STORE capital
Single Tenant Operational Real Estate®

Christopher H. Volk
Chief Executive Officer

Values Added By Design

To Our Stockholders,

Our company lives by the following principle: The value we create for our stockholders derives from the value we deliver to our customers, our tenants. From our inception, we have sought to add these collective values by design. At the end of 2017, we had grown to manage a highly diversified portfolio of more than $6.2 billion in profit center (Single Tenant Operational Real Estate, or STORE) real estate investments at cost. Our ability to deliver valuable solutions and services to our customers explains this success. During 2017, we grew our investment portfolio to include nearly 400 customers, spread across 48 states and more than 100 industries. We were indeed quite busy and expect an even busier 2018.

Filling a Need

Companies that require free-standing operational real estate as a part of their business model are comparatively asset-intensive with large capitalization requirements. Owning their real estate is a clear option, but there exist today few attractive borrowing solutions, unless you are one of the very few investment-grade-rated companies. Lenders require material equity commitments of up to 40%, loans are generally for ten years or less and are often indexed to floating interest rates. Then there are often added corporate loan covenants and prepayment penalties. To top it off, borrowers can expect their loans to be difficult or impossible to modify and to lack any ability to be assumed by a subsequent business owner. STORE, on the other hand, is able to provide 100% of the capital needed for real estate, with solutions that lock in long-term payment certainty, together with enhanced corporate and operational flexibility, no corporate covenants and an ability to have leases assumed by future business owners. It is no small wonder, then, why our customers would rather have a landlord than a banker. This is a major reason why I have been engaged in the net lease capital business for over thirty years and this is why we formed STORE with the support of prominent institutional investors in 2011.

Certain statements contained in this letter that are not historical facts contain forward-looking statements. Please refer to our disclosures regarding forward-looking statements that appear in the periodic reports that we file with the SEC, including our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q, which are incorporated herein by reference.

An Amazing Business

I believe in this business. In 1981, I was working as a credit analyst at a commercial bank in Atlanta, Georgia when I became acquainted with a small company based in Phoenix, Arizona that raised money from investors through a major brokerage firm and then invested that money in chain restaurant locations that were mostly leased to franchisees on a long-term basis. I loved the business model, eventually joined that company and later helped guide it to a public listing as the nation's largest net-lease REIT in 1994. The founder of that company was Mort Fleischer, a true visionary who is today our Chairman of the Board. When I first arrived in Arizona in 1986, our Chief Financial Officer, Cathy Long, was an accountant for our external auditor and would later join us as our principal accounting officer sometime after we went public. We have a number of our colleagues at STORE who can also trace their roots back to one of our earlier net lease platforms, including Mary Fedewa, our Chief Operating Officer, Chris Burbach, our Executive Vice President of Underwriting and Michael Bennett, our General Counsel. That we have assembled over so many years a cohesive team of such quality and built a thriving business says a lot about our corporate culture and our collective commitment to this business.

Real estate net lease contracts are effectively financial instruments, and I have always viewed our contracts through the perspective of a former commercial banker. In most respects, this is simply a better business than banking. Whereas banks are happy to just be paid, we are happy to be paid more next year. Whereas bank loan portfolios are less liquid and seldom worth more than par, we have shown an ability to regularly sell assets at material gains over our cost. And, whereas non-performing loans for banks can result in material losses, our investments are backed by hard assets and our recoveries on resolved credit events through the end of 2017 have averaged 70%, inclusive of administrative costs. In fact, given the high importance of our net lease contracts to our tenants, we are less likely to have underperforming investments. I will talk more about this later. Commercial banks have some clear structural advantages relative to us, but I have always been captivated by our ability to achieve impressive portfolio performance over a broad array of predominantly middle market tenants over so many investments and over such a long time. We have simply consistently outperformed.

Real Estate Investing with Imbedded Gains

STORE invested a record $1.4 billion in 2017 into 316 STORE properties leased to 91 customers across 42 industries and 42 states. We also sold a record 55 properties at a meaningful gain over their initial cost, which resulted in net new investment of just over $1.1 billion. I will touch on the benefits of this sales activity later in this letter. Approximately a third of our investment activity in 2017 was made to existing customers, which has been a pattern for us for the past several years and demonstrates the value our customers recognize in partnering with STORE. Over the year, our median transaction approximated $9 million and we maintained a pace of consummating 30 to 40 transactions each quarter, which is one reason that our investment portfolio is highly granular. At the conclusion of 2017, approximately 80% of our investments were in real estate leased to customers that individually represented less than one percent of our run-rate revenues. Investment diversity at STORE is by design and is foundational to margins of safety and value creation.

