



Red Lobster
2675 32nd Avenue South
Grand Forks, North Dakota 58201

Representative Photo



OFFERING MEMORANDUM

Marcus & Millichap

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the subject property, the future projected financial performance of the property, the size and square footage of the property and improvements, the presence or absence of contaminating substances, PCB's or asbestos, the compliance with State and Federal regulations, the physical condition of the improvements thereon, or the financial condition or business prospects of any tenant, or any tenant's plans or intentions to continue its occupancy of the subject property. The information contained in this Marketing Brochure has been obtained from sources we believe to be reliable; however, Marcus & Millichap has not verified, and will not verify, any of the information contained herein, nor has Marcus & Millichap conducted any investigation regarding these matters and makes no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. All potential buyers must take appropriate measures to verify all of the information set forth herein.

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TABLE OF CONTENTS

I. Investment Overview

Investment Overview

Tenant Overview

II. Pricing and Financial Analysis

Financial Overview

III. Property Overview

Location Overview

Aerial Photo

Property Photo

Surrounding Property Photos

Local Map

Regional Map

IV. Demographics

Demographic Report

Executive Summary | Investment Highlights

Property Name	Red Lobster
Location	2675 32nd Avenue South Grand Forks, ND 58201
Price	\$4,420,342
CAP Rate	6.15%
NOI ¹	\$271,851
Price Per SF	\$684
Building Size	6,458 sq ft
Lot Size	1.80 acres
Date of Remodel	September-2013
Year Opened	1992

Marcus & Millichap is pleased to present the exclusive listing for Red Lobster located at 2675 32nd Avenue South in Grand Forks, North Dakota. The property is 6,171 square feet and is situated on approximately 1.80 acres of land.

This Red Lobster is subject to a 25-year triple-net (NNN) lease, with roughly 21 years remaining on the lease. Current annual rent is \$271,851. The rent is scheduled to increase by two percent annually, including through the four, five year tenant renewal options.

Red Lobster is the largest seafood restaurant concept in the world and is an iconic full service brand with broad demographic appeal and significant advertising budget. Red Lobster is led by an experienced management team with a history of success leading the brand (average 27+ years of experience across executive team). The company generates \$2.5 billion in revenue and is the 5th largest casual dining concept in North America. Red Lobster was recently acquired by Golden Gate Capital.

1 NOI Based on August 2018 Rental Increase

Long-Term Triple-Net Lease | Above Market Lease Term

This Red Lobster is subject to a 25-year absolute triple-net (NNN) lease, with 21 years remaining.

Corporate Guarantor | 704 Locations in the US & Canada

The lease is subject to a corporate guarantee, adding additional security throughout the term of the lease, through 704 corporate locations.

Attractive Rental Increases & Renewal Options

The rent will increase by two percent annually, including through the four, five year tenant renewal options, providing investors with a strong inflation hedge.





- Red Lobster is the largest seafood restaurant concept in the world and is an iconic full service brand with broad demographic appeal and a significant advertising budget (2nd largest in casual dining).
- The Company was founded in 1968 and currently operates 704 restaurants throughout the United States and Canada and has 43 franchised restaurants in international markets.
- Red Lobster is led by an experienced management team with a history of success leading the brand (average 27+ years experience across executive team).
- The company generates \$2.5B in revenue and is the 6th largest casual dining concept in North America.

The Transaction

- On July 28th, 2014, Golden Gate Capital (“GGC”) acquired Red Lobster from Darden Restaurants.
- Red Lobster is now an independently owned company, completely separate from Darden Restaurants.
- Red Lobster is well capitalized with >\$200M of liquidity.
- Golden Gate Capital has a long, successful track record and significant experience with multi-unit restaurant and retail businesses.



OUR HISTORY

FRESH IS IN OUR FOOD

Each day, you'll find an updated selection of fresh fish on our Today's Fresh Fish menu, not to mention live Maine lobster, freshly baked Cheddar Bay Biscuits™, crisp salads and a host of fresh seafood recipes waiting to be explored.

FRESH IS IN OUR KNOWLEDGE

No one knows seafood better than we do. As global seafood buyers, we have employees stationed throughout the world who inspect our seafood the moment it comes out of the water. They ensure it meets standards that are second to none. Then, the renowned chefs at our culinary center deliver the fresh expertise that turns it all into something truly special.

