives such notice.

Section 9.05 Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Section 9.06 Effect of Headings and Table of Contents.

The article and section headings and the table of contents herein are for convenience of reference only and shall not limit or otherwise affect the construction hereof.

Section 9.07 Notices to the Rating Agencies and Others.

(a) The Indenture Trustee shall promptly provide notice to the applicable Rating Agency with respect to each of the following of which the Indenture Trustee has actual knowledge:

- (i) any material change or amendment to this Agreement;
- (ii) the occurrence of any Servicer Replacement Event that has not been cured; and
- (iii) the resignation or termination of the Property Manager or the Special Servicer and the appointment of a successor.

(b) The Property Manager shall promptly provide notice to the applicable Rating Agency with respect to each of the following of which it has actual knowledge:

- (i) the resignation or removal of the Indenture Trustee and the appointment of a successor;
- (ii) any change in the location of the Collection Account;
- (iii) any change in the identity of a Tenant or Borrower; and



(iv) any addition or removal of a Loan or Property from the Collateral.

(c) Each of the Property Manager and the Special Servicer, as the case may be, shall furnish the applicable Rating Agency such information with respect to the Loans, Leases and Properties as such Rating Agency shall reasonably request and that the Property Manager or the Special Servicer, as the case may be, can reasonably provide.

(d) Each of the Property Manager and the Special Servicer, as the case may be, shall promptly furnish the applicable Rating Agency and the Issuers with copies of the following items:

(i) each of its quarterly statements as to compliance described in Section 3.11; and

(ii) each report prepared by it pursuant to Section 4.01.

(e) The Property Manager shall promptly provide notice to the Escrow Agent and the Qualified Intermediary with respect to each of the following of which it has actual knowledge:

(i) the occurrence of an Early Amortization Event; and

(ii) the occurrence of a DSCR Sweep Period.

(f) Any Officer's Certificate, Opinion of Counsel, report, notice, request or other material communication prepared by the Property Manager, the Special Servicer, each Issuer, the Issuer Members on behalf of the Issuers, or the Indenture Trustee, or caused to be so prepared, for dissemination to any of the parties to this Agreement or any holder of Notes or Issuer Interests shall also be concurrently forwarded by such Person to SCF Realty Capital, the Issuers and the Initial Purchasers to the extent not otherwise required to be so forwarded. Any Officer's Certificate delivered under this Agreement or any other Transaction Document shall be deemed to have been delivered by the Person which is a party to this Agreement with respect to which the same was delivered, and under no circumstances shall the officer or other person executing the same have any personal liability under or in connection with any Officer's Certificate executed by it.

#### Section 9.08 Successors and Assigns: Beneficiaries.

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and the respective successors and assigns of the parties hereto, and all such provisions shall inure to the benefit of each Issuer and the Noteholders. No other person, including any Tenant or Borrower, shall be entitled to any benefit or equitable right, remedy or claim under this Agreement.

#### Section 9.09 Complete Agreement.

This Agreement embodies the complete agreement among the parties with respect to the subject matter hereof and may not be varied or, other than pursuant to Section 8.01, terminated except by a written agreement conforming to the provisions of Section 9.01. All prior negotiations or representations of the parties are merged into this Agreement and shall have no force or effect unless expressly stated herein.

Section 9.10 Consent to Jurisdiction.

Any action or proceeding against any of the parties hereto relating in any way to this Agreement may be brought and enforced in the courts of the State of New York sitting in the borough of Manhattan or of the United States District Court for the Southern District of New York and each of the parties hereto irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding. Each of the parties hereto hereby waives, to the fullest extent permitted by law, any right to remove any such action or proceeding by reason of improper venue or inconvenient forum.

Section 9.11. No Proceedings.

The Property Manager, the Special Servicer, each Issuer (with respect to any other Issuer) and the Back-Up Manager hereby covenant and agree that, prior to the date which is two years and thirty-one days after the payment in full of the latest maturing Note, it will not institute against, or join with, encourage or cooperate with any other Person in instituting, against an Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings, under any federal or state bankruptcy or similar law; provided, however, that nothing in this Section 9.11 shall constitute a waiver of any right to indemnification, reimbursement or other payment from the Issuer pursuant to the Indenture. In the event that any such Person takes action in violation of this Section 9.11, the applicable Issuer, shall file or cause to be filed an answer with the bankruptcy court or otherwise properly contesting the filing of such a petition by any such Person against such Issuer or the commencement of such action and raising the defense that such Person has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as its counsel advises that it may assert. The provisions of this Section 9.11 shall survive the termination of this Agreement, and the resignation or removal of any party hereto. Nothing contained herein shall preclude participation by any Person in the assertion or defense of its claims in any such proceeding involving an Issuer.