Our origination team comprises about 40% of our staff. It is a STORE powerhouse and it is the reason we believe that our combined going-in 2017 lease rate of 7.8% and average annual lease escalations of 1.8%

exceed the equivalent gross returns available from the brokered auction market by as much as one hundred basis points. Owning our own deal flow is incredibly important, and I personally believe that we would not have otherwise been able to secure our 2017 investments through the brokered auction marketplace, even at lesser yields. During the year, we sourced 70% of our investment activity through our staff of direct relationship managers, with the remainder sourced through broker and advisor relationship managers. Together, these relationship managers are responsible for a record pipeline of investment opportunities that stood at more than $12 billion at the end of 2017.

Publicly traded real estate investment trusts like STORE add value to shareholders through portfolio diversity and aggregation within a liquid, publicly-traded investment vehicle. We have always sought to do more than this. We seek to invest in real estate at prices that our stockholders likely could not access and at gross lease returns that they would be unlikely to achieve. Investing in real estate having the potential for meaningful imbedded gains from the outset is another way our acquisition strategy raises our margins of safety, while making it more possible to create greater Market Value Added, for our shareholders.

Our Target Market

Middle market companies, which are our primary focus and comprise the majority of our tenants, are generally defined as having between $10 million and $1 billion in annual revenues. The average middle market company in the U.S. has revenues slightly exceeding $50 million annually. That said, over 16% of our customers have annual revenues exceeding $1 billion and the weighted average revenues for our customers is about $800 million.

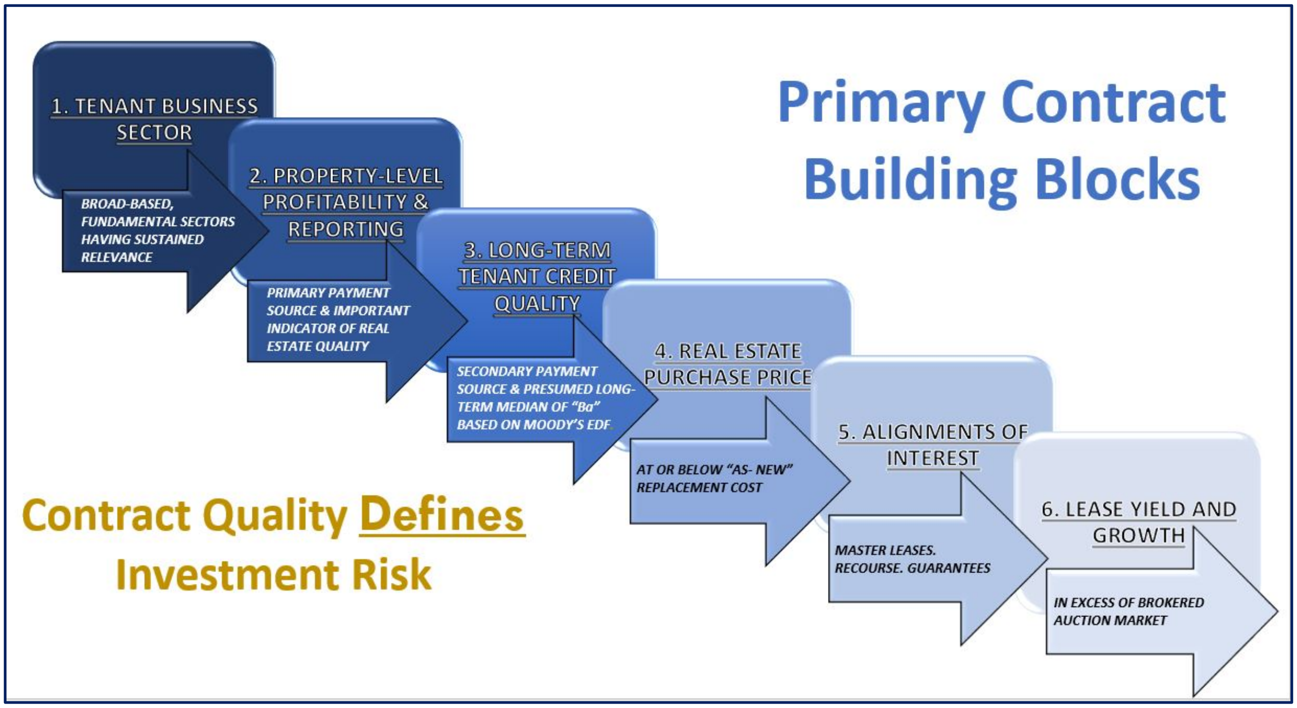
The middle market is incredibly dynamic and resilient. Over 8 million jobs were lost during the Great Recession. At that same time, middle market companies actually added approximately two million jobs. Between 2011, when we started STORE, and the end of 2017, middle market companies continued their growth. The number of companies grew by 84%, while employees and revenues both doubled. The approximately 200,000 U.S. middle market companies represented more than half of the job creation in the U.S. and currently account for about 48 million employees, representing over one in four workers in the U.S.