FRESH IS IN OUR DEDICATION

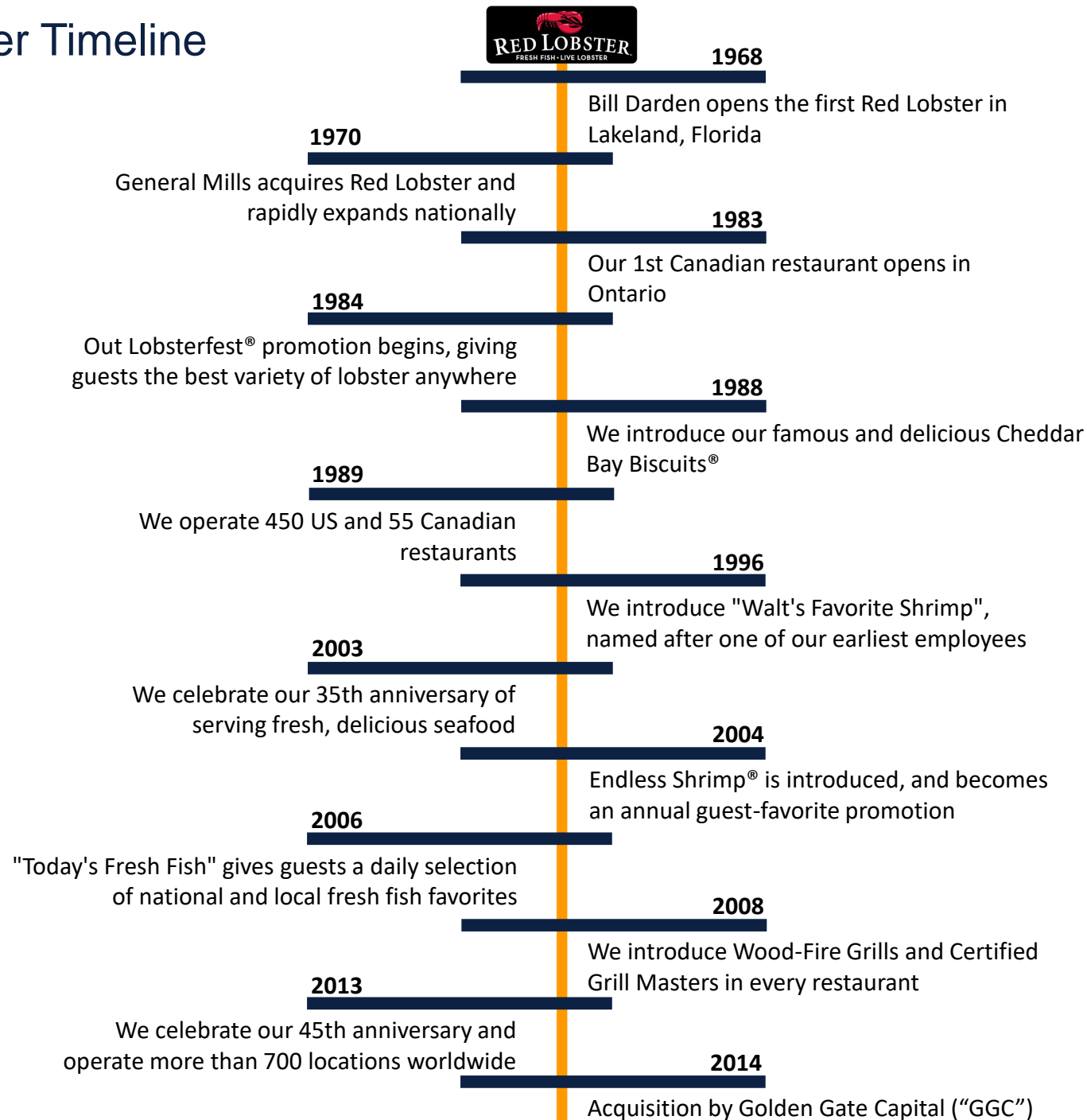
We hold ourselves to the highest standards for service, quality and a welcoming atmosphere. And we're focused on doing what's right – for our employees, in our communities and in the world.

FRESH IS IN OUR COMMITMENT

You deserve the freshest food and thinking. So every time you visit one of our seafood restaurants or our online seafood store, you'll find an uncommon commitment to deliver the best of the sea with fresh energy and fresh ideas that we hope will make you want to come back again and again.

We invite you to come in and experience our commitment to quality for yourself. Whether it's choosing your favorite fresh fish from our "Today's Fresh Fish" menu, or selecting your favorite seafood to be prepared over our wood-fired grill, Red Lobster is the place you can enjoy fresh, delicious seafood now and for generations.