The obligations of each Issuer under this Agreement are solely the obligations of such Issuer. No recourse shall be had for the payment of any amount owing in respect of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement against any member, employee, officer or director of such Issuer. Fees, expenses, costs or other obligations payable by an Issuer hereunder shall be payable by such Issuer solely to the extent that funds are then available or thereafter become available for such purpose pursuant to Section 2.11 of the Indenture. In the event that sufficient funds are not available for their payment pursuant to Section 2.11 of the Indenture, the excess unpaid amount of such fees, expenses, costs or other obligations shall in no event constitute a claim (as defined in Section 101 of the Bankruptcy Code) against, or corporate obligation of, such Issuer.

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Section 9.11 Cooperation .

Each party hereto and each Noteholder (by its acceptance of a Note) hereby agrees to act diligently in responding to a request made by any other party to this Agreement and agrees to reasonably cooperate with the requesting party in connection with the subject matter.

Section 9.12 Acknowledgment of Receipts by Indenture Trustee .

Upon request, within ten (10) Business Days after its receipt of any notice, document or other delivery pursuant to any Transaction Document, the Indenture Trustee shall acknowledge its receipt of the same in writing delivered to the party that delivered the same to the Indenture Trustee.

IN WITNESS WHEREOF, the Issuers, the Property Manager and Special Servicer, the Back-Up Manager and the Indenture Trustee have caused this Agreement to be duly executed by their respective officers or representatives all as of the day and year first above written.

SCF REALTY CAPITAL LLC,  
a Delaware limited liability company, as  
Property Manager and Special Servicer

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President and Chief Executive Officer

SCF RC FUNDING I LLC,  
a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President and Chief Executive Officer

SCF RC FUNDING II LLC,  
a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President and Chief Executive Officer

SCF RC FUNDING III LLC,  
a Delaware limited liability company, as an Issuer

By: SCF Realty, Capital LLC, as Manager

By: /s/ Peter M. Mavoides  
Name: Peter M. Mavoides  
Title: President and Chief Executive Officer

*Property Management Agreement*

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Citibank, N.A., not in its individual capacity but solely as Indenture  
Trustee

By: /s/ John Hannon  
Name: John Hannon  
Authorized Signatory

*Property Management Agreement*

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MIDLAND LOAN SERVICES, A DIVISION OF PNC BANK,  
NATIONAL ASSOCIATION,  
as Back-Up Manager

By: /s/ Bradley J. Hauger

Name: Bradley J. Hauger

Title: Senior Vice President

*Property Management Agreement*

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EXHIBIT A

[RESERVED]

EXHIBIT A-1

FORM OF REQUEST FOR RELEASE – PROPERTY MANAGER

[Date]

Citibank, N.A., not in its individual capacity  
but solely as Indenture Trustee  
388 Greenwich Street  
New York, New York 10013  
Attention: Agency & Trust – SCF Realty Capital Master Trust

SCF RC Funding I LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

SCF RC Funding II LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

SCF RC Funding III LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

Re: SCF Realty Capital Master Funding, Net-Lease Mortgage Notes

In connection with the administration of the Lease Files and Loan Files held by or on behalf of you as trustee under that certain Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017 (the “Property Management Agreement”), among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “Issuer” and collectively, the “Issuers”), SCF Realty Capital LLC (“SCF Realty Capital”), as property manager and special servicer (together with its successors in such capacities, the “Property Manager” and “Special Servicer,” respectively), Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “Indenture Trustee”) and Midland Loan Services, a division of PNC Bank, National Association, as Back-Up Manager (together with its successors in such capacity, the “Back-Up Manager”), the undersigned as Property Manager hereby requests a release of the [Lease Files] [and] [Loan Files] (or the portion thereof specified below) held by the Custodian on behalf of the Indenture Trustee with respect to the following described [Lease] [and] [Loan] for the reason indicated below.

