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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **0-17686**

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

Wisconsin
*(State or other jurisdiction of
incorporation or organization)*

39-1606834
*(I.R.S. Employer
Identification No.)*

1900 W 75th Street, Suite 100 Prairie Village, Kansas 66208
(Address of principal executive offices, including zip code)

(816) 421-7444
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: Limited Partnership Interests

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting securities held by non-affiliates of the Registrant: The aggregate market value of limited partnership interests held by non-affiliates is not determinable since there is no public trading market for the limited partnership interests.

TABLE OF CONTENTS

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Page</u>
<u>PART I</u>	
<u>Item 1. Business</u>	3
<u>Item 1A. Risk Factors</u>	5
<u>Item 1B. Unresolved Staff Comments</u>	5
<u>Item 2. Properties</u>	6
<u>Item 3. Legal Proceedings</u>	8
<u>Item 4. Mine Safety Disclosures</u>	8
<u>PART II</u>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	9
<u>Item 6. Selected Financial Data</u>	9
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	10
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	13
<u>Item 8. Financial Statements and Supplementary Data</u>	14
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	28
<u>Item 9A. Controls and Procedures</u>	28
<u>Item 9B. Other Information</u>	28
<u>PART III</u>	
<u>Item 10. Directors and Executive Officers of the Registrant</u>	29
<u>Item 11. Executive Compensation</u>	30
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management</u>	30
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	31
<u>Item 14. Principal Accountant Firm Fees and Services</u>	32
<u>PART IV</u>	
<u>Item 15. Exhibits, Financial Statement Schedules</u>	33
<u>Item 16. Form 10-K Summary</u>	34
<u>Signatures</u>	37

PART I

Item 1. Business

Background

DiVall Insured Income Properties 2 Limited Partnership (the “Partnership”), is a limited partnership organized under the Wisconsin Uniform Limited Partnership Act pursuant to a Certificate of Limited Partnership dated as of November 20, 1987, and governed by a Limited Partnership Agreement, as amended from time to time (collectively, the “Partnership Agreement”). The Partnership is managed by its general partner, The Provo Group, Inc. (“TPG” or the “General Partner”). As of December 31, 2020, the Partnership had 1,125 limited partners owning an aggregate of 46,280.3 Limited Partnership Interests (the “Interests”).

The Partnership is engaged in the business of owning and operating its investment portfolio of commercial real estate properties (each a “Property” and collectively, the “Properties”). At December 31, 2020, the Partnership owned 10 Properties, located in a total of three states.

At December 31, 2020, eight of the 10 Properties were (and continue to be) leased to three Wendy’s franchisees, with five of the Properties being leased to Wendgusta, LLC (“Wendgusta”), two of the Properties being leased to Wendcharles I, LLC (“Wendcharles I”), and one of the Properties being leased to Wendcharles II, LLC (“Wendcharles II”). Operating base rents from these eight leases during the year ended December 31, 2020 comprised approximately 86% of the total 2020 operating base rents. During the year ended December 31, 2020, additional percentage rents were also generated from these eight Wendy’s Properties and totaled \$607,599. Additionally, those eight Properties exceeded 80% of the Partnership’s total Properties, both by historical asset value and number. Six of the Properties that are currently leased to Wendy’s franchisees feature lease expiration dates of December 31, 2040. The other two Properties that are currently leased to Wendy’s franchisees feature a lease expiration date of November 6, 2026.

See Properties under Item 2 below for the table of all Properties and lease expirations and a discussion of Properties with significant developments during the year ended December 31, 2020.

During the process of leasing the Properties, the Partnership may experience competition from owners and managers of other properties. As a result, in connection with negotiating tenant leases, along with recognizing market conditions, the General Partner may offer rental concessions, or other inducements, which may have an adverse impact on the results of the Partnership’s operations. The Partnership is also in competition with sellers of similar properties who from time to time attempt to locate suitable purchasers for its Properties.

The Partnership Agreement provides that the Partnership is scheduled to be dissolved on November 30, 2023, or earlier upon the prior occurrence of any of the following events: (a) the disposition of all its Properties; (b) the written determination by the General Partner, that the Partnership’s assets may constitute “plan assets” for purposes of ERISA; (c) the agreement of limited partners owning a majority of the outstanding Interests to dissolve the Partnership; or (d) the dissolution, bankruptcy, death, withdrawal, or incapacity of the last remaining General Partner, unless an additional General Partner is elected previously by a majority of the limited partners.

During the 2020 consent solicitation process, the Limited Partners approved two separate amendments to the Partnership Agreement. The amendments served to: (i) extend the term of the Partnership by three (3) years to November 30, 2023, and (ii) permit the General Partner to effect distributions at times that it deems appropriate, but no less often than semi-annually. In addition, the Limited Partners approved a resolution granting the General Partner the authority to, at any time prior to November 30, 2023, sell all or substantially all of the Partnership’s assets and then liquidate and dissolve the Partnership without further approval from the Limited Partners.

The Permanent Manager Agreement

The Permanent Manager Agreement (“PMA”) was entered into on February 8, 1993, between the Partnership, DiVall 1 (which was dissolved in December 1998), DiVall 3 (which was dissolved in December 2003), the now former general partners, Gary J. DiVall and Paul E. Magnuson, their controlled affiliates, and TPG, naming TPG as the Permanent Manager. The PMA contains provisions allowing TPG to submit to the PMA, election of TPG as General Partner, and the issue of acceptance of the resignations of the former general partners to a vote of the limited partners through a solicitation of written consents.

TPG, as the General Partner, has been operating and managing the affairs of the Partnership in accordance with the provisions of the PMA and the Partnership Agreement since February 8, 1993.

Effective January 1, 2021, the PMA was renewed by the General Partner for a two-year period ending December 31, 2022. The PMA can be terminated earlier (a) by a vote at any time by a majority interest of the limited partners, (b) upon the dissolution and winding up of the Partnership, (c) upon the entry of an order of a court finding that TPG has engaged in fraud or other like misconduct or has shown itself to be incompetent in carrying out its duties under the Partnership Agreement, or (d) upon 60 days’ written notice from TPG to the limited partners of the Partnership.

Advisory Board

The concept of the Advisory Board was first introduced by TPG during the solicitation of written consents seeking to elect TPG as the General Partner. The first Advisory Board was established in October 1993. Among other functions, the three-person Advisory Board has the following rights and duties: to review operational policies and practices; to review extraordinary transactions; to review internal financial controls and practices; and to review the performance of the independent auditors of the Partnership. The Advisory Board’s powers are advisory only and the Advisory Board does not have the authority to direct management decisions or policies of the Partnership or remove the General Partner. The Advisory Board has full and free access to the Partnership’s books and records, and individual Advisory Board members have the right to communicate directly with the limited partners concerning Partnership business. Members of the Advisory Board are compensated \$1,500 annually and \$500 for each quarterly meeting attended.

The Advisory Board currently consists of limited partners of the Partnership: Jesse Small and Albert Kramer. For a brief description of each Advisory Board member, refer to Item 10, Directors and Executive Officers of the Registrant.

No Employees; Location of Business Operations

The Partnership has no employees.

All of the Partnership’s business is conducted in the United States.

Available Information

The Partnership is required to file with the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with any related amendments and supplements to these periodic and current reports. The SEC maintains a website containing these reports and other information regarding our electronic filings at www.sec.gov.

We also make these reports and other information available either on or through our Internet Website at www.divallproperties.com as soon as reasonably practicable after such reports are available. Please note that any internet addresses provided in this Annual Report on Form 10-K are for information purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such internet addresses is intended or deemed to be incorporated by reference herein.

Item 1A. Risk Factors

The Partnership's business, the ownership and lease of the Properties, is subject to a variety of risks attendant to the ownership and lease of commercial real property, including risks related to: (i) changes in general economic conditions both nationally and in the local markets where the Properties are located, (ii) changes in real estate conditions, including without limitation, decreases in valuations of real properties, increases in property taxes and lack of buyers should the Partnership want to dispose of a Property, (iv) lease-up risks, (v) ability of tenants to fulfill their obligations to the Partnership under existing leases, (vi) declines in sales for tenants whose leases include a percentage rent component, (vii) adverse changes to the restaurant market, (viii) entrance of competitors to the Partnership's lessees in markets in which the Properties are located, (ix) inability to obtain new tenants upon the expiration of existing leases, (x) the potential need to fund tenant improvements or other capital expenditures out of operating cash flows, (xi) the Partnership's ability to realize value for Limited Partners upon disposition of the Properties, (xii) adverse effects on our Properties and tenants caused by the COVID-19 pandemic, and (xiii) various other factors.

In addition to the general risks identified above, the Partnership is also subject to various cyber security risks, including those generally described below.

Our business operations could be disrupted if our information technology systems fail to perform adequately or are breached.

Information technology serves an important role in the efficient and effective operation of our business. We rely on information technology networks and systems, including the internet, to process, transmit, and store electronic information to manage a variety of business processes and to comply with regulatory, legal, and tax requirements. Our information technology systems and infrastructure are critical to effectively manage our key business processes including finance, administration and other business processes. These technologies enable internal and external communication among our locations, supplies, customers, and others and include the receipt and storage of personal information about our investors and proprietary business information. Our information technology systems, some of which are dependent on services provided by third parties, may be vulnerable to damage, interruption, or shutdown due to any number of causes such as catastrophic events, natural disasters, fires, power outages, systems failures, telecommunications failures, security breaches, computer viruses, hackers, and other causes. Increased cyber-security threats pose a potential risk to the security and viability of our information technology systems, as well as the confidentiality, integrity, and availability of the data stored on those systems. The failure of our information technology systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies, data loss, legal claims or proceedings, regulatory penalties, and the loss of sales and customers. Any interruption of our information technology systems could have operational, reputational, legal and financial impacts that may have a material adverse effect on our business.

A cyber-attack or other information security breach could have a material adverse effect on our operations and result in financial losses.

We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. If we are unable to prevent cyber-attacks and other information security breaches, we may encounter significant disruptions in our operations which could adversely impact our business, financial condition and results of operations or result in the unauthorized disclosure of confidential information. Such breaches may also harm our reputation, result in financial losses or subject us to litigation or other costs or penalties.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Nine out of 10 Properties are leased to franchisees of national, regional and local fast food, family style and casual/theme restaurants. The tenth Property is leased to Brakes4Less of Columbia, Inc.

Original lease terms for the leased Properties are generally five to 20 years from their inception. All leases are triple-net, which require the tenant to pay all property operating costs including maintenance, repairs, utilities, property taxes, and insurance. A majority of the leases contain percentage rent provisions, which require the tenant to pay a specified percentage (six percent to seven percent) of gross sales above a threshold amount. None of the Properties are mortgaged. The Partnership owns the buildings and land, and all improvements for all the Properties. The Partnership owned the following Properties as of March 1, 2021:

Acquisition Date	Property Name & Address	Lessee	Purchase Price (1)	Operating Rental Per Annum	Lease Expiration Date	Renewal Options
12/22/88	Wendy's (3) 1721 Sam Rittenberg Blvd Charleston, SC	Wendcharles II, LLC	596,781	166,848	12-31-2040	None
12/22/88	Wendy's (4) 3013 Peach Orchard Rd Augusta, GA	Wendgusta, LLC	649,594	188,000	12-31-2040	None
02/21/89	Wendy's (4) 1901 Whiskey Rd Aiken, SC	Wendgusta, LLC	776,344	210,632	12-31-2040	None
02/21/89	Wendy's (4) 1730 Walton Way Augusta, GA	Wendgusta, LLC	728,813	96,780	11-6-2026	None
02/21/89	Wendy's (5) 343 Folly Rd Charleston, SC	Wendcharles I, LLC	528,125	136,000	12-31-2040	None
02/21/89	Wendy's (5) 361 Hwy 17 Bypass Mount Pleasant, SC	Wendcharles I, LLC	580,938	146,520	12-31-2040	None
03/14/89	Wendy's (4) 1004 Richland Ave Aiken, SC	Wendgusta, LLC	633,750	167,500	12-31-2040	None
12/29/89	Wendy's (4) 517 E Martintown Rd N Augusta, SC	Wendgusta, LLC	660,156	87,780	11-6-2026	None
12/29/89	Brakes 4 Less (6) 3859 Washington Rd Martinez, GA	Brakes4Less of Columbia, Inc.	633,750	60,000	05-14-2030	(2)
05/31/90	Applebee's 2770 Brice Rd Columbus, OH	RMH Franchise Corporation	1,434,434	138,000	08-31-2027	(2)
			<u>\$ 7,222,685</u>	<u>\$ 1,398,060</u>		

Footnotes:

- (1) Purchase price includes all costs incurred by the Partnership to acquire the Property.
- (2) The tenant has the option to extend the lease one additional period of five years.
- (3) One of the 10 Properties owned as of December 31, 2020 was leased to Wendcharles II. Since more than 80% of the Properties, both by historical asset value and number are leased to Wendy's franchisees the financial status of the tenant may be considered relevant to investors. At the request of the Partnership, Wendcharles II provided it with a copy of its reviewed financial statements for the fiscal years ended December 27, 2020 and December 29, 2019. Those reviewed financial statements are attached to this Annual Report on Form 10-K as Exhibit 99.2.

- (4) Five of the 10 Properties owned as of December 31, 2020 were leased to Wendgusta. Since more than 80% of the Properties, both by historical asset value and number, are leased to Wendy's franchisees, the financial status of the tenant may be considered relevant to investors. At the request of the Partnership, Wendgusta provided it with a copy of its reviewed financial statements for the fiscal years ended December 27, 2020 and December 29, 2019. Those reviewed financial statements are attached to this Annual Report on Form 10-K as Exhibit 99.0.
- (5) Two of the 10 Properties owned by the Partnership as of December 31, 2020 were leased to Wendcharles I. Since more than 80% of the Properties, both by historical asset value and number, are leased to Wendy's franchisees, the financial status of the tenant may be considered relevant to investors. At the request of the Partnership, Wendcharles I provided it with a copy of its reviewed financial statements for the fiscal years ended December 27, 2020 and December 29, 2019. Those reviewed financial statements are attached to this Annual Report on Form 10-K as Exhibit 99.1.

The following summarizes significant developments during 2020, by Property, for Properties with such developments.

Applebee's - Columbus, OH Property

The tenant for the Property operated as an Applebee's restaurant had been in Chapter 11 bankruptcy since May 2018. In January 2019, the tenant filed with the court to continue with the Partnership's lease without modification. In April 2020, a short term lease amendment was signed which granted the tenant rent relief due to the coronavirus outbreak. The tenant paid 6% of sales in lieu of fixed rent for the months of April and May 2020. In June 2020 the tenant paid 50% of the fixed rent amount due under the original lease. Full fixed rent resumed in July 2020.

Wendy's - Peach Orchard Road, Augusta, GA Property

On April 23, 2020, the Partnership executed an Amended and Restated Restaurant Absolutely Net Lease to the Original Lease dated December 20, 1988, by and between the Partnership and the tenant with the intent that this lease amended, restated and replaced the original lease. Effective January 1, 2021, the tenant pays \$188,000 annually in rent, in addition to 7% of sales over an annual breakpoint of \$2,350,000 over the term of the lease extension (January 1, 2021 to December 31, 2040).

Wendy's - Whiskey Road, Aiken, SC Property

On April 23, 2020, the Partnership executed an Amended and Restated Restaurant Absolutely Net Lease to the Original Lease dated January 30, 1989, by and between the Partnership and Wendgusta LLC with the intent that this Lease amended, restated and replaced the original lease. Effective January 1, 2021, for the restaurant property located at 1901 Whiskey Road, Aiken, South Carolina. Per the terms of the amended and restated lease, the tenant will pay \$210,632 annually in rent, in addition to 7% of sales over an annual breakpoint of \$2,632,900 over the term of the lease extension (January 1, 2021 to December 31, 2040). In addition, the tenant will be entitled to a rent credit equal to the lesser of \$100,000 or 20% of the actual substantiated cost of capital improvements completed no later than December 31, 2021. The entire rent credit was applied against the 2020 percentage rent amount.

Wendy's - Richland Ave, Aiken, SC

On April 23, 2020, the Partnership executed an Amended and Restated Restaurant Absolutely Net Lease to the Original Lease dated January 30, 1989, by and between the Partnership and Wendgusta LLC with the intent that this Lease amended, restated and replaced the original lease. Effective January 1, 2021, for the restaurant property located at 1004 Richland Ave, Aiken, South Carolina, per the terms of the amended and restated lease, the tenant will pay \$167,500 annually in rent, in addition to 7% of sales over an annual breakpoint of \$2,093,750 over the term of the lease extension (January 1, 2021 to December 31, 2040).

