



Red Lobster

2920 West Division Street, Saint Cloud, Minnesota 56301



Representative Photo

OFFERING MEMORANDUM

EXCLUSIVE NET-LEASE OFFERING

Marcus & Millichap

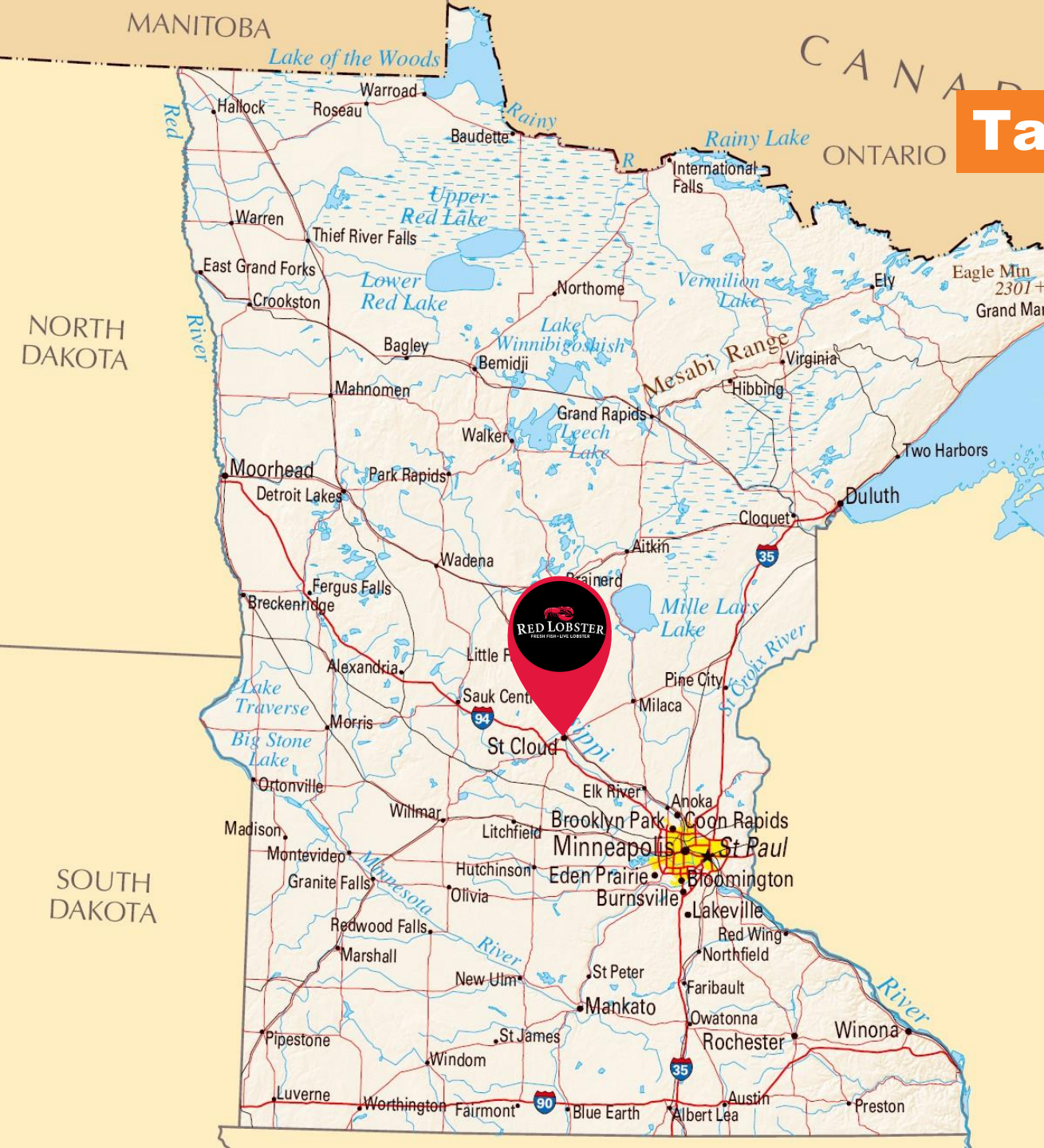


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PRICE: \$6,117,275 | 6.05%CAP | RENT: \$370,095

PROPERTY DESCRIPTION	
Property	Red Lobster
Property Address	2920 West Division Street
City, State, ZIP	Saint Cloud, MN 56301
Building Size (SF)	8,561
Lot Size (Acres)	+/- 1.29
THE OFFERING	
Net Operating Income (NOI) ¹	\$370,095
CAP Rate	6.05%
Purchase Price	\$6,117,275
Price / SF	\$715
Year Remodeled	2010
Year Opened	1990

