

Tenant Description

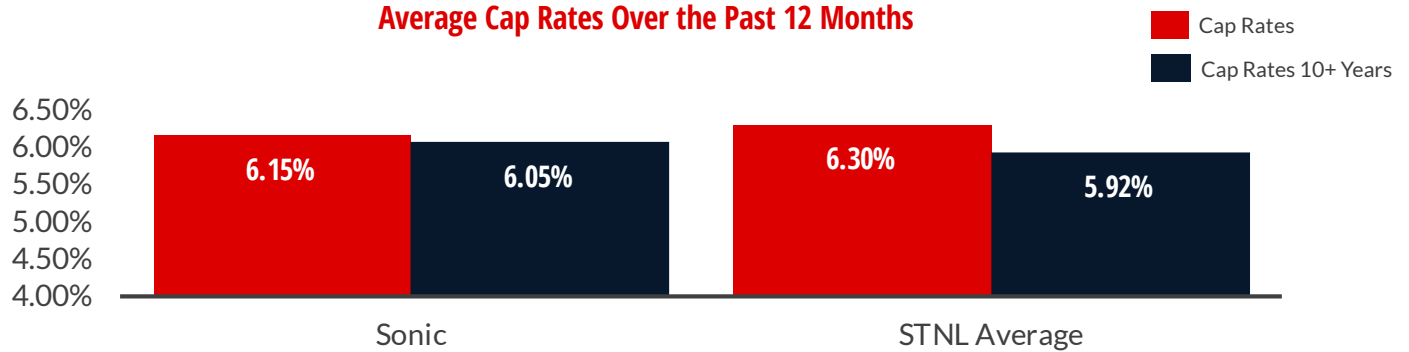
Sonic is the largest chain of drive-in restaurants in the US. Having opened their first restaurant in 1953 in Shawnee, OK, today they have grown to over 3,500 locations across 45 states.

A typical Sonic location consists of a 1,500 sf building housing the kitchen, surrounded by parking spaces with individual payment terminals, intercoms, and menu boards. Many locations are also outfitted with a drive-thru lane and patio seating, providing additional ordering and dining options. Sonic is known to have a highly diverse menu, ranging from breakfast burritos and cheeseburgers to specialty drinks and ice cream.

Net Lease Overview

Sonic presents net lease investors with a unique set of draws. The low price point, \$1.3 million on average, is attractive to individual investors and those new to the market. Sonic tends to sign triple net leases, freeing the investor of any landlord responsibilities. These leases also have rental increases built in during the primary term and include options to extend the lease. 94% of the Sonic system is franchised, making it critical for investors to understand the financial strength of the guarantor of any location they may be considering. The structure and land can present an unusual opportunity for investors when trying to retenant the property. The structure is small and can be difficult to retenant but it is situated on a parcel of land that is flat and ideal for redevelopment.

Average Cap Rates Over the Past 12 Months



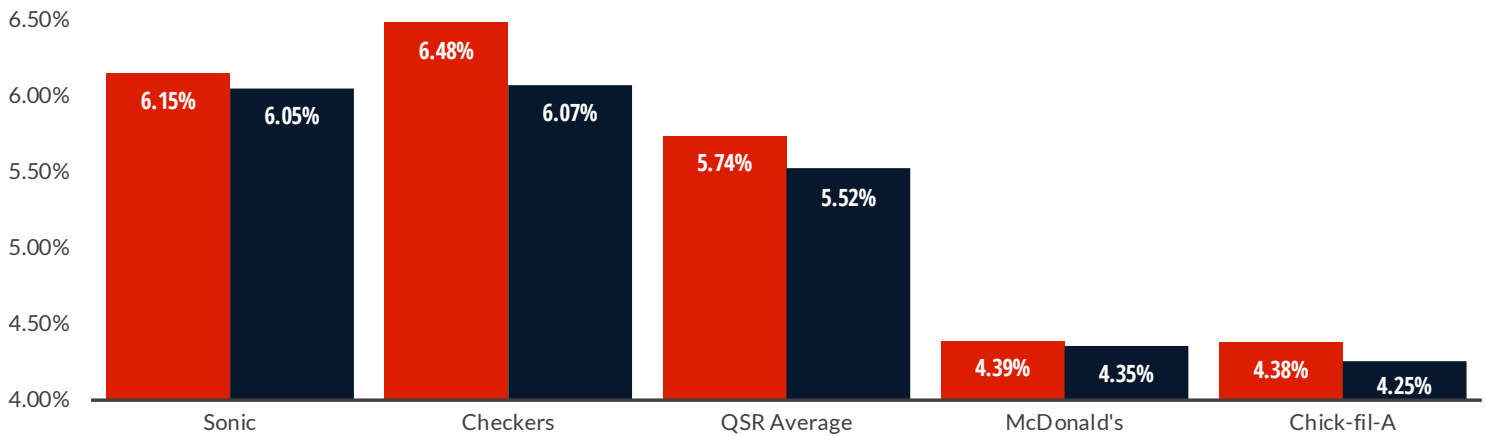
Sonic's Strategy

Sonic's strategy is to deliver a differentiated and high quality customer service experience. The key elements of its strategy are:

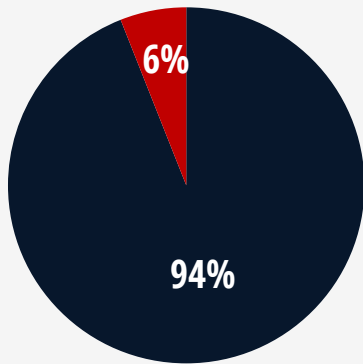
- A distinctive drive-in concept focusing on a unique menu of quality, made-to-order food products including several signature items and innovative technology
- An allegiance to customer service featuring the quick delivery of food by friendly carhops
- Integrated national marketing programs across media channels, including broadcast, digital and mobile
- A commitment to strong franchisee relationships



Average Cap Rate of Various QSR Tenants Over the Past 12 Months



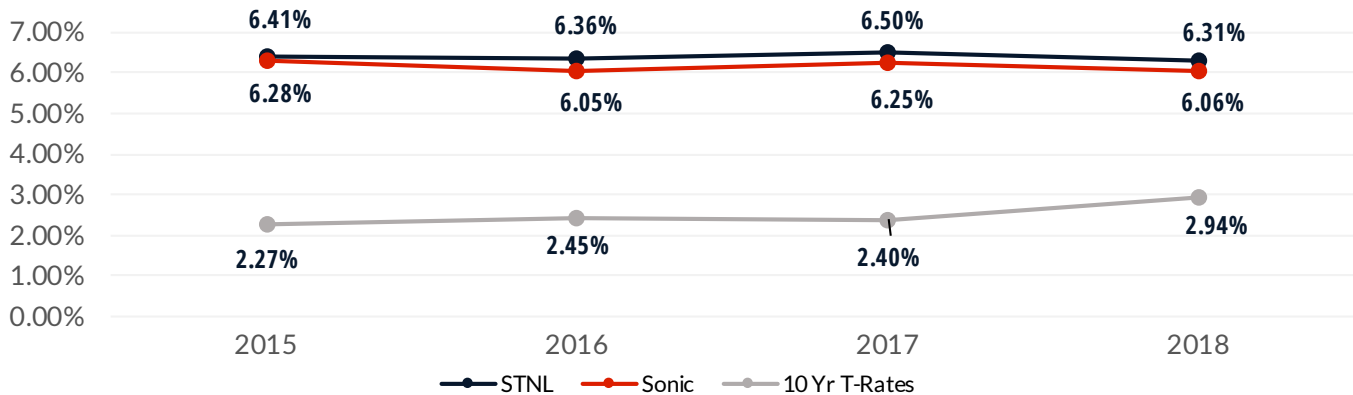
Highly prized tenants such as McDonald's or Chick-fil-A sell at a high premium to the rest of the sector while other QSR tenants such as Sonic and Checkers can be acquired at cap rates above the sector average.



The majority of Sonic locations are operated by franchisees and Sonic has been selling corporate locations to franchisees, furthering this divide. The large portion of franchisees make evaluating the creditworthiness of the guarantor extremely important.

■ % Corporate ■ % Franchised

STNL Cap Rates vs Sonic Cap Rates vs 10-Yr T-Rates



Sonic has traded at higher cap rates than the QSR average, but has hovered near the single tenant net lease (STNL) average over the previous few years.

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DISCLOSURES: As part of our market research, we collect sales price, cap rate, and lease years remaining for all publicly advertised and sold STNL properties. a) We are not able to capture 100% of the off-market transactions that occur; however the nature of off-market typically limits their value as true market comps. b) Sources include public records, sales announcements, Calkain sales, and appraiser obtained sales amongst others. c) Our collection process, while thorough, is not all encompassing and there may be biases in the data as it relates to geography, tenancy, or brokers involved in the transaction. d) Public records often lag behind when transactions actually close, months in some cases. e) In sectors with a skew of greater than |2|, we have replaced the mean with the median to better describe these sectors. Consequently the data supplied here for any given quarter is likely to miss a material amount of transactions that actually closed in it.