[Tenant’s Name:  
Address:  
Lease No.:]



[Borrower's Name:  
Address:  
Loan No.:]

If only particular documents in the [Lease File] [and] [Loan File] are requested, please specify which:

Reason for requesting [Lease File] [and] [Loan File] (or portion thereof):

- \_\_\_\_\_1.

[Lease] [Loan] paid in full and terminated.
- The undersigned hereby certifies that all amounts received in connection with the [Lease] [Loan] that are required to be deposited in the Collection Account pursuant to the Property Management Agreement, have been or will be so deposited.
- \_\_\_\_\_2.

Other. (Describe)

The undersigned acknowledges that the above [Lease File] [and] [Loan File] (or requested portion thereof) will be held by the undersigned in accordance with the provisions of the Property Management Agreement and will be returned to you or your designee within ten (10) days of our receipt thereof, [unless the Lease has become a Liquidated Lease, in which case the Lease File (or such portion thereof) will be retained by us permanently].

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Property Management Agreement.

SCF REALTY CAPITAL LLC,  
as Property Manager and Special Servicer

By: \_\_\_\_\_  
Name:  
Title:

FORM OF REQUEST FOR RELEASE – SPECIAL SERVICER

[Date]

Citibank, N.A., not in its individual capacity  
but solely as Indenture Trustee  
388 Greenwich Street  
New York, New York 10013  
Attention: Agency & Trust – SCF Realty Capital Master Trust

SCF RC Funding I LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

SCF RC Funding II LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

SCF RC Funding III LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

[ADDITIONAL ISSUERS]

[            ]  
[            ]

Re: SCF Realty Capital Master Funding, Net-Lease Mortgage Notes

In connection with the administration of the Lease Files and Loan Files held by or on behalf of you as trustee under a certain Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017 (the “Property Management Agreement”), SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “Issuer” and collectively, the “Issuers”, SCF Realty Capital LLC (“SCF Realty Capital”), as property manager and special servicer (together with its successors in such capacities, the “Property Manager” and “Special Servicer,” respectively), Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “Indenture Trustee”) and Midland Loan Services, a division of PNC Bank, National Association, as Back-Up Manager (together with its successors in such capacity, the “Back-Up Manager”), the undersigned as Property Manager hereby requests a release of the [Lease Files] [and] [Loan Files] (or the portion thereof specified below) held by the Custodian on behalf of the Indenture Trustee with respect to the following described [Lease] [and] [Loan] for the reason indicated below.

[Tenant’s Name:

Address:

Loan No.:]

[Borrower's Name:  
Address:  
Loan No.:]

If only particular documents in the [Lease File] [and] [Loan File] are requested, please specify which:

Reason for requesting [Lease File] [and] [Loan File] (or portion thereof):

- \_\_\_\_\_1. The [Tenant] [Borrower] is being evicted.
- \_\_\_\_\_3. Other. (Describe)

The undersigned acknowledges that the above [Lease File] [and] [Loan File] (or requested portion thereof) will be held by the undersigned in accordance with the provisions of the Property Management Agreement and will be returned to you or your designee within ten (10) days of our receipt thereof, unless (i) the [Tenant] [Borrower] is being evicted, in which case the [Lease File] [and] [Loan File] (or such portion thereof) will be returned when no longer required by us for such purpose, or (ii) we deliver to the Indenture Trustee an Officer's Certificate stating that the Lease has become a Liquidated Lease and all amounts received or to be received in connection with such liquidation that are required to be deposited into the Collection Account pursuant to Section 3.02(a) have been or will be so deposited.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Property Management Agreement.

SCF REALTY CAPITAL LLC,  
as Property Manager and Special Servicer

By: \_\_\_\_\_  
Name:  
Title:

FORM OF NOTICE AND ACKNOWLEDGMENT OF  
DESIGNATION OF REPLACEMENT SPECIAL SERVICER

[Date]

[RATING AGENCY]

Re: SCF Realty Capital Master Funding, Net-Lease Mortgage Notes

Ladies and Gentlemen:

This notice is being delivered pursuant to Section 5.06 of that certain Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017 (the “Agreement”), among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “Issuer” and collectively, the “Issuers”, SCF Realty Capital LLC (“SCF Realty Capital”), as property manager and special servicer (together with its successors in such capacities, the “Property Manager” and “Special Servicer,” respectively), Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “Indenture Trustee”) and Midland Loan Services, a division of PNC Bank, National Association, as Back-Up Manager (together with its successors in such capacity, the “Back-Up Manager”). Capitalized terms used but not otherwise defined herein shall have respective meanings assigned to them in the Agreement.