Wendy's – Highway 17 Bypass, Mt. Pleasant, SC

On July 21, 2020, the Partnership executed an Amended and Restated Restaurant Absolutely Net Lease to the Original Lease dated January 30, 1989, by and between the Partnership and Wendcharles I, LLC with the intent that this Lease amended, restated and replaced the original lease. Effective January 1, 2021, for the restaurant property located at 361 Highway 17 Bypass, Mt. Pleasant, South Carolina, per the terms of the amended and restated lease, the tenant will pay \$146,520 annually in rent, in addition to 7% of sales over an annual breakpoint of \$1,831,500 over the term of the lease extension (January 1, 2021 to December 31, 2040). In addition, the amended and restated lease also states tenant is entitled to a credit against Rent in the amount of \$18,289 arising from a partial condemnation of the Premises. The Rent Credit may be applied until it is exhausted against tenant's obligation to pay percentage rent under the lease.

Wendy's – Folly Road, Charleston, SC

On July 21, 2020, the Partnership executed an Amended and Restated Restaurant Absolutely Net Lease to the Original Lease dated January 30, 1989, by and between the Partnership and Wendcharles I, LLC with the intent that this Lease will amend, restate and replace the Original Lease. Effective January 1, 2021, for the restaurant property located at 343 Folly Road, Charleston, South Carolina, per the terms of the amendment, the tenant will pay \$136,000 annually in rent, in addition to 7% of sales over an annual breakpoint of \$1,700,000 over the term of the lease extension (January 1, 2021 to December 31, 2040). In addition, the tenant is entitled to a rent credit equal to the lesser of \$100,000 or 20% of the actual substantiated cost of capital improvements completed no later than December 31, 2021. The rent credit may be applied until it is exhausted, against tenant's obligation to pay percentage rent under this lease. The rent credit of \$77,771 was applied against the 2020 percentage rent amount. The tenant has \$22,229 in rent credit left to be applied to future percentage rent payable in 2021 and beyond.

Wendy's – Sam Rittenberg, Charleston, SC

On July 21, 2020, the Partnership executed an Amended and Restated Restaurant Absolutely Net Lease to the Original Lease dated December 20, 1988, by and between the Partnership and Wendcharles II, LLC with the intent that this Lease amended, restated and replaced the original lease. Effective January 1, 2021, for the restaurant property located at 1721 Sam Rittenberg, Charleston, South Carolina, per the terms of the amended and restated lease, the tenant will pay \$166,848 annually in rent, in addition to 7% of sales over an annual breakpoint of \$2,085,600 over the term of the lease extension (January 1, 2021 to December 31, 2040).

Other Property Information

Property taxes, general maintenance, insurance and ground rent on the Properties are the responsibility of the respective tenants. However, when a tenant fails to make the required tax payments or when a property becomes vacant, the Partnership makes the appropriate property tax payments to avoid possible foreclosure of the property. During a property vacancy, the Partnership pays for insurance and maintenance related to the vacant property.

Item 3. Legal Proceedings

As of the date of this report there are no material pending legal proceedings to which the Partnership is a party.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

- (a) Although from time to time some Interests have been traded, there is no active public market for the Interests, and it is not anticipated that an active public market for the Interests will develop.
- (b) As of March 1, 2021, there were 1,091 record holders of Interests.
- (c) The Partnership does not pay dividends. However, the Partnership Agreement provides for net income and loss of the Partnership to be allocated on a quarterly basis, 99% to the limited partners and 1% to the General Partner. The Partnership Agreement provides for the distribution of net cash receipts and net proceeds to the limited partners and General Partner at times that the General Partner deems appropriate, but no less often than semi-annually, subject to the limitations on distributions to the General Partner described in the Partnership Agreement. See Note 3 to the financial statements for further information. The Partnership anticipates continuing to make distributions to limited partners and the General Partner in future periods in accordance with the terms of the Partnership Agreement.
- (d) The Partnership has no equity compensation plans under which equity securities of the Partnership have been issued or are reserved for issuance.

Item 6. Selected Financial Data

Not Applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not historical facts but are the intent, belief or current expectations of the Partnership's management based on its knowledge and understanding of the business and industry. Words such as "may," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "could," "should" and variations of these words and similar expressions are intended to identify forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Examples of forward-looking statements include, but are not limited to, statements we make regarding:

- our expectations regarding financial condition or results of operations in any future period;
- our future sources of, and needs for, liquidity and capital resources;
- our expectations regarding economic and business conditions (both nationally and where the Properties are located);
- our business strategies and our ability to grow our business;
- our decisions and policies with respect to the potential retention or disposition of one or more Properties;
- our ability to find a suitable purchaser for any marketed Properties;
- our ability to agree on an acceptable purchase price or contract terms for any Property sales;
- our ability to collect rents on our leases;
- our ability to maintain relationships with our tenants, and when necessary extend lease terms or identify new tenants; and
- our future capital expenditures.

Critical Accounting Policies and Estimates

The following discussion and analysis of financial condition and results of operations is based upon the Partnership's financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires persons performing the functions of the Partnership's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate these estimates, including investment impairment. These estimates are based on the General Partner's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Partnership believes that its most significant accounting policies pertain to:

Depreciation methods and lives- Depreciation of the properties is provided on a straight-line basis over the estimated useful life of the buildings and improvements. Additionally, the value of real estate is typically based on market conditions and property performance. As a result, depreciated book value of real estate may not reflect the market value of real estate assets.

Revenue recognition- Rental revenue from investment properties is recognized on the straight-line basis over the life of the respective lease when collectability is reasonably assured. Percentage rents are accrued only when the tenant has reached the sales breakpoint stipulated in the lease and collectability is reasonably assured.

Impairment-The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets of the individual properties. Based on this analysis, if deemed necessary, a provision for possible loss is recognized.

Investment Properties

As of December 31, 2020, the Partnership owned 10 Properties, nine of which feature tenants that are franchisees of casual restaurants. The following are operated at the aforementioned nine Properties: eight Wendy's restaurants, and an Applebee's restaurant. The Property in Martinez, GA is leased to Brakes4Less of Columbia, Inc. The Properties are located in a total of three states.

Property taxes, general maintenance, insurance and ground rent on the Properties are the responsibility of the respective tenants. A more detailed discussion of tax payments, insurance and ground rent is provided in Item 2, and incorporated herein by this reference.

There were no building improvements capitalized during 2020 or 2019.

In accordance with Financial Accounting Standards Board ("FASB") guidance for "Accounting for the Impairment or Disposal of Long-Lived Assets", current and historical results from operations for disposed properties and assets classified as held for sale are possibly reclassified separately as discontinued operations. The guidance also requires the adjustment to carrying value of properties due to impairment in an attempt to reflect appropriate market values.

Further Information

A summary of significant developments as of December 31, 2020, by Property, for Properties with such developments, can be found in Item 2, Properties.

Net Income

Net income for the fiscal years ended December 31, 2020 and 2019 were \$724,705 and \$786,287, respectively. Net income per Interest for the fiscal years ended December 31, 2020 and 2019 were \$15.50 and \$16.82, respectively.

Results of Operations

Net income for the fiscal years ended December 31, 2020 and 2019 were \$724,705 and \$786,287, respectively. See the paragraphs below for further information as to variances in individual operating income and expense items. We are not aware of any material trends or uncertainties, other than national economic conditions affecting real estate generally that may reasonably be expected to have a material impact, favorable or unfavorable, on Partnership revenues and investment property value. Although the COVID-19 pandemic, to date, has not had a material adverse impact on the Partnership or the Property tenants, given the fluid state of governmental responses to the pandemic and volatility in the national economy and in local economies that have been caused by the COVID-19 pandemic, we cannot predict what impact the COVID-19 pandemic may ultimately have on the Partnership's results of operations or assets.

Fiscal year ended December 31, 2020 as compared to fiscal year ended December 31, 2019:

Operating Rental Income: Operating rental income for the fiscal years ended December 31, 2020 and 2019 was \$1.464 and \$1.499 million, respectively. The rental income was comprised of monthly lease obligations per the tenant leases, straight line rent adjustments and percentage rents obligations related to operating tenants who had reached their sales breakpoint. The decrease in 2020 compared to 2019 was due to lower rental income from the Property operated as an Applebee's due to the short Covid-19 related relief offered to the tenant in the spring of 2020, and the capital improvements rent credit of \$177,771 given to the lessee of the Folly Road Property and Whiskey Road Property as part of the new 20 year lease renewal.

Management expects total base operating rental income to be approximately \$1,398,060 for the 2021 fiscal year based on operating leases currently in place. Future operating rental income has the potential to either decrease or increase. Future operating rental income may decrease with a tenant default and/or we may reclassify certain additional properties as properties held for sale. Future operating rental income may also increase with additional rents due from tenants, if those tenants experience increased sales levels, which require the payment of additional rent to the Partnership. Operating percentage rents included in operating rental income in the fiscal years ended December 31, 2020 and 2019 were \$785,370 and \$641,632, respectively. However, the 2020 additional rent earned was reduced by a capital improvements rent credit to the tenants of the Folly Road Property and Whiskey Road Property, so, the actual revenue earned was \$607,599, net of the \$177,771 rent credit. Management expects percentage rents for the fiscal year ending December 31, 2021 to be lower than those received in 2020 due to the six Wendy's lease amendments which became effective on January 1, 2021 and provide for a higher percentage rent breakpoint for each of the stores, offset by a higher base rent.

Partnership Management Fees Expense: Partnership management fees expense for the fiscal years ended December 31, 2020 and 2019 were \$287,446 and \$282,052, respectively. The General Partner receives a fee for managing the Partnership, and this fee changes each year based on the Consumer Price Index. See Note 5, Transactions with General Partner and Its Affiliates, for further information.

General and Administrative Expense: General and administrative expenses for the fiscal years ended December 31, 2020 and 2019 were \$84,090 and \$36,354, respectively. General and administrative expenses were comprised of management expense, state/city registration and annual report filing fees, office supplies and printing costs, outside storage expenses, copy/fax costs, postage and shipping expenses, long-distance telephone expenses, website fees, bank fees and state income tax expenses. Total operating general and administrative expenses for the fiscal year ended December 31, 2020 were higher than in the fiscal year ended December 31, 2019, primarily due to \$5,983 in increased postage and shipping fees related to the consent solicitation, as well as \$41,158 in higher state income tax expense related to 2019 income and 2020 quarterly estimated state income tax payments. Management expects the total operating general and administrative expenses for the fiscal year ending December 31, 2021 to be about \$3,000 lower than for the fiscal year ended December 31, 2020 due to an expected decrease in postage and shipping costs since there is no consent solicitation planned for 2021.

Professional Services: Professional services expenses for the fiscal years ended December 31, 2020 and 2019 were \$245,340 and \$246,616, respectively. Professional service expenses were primarily comprised of investor relations data processing, investor mailings processing, website design, legal, auditing and tax preparation fees, electronic tax filings, and SEC report conversion and processing fees. The General Partner anticipates that total professional services expenses for the fiscal year ending December 31, 2021 will be about \$35,000 lower than incurred for the fiscal year ended December 31, 2020. The costs in 2019 and 2020 were higher due to one-time costs related to the consent solicitation, and legal fees related to the six Wendy's lease amendments. There were also some one-time costs related to switching audit firms between 2019 and 2020.

Cash Flow Analysis

Net cash flows provided by operating activities for the fiscal years ended December 31, 2020 and 2019 were \$840,780 and \$753,523, respectively. Cash flows from operating activities was higher in 2020 primarily due to the decrease in receivables and decrease in payment of leasing commissions over 2019.

Depreciation and amortization are non-cash items and do not affect the current operating cash flow of the Partnership or distributions to the limited partners.

Cash flows used in investing activities for the fiscal years ended December 31, 2020 and 2019 were \$4,231 and \$10,864, respectively. The amounts were comprised entirely of earnings from the indemnification trust account.

For the fiscal year ended December 31, 2020, cash flows used in financing activities were \$803,526 and consisted of aggregate limited partner distributions of \$800,000 and General Partner distributions of \$3,526. For the fiscal year ended December 31, 2019, cash flows used in financing activities were \$802,798 and consisted of aggregate limited partner distributions of \$800,000 and General Partner distributions of \$2,798. Both limited partner and General Partner distributions have been, and will continue to be, made in accordance with the Partnership Agreement. Management anticipates that aggregate limited partner distributions will be approximately \$1,200,000 during 2021.

Liquidity and Capital Resources

The Partnership's cash balance was \$72,244 at December 31, 2020. Cash of approximately \$16,765 is anticipated to be used in 2021 for the payment of quarter-end accrued liabilities which are included in the balance sheets.

The Partnership's principal demands for funds historically have been, and are expected to continue to be, for the payment of operating expenses and distributions. Management anticipates that cash generated through the operations of the Properties and potential sales of Properties will primarily provide the sources for future liquidity and limited partner distributions. During the process of leasing the Properties, the Partnership may experience competition from owners and managers of other similarly situated properties. As a result, in connection with negotiating tenant leases, along with recognizing market conditions, management may offer rental concessions, or other inducements, which may have an adverse impact on the results of the Partnership's operations. The Partnership is also in competition with sellers of similar properties to locate suitable purchasers for its Properties. The two primary liquidity risks in the absence of mortgage debt are the Partnership's inability to collect rent receivables and near-term or chronic property vacancies. The amount of cash to be distributed to our limited partners is determined by the General Partner and is dependent on a number of factors, including funds available for payment of distributions, capital expenditures, and taxable income recognition matching, which is primarily attributable to percentage rents and property sales.

As of December 31, 2020 and 2019, the Properties were 100% leased. In addition, the Partnership collected 100% of its base rent due from current operating tenants for the years ended December 31, 2020 and 2019, which we believe is a good indication of overall tenant quality and stability.

Eight of the 10 Properties are operated as Wendy's fast food restaurants and are franchises of the international Wendy's Company. Operating base rents from these eight leases comprised approximately 86% of the total 2020 operating base rents included in operating rental income of the Partnership. During the year ended December 31, 2020, additional percentage rents totaled \$785,370, \$607,599 of which were unbilled and were accrued in relation to the Properties operated as Wendy's restaurants. The remaining \$177,771 was applied against capital improvement rent credits for the Folly Road and Whiskey Road Wendy's Properties. Therefore, during 2020, the Partnership generated approximately 89% of its total operating revenues from those eight Properties.

Since nine Properties are leased to restaurant tenants, the restaurant market is the major market segment with a material impact on Partnership operations. The success of customer marketing and the operating effectiveness of the Partnership's lessees will impact the Partnership's future operating success in a very competitive restaurant and food service marketplace.

Off-Balance Sheet Arrangements

The Partnership does not have any off-balance sheet arrangements that are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Disposition Policies

In deciding whether to sell a Property, the General Partner considers factors such as potential capital appreciation or depreciation, market and economic conditions and the general strength of the real estate market, cash flow and federal income tax considerations, including possible adverse federal income tax consequences to the limited partners. The General Partner may exercise its discretion as to whether and when to sell a Property, and there is no obligation to sell any of the Properties at any particular time, except upon Partnership dissolution currently scheduled for November 30, 2023 pursuant to the Partnership Agreement.

Inflation

To the extent that tenants can pass through commodity inflation in their sales prices, the Partnership will benefit from additional percentage rent from increased sales. The majority of the Partnership's leases have percentage rental clauses. Revenues from operating percentage rentals represented 42% of operating rental income for the fiscal year ended December 31, 2020, and 43% of operating rental income for the fiscal years ended December 31, 2019. If, however, inflation causes sales to decrease, operating margins to deteriorate for lessees, or if expenses grow faster than revenues, then, inflation may well negatively impact the portfolio through tenant defaults.

Due to the "triple-net" nature of the property leases, asset values generally move inversely with interest rates.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Partnership is not subject to market risk as defined by Item 305 of Regulation S-K.

Item 8. Financial Statements and Supplementary Data

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
(A Wisconsin limited partnership)

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firms</u>	14
<u>Balance Sheets at December 31, 2020 and 2019</u>	16-17
<u>Statements of Income for the Years Ended December 31, 2020 and 2019</u>	18
<u>Statements of Partners' Capital for the Years Ended December 31, 2020 and 2019</u>	19
<u>Statements of Cash Flows for the Years Ended December 31, 2020 and 2019</u>	20
<u>Notes to Financial Statements</u>	21-27
<u>Schedule III—Investment Properties and Accumulated Depreciation, December 31, 2020</u>	35-36

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners

of DiVall Insured Income Properties 2 Limited Partnership

Opinion on the Financial Statements

We have audited the accompanying balance sheets of DiVall Insured Income Properties 2 Limited Partnership (the Partnership) as of December 31, 2020 and 2019, and the related statements of income, partners' capital and cash flows for the year then ended, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of Investment Properties

Description of the matter:

The Company's investment properties totaled \$2.8 million as of December 31, 2020. As more fully described in Note 1 to the financial statements, the Company reviews each investment property held for use for impairment whenever events or circumstances indicate that the carrying value of an investment property may not be recoverable. The Company's policy is to record impairment losses when indicators of impairment are present and the future undiscounted net cash flows expected to be generated by those properties are less than the properties' carrying amount. If management determines that the carrying value of investment properties is impaired, a loss is recognized in the amount by which the carrying amount of the properties exceeds the estimated fair value of the property.