LEASE SUMMARY	
Property Name	Red Lobster
Property Type	Net Leased Casual Dining
Ownership	Private
Tenant	Red Lobster Restaurants, LLC
Guarantor	Red Lobster Intermediate Holdings, LLC
Lease Term	25 Years
Lease Expiration	July 31, 2039
Lease Term Remaining	21 Years
Lease Type	Triple-Net (NNN) Lease
Roof & Structure	Tenant Responsible
Rental Increases	2.00% Annually
Options to Renew	Four (4), Five (5) Year Option Periods
Rental Increases in Options	2.00% Annually

1 NOI Based on August 2018 Rental Increase

- HIGHLIGHTS
- Brand New 25 Year Triple-Net (NNN) Lease With 21 Years Remaining
 - Corporate Guaranty | 704 Locations in the US & Canada
 - Strong Inflation Hedge | Attractive 2.0% Annual Increases
 - Four (4), Five (5)-Year Tenant Renewal Options
 - World’s Largest Seafood Restaurant | Serving Customers in 11 Countries



INVESTMENT SUMMARY

Marcus & Millichap is pleased to present the exclusive listing for a Red Lobster property located in Saint Cloud, Minnesota. The property consists of approximately 8,561 square feet of building space and is situated on approximately 1.29 acres of land. The property is subject to a 25-year Triple-Net (NNN) lease with 21 years remaining. The current rent is \$370,095 and will continue to increase by 2.00% annually. The increases will continue through the Four, 5-year tenant renewal options.

TENANT SUMMARY

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 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.



FINANCIAL OVERVIEW

ANNUALIZED OPERATING DATA

Current Annual Rent \$370,095

Base Term Rental Escalations 2.00% Annually

RENT SCHEDULE		
Lease Year	Annual Rent	Monthly Rent
Year 5	\$370,095	\$30,841
Year 6	\$377,497	\$31,458
Year 7	\$385,047	\$32,087
Year 8	\$392,748	\$32,729
Year 9	\$400,602	\$33,384
Year 10	\$408,615	\$34,051
Year 11	\$416,787	\$34,732
Year 12	\$425,123	\$35,427
Year 13	\$433,625	\$36,135
Year 14	\$442,297	\$36,858
Year 15	\$451,143	\$37,595
Year 16	\$460,166	\$38,347
Year 17	\$469,370	\$39,114
Year 18	\$478,757	\$39,896
Year 19	\$488,332	\$40,694
Year 20	\$498,099	\$41,508
Year 21	\$508,061	\$42,338
Year 22	\$518,222	\$43,185
Year 23	\$528,586	\$44,049
Year 24	\$539,158	\$44,930
Year 25	\$549,941	\$45,828
CAP Rate		6.05%
Purchase Price		\$6,117,275

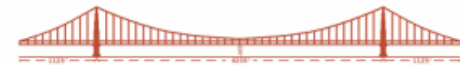
Tenant Overview



- 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.



GOLDEN GATE CAPITAL

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

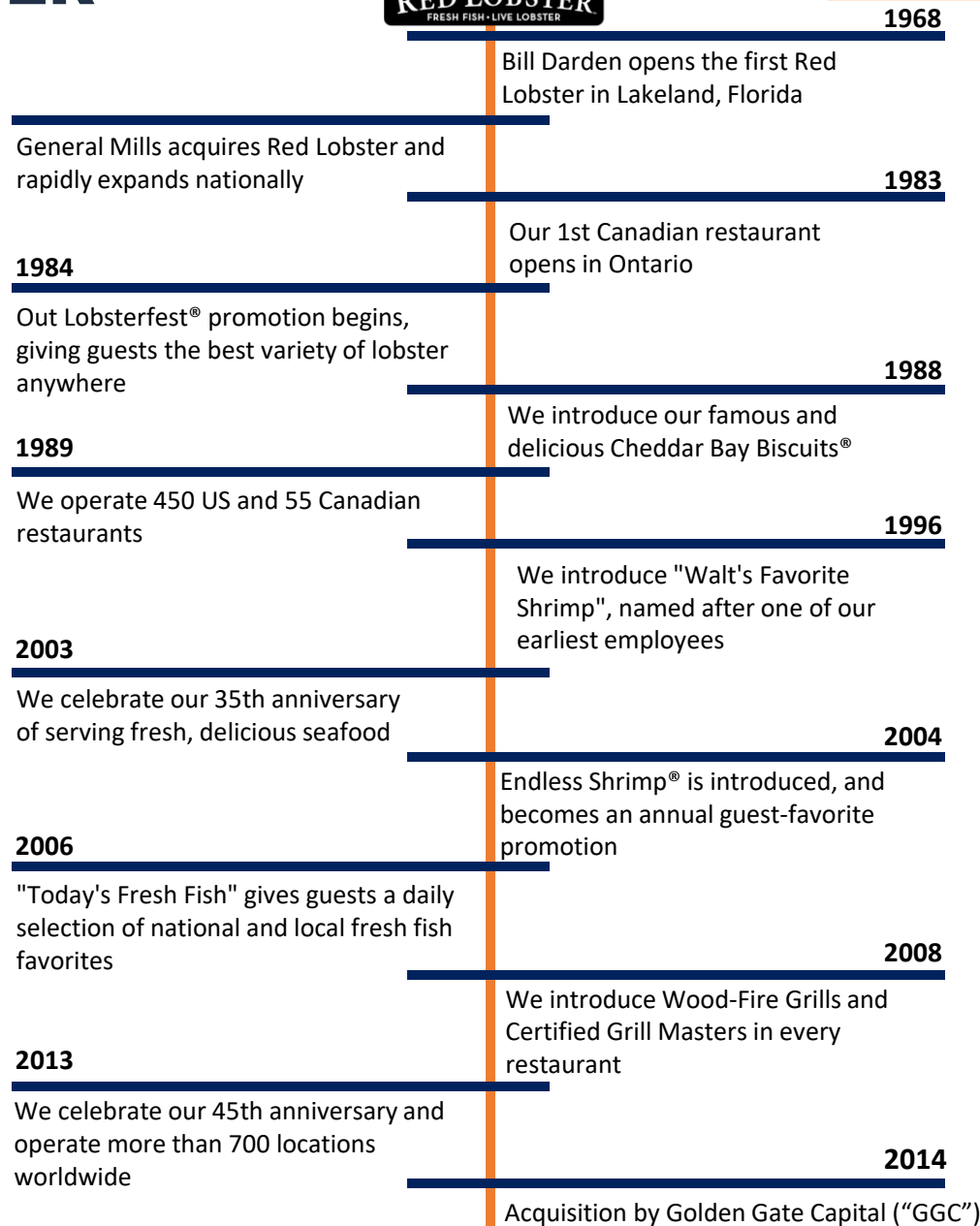
You deserve the freshest food and thinking. So every time you visit one of our seafood restaurants or our online seafood store, you'll find an uncommon commitment to deliver the best of the sea with fresh energy and fresh ideas that we hope will make you want to come back again and again.