The dynamism of the middle market is important and we are honored to deploy capital for businesses that truly need us to make a real difference to them, their stakeholders and the communities they serve. As dynamic as the U.S. middle market is, our customers are even more so. We estimate that our customers employ 1.8 million workers and added approximately 180,000 employees to their workforces as they grew their average revenues approximately 10% in 2017. Such revenue growth is nearly 30% more than the middle market as a whole and about 40% more than the growth rate realized by the S&P 500. Not all of the revenue growth was organic. Many of STORE's customers grew through merger and acquisition activity. New location development was also important. Same store sales growth, in an economy with low growth and minimal inflation, was modest. However, our customers' median property-level ability to cover our rents remained at over two times after indirect expenses. That margin of safety means that median property-level business revenues can fall roughly 40% before our tenants start to lose money at the properties we own.

Cognitive Biases and Evidence-Based Investing

There often exists what academics call a cognitive bias, or a systematic error in thinking, that larger companies are simply safer to have as tenants than middle market companies because they are more equipped to compete in a complex global economy. During 2017, I became increasingly interested in cognitive biases. One common dialogue is that investment-grade companies, which are generally considerably larger enterprises, are more desirable tenants. A symmetrical dialogue is that alpha (or excess returns) is unachievable in net lease real estate investments. In other words, our potential for loss in a middle market lease is equal to the proportional difference in gross unleveraged return that might otherwise be realized with an investment-grade tenant. There are also the persistent thoughts that net lease real estate investments in large markets are less risky and that attractive, well-located real estate tends to be a better investment. To my knowledge, there is no academic research to support any of these common biases, which serves to make them highly dangerous assumptions. STORE and our predecessor companies have endeavored to take advantage of cognitive biases for decades.

