

**TRANSACTION INFORMATION**

**DEAL MANAGER:** Max Jenkins**LESSEE:** Sal Petroleum, Sal AZ Restaurant, 24-7 Stores**OBLIGOR:** Sal Petroleum, Sal AZ Restaurant, 24-7 Stores**CORP GUARANTOR:** N/A**PERSONAL GUARANTOR:** Junaib (Jay) Rizvi**CORP REPORTING TENANT:** Sal Petroleum, Sal AZ Restaurant, 24-7 Stores**SEGMENT/NAICS NAME:** Convenience Store / QSR**UNDERWRITER:** Max Jenkins**CONFORMING INVESTMENT:** Y**SLB/EXISTING LEASE:** SLB**INVESTMENT TYPE:** FEE**MASTER LEASE:** Y**NAICS:** 445120 / 722513**TENANT INDUSTRY:** Service**PURCHASE PRICE:** \$4,313,300**TRANSACTION COST:** \$ 60,000**APPROVED AMOUNT:** \$4,373,300**CAP RATE:** 7.50%**INITIAL RENT:** \$323,500**ESCALATIONS:** 2.00% Annual**PURCHASE OPTION:** N**EARLY TERMINATION:** N**ALL OR NONE PURCHASE:** N**LEASE TYPE:** NNN**TERM:** 20 years**OPTIONS:** Two (2), ten (10) year options**ROFO/R:** N**DEPOSIT:** N**ASSET TYPE:** Retail**MASTER LEASE - FINANCIAL REPORTING:** Y**GUARANTOR FREQUENCY:** Annual**GUARANTOR STATEMENTS:** Tax Return**UNIT FREQUENCY:** Quarterly**UNIT STATEMENTS:** CPA approved statements**EXISTING EXPOSURE:** \$91,000**PROPERTIES REQUESTED:** 3**PROFORMA EXPOSURE:** \$415,000**PF UNIT EBITDAR COVERAGE:** 2.74x**UNIT EBITDAR COVERAGE:** N/A**PF CORP. FCC:** N/A**CORPORATE FCC:** N/A**PF LEASE ADJ. LEVERAGE:** N/A**LEASE ADJUSTED LEVERAGE:** N/A**PF FUNDED DEBT/EBITDA:** N/A**FUNDED DEBT/EBITDA:** N/A

**TRANSACTION CHARACTERISTICS:** The existing EPRT property (DQ Brownsville, KY) operated by the Tenant will be added to the subject Master Lease.

**TAX ACCOUNTING ISSUES:** N/A

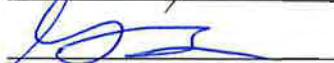
**TRANSACTION COSTS:** Seller is responsible for all third-party reports and title expenses. Buyer is responsible for survey and Phase I on the Phoenix property if EPRT chooses to update existing.

Pete Mavoides



Date: 9/11/18

Gregg Seibert



Date: 9/11/18

**Deal Overview:**

Essential Properties Realty Trust is seeking to acquire three Gas Station / Convenience Stores in Arizona (2) and Washington (1).

Cap Rate:	7.50%
Avg SF:	2,966 SF
Initial Rent:	\$323,500
Avg Rent PSF:	\$36.35
Avg Price PSF:	\$484.70

**Owner Overview:**

Junaib “Jay” Rizvi has been in the QSR and gas station industries for 13 years. He currently owns and operates two (2) Dairy Queen restaurants in Arizona and Kentucky, one (1) deli and three (3) Gas Station / Convenience Stores. Jay recently acquired two of the subject sites in Tucson and Phoenix. Jay is experienced in operations management, financial management, and customer service. Before Jay began owning and operating his own businesses, he was the district manager in charge of daily operations of a 19-unit Gas Station / C-Store portfolio from 2003-2009.

**Transaction Overview:**

Essential Properties is pursuing a sale-leaseback of three (3) Gas Station / C-Store properties in Arizona (2) and Washington (1). The Tucson site has a Dairy Queen attached to the c-store. Jay previously purchased each of the sites and is in the process of completing \$1.18 million in total CAPEX. Jay has already secured funding for all renovations through equity and Stearns Bank loans. EPRT closed on a SLB of a single unit Dairy Queen Grill & Chill in Brownsville, KY with Jay in July 2018. The DQ Brownsville will be combined with the three subject sites to create a new 20-year Master Lease that is personally guaranteed by Jay. All three of the subject sites were distressed properties in need of renovations and equipment upgrades but have strong potential for improved performance. Jay is the 100% owner and operator for the Arizona properties, and he is a 50% partner in the Washington property.