Red Lobster Timeline

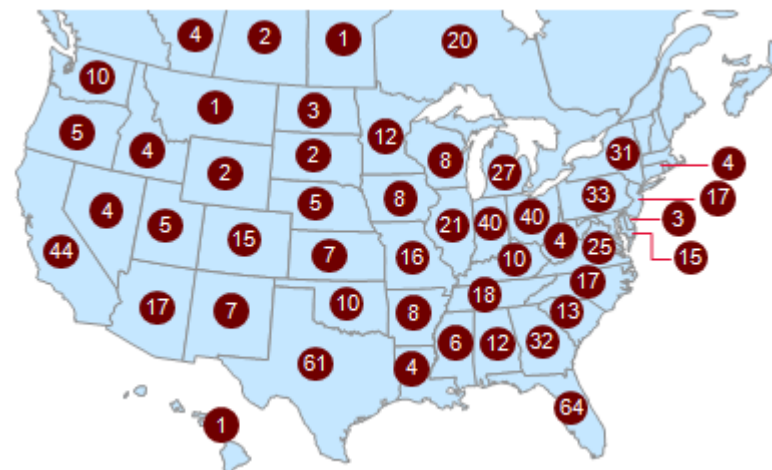


Tenant Overview

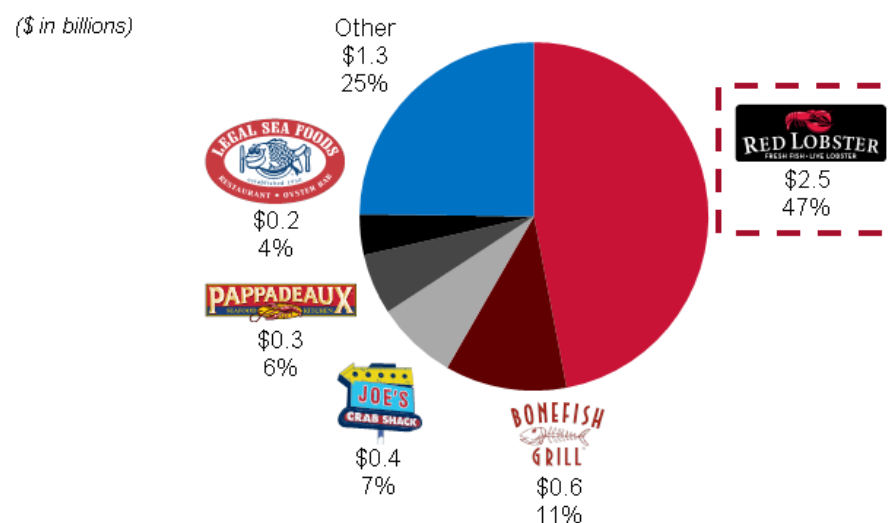
Strong Market Position

- Red Lobster is the largest seafood restaurant concept in the world with over \$2.5 billion in annual sales and 704 restaurants.
 - \$2.5B LTM Sales.
 - \$3.5M AUV.
- The Company is the category killer in the seafood casual dining space, holding almost 50% market share.
 - Largest share of any restaurant concept in any segment.
- 6th largest overall casual dining concept in the US.

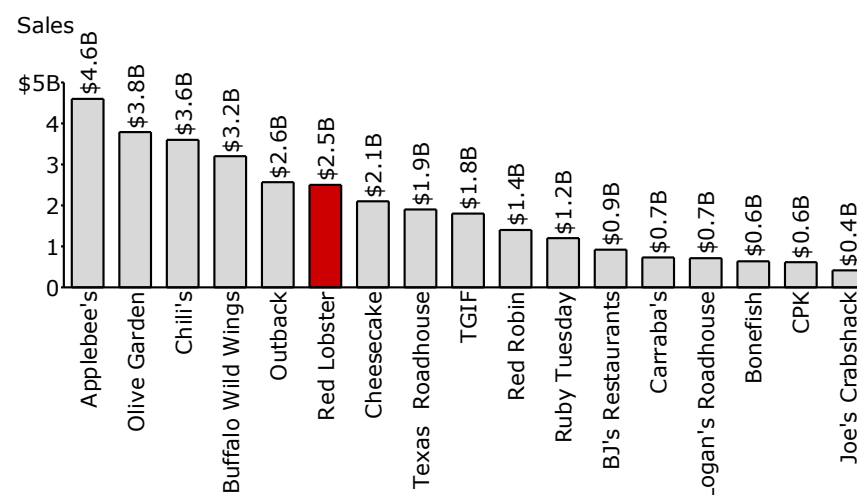
Significant Scale With Broad Geographic Reach



~50% Share in Seafood Casual Dining



6th Largest Casual Dining Concept in the US



Tenant Overview

Iconic Brand With Unparalleled Customer Loyalty

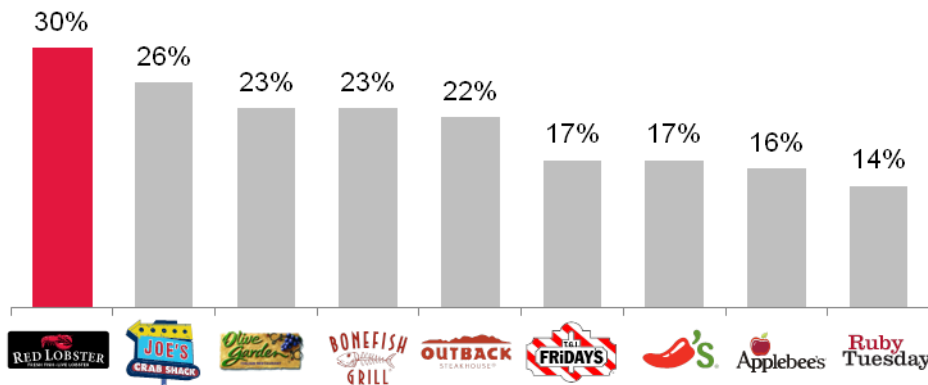
- Red Lobster has strong consumer appeal and broad usage across multiple dining out occasions, including high-crave, healthier “good for you” and special meal occasions.
- The brand has a strong foundation of loyal guests, who visit 1-2 times per month and account for more than 50% of sales.
- Red Lobster is the clear leader in casual dining seafood, and the most indispensable brand among major casual dining concepts, further indicating strong consumer loyalty.