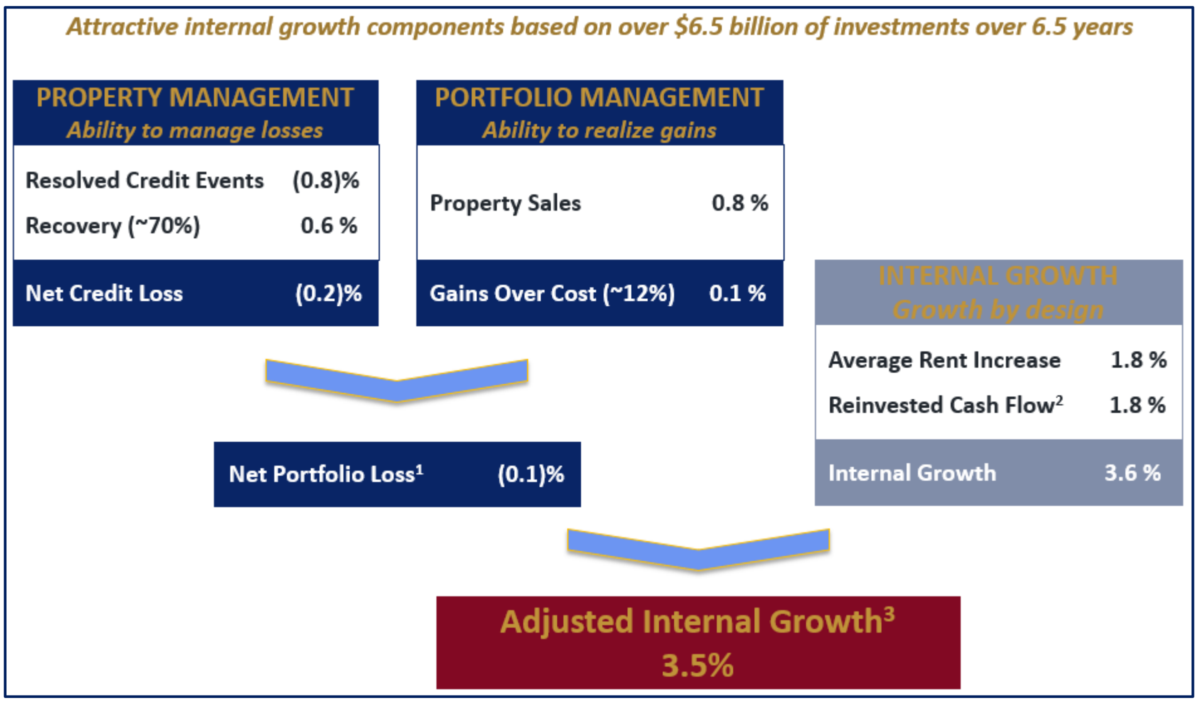
A common cognitive bias of observers of companies like STORE is that the quality of our real estate defines investment risk. Such a bias is consistent with the unique place that real estate investment trusts have as investments defined often by the physicality and estimated values of the assets they hold. We have stated from the outset that it is the net lease contracts we create that are the greatest determinants of risk. Those contracts are comprised of attributes that collectively define investment risk. Such attributes include the profitability of the business conducted at the property, the price we pay for the property (below "as new" replacement cost is our goal) and the adherence to strong alignments of interest, such as master leases. Property quality as it pertains to alternative uses and potential tenant desirability is important, as are rents that are supportable by the local market area. The lease rate and lease escalators are also important; if we can achieve yields in excess of those available in the brokered auction marketplace, we have the added margin of safety to be able to actually lower rents and still realize our initial investment. Then there can be other contract attributes, such as credit enhancements, guarantees, lease deposits, as well as rights to "go dark", sublet, assign and more. We know how important many of these issues are, since we started producing quantitative portfolio analyses at our earliest public company. Over many years, such quantitative statistical research has shaped our views on investment criteria, which is an advantage in a world dominated by bias. We are committed to a path of evidence-based real estate investing and are devoting resources to continued research, with the goal to realize sustained added stockholder risk-adjusted rates of return.



Our Lifecycle Business Model

Beginning this year, we are adding a new annual disclosure to reflect our investment and management lifecycle and what it means for future cash flow growth. Our cycle walk begins with fully performing lease contracts, then subtracts annualized lease defaults, then adds back our recoveries from such defaults, which have averaged 70% since STORE began, to arrive at a loss rate from resolved tenant defaults of approximately 20 basis points annually. That average loss rate is inclusive of the costs to carry the underperforming assets and equates roughly to what one might expect from BBB corporate notes, even though such notes have materially lower investment returns. The reason we are choosing to provide this disclosure annually is that tenant performance is seldom smooth in our business and so is best observed over a longer time. Next, we incorporate opportunistic and strategic asset sales. During 2017, we sold over $260 million of assets, or about 5% of our asset base at the start of the year, at a gain over our initial cost of approximately $13 million. Opportunistic sales, which were about 40% of the total, drove most of this gain, while we also made some money in our strategic asset sales. You can expect that the pace of asset sales will be active going forward, which is an important tool in both risk and performance management. As it pertains to the latter, our average annual gains over cost approximate 10 basis points of our portfolio investment annually. So, netting these gains against the average annual losses from resolved tenant issues since our inception results in an approximate 10 basis point annual asset loss. I don't need to tell you how great this looks relative to investment-grade bond losses; the results are impressive both in terms of portfolio performance and the materially higher rates of return we are able to generate over the fixed income marketplace.

