

**THOMASCOMPANY**

NET LEASE CAPITAL MARKETS



**CVS Health®**

**SINGLE TENANT BONDABLE TRIPLE-NET LEASE PORTFOLIO**

BRAND NEW 25-YEAR LEASES | ZERO CASH FLOW

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# The Offering



Thomas Company is pleased to offer for sale a portfolio of 15 well-located CVS stores in 9 states totaling +/- 175,469 square feet of retail space. The properties are offered as highly leveraged zero-cash-flow investments, with attractively priced loans on each property that fully-amortize prior to the expiration of each lease. The properties provide an investor with significant passive losses to help offset unsheltered cash flow from other real estate investments. Each property is leased on a bondable triple-net basis, with CVS responsible for all repair and maintenance. These assets may be sold individually, in pools, or as a portfolio.

## INVESTMENT HIGHLIGHTS

### Strong Corporate Credit

CVS Health Corporation (S&P: BBB, NYSE: CVS), together with its subsidiaries, is one of the largest pharmacy health providers in the United States, operating more than 9,900 retail drugstores in the United States, Puerto Rico, and Brazil.

### Favorable Debt Structure

The current debt structure requires limited equity investment and generates annual passive losses that work to offset taxable income from other investments.

### Low Equity Investment

The credit of CVS and the fully amortizing nature of the loans allow lenders to underwrite the assets with much higher leverage ratios than typical real estate investments. The high amount of leverage requires far less equity to be invested.

### Passive Ownership

The Tenant has executed a bondable triple-net (NNN) lease with no Landlord responsibilities.

The Tenant is responsible for all maintenance and repair, including roof and structure.

### Ideal for Tax Deferred Exchange

The loan on each asset contains the pay-down/re-advance feature, allowing an investor to meet a larger exchange requirement and purchase the asset for limited equity.





# The Portfolio



STATUS	ADDRESS	CITY	STATE	INTEREST	NEW/ RELOCATION	TERM REMAINING	SIZE (SF)	8/10/2020 DEBT BALANCE	NOI	% OVER DEBT BALANCE	EQUITY REQUIRED	PURCHASE PRICE
Available	604 Corner Ketch Rd	Newark	DE	Fee	New Store	25 Years	13,225	\$7,093,832	\$489,756	22.00%	\$1,560,643	\$8,654,475
Available	327 E. Jackson Street	Macomb	IL	Fee	Relocation	25 Years	11,945	\$4,344,806	\$299,964	22.00%	\$955,857	\$5,300,663
Available	131 Court St	Bath	ME	Fee	Relocation	25 Years	11,945	\$6,157,626	\$425,121	22.00%	\$1,354,678	\$7,512,304
Available	2801 Guilderland Ave	Rotterdam	NY	Fee	Relocation	25 Years	13,225	\$5,478,105	\$378,207	22.00%	\$1,205,183	\$6,683,289
Available	95 Beaver St	Cooperstown	NY	Fee	Relocation	25 Years	9,516	\$4,577,465	\$316,027	22.00%	\$1,007,042	\$5,584,507
Available	210 E Emmitt Avenue	Waverly	OH	Fee	Relocation	25 Years	9,516	\$2,897,833	\$200,066	22.00%	\$637,523	\$3,535,356
Available	1493 Upper Valley Pike	Springfield	OH	Fee	Relocation	25 Years	9,663	\$2,247,066	\$155,137	22.00%	\$494,355	\$2,741,421
Available	1101 Mill St.	Danville	PA	Fee	Relocation	25 Years	13,225	\$4,629,172	\$319,597	22.00%	\$1,018,418	\$5,647,590
Available	33 E. Market Street	Lewistown	PA	Fee	Relocation	25 Years	11,945	\$3,938,668	\$271,925	22.00%	\$866,507	\$4,805,175
Available	3295 PA Route 100	Macungie	PA	Fee	Relocation	25 Years	11,945	\$6,248,762	\$431,413	22.00%	\$1,374,728	\$7,623,490
Available	1205 N US HWY 83	Zapata	TX	Fee	Relocation	25 Years	9,516	\$3,194,858	\$220,572	22.00%	\$702,869	\$3,897,727
<del>PSA Pending</del>	<del>709 Guadalupe Street</del>	<del>Laredo</del>	<del>TX</del>	<del>Fee</del>	<del>Relocation</del>	<del>25 Years</del>	<del>11,945</del>	<del>\$4,319,890</del>	<del>\$290,244</del>	<del>22.00%</del>	<del>\$950,376</del>	<del>\$5,270,266</del>
Available	2511 Anderson Highway	Powhatan	VA	Fee	Relocation	25 Years	11,945	\$3,580,462	\$247,194	22.00%	\$787,702	\$4,368,163
Available	33520 21st Ave SW	Federal Way	WA	Fee	New Store	25 Years	12,900	\$7,857,697	\$542,493	22.00%	\$1,728,693	\$9,586,390
Available	9400 Gravelly Lake Dr	Lakewood	WA	Fee	New Store	25 Years	13,013	\$7,605,170	\$525,059	22.00%	\$1,673,137	\$9,278,308
							<b>163,524</b>	<b>\$69,851,523</b>			<b>\$15,367,335</b>	<b>\$85,218,858</b>

Note: Portfolio totals in bold (Size, Debt Balance, Equity Required, Purchase Price) reflect only Available properties.

# Lease Abstract



Tenant	Various CVS Corporate Subsidiaries
Guarantor	CVS Health Corporation (NYSE: CVS, S&P: BBB)
Lease Structure	Bondable Triple-Net (NNN)
Occupancy	100%
Lease Commencement	10/17/19
Initial Term Expiration	1/31/45
Lease Term	25.3 Years
Remaining Lease Term	+/- 24.5 Years
Total Number of Extension Periods	10 x 5 year options
Fixed Rate Extension Periods	2 x 5 year options
FMV Extension Periods	8 x 5 year options
Rent Holiday	3 Years
Percentage Rent	None
Tenant Responsibilities	Tenant shall pay all expenses relating to the maintenance and repair of the Premises including roof and structure. Tenant shall also pay all taxes and insurance costs.



# Loan Abstract



STORE #	ADDRESS	CITY	STATE	ORIGINAL DEBT BALANCE	MATURITY DATE	ANNUAL DEBT SERVICE	BALLOON PAYMENT	INTEREST RATE
10376	604 Corner Ketch Rd	Newark	DE	\$7,253,208	11/10/2041	\$489,756	None	3.86%
8654	327 E. Jackson Street	Macomb	IL	\$4,442,420	11/10/2041	\$299,964	None	3.86%
801	131 Court St	Bath	ME	\$6,295,969	11/10/2041	\$425,121	None	3.86%
4610	2801 Guilderland Ave	Rotterdam	NY	\$5,601,182	11/10/2041	\$378,207	None	3.86%
5034	95 Beaver St	Cooperstown	NY	\$4,680,307	11/10/2041	\$316,027	None	3.86%
11086	210 E Emmitt Avenue	Waverly	OH	\$2,962,938	11/10/2041	\$200,066	None	3.86%
3468	1493 Upper Valley Pike	Springfield	OH	\$2,297,551	11/10/2041	\$155,137	None	3.86%
1582	1101 Mill St	Danville	PA	\$4,733,175	11/10/2041	\$319,597	None	3.86%
1677	33 E. Market Street	Lewistown	PA	\$4,027,158	11/10/2041	\$271,925	None	3.86%
2296	3295 PA Route 100	Macungie	PA	\$6,389,153	11/10/2041	\$431,413	None	3.86%
10817	1205 N US HWY 83	Zapata	TX	\$3,266,637	11/10/2041	\$220,572	None	3.86%
10821	709 Guadalupe Street	Laredo	TX	\$4,416,945	11/10/2041	\$298,244	None	3.86%
11083	2511 Anderson Highway	Powhatan	VA	\$3,660,904	11/10/2041	\$247,194	None	3.86%
10659	33520 21st Ave SW	Federal Way	WA	\$8,034,235	11/10/2041	\$542,493	None	3.86%
11023	9400 Gravelly Lake Dr	Lakewood	WA	\$7,776,035	11/10/2041	\$525,059	None	3.86%

# Demographics



Address	City, State	2019 TOTAL POPULATION			2019-2024 POPULATION: ANNUAL GROWTH RATE			2019 AVERAGE HOUSEHOLD INCOME			2019 TOTAL POPULATION AGE 55+ (%)		
		1 mi	3mi	5mi	1 mi	3mi	5mi	1 mi	3mi	5mi	1 mi	3mi	5mi
604 Corner Ketch Rd	Newark, DE	5,656	42,992	137,348	0.1%	0.2%	0.2%	\$167,588	\$137,245	\$111,215	35.4%	34.1%	31.2%
327 E. Jackson Street	Macomb, IL	10,719	20,305	21,087	-0.7%	-0.6%	-0.6%	\$56,304	\$59,816	\$61,317	23.0%	21.2%	22.0%
131 Court St	Bath, ME	5,246	10,895	17,908	0.2%	0.3%	0.4%	\$55,874	\$61,169	\$67,530	31.8%	36.8%	37.1%
2801 Guilderland Ave	Rotterdam, NY	14,456	78,792	134,719	0.2%	0.0%	0.0%	\$68,824	\$64,374	\$77,801	32.1%	29.2%	31.4%
95 Beaver St	Cooperstown, NY	1,911	3,365	5,283	-0.7%	-0.7%	-0.6%	\$99,230	\$96,416	\$95,840	46.5%	45.7%	44.0%
210 E Emmitt Avenue	Waverly, OH	4,061	7,272	12,429	0.0%	0.0%	0.0%	\$63,391	\$65,841	\$63,471	44.9%	40.2%	36.4%
1493 Upper Valley Pike	Springfield, OH	1,010	28,720	76,894	-0.7%	-0.4%	-0.4%	\$61,582	\$61,356	\$58,391	43.3%	30.5%	32.7%
1101 Mill St	Danville, PA	5,626	13,527	16,840	0.4%	0.3%	0.3%	\$60,522	\$78,856	\$80,716	34.2%	39.1%	39.5%
33 E. Market Street	Lewistown, PA	8,524	18,087	23,229	0.1%	0.1%	0.1%	\$46,585	\$51,384	\$52,840	33.4%	36.6%	37.1%
3295 PA Route 100	Macungie, PA	8,393	39,744	89,628	0.7%	0.7%	0.9%	\$91,188	\$109,301	\$107,131	30.6%	32.8%	34.8%
1205 N US HWY 83	Zapata, TX	4,382	10,432	12,278	-0.1%	-0.1%	-0.1%	\$50,342	\$49,028	\$49,494	21.5%	20.3%	20.0%
709 Guadalupe Street	Laredo, TX	20,693	127,542	200,132	0.8%	1.0%	1.3%	\$41,701	\$45,161	\$52,400	24.5%	21.5%	19.0%
2511 Anderson Highway	Powhatan, VA	882	6,437	15,997	1.1%	1.2%	1.3%	\$89,036	\$105,329	\$109,609	32.3%	34.2%	33.9%
33520 21st Ave SW	Federal Way, WA	21,931	94,032	176,498	1.1%	1.1%	1.2%	\$98,375	\$97,441	\$95,333	23.8%	28.5%	28.0%
9400 Gravelly Lake Dr	Lakewood, WA	11,603	99,110	228,030	1.2%	1.0%	1.0%	\$67,184	\$74,710	\$73,661	26.7%	28.0%	26.5%

# What is a Zero?

## WHAT IS A ZERO-CASH-FLOW INVESTMENT?

Investments in properties with debt service matching the property's net income. With all of the cash flow attributed to the debt service, the owner receives no income until the loan matures. In lieu of cash flow, the investment provides annual passive losses which investors may use to offset income from other investments. Many times, as is the case with this offering, the loans are fully-amortizing and have terms matching the length of the lease, generally 20 to 30 years. When the mortgage matures, the property is then owned free-and-clear of any debt. Properties structured as self-liquidating investments are typically net leased to a single tenant on a long term basis. The leases are generally structured as triple net or bondable, leaving the landlord with essentially no management or maintenance responsibilities. In most cases, the tenants hold investment grade ratings, minimizing the risk of default.

## BENEFITS OF A ZERO-CASH-FLOW INVESTMENT

- **Fully Amortizing Loan:** Free and clear ownership upon loan maturity and the subsequent flexibility to leave the asset unleveraged for greater cash flow or to refinance to extract its equity.
- **Acquire an Institutional Quality Asset with Less Equity:** The credit of the tenant combined with fully-amortizing debt allows lenders to underwrite assets with higher leverage ratios, which means less equity invested.
- **Equity in an Exchange can be Cashed Out Tax Free:** Meets the requirements of a tax deferred exchange, allowing investor to immediately cash out much of their equity tax free.
- **Estate Planning:** Free and clear ownership upon loan maturity creates a source of long-term, unencumbered income.
- **Annual Depreciation:** Provides an annual source of depreciation and interest expense that can be written off against income from other qualifying investments. Accelerated Depreciation can be achieved via cost segregation analysis.





# Tenant Overview



## CVS HEALTH (NYSE: CVS; S&P: BBB)

### BUSINESS OVERVIEW

CVS Health Corporation (formerly CVS Caremark Corp.), together with its subsidiaries, is the largest pharmacy health care provider in the United States, with integrated offerings across the entire spectrum of pharmacy care. CVS is unique among the "big three" retail drugstore chains (Walgreens, Rite Aid, CVS) in that it operates its own pharmacy benefit management ("PBM"), making it an integrated pharmacy health care provider. With 102 million PBM members, CVS's offerings include pharmacy benefit management services; mail order, retail, and specialty pharmacy; disease management programs, and retail clinics. Additionally, CVS is ranked #8 on the Fortune 500.

As of April 2019, CVS operated over 9,900 retail locations in the United States, Puerto Rico, and Brazil. Its stores sell prescription drugs and front-end products such as non-prescription medications, health and beauty aids, and cosmetics. The company also operates the nation's largest chain of health care clinics, with 1,100 MinuteClinic outlets throughout the country. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, and deliver vaccinations.

### GROWTH

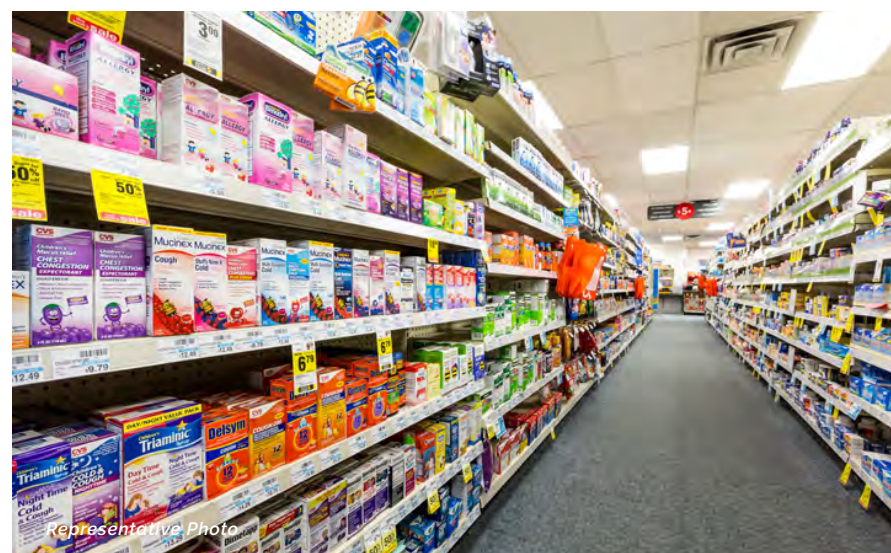
The company has implemented assertive growth plans in recent quarters.

In April 2019, the company announced that it would be collaborating with teeth-straightening company SmileDirectClub to open 1,000 store-within-a-store locations over the next two years. Customers can take advantage of specialized equipment to create a 3-D scan of their teeth, which is then used to create custom invisible braces.

In November 2018, CVS completed a \$69 billion merger with Aetna, creating a healthcare giant with \$240 billion in annual revenue. CVS is using the merger as an opportunity to increase its in-store healthcare offerings, including adding primary care and complex condition management to its MinuteClinic locations.

In August 2015 the company completed a \$12.9 billion acquisition of pharmacy services firm Omnicare, which helps manage specialty pharmaceutical distribution to long-term care facilities and other medical environments.

In June 2015, it announced the \$1.9 billion purchase of Target's pharmacy business. That deal brought the company's total store count to 9,500 and extended its reach in the Western U.S.—including the metro areas of Seattle, Portland, Denver, and Salt Lake City.



# Tenant Overview (continued)



## STRATEGY

Formerly known as CVS Caremark, the company rebranded as CVS Health in 2014. As part of their rebranding, the company announced it was eliminating the sale of tobacco products across its network of stores, in keeping with the "health" side of its corporate mission.

CVS has four divisions—pharmacy, Caremark (pharmacy benefits management and mail service pharmacy), MinuteClinic walk-in clinics, and specialty pharmacy management. The company acquired Caremark in 2007, and now serves 75 million plan members via that division.

## STORE PROFILE

Typical retail stores range in size from approximately 5,000 to 25,000 square feet, although most new stores range in size from approximately 8,000 to 13,000 square feet. Most stores include a drive-thru pharmacy. In 2018, CVS filled or managed 2.6 billion prescriptions—outpacing all other pharmacy chains.

## FINANCIAL SUMMARY

Total revenue for 2018 was \$194.6 billion up 5.3% from the previous year. Adjusted earnings per share was \$7.08, an increase of 19.9% versus 2017. The company reported a 2018 operating income of \$4.0 billion. CVS generated \$6.8 billion in free cash flow in 2018, a 7.5% increase from 2017. Annual cash dividends per share held steady at \$2.00, after nearly doubling since 2014. CVS Health showed a net increase in cash, cash equivalents, and restricted cash of \$2.4 billion, up from a net decrease in 2017.



Phoenix, AZ

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