



REPRESENTATIVE PHOTO



RITE AID / WALGREENS | ABSOLUTE NNN LEASEHOLD

1355 2ND STREET HENDERSON, KY 42420

OFFERING MEMORANDUM Presented By:

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# INVESTMENT OVERVIEW

This is a **NNN leasehold** Rite Aid opportunity. The property is subject to a lease which began in 2006 and runs through 2026. The lease was assigned to Walgreens and has a corporate guarantee. The ground lease is coterminous with the Rite Aid lease. Rent increases **10% every 10 years** in the initial term. There are eight 5-year renewal options beyond the initial term. The property is well-situated on a major retail corridor surrounded by national retailers including **Family Dollar** and **Big Lots**, and 2 miles from the **Methodist Hospital**.



## INVESTMENT HIGHLIGHTS

NNN LEASEHOLD OFFERING

SCHEDULED INCREASES IN RENT

ZERO LANDLORD OBLIGATIONS

WELL SITUATED ON A MAJOR COMMERCIAL THOROUGHFARE

LEASE GUARANTEED BY WALGREEN'S CORPORATE ENTITY -  
S&P "BBB" INVESTMENT GRADE CREDIT

## OFFERING SPECIFICATIONS

PRICE	\$2,307,433
CAP RATE	9.00%
NET OPERATING INCOME	\$207,669
SQUARE-FOOTAGE	14,564
LOT SIZE	1.38 AC
YEAR BUILT	2006

# FINANCIAL SUMMARY

## RITE AID / WALGREENS | ABSOLUTE NNN LEASEHOLD

1355 2ND STREET HENDERSON, KY 42420

\$2,307,433

9.00% CAP

### SUMMARY

TENANT NAME	RITE AID
SQUARE FOOTAGE	14,564
LEASE BEGINS	3/10/2006
LEASE ENDS	3/31/2026
ANNUAL RENT	\$207,669
OPTIONS	EIGHT, 5 YEAR
INCREASES	10% EVERY 10 YEARS

### OPERATING SUMMARY

	NET OPERATING INCOME	CAP RATE
CURRENT	\$207,669	9.00%
OPTION 1 & 2	\$228,436	9.90%
OPTION 3 & 4	\$251,279	10.89%
OPTION 5 & 6	\$276,407	11.98%
OPTION 7 & 8	\$304,048	13.18%

# WALGREENS ACQUISITION

## Walgreens Boots Alliance to Acquire Rite Aid for \$17.2 Billion in All-Cash Transaction

- Acquisition furthers Walgreens Boots Alliance's commitment to accessible, affordable, quality healthcare in the U.S. and advances consumer access to pharmacy-led health and wellbeing
- Acquisition underscores Walgreens Boots Alliance's global approach to growth opportunities
- Rite Aid shareholders to receive \$9.00 per share in cash, a premium of 48 percent to the closing price on 26 October 2015
- Transaction expected to be accretive to Walgreens Boots Alliance's adjusted earnings per share in its first full year after completion

Deerfield, Ill. and Camp Hill, Pa., 27 October 2015 - Walgreens Boots Alliance, Inc. (Nasdaq: WBA) and Rite Aid Corporation (NYSE: RAD) today announced that they have entered into a definitive agreement under which Walgreens Boots Alliance will acquire all outstanding shares of Rite Aid, a U.S. retail pharmacy chain, for \$9.00 per share in cash, for a total enterprise value of approximately \$17.2 billion, including acquired net debt. The purchase price represents a premium of 48 percent to the closing price per share on 26 October 2015, the day before the agreement was signed. The combination of Walgreens Boots Alliance and Rite Aid creates a further opportunity to deliver a high-quality retail pharmacy choice for U.S. consumers in an evolving and increasingly personalized healthcare environment.

Walgreens Boots Alliance is highly focused on building a differentiated in-store experience for health, wellness and beauty, and this combination will help accelerate Rite Aid's own efforts toward that end. Once the acquisition closes, Walgreens Boots Alliance plans to further transform Rite Aid's stores to better meet consumer needs.

"Today's announcement is another step in Walgreens Boots Alliance's global development and continues our profitable growth strategy. In both mature and newer markets across the world, our approach is to advance and broaden the delivery of retail health, wellbeing and beauty products and services," said Walgreens Boots Alliance Executive Vice Chairman and CEO Stefano Pessina. "This combination will further strengthen our commitment to making quality healthcare accessible to more customers and patients. Our complementary retail pharmacy footprints in the U.S. will create an even better network, with more health and wellness solutions available in stores and online. Walgreens Boots Alliance will provide to Rite Aid its global expertise and resources to accelerate the delivery of integrated frontline care, and to offer innovative solutions for providers, payers and other entities in the U.S. healthcare system. Finally, this combination will generate a stronger base for sustainable growth and investment into Rite Aid stores, while realizing synergies over time."