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



EXECUTIVE SUMMARY

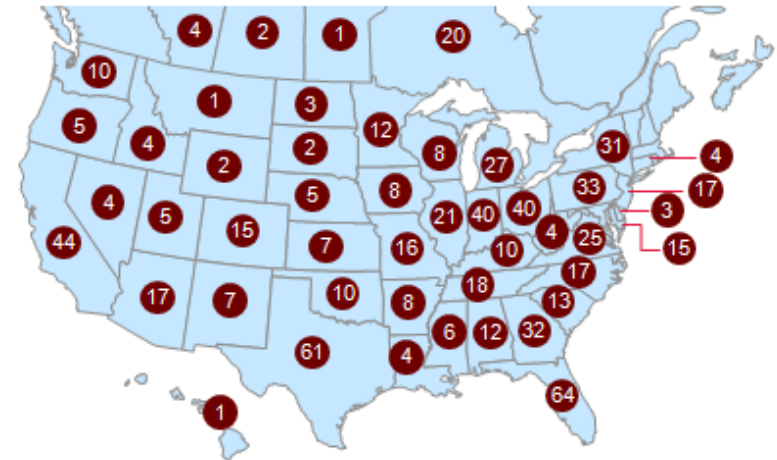


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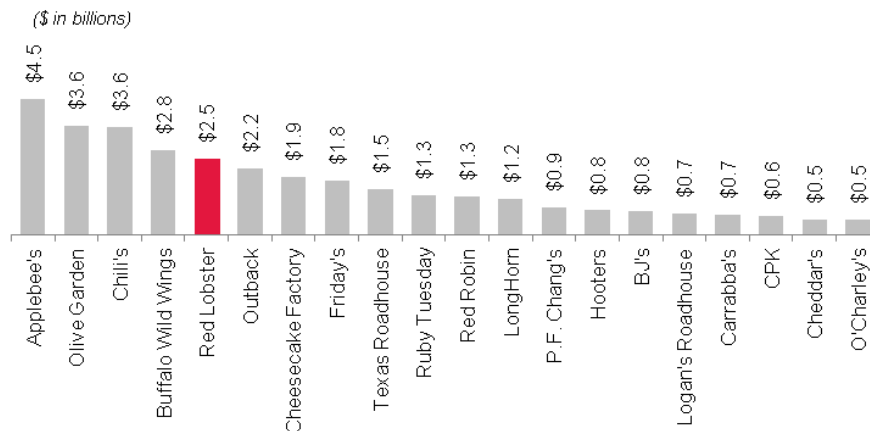
Strong Market Position

- Red Lobster is the largest seafood restaurant concept in the world and the 6th largest casual dining concept in the United States with over \$2.5 billion in annual sales and 704 restaurants.
- 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.