Notice is hereby given that the [ ] has designated to serve as the Special Servicer under the Agreement.

The designation of as Special Servicer will become final if certain conditions are met and the applicable Rating Agency delivers to the Issuers and the Indenture Trustee written confirmation that if the person designated to become the Special Servicer were to serve as such, such event would not result in the downgrade, qualification or withdrawal of the higher of (i) such Rating Agency’s then current ratings of the Notes and (ii) the rating of the Notes at the time of the original issuance thereof. Accordingly, such confirmation is hereby requested as soon as possible.

Please acknowledge receipt of this notice by signing the enclosed copies of this notice where indicated below and returning them to each of the Issuers and the Indenture Trustee, in the enclosed stamped self-addressed envelope.

Very truly yours,

\_\_\_\_\_  
as Indenture Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Receipt acknowledged:

S&P GLOBAL, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FORM OF ACKNOWLEDGMENT BY  
PROPOSED SPECIAL SERVICER ACCEPTING APPOINTMENT

[Date]

SCF RC Funding I LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

SCF RC Funding II LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

SCF RC Funding III LLC  
47 Hulfish St., Ste. 210  
Princeton, NJ 08542  
Attention: Pete Mavoides

[ADDITIONAL ISSUERS]

[            ]  
[            ]

Citibank, N.A., not in its individual capacity  
but solely as Indenture Trustee  
388 Greenwich Street  
New York, New York 10013  
Attention: Agency & Trust – SCF Realty Capital Master Trust

Re: SCF Realty Capital Master Funding , Net-Lease Mortgage Notes

Ladies and Gentlemen:

Pursuant to Section 5.06 of the Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017 (the “Agreement”, among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “Issuer” and collectively, the “Issuers”, SCF Realty Capital LLC (“SCF Realty Capital”, as property manager and special servicer (together with its successors in such capacities, the “Property Manager” and “Special Servicer,” respectively, Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “Indenture Trustee” and Midland Loan Services, a division of PNC Bank, National Association, as Back-Up Manager (together with its successors in such capacity, the “Back-Up Manager”, the undersigned hereby agrees with all the other parties to the Agreement that the undersigned shall serve as Special Servicer under, and as defined in, the Agreement. The undersigned hereby acknowledges that, as of the date hereof, it is and shall be a party to the Agreement and bound

thereby to the full extent indicated therein in the capacity of Special Servicer. The undersigned hereby makes, as of the date hereof, the representations and warranties set forth in Section 2.01 of the Agreement, with the following corrections with respect to type of entity and jurisdiction of organization:

[NAME OF ENTITY]

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT D

FORM OF LIMITED POWERS OF ATTORNEY  
FROM ISSUER OR INDENTURE TRUSTEE

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, pursuant to a certain Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017 (the “**Agreement**”), among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “**Issuer**” and collectively, the “**Issuers**”, SCF Realty Capital LLC (“**SCF Realty Capital**”), as property manager and special servicer (together with its successors in such capacities, the “**Property Manager**” and “**Special Servicer**,” respectively), Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “**Indenture Trustee**”) and Midland Loan Services, a division of PNC Bank, National Association, as Back-Up Manager (together with its successors in such capacity, the “**Back-Up Manager**”), the [Property Manager] [Special Servicer] (hereafter, the “**Servicer**”) administers and services certain “Loans,” “Properties” and “Leases” as such terms are defined in the Agreement, in accordance with the terms of the Agreement and such Leases and Loans; and,

WHEREAS, pursuant to the terms of the Agreement, the Servicer is granted certain powers, responsibilities and authority in connection with its servicing and administration subject to the terms of the Agreement; and

WHEREAS, the [RELEVANT ISSUER] [Indenture Trustee] (hereafter, the “**Grantor**”) has been requested by the Servicer pursuant to the Agreement to grant this Limited Power of Attorney to the Servicer to enable it to execute and deliver, on behalf of the Grantor, certain documents and instruments related to the Loans, Properties and Leases, thereby empowering the Servicer to take such actions as it deems necessary to comply with its servicing, administrative and management duties under and in accordance with the Agreement.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

