

USA 2 GO Sale-Leaseback Portfolio



- 11 C-Store & Gas Locations
- $\pm 69,000$ SF
- 20-Year Term
- Annual Increases



Executive Summary



The Offering

JLL is pleased to offer the fee-simple interest in the USA 2 GO Sale-Leaseback Portfolio, which consists of 11 high-performing convenience store and gas ("C&G") locations in the state of Michigan ("Portfolio" or "Properties"). Through strategic positioning on high-traffic commuter thoroughfares, modern prototype store formats, and complementary co-tenancy, USA 2 GO Quick Stores, Inc. ("USA 2 GO" or "Tenant") beats NACS benchmarking for industry averages in gallons sold, total sales, 4-Wall EBITDAR and 4-Wall EBITDAR margin. Since opening its first location in Commerce in 2003, the Tenant has grown to 11 locations across southeastern Michigan and has proven to be a successful and efficient operator within the largely internet-resistant and recession-proof convenience store industry. The company is led by a forward-thinking management team, consistently investing in store updates, offering promotions on in-store goods, and developing new ways to drive profitability.

The Tenant will sign a 20-year absolute triple net master lease, commencing upon transaction closing, guaranteeing \$3.2 million in total rent from both USA 2 GO and third-party tenants, with highly-attractive annual increases of 2.0%. **This offering represents an opportunity to own real estate with solid fundamentals, while providing secure and passive long-term income from a growing Tenant.**

Portfolio Overview

- 11 locations totaling 69,281 SF
- 20-year absolute net master lease
- Year 1 NOI of \$3,200,000 (\$46.19 PSF)
- 2.0% annual escalations

Portfolio Highlights

- Exceptional unit-level performance, with 4-Wall EBITDAR and gasoline volume exceeding industry averages
- Strong real estate fundamentals, with strong visibility - average 34,000 vehicles per day - and accessibility to major interstates
- Seven sites with complementary QSR tenancy
- Experienced and growing Tenant / Guarantor with 17-year operating history
- Store offerings include extensive alcohol options, delivery services, fresh food and beverages, and 24-hour operations at nine of eleven locations



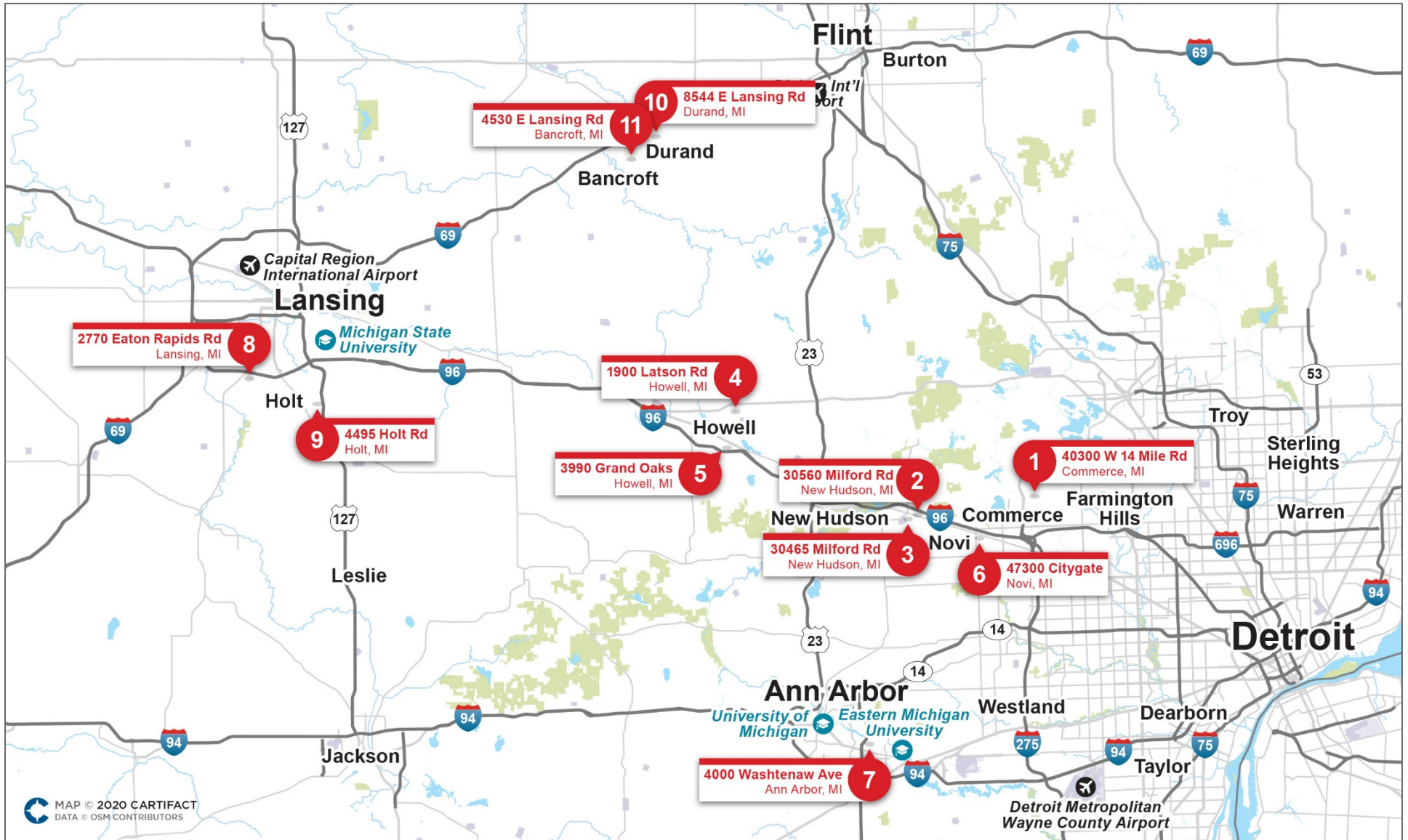
Howell (1900 Latson Road)



Lansing (2770 Eaton Rapids Rd)

Executive Summary

Portfolio Map



Executive Summary

Investment Highlights

Optimal Lease Structure

The Properties will be master-leased to USA 2 GO on an absolute triple net structure for an initial term of 20 years, plus four 5-year options to renew. USA 2 GO will be leasing over the entire occupancy at each Property, collecting rent payments from sub-tenancy at each location. The Tenant will be responsible for all maintenance, repair, and replacement of all capital items, as well as operating costs and real estate taxes. The lack of landlord responsibilities, coupled with contractual rent growth of 2.0% annually, create a highly attractive and passive investment opportunity.

Strong Regional Convenience and Gas Operator

USA 2 GO is much more than your typical C&G operator, with over 17 years of premier service to its communities, USA 2 GO brands itself as a specialty store which also sells gas. Open 24 hours (except Ann Arbor and Bancroft), the Tenant provides more than a fueling center, differentiating itself through its cleanliness, customer service, and expansive food, alcohol, and auto / household product offerings. From fresh-made sandwiches to fine cigars stocked in humidors, to its famous walk-in "Beer Cave", USA 2 GO offers an unparalleled level of convenience and quality.

Strategic Co-Tenancy

Co-tenancy at the Properties is largely complementary, consisting of mostly Tim Horton's franchises (controlled under ownership common to USA 2 GO), many of which boast a drive-thru lane. USA 2 GO has positioned itself to capitalize on both morning and evening commuters, offering morning commuters fresh coffee through this Tim Horton's partnership and a robust selection of beer, wine and liquor to attract the evening crowd.

Nationally Recognized Gas Banners

Featuring gas under the Shell (6), Mobil (4), and Sunoco (1) banners, USA 2 GO receives brand recognition and loyalty benefits from nationally recognized gas providers.



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Investment Highlights



Modern, Large-Format Stores

USA 2 GO buildings average 6,298 SF across the Portfolio, double the industry average of 2,988 SF, with only two locations (Ann Arbor and Durand) currently under 3,500 SF. As USA 2 GO has designed eight of their stores, their prototype features a brick and limestone façade with a concrete structure, providing longevity in the improvements. The two stores acquired in 2019 are each undergoing renovation, Bancroft receiving an interior refurbishment over summer 2020 and Durand targeting a renovation to double store size and incorporate wine, liquor and beer sales at the location. Existing sites continue to receive incremental investment to stay at the forefront of modern C-store design. Large format stores with high SKU counts, especially alcohol, attract consumers and demonstrate synergies in gasoline sales, allowing USA 2 GO to excel with high-margin in-store sales, and boost profitability beyond its peer set.

Highly Resilient and Well-Insulated Business

As the first half of 2020 brought unexpected challenges to the economy due to COVID-19, USA 2 GO's profitability has proven to be remarkably resilient. As gas stations and C-stores were deemed essential businesses, customers continued to patronize the C-stores for tobacco, alcohol, and more. As reported by CNN, alcohol sales from March 2020 to May 2020 increased 27% (32% increase for spirits, 26% increase in wine, 17% increase for beer), positioning USA 2 GO to capitalize on the heightened demand.

Opportunity to Partner with Growing Tenant

USA 2 GO opened two locations in 2019 and one in December 2018, with the 2019 openings through an acquisition. Looking forward, the Tenant is testing a delivery service with all SKUs found in their stores as well as beer, wine and liquor ordered through an app. As the Tenant evaluates additional opportunities and contemplates greenfield development, this sale-leaseback offering will give an investor the chance to invest in quality, income-producing real estate backed by a growing C&G concept.

Solid Real Estate Fundamentals

USA 2 GO's outsized performance can partly be explained by its careful site selection. With an average size of 1.8 acres, the majority of the sites exhibit desirable characteristics, including rectangular configurations, hard corner locations, and visibility along a major road and/or access to an interstate or other highway (average daily traffic counts exceed 34,000 for the typical store). As NACS outlines, the positioning of C-stores influences the success of each location. With nine commuter locations (positioned near a major thoroughfare or interstate) and two neighborhood locations (centralized within the community to serve as a market for residents), USA 2 GO captures significant volume through positioning and convenience.

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