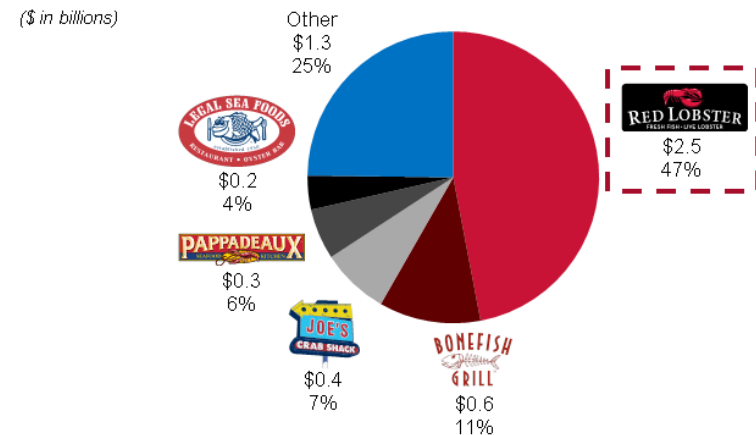
Significant Scale With Broad Geographic Reach



6th Largest Casual Dining Concept in the US



~50% Share in Seafood Casual Dining



TENANT OVERVIEW

Iconic Brand With Unparalleled Customer Loyalty

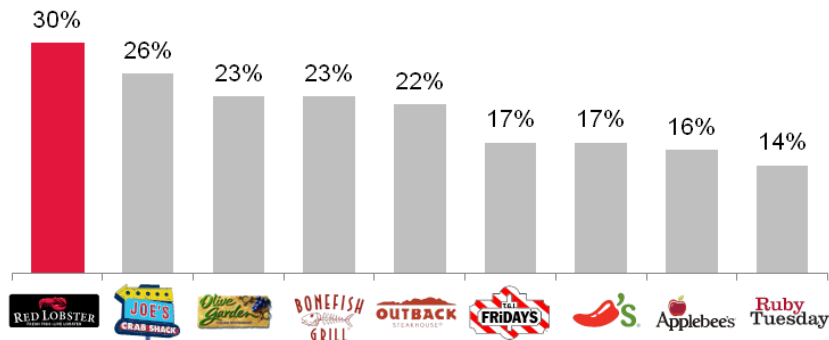
- Red Lobster has strong consumer appeal and broad usage across multiple dining out occasions, including high-crave, healthier “good for you” and special meal occasions.
- The brand has a strong foundation of loyal guests, who visit 1-2 times per month and account for more than 50% of sales.
- Red Lobster 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 7 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

Before



After



Management Team

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



Kim Lopdrup
CEO
(30 years in Restaurant Industry)

- Kim served as President of Red Lobster from FY2005 to FY2011, a period of consistent, above-market growth for the brand
- Prior to his return to Red Lobster, Kim served as President of Specialty Restaurant Group and New Business
- Before joining Darden, Kim served as EVP and COO of North America for Burger King, and at Dunkin' Brands as VP of Marketing and CEO of its international division
- BBA, College of William & Mary; MBA with distinction, Harvard Business School



Salli Setta
President
(27 years in Restaurant Industry)

- Salli was named President of Red Lobster in July of 2013
- Prior to her promotion to President, Salli served as Red Lobster's EVP of Marketing, before which she held numerous roles in Marketing and Culinary at Olive Garden during its turnaround, including VP Marketing and SVP Culinary and Beverage
- 24 years of experience in restaurant marketing, advertising and menu development; named "Menu Strategist of the Year" in 2003; recipient of three Menu Masters' Awards and a Silver Effie for her work on the "Hospitaliano" ad campaign
- BA, University of Central Florida; MBA, Florida Institute of Technology



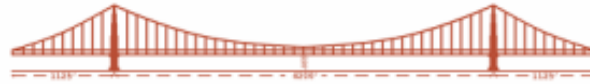
Bill Lambert
CFO
(11 years in Restaurant Industry)

- Bill served as CFO of Red Lobster from FY2006 to FY2010
- Prior to his return to Red Lobster, Bill served as CFO of LongHorn Steakhouse
- Prior to joining Darden and Red Lobster, Bill spent 21 years with Federated Department Stores in various roles including CFO of Macy's Central
- BS, Duke University; MBA, University of Michigan



Chip Wade
EVP
Operations
(29 years in Restaurant Industry)

- Darryl "Chip" Wade is EVP of Operations at Red Lobster
- Previously, Chip held positions in Enterprise Operations at Darden and as SVP of its Smokey Bones brand
- Outside of Darden, Chip previously served as COO of Legal Sea Foods and in various operations management roles at TGI Friday's
- BA, Widener University; MBA, University of Texas