Real Estate Sources & Uses ('000s)					
Sources	%	Uses	%		
SLB Proceeds	\$ 4,313 100%	Centralia Payoff	\$ 645 15%		
		Tucson Payoff	850 20%		
		Phoenix Payoff	960 22%		
		Partner Dist.	85 2%		
		Jay Distribution	1,400 32%		
		Taxes, Fees & Expenses	373 9%		
<b>Total Sources</b>	<b>\$ 4,313 100%</b>	<b>Total Uses</b>	<b>\$ 4,313 100%</b>		

For the properties, Jay provided \$1.17 million of equity, and utilized Stearns Bank and Mountain Pacific Bank for the mortgages. Additionally, Jay put in \$400,000, and his Centralia business partner put in \$85,000 of equity into the subject sites’ renovations. Shell and Mobil provided \$429,000 worth of branding incentives, allocated as part of CAPEX, that will be recaptured via fuel agreements. The chart below shows the sources and uses for the total investments into each property. For more detail, please refer to the unit section.

Operator Investment Sources & Uses ('000s)					
Sources	%	Uses	%		
Equity	\$ 1,655 35%	Centralia	\$ 1,210 26%		
Branding Incentive	429 9%	Tucson	1,920 41%		
Stearns Bank / Mtn Pacific	2,596 55%	Phoenix	1,550 33%		
<b>Total Sources</b>	<b>\$ 4,680 100%</b>	<b>Total Uses</b>	<b>\$ 4,680 100%</b>		

Additionally, Jay will have a coffee kiosk subleased in the Centralia site. He will also sublease a coffee kiosk and taco stand at the Tucson location. In total, the subleases are anticipated to generate an additional \$50,000 in rental income for the tenant.

**Investment Highlights:**

**New, 20-Year Master Lease w/ Escalations** – Upon closing, EPRT will enter into a personally guaranteed, 20-year master lease with 2.00% annual escalations.

**Low Investment Basis in Strong Markets w/ Limited EPRT Exposure** – The subject portfolio has an average traffic count of 31,685 vehicles per day. Additionally, two sites are located in highly populated areas of Tucson and Phoenix, Arizona with 5-mile populations of 164,766 and 428,890, respectively. The Centralia, Washington location will be the only EPRT property in the state and is conveniently located off I-5.

**Experienced Operator w/ Growing Portfolio** – Jay Rizvi has been operating in the C-Store & QSR industries for over 13 years and continues to grow. Prior to owning and operating businesses, he was the district manager for a 19-unit Gas Station / C-Store portfolio for over seven years. He has put \$400,000 of personal equity into the subject properties prior to the SLB, and the proceeds will be utilized for future acquisitions.

**Risks and Mitigants:**

**Risk: Distressed Properties with Limited Historical Financials** – The operator acquired these properties on his own with the intent to renovate and add value to generate cash flow. Because of this, there is a lack of historical data to adequately predict future performance. EPRT had to rely heavily on a Proforma analysis.

**Mitigant: Master Lease** – The subject properties will be put on a Master Lease with an existing EPRT property that generates a 3.02x rent coverage. Using a conservative Proforma analysis without accounting for owner's compensation, the Master Lease will generate a total EBITDAR of \$937,950 and have a combined rent coverage of 2.26x.

**Mitigant: Strong Real Estate Demographics** – The three subject sites have high traffic counts and are in attractive markets. The Centralia site is being acquired at a Rent PSF discount of 24.6% when compared to regional comps.

**Risk: Entering New Market w/ Minimal Projected Gallonage** – The subject sites are projected to have an average annual gallonage of 736 with the Centralia location projected to only achieve 405 during the first year.

**Mitigant: Low Investment in Redeveloped Site** – The operator has invested a total of \$1.18 million in CAPEX to completely remodel the stores and replace old equipment. Over time, this will increase customer count and gallonage, but EPRT used a conservative proforma.

**Mitigant: Inside Store Economics** – The subject portfolio is projected to generate \$2.9 million in inside sales with a gross profit margin of 39.1%.

**Unit Economics:**

The subject portfolio is being acquired at a Price PSF of \$484.70 and Rent PSF of \$36.35.

Subject Portfolio ('000s)									
Type	Address	City	State	Year Built	Total SF	Total Investment	Total Rent	Price PSF	Rent PSF
DQ/Shell	5960 N Oracle	Tucson	AZ	1987	3,969	\$ 1,747	\$ 131	\$ 440.08	\$ 33.01
Max's Shell	1201 E. Missouri Ave	Phoenix	AZ	1986	2,530	1,467	110	579.71	43.48
Mobil	1120 Harrison Ave	Centralia	WA	1976	2,400	1,100	83	458.33	34.38
<b>Total</b>					<b>8,899</b>	<b>\$ 4,313</b>	<b>\$ 324</b>	<b>\$ 484.70</b>	<b>\$ 36.35</b>
<b>Average</b>					<b>2,966</b>	<b>1,438</b>	<b>108</b>		

Given the distressed nature of the sites when acquired by the Operator, there was limited historical data to be used. Below provides a quick summary of the status of each site.