For REIT investors looking to evaluate internal growth potential, net losses from property and portfolio management activities do not tell the whole story. There is always "work in process", or the amount of non-performing asset inventory that we have at any given time. The amount of unresolved assets is a function of our underperforming asset turnover ratio. Over many years in this business, we have generally observed that underperforming asset resolution time tends to average six months. So, for example, if we have 80 basis points per year of average resolved assets, with an average time to resolution of six months, then the average "work in process" inventory is about 40 basis points. Were we to add this to our net loss of 10 basis points from property and portfolio management, we would then have an approximate 0.5% annual AFFO drag rate.



For footnote references, please see Page 37 of our 2017 Fourth Quarter Investor Presentation included as an exhibit to our Form 8-K filed with the SEC on February 22, 2018.

The final step in a lifecycle analysis approach is to incorporate our imbedded internal revenue growth rate. Currently, our lease escalators average 1.8%, which we believe to be amongst the highest in our industry. With a dividend that is amongst the most highly protected in our industry, our reinvested cash flows, on an unlevered basis, produce similar added growth. As a result, our unleveraged internal rate of revenue growth exceeds 3% when incorporating the impact of the drag from underperforming investments. Since we borrow about 45 cents of every dollar we invest, this translates into a gross annual stockholder AFFO growth of better than 4**%.** Our imbedded best-in-class internal growth is designed to provide a material margin of safety for sustained net revenue growth in virtually every economic cycle. We intentionally built a company having highly defensive revenue growth potential.

Stockholder Return Performance
The foundations that we laid since we conceived STORE have helped us to outperform. From January 2015 (our first calendar year as a public company) to December 2017, we realized stockholder annual returns of 11.4%, or virtually on par with the S&P 500. During the same period, we outperformed the MSCI U.S. REIT Index, which achieved a compound annual rate of return of 5.4%, by a factor of more than two times. Importantly, we have realized this performance while having comparatively little movement in our stock price multiple relative to AFFO or our dividend payout ratio, which has also remained low. Simply, our investor returns were principally driven by our dividends and AFFO per share growth. Likewise, annual stockholder returns have also been fairly constant over the past three years. During 2017, we posted a solid return of 10.7%. That was below the 21.8% return posted by the S&P 500, though more than twice that of the MSCI U.S. REIT Index at 5.1%, but we did not benefit from the corporate tax cuts or multiple expansion that aided the valuations of many traditional public corporations. Indeed, we concluded the year with a dividend yield of close to 5%, which is about where we were at our IPO in November 2014.

Our favorable performance notwithstanding, 2017 was a volatile year for our share price. With various retailers announcing roughly 9,000 retail store closures and with pervasive concerns regarding retail business stresses, our shares at one point were roughly 18% below their January opening price. STORE intentionally has less than 20% exposure to retail and we cover our investment bets through unmatched portfolio diversity, but we did have one major retail tenant in bankruptcy. I should note here that it is commonplace for many analysts to refer to STORE as a "retail net lease REIT", which probably also did not help the cause. This is because analysts that cover real estate investment trusts often have a fundamental view that there exist but four kinds of real estate: Retail, Office, Industrial and Multi-Family. We have never been of the view that there are only four colors in the real estate investment rainbow and have always disclosed our investments using tenant industry groupings, with a strong emphasis on service-sector businesses.

At the end of June, we were approached by Berkshire Hathaway to make an investment in STORE and issued them shares amounting to 9.8% of the company on June 23rd. Berkshire Hathaway is perhaps the best-known value investor in the world and a company I have admired for decades. In fact, our own approach to net lease investing and contract creation is likewise a highly value-driven strategy. Berkshire Hathaway became acquainted with us in 2014, following a blind email that I sent to Warren Buffett at Berkshire's general email box. The company followed us and our shares from that point onward and their 2017 investment in STORE was a catalyst in the performance of our share price during the second half of the year. In a sea of increasing index funds, hedge funds, day traders and equity analysts having three-month recommendation outlooks, there are precious few well-known, long-term value investors that take the time to read and understand corporate disclosure. Our sale of shares to Berkshire helped to turn a roughly 15% share slide from the beginning of the year to a 7% gain at one point. Our shares were not the sole beneficiary in our sector of the confidence generated by the Berkshire Hathaway investment.