No single indicator would necessarily result in management preparing an estimate to determine if the future undiscounted cash flows are less than the book value of the property investments. Management used judgement to determine if the severity of any single indicator or when there are a number of indicators of less severity when combined would result in an indication that a property investment subject to impairment evaluation requires an estimate of the undiscounted cash flows to determine if an impairment of a property investment has occurred.

For the year ended December 31, 2020, management identified a triggering event that required further analysis, which was the COVID-19 global pandemic. As the majority of the Company's tenants are in the restaurant industry, the pandemic was determined to be a triggering event due to restrictions in place limiting hours of operation and creating a disruption in the restaurant industry, as further described in Note 10.

How We Addressed the Matter in Our Audit:

We obtained an understanding and evaluated the design of the controls related to the property investment impairment assessment process, including controls over management's identification of indicators of impairment. As part of our evaluation of indicators of impairment, the measurement of the Company's undiscounted future cash flows and fair value of the properties, we considered property operations, management's capital investment, hold period, disposition strategy, current industry and economic trends and other relevant factors and assumptions.

We performed additional audit procedures surrounding the valuation of the Company's investment properties by obtaining current property appraisals prepared by a nationally recognized appraisal firm for each of the 10 properties and compared the appraised values to the carrying value of the properties. In addition, we evaluated the data and assumptions the appraisal firm used for reasonableness.

/s/ Boulay PLLP

We have served as the Company's auditor since 2019
Minneapolis, Minnesota
March 26, 2021

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

BALANCE SHEETS

ASSETS

	December 31, 2020	December 31, 2019
INVESTMENT PROPERTIES: (Note 3)		
Land	\$ 2,794,122	\$ 2,794,122
Buildings	4,017,412	4,017,412
Accumulated depreciation	(3,985,582)	(3,897,848)
Net investment properties	2,825,952	2,913,686
OTHER ASSETS:		
Cash	72,244	39,221
Investments held in Indemnification Trust (Note 8)	479,805	475,574
Security deposits escrow	64,393	69,464
Rents and other receivables	665,415	678,323
Deferred tenant award proceeds escrow	18,290	42,343
Prepaid insurance	5,068	4,982
Deferred charges, net	171,213	198,809
Total other assets	1,476,428	1,508,716
Total assets	\$ 4,302,380	\$ 4,422,402

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

BALANCE SHEETS

LIABILITIES AND PARTNERS' CAPITAL

	December 31, 2020	December 31, 2019
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 16,047	\$ 30,301
Due to General Partner (Note 5)	718	1,345
Deferred rent	18,289	23,596
Security deposits	64,340	69,340
Total current liabilities	99,394	124,582
LONG TERM LIABILITIES		
Deferred rent	-	16,640
Total long term liabilities	-	16,640
CONTINGENCIES AND COMMITMENTS (Notes 7 and 8)		
PARTNERS' CAPITAL: (Notes 1 and 4)		
General Partner -		
Cumulative net income (retained earnings)	384,051	376,804
Cumulative cash distributions	(158,944)	(156,045)
	<u>225,107</u>	<u>220,759</u>
Limited Partners (46,280.3 interests outstanding at December 31, 2020 and December 31, 2019)		
Capital contributions	46,280,300	46,280,300
Offering costs	(6,921,832)	(6,921,832)
Cumulative net income (retained earnings)	44,386,908	43,669,450
Cumulative cash distributions	(78,927,268)	(78,127,268)
	<u>4,818,108</u>	<u>4,900,650</u>
Former General Partner -		
Cumulative net income (retained earnings)	707,513	707,513
Cumulative cash distributions	(1,547,742)	(1,547,742)
	<u>(840,229)</u>	<u>(840,229)</u>
Total partners' capital	4,202,986	4,281,180
Total liabilities and partners' capital	\$ 4,302,380	\$ 4,422,402

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

STATEMENTS OF INCOME

For the Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES:		
Rental income	\$ 1,464,364	\$ 1,498,703
TOTAL OPERATING REVENUES	1,464,364	1,498,703
EXPENSES:		
Partnership management fees (Note 5)	287,446	282,052
Insurance	5,953	6,129
General and administrative	84,090	36,354
Advisory Board fees and expenses	6,000	8,250
Professional services	245,340	246,616
Other property expenses	-	1,823
Depreciation	87,734	121,130
Amortization	27,597	26,423
TOTAL OPERATING EXPENSES	744,160	728,777
OTHER INCOME		
Other interest income	4,501	11,361
Other miscellaneous income	-	5,000
TOTAL OTHER INCOME	4,501	16,361
INCOME FROM CONTINUING OPERATIONS	724,705	786,287
NET INCOME	724,705	786,287
NET INCOME- GENERAL PARTNER	7,247	7,863
NET INCOME- LIMITED PARTNERS	\$ 717,458	\$ 778,424
PER LIMITED PARTNERSHIP INTEREST,		
Based on 46,280.3 interests outstanding:		
NET INCOME PER LIMITED PARTNERSHIP INTEREST (BASIC AND DILUTED)	\$ 15.50	\$ 16.82

The accompanying notes are an integral part of these financial statement

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' CAPITAL

For the years ended December 31, 2020 and 2019

	General Partner			Limited Partners				Total Partners' Capital	
	Cumulative Net Income	Cumulative Cash Distributions	Total	Capital Contributions, Net of Offering Costs	Cumulative Net Income	Cumulative Cash Distribution	Reallocation		Total
BALANCE AT DECEMBER 31, 2019	\$ 376,804	\$ (156,045)	\$220,759	\$ 39,358,468	\$43,669,450	\$(78,127,268)	\$ (840,229)	\$4,060,421	\$4,281,180
2020 Net Income	7,247		7,247		717,458			717,458	724,705
Cash Distributions (\$17.29 per limited partnership interest)		(2,899)	(2,899)			(800,000)		(800,000)	(802,899)
BALANCE AT DECEMBER 31, 2020	\$ 384,051	\$ (158,944)	\$225,107	\$ 39,358,468	\$44,386,908	\$(78,927,268)	\$ (840,229)	\$3,977,879	\$4,202,986
BALANCE AT DECEMBER 31, 2018	\$ 368,941	\$ (152,900)	\$216,041	\$ 39,358,468	\$42,891,026	\$(77,327,268)	\$ (840,229)	\$4,081,997	\$4,298,038
2019 Net Income	7,863	-	7,863	-	778,424	-	-	778,424	786,287
Cash Distributions (\$17.29 per limited partnership interest)		(3,145)	(3,145)			(800,000)		(800,000)	(803,145)
BALANCE AT DECEMBER 31, 2019	\$ 376,804	\$ (156,045)	\$220,759	\$ 39,358,468	\$43,669,450	\$(78,127,268)	\$ (840,229)	\$4,060,421	\$4,281,180

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 724,705	\$ 786,287
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	115,330	147,554
Changes in operating assets and liabilities:		
Decrease (Increase) in rents and other receivables	12,908	(144,979)
Decrease in security deposit escrow	5,071	5,217
(Increase) Decrease in prepaid insurance	(86)	151
Decrease in utility deposit	-	6,530
Decrease in accounts payable and accrued expenses	(14,254)	(3,272)
Decrease (Increase) in deferred award escrow	2,106	(249)
Payment of leasing commission	-	(38,716)
Security deposit refund	(5,000)	(5,000)
Net cash provided from operating activities	\$ 840,780	\$ 753,523
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Interest applied to Indemnification Trust account	\$ (4,231)	\$ (10,864)
Net cash used in investing activities	\$ (4,231)	\$ (10,864)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Cash distributions to Limited Partners	\$ (800,000)	\$ (800,000)
Cash distributions to General Partner	(3,526)	(2,798)
Net cash used in financing activities	\$ (803,526)	\$ (802,798)
NET INCREASE (DECREASE) IN CASH	33,023	(60,139)
CASH AT BEGINNING OF YEAR	\$ 39,221	\$ 99,360
CASH AT END OF YEAR	\$ 72,244	\$ 39,221

The accompanying notes are an integral part of these financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

DiVall Insured Income Properties 2 Limited Partnership (the “Partnership”) was formed on November 20, 1987, pursuant to the Uniform Limited Partnership Act of the State of Wisconsin. The initial capital, contributed during 1987, consisted of \$300, representing aggregate capital contributions of \$200 by the former general partners and \$100 by the initial Limited Partner. A subsequent offering of limited partnership interests closed on February 22, 1990, with 46,280.3 limited partnership interests (“Interests”) having been sold in that offering, resulting in total proceeds to the Partnership, net of underwriting compensation and other offering costs, of \$39,358,468.

The Partnership is currently engaged in the business of owning and operating its investment portfolio of commercial real estate properties (the “Properties”). The Properties are leased on a triple net basis primarily to, and operated by, franchisors or franchisees of national, regional, and local retail chains under primarily long-term leases. Nine lessees are fast food, family style, and casual/theme restaurants, with the tenth lessee being an automotive supply store. As of December 31, 2020, the Partnership owned 10 Properties, which are located in a total of three states.

The Partnership is scheduled to be dissolved on November 30, 2023, or earlier upon the prior occurrence of any of the following events: (a) the disposition of all its Properties; (b) the written determination by the General Partner, that the Partnership’s assets may constitute “plan assets” for purposes of ERISA; (c) the agreement of limited partners owning a majority of the outstanding limited partner interests to dissolve the Partnership; or (d) the dissolution, bankruptcy, death, withdrawal, or incapacity of the last remaining General Partner, unless an additional General Partner is elected previously by a majority of the limited partners. During the second and third quarters of the nine odd numbered years from 2001 through 2017, consent solicitations were circulated to the Partnership’s limited partners which, if approved by the limited partners, would have authorized the General Partner to initiate the potential sale of all of the Properties and the dissolution of the Partnership (each a “Consent”). Limited partners owning a majority of the outstanding Interests did not vote in favor of any of the Consents. Therefore, the Partnership continues to operate as a going concern.

During the 2020 consent solicitation process, the Limited Partners approved two separate amendments to the Partnership Agreement. The amendments served to: (i) extend the term of the Partnership by three (3) years to November 30, 2023, and (ii) permit the General Partner to effect distributions at times that it deems appropriate, but no less often than semi-annually.

Significant Accounting Policies

Financial Statement Presentation

The accounts of the Partnership are maintained on the accrual basis of accounting for financial statement purposes.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items, subject to such estimates and assumptions, include the carrying value of real estate held for investment.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Cash Concentrations of Credit Risk

The Partnership generally maintains cash in federally insured accounts which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Financial instruments that potentially subject the Partnership to significant concentrations of credit risk consist primarily of cash investments and leases. As of December 31, 2020, eight of the Partnership's 10 Properties are leased to three significant tenants, Wendgusta, LLC ("Wendgusta"), Wendcharles I, LLC ("Wendcharles I") and Wendcharles II, LLC ("Wendcharles II"), all three of whom are Wendy's restaurant franchisees. The property lease(s) for these three tenants comprised approximately 59%, 18% and 9%, respectively, of the Partnership's total 2020 operating base rents reflected for the year ended December 31, 2020.

Rent and Other Receivables

Rents and other receivables are comprised of billed but uncollected amounts due for monthly rents and other charges and amounts due for scheduled rent increases for which rentals have been earned and will be collected in the future under the terms of the leases. Receivables are recorded at management's estimate of the amounts that will be collected.

As of December 31, 2020 and 2019 there were no values for allowance for doubtful accounts based on an analysis of specific accounts and historical experience.

Revenue Recognition

Rental revenue from investment properties is recognized on the straight-line basis over the life of the respective lease when collectability is reasonably assured. Percentage rents are accrued only when the tenant has reached the sales breakpoint stipulated in the lease and collectability is reasonably assured.

Original lease terms for the majority of the leased Properties were generally five to 20 years from their inception. The leases generally provide for minimum rents and additional rents based upon percentages of gross sales in excess of specified breakpoints. The lessee is responsible for occupancy costs such as maintenance, insurance, real estate taxes, and utilities. Accordingly, these amounts are not reflected in the statements of income except in circumstances where, in the General Partner's opinion, the Partnership will be required to pay such costs to preserve its assets (i.e., payment of past-due real estate taxes). Management has determined that the leases are properly classified as operating leases; therefore, rental income is reported when earned on a straight-line basis and the cost of the property, excluding the cost of the land, is depreciated over its estimated useful life.

As of December 31, 2020, the aggregate minimum operating lease payments to be received under the current operating leases for the Properties are as follows:

Year ending December 31,

2021	\$	1,398,060
2022		1,398,810
2023		1,400,025
2024		1,401,264
2025		1,402,528
Thereafter		15,919,696
	\$	<u>22,920,383</u>

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 regarding ASC Topic 606, Revenue from Contracts with Customers. This standard was developed to enable financial statement users to better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The update's core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities are to use a five-step contract review model to ensure revenue is recognized, measured and disclosed in accordance with this principle. Those steps include the following: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to each performance obligation in the contract, and (v) recognize revenue when or as the entity satisfies a performance obligation.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Income Taxes

No provision for federal income taxes has been made, as any liability for such taxes would be that of the individual partners rather than the Partnership. At December 31, 2020, the tax basis of the Partnership's assets exceeded the amounts reported in the December 31, 2020 financial statements by approximately \$6,634,751.

The following represents an unaudited reconciliation of net income as stated on the Partnership statements of income to net income for tax reporting purposes:

	2020 (Unaudited)	2019 (Unaudited)
Net income, per statements of income	\$ 724,705	\$ 786,287
Book to tax depreciation difference	\$ (36,155)	(6,407)
Tax over (under) Book gain from asset disposition	-	-
Straight line rent adjustment	-	-
Penalties	-	-
Prepaid rent	(21,947)	(21,947)
Bad Debts	-	-
Other expense/deduction items with differences	-	-
Net income for tax reporting purposes	<u>\$ 666,603</u>	<u>\$ 757,933</u>

The Partnership is not subject to federal income tax because its income and losses are includable in the tax returns of its partners but may be subject to certain state taxes. FASB has provided guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the entity's tax returns to determine whether the tax positions are more-likely-than-not to be sustained when challenged or when examined by the applicable taxing authority. Management has determined that there were no material uncertain income tax positions. Tax returns filed by the Partnership generally are subject to examination by U.S. and state taxing authorities for the years ended after December 31, 2017.

Ohio - Commercial Activates Tax CAT

The Commercial Activity Tax (CAT) is an annual tax imposed on the privilege of doing business in Ohio, measured by gross receipts from business activities in Ohio. Businesses with Ohio taxable gross receipts of \$150,000 or more per calendar year are subject to the CAT tax. Such "taxable gross receipts", include i) gross rents and royalties from real property located in Ohio, and ii) gross receipts from the sale of real property located in Ohio. For calendar years 2006 and thereafter, the first \$1 million in taxable gross receipts are taxed at \$150, thereafter at a rate of 0.2600%. For tax years prior to December 31, 2013, there is an annual minimum tax (AMT) of \$150. Since the Partnership has not had gross receipts in excess of \$150,000 for the periods ended December 31, 2020 and 2019, the CAT tax is not applicable to the Partnership for the periods indicated.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Reportable Segments

The Partnership considers its operations to be in only one segment, the operation of a portfolio of commercial real estate leased on a triple net basis, and therefore no segment disclosure is made.

Investment Properties

Depreciation of the Properties is provided on a straight-line basis over the estimated useful lives of the buildings and improvements.

Deferred charges represent leasing commissions paid when the Properties are leased and upon the negotiated extension of a lease. Leasing commissions are capitalized and amortized over the term of the lease. As of December 31, 2020 and 2019, accumulated amortization amounted to \$102,841 and \$75,244, respectively.

Deferred tenant award proceeds escrow represents the portion of the award proceeds from the sale of the portion of the Mt. Pleasant, South Carolina property that are being paid to the tenant ratably over 99 months beginning August 1, 2013.

Assets disposed of or deemed to be classified as held for sale require the reclassification of current and previous years' operations to discontinued operations in accordance with GAAP applicable to "Accounting for the Impairment or Disposal of Long Lived Assets". As such, prior year operating results for those properties considered as held for sale or properties no longer considered for sale have been reclassified to conform to the current year presentation without affecting total income. When properties are considered held for sale, depreciation of the properties is discontinued, and the properties are valued at the lower of the depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, the property previously classified as held for sale is no longer to be sold, the property is reclassified as held and used. Such property is measured at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell.

Assets are classified as held for sale, generally, when all criteria within GAAP applicable to "Accounting for the Impairment or Disposal of Long Lived Assets" have been met.

The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets. Based on this analysis, a provision for possible loss is recognized, if any. There were no adjustments to carrying values for the fiscal years ended December 31, 2020 and 2019.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") guidance on "Fair Value Measurements and Disclosure" defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. See Note 9 for further disclosure.

GAAP applicable to disclosure about fair value of financial instruments requires entities to disclose the fair value of all financial assets and liabilities for which it is practicable to estimate. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The General Partner believes that the carrying value of the Partnership's assets (exclusive of the Properties) and liabilities approximate fair value due to the relatively short maturity of these instruments.