"Joining together with Walgreens Boots Alliance will enhance our ability to meet the health and wellness needs of Rite Aid's customers while also delivering significant value to our shareholders," said Rite Aid Chairman and CEO John Standley. "This transaction is a testament to the hard work of all our associates to deliver a higher level of care to the patients and communities we serve. Together with

Walgreens Boots Alliance, the Rite Aid team can continue to build upon this great work through access to increased capital that will enhance our store base and expand opportunities as part of the first global pharmacy-led, health and wellbeing enterprise."

The boards of directors of both companies have approved the transaction, which is subject to approval by the holders of Rite Aid's common stock, the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other customary closing conditions. The transaction is expected to close in the second half of calendar 2016.

The transaction is expected to be accretive to Walgreens Boots Alliance's adjusted earnings per share in its first full year after completion. Additionally, Walgreens Boots Alliance expects to realize synergies in excess of \$1 billion.

Upon completion of the merger, Rite Aid will be a wholly owned subsidiary of Walgreens Boots Alliance, and is expected to initially operate under its existing brand name. Working together, decisions will be made over time regarding the integration of the two companies, ultimately creating a fully harmonized portfolio of stores and infrastructure.

Walgreens Boots Alliance expects to finance the transaction through a combination of existing cash, assumption of existing Rite Aid debt and issuance of new debt.

Citi acted as Rite Aid's exclusive financial adviser, with Skadden, Arps, Slate, Meagher & Flom LLP acting as its legal counsel on transaction legal matters and Jones Day acting as its legal counsel on antitrust regulatory matters.

UBS Investment Bank acted as Walgreens Boots Alliance's financial adviser and provided a fairness opinion to the board of directors of Walgreens Boots Alliance, with Simpson Thacher & Bartlett LLP acting as its legal counsel on transaction legal matters and Weil, Gotshal & Manges LLP acting as its legal counsel on antitrust regulatory matters. UBS Investment Bank will be the sole arranger on the bridge financing to Walgreens Boots Alliance.

# TENANT OVERVIEW

## WALGREENS

Walgreens is the #1 pharmacy in America by any measure. Traded on the New York Stock Exchange (NASDAQ: WBA), Walgreens operates 8,541 locations, including 8,116 drug stores in all 50 states, the District of Columbia and Puerto Rico. Walgreens is widely regarded as one of the safest, most secure single-tenant NNN leased investment properties because of its strong balance sheet and market capitalization. Walgreens maintains investment grade credit with a Standard & Poor's rating of BBB.

Over 4.7 million customers are served by Walgreens daily chain-wide and over 580 million prescription scripts are filled annually. Walgreens was founded in Chicago, Illinois, in 1901 and has since expanded throughout the United States. Its headquarters are located in Deerfield, Illinois, a suburb of Chicago. Its main competitors are CVS/pharmacy, Wal-Mart, Rite Aid as well as Target Corporation and Osco.

A typical Walgreens store is about 14,500 square feet with 11,000 square feet of sales area. They offer nearly 25,000 items for sale and typically staff between 25 and 30 people per store. On average, one store pulls in \$8.5 million in annual sales. Most stores include a pharmacy, photo lab, cosmetics counter, and a general merchandise area. Select stores in metropolitan Chicago, Florida, Atlanta, Kansas City, Nashville, Las Vegas, and St. Louis now include Walgreens TakeCare Health Clinics where certified (primarily nurse practitioners, and in some states, registered pharmacist) staff diagnose, treat, and prescribe for common illnesses and can also issue vaccinations and physicals in select locations. These clinics are open 7 days a week; including evenings and weekends with no appointments necessary and with acceptance of most major insurance plans. If a patient uses the TakeCare Clinic, their prescription is automatically processed through Walgreens' Intercom Plus Pharmacy System as a waiting prescription, so in most stores, the prescription is ready to be picked up in 15 to 20 minutes.



8,500+  
LOCATIONS



GLOBAL  
LOCATIONS



PUBLICLY  
TRADED



# TENANT OVERVIEW

## RITE AID

Rite Aid is a drugstore chain in the United States and a Fortune 500 company headquartered in East Pennsboro Township, Cumberland County, Pennsylvania, near Camp Hill. Rite Aid is the largest drugstore chain on the East Coast and the third largest drugstore chain in the U.S.