The Grantor does make, constitute and appoint SCF Realty Capital LLC, a Delaware limited liability company, its true and lawful agent and attorney in fact with respect to the Loans, Properties and Leases held by the Grantor, in its name, place and stead, to (A) prepare, execute and deliver: (i) any and all Financing Statements, continuation statements and other documents or instruments necessary to maintain the validity, enforceability, perfection and priority of the Grantor’s interest in any real property (collectively, the “**Collateral**”) and any Lease or Loan with respect to any Collateral; (ii) subject to the provisions of the Agreement, any and all modifications, waivers, consents, assumptions, amendments or subordinations with respect to a Lease or Loan or documents relating thereto; and (iii) any and all instruments necessary or appropriate for the eviction of any Tenant under a Lease or foreclosure with respect to and Loan serviced by the Servicer and consistent with the authority granted by the Agreement; and (B) to take any and all actions on behalf of the Grantor in connection with maintaining and defending the enforceability of any such Lease obligation or Loan, including but not limited to the execution of any and all instruments necessary or appropriate in defense of and for the collection and enforcement of said Lease obligation or Loan in accordance with the terms of the Agreement.

EXHIBIT D-1



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#### ARTICLE I

The enumeration of particular powers hereinabove is not intended in any way to limit the grant to the Property Manager as the Grantor's attorney in fact of full power and authority with respect to the Loans, Leases and Properties to execute and deliver any such documents, instrument or other writing as fully, in all intents and purposes, as Grantor might or could do if personally present. The Grantor hereby ratifies and confirms whatsoever such attorney in fact shall and may do by virtue hereof, and the Grantor agrees and represents to those dealing with such attorney in fact that they may rely upon this power of attorney until termination of the power of attorney under the provisions of Article III below. The Servicer may not exercise any right, authority or power granted by this instrument in a manner that would violate the terms of the Agreement or the Servicing Standard imposed on the Servicer by the Agreement, but any and all third parties dealing with Servicer as the Grantor's attorney in fact may rely completely, unconditionally and conclusively on the Servicer's authority and need not make inquiry about whether the Servicer is acting pursuant to the Agreement or such standard. Any trustee, title company or other third party may rely upon a written statement by the Servicer that any particular lease or property in question is subject to and included under this power of attorney and the Agreement.

#### ARTICLE II

An act or thing lawfully done hereunder by the Servicer shall be binding on the Grantor and the Grantor's successor and assigns.

#### ARTICLE III

This power of attorney shall continue in full force and effect from the date hereof until the earliest occurrence of any of the following events, unless sooner revoked in writing by the Grantor:

- (i) the suspension or termination of this limited power of attorney by the Grantor;
- (ii) the transfer of the Servicer's servicing rights and obligations as the [Property Manager] [Special Servicer] under the Agreement from the Servicer to another servicer;
- (iii) the appointment of a receiver or conservator with respect to the business of the Servicer;
- (iv) the filing of a voluntary or involuntary petition in bankruptcy by or against the Servicer; or
- (v) the occurrence of a Servicer Replacement Event.

#### EXHIBIT D-2

Nothing herein shall be deemed to amend or modify the Agreement or the respective rights, duties or obligations of the Grantor or the Servicer thereunder, and nothing herein shall constitute a waiver of any rights or remedies thereunder.

IN WITNESS WHEREOF, the Grantor has caused this instrument to be executed and its corporate seal to be affixed hereto by its officer duly authorized as of the day of \_\_\_\_\_,

[SCF RC FUNDING I LLC, a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCF RC FUNDING II LLC, a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCF RC FUNDING III LLC, a Delaware limited liability company, as an Issuer

By: SCF Realty Capital LLC, as Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title:] \_\_\_\_\_

[Citibank N.A., not in its individual capacity but solely as Indenture Trustee under that certain Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_]

STATE OF )  
 ) ss.:  
COUNTY OF )

On the            day of            , before me, a notary public in and for said State, personally appeared            , known to me to be a            of [ISSUER MANAGER] [INDENTURE TRUSTEE], the entity that executed the within instrument as [Manager of [ISSUER]][Indenture Trustee], and also known to me to be the person who executed it on behalf of such entity, and acknowledged to me that such entity executed the within instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

\_\_\_\_\_  
Notary Public

[Notarial Seal]

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EXHIBIT E

[RESERVED]

EXHIBIT E-1

EXHIBIT F

FORM OF JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this “Agreement”), dated as of [ ], 201[ ], is entered into by and among (the “New Issuer”), [ ] CORPORATION, in its capacity as Property Manager and Special Servicer, as applicable, Midland Loan Services, a division of PNC Bank, National Association, in its capacity as Back-Up Manager and [ ], not in its individual capacity but solely as Indenture Trustee (the “Indenture Trustee”), under that certain Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017, among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “Issuer” and collectively, the “Issuers”), SCF Realty Capital LLC, as property manager and special servicer (together with its successors in such capacities, the “Property Manager” and “Special Servicer,” respectively), the Indenture Trustee and the Back-Up Manager (as the same may be amended, modified, extended or restated from time to time, the “Property Management Agreement”). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Property Management Agreement.

The New Issuer is a [ENTITY] established under the laws of the State of [ ] on [ ], 201[ ], operates under an [Amended and Restated] [ENTITY AGREEMENT], dated as of [ ], 201[ ] (the “New Issuer Agreement”).

The New Issuer, the Property Manager, the Special Servicer, the Indenture Trustee and the Back-Up Manager hereby agree as follows:

1. The New Issuer hereby acknowledges, agrees and confirms that, by its execution of this Agreement, effective as of the date hereof, the New Issuer shall become a party to the Property Management Agreement, shall be deemed to be a signatory to the Property Management Agreement and shall have all of the rights and obligations of an Issuer as specified in the Property Management Agreement. The New Issuer hereby ratifies, as of the date hereof, and agrees to be bound by, all of the applicable terms, provisions and conditions contained in the Property Management Agreement.

2. The address of the New Issuer for purposes of Section 9.04(c) of the Property Management Agreement shall be as follows:

[ADDRESS]

Attention: \_\_\_\_\_

Facsimile No. \_\_\_\_\_

*With a copy to*

[ADDRESS]

Attention: \_\_\_\_\_

Facsimile No. \_\_\_\_\_

3. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument.

4. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the New Issuer, the Property Manager, the Special Servicer and the Back-Up Manager have caused this Agreement to be duly executed by their respective officers or representatives all as of the day and year first above written.

[NEW ISSUER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCF REALTY CAPITAL LLC, as Property  
Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

MIDLAND LOAN SERVICES, A DIVISION OF PNC BANK,  
NATIONAL ASSOCIATION, as Back-Up Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Citibank, N.A., not in its individual capacity but solely as Indenture  
Trustee under that certain Amended and Restated Property Management  
and Servicing Agreement, dated as of July 11, 2017

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT G

FORM OF CERTIFICATE UNDER SECTION 7.01(b)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Re: [INSERT DESCRIPTION OF QUALIFIED SUBSTITUTE  
[PROPERTY][LOAN] (the “Qualified Substitute  
[Property][Loan]”)

Ladies and Gentlemen:

Pursuant to Section 7.01(b) of the Amended and Restated Property Management and Servicing Agreement, dated as of July 11, 2017 (the “Agreement”), among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “Issuer” and collectively, the “Issuers”, SCF Realty Capital LLC (“SCF Realty Capital”), as property manager and special servicer (together with its successors in such capacities, the “Property Manager” and “Special Servicer,” respectively), Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “Indenture Trustee”) and Midland Loan Services, a division of PNC Bank, National Association, as Back-Up Manager (together with its successors in such capacity, the “Back-Up Manager”), the undersigned hereby certifies that the exceptions set forth on Exhibit “A” attached hereto are materially consistent with the underwriting criteria for the existing Properties (as defined in the Agreement).

SCF REALTY CAPITAL LLC, as Property  
Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT G-1



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EXHIBIT H

DETERMINATION DATE REPORT CERTIFICATION REGARDING RISK RETENTION

Citibank N.A., not in its individual capacity  
but solely as Indenture Trustee  
388 Greenwich Street  
New York, NY 10013  
Attention: Agency & Trust – SCF Realty Capital Master Trust

Re: SCF Realty Capital Master Funding, Net-Lease Mortgage Notes

Ladies and Gentlemen:

In accordance with Section 4.01(a) of the Amended and Restated Property Management and Servicing Agreement, dated July 11, 2017 (as amended or supplemented thereafter, the “Property Management Agreement”), among SCF RC Funding I LLC, SCF RC Funding II LLC, SCF RC Funding III LLC and each Joining Party, each as an issuer (each, an “Issuer” and collectively, the “Issuers”, SCF Realty Capital LLC (“SCF Realty Capital”), as property manager and special servicer (together with its successors in such capacities, the “Property Manager” and “Special Servicer,” respectively), Citibank, N.A., not individually but solely as indenture trustee (together with its successors in such capacity, the “Indenture Trustee”) and Midland Loan Services, a division of PNC Bank, National Association, as Back-Up Manager (together with its successors in such capacity, the “Back-Up Manager”), the undersigned hereby certifies and agrees the issuers have not incurred any indebtedness except indebtedness permitted by any applicable limited liability company agreement of the related Issuer Member or the Transaction Documents.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Amended and Restated Risk Retention Agreement, dated as of July 11, 2017 (the “Risk Retention Agreement”), entered into by SCF Realty Capital in favor of the Indenture Trustee.

In accordance with the Risk Retention Agreement, SCF Realty Capital certifies and agrees that (i) in accordance with the Securitization Retention Requirements, SCF Realty Capital retains and, until the redemption of the Notes and Related Series Notes, will retain, a material net economic interest of not less than 5% of every asset in the Collateral Pool by way of the sale or transfer to the Issuers of every underlying exposure at a discount, which discounted amount constitutes a first loss exposure in accordance with Article 405(1)(e) of the CRR (the “Retained Interest”), and (ii) for so long as any Notes are outstanding, SCF Realty Capital shall retain and not sell the Retained Interest or subject it to any credit risk mitigation, short positions or any other hedges, except to the extent otherwise permitted under the Securitization Retention Requirements.

SCF REALTY CAPITAL LLC

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EXHIBIT H-1

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EXHIBIT I

CALCULATION OF FIXED CHARGE COVERAGE RATIOS

1. Adjusted EBITDAR: An amount equal to the sum of (i) pre-tax income, (ii) interest expense, (iii) all non-cash amounts in respect of depreciation and amortization, (iv) all non-recurring expenses, (v) specifically documented discretionary management fees and (vi) all operating lease and rent expense less (vii) all non-recurring income and standardized corporate overhead expense based on estimated industry standards for the related fiscal period;
2. Fixed Charges: An amount equal to the sum of (i) total operating lease or rent expenses, (ii) interest expense, and (iii) scheduled principal payments on indebtedness payable in respect of the related unit, in each case for the period of time as to which such figure is presented; and
3. FCCR: Adjusted EBITDAR/Fixed Charges.

EXHIBIT I-1

## Subsidiaries

Subsidiary	Jurisdiction
Essential Properties OP G.P., LLC	Delaware
Essential Properties, L.P.	Delaware
SCF Realty IFH LLC	Delaware
SCF Realty Funding LLC	Delaware
SCF Realty Servicing Company LLC	Delaware
SCFRC-HW LLC	Delaware
SCFRC-HW-V LLC	Delaware
SCF Realty Capital Trust LLC	Delaware
SCFRC-HW-528 South Broadway-Salem LLC	Delaware
SCFRC-HW-G LLC	Delaware
SCF RC Funding I LLC	Delaware
SCF RC Funding II LLC	Delaware
SCF RC Funding III LLC	Delaware
SCF RC Funding IV LLC	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated January 24, 2018, in the Registration Statement (Form S-11) and related Prospectus of Essential Properties Realty Trust, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

New York, New York  
May 25, 2018

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated March 7, 2018 with respect to the consolidated financial statements of Essential Properties Realty Trust, Inc. Predecessor, in the Registration Statement (Form S-11) and related Prospectus of Essential Properties Realty Trust, Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

New York, New York  
May 25, 2018

**CONSENT OF ROSEN CONSULTING GROUP**

We hereby consent to the use of our name in the Registration Statement on Form S-11 (together with any amendments or supplements thereto, the "Registration Statement") to be filed by Essential Properties Realty Trust, Inc. and the references to the Rosen Consulting Group market study prepared for Essential Properties Realty Trust, Inc. wherever appearing in the Registration Statement, including, but not limited to, the references to our company under the sections entitled "Prospectus Summary," "Market Opportunity" and "Experts" in the Registration Statement.