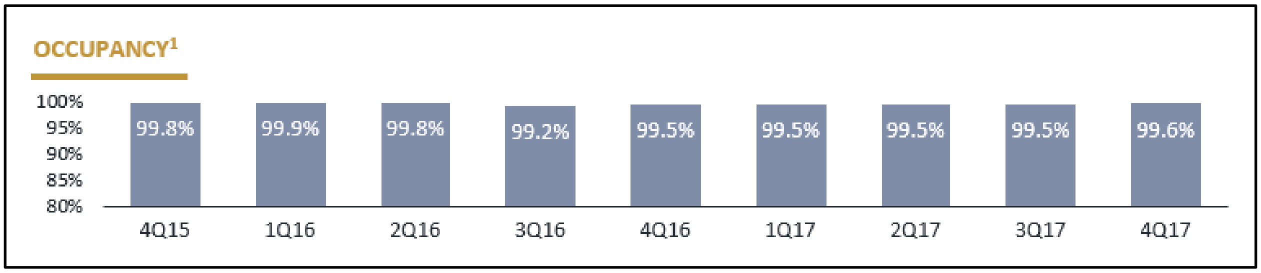
Interest Rate Sensitivity

Given STORE's strong share performance in the second half of 2017, you might think that net lease investments today are highly favored. Such is not the case. Of all of the publicly traded REIT sectors, net lease REITs at the beginning of 2018 posted valuation multiples near the bottom of the REIT universe, just ahead of lodging and behind shopping malls. The average 2018 AFFO multiple for publicly-traded real estate investment trusts at the beginning of 2018 approximated 15.7X. In spite of our material outperformance, we were more than two turns behind this average, which is approximately where we have been relative to other REITs since 2014. At the beginning of 2018, only three net lease REITs had AFFO trading multiples greater than that of the broader equity REIT universe. I am sure you would not be surprised to hear me say that I believe our performance and relative value creation merits equal treatment with broader REIT averages and amongst the more highly valued companies in our industry.

Since January of this year, REIT shares, and especially net lease REITs, sold off in response to unexpected and rapid interest rate moves. The 10-Year U.S. Treasury note rates rose about a half of a percent since the beginning of the year and are approaching 3% as I write this letter. For us, any interest rate increases will have almost no impact on our existing investment portfolio. STORE, by design, has minimal liability sensitivity and we have no material debt maturities until 2020. This is because our annual reinvested free cash flows are estimated to be reasonably close to our current debt maturities. Interest rates may have some impact on the spreads we can earn in new investments, though lease rates might be expected to rise somewhat as well. This can potentially alter our rate of external growth, which is the growth we can realize through the acquisition of real estate that is funded through new share issuance. However, the impact should be comparatively small, since our internal growth has tended to provide about two thirds of our total growth. I mention this because our financial guidance for the past two years has presumed a 10-Year Treasury rate approximating 3% and because there has always been a cognitive bias that we are highly interest rate sensitive, which is mathematically not so. Our earliest public company realized compound annual investor returns of 12.2% when the average 10-Year Treasury stood at 6.2%. Our second successful public company realized shareholder compound annual rates of return of 19.7% when the average 10-Year Treasury stood at 4.4%. As value investors, and to protect us in the event of interest rate reversions to the mean, we have taken care to maintain gross unleveraged real estate rates of return not much different from those we earned more than a decade ago in a materially higher interest rate environment.

AFFO Growth and Financial Strength

The growth rate of adjusted funds from operations (or AFFO) per share is the single most dominant performance metric we follow and impacts our annual bonuses and even our long-term incentive plans. This is because we believe that AFFO per share, over the long run, tends to drive stockholder returns. Year over year, AFFO per share can swing a bit due to timing differences. For instance, we realized over 10% growth in 2016, which benefitted from a short delay in equity issuance until the first quarter of 2017. In 2017, our AFFO per share growth rate was less, at 4.3%, which was impacted by the timing and amount of the issuance of shares to Berkshire Hathaway in June. We also elected to modestly reduce our financial leverage and concluded the year at a run-rate funded debt to EBITDA of 5.7X, down from 6.1X at the end of 2016. Our lower leverage, together with the infusion of equity from Berkshire Hathaway, helped elevate our credit ratings to Baa2 and BBB from three major credit rating firms, which will serve to improve our corporate credit flexibility and insulate us further from interest rate moves going forward. We are presently amongst the higher rated net lease companies.