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 Investments

Restaurant Private Equity Investments



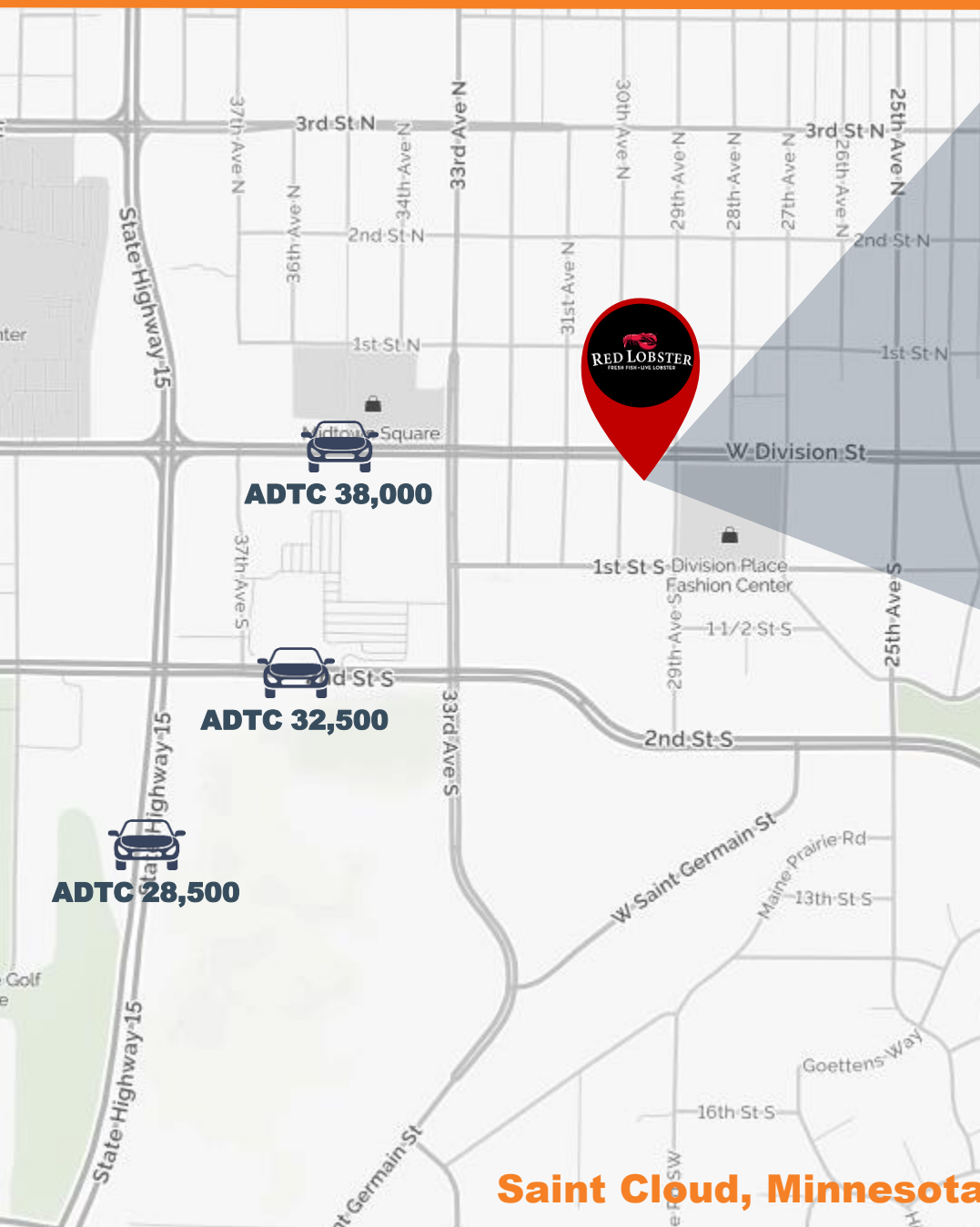
HIGHLIGHTS

- Strong Location Fundamentals | Major National Tenants In Surrounding Area Include Walmart, Best Buy, CVS Pharmacy, Walgreens, Panera Bread, Starbucks, Bed Bath & Beyond, Barnes and Noble, Dick's Sporting Goods, Perkins and Chipotle
- St. Cloud University | Two Miles Away | Total Enrollment of Over 15,000 Students
- Crossroads Center | 104-Store Indoor Mall | One Mile Away
- Easy Transportation Access to Highways 10 and 23 as well as Interstate 94