2. RECENTLY ISSUED ACCOUNTING PRINCIPLES

In April 2020, the FASB issued a question-and-answer document (the "Lease Modification Q&A") focused on the application of lease accounting guidance to lease concessions provided as a result of a novel strain of coronavirus ("COVID-19"). Under existing lease guidance, the Company would have to determine, on a lease by lease basis, if a lease concession was the result of a new arrangement reached with the tenant or if a lease concession was under the enforceable rights and obligations within the existing lease agreement. The Lease Modification Q&A clarifies that entities may elect to not evaluate whether lease-related relief that lessors provide to mitigate the economic effects of COVID-19 on lessees is a lease modification under current lease guidance. Instead, an entity that elects not to evaluate whether a concession directly related to COVID-19 is a modification can then elect whether to apply the modification guidance.

During the year ended December 31, 2020, the Partnership provided a lease concession to one tenant in response to the impact of COVID-19, in the form of a short term rent reduction. The Partnership has made an election to account for such lease concession consistent with how this concession would be accounted for under lease guidance if enforceable rights and obligations for this concession had already existed in the lease. This election is available for concessions related to the effects of the COVID-19 pandemic that do not result in a substantial increase in the rights as lessor, including concessions that result in the total payments required by the modified lease being substantially the same as or less than total payments required by the original lease.

The Partnership's concession provided for a reduction of payments with no substantive changes to the consideration in the original lease. The reduction affected the amount of the lease payments during the months of April, May and June of 2020. The Partnership is accounting for this reduction as if no changes to the lease were made. During the year ended December 31, 2020, the Partnership entered into one lease modification that eliminated an amount that was immaterial to the Partnership.

3. INVESTMENT PROPERTIES:

The total cost of the Properties includes the original purchase price plus acquisition fees and other capitalized costs paid to an affiliate of the former general partners of the Partnership.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

As of December 31, 2020, the Partnership owned 10 Properties, nine of which contained fully constructed fast-food/casual dining restaurant facilities. The following are operated by tenants at the aforementioned nine Properties: eight separate Wendy's restaurants, and an Applebee's restaurant. The tenant for the Property operated as an Applebee's restaurant had been in Chapter 11 bankruptcy since May 2018. In January 2019, Applebee's accepted the lease without modification. The 10 Properties are located in a total of three states.

4. PARTNERSHIP AGREEMENT:

The Limited Partnership Agreement, as amended from time to time (collectively, the "Partnership Agreement") was amended, effective as of October 20, 2020, to extend the term of the Partnership to November 30, 2023, or until dissolution prior thereto pursuant to the consent of the majority of the outstanding limited partnership interests.

Under the terms of the Partnership Agreement, net profits or losses from operations are allocated 99% to the limited partners and 1% to the current General Partner. The November 9, 2009 amendment also provided for distributions from Net Cash Receipts, as defined, to be made 99% to limited partners and 1% to the current General Partner, provided that quarterly distributions are cumulative and are not to be made to the current General Partner unless and until each limited partner has received a distribution from Net Cash Receipts in an amount equal to 10% per annum, cumulative simple return on his or her Adjusted Original Capital, as defined, from the Return Calculation Date, as defined, except to the extent needed by the General Partner to pay its federal and state income taxes on the income allocated to it attributable to such year.

The provisions regarding distribution of Net Proceeds, as defined, provide that Net Proceeds are to be distributed as follows: (a) to the limited partners, an amount equal to 100% of their Adjusted Original Capital; (b) then, to the limited partners, an amount necessary to provide each limited partner a liquidation preference equal to a 13.5% per annum, cumulative simple return on Adjusted Original Capital from the Return Calculation Date including in the calculation of such return on all prior distributions of Net Cash Receipts and any prior distributions of Net Proceeds under this clause, except to the extent needed by the General Partner to pay its federal and state income tax on the income allocated to it attributable to such year; and (c) then, to limited partners, 99%, and to the General Partner, 1%, of remaining Net Proceeds available for distribution.

During the 2020 consent solicitation process, the Limited Partners approved two separate amendments to the Partnership Agreement. The amendments served to: (i) extend the term of the Partnership by three (3) years to November 30, 2023, and (ii) permit the General Partner to effect distributions at times that it deems appropriate, but no less often than semi-annually.

5. TRANSACTIONS WITH GENERAL PARTNER AND ITS AFFILIATES:

Pursuant to the terms of the Permanent Manager Agreement (the "PMA") executed in 1993 and renewed for an additional two-year term as of January 1, 2021, the General Partner receives a Base Fee for managing the Partnership equal to four percent of gross receipts, subject to an initial annual minimum amount of \$159,000. The PMA also provides that the Partnership is responsible for reimbursement of the General Partner for office rent and related office overhead ("Expenses") up to an initial annual maximum of \$13,250. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2020, the minimum annual Base Fee and the maximum Expenses reimbursement increased by 1.81% from the prior year, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2020, the minimum annual Base Fee paid by the Partnership was raised to \$288,300 and the maximum annual Expenses reimbursement was increased to \$23,256. Effective March 1, 2021, Management has elected to roll back the last five years of CPI increases to their 2016 level and suspend any future CPI adjustments.

For purposes of computing the four percent overall fees, gross receipts include amounts recovered in connection with the misappropriation of assets by the former general partners and their affiliates. The fees received from the Partnership on the amounts recovered reduce the four percent minimum fee by that same amount.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Amounts paid and/or accrued to the General Partner and its affiliates for the years ended December 31, 2020 and 2019, are as follows:

	Incurred for the Year ended December 31, 2020	Incurred for the Year ended December 31, 2019
General Partner		
Management fees	\$ 287,446	\$ 282,052
Overhead allowance	23,188	22,758
Leasing commissions	-	12,906
Reimbursement for out-of-pocket expenses	2,500	2,500
Cash distribution	2,870	3,145
	\$ 316,004	\$ 323,361

At December 31, 2020 and 2019, \$718 and \$1,345, respectively, were the distributions payable to the General Partner.

6. TRANSACTIONS WITH OWNERS WITH GREATER THAN TEN PERCENT BENEFICIAL INTERESTS:

As of December 31, 2020, an Advisory Board Member, Jesse Small, beneficially owns greater than ten percent of the Partnership's outstanding limited partnership interests. Amounts paid to Mr. Small for the fiscal years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Advisory Board Fees paid	\$ 3,000	\$ 3,500
	\$ 3,000	\$ 3,500

At December 31, 2020 and 2019, there were no outstanding Advisory Board fees accrued and payable to Mr. Small.

7. CONTINGENT LIABILITIES:

According to the Partnership Agreement, TPG, as General Partner of the Partnership, may receive a disposition fee not to exceed three percent of the contract price on the sale of the properties of the Partnership and two affiliated publicly registered limited partnerships, DiVall Insured Income Fund Limited Partnership ("DiVall 1"), which was dissolved December 1998, and DiVall Income Properties 3 Limited Partnership, which was dissolved in December 2003 ("DiVall 3"), and together with the Partnership and DiVall 1, the "three original partnerships"). In addition, fifty percent of all such disposition fees earned by TPG were to be escrowed until the aggregate amount of recovery of the funds misappropriated from the three original partnerships by the former general partners was greater than \$4,500,000. Upon reaching such recovery level, full disposition fees would thereafter be payable and fifty percent of the previously escrowed amounts would be paid to TPG. At such time as the recovery exceeded \$6,000,000 in the aggregate, the remaining escrowed disposition fees were to be paid to TPG. If such levels of recovery were not achieved, TPG would contribute the amounts escrowed toward the recovery until the three original partnerships were made whole. In lieu of a disposition fee escrow, fifty percent of all such disposition fees previously discussed were paid directly to a restoration account and then distributed among the three original partnerships; whereby the three original partnerships recorded the recoveries as income. After the recovery level of \$4,500,000 was exceeded, fifty percent of the total disposition fee amount paid to the three original partnerships recovery through the restoration account (in lieu of the disposition fee escrow) was refunded to TPG during March 1996. The remaining fifty percent amount allocated to the Partnership through the restoration account, and which was previously reflected as Partnership recovery income, may be owed to TPG if the \$6,000,000 recovery level is met. As of December 31, 2020, the Partnership may owe TPG \$16,296 if the \$6,000,000 recovery level is achieved. TPG does not expect any future refund, as it is uncertain that such a \$6,000,000 recovery level will be achieved.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

As per the Partnership Agreement, it has been the consistent practice of the Partnership to compensate the General Partner (“G.P.”) for leasing and property sales commissions. To the extent a particular property is sold, any unamortized leasing commissions earned previously by the G.P. for a property is applied as a reduction to the sales commission due the G.P.

During 2020, six (6) Wendy’s leases were extended twenty (20) years through 2040 with significant increases in fixed rents. Such extended terms and future rentals are subject to market leasing commissions for the G.P. not to exceed 3%, subject to the G.P.’s discretion.

Although the lease terms were extended twenty (20) years through December 31, 2040 and a 3% commission would equate to \$609,138 on guaranteed fixed rentals, the G.P. believes a market negotiation would limit any lease commission to the first 10 years of term. Accordingly, the commission for ten (10) years would equate to \$304,569 payable on the commencement date of the extended term as of January 1, 2021. However, it is the policy of the Partnership to reduce extended commissions due by the unamortized balance of deferred leasing commissions previously paid. In the instant case, the unamortized balance remaining at December 31, 2020 for the previous term through November 6, 2026 for the six (6) properties was \$81,935; which reduces the commission due on January 1, 2021 to \$222,634. Again, however, it is the policy of the Partnership to reduce future sales commissions earned from property sales by the unamortized balance of related properties unamortized leasing commissions. If these properties are sold in two years the only amortized commission would be \$44,526 and the balance paid of \$178,108 would reduce the future property sales commissions earned by \$178,108. The G.P. will determine the appropriate cash flow timing during 2021 to satisfy the obligation, which may entail installment payments.

8. PMA INDEMNIFICATION TRUST:

The PMA provides that TPG will be indemnified from any claims or expenses arising out of, or relating to, TPG serving as the General Partner, so long as such claims do not arise from fraudulent or criminal misconduct by TPG. The PMA provides that the Partnership fund this indemnification obligation by establishing a reserve of up to \$250,000 of Partnership assets which would not be subject to the claims of the Partnership’s creditors. An Indemnification Trust (“Trust”) serving such purposes has been established at United Missouri Bank, N.A. The corpus of the Trust has been fully funded with Partnership assets. Funds are invested in U.S. Treasury securities. In addition, \$229,805 of earnings has been credited to the Trust as of December 31, 2020. The rights of TPG to the Trust will be terminated upon the earliest to occur of the following events: (i) the written release by TPG of any and all interest in the Trust; (ii) the expiration of the longest statute of limitations relating to a potential claim which might be brought against TPG and which is subject to indemnification; or (iii) a determination by a court of competent jurisdiction that TPG shall have no liability to any person with respect to a claim which is subject to indemnification under the PMA. At such time as the indemnity provisions expire or the full indemnity is paid, any funds remaining in the Trust will revert back to the general funds of the Partnership.

9. FAIR VALUE DISCLOSURES:

The Partnership has determined the fair value based on hierarchy that gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the accounting principle are described below:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment.

Level 3. Unobservable inputs for which there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation and the use of discounted cash flow models to value the investment.

The fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. The Partnership’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The assets held in the indemnification trust account are invested in one year treasury bills which are measured using level 1 fair value inputs.

The Partnership did not have any assets or liabilities measured at fair value on a recurring or nonrecurring basis at December 31, 2020 and 2019.

10. CORONAVIRUS OUTBREAK

During the first quarter of 2020, there was a global outbreak of a new strain of coronavirus, COVID-19 which continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines, placing restrictions on travel, and limiting hours of operations of non-essential offices and retail centers. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as retail, restaurants and transportation. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the coronavirus. Nevertheless, the coronavirus presents material uncertainty and risk with respect to the Partnership’s performance and financial results, such as the potential negative impact to the tenants of its properties, the potential closure of certain of its properties, decreases in sales volumes at the properties, increased costs of operations, decrease in values of its properties, changes in law and/or regulation, and uncertainty regarding government and regulatory policy. Up to the date of this filing, the Partnership has not received modification rent requests from any tenant except as disclosed in Note 2. All rent due have been paid in full by each tenant.

11. SUBSEQUENT EVENTS

On February 15, 2021, the Partnership made a distribution to the limited partners of \$600,000 in the aggregate, which amounted to \$12.96 per Interest.

We have reviewed all material events through the date of this report in accordance with ASC 855-10.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

See Item 14.

Item 9A. Control and Procedures

(a) Disclosure Controls and Procedures.

Under the supervision and with the participation of management, including the persons performing the functions of principal executive officer and principal financial officer of the Partnership, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)), and, based upon that evaluation, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and that such information is accumulated and communicated to management in a manner that allows timely decisions regarding required disclosure.

(b) Internal Control Over Financial Reporting.

(i) The General Partner, through its management, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, and for performing an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the General Partner; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Management of the General Partner performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020 based upon criteria in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on our assessment, management of the General Partner determined that our internal control over financial reporting was effective as of December 31, 2020 based on the criteria in Internal Control-Integrated Framework (2013) issued by the COSO.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

(ii) During the most recent period covered by this report, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The Partnership itself does not have any employees, executive officers or directors and, therefore, has no board committees.

The General Partner of the Partnership is TPG. TPG's principal office is located at 1900 W 75th Street, Suite 100, Prairie Village, Kansas 66208. TPG was elected General Partner by vote of the Limited Partners effective on May 26, 1993. Prior to such date, TPG had been managing the Partnership since February 8, 1993, under the terms of the PMA, which remains in effect. See Items 1 and 13 hereof for additional information about the PMA and the election of TPG as General Partner.

The executive officer and director of the General Partner who controls the affairs of the Partnership is:

Bruce A. Provo, Age 70 - President, Founder and Director, TPG.

Mr. Provo has been involved in the management of real estate and other asset portfolios since 1979. TPG was founded by Mr. Provo in 1985 and he has served as its President since its formation. TPG's focus has been to provide professional real estate services to outside clients. Since the founding of TPG in 1985, Mr. Provo has also founded various entities engaged in unique businesses such as Rescue Services, Owner Representation, Asset Management, Managed Financial and Accounting Systems, Investments, and Virtual Resort Services. The entities are generally grouped under an informal umbrella known as The Provo Group of Companies. Since TPG was appointed General Partner to the Partnership in 1993, Mr. Provo has been primarily responsible for making management, leasing and disposition decisions on behalf of the Partnership.

From 1982 to 1986, Mr. Provo also served as President and Chief Operating Officer of the North Kansas City Development Company ("NKCDC"), North Kansas City, Missouri. NKCDC was founded in 1903 and the assets of the company were sold in December 1985 for \$102,500,000. NKCDC owned commercial and industrial properties, including an office park and a retail district, as well as apartment complexes, motels, recreational facilities, fast food restaurants, and other properties. NKCDC's holdings consisted of over 100 separate properties and constituted approximately 20% of the privately held real property in North Kansas City, Missouri (a four-square mile municipality). Following the sale of the company's real estate, Mr. Provo served as the President, Chief Executive Officer and Liquidating Trustee of NKCDC from 1986 to 1991.

Mr. Provo graduated from Miami University, Oxford, Ohio in 1972 with a B.S. in Accounting. He became a Certified Public Accountant in 1974 and was a manager in the banking and financial services division of Arthur Andersen LLP prior to joining Rubloff Development Corporation in 1979. From 1979 through 1985, Mr. Provo served as Vice President - Finance and then as President of Rubloff Development Corporation.

The members of the Advisory Board of the Partnership are identified below. The Advisory Board provides guidance to management of the Partnership; however, it does not have the express power or authority to oversee and direct the operations of the Partnership and its members are not deemed "Directors" or "Executive Officers" of the Partnership.

Jesse Small – CPA. Mr. Small has been a tax and business consultant in Hallandale, FL for more than 30 years. Mr. Small has a Master's Degree in Economics. Mr. Small is a Limited Partner, and the Partnership believes that as an Advisory Board member, he generally represents the views of Limited Partners. During the past five years after retiring from the accounting profession, Mr. Small has been developing property on the east and west coast of Florida.

Albert Kramer - Retired. Mr. Kramer is now retired, but previously worked as Tax Litigation Manager for Phillips Petroleum Company, now known as ConocoPhillips. His education includes undergraduate and MBA degrees from Harvard and a J.D. Degree from South Texas College of Law. Mr. Kramer is a Limited Partner, and the Partnership believes that as an Advisory Board member he generally represents the views of Limited Partners.

Code of Ethics

The Partnership has no executive officers or any employees and, accordingly, has not adopted a formal code of ethics.