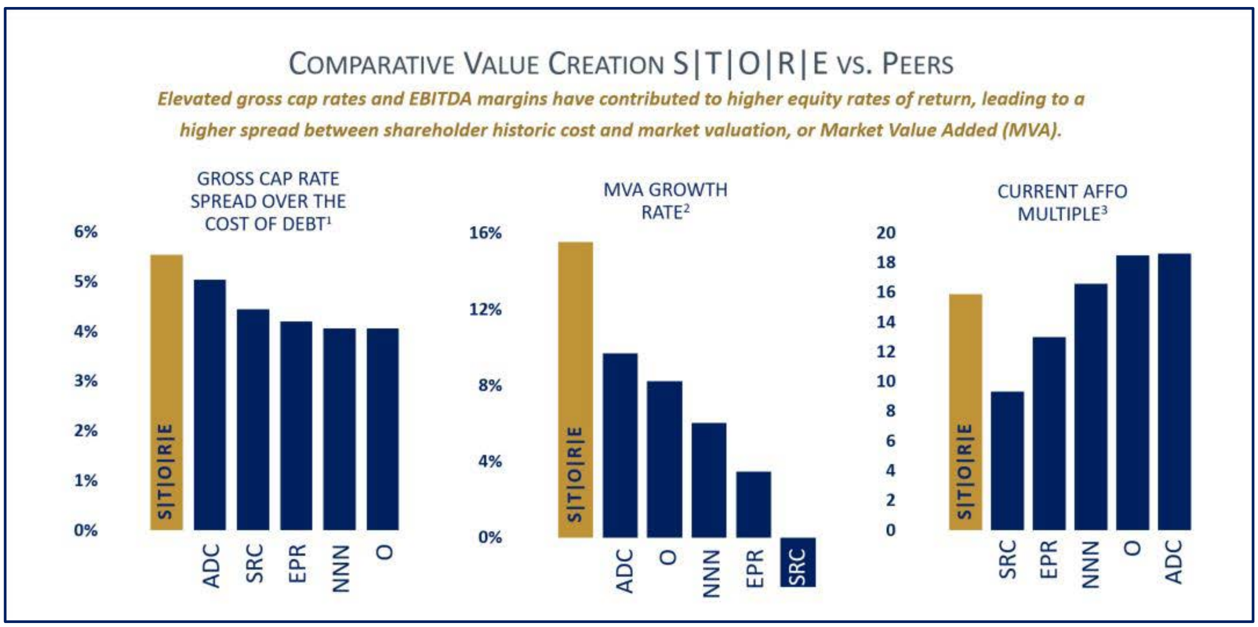
For footnote references, please see comparable chart on Page 21 of our 2017 Fourth Quarter Investor Presentation included as an exhibit to our Form 8-K filed with the SEC on February 22, 2018.

We concluded 2017 with record statistics when it comes to financial strength. Our real estate investment portfolio remained highly diversified and was 99.6% occupied. Our year-end financial leverage stood at historic low levels. Our unencumbered assets, which stood at about a third of our total assets at the end of 2014 had grown to more than half of our assets. During that same time, our corporate unsecured credit facility rose from $300 million to $500 million, with an ability to raise that amount to $800 million. In early February 2018, we increased this capital availability further, raising our short-term credit facility to $600 million, with an ability to raise that facility to $1.4 billion. Over the past three years, we also progressed from having access to A+-rated borrowings though our own proprietary secured Master Funding conduit to having mid-BBB corporate credit ratings from all three major rating agencies.

Our long-term borrowing strategy began with our Master Funding program, which enabled us to issue long-term, fixed rate notes from the outset. This allowed us to create well-laddered term debt maturities that are closely aligned with our retained free cash flows, which greatly limits our interest rate sensitivity. In my opinion, creating a master trust entails higher barriers to entry than the attainment of unsecured corporate credit ratings. Structured finance vehicles, like our flexible master trust, are comparatively complex to execute and necessitate greater data capture and financial reporting. So, to my way of thinking, our commitment to data capture not only benefits our development of evidence-based investing and management standards, but also enhances our capital markets access potential. More than this, I believe that our Master Funding conduit greatly complements our corporate unsecured borrowings and will eventually serve to reduce our comparative cost of capital. At the conclusion of 2017, we had approximately $3.3 billion in unencumbered assets, with just $575 million in term unsecured notes. Together with a balance on our short-term credit facility of $290 million, this represents an unencumbered asset to unsecured debt ratio of approximately 3.9X. That compares with roughly 3X for the most highly-rated companies within our sector and is largely made possible by the efficiency of our Master Funding conduit. I believe that our ability to maintain superior unsecured debt ratios over the long term will contribute to lower comparative costs of capital in the future. Having multiple investment-grade borrowing options is simply better.