Healthy and Recently Remodeled Restaurant Base

- Over \$320 million invested in remodels covering >90% of restaurants over the past 8 years.
- \$1.4 billion in overall capital expenditure investment over the past 10 years.
- New Bar Harbor format has strong appeal across customer base.
- 100% of restaurants are cash flow positive.

Indispensability vs. Peers

Indispensability (How difficult it would be for me to ‘give up’ ever going there again)
- % very difficult (10 out of 10) shown









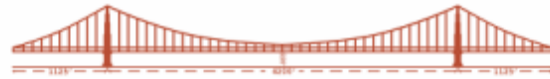
New Bar Harbor Format



Tenant Overview

Red Lobster is led by an experienced management team with prior success leading the company.

	Name <i>Title</i>	Industry Tenure <i>(Darden)</i>	Biography
	Kim Lopdrup <i>CEO</i>	30 (14)	<ul style="list-style-type: none"> • Recently served as President of Specialty Restaurant Group and New Business – high growth area of strong brands for Darden • Served as President of Red Lobster from 2005 to 2011, a period of rapidly-rising guest satisfaction and record profitability • Prior to joining Darden, served as EVP and COO of North America for Burger King and CEO of the International Division of Dunkin' Brands • BBA degree, College of William and Mary; MBA with distinction, Harvard University
	Salli Setta <i>President</i>	27 (27)	<ul style="list-style-type: none"> • Became President of Red Lobster in July 2013 • Prior to becoming President, served as Red Lobster's EVP of Marketing for 8 years • From 1990 to 2005, held various management positions at Olive Garden, during which time she was instrumental to the brand's turnaround • Named <i>Restaurant Business</i>' "Menu Strategist of the Year" in 2003 • Bachelor's degree, University of Central Florida; MBA, Florida Institute of Technology
	Bill Lambert <i>Chief Financial Officer</i>	11 (11)	<ul style="list-style-type: none"> • Bill served as CFO of LongHorn Steakhouse since 2010 • Prior to leading LongHorn, Bill served as CFO of Red Lobster from 2006 through 2010 • Previously, Bill spent 21 years with Macy's • BS, Duke University; MBA, University of Michigan
	Chip Wade <i>EVP, Operations</i>	29 (15)	<ul style="list-style-type: none"> • Served as EVP of Operations for Red Lobster since 2012 • Served as COO of Legal Sea Foods from 2004-2006 • Bachelor's degree, Widener University; MBA, University of Texas
	Tom Gathers <i>Chief People Officer</i>	37 (28)	<ul style="list-style-type: none"> • Recently served as SVP HR for Specialty Restaurant Group and LongHorn Steakhouse • Served as EVP of HR for RARE Hospitality International from 1998 to 2007 • Bachelor's degree, Indiana University of Pennsylvania; Master's degree, University of Miami
	Horace Dawson <i>EVP, General Counsel</i>	20 (13)	<ul style="list-style-type: none"> • Recently served as VP and Division General Counsel Employment and Litigation of Darden • Bachelor's degree, JD and MBA, Harvard University



GOLDEN GATE CAPITAL

- *Golden Gate Capital (GGC) is a San Francisco-based Private Equity firm with over \$15 billion of capital under management.*
- *GGC has been one of the most active acquirers of multi-unit restaurant and retail companies.*
 - *Over the past 10 years, GGC has invested in restaurant and retail companies with annual revenues in excess of \$15 billion.*
- *GGC's investors include leading educational endowments, non-profit foundations, and selected entrepreneurs and managers.*
- *Investment approach is to partner with strong management teams to acquire strong, established brands with an opportunity to grow earnings through better execution, productivity improvements and unit growth.*
- *Excellent track record with acquiring and growing divisions of corporations.*

