



Red Lobster
1515 West Ridge Road
Rochester, New York 14615

Representative Photo



OFFERING MEMORANDUM

Marcus & Millichap

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Executive Summary | Investment Highlights

Property Name	Red Lobster
Location	1515 West Ridge Road, Rochester, NY 14615
Price	\$4,919,899
CAP Rate	6.40%
NOI	\$314,874
Price Per SF	\$623
Building Size	7,924 sq ft
Lot Size	1.74 acres
Year Opened	1985

Marcus & Millichap is pleased to present the exclusive listing for Red Lobster located at 1515 West Ridge Road in Rochester, New York. The property is 7,924 square feet and is situated on approximately 1.69 acres of land.

This Red Lobster is subject to a 20-year triple-net (NNN) lease, with roughly 15 years remaining on the lease. Current annual rent is \$314,874. 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 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.

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

This Red Lobster is subject to a 20-year absolute triple-net (NNN) lease, with 15 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.



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

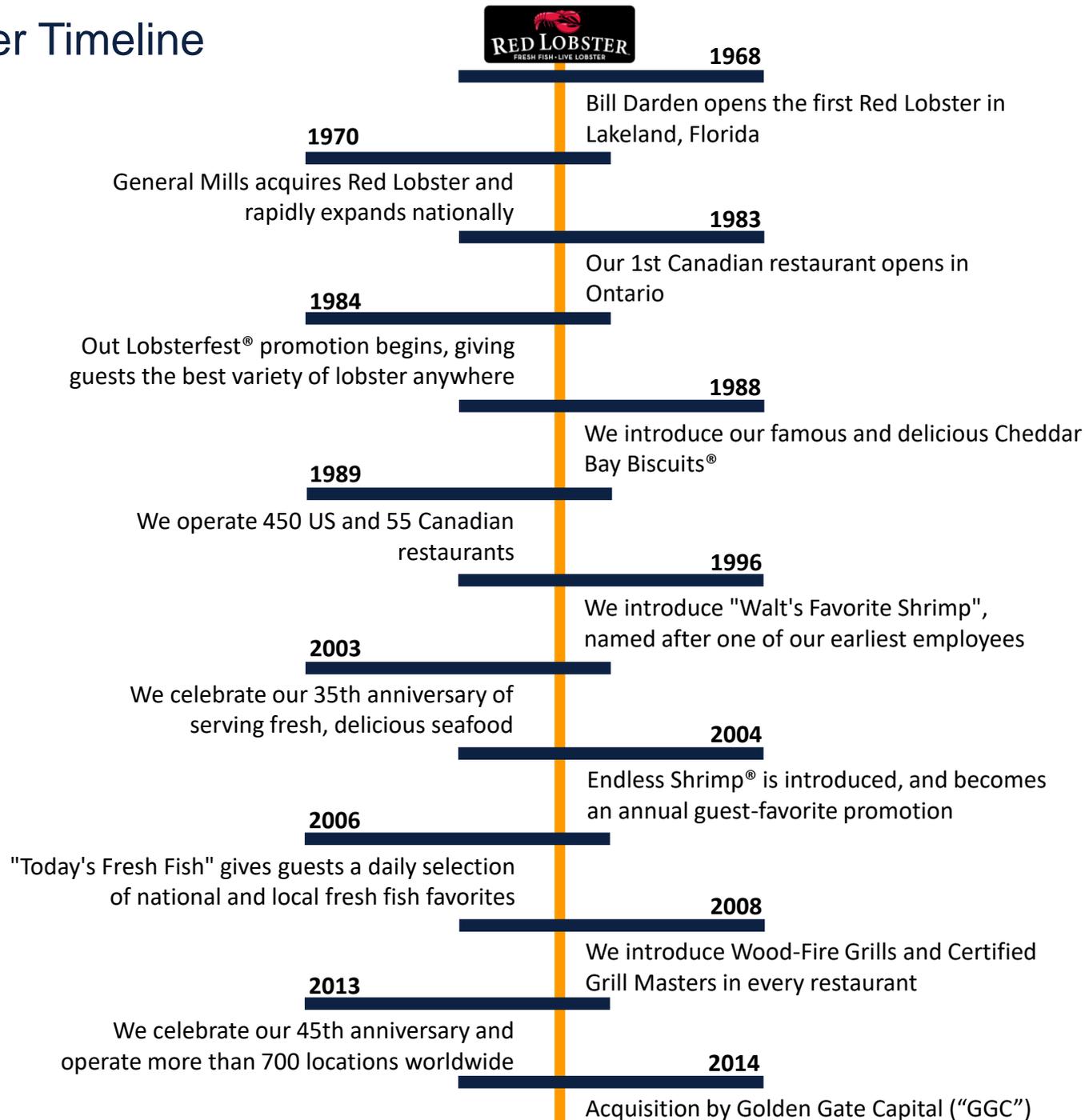
We hold ourselves to the highest standards for service, quality and a welcoming atmosphere. And we're focused on doing what's right – for our employees, in our communities and in the world.

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

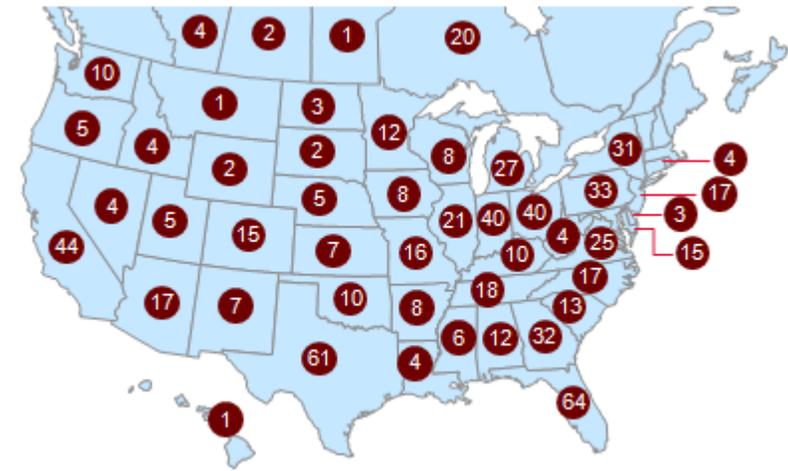


Tenant Overview

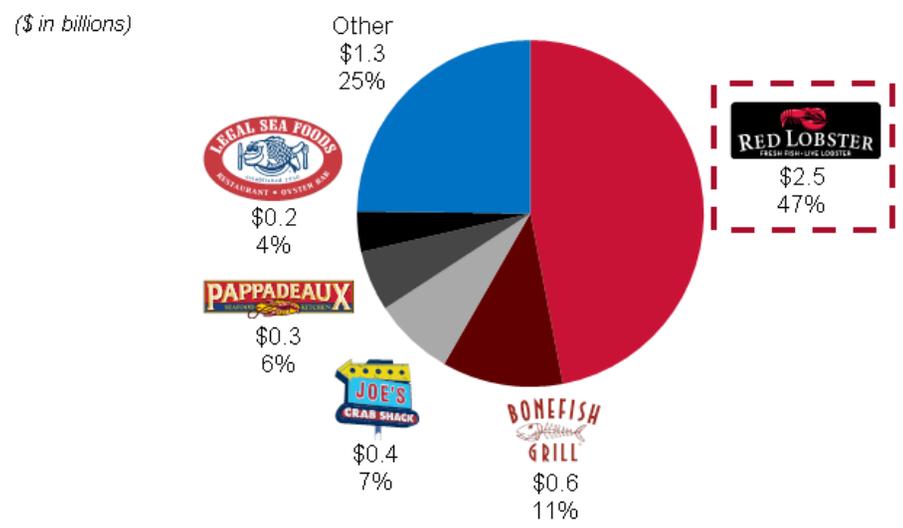
Strong Market Position

- 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.

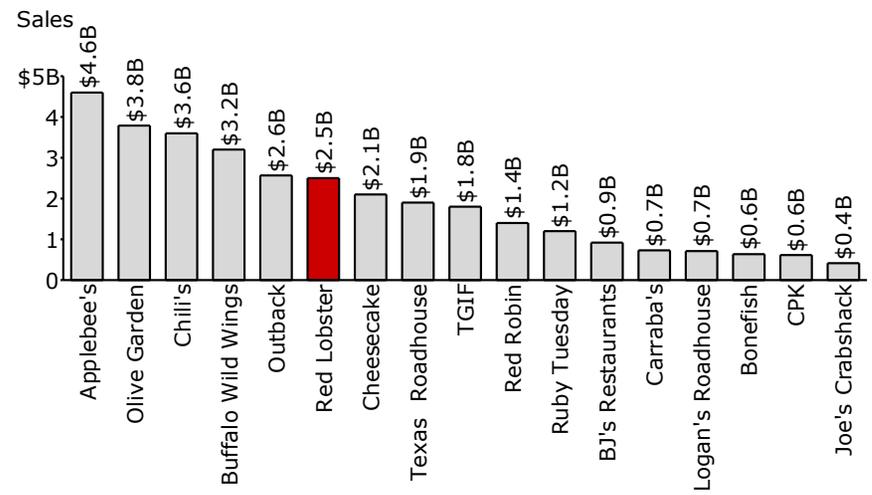
Significant Scale With Broad Geographic Reach



~50% Share in Seafood Casual Dining



6th Largest Casual Dining Concept in the US



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Tenant Overview

Iconic Brand With Unparalleled Customer Loyalty

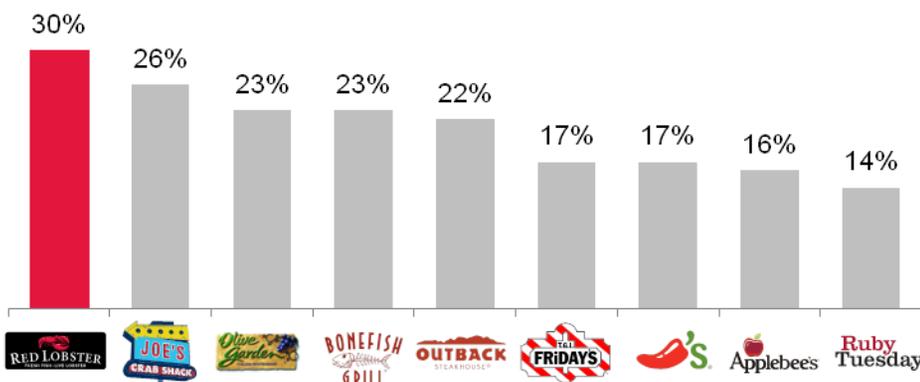
- Red Lobster has strong consumer appeal and broad usage across multiple dining out occasions, including high-crave, healthier “good for you” and special meal occasions.
- The brand has a strong foundation of loyal guests, who visit 1-2 times per month and account for more than 50% of sales.
- Red Lobster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

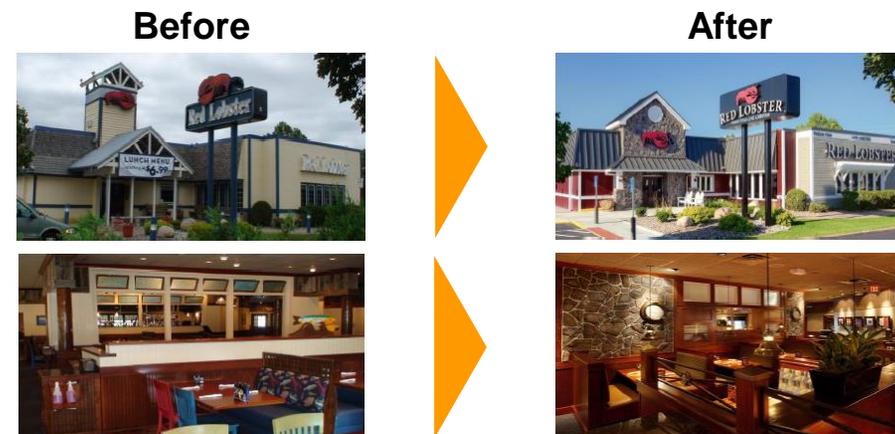
- Over \$320 million invested in remodels covering >90% of restaurants over the past 8 years.
- \$1.4 billion in overall capital expenditure investment over the past 10 years.
- New Bar Harbor format has strong appeal across customer base.
- 100% of restaurants are cash flow positive.

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>	31 (15)	<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>	28 (28)	<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>	12 (12)	<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>	30 (16)	<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

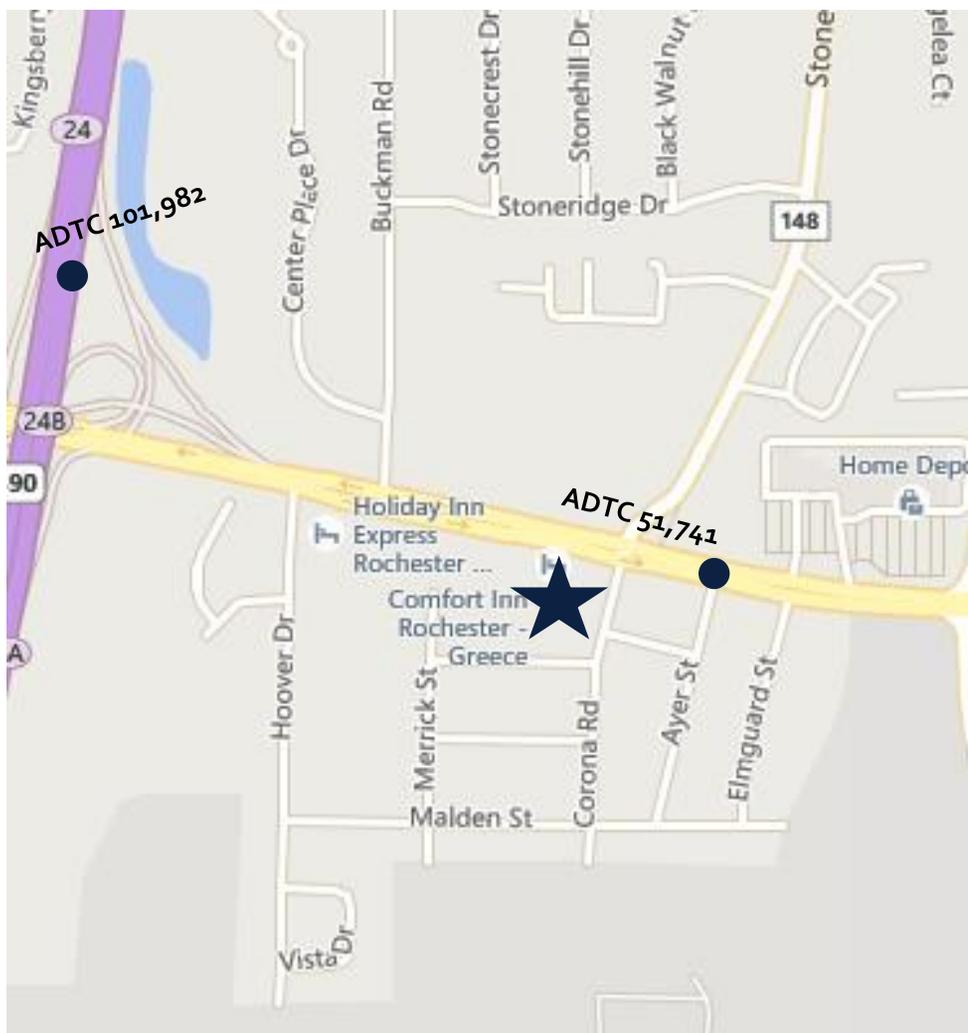
Property Name	Red Lobster
Property Type	Net Leased Restaurant
Ownership	Private Private Equity Sponsor
Tenant	Red Lobster Hospitality, LLC
Guarantor	Red Lobster Intermediate Holdings, LLC
Lease Term	20 Years
Lease Commencement	7/28/2014
Lease Expiration	7/31/2034
Lease Term Remaining	15 Years
Lease Type	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 6	\$314,874	\$26,239
Year 7	\$321,171	\$26,764
Year 8	\$327,594	\$27,300
Year 9	\$334,146	\$27,846
Year 10	\$340,829	\$28,402
Year 11	\$347,646	\$28,970
Year 12	\$354,599	\$29,550
Year 13	\$361,691	\$30,141
Year 14	\$368,925	\$30,744
Year 15	\$376,303	\$31,359
Year 16	\$383,829	\$31,986
Year 17	\$391,506	\$32,625
Year 18	\$399,336	\$33,278
Year 19	\$407,323	\$33,944
Year 20	\$415,469	\$34,622
Annual Rent		\$314,874
CAP Rate		6.40%
Price		\$4,919,899

Location Highlights | Property Description

- ❖ Dense Retail Corridor with Major National Brands: LA Fitness, Toys “R” Us, Rite Aid, Chevrolet, Dollar Tree, Chipotle Mexican Grill
- ❖ Strong Traffic Counts in the Area: West Ridge Road & New York Route 390 | 51,741 & 101,982 Vehicles a Day Respectively
- ❖ The Mall at Greece Ridge | 140 Specialty Stores
- ❖ Rochester | Third Most Populous City in New York



LOCATION OVERVIEW

This Red Lobster is located at 1515 West Ridge Road in Rochester, New York. Rochester is a city in, and is the county seat of Monroe County. It borders the southern shore of Lake Ontario in the western portion of New York State. Rochester is the third most populous city in New York. In 2010, Forbes rated Rochester as the third best place to raise a family. Rochester is now an international center for higher education, as well as medical and technological development.

There are approximately 103,382 people within a three-mile radius of this property and more than 268,160 within a five-mile radius. This Red Lobster is located on West Ridge Road, across the street from Buffalo Wild Wings, and beside a Comfort Inn. West Ridge Road experiences a traffic count of over 51,741 vehicles daily. Nearby, West Ridge Road has an entrance ramp to New York Route 390 which experiences a traffic count of over 101,982 vehicles daily.

The subject property is well-positioned near several area attractions, benefitting from its proximity to major national and local retailers. Restaurants in the area include: Olive Garden, Applebee's, Buffalo Wild Wings, Five Guys, Outback Steakhouse, Chipotle, Longhorn Steakhouse, and many more. National retailers include: Dollar Tree, Toys “R” Us, Rite Aid, Home Depot, Chevrolet, Ashley Furniture, Verizon Wireless, LA Fitness, and many more. The Mall at Greece Ridge is down West Ridge Road and features more than has over 140 specialty stores.

Rochester is the third most populous city in the state of New York. Rochester is home to multiple Fortune 500 companies such as Eastman Kodak, as well as Carestream Health. Xerox and Western Union were both founded in Rochester. The University of Rochester has over 10,000 students enrolled and more than 1,225 staff. The Rochester International Jazz Festival, one of the largest in America, takes place in June each year and draws over 187,000 individuals from around the country. Greater Rochester International Airport is in the area and conducts over 91,000 aircraft operations annually.