Market Value Added

Market Value Added, or MVA, is the amount of shareholder value that is created above the cost basis of corporate equity. To generate MVA over the long term, companies have to be able to realize rates of return that actually exceed their cost of capital. That excess spread might also be thought of as an ability to realize outsized risk-adjusted rates of return. We have always been conscious of maintaining investment rates of return that have the potential to deliver shareholder rates of return that exceed market demands. To focus on the long term means that we must be less concerned with our trading multiple at any given time. For instance, our share price hit an all-time high on July 20, 2016, when it closed over $31. That price translated into an AFFO multiple of about 19X. So, what did we do? We are value investors and maintained cap rates for the year at 7.8%.



For footnote references, please see Page 31 of our 2017 Fourth Quarter Investor Presentation included as an exhibit to our Form 8-K filed with the SEC on February 22, 2018.

We are also long-term investors and so likewise have a long-term outlook on the cost of capital. Warren Buffett once estimated an acceptable long-term rate of return for publicly traded stocks of 7% annually, which was determined by adding 3% GDP growth to 2% inflation and then including a 2% dividend yield. However, the S&P 500 has posted an average annual rate of return of closer to 10% since its 1928 inception. In theory, a company like STORE should have a lower rate of return threshold, since our dividend yield is better than twice the S&P average and since our stockholders are backed by a diversified portfolio of hard assets having comparatively little long-term performance volatility. Still, our internal target has always been to do better than 10%, with a goal of adding margins of return safety and to achieve returns sufficient to create MVA in any market. In 2017, we began producing disclosure to demonstrate our performance MVA since 2011, benchmarking STORE against other industry participants by weighting company ages based upon the timing of our respective equity issuances over the years. STORE had the industry-leading compound MVA growth rate, primarily driven by having the highest gross returns and the highest spreads over our cost of borrowings. We realized this higher compound growth rate while trading at multiple discounts to a number of other leading net lease companies. Were we to be awarded the similar multiples, our MVA creation would have been even better still.

Looking Forward

Our results and initiatives during 2017, as with all of our activities since founding STORE, lay the continued groundwork for adding values by design. We are dedicated to maintaining and improving on our foundational strategies that have contributed to these results. We are committed to focusing on just STORE assets and to maintaining a high level of investment diversity, along with an unprecedented level of property-level financial reporting (about 97% at the end of 2017). We plan to maintain a posture that gives us a high proportion of internal growth so that we are not dependent on continued share issuance to generate growth through new property investments. We intend to invest further in our data in order to make improved investment and management decisions. We are committed to investing in assets that you likely could not find, at gross unleveraged returns you likely could not see, at prices you likely could not get, with lease documentation not widely available, underwritten with evidence-based standards we create, and capitalized through multiple efficient capital markets designed to provide us with superior costs of capital. Taken together, these commitments are designed to help us create sustained stockholder added value, or MVA. And, of course, we are committed to high levels of corporate disclosure and governance that are reflective of our own corporate values.

In coming full circle to my opening comments, we are committed to making a positive difference for our customers, who make our great business possible. In 2017, our average customer achieved growth rates in excess of the broader middle market, which is the most vibrant part of our national economy. During the year, we surveyed a number of customers to learn from them some of the initiatives that helped them to be successful. Then, on January 31, we shared some of these results at our Inside Track Forum, an invitation-only educational event we annually hold in Scottsdale to benefit our customers. The day's agenda included a prominent economist, educators, a futurist, capital markets experts, a mental toughness coach and an entrepreneur from ABC Television's "Shark Tank." Like STORE, many of our customers have outperformed. And like us, they know there is no room for complacency in a continued search for an edge to stay on the "inside track."

Chris

Christopher H. Volk
Chief Executive Officer
February 28, 2018