Select Restaurant and Retail Investments



Financial Offering Summary

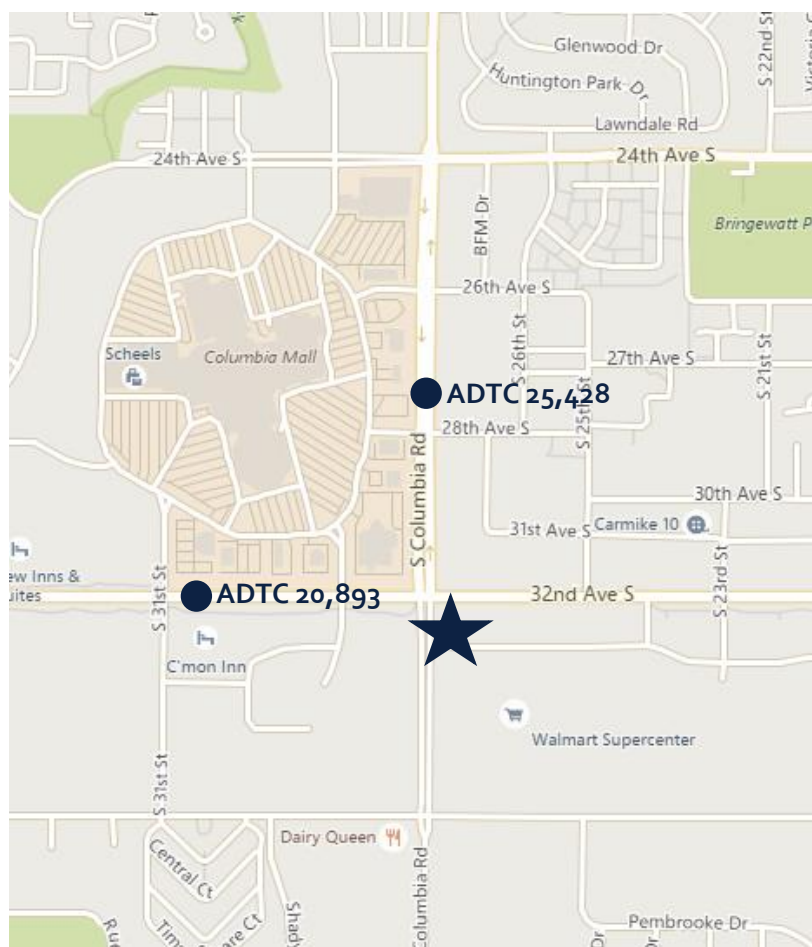
Property Name	Red Lobster
Property Type	Net Leased Restaurant
Ownership	Private
	Private Equity Sponsor
Tenant	Red Lobster Hospitality, LLC
Guarantor	Red Lobster Intermediate Holdings, LLC
Lease Term	25 Years
Lease Commencement	7/28/2014
Lease Expiration	7/31/2039
Lease Term Remaining	21 Years
Lease Type	Triple-Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	Four, Five Year Option Periods
Rental Increases	Two Percent Annually

Annualized Operating Data

Rent Increases	Annual Rent	Monthly Rent
Year 5	\$271,851	\$22,654
Year 6	\$277,288	\$23,107
Year 7	\$282,834	\$23,569
Year 8	\$288,491	\$24,041
Year 9	\$294,260	\$24,522
Year 10	\$300,146	\$25,012
Year 11	\$306,148	\$25,512
Year 12	\$312,271	\$26,023
Year 13	\$318,517	\$26,543
Year 14	\$324,887	\$27,074
Year 15	\$331,385	\$27,615
Year 16	\$338,013	\$28,168
Year 17	\$344,773	\$28,731
Year 18	\$351,668	\$29,306
Year 19	\$358,702	\$29,892
Year 20	\$365,876	\$30,490
Year 21	\$373,193	\$31,099
Year 22	\$380,657	\$31,721
Year 23	\$388,270	\$32,356
Year 24	\$396,036	\$33,003
Year 25	\$403,956	\$33,663
Annual Rent		\$271,851
CAP Rate		6.15%
Price		\$4,420,342

Location Highlights | Property Description

- ❖ Grand Forks is the Third Largest City in the State of North Dakota
- ❖ Strong Traffic Counts in the Area: 32nd Ave S. & S. Columbia Rd | 20,839 & 25,428 Vehicles a Day Respectively.
- ❖ Dense Retail Corridor with Major National Brands: Columbia Mall Anchored by Macy's, Sears, JCPenney, Scheels
- ❖ Dense Population: 51,276 People Within Three Miles and Over 64,000 Within Five Miles of Property