Mr. Provo and TPG require that all personnel, including all employees, officers and directors of TPG: engage in honest and ethical conduct; ensure full, fair, accurate, timely and understandable disclosure; comply with all applicable governmental laws, rules and regulations; and report to Mr. Provo any deviation from these principles. Because TPG has two employees (including Mr. Provo), and because Mr. Provo is the ultimate decision maker in all instances, TPG has not adopted a formal code of ethics. Mr. Provo, as Chief Executive Officer and Chairman of the Board of Directors of TPG, negotiates and resolves all conflicts to the best of his ability and determines appropriate actions if necessary to deter violations and promote accountability, consistent with his fiduciary obligations to TPG and the fiduciary obligations of TPG to the Partnership.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires persons performing the functions of directors, executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Executive officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us under Rule 16a-3(e) during the fiscal year ended December 31, 2020, Forms 5 and any amendments thereto furnished to us with respect to the fiscal year ended December 31, 2020, and the representations made by the reporting persons to us, we believe that during the fiscal year ended December 31, 2020, our executive officers and directors and all persons who own more than ten percent of a registered class of our equity securities complied with all Section 16(a) filing requirements.

Item 11. Executive Compensation

The Partnership has not paid any executive compensation to the General Partner or to the directors and officers of the General Partner. The person that performs the role of principal financial officer of the Partnership is a consultant to the General Partner and receives fees from the General Partner (but not directly from the Partnership) pursuant to that relationship. The General Partner's participation in the income of the Partnership is set forth in the Partnership Agreement, as amended. The General Partner received management fees and expense reimbursements during the year.

See Item 13, below, and Note 5 to the Financial Statements in Item 8 hereof for further discussion of payments by the Partnership to the General Partner and the former general partners. The principal executive officer of the General Partner is not directly compensated by the Partnership for controlling the affairs of the Partnership.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) The following table sets forth certain information with respect to such beneficial ownership of the Partnership as of March 1, 2021. Based on information known to the Partnership or filed by limited partners with the SEC, the following persons are known to beneficially own 5% or more of the outstanding Interests as follows:

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Interests Beneficially Owned</u>	<u>Percentage of Interests Outstanding (1)</u>
Limited Partnership Interest	Jesse Small 401 NW 10 th Terrace Hallandale, FL33009	6,669.34	14.41%
Limited Partnership Interest	Ira Gaines 1819 E. Morten Ave. Suite 180 Phoenix, AZ 85020	4,130.03	8.92%
Limited Partnership Interest	Barry Zemel 1819 E. Morten Ave. Suite 180 Phoenix, AZ 85020	2,845.20	6.15%

(1) Based on 46,280.3 Interests outstanding as of March 1, 2021.

(b) As of March 1, 2021, the General Partner and the person who performs the functions of the principal executive officer of the General Partner did not beneficially own any Interests.

(c) Management knows of no contractual arrangements, the operation or the terms of which may at a subsequent date result in a change of control of the Partnership, except for provisions in the PMA.

Item 13. Certain Relationships and Related Transactions and Director Independence

Pursuant to the terms of the PMA, the General Partner receives a Base Fee for managing the Partnership equal to four percent of gross receipts, subject to a \$159,000 minimum, annually. The PMA also provides that the Partnership is responsible for reimbursement for office rent and related office overhead (“Expenses”) up to a maximum of \$13,250 annually. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2020, the minimum annual Base Fee and the maximum Expense reimbursement increased by 1.81% from the prior year, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2020, the minimum monthly Base Fee paid by the Partnership was raised to \$24,025 and the maximum monthly Expense reimbursement was raised to \$1,938.

Additionally, TPG, or its affiliates, are allowed up to one-half of the commissions customarily charged by other brokers in arm’s-length sales transactions involving comparable properties in the same geographic area, but such TPG commissions are not to exceed three percent of the contract price on the sale of an investment property. The payment of a portion of such fees is subordinated to TPG’s success at recovering the funds misappropriated by the former general partners. See Note 7 to the financial statements for further information.

The PMA had an original expiration date of December 31, 2002. The term of the PMA has been extended multiple times and is currently set to expire on December 31, 2022. The PMA can be terminated earlier (a) by a vote at any time by a majority in interest of the Limited Partners, (b) upon the dissolution and winding up of the Partnership, (c) upon the entry of an order of a court finding that TPG has engaged in fraud or other like misconduct or has shown itself to be incompetent in carrying out its duties under the Partnership Agreement, or (d) upon sixty (60) days written notice from TPG to the Limited Partners of the Partnership. Upon termination of the PMA, other than by the voluntary action of TPG, TPG will be paid a termination fee of one month’s Base Fee allocable to the Partnership, subject to a minimum of \$13,250. In the event that TPG is terminated by action of a substitute general partner, TPG shall also receive, as part of this termination fee, 4% of any proceeds recovered with respect to the obligations of the former general partners, whenever such proceeds are collected.

Under the PMA, TPG will be indemnified by the Partnership, DiVall and Magnuson, and their controlled affiliates, and held harmless from all claims of any party to the Partnership Agreement and from any third party including, without limitation, the Limited Partners of the Partnership, for any and all liabilities, damages, costs and expenses, including reasonable attorneys’ fees, arising from or related to claims relating to or arising from the PMA or its status as Permanent Manager. The indemnification does not extend to claims arising from fraud or criminal misconduct of TPG as established by court findings. To the extent possible, the Partnership is to provide TPG with appropriate errors and omissions, officer’s liability or similar insurance coverage, at no cost to TPG. In addition, TPG was granted the right to establish an Indemnification Trust in an original amount, not to exceed \$250,000, solely for the purpose of funding such indemnification obligations. Once a determination has been made that no such claims can or will be made against TPG, the balance of the Trust will become unrestricted property of the Partnership. The corpus of the Trust has been fully funded with Partnership assets.

Advisory Board Member Independence

Although not “directors” or “officers” of the Partnership, the Partnership does evaluate whether the members of the Advisory Board are “independent” by evaluating whether each member has any relationships or has engaged in any transactions that, in the opinion of the General Partner, would interfere with any Advisory Board member’s exercise of independent judgment with respect to matters concerning the Partnership. As a part of this evaluation the General Partner considers, among other things, transactions and relationships between any member of the Advisory Board or any member of his family and the Partnership. The General Partner believes that each of Messrs. Small and Kramer are “independent”.

The Partnership paid and/or accrued the following to the General Partner and its affiliates in 2020 and 2019:

	Incurred for the <u>Year ended December 31, 2020</u>	Incurred for the <u>Year ended December 31, 2019</u>
<u>General Partner</u>		
Management fees	\$ 287,446	\$ 282,052
Overhead allowance	23,188	22,758
Leasing commissions	-	12,906
Reimbursement for out-of-pocket expenses	2,500	2,500
Cash distribution	2,870	3,145
	<u>\$ 316,004</u>	<u>\$ 323,361</u>

Item 14. Principal Accountant Firm Fees and Services

During 2019, we dismissed RBSM, LLP as our independent registered public accountants and replaced them with Boulay, PLLP.

Audit Fees

Aggregate billings for the fiscal year ended December 31, 2020 and 2019, for audit and interim review services provided to the Partnership by its principal accounting firm, Boulay PLLP amounted to \$40,455 and \$39,108, respectively.

Audit-Related Fees

For the fiscal years ended December 31, 2020 and 2019, neither Boulay PLLP nor RBSM, LLP performed any assurance and related services that were reasonably related to the performance of the audit or interim reviews.

All Other Fees

For the fiscal years ended December 31, 2020 and 2019, neither Boulay PLLP nor RBSM, LLP performed any management consulting or other services for the Partnership.

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) 1. Financial Statements

The following financial statements of DiVall Insured Income Properties 2 Limited Partnership are included in Part II, Item 8 of this Annual Report on Form 10-K:

[Report of Independent Registered Public Accounting Firm](#)

[Balance Sheets at December 31, 2020 and 2019](#)

[Statements of Income for the Years Ended December 31, 2020 and 2019](#)

[Statements of Partners' Capital for the Years Ended December 31, 2020 and 2019](#)

[Statements of Cash Flows for the Years Ended December 31, 2020 and 2019](#)

[Notes to Financial Statements](#)

2. Financial Statement Schedule

[Schedule III – Investment Properties and Accumulated Depreciation, December 31, 2020](#)

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and, therefore, have been omitted.

3. Listing of Exhibits

- 3.1 Agreement of Limited Partnership dated as of November 20, 1987, amended as of November 25, 1987, and February 20, 1988, filed as Exhibit 3A to Amendment No. 1 to the Partnership's Registration Statement on Form S-11 as filed on February 22, 1988, and incorporated herein by reference.
- 3.2 Amendments to Amended Agreement of Limited Partnership dated as of June 21, 1988, included as part of Supplement dated August 15, 1988, filed under Rule 424(b)(3), and incorporated herein by reference.
- 3.3 Amendment to Amended Agreement of Limited Partnership dated as of February 8, 1993, filed as Exhibit 3.3 to the Partnership's 10-K for the year ended December 31, 1992, Commission File 0-17686, and incorporated herein by reference.
- 3.4 Amendment to Amended Agreement of Limited Partnership dated as of May 26, 1993, filed as Exhibit 3.4 to the Partnership's 10-K for the year ended December 31, 1993, Commission File 0-17686, and incorporated herein by reference.
- 3.5 Amendment to Amended Agreement of Limited Partnership dated as of June 30, 1994, filed as Exhibit 3.5 to the Partnership's 10-K for the year ended December 31, 1994, Commission File 0-17686, and incorporated herein by reference.
- 3.6 [Amendment to Amended Agreement of Limited Partnership dated as of November 9, 2009, filed as Exhibit 4.1 to the Partnership Quarterly Report on Form 10-Q filed November 12, 2009, Commission File 0-17686, and incorporated herein by reference.](#)
- 3.7 [Amendment to Amended Agreement of Limited Partnership dated as of October 22, 2020, filed as Exhibit 4.7 to the Partnership Quarterly Report on Form 10-Q filed November 13, 2020, Commission File 0-17686, and incorporated herein by reference.](#)
- 3.8 [Certificate of Limited Partnership dated November 20, 1987. Commission File 0-17686, filed March 22, 2013, and incorporated herein by reference.](#)

- 4.1 [Description of Securities](#)
- 10.0 Permanent Manager Agreement filed as an exhibit to the Current Report on Form 8-K dated January 22, 1993, Commission File 33-18794, and incorporated herein by reference.
- 10.1 [Amended and Restated Restaurant Absolutely Net Lease, Wendy's Restaurant, 1901 Whiskey Road, Aiken, South Carolina, filed as exhibit 10.1 to the Current Report on Form 8-K dated April 28, 2020, Commission File 0-17686, and incorporated herein by reference.](#)
- 10.2 [Amended and Restated Restaurant Absolutely Net Lease, Wendy's Restaurant, 1901 Whiskey Road, Aiken, South Carolina, filed as exhibit 10.2 to the Current Report on Form 8-K dated April 28, 2020, Commission File 0-17686, and incorporated herein by reference.](#)
- 10.3 [Amended and Restated Restaurant Absolutely Net Lease, Wendy's Restaurant, 1901 Whiskey Road, Aiken, South Carolina, filed as exhibit 10.3 to the Current Report on Form 8-K dated April 28, 2020, Commission File 0-17686, and incorporated herein by reference.](#)
- 10.4 [Amended and Restated Restaurant Absolutely Net Lease, Wendy's Restaurant, 361 Highway 17 Bypass, Mt. Pleasant, South Carolina, filed as exhibit 10.1 to the Current Report on Form 8-K dated July 28, 2020, Commission File 0-17686, and incorporated herein by reference.](#)
- 10.5 [Amended and Restated Restaurant Absolutely Net Lease, Wendy's Restaurant, 343 Folly Road, Charleston, South Carolina, filed as exhibit 10.2 to the Current Report on Form 8-K dated July 28, 2020, Commission File 0-17686, and incorporated herein by reference.](#)
- 10.6 [Amended and Restated Restaurant Absolutely Net Lease, Wendy's Restaurant, 1721 Sam Rittenberg, Charleston, South Carolina, filed as exhibit 10.3 to the Current Report on Form 8-K dated July 28, 2020, Commission File 0-17686, and incorporated herein by reference.](#)
- 16.1 [Letter from RBSM, LLP to the U.S. Securities and Exchange Commission dated June 18, 2019, filed as exhibit 16.1 to the Current Report on Form 8-K dated June 13, 2019, Commission File 0-017686, and incorporated herein by reference.](#)
- 31.1 [Sarbanes Oxley Section 302 Certifications.](#)
- 31.2 [Sarbanes Oxley Section 302 Certifications.](#)
- 32.1 [Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350.](#)
- 99.0 [Reviewed Financial Statements of Wendgusta, LLC for the fiscal years ended December 27, 2020 and December 29, 2019 prepared by Vrona & Van Schuyler, CPAs, PLLC.](#)
- 99.1 [Reviewed Financial Statements of Wendcharles I, LLC for the fiscal years ended December 27, 2020 and December 29, 2019 prepared by Vrona & Van Schuyler, CPAs, PLLC.](#)
- 99.2 [Reviewed Financial Statements of Wendcharles II, LLC for the fiscal years ended December 27, 2020 and December 29, 2019 prepared by Vrona & Van Schuyler, CPAs, PLLC.](#)
- 101 The following materials from the Partnership's Annual Report on Form 10-K for the year ended, formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheets at December 31, 2020 and December 31, 2019, (ii) Statements of Income for the years ended December 31, 2020 and 2019, (iii) Statement of Cash Flows for the years ended December 31, 2020 and 2019, and (iv) Notes to the Financial Statements.

Item 16. Form 10-K Summary

None.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
SCHEDULE III – INVESTMENT PROPERTIES AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019

Property	Encumbrances	Initial Cost to Partnership		Costs Capitalized Subsequent to Acquisitions	Gross Amount at which Carried at End of Year			Depreciation in Life on which Accumulated Depreciation	Date of Construction	Date Acquired	latest statement of operations is computed (years)
		Land	Building and Improvements		Land	Building and Improvements	Total				
Augusta, GA (1)	\$ -	\$ 215,416	\$ 434,176	\$ -	\$ 213,226	\$ 434,176	\$ 647,402	\$ 434,176	-	12/22/1988	31.5
Charleston, SC	-	273,619	323,162	-	273,619	323,162	596,781	323,162	-	12/22/1988	31.5
Aiken, SC	-	402,549	373,795	-	402,549	373,795	776,344	373,795	-	2/21/1989	31.5
Augusta, GA	-	332,154	396,659	-	332,154	396,659	728,813	396,659	-	2/21/1989	31.5
Mt. Pleasant, SC (2)	-	286,060	294,878	-	252,069	294,878	546,947	294,878	-	2/21/1989	31.5
Charleston, SC	-	273,625	254,500	-	273,625	254,500	528,125	254,500	-	2/21/1989	31.5
Aiken, SC	-	178,521	455,229	-	178,521	455,229	633,750	455,229	-	3/14/1989	31.5
North Augusta, SC	-	250,859	409,297	-	250,859	409,297	660,156	403,054	-	12/29/1989	31.5
Martinez, GA	-	266,175	367,575	-	266,175	367,575	633,750	361,969	-	12/29/1989	31.5
Columbus, OH	-	351,325	708,141	-	351,325	708,141	1,059,466	688,160	-	6/1/1990	31.5
	<u>\$ -</u>	<u>\$ 2,830,303</u>	<u>\$ 4,017,412</u>	<u>\$ -</u>	<u>\$ 2,794,122</u>	<u>\$ 4,017,412</u>	<u>\$ 6,811,534</u>	<u>\$ 3,985,582</u>			

- (1) In the Fourth Quarter of 2001, a portion of the land was purchased from the Partnership by the County Commission for utility and maintenance easement.
- (2) In the Third Quarter of 2013, a portion of the land was sold to the City of Charleston for right of way purposes.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

SCHEDULE III – INVESTMENT PROPERTIES AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2020

(B) Reconciliation of “Investment Properties and Accumulated Depreciation”:

Investment Properties	Year Ended December 31, 2020	Year Ended December 31, 2019	Accumulated Depreciation	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance at beginning of year	\$ 6,811,534	\$ 6,811,534	Balance at beginning of year	\$ 3,897,848	\$ 3,776,718
Additions:			Additions charged to costs and expenses	87,734	121,130
Balance at end of year	<u>\$ 6,811,534</u>	<u>\$ 6,811,534</u>	Balance at end of year	<u>\$ 3,985,582</u>	<u>\$ 3,897,848</u>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIVALL INSURED INCOME PROPERTIES 2, L.P.

By: /s/ Bruce A. Provo
President, Chief Executive Officer and Director of The Provo Group, Inc., the General Partner of the Partnership
(principal executive officer of the registrant)

By: /s/ Lynette L. DeRose
Chief Financial Officer of the Partnership

(principal financial officer and principal accounting officer of the registrant)

By: THE PROVO GROUP, INC., General Partner

By: /s/ Bruce A. Provo
President, Chief Executive Officer and Director of The Provo Group, Inc., the General Partner of the Partnership
(principal executive officer of the registrant)

Dated: March 26, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Bruce A. Provo
President, Chief Executive Officer and Director of The Provo Group, Inc., the General Partner of the Partnership

By: /s/ Caroline E. Provo
Director of The Provo Group, Inc., the General Partner of the Partnership

Date: March 26, 2021

Exhibit 4.1**DESCRIPTION OF DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP'S
SECURITIES REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

DiVall Insured Income Properties 2 Limited Partnership, a Wisconsin limited partnership (“*DiVall*” or the “*Partnership*”), has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: limited partnership interests in the Partnership (“*Units*”).