- Tucson: Scheduled to complete its store remodel and conversion to a DQ Grill & Chill this fall.
- Phoenix: Began renovations in May 2018 and completed in August. Planned to transition to a 24-hour store by the end of September.
- Centralia: Began renovations August of 2017 and completed in July 2018.

Subject Portfolio Investment ('000s)						
Location	Projects	Date	Price	CAPEX	Investment	
Tucson	Grill & Chill Remodel, Store Remodel, Taco Stand & Coffee Kiosk	Jun-18	\$ 1,500	\$ 420	\$ 1,920	
Phoenix	Pumps, Diesel, Tanks, Signs, Store Remodel	Mar-18	1,100	450	1,550	
Centralia	Kitchen Remodel, Pumps, Coffee Kiosk	Aug-16	900	310	1,210	
<b>Total</b>			<b>\$ 3,500</b>	<b>\$ 1,180</b>	<b>\$ 4,680</b>	

EPRT annualized the first two months of activity for the Tucson site to compare with Jay's Proforma income statement for year one. Using limited historical data and the operator's projections for the other two sites, the subject portfolio will generate \$658,150 in EBITDAR and have a rent coverage of 2.03x after year one. For reference, the August gallonages for the Tucson, Phoenix, and Centralia sites were 85, 60 and 45, respectively. If annualized, the annual gallonage is 3.3% higher than his projected gallonage. Additionally, the August gallonage does not fully depict the gradual increase in gallonage that should occur post renovations.

Subject Portfolio ('000s)																	
Type	City	State	Period	Total Sales	Gas				Inside Store			Total Sales	EBITDAR	Coverage	Margin		
					Gallonage	Sales	COGS	GP	CPG	Sales	COGS	GP	IS Margin				
DQ/Shell	Tucson	AZ	2018 Ann	\$ 2,981	960	\$ 2,014	\$ 1,822	\$ 192	0.20	\$ 967	\$ 550	\$ 417	43.1%	\$ 2,981	\$ 270	2.06x	9.1%
Max's Shell*	Phoenix	AZ	Proforma	2,846	843	1,855	1,686	169	0.20	992	641	351	35.4%	2,847	237	2.15x	8.3%
Mobil*	Centralia	WA	Proforma	2,314	405	1,332	1,239	93	0.23	982	600	382	38.9%	2,314	151	1.83x	6.5%
<b>Total</b>				<b>\$ 8,141</b>	<b>2,208</b>	<b>\$ 5,201</b>	<b>\$ 4,747</b>	<b>\$ 454</b>		<b>\$ 2,940</b>	<b>\$ 1,791</b>	<b>\$ 1,150</b>		<b>\$ 8,142</b>	<b>\$ 658</b>		
<i>Total</i>				<i>2,714</i>	<i>736</i>	<i>1,734</i>	<i>1,582</i>	<i>151</i>	<i>0.21</i>	<i>980</i>	<i>597</i>	<i>383</i>	<i>39.1%</i>	<i>2,714</i>	<i>219</i>	<i>2.03x</i>	<i>8.1%</i>
*Year 1 Proforma from Operator																	

Jay expects the Dairy Queen sales to increase by 20% with the conversion to the Grill & Chill model, but for conservative purposes, EPRT used existing inside store sales in the chart above. Additionally, EPRT did not add sublease rental income or the projected income from the new restaurant at the Centralia site. The chart below shows the total additional income that will be generated by coffee kiosks, the taco stand, and the Centralia restaurant. If these cash flows (excluding additional Grill & Chill revenue) are added to the portfolio EBITDAR, then the portfolio rent coverage increases to 2.19x.

Subject Portfolio ('000s)				
Type	City	Added Services	Potential Cash Flow	
DQ/Shell	Tucson	Grill & Chill, Coffee Kiosk, Taco Stand		\$ 25
Max's Shell*	Phoenix	N/A		-
Mobil*	Centralia	Coffee Kiosk, Restaurant		25
<b>Total</b>				<b>50</b>

With the addition of the DQ Brownsville, the Master Lease will have a combined EBITDAR of \$937,950 with a rent coverage of 2.26x. Again, if EPRT adds the additional income to the Tucson and Centralia properties, the rent coverage increases to 2.46x. The Centralia location has the lowest gallonage and projected EBITDAR. Even if this site defaults, because of the strong financials of the DQ Brownsville and the relatively low rent, the Master Lease will still maintain a rent coverage of 1.90x.