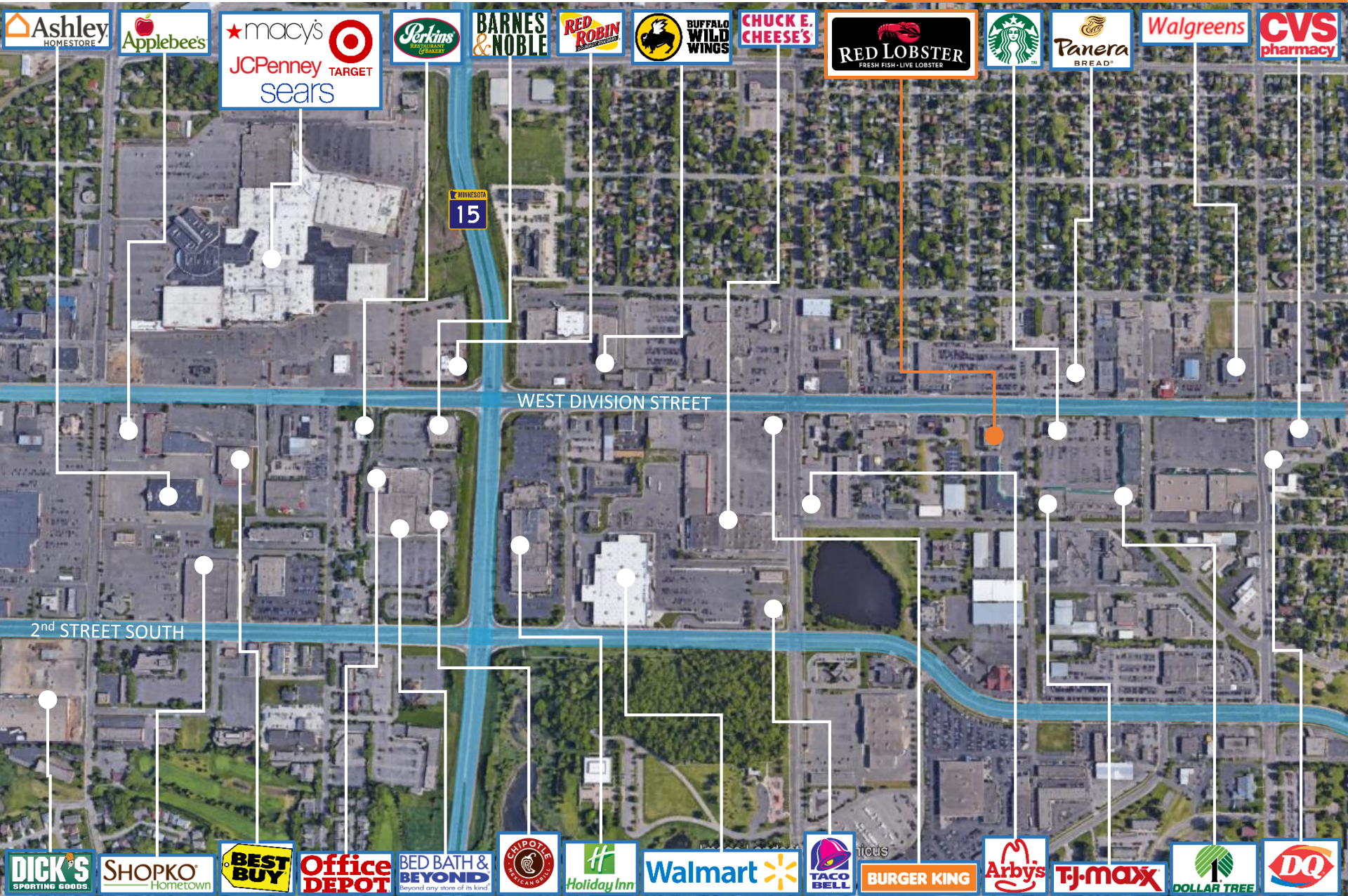
MAJOR EMPLOYERS

EMPLOYER	# OF EMPLOYEES *
Other Styles-See Operation	2,250
Consumer Directions Inc	2,000
St Cloud State University	1,926
Sterling Park Health Care Ctr	1,300
Golden Pump Poultry Inc	1,200
APS Express	830
Target	656
Minnesota State Colleges	650
English Department	624
Merrill Corporation	600
Woodcraft Industries Inc	600
Fulfillment Dist Ctr Inc	545

* 5 Mile Radius



Saint Cloud, Minnesota



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This Red Lobster is located at 2920 West Division Street in Saint Cloud, Minnesota. St. Cloud is the county seat of Stearns County and the largest population center in the state's central region.

Surrounding Retail and Points of Interest

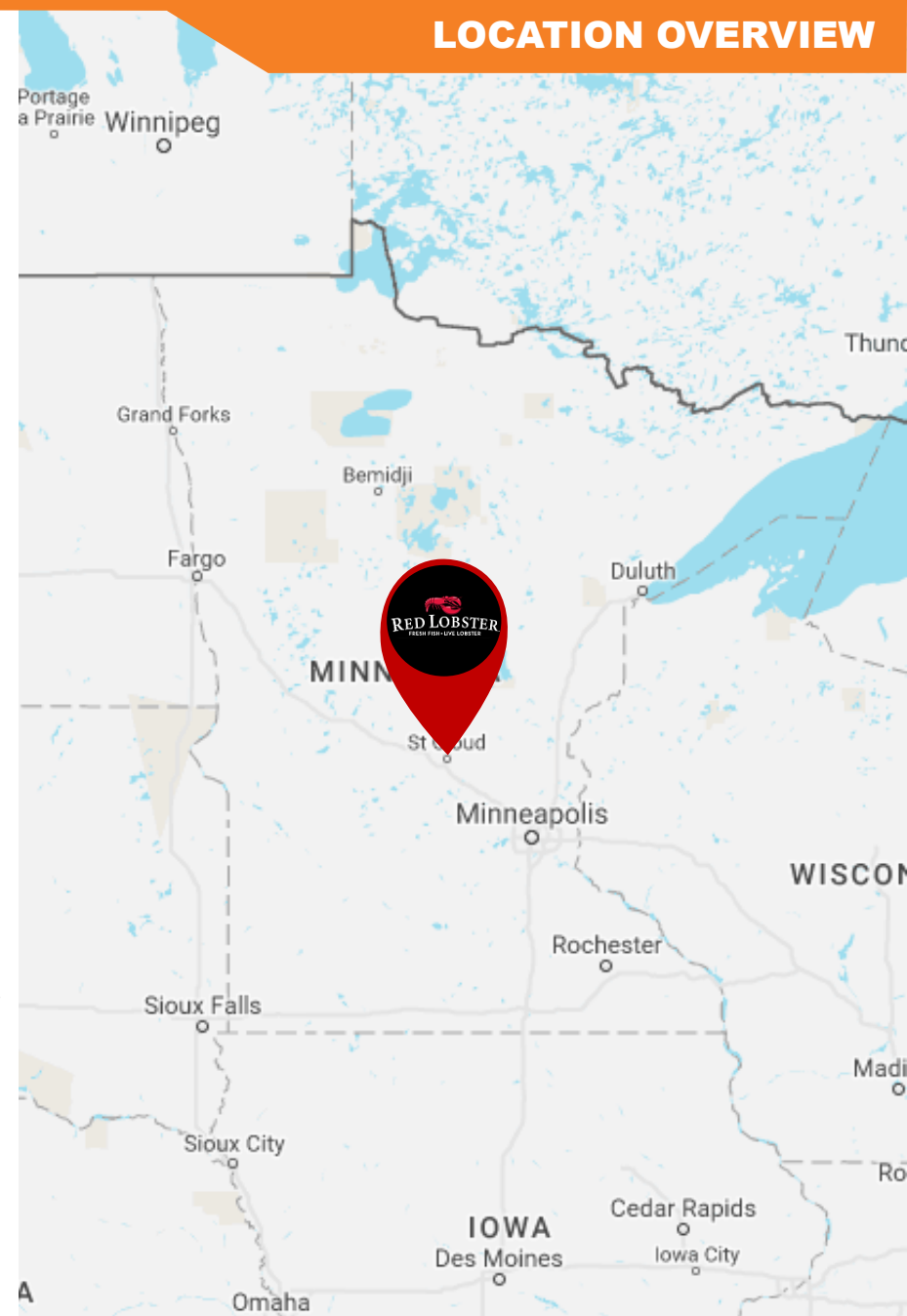
The subject property is well-positioned in an extremely dense retail, residential and transportation corridor. Major national tenants in the surrounding area include Walmart, Best Buy, CVS Pharmacy, Walgreens, Panera Bread, Starbucks, Bed Bath & Beyond, Barnes and Noble, Dick's Sporting Goods, Perkins, Chipotle, Burger King and Shopko. Crossroads Center is a 104-store indoor mall located one mile down the road. Its anchor tenants include Target, Sears, Macy's and JCPenney. St. Cloud University is the state's third-largest university and is located two miles east of the Red Lobster. It has a total enrollment of over 15,000 students. Close proximity to state highways 10 and 23 as well as Interstate 94 provide for easy transportation access to nearby cities including Minneapolis, Fargo and Grand Forks.