The following is a summary of the rights of the holders of Units. This summary should be read in conjunction with, and is qualified in its entirety by, the related provisions of the Agreement of Limited Partnership dated November 25, 1987, as amended from time to time (the “Partnership Agreement”), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is an exhibit; and applicable Wisconsin law, including the Wisconsin Uniform Limited Partnership Act. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Partnership Agreement.

Limited Partnership Interests

Units represent limited partnership interests in the Partnership that entitle the holders thereof to the rights and privileges specified to Limited Partners in our Partnership Agreement, including the right to participate in distributions. The Units are registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended. As of December 31, 2020, there were 46,280.3 Units issued and outstanding held by 1,125 Limited Partners of record. The Partnership has no other class of securities authorized or outstanding. The Units are not listed for trading on any exchange.

Distributions to Partners; Allocations

The Partnership Agreement provides for net income and loss of the Partnership to be allocated on a quarterly basis, 99% to the Limited Partners and 1% to the General Partner.

The Partnership Agreement provides for the distribution of net cash receipts and net proceeds to the limited partners and General Partner at times that the General Partner deems appropriate, but no less often than semi-annually, subject to the limitations on distributions Partner described in the Partnership Agreement. In general, distributions from Net Proceeds (as defined) are distributed first to the Limited Partners in an amount equal to 100% of their Adjusted Original Capital, then an amount necessary to provide each Limited Partner a liquidation preference from the Return Calculation Date (as defined) and giving effect to prior distributions of net cash receipts and any distributions of Net Proceeds (except for distribution amounts deemed appropriate by the General Partner to pay its federal and state income tax on the income allocated to the General Partner attributable to such year), and then 99% to the Limited Partners and 1% to the General Partner.

Capital Contributions

Limited Partners are not required to make additional capital contributions to the Partnership and are not subject to mandatory future capital calls.

General Partner

The Provo Group, Inc. (the “**General Partner**”), is the general partner of the Partnership. The General Partner has broad discretion to manage the Partnership and its affairs, including to cause the Partnership to acquire interests in real property assets, manage and operate Partnership properties, sell, lease and dispose of Partnership properties, borrow funds from financial institutions on behalf of the Partnership, make tax elections, and admit additional Limited Partners. The Partnership Agreement imposes certain restrictions on the General Partner with respect to the operation of the Partnership, including restrictions on causing the Partnership to engage in certain transactions with the General Partner or its affiliates or to receive loans from the Partnership. In addition, the Partnership Agreement imposes various affirmative duties on the General Partner. The General Partner is not required to manage the Partnership as its sole and exclusive function and is permitted to have other business interests and may engage in other activities to those relating to the Partnership. The Partnership Agreement provides, subject to certain requirements that the General Partner may be due certain fees, such as a disposition fee upon the sale of Partnership properties. The General Partner is indemnified from any claims or expenses arising out of, or relating to, serving as the General Partner, so long as such claims do not arise from fraudulent or criminal misconduct by the General Partner.

In addition to the General Partner, the Partnership Agreement provides for an advisory committee with that committee to review and advise on matters such as operational policies and practices of the Partnership, extraordinary transactions, transactions that may be present a conflict of interest, any compensation due the General Partner and to serve as the equivalent of an audit committee.

Voting Rights

Subject to certain limitations and requirements in the Partnership Agreement, the General Partner has the sole and exclusive right and power to manage and operate the business of the Partnership. However, the Units entitle the holder to vote on all matters submitted to a vote of Unit Holders. The Partnership Agreement provides Limited Partners with certain limited voting rights. For example, the Limited Partners, by a vote of Limited Partners holding a majority of the then outstanding Units, are required to approve certain actions, such as: the removal of the General Partner or the admission of a new General Partner; the extension of the Partnership’s term; the dissolution of the Partnership; subject to certain limitations, amendments to the Partnership Agreement; the sale of all or substantially all of the Partnership’s assets; and certain transactions the Partnership may seek to engage in or effect.

No Withdrawal or Dissolution; Restrictions on Transfer

No Limited Partner may at any time withdraw from the Partnership, except as provided in the Partnership Agreement, and no Limited Partner currently has the right to have the Partnership dissolved or the right to a return of any contribution to the capital of the Partnership.

The Partnership Agreement imposes various restrictions and requirements on a Limited Partner’s right to sell, transfer or assign their Units. Among the restrictions is that any proposed transfer must be effected in accordance with limitations that will not result in the termination of the Partnership under the Internal Revenue Code.

Term

The Partnership Agreement currently provides the term of the Partnership extends until November 30, 2023.

Exhibit 31.1

DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIPCERTIFICATIONS

I, Lynette L. DeRose, certify that:

1. I have reviewed this annual report on Form 10-K of DiVall Insured Income Properties 2 Limited Partnership;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 26, 2021

By: /s/ Lynette L. DeRose

Chief Financial Officer of the Partnership
(principal financial officer of the registrant)

Exhibit 31.2

DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIPCERTIFICATIONS

I, Bruce A. Provo, certify that:

1. I have reviewed this annual report on Form 10-K of DiVall Insured Income Properties 2 Limited Partnership;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 26, 2021

By: /s/ Bruce A. Provo

President, and Chief Executive Officer of The Provo Group, Inc., the
General Partner of the Partnership
(principal executive officer of the registrant)

Exhibit 32.1**DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP****Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer and principal financial officer of Divall Insured Income Properties 2 Limited Partnership (the "Company") certify that the Annual Report on Form 10-K of the Company for the period ended December 31, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 26, 2021

By: /s/ Lynette L. DeRose

Chief Financial Officer of the Partnership
(principal financial officer of the registrant)

By: /s/ Bruce A. Provo

President, and Chief Executive Officer of The Provo Group, Inc., the
General Partner of the Partnership
(principal executive officer of the registrant)

This certification is made solely for the purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

Exhibit 99.0

VRONA & VAN SCHUYLER CPAS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WENDGUSTA, LLC
FINANCIAL STATEMENTS- INCOME TAX BASIS
DECEMBER 27, 2020 AND DECEMBER 29, 2019

VRONA & VAN SCHUYLER CPAS, PLLC
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members
Wendgusta, LLC
27 Central Ave.
Cortland, NY 13045

We have reviewed the accompanying financial statements of Wendgusta, LLC which comprise the statements of assets, liabilities and members' equity—income tax basis as of December 27, 2020 and December 29, 2019, and the related statements of revenues and expenses—income tax basis, changes in members' equity—income tax basis and cash flows—income tax basis for the 53 or 52 weeks then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the income tax basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the company uses for income tax purposes.

January 29, 2021

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Vrona & Van Schuyler CPAs, PLLC

Certified Public Accountants

January 29, 2021

Wendgusta, LLC
 Statements of Assets, Liabilities and Members' Equity - Income Tax Basis
 December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash - (Note 1J)	\$ 2,134,501	\$ 1,610,372
Inventories - (Note 1C)	139,310	129,876
Prepaid expenses and other current assets	<u>95,728</u>	<u>-</u>
Total Current Assets	<u>2,369,539</u>	<u>1,740,248</u>
Property and Equipment- net of accumulated depreciation - (Notes 1D and 2)	<u>876,340</u>	<u>1,098,720</u>
Others Assets:		
Goodwill, net of accumulated amortization of \$4,824,531 in 2020 and \$4,467,200 in 2019 - (Note 1E)	535,433	892,764
Tech fees, net of accumulated amortization of \$19,168 in 2020 and \$13,390 in 2019 - (Note 1F)	95,832	101,610
Deposits	<u>21,403</u>	<u>16,088</u>
Total Other Assets	<u>652,668</u>	<u>1,010,462</u>
TOTAL ASSETS	<u>\$ 3,898,547</u>	<u>\$ 3,849,430</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current Liabilities		
Current maturities of long-term debt - (Note 3)	\$ 70,825	\$ 66,711
Accounts payable, accrued expenses and taxes payable - (Note 1M)	<u>1,605,339</u>	<u>1,319,300</u>
Total Current Liabilities	<u>1,676,164</u>	<u>1,386,011</u>
Long term liabilities:		
Long-term debt, less current maturities - (Note 3)	<u>557,193</u>	<u>628,018</u>
Total Long Term Liabilities	<u>557,193</u>	<u>628,018</u>
Total Liabilities	2,233,357	2,014,029
Commitments & Contingencies - (Notes 3, 4, 5, and 7)	-	-
Members' Equity - (Notes 1A, 5A, 6B, 6C, and 6D)	<u>1,665,190</u>	<u>1,835,401</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>\$ 3,898,547</u>	<u>\$ 3,849,430</u>

See independent accountants' review report and notes to the financial statements.

Wendgusta, LLC
Statements of Revenues and Expenses- Income Tax Basis
For the Years Ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Sales - net	\$ 22,768,280	\$ 20,595,506
Cost of Sales - net	<u>6,647,216</u>	<u>6,410,735</u>
Gross Profit	<u>16,121,064</u>	<u>14,184,771</u>
Labor Expenses	6,509,054	5,674,879
Store Operating and Occupancy Expenses	3,446,130	3,205,117
General and Administrative Expenses	1,283,339	1,019,455
Advertising Expenses - (Note 1L and 4A)	978,352	903,132
Royalty Expense - (Note 4A)	910,731	804,861
Depreciation & Amortization - (Notes 1D, 1E, 1F, and 1G)	1,430,837	965,923
Interest Expense - (Note 3)	<u>93,496</u>	<u>72,205</u>
Total Operating Expenses	<u>14,651,939</u>	<u>12,645,572</u>
Operating Income	1,469,125	1,539,199
Gain / (Loss) on sale (disposal) of Assets	(820)	(5,269)
Interest and other income - (Note 9)	<u>1,109,934</u>	<u>267,265</u>
Excess (deficiency) of Revenues over expenses - (Note 1H)	<u>\$ 2,578,239</u>	<u>\$ 1,801,195</u>

See independent accountants' review report and notes to the financial statements.

Wendgusta, LLC
Statements of Changes in Members' Equity- Income Tax Basis
For the Years Ended December 27, 2020 and December 29, 2019

Members' Equity (deficit) December 30, 2018	\$ 1,916,706
Excess of Revenues over expenses for the year ended December 29, 2019	1,801,195
Distributions paid to Members	<u>(1,882,500)</u>
Members' Equity (deficit) December 29, 2019	1,835,401
Excess of Revenues over expenses for the year ended December 27, 2020	2,578,239
Distributions paid to Members	<u>(2,748,450)</u>
Members' Equity (deficit) December 27, 2020	<u>\$ 1,665,190</u>

See independent accountants' review report and notes to the financial statements.

Wendgusta, LLC
 Statements of Cash Flows- Income Tax Basis
 For the Years Ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows for Operating Activities:		
Excess (deficiency) of revenues over expenses	<u>\$ 2,578,239</u>	<u>\$ 1,801,195</u>
Adjustments to reconcile net Cash Provided by Operating Activities		
Depreciation / Amortization	1,430,837	965,923
(Gain) / Loss on (sale) / disposal of assets	820	5,269
Increase (decrease) in cash attributed to changes in Assets & Liabilities		
Decrease (Increase) in inventories	(9,434)	(25,457)
Decrease (Increase) in prepaid expenses & other current assets	(101,043)	155,125
Increase (decrease) in accounts payable & accrued expenses and taxes payable	<u>286,039</u>	<u>(285,371)</u>
Total Adjustments	<u>1,607,219</u>	<u>815,489</u>
Net Cash Provided by Operating Activities	<u>4,185,458</u>	<u>2,616,684</u>
Cash Flows from Investing Activities:		
Capital Expenditures, tangible & intangible	<u>(846,168)</u>	<u>(596,552)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(846,168)</u>	<u>(596,552)</u>
Cash Flows from Financing Activities:		
Repayments of note payable	(66,711)	(62,835)
Members' distributions	<u>(2,748,450)</u>	<u>(1,882,500)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(2,815,161)</u>	<u>(1,945,335)</u>
Net Increase (Decrease) in Cash	524,129	74,797
Cash, beginning of Year	<u>1,610,372</u>	<u>1,535,575</u>
Cash, End of Year	<u><u>\$ 2,134,501</u></u>	<u><u>\$ 1,610,372</u></u>
Supplemental Information:		
Interest Paid During the Year	\$ 93,830	\$ 75,072
Income Taxes Paid	-	100

See independent accountants' review report and notes to the financial statements.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies

(A) The Company:

Wendgusta, LLC was formed on May 16, 2007 pursuant to the Georgia Limited Liability Company Act to acquire, own and operate eleven existing Wendy's Old Fashioned Hamburger Restaurants in Augusta and Martinez, Georgia and Aiken and North Augusta, South Carolina. The restaurants were acquired from one seller for an aggregate purchase price of \$7,650,000, plus various adjustments in the net aggregate amount of approximately \$50,000. The Company recorded goodwill in the amount of approximately \$6,527,000. The acquisition closed on July 2, 2007. (See Note 3)

In October 2007 the Company closed the Dean Bridge Road restaurant.

In October 2016 the Company closed the Washington Road restaurant in Martinez, Georgia.

In July 2017 the Company completed construction on a new restaurant in North Augusta, South Carolina. In July 2017 the Company sold and leased back the restaurant.

In 2019 the company opened a new restaurant in Waynesboro, Georgia.

The Company currently operates eleven restaurants, all of which are leased. (See Note 4B)

The Company is to continue in perpetuity, except it is to be dissolved as a result of the sale of all business operations or the sale of all or substantially all of its assets, in each of such cases upon the receipt of the consideration therefor in cash or the reduction to cash of non-cash consideration, or upon the occurrence of certain events as set forth in the operating agreement. (See Note 5B)

(B) Income Tax Basis of Accounting:

The accompanying financial statements have been prepared on the same basis of accounting used for the Company's federal income tax return, another comprehensive basis of accounting, differing in certain respects from generally accepted accounting principles (GAAP). Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with generally accepted accounting principles.

The federal income tax basis differs from GAAP primarily from depreciation of property and equipment is computed on recovery periods used for federal income tax purposes, including accelerated methods that provide bonus depreciation and special expensing elections, rather than the estimated useful lives of individual assets.

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(C) Inventories:

Inventories represent food and supplies and are stated at cost.

(D) Property, Equipment & Depreciation:

Property and equipment are stated at cost. Depreciation is provided by application of the straight-line method over useful lives as follows:

Leasehold Improvements	15 to 39	Years
Restaurant and office equipment	5 to 7	Years
Automobile	5	Years
Land Improvements	15	Years

If it had qualifying property placed in service during the year, the Company has taken additional depreciation deductions in accordance with the federal government's enactment of the Tax Cuts and Jobs Act of 2018, and the Coronavirus Aid, Relief, and Economic Security Act of 2020.

(E) Goodwill:

Goodwill, representing the excess of the purchase price over the fair value of the assets acquired, is amortized over fifteen years.

(F) Technical Assistance Fees:

The company capitalized the technical assistance fees previously paid to Wendy's International. These fees are amortized over fifteen years.

(G) Loan Costs:

The Company capitalized the costs incurred in obtaining the acquisition debt. These costs were amortized over the life of the loan.

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(H) Income Taxes:

The Company was organized as a Limited Liability Company under the laws of Georgia and is not subject to any federal or state income tax. For federal, Georgia and South Carolina income tax purposes, the Company is treated as a partnership. Accordingly, each member is required to report on his federal and applicable state income tax return his distributive share of all items of income, gain, loss, deduction, credit and tax preference of the Company for any taxable year, whether or not any cash distribution has been or will be made to such member.

The Company's tax returns are subject to examination by the Federal and State taxing authorities. The tax laws, rules and regulations governing these returns are complex, technical and subject to varying interpretations. If an examination required the Corporation to make adjustments, the profit or loss that is allocated to the members would be adjusted accordingly. Management believes the Company is no longer subject to tax examinations for the years prior to 2017.

Although income tax rules are used to determine the timing of the reporting revenues and expenses, non-taxable revenues and non-deductible expenses are included in the determination of net income in the accompanying financial statements.

(I) Fiscal Year:

The Company's annual accounting period is a fiscal year ending on the last Sunday of December.

(J) Cash:

The Company maintains its cash in various banks. The accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation, to a maximum of \$250,000. At any time during the year, the cash balance may exceed \$250,000.

(K) Use of Estimates:

The preparation of financial statements in conformity with the income tax accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(L) Advertising:

The Company expenses all advertising costs when incurred.