Dated: May 25, 2018

**ROSEN CONSULTING GROUP**

By: /s/ Randall Sakamoto

Name: Randall Sakamoto

Title: Executive Vice President

**CONSENT TO BE NAMED AS A DIRECTOR NOMINEE**

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended (the “Securities Act”), the undersigned hereby consents to being named in the Registration Statement on Form S-11 filed by Essential Properties Realty Trust, Inc., a Maryland corporation (the “Company”), with the Securities and Exchange Commission on May 25, 2018 and in all subsequent pre-effective and post-effective amendments or supplements thereto, and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act (the “Registration Statement”), as an individual to become a director of the Company and to the inclusion of the undersigned’s biographical information in the Registration Statement.

/s/ Paul T. Bossidy

Name: Paul T. Bossidy

Dated: May 25, 2018

**CONSENT TO BE NAMED AS A DIRECTOR NOMINEE**

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended (the “Securities Act”), the undersigned hereby consents to being named in the Registration Statement on Form S-11 filed by Essential Properties Realty Trust, Inc., a Maryland corporation (the “Company”), with the Securities and Exchange Commission on May 25, 2018 and in all subsequent pre-effective and post-effective amendments or supplements thereto, and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act (the “Registration Statement”), as an individual to become a director of the Company and to the inclusion of the undersigned’s biographical information in the Registration Statement.

/s/ Todd J. Gilbert

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Name: Todd J. Gilbert

Dated: May 25, 2018



**CONSENT TO BE NAMED AS A DIRECTOR NOMINEE**

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended (the “Securities Act”), the undersigned hereby consents to being named in the Registration Statement on Form S-11 filed by Essential Properties Realty Trust, Inc., a Maryland corporation (the “Company”), with the Securities and Exchange Commission on May 25, 2018 and in all subsequent pre-effective and post-effective amendments or supplements thereto, and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act (the “Registration Statement”), as an individual to become a director of the Company and to the inclusion of the undersigned’s biographical information in the Registration Statement.

/s/ Anthony D. Minella

Name: Anthony D. Minella

Dated: May 25, 2018

**CONSENT TO BE NAMED AS A DIRECTOR NOMINEE**

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended (the “Securities Act”), the undersigned hereby consents to being named in the Registration Statement on Form S-11 filed by Essential Properties Realty Trust, Inc., a Maryland corporation (the “Company”), with the Securities and Exchange Commission on May 25, 2018 and in all subsequent pre-effective and post-effective amendments or supplements thereto, and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act (the “Registration Statement”), as an individual to become a director of the Company and to the inclusion of the undersigned’s biographical information in the Registration Statement.

/s/ Stephen D. Sautel

Name: Stephen D. Sautel

Dated: May 25, 2018

**CONSENT TO BE NAMED AS A DIRECTOR NOMINEE**

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended (the “Securities Act”), the undersigned hereby consents to being named in the Registration Statement on Form S-11 filed by Essential Properties Realty Trust, Inc., a Maryland corporation (the “Company”), with the Securities and Exchange Commission on May 25, 2018 and in all subsequent pre-effective and post-effective amendments or supplements thereto, and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act (the “Registration Statement”), as an individual to become a director of the Company and to the inclusion of the undersigned’s biographical information in the Registration Statement.

/s/ Joyce DeLucca

Name: Joyce DeLucca

Dated: May 25, 2018

**CONSENT TO BE NAMED AS A DIRECTOR NOMINEE**

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended (the “Securities Act”), the undersigned hereby consents to being named in the Registration Statement on Form S-11 filed by Essential Properties Realty Trust, Inc., a Maryland corporation (the “Company”), with the Securities and Exchange Commission on May 25, 2018 and in all subsequent pre-effective and post-effective amendments or supplements thereto, and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act (the “Registration Statement”), as an individual to become a director of the Company and to the inclusion of the undersigned’s biographical information in the Registration Statement.

/s/ Scott A. Estes

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Name: Scott A. Estes

Dated: May 25, 2018