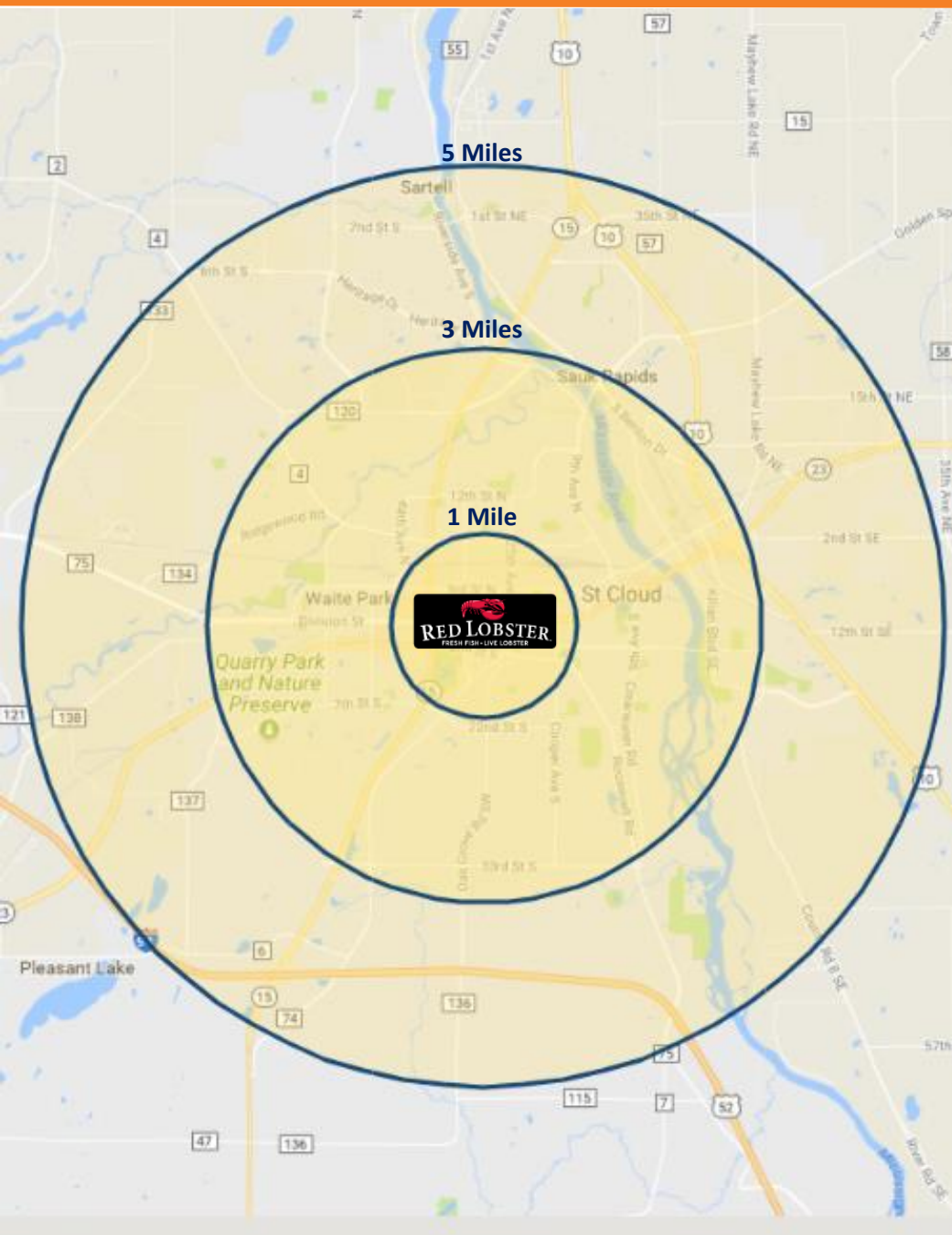
Traffic Counts and Demographics

Saint Cloud has approximately 64,000 individuals living within a three-mile radius of the subject property and over 94,000 individuals within a five-mile radius. This Red Lobster is located on West Division Street, which experiences an average daily traffic count of 38,000 vehicles. State Highway 15 and 2nd Street South bring an additional 28,500 and 32,500 vehicles per day to the area.

Saint Cloud, Minnesota

Though mostly in Stearns County, the city of St. Cloud extends into Benton and Sherburne counties, and straddles the Mississippi River in central Minnesota. It is the center of a small, contiguous urban area totaling over 116,000 residents, with Waite Park, Sauk Rapids, Sartell, St. Joseph, Rockville, and St. Augusta directly bordering the city. The St. Cloud metropolitan area is the fourth-largest in Minnesota, behind Minneapolis–St. Paul, Duluth–Superior, and Rochester. Due to its central location, St. Cloud is a regional transportation hub within the state. St. Cloud is also home to several higher education institutions including St. Cloud State University, St. Cloud Technical and Community College (SCTCC), Rasmussen College and Globe University/Minnesota School of Business. The city of St. Cloud is part of the St. Cloud Area School District, which has eight elementary schools, a new K-8 school in St. Joseph, and two major public high schools.





POPULATION

	1 Miles	3 Miles	5 Miles
2022 Projection	10,704	65,720	105,329
2017 Estimate	10,383	63,829	99,623
2010 Census	10,219	62,322	96,442
2000 Census	9,878	58,568	85,338

INCOME

Average	\$61,186	\$62,746	\$66,271
Median	\$44,912	\$45,445	\$49,597
Per Capita	\$25,602	\$25,843	\$27,070

HOUSEHOLDS

2022 Projection	4,562	26,606	42,419
2017 Estimate	4,309	25,382	39,366
2010 Census	4,286	24,842	38,014
2000 Census	4,094	23,078	32,999

HOUSING

2017	\$130,868	\$152,588	\$162,890
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EMPLOYMENT

2017 Daytime Population	16,256	109,574	143,662
2017 Unemployment	4.66%	4.96%	4.63%
2017 Median Time Traveled	19	20	21

RACE & ETHNICITY

White	76.48%	81.61%	84.20%
Native American	0.03%	0.03%	0.03%
African American	14.97%	9.61%	7.77%
Asian/Pacific Islander	3.48%	3.91%	3.46%

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be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

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