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(M) Sales Tax:

The Company collects sales tax and remits to the states of Georgia and South Carolina. The liability is reflected in taxes payable on the balance sheet.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Restaurant and office equipment	\$ 3,832,040	\$ 3,578,730
Automobile	13,823	13,823
Leasehold Improvements	3,074,833	2,559,045
Land Improvements	366,364	395,211
Total	7,287,060	6,546,809
Less: Accumulated Depreciation	6,410,720	5,448,089
Property & Equipment, Net	<u>\$ 876,340</u>	<u>\$ 1,098,720</u>

Note 3 - Long Term Debt

On December 1, 2017 the Company borrowed \$400,000 from Wendcapital IV, LLC, a related party. Repayment terms are \$4,441 per month including interest at 6% per annum. The loan matures on December 1, 2027. (Note 6E)

The future principal payments are as follows:

2021	\$	36,031
2022		38,253
2023		40,612
2024		43,117
2025		45,777
Thereafter		100,197
	<u>\$</u>	<u>303,987</u>

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 3 - Long Term Debt - (Continued)

On July 1, 2018 the Company borrowed \$400,000 from Wendcapital V, LLC, a related party. Repayment terms are \$4,441 per month including interest at 6% per annum. The loan matures on July 1, 2028. (Note 6E)

The future principal payments are as follows:

2021	\$	34,794
2022		36,941
2023		39,219
2024		41,638
2025		44,206
Thereafter		127,233
	\$	<u>324,031</u>

Note 4 - Commitments and Contingencies

(A) Franchise Agreement Commitments:

The Company is the franchisee for the eleven Wendy's restaurants it owns and operates. The franchise agreements obligate the Company to pay to Wendy's International a monthly royalty equal to 4% of the gross sales of each restaurant, or \$250, whichever is greater. The Company must also pay to Wendy's National Advertising Program 3.5% of the gross sales less certain credits and spend not less than .5% of the gross sales of each restaurant for local and regional advertising.

(B) Minimum Operating Lease Commitments:

The lease for the restaurant located at 517 Martintown Road in North Augusta expires on November 6, 2021 and includes one five-year renewal option. The annual rent is \$87,780. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of \$746,181.

The lease for the restaurant located at 1730 Walton Way in Augusta expires on November 6, 2021 and includes one five-year renewal option. The annual rent is \$96,780. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of \$768,937.

The lease for the restaurant located at 2738 Washington Road in Augusta had a primary term that expired on October 31, 2004. The current term expires on October 31, 2024. The annual rent is \$71,573 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 5% of gross sales in excess of \$900,000.

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 4 - Commitments and Contingencies - (Continued)

(B) Minimum Operating Lease Commitments: (Continued)

The lease for the restaurant located at 1004 Richland Avenue in Aiken expires on November 6, 2021 and includes one five-year renewal option. The annual rent is \$90,480. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of \$752,048.

The lease for the restaurant located at 3342 Wrightsboro Road in Augusta had a primary term that expired on October 31, 2004. The current term expires on October 31, 2024. The annual rent is \$68,581 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 5% of gross sales in excess of \$687,458.

The lease for the restaurant located at 3013 Peach Orchard Road in Augusta expires on November 6, 2021 and includes one five-year renewal option. The annual rent is \$86,160. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of \$744,784.

The lease for the restaurant located at 1901 Whiskey Road in Aiken expires on November 6, 2021 and includes one five-year renewal option. The annual rent is \$96,780. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of \$960,000.

The lease for the restaurant located at 449 Walton Way in Augusta had a primary term that expired on February 28, 2018. The current term expires on February 28, 2023 and includes one five-year renewal options. The annual rent is \$103,845 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 6% of gross sales less base rent.

The lease for the restaurant located at 430 South Belair Road in Augusta has a primary term that expires on November 30, 2025 and includes two five-year renewal options. The annual rent is \$174,237 through November 30, 2021. At that time and on each one year anniversary thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1.5%.

The lease for the restaurant located at 1061 Edgefield Road in North Augusta has a primary term that expires on July 31, 2037 and includes four five-year renewal options. The annual rent is \$170,000 through July 31, 2037. At that point and on each one year anniversary thereafter, rent will be increased by the previous year's annual rent multiplied by 2%.

The lease for the restaurant located at 200 Virginia Parkway in Waynesboro has a primary term that expires on January 31, 2039 and includes two five-year renewal options. The annual rent is \$148,000 for all term of the lease. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of 1,800,000.

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 4 - Commitments and Contingencies - (Continued)

(B) Minimum Operating Lease Commitments: (Continued)

Rent expense was \$1,778,208 in 2020 and \$1,612,776 in 2019 including percentage rent of \$590,851 in 2020 and \$485,131 in 2019.

Future annual minimum rentals are as follows:

2021	\$	1,125,519
2022		738,849
2023		654,964
2024		616,990
2025		487,306
Thereafter		3,907,597
	\$	<u>7,531,226</u>

(C) Financial and Operational Advisory Services Agreement:

At the closing, the Company entered into a financial and operational advisory services agreement with its two managing members and another individual. The agreement provides for these three individuals to: (i) consult with and advise the Company on applicable financial and/or operational matters; and (ii) if required by the Company's debt, lease or franchise agreements, to which they are signatories, to remain ready, willing and able to maintain such status for the benefit of the Company, except where such guarantees are not needed; and (iii) remain able to provide such additional personal guarantees as, within their sole discretion, may reasonably be necessary to maintain the business of the Company. The initial term ended December 31, 2010 and is automatically renewable annually thereafter, as long as the Company remains in business. The agreement also provides for the reimbursement of reasonable expenses incurred by the individuals in fulfilling their duties. Fees paid pursuant to this agreement aggregated \$171,600 in 2020 and \$111,600 in 2019. (See Note 6A)

Note 5 - Capitalization and Operating Agreement

(A) Capitalization:

The Company's initial capitalization consisted of 800 units, of which 24 and 21 were sold to two managing members at \$25 per unit, or \$1,125 in the aggregate, and 80 units were sold to the third managing member at \$125 per unit, or \$10,000 in the aggregate. Of the remaining 675 units, 192 were sold at \$25 per unit, or \$4,800 in the aggregate, and 483 units were sold at per unit contributions of \$4,500 totaling \$2,173,500. All contributions totaled \$2,189,425. (See Note 5B)

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 5 - Capitalization and Operating Agreement - (Continued)

(B) Operating Agreement:

All purchasers of membership interests are parties to the Company's operating agreement which provides for the capitalization and operation of the Company, distributions to members and transfers of interests. Members' consents representing 75% of all membership interests are required for the following actions: Change in the operating agreement; voluntary dissolution; sale or exchange of substantially all assets; merger or consolidation; incurrence of debt or refinancing other than in the ordinary course of business or in connection with entering new or unrelated businesses; and removal of a manager, for cause. Members are not required to make up negative capital accounts. Distributions either from cash flow generated by operations or capital transactions (as defined) other than capital contributions are made at the sole discretion of the managers, acting unanimously. Managers are elected by the members. Outside liens against membership interests are prohibited. For permitted transfers of membership interests, book value is equal to assets less liabilities using the income tax method/accrual basis of accounting.

Members wishing to sell their interests shall submit their request in writing, together with appropriate documentation setting for the terms of such sale, to the managing members, who within thirty days and at their sole discretion, shall approve or disapprove of such sale. If not approved, the managing members within fourteen additional days may elect to have the Company purchase the offered units at the stated terms. Such action by the managing members is to be by simple majority. If the managing members determine that the offered interests are not to be redeemed by the Company, then the interests shall be offered to the remaining members of the Company, pro-rata at the same offered terms, who will have 14 additional days to purchase the offered shares. If the interests are not purchased by the members, then they may be sold to the third-party purchaser at the offered terms, but the purchaser must become bound by the terms of the operating agreement. Membership interests may also be transferred to family members or trusts or by reason of death or incompetence.

In the event of a termination of a member's interest by death, retirement, resignation, expulsion, bankruptcy, incompetence, or in the case of a member that is not a natural person - dissolution, and the Company must be dissolved unless it is continued by the consent of all the remaining members. Non-consenting members are deemed to offer and authorized representatives or trustees of deceased or bankrupt members may offer the applicable membership interest, first to the Company, and then to the consenting (continuing) members. In such case, the offered interests must be purchased by either the Company or one or more of the consenting members. Such purchases, unless made by the Company, are to be made pro-rata to the existing interests of purchasing members, unless they agree otherwise or there is only one purchasing member.

In any event, all offered interest of non-consenting members or by the estate, trustee, etc. of deceased or bankrupt members, etc. must be purchased by the Company or one or more consenting members or the Company must be dissolved and liquidated.

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 6 - Related Party Transactions

(A) Financial and Operational Advisory Services:

The Company paid two of its three managing members and a third individual a total of \$171,600 in 2020 and \$111,600 in 2019 pursuant to a financial and operational advisory services agreement. (See Note 4C)

(B) Additional Capital Contributions:

During 2009 additional capital contributions of \$1,000 per unit of membership interest were received by the Company for a total of \$796,000.

(C) Loan Receivable:

In 2017 the company lent its president \$180,000 for a capital contribution which was contributed back into the Company. The President repaid the loan in 2019.

(D) Redemption of Membership Interest:

In July 2008 the Company redeemed one member's .25% membership interest for \$2,000.

In March 2009 the Company redeemed one member's .13% membership interest for \$2,000.

In October 2009 the Company redeemed one member's .13% membership interest for \$3,600.

In 2010 the Company redeemed four members' 2.62% combined membership interest for an aggregate price of \$103,000.

In 2012 the Company redeemed four members' 5.93% combined membership for an aggregate price of \$89,700.

In April 2015 the Company redeemed one member's .53% membership interest for \$22,000.

In August 2015 the Company redeemed one member's .13% membership interest for \$8,000.

(E) Long Term Debt

The Company, Wendcapital IV, LLC, and Wendcapital V, LLC have certain common equity interests; however, they are not under common control.

See independent accountants' review report.

Wendgusta, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 7 - Pension Plan

The Company maintains a qualified cash or deferred compensation plan under section 401(k) of the Internal Revenue Code for all full-time employees meeting certain service requirements. Under the plan, employees may elect to defer their salary, subject to Internal Revenue Service limits. A discretionary matching contribution may be made by the Company and added to each participant's account. Company contributions for the plan amounted to \$5,890 for 2020 and \$5,572 for 2019.

Note 8 - Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued, as reflected on the independent accountant's review report.

Note 9 - CARES Act

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law. This allowed for the Company to receive financial aid in the form of a Paycheck Protection Program (PPP) loan from the U.S Small Business Administration. The Company received \$1,088,452 in the form of a PPP loan which was forgiven.

See independent accountants' review report.

Exhibit 99.1

Vrona & Van Schuyler CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WENDCHARLES I, LLC
FINANCIAL STATEMENTS- INCOME TAX BASIS
DECEMBER 27, 2020 AND DECEMBER 29, 2019

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members
Wendcharles I, LLC
27 Central Ave.
Cortland, NY 13045

We have reviewed the accompanying financial statements of Wendcharles I, LLC which comprise the statements of assets, liabilities and members' equity—income tax basis as of December 27, 2020 and December 29, 2019, and the related statements of revenues and expenses—income tax basis, changes in members' equity—income tax basis and cash flows—income tax basis for the 53 or 52 weeks then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the income tax basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the company uses for income tax purposes.

January 29, 2021

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Vrona & Van Schuyler CPAs, PLLC

Certified Public Accountants

January 29, 2021

Wendcharles I, LLC
 Statements of Assets, Liabilities and Members' Equity - Income Tax Basis
 December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash - (Note 1I)	\$ 722,728	\$ 425,218
Inventories - (Note 1C)	52,096	55,696
Prepaid expenses and other current assets	<u>14,066</u>	<u>50,000</u>
Total Current Assets	<u>788,890</u>	<u>530,914</u>
Property and Equipment, net of accumulated depreciation (Notes 1D and 2)	<u>459,892</u>	<u>811,796</u>
Others Assets:		
Goodwill, net of accumulated amortization of \$651,786 in 2020 and \$608,998 in 2019 - (Note 1E)	320,482	465,711
Technical Assistance Fee, net of accumulated amortization of \$3,765 in 2020 and \$2,598 in 2019 - (Note 1F)	16,235	17,402
Deposits	<u>11,190</u>	<u>11,190</u>
Total Other Assets	<u>347,907</u>	<u>494,303</u>
TOTAL ASSETS	<u>\$ 1,596,689</u>	<u>\$ 1,837,012</u>

	<u>2020</u>	<u>2019</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt - (Note 3)	\$ -	\$ 33,769
Accounts Payable, accrued expenses, and taxes payable - (Note 1L)	<u>684,544</u>	<u>598,602</u>
Total Current Liabilities	<u>684,544</u>	<u>632,370</u>
Long-term liabilities:		
Deferred rent credit	5,169	6,985
Long-term debt, less current maturities - (Note 3)	<u>1,450,000</u>	<u>306,894</u>
Total Long-term liabilities	<u>1,455,169</u>	<u>313,879</u>
Total Liabilities	2,139,713	946,249
Commitments & Contingencies - (Notes 3, 4, 5 and 7)	-	-
Members' Equity - (Notes 1A, 5 and 6B)	<u>(543,024)</u>	<u>890,764</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>\$ 1,596,689</u>	<u>\$ 1,837,013</u>

See independent accountants' review report and notes to the financial statements.

Wendcharles I, LLC
Statements of Revenue and Expenses - Income Tax Basis
For the Years Ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Sales - net	\$ 6,952,179	\$ 10,983,641
Cost of Sales - net	<u>1,933,055</u>	<u>3,299,933</u>
Gross Profit	<u>5,019,124</u>	<u>7,683,708</u>
Labor Expenses	2,390,907	3,530,349
Store Operating and Occupancy Expenses	1,165,760	1,858,902
General and Administrative Expenses	613,300	761,344
Advertising Expenses - (Notes 1K and 4A)	309,148	525,309
Royalty Expense - (Note 4A)	278,087	439,346
Depreciation & Amortization - (Notes 1D, 1E and 1F)	805,562	536,092
Interest Expense - (Note 3)	<u>32,213</u>	<u>126,415</u>
Total Operating Expenses	<u>5,594,977</u>	<u>7,777,757</u>
Operating Income	(575,853)	(94,049)
Gain / (Loss) on sale (disposal) of Assets	656,551	923,687
Interest & Other Income - (Note 9)	<u>1,105,514</u>	<u>32,883</u>
Excess (deficiency) of Revenues over expenses - (Note 1G)	<u>\$ 1,186,212</u>	<u>\$ 862,521</u>

See independent accountants' review report and notes to the financial statements.

Wendcharles I, LLC
Statement of Changes in Members' Equity - Income Tax Basis
For the Years Ended December 27, 2020 and December 29, 2019

Members' Equity (deficit) December 30, 2018	\$ 586,122
Excess of Revenues over expenses for the year ended December 29, 2019	862,522
Issuance of Membership Interest	2,076,000
Distributions paid to Members	<u>(2,633,880)</u>
Members' Equity (deficit) December 29, 2019	890,764
Excess of Revenues over expenses for the year ended December 27, 2020	1,186,212
Issuance of Membership Interest	501,000
Distributions paid to Members	<u>(3,121,000)</u>
Members' Equity (deficit) December 27, 2020	<u>\$ (543,024)</u>

See independent accountants' review report and notes to the financial statements.

Wendcharles I, LLC
 Statements of Cash Flows - Income Tax Basis
 For the Years Ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows for Operating Activities:		
Excess (deficiency) of revenues over expenses	\$ 1,186,212	\$ 862,521
Adjustments to reconcile net Cash Provided by Operating Activities		
Depreciation / Amortization	805,562	536,092
(Gain) / Loss on (sale) / disposal of assets	(656,551)	(923,687)
Increase (decrease) in cash attributed to changes in Assets & Liabilities		
Decrease (Increase) in inventories	3,600	8,896
Decrease (Increase) in prepaid expenses & other current assets	35,934	(50,000)
Increase (decrease) in accounts payable & accrued expenses and taxes	84,126	(236,217)
Total Adjustments	<u>272,671</u>	<u>(664,916)</u>
Net Cash Provided by Operating Activities	<u>1,458,883</u>	<u>197,605</u>
Cash Flows from Investing Activities:		
Proceeds of Sale of Restaurants	1,047,784	1,539,876
Closing costs on Sale of Restaurants	(10,863)	(40,392)
Capital Expenditures, tangible & intangible	<u>(687,633)</u>	<u>(781,237)</u>
Net Cash Provided by (used by) Investing Activities	<u>349,288</u>	<u>718,247</u>
Cash Flows from Financing Activities:		
Repayments of Note payable	(340,662)	(735,346)
Proceeds from Long Term Debt	1,450,000	-
Issuance of Membership interest	501,000	2,076,000
Members' distributions	<u>(3,120,999)</u>	<u>(2,633,880)</u>
Net Cash Provided by (used by) Financing Activities	<u>(1,510,661)</u>	<u>(1,293,226)</u>
Net Increase (Decrease) in Cash	297,510	(377,374)
Cash, beginning of Year	<u>425,218</u>	<u>802,592</u>
Cash, End of Year	<u>\$ 722,728</u>	<u>\$ 425,218</u>
Supplemental Information:		
Interest Paid During the Year	\$ 339,616	\$ 135,098

See independent accountants' review report and notes to the financial statements.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies

(A) The Company:

Wendcharles I, LLC was formed on June 24, 2008 pursuant to the South Carolina Code of Laws to acquire, own and operate eleven existing Wendy's Old Fashioned Hamburger Restaurants in the Charleston, South Carolina metropolitan area. As part of the same overall transaction, another South Carolina limited liability company, Wendcharles II, LLC, affiliated with the Company by certain common management and ownership interests, acquired six other existing Wendy's Old Fashioned Hamburger Restaurants in and proximate to North Charleston. The restaurants were all acquired from one unrelated seller for an aggregate purchase price of \$5,760,000, less net adjustments to the Company of approximately \$14,000. The Company's recorded goodwill in the amount of approximately \$4,060,000. The purchase price was financed principally by a \$3,500,000 loan from Bank of America, with the balance provided by capital contributions of the members. The acquisition closed and restaurant operations commenced on September 16, 2008.

The leases for the eleven leasehold estates, all in South Carolina, were assigned to the Company from different lessors. Four locations each are in Charleston and North Charleston and three are in Mt. Pleasant as follows: Charleston: 1721 Sam Rittenberg Blvd; 194 Cannon Street; 343 Folly Road; and 5275 International Blvd; North Charleston: 4113 Rivers Avenue; 5115 Dorchester Rd; 9145 University Blvd; and 4892 Ashley Phosphate Road; Mt Pleasant: 361 Highway 17 By-Pass; 935 Chuck Dawley Boulevard; and 596 Long Point Road. (See Note 4B)

On December 26, 2011 the Company sold its Sam Rittenberg Boulevard location to Wendcharles II, LLC, a related party.

In 2013 the Company closed its 5115 Dorchester Road store and sold its 4892 Ashley Phosphate Road store to Wendcharles II, LLC.

In 2014 the Company closed its 194 Cannon Street location.

In 2019 the Company sold its 4113 Rivers Avenue and its 9145 University Boulevard stores. (See Note 2)

The Company is to continue in perpetuity, except it is to be dissolved as a result of the sale of all business operations or the sale of all or substantially all of its assets, in each of such cases upon the receipt of the consideration therefor in cash or the reduction to cash of non-cash consideration, or upon the occurrence of certain events as set forth in the operating agreement. (See Note 5B).

The Company currently operates five restaurants, all of which are leased. (See Note 4B)

In 2020 the Company sold its 5275 International Boulevard store. (See Note 2)

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(B) Income Tax Basis of Accounting:

The accompanying financial statements have been prepared on the same basis of accounting used for the Company's federal income tax return, another comprehensive basis of accounting, differing in certain respects from generally accepted accounting principles (GAAP). Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with generally accepted accounting principles.

The federal income tax basis differs from GAAP primarily from depreciation of property and equipment is computed on recovery periods used for federal income tax purposes, including accelerated methods that provide bonus depreciation and special expensing elections, rather than the estimated useful lives of individual assets.

(C) Inventories:

Inventories represent food and supplies and are stated at cost.

(D) Property, Equipment & Depreciation:

Property and equipment are stated at cost. Depreciation is provided by application of the straight-line method over useful lives as follows:

Land Improvements	15	Years
Leasehold Improvements	15 to 39	Years
Restaurant & Office Equipment	5	Years
Automobile	5	Years

If it had qualifying property placed in service during the year, the Company has taken additional depreciation deductions in accordance with the federal government's enactment of the Tax Cuts and Jobs Act of 2018, and the Coronavirus Aid, Relief, and Economic Security Act of 2020.

(E) Goodwill:

Goodwill, representing the excess of the purchase price over the fair value of the assets acquired, is amortized over fifteen years.

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(F) Technical Assistance Fees:

The technical assistance fees paid to Wendy's International are capitalized and amortized on a straight-line basis over fifteen years.

(G) Income Taxes:

The Company was organized as a limited liability company under the laws of South Carolina and is not subject to any federal income tax. Instead, each member is required to report on his federal and applicable state income tax return his distributive share of all items of income, gain, loss, deduction, credit and tax preference of the Company for any taxable year, whether or not any actual cash distribution has been or will be made to such member.

The Company's tax returns are subject to examination by the Federal and State taxing authorities. The tax laws, rules and regulations governing these returns are complex, technical and subject to varying interpretations. If an examination required the Company to make adjustments, the profit or loss is allocated to the members would be adjusted accordingly. Management believes the Company is no longer subject to tax examinations for the years prior to 2017.

Although income tax rules are used to determine the timing of the reporting revenues and expenses, non-taxable revenues and non-deductible expenses are included in the determination of net income in the accompanying financial statements.

(H) Fiscal Year:

The Company's annual accounting period is a fiscal year ending on the last Sunday of December.

(I) Cash:

The Company maintains its cash in various banks. The accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation, to a maximum of \$250,000. At any time during the year, the cash balance may exceed \$250,000.

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(J) Use of Estimates:

The preparation of financial statements in conformity with the income tax accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(K) Advertising:

The Company expenses all advertising costs when incurred.

(L) Sales Tax:

The Company collects sales tax and remits to the state of South Carolina. The liability is reflected in taxes payable on the balance sheet.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land Improvements	\$ 247,584	\$ 283,553
Leasehold Improvements	1,837,978	1,718,287
Restaurant & Office Equipment	1,490,086	1,570,463
Total	<u>3,575,648</u>	<u>3,572,303</u>
Less: Accumulated Depreciation	3,115,757	2,760,507
Property & Equipment, Net	<u>\$ 459,892</u>	<u>\$ 811,796</u>

In 2019 the Company sold its 4113 Rivers Avenue and its 9145 University Boulevard stores for \$1,539,876. After closing costs of \$40,392, the Company realized a gain of \$934,263.

In 2020 the Company sold its 5275 International Boulevard store for \$1,047,784. After closing costs of \$10,863, the Company realized a gain of \$656,551.

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 3 - Long Term Debt

In April 2012 the Company borrowed \$180,000 from Wendcapital LLC and transferred to Wendcapital V, LLC both related parties. Repayment terms are \$1,757 per month for 144 months at an interest rate of 6%. Additional interest may be charged if certain performance based sales are realized. This loan was repaid in 2019. (See Note 6C)

On October 1, 2016 the Company borrowed \$300,000 from Wendcapital III, LLC a related party. Repayment terms were \$3,331 per month including interest at 6% for ten years. Additional interest may be charged in certain performance based sale are realized. This loan was repaid in 2019. (See Note 6C)

On June 1, 2017 the Company borrowed \$300,000 from Wendcapital III LLC, a related party. Repayment terms were \$3,331 per month for 120 months at an interest rate of 6%. Additional interest may be charged if certain performance based sales are realized. This loan was repaid in 2019. (See Note 6C)

On December 31, 2017 the Company borrowed \$400,000 from Wendcapital V LLC, a related party. Repayment terms were \$4,441 per month for 120 months at an interest rate of 6%. Additional interest may be charged if certain performance based sales are realized. This loan was repaid in 2020. (See Note 6C).

In July, 2020 the Company borrowed \$1,450,000 from four investors. Repayment terms are interest at 5% per annum for eighteen months then principal payments of \$14,215 per month plus interest of 5% per annum for eight and one half years. (See Note 6C)

The future principal payments are as follows:

2021	\$	-
2022		156,365
2023		170,580
2024		170,580
2025		170,580
Thereafter		781,895
	\$	<u>1,450,000</u>

On January 6, 2018 the Company borrowed \$100,000 from Wen-Restaurants Management Associates L.P. a related party. Repayment terms are \$1,037 per month for 120 months at an interest rate of 4.5%. This loan was repaid in 2019. (See Note 6C).

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 4 - Commitments and Contingencies

(A) Franchise Agreement Commitments:

The Company is the franchisee for the five Wendy's restaurants it owns and operates. The franchise agreements obligate the Company to pay to Wendy's International a monthly royalty fee equal to 4% of the gross monthly sales of each restaurant, or \$250, whichever is greater. The Company must also pay to Wendy's National Advertising Program 3.5% of the gross sales less certain credits and spend not less than .5% of the gross sales of each restaurant for local and regional advertising.

(B) Minimum Operating Lease Commitments:

The lease for the restaurant located at 4113 Rivers Ave in North Charleston had a primary term that expired on March 31, 2025 and included two five-year renewal options. The rent was \$111,328 through March 31, 2020. This restaurant was sold in 2019.

The lease for the restaurant located at 343 Folly Road in Charleston has a primary term that expires on December 31, 2040. The annual rent is \$136,000 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of \$1,700,000.

The lease for the restaurant located at 361 Hwy 17 Bypass in Mt. Pleasant has a primary term that expires on December 31, 2040. The annual rent is \$146,520 for all terms of the lease. In addition the Company is required to pay percentage rent equal to 7% of gross sales in excess of \$1,831,500.

The lease for the restaurant located at 935 Chuck Dawley Blvd in Mt. Pleasant had a primary term that expired on September 9, 1996. The current term expires on September 9, 2026. The annual rent is \$110,911 for the remainder of the current term. At that time and on each September 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 3%. In addition the Company is required to pay percentage rent equal to 6% of gross sales in excess of base rent.

The lease for the restaurant located at 9145 University Blvd in North Charleston had a primary term that expired on March 31, 2025 and included two five-year renewal options. The rent was \$114,189 through March 31, 2020. This restaurant was sold in 2019.

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 4 - Commitments and Contingencies - (Continued)

(B) Minimum Operating Lease Commitments: (Continued)

The lease for the restaurant located at 596 Long Point Road in Mt. Pleasant has a primary term that expires on March 31, 2025 and includes two five-year renewal options. The current annual rent for the lease is \$106,183 through March 31, 2021. At that time and on each April 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The lease for the restaurant located at 5275 International Blvd in North Charleston had a primary term that expired on April 30, 2027 and includes four five-year renewal options. The current annual rent for the lease is \$135,608 through June 30, 2023. This restaurant was sold in 2020.

The Company is required to pay all realty taxes, insurance, routine maintenance and common charges for the above leases.

Rent expense was \$505,179 in 2020 and \$796,607 in 2019 including percentage rent of \$156,689 in 2020 and \$153,413 in 2019.

Future annual minimum rentals are as follows:

2021	\$	499,614
2022		513,398
2023		518,180
2024		523,083
2025		445,035
Thereafter		4,615,684
	\$	<u>7,114,994</u>

(C) Financial and Operational Advisory Services Agreement:

The Company entered into a financial and operational advisory services agreement with its two managing members. The agreement provides for these individuals to consult and advise the Company on applicable financial and/or operational matters and if required by the Company's debt, lease or franchise agreements, to which they are signatories, to remain ready, willing and able to maintain such status for the benefit of the Company, except where such guarantees are not needed; and remain able to provide such additional personal guarantees as, within their sole discretion, may reasonably be necessary to maintain the business of the Company. The initial term was for three years and is automatically renewable annually thereafter, as long as the Company remains in business. The agreement also provides for the reimbursement of reasonable expenses incurred by the individuals in fulfilling their duties. (See Note 6A)

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 5 - Capitalization and Operating Agreement

(A) Capitalization

The Company's initial capitalization consisted of 800 units, of which 42 and 32 were sold to two managing members at \$100 per unit, or \$7,400 in the aggregate, and 80 units were sold to the third managing member at \$125 per unit, or \$10,000 in the aggregate. Of the remaining 646 units, 67 were sold at \$100 per unit, or \$6,700 in the aggregate, and 579 units were sold at per unit contributions of \$4,700 totaling \$2,721,300. All contributions totaled \$2,745,400. (See Note 5B)

In 2014 the Company issued 700 new units for an aggregate capital contribution of \$1,400,000.

All purchasers of membership interests are parties to the Company's operating agreement which provides for the capitalization and operation of the Company, distributions to members and transfers of interests. Members' consents representing 75% of all membership interests are required for the following actions: Change in the operating agreement; voluntary dissolution; sale or exchange of substantially all assets; merger or consolidation; incurrence of debt or refinancing other than in the ordinary course of business or in connection with entering new or unrelated businesses; and removal of a manager, for cause. Members are not required to make up negative capital accounts. Distributions either from cash flow generated by operations or capital transactions (as defined) other than capital contributions are made at the sole discretion of the managers, acting unanimously. Managers are elected by the members. Outside liens against membership interests are prohibited. For permitted transfers of membership interests, book value is equal to assets less liabilities using the income tax method/accrual basis of accounting.

(B) Operating Agreement

Members wishing to sell their interests shall submit their request in writing, together with appropriate documentation setting forth the terms of such sale, to the managing members, who within thirty days and at their sole discretion, shall approve or disapprove of such sale. If not approved, the managing members within fourteen additional days may elect to have the Company purchase the offered units at the stated terms. Such action by the managing members is to be by simple majority. If the managing members determine that the offered interests are not to be redeemed by the Company, then the interests shall be offered to the remaining members of the Company, pro-rata at the same offered terms, who will have 14 additional days to purchase the offered shares. If the interests are not purchased by the members, then they may be sold to the third-party purchaser at the offered terms, but the purchaser must become bound by the terms of the operating agreement. Membership interests may also be transferred to family members or trusts or by reason of death or incompetence.

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 5 - Capitalization and Operating Agreement - (Continued)

(B) Operating Agreement - (Continued)

In the event of a termination of a member's interest by death, retirement, resignation, expulsion, bankruptcy, incompetence, or in the case of a member that is not a natural person - dissolution, the Company must be dissolved unless it is continued by the consent of all the remaining members. Non-consenting members are deemed to offer and authorized representatives or trustees of deceased or bankrupt members may offer the applicable membership interest, first to the Company, and then to the consenting (continuing) members. In such case, the offered interests must be purchased by either the Company or one or more of the consenting members. Such purchases, unless made by the Company, are to be made pro-rata to the existing interests of purchasing members, unless they agree otherwise or there is only one purchasing member.

In any event, all offered interest of non-consenting members or by the estate, trustee, etc. of deceased or bankrupt members, etc. must be purchased by the Company or one or more consenting members or the Company must be dissolved and liquidated.

Note 6- Related Party Transactions

(A) Financial and Operational Advisory Services:

The Company paid two of its three managing members and a third individual a total of \$156,800 in 2020 and 74,400 in 2019. pursuant to a financial and operational advisory services agreement. (See Note 4C)

(B) Redemption of Membership Interest:

In October 2009 the Company redeemed one member's .125% membership interest for \$2,000.

In April 2015 the Company redeemed the former president's share for \$105,000 which represented a 5.93% interest in the Company.

In April 2015 the Company redeemed one members .145% membership interest for \$4,000.

In May 2015 the Company issued 5.53% membership interest for \$5,000 to its new manager.

In October 2019 the Company redeemed 50 members 56.61 % membership interest for \$2,544,000.

In November 2019 the Company issued 53.57 % membership interest for \$2,076,000 to 16 members.

See independent accountants' review report.

Wendcharles I, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 6 - Related Party Transactions - (Continued)

(C) Note Payable:

The Company borrowed from Wendcapital, LLC, Wendcapital III, LLC, and Wendcapital V, LLC and Wen-Restaurants Management Associates L.P. All Companies have common owners; however they are not under common control.

Note 7 - Pension Plan

The Company maintains a qualified cash or deferred compensation plan under section 401(k) of the Internal Revenue Code for all full-time employees meeting certain service requirements. Under the plan, employees may elect to defer up their salary, subject to Internal Revenue Service limits. A discretionary matching contribution may be made by the Company and added to each participant's account. Company contributions for the plan amounted to \$288 for 2020 and \$310 for 2019.

Note 8 - Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued, as reflected on the independent accountant's review report.

Note 9 - CARES Act

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law. This allowed for the Company to receive financial aid in the form of a Paycheck Protection Program (PPP) loan from the U.S Small Business Administration. The Company received \$676,300 in the form of a PPP loan which was forgiven.

See independent accountants' review report.

Exhibit 99.2

YRONA & VAN SCHUYLER CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WENDCHARLES II, LLC
FINANCIAL STATEMENTS- INCOME TAX BASIS
DECEMBER 27, 2020 AND DECEMBER 29, 2019

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members
Wendcharles II, LLC
27 Central Ave.
Cortland, NY 13045

We have reviewed the accompanying financial statements of Wendcharles II, LLC which comprise the statements of assets, liabilities and members' equity—income tax basis as of December 27, 2020 and December 27, 2019, and the related statements of revenues and expenses—income tax basis, changes in members' equity—income tax basis and cash flows—income tax basis for the 53 or 52 weeks then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the income tax basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the company uses for income tax purposes.

January 29, 2021

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Vrona & Van Schuyler CPAs, PLLC

Certified Public Accountants

January 29, 2021

Wendcharles II, LLC
 Statements of Assets, Liabilities and Members' Equity (Deficit) - Income Tax Basis
 December 27, 2020 and December 29, 2019

<u>ASSETS</u>		
	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash - (Note 1I)	\$ 1,012,828	\$ 1,190,208
Inventories - (Note 1C)	91,151	97,325
Prepaid expenses and other current assets	<u>47,418</