Aerial Photo | Surrounding Area



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Property Photo

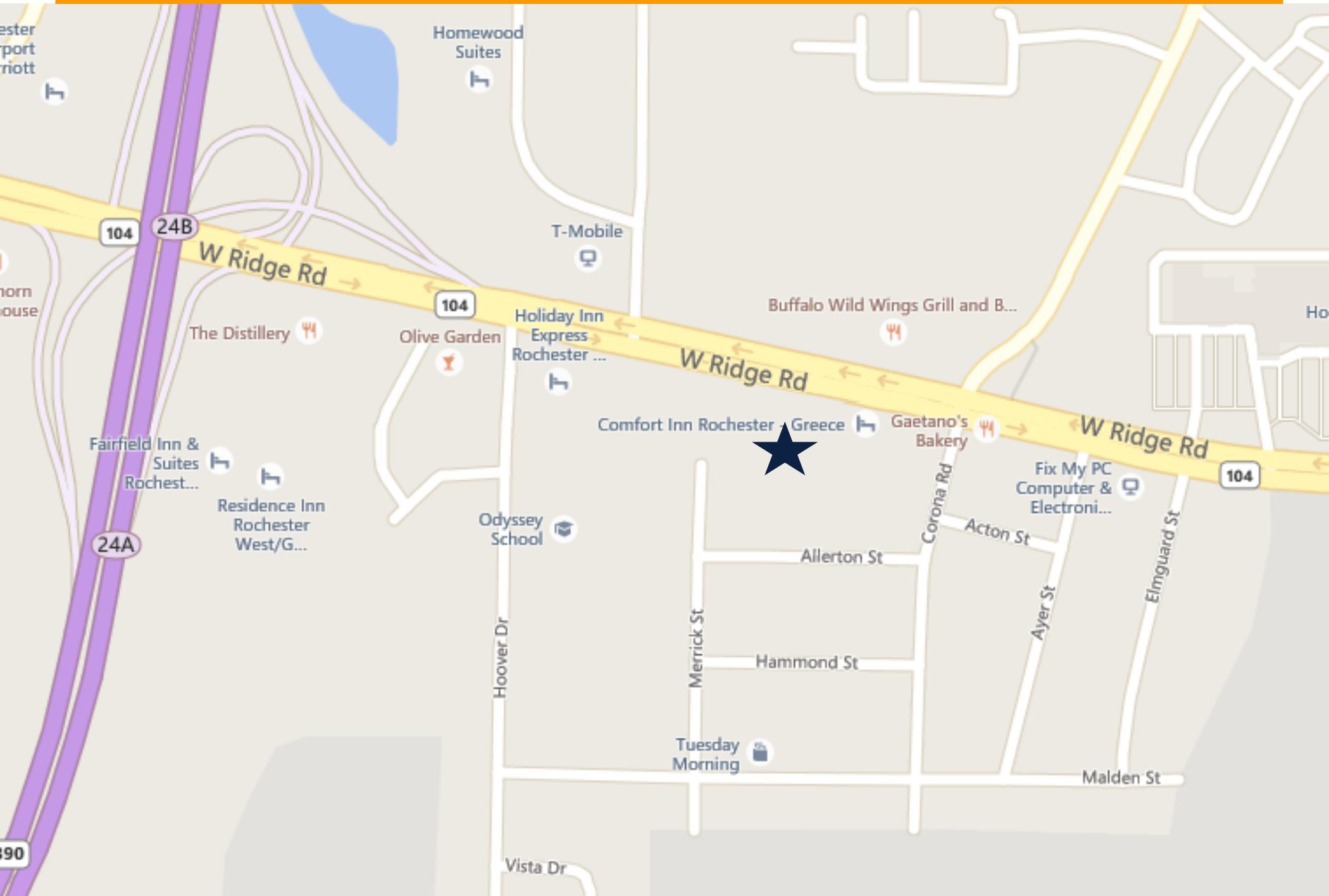


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Surrounding Area Photos



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 268,160. The population has changed by -1.89% since 2000. It is estimated that the population in your area will be 267,095 five years from now, which represents a change of 0.39% from the current year. The current population is 47.56% male and 52.43% female. The median age of the population in your area is 36.9, compare this to the Entire US average which is 37.3. The population density in your area is 3,406.70 people per square mile.

Income

In 2014, the median household income for your selected geography is \$38,813, compare this to the Entire US average which is currently \$51,972. The median household income for your area has changed by 9.74% since 2000. It is estimated that the median household income in your area will be \$44,157 five years from now, which represents a change of 13.76% from the current year.

The current year per capita income in your area is \$21,702, compare this to the Entire US average, which is \$28,599. The current year average household income in your area is \$53,193, compare this to the Entire US average which is \$74,533.

Employment

In 2014, there are 118,251 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 56.00% of employees are employed in white-collar occupations in this geography, and 44.08% are employed in blue-collar occupations. In 2014, unemployment in this area is 9.74%. In 2000, the average time traveled to work was 21.1 minutes.

POPULATION



	1-Mile	3-Mile	5-Mile
2010	9,204	103,936	268,664
2018	9,274	104,536	270,892
2023	9,295	104,501	268,679

2014 HOUSEHOLD INCOMES



	1-Mile	3-Mile	5-Mile
Average	\$56,020	\$58,083	\$57,277
Median	\$41,875	\$44,047	\$41,775

TOP EMPLOYERS IN ROCHESTER



Employer	# of Employees
Rochester Regional Health	16,021
US Security Associates Incorporated	4,781
Blue Cross	4,000

exclusively listed

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