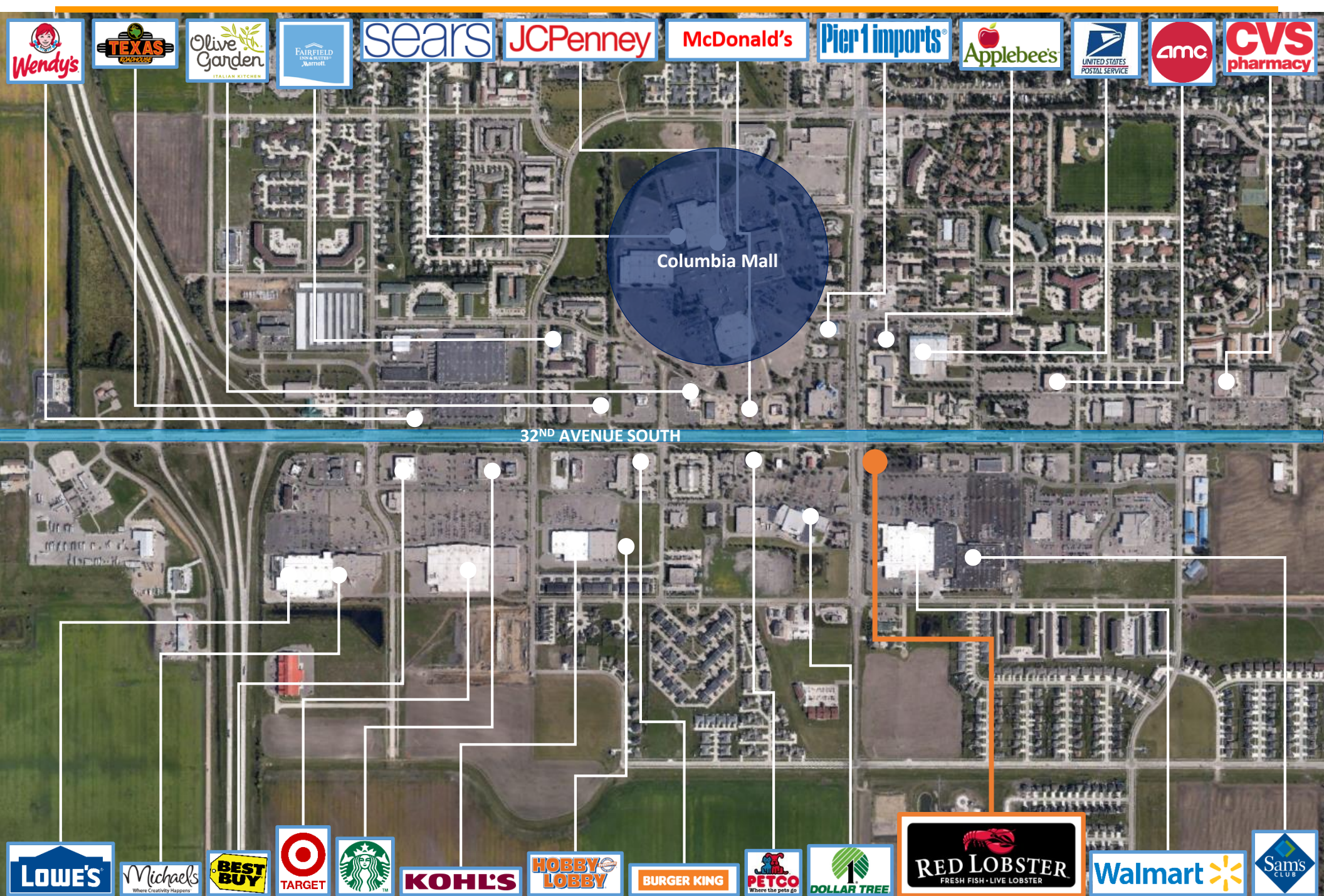
This Red Lobster property is located at 2675 32nd Ave South in Grand Forks, North Dakota. Grand Forks is the third-largest city in the State of North Dakota and the county seat of Grand Forks County.

The property is situated on 32nd Avenue South, with average daily traffic counts of over 20,893 vehicles. Adjacent to 32nd Avenue South is South Columbia Road, which brings in an additional 25,428 vehicles to the immediate area. There are approximately 51,276 people within a three-mile radius of this property and more than 64,000 within a five-mile radius. The median household income for your area has changed by 20 percent since 2000 and is estimated to grow another 20 percent over the next five years.

The subject property is well-positioned in a strong retail corridor benefitting from its proximity to the Columbia Mall. The Columbia Mall is anchored by Macy's, JCPenney, Sears and Scheel's. It is the largest mall within 70 miles. The mall contains over 70 stores, services and restaurants including American Eagle, Gap, Finish Line, Rue 21, Victoria Secret, Kay Jewelers, Journey's, Bath & Body Works, Payless and GNC, which is a strong driver of traffic to this Red Lobster site. Target, Ashley's Furniture, Kohl's, TJ Maxx, Walmart, Petco and Lowe's are among the nationally recognized retailers in the immediate area. Additional restaurants in the immediate area include: Olive Garden, Texas Roadhouse, Applebee's, Buffalo Wild Wings, Pizza Hut, Burger King, Panera Bread IHop and Ruby Tuesday amongst others.

The economy of Grand Forks is not dominated by any one industry or sector. While agriculture continues to play a role in the area's economy, the city of Grand Forks now has a relatively diverse economy that includes public and private employers in sectors such as: education, defense, health care, manufacturing, and food processing. The state and federal governments are two of the largest employers in the Grand Forks area. The University of North Dakota, located in the heart of the city, is the largest employer in the metropolitan area.

Aerial Photo | Surrounding Area



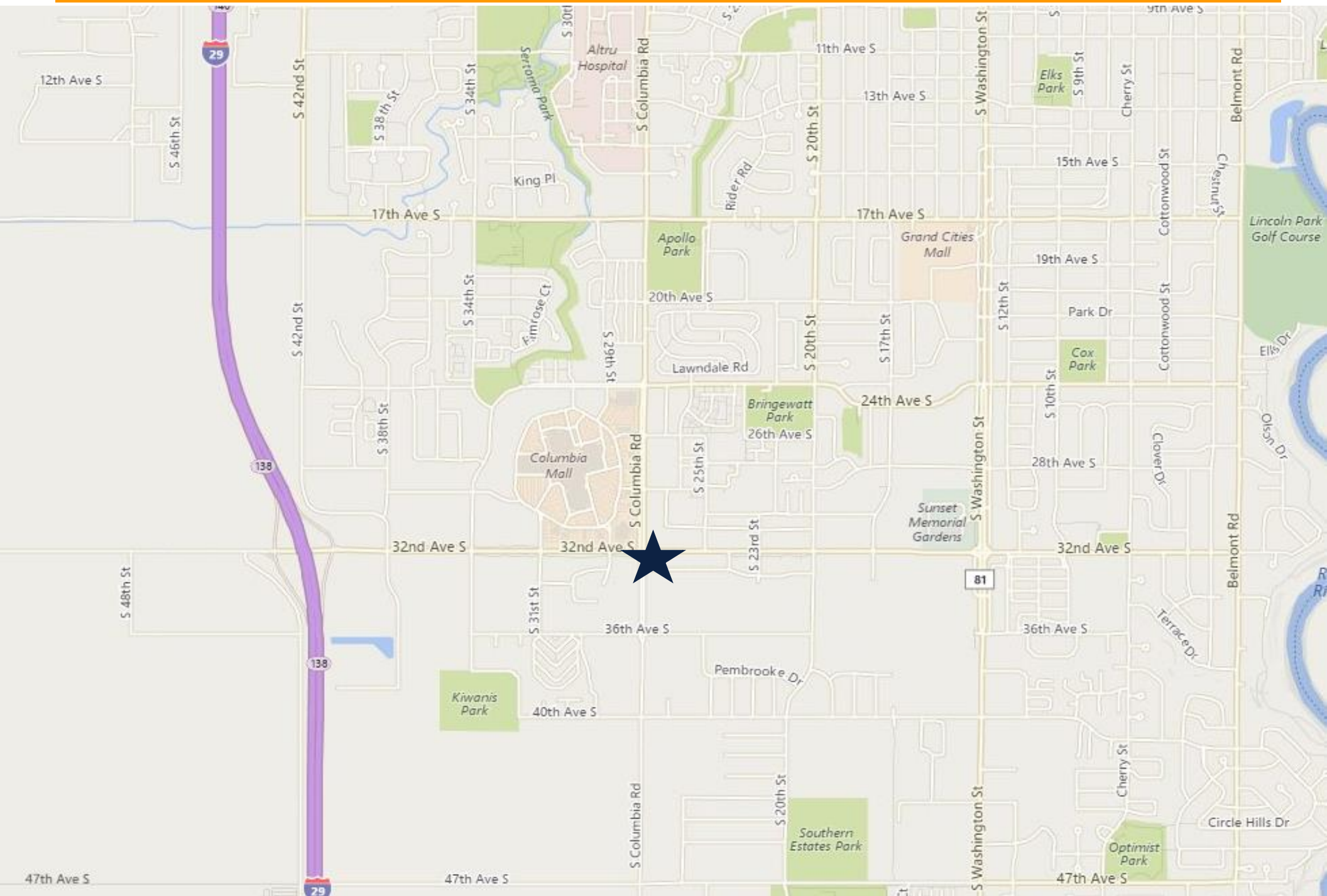
Property Photo



Surrounding Area Photos

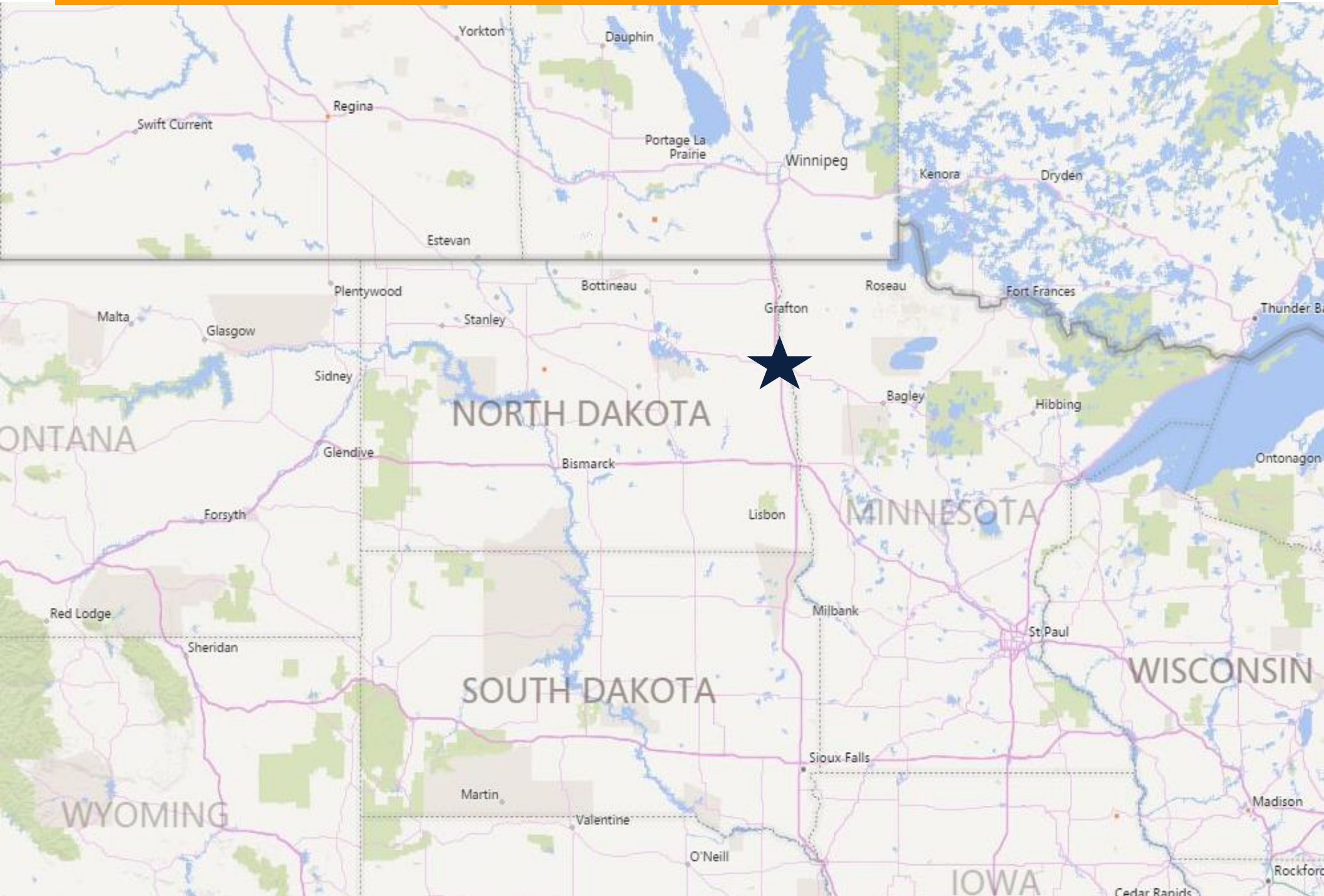


Local Map



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Regional Map



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Demographic Summary Report



Population

In 2014, the population in your selected geography is 64,190. The population has changed by 9.70% since 2000. It is estimated that the population in your area will be 66,134 five years from now, which represents a change of 3.02% from the current year. The current population is 50.91% male and 49.08% female. The median age of the population in your area is 29.4, compare this to the Entire US average which is 37.3. The population density in your area is 814.58 people per square mile.

Income

In 2014, the median household income for your selected geography is \$41,861, compare this to the Entire US average which is currently \$51,972. The median household income for your area has changed by 20.01% since 2000. It is estimated that the median household income in your area will be \$50,299 five years from now, which represents a change of 20.15% from the current year.

The current year per capita income in your area is \$25,123, compare this to the Entire US average, which is \$28,599. The current year average household income in your area is \$58,463, compare this to the Entire US average which is \$74,533.

Employment

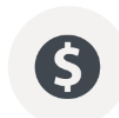
In 2014, there are 38,978 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 57.57% of employees are employed in white-collar occupations in this geography, and 42.42% are employed in blue-collar occupations. In 2014, unemployment in this area is 3.61%. In 2000, the average time traveled to work was 14.8 minutes.

POPULATION



	1-Mile	3-Mile	5-Mile
2010	10,195	50,106	62,847
2014	10,478	51,276	64,191
2019	10,912	52,799	66,134

2014 HOUSEHOLD INCOMES



	1-Mile	3-Mile	5-Mile
Average	\$54,141	\$58,536	\$58,463
Median	\$37,130	\$40,395	\$41,862

TOP EMPLOYERS IN GRAND FORKS



Employer	#Of Employees
Altru Health System	4,129
Grand Forks Air Force Base	4,127
University of North Dakota	2,850

exclusively listed

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