Rite Aid began in 1962 as a single store opened in Scranton, Pennsylvania called Thrif D Discount Center. After several years of growth, Rite Aid adopted its current name and debuted as a public company in 1968. Today, Rite Aid is publicly traded on the New York Stock Exchange under the ticker RAD. Rite Aid reported total sales of US\$24.3 billion in fiscal year 2008. In 2008, its market capitalization dropped to under \$500 million. As of 23 February 2012, the market capitalization of Rite Aid was about \$1.4 billion.

Alex Grass founded the Rite Aid chain in Scranton, Pennsylvania in September 1962. The first store was called Thrif D Discount Center, a health and beauty aids store, without a pharmacy. It was an offshoot of Rack Rite Distributors a subsidiary of his father-in law's Lehrman & Sons which Alex Grass launched in 1958, that rented and stocked racks with health and beauty aids in grocery stores. In 1965 their 23rd store added a pharmacy and the company name was changed to Rite Aid. Through acquisitions and new stores, Rite Aid quickly expanded into 5 northeast states by 1965. The chain was officially named Rite Aid Corporation in 1968 and made its debut on the American Stock Exchange. It moved to the New York Stock Exchange in 1970. In 2011, Rite Aid was ranked #100 on Fortune 500 Largest U.S. Corporations.

Just ten years after its first store opened, Rite Aid operated 267 locations in 10 states. It was named the third largest drugstore in the United States by 1981; shortly thereafter, 1983 marked a sales milestone of \$1 billion. A 420-store acquisition along the east coast expanded Rite Aid's holdings beyond 2,000 locations, as did the acquisition of Gray Drug in 1987. Among the companies acquired was Baltimore, Maryland's Read's Drug Store. On April 10, 1989, Peoples Drug's 114 unit Lane Drug of Ohio was purchased by Rite Aid.

Rite Aid acquired twenty-four Hooks Drug stores from Revco in 1994, selling nine of those stores to Perry Drug Stores, a Michigan-based pharmacy chain. One year later, in turn, the 224-store Perry chain was acquired by Rite Aid. The 1,000-store West Coast chain Thrifty PayLess was later acquired in 1996. The acquisition of Thrifty PayLess included the Northwest-based Bi-Mart membership discount stores, which was sold off in 1998. Acquisitions of Harco, Inc. and K&B, Inc. brought Rite Aid into the Gulf Coast area.



4,500+  
LOCATIONS



89,000 +  
EMPLOYEES



PUBLICLY  
TRADED



# LOCATION AERIAL





# DEMOGRAPHICS

	1 MILE	3 MILES	5 MILES
TOTAL POPULATION	1,734	14,545	27,352
TOTAL HOUSEHOLDS	726	5,925	10,603
AVERAGE HOUSEHOLD INCOME	\$51,009	\$46,984	\$42,301
AVERAGE AGE	43.8	42.2	39.9



# AREA OVERVIEW

## HENDERSON, KY

Henderson is a home rule-class city along the Ohio River in Henderson County in western Kentucky in the United States. The population was 28,757 at the 2010 U.S. census. It is part of the Evansville Metropolitan Area, locally known as the “Kentuckiana” or the “Tri-State Area”.



### DEMOGRAPHICS

#### 1 MILE

#### 3 MILES

#### 5 MILES

#### TOTAL HOUSEHOLDS

726

5,925

10,603

#### TOTAL POPULATION

1,734

14,545

27,352

#### PERSONS PER HOUSEHOLD

2.4

2.5

2.6

#### AVERAGE HOUSEHOLD INCOME

\$51,009

\$46,984

\$42,301

#### AVERAGE HOUSE VALUE

\$210,813

\$209,876

\$194,346

#### AVERAGE AGE

43.8

42.2

39.9

#### AVERAGE AGE - MALE

40

38.3

36.2

#### AVERAGE AGE - FEMALE

46.1

44.7

42.5

#### POPULATION - WHITE

904

6,692

10,921

#### POPULATION - BLACK

778

7,260

14,555

#### POPULATION - HISPANIC

7

285

1,442

#### POPULATION - ASIAN

17

113

123

#### POPULATION - PACIFIC ISLANDER

0

0

0

#### POPULATION - AMERICAN INDIAN

20

149

196

#### POPULATION - OTHER

0

203

1,267



**HENDERSON | KENTUCKY**



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