Master Lease ('000s)									
Type	City	State	Investment	Rent	Price PSF	Rent PSF	2018 Ann Sales	EBITDAR	Rent Coverage
DQ/Shell	Tucson	AZ	\$ 1,747	\$ 131	\$ 440.08	\$ 33.01	\$ 2,981	\$ 270	2.06x
Max's Shell*	Phoenix	AZ	1,467	110	579.71	43.48	2,846	237	2.15x
Mobil*	Centralia	WA	1,100	83	458.33	34.38	2,314	151	1.83x
DQ	Brownsville	KY	1,300	91	270.95	18.97	919	280	3.07x
*Year 1 Proforma			<b>Total</b>	<b>\$ 5,613</b>	<b>\$ 415</b>	<b>\$ 409.82</b>	<b>\$ 30.26</b>	<b>\$ 9,060</b>	<b>\$ 938</b>
			<i>Average</i>	<i>1,403</i>	<i>104</i>			<i>2,265</i>	<i>234</i>
									<i>2.26x</i>

Jay will pay himself an annual salary of \$200,000 in 2018. He did not specify which businesses his salary would be allocated to. Conservatively, EPRT did not addback his personal salary to the analysis above. If owner's compensation were added back to the EPRT Master Lease, the combined rent coverage would increase to 2.74x.

#### Personal Financials:

The below chart shows Jay Rizvi's personal financials as of 8/2/2018 and a Proforma post SLB.

Jay Rizvi Balance Sheet Summary ('000s)			
	<u>08/02/18</u>	<u>Adj</u>	<u>PF</u>
<b>Assets</b>			
Cash	\$ 400	\$ 1,400	\$ 1,800
Notes Receivable	547	-	547
Dairy Queen KY	400	-	400
Dairy Queen AZ	500	-	500
DQ / Shell AZ	2,100	(1,250)	850
Grab n Go	275	-	275
24-7 Food Mart	1,350	(1,200)	150
Missouri Shell	1,700	(950)	750
27th Ave Shell	400	-	400
Benson QSR	300	-	300
Personal Property	141	-	141
Personal Real Estate	900	90	990
<b>Total Assets</b>	<b>\$ 9,013</b>		<b>\$ 7,103</b>
<b>Liabilities</b>			
Personal Mortgages	610	36	646
24-7 Food Mart	645	(645)	-
DQ / Shell AZ	850	(850)	-
Missouri Shell	960	(960)	-
27th Ave Shell	316	-	316
Grab N Go	150	-	150
Benson QSR	249	-	249
Credit Cards	10	-	10
Vehicle	8	-	8
<b>Total Liabilities</b>	<b>\$ 3,798</b>		<b>\$ 1,379</b>
<b>Total Net Worth</b>	<b>5,215</b>		<b>5,724</b>
<b>Total Liabilities and Net Worth</b>	<b>\$ 9,013</b>		<b>\$ 7,103</b>

Following the transaction, Jay will payoff all debt on the subject properties and use the cash proceeds for future acquisitions. Jay utilized Stearns Bank for loans on the Tucson and Phoenix locations. Jay and his partner paid cash for the Centralia renovations. As noted previously, Jay's total compensation for 2018 will be \$200,000. His personal real estate consists of a house in Kentucky and two houses in Arizona. The notes payable consists of two owned / operated Gas Station / Convenience Stores in Washington that Jay sold in 2015 and 2016.

**Real Estate:**

EPRT found 7 comparable transactions in the state of Arizona that can be used to analyze two of the subject sites. The Arizona comps were only compared to the Tucson and Phoenix locations. Overall, these two sites are being acquired at a Price PSF discount of 22.4% and a cap rate 170 bps above the market average. The Rent PSF is in line with the market average.

Regional C-Store ('000s)												
Concept	Address	City	ST	Year Built	Sale Date	Bldg SF	Land AC	Cap Price	Rent Rate	Price PSF	Rent PSF	Lease Term
Mobile	2371 E Baseline Rd	Gilbert	AZ	1998	8/4/2017	2,210	0.68	\$ 1,190	6.00%	\$ 71	\$ 538.46	\$ 32.31
NP	421 E Sheldon St	Prescott	AZ	1951	For Sale	2,763	0.33	1,700	7.40%	126	615.27	45.53
7-Eleven	4101 N 27th Ave	Phoenix	AZ	1979	7/19/2017	2,400	0.51	1,415	5.12%	72	589.58	30.19
ARCO	1602 E Bell Rd	Phoenix	AZ	NP	For Sale	2,601	0.51	2,235	5.59%	125	859.28	48.06
7-Eleven	1210 W Guadalupe Rd	Mesa	AZ	1979	5/16/2018	2,400	0.43	1,275	5.73%	73	531.25	30.44
7-Eleven	815 S Dobson Rd	Mesa	AZ	1986	4/27/2018	2,880	0.47	1,900	5.02%	95	659.72	33.12
<b>Total</b>	<b>7</b>					<b>15,254</b>	<b>3.2</b>	<b>\$ 9,715</b>		<b>\$ 563</b>		
<b>Average</b>						<b>2,522</b>	<b>0.46</b>	<b>1,534</b>	<b>5.80%</b>	<b>90</b>	<b>\$ 636.88</b>	<b>\$ 36.91</b>
												<b>11.7</b>

Subject Portfolio ('000s)											
Concept	Address	City	ST	Sale Date	Bldg SF	Land AC	Cap Price	Rent Rate	Price PSF	Rent PSF	Lease Term
Varies			AZ	TBD	3,250		\$ 1,607	7.50%	\$ 121	\$ 494.44	\$ 37.08
											20.0

Additionally, EPRT found 5 comparable transactions in the same region as the Centralia site. EPRT is acquiring the site at a Price PSF discount of 25.7% and a Rent PSF that is in line with the market.

Regional C-Store ('000s)												
Concept	Address	City	ST	Year Built	Sale Date	Bldg SF	Land AC	Cap Price	Rent Rate	Price PSF	Rent PSF	Lease Term
Chevron	8793 N Hwy 36	Lake Point	UT	1990	7/26/2017	3,500	1.79	\$ 1,826	5.75%	\$ 105	\$ 521.71	\$ 30.00
7-Eleven	3200 E Fourth Plain Blvd	Vancouver	WA	2012	10/20/2017	2,400	0.4	1,615.0	5.58%	90	672.92	37.55
7-Eleven	3992 Havana St	Denver	CO	2011	8/30/2017	3,010	0.92	2,512.4	5.00%	126	834.68	41.73
Maverik	530 W 4800 S	Salt Lake City	UT	1988	For Sale	3,000	0.64	1,350.0	6.75%	91	450.00	30.38
Loaf n Jug	440 N Park Ave	Breckenridge	CO	1988	2/28/2017	3,165	0.59	2,000.0	5.00%	100	631.91	31.60
<b>Total</b>	<b>5</b>					<b>15,075</b>	<b>4.34</b>	<b>\$ 9,303</b>		<b>\$ 512</b>		
<b>Average</b>						<b>3,015</b>	<b>0.87</b>	<b>1,861</b>	<b>5.50%</b>	<b>102</b>	<b>\$ 617.14</b>	<b>\$ 33.95</b>
												<b>8.3</b>

Subject Portfolio ('000s)											
Concept	Address	City	ST	Sale Date	Bldg SF	Land AC	Cap Price	Rent Rate	Price PSF	Rent PSF	Lease Term
Mobil	1120 Harrison Ave	Centralia	WA	TBD	2,400		\$ 1,100	7.50%	\$ 83	\$ 458.33	\$ 34.38
											20.0

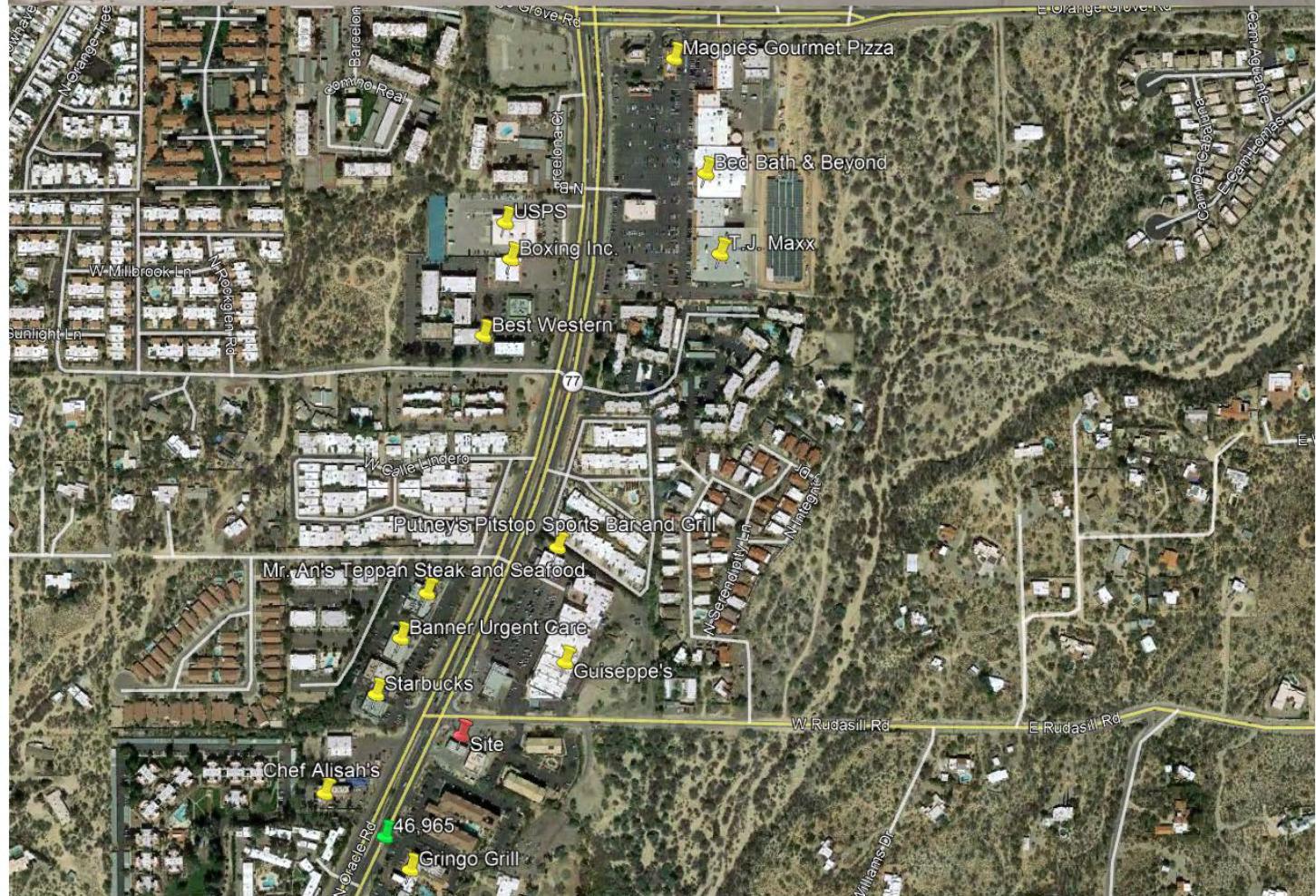
**Industry Exposure:**

Following the transaction, EPRT's exposure to C-Store / Gas Stations will be 10.4% of annual revenue.

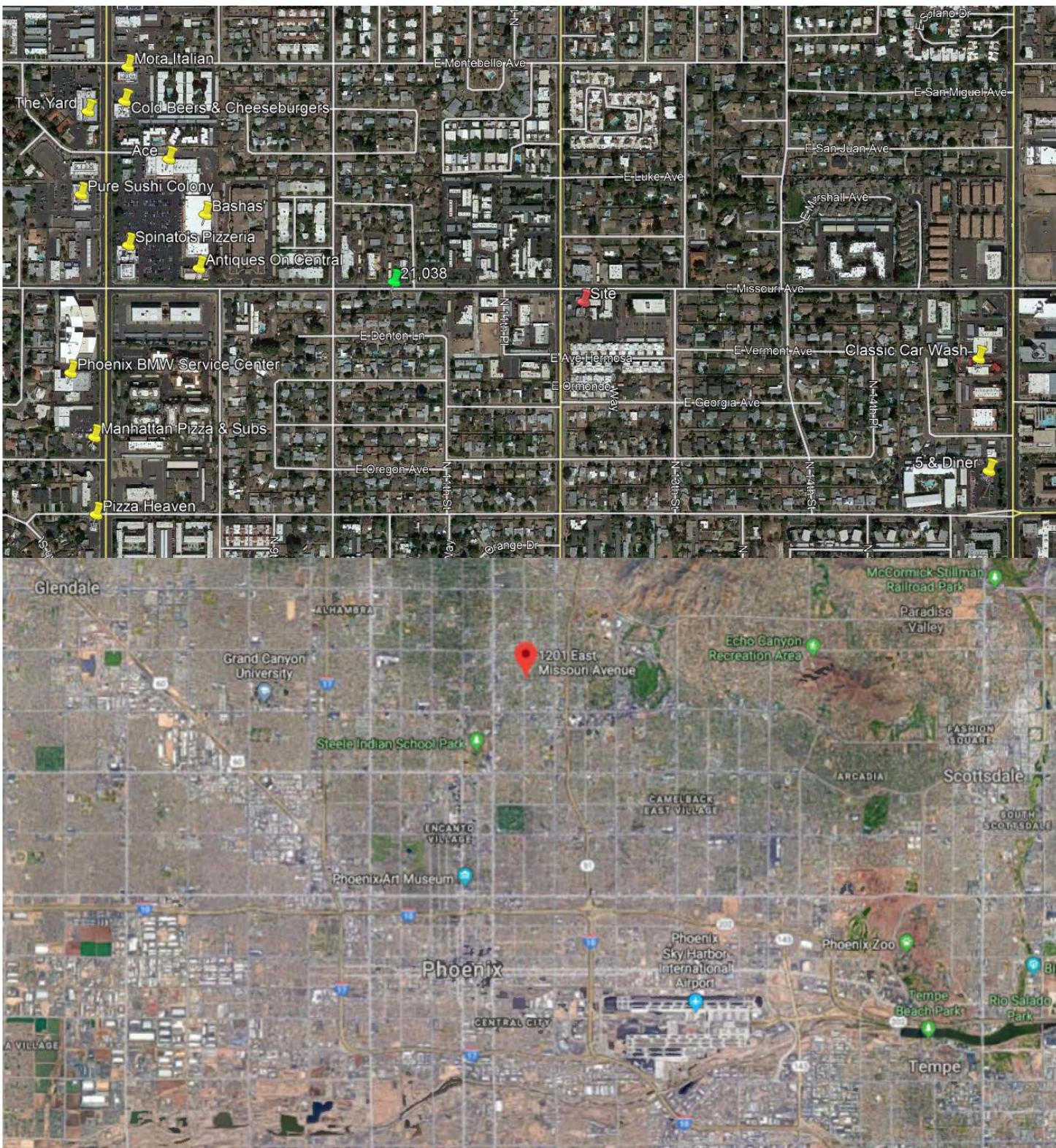
Essential Properties Realty Trust (000's)			
	Expected 9/30/2018	%	
Annual Revenue	\$ 100,000		
Proposed Exposure	324	0.3%	
Current C-Store Exposure	9,063	9.1%	
Proforma C-Store Exposure	\$ 9,387	9.4%	

## Exhibit A: Photographs, Aerials and Competitive Landscape

Demographics										Metrics					
Address	City	State	Zip	Total SF	Opened	VPD	Population			Household Income			Investment	Price PSF	Rent PSF
							1-Mile	3-Miles	5-Miles	1-Mile	3-Miles	5-Miles			
5960 N Oracle	Tucson	AZ	85704	3,969	1987	46,965	6,976	69,454	174,766	\$48,311	\$45,718	\$43,176	\$ 1,747	\$ 440.08	\$ 33.01



Demographics										Metrics				
Address	City	State	Zip	Total SF	Opened	VPD	1-Mile	3-Miles	5-Miles	1-Mile	3-Miles	5-Miles		
							Population	Household Income	Investment	Price PSF	Rent PSF			
1201 E. Missouri Ave	Phoenix	AZ	85014	2,530	1986	21,038	20,737	154,626	\$53,307	\$52,955	\$44,498	\$ 1,467	\$ 579.71	\$ 43.48

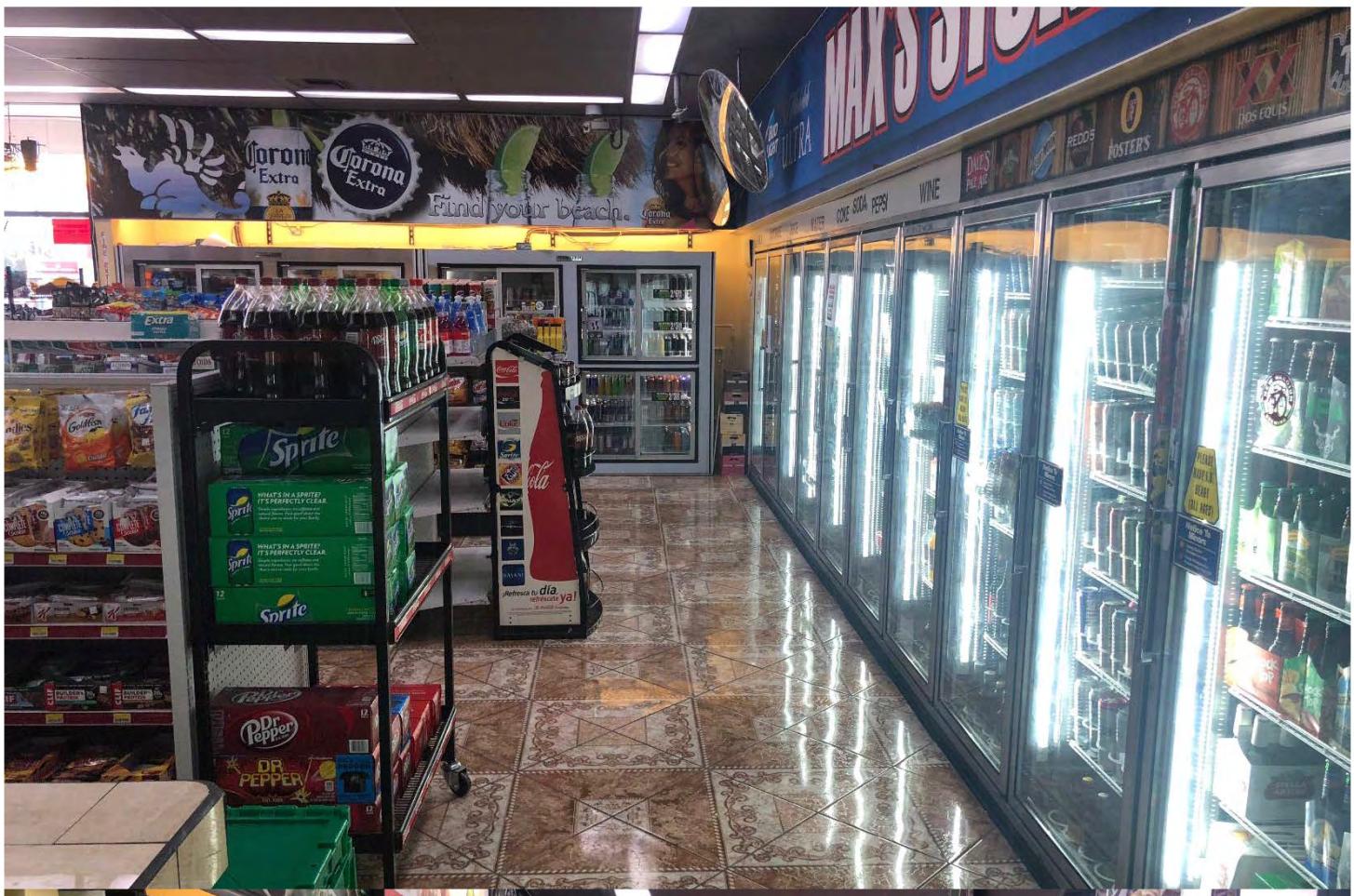


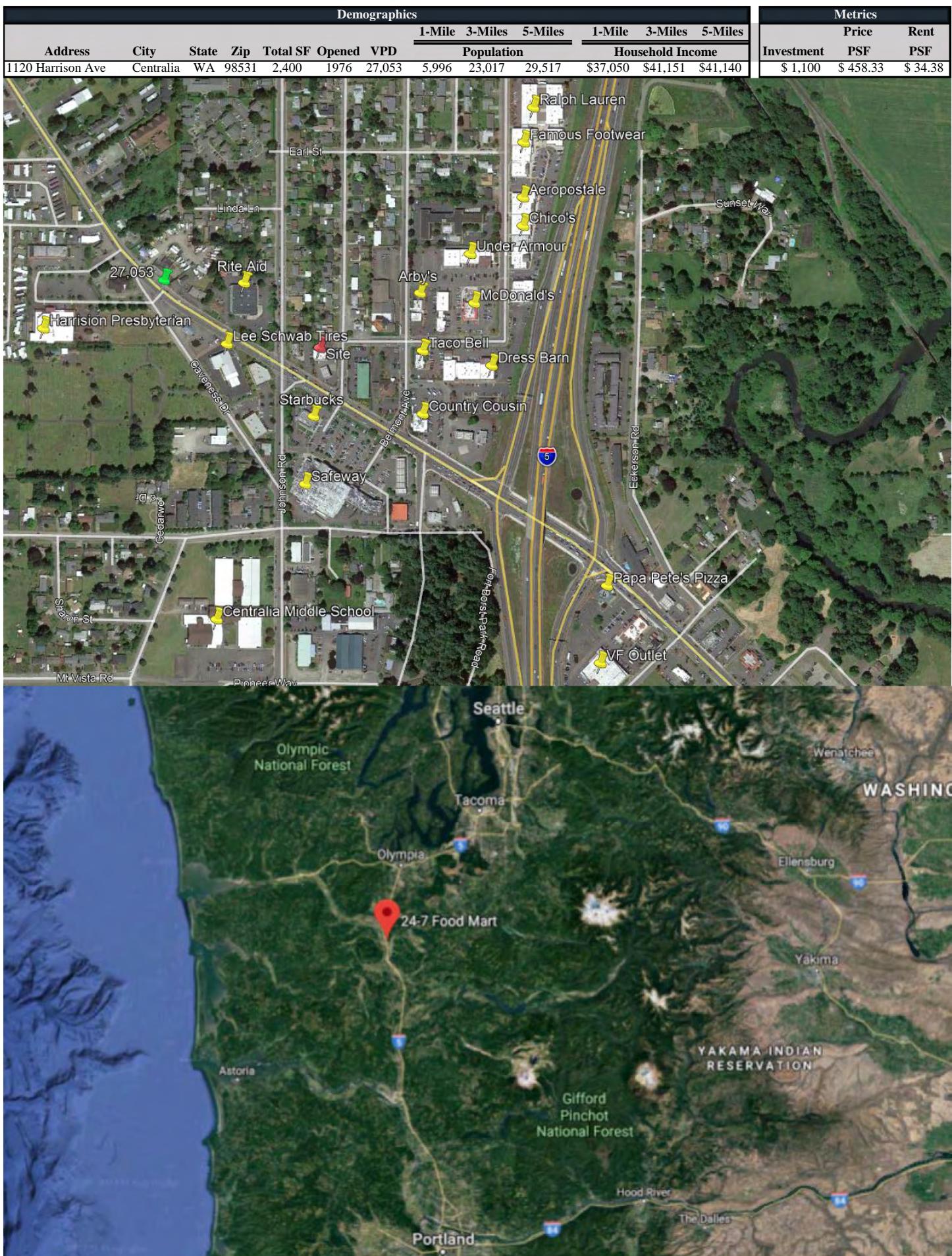
**BEFORE:**



**AFTER:**







**BEFORE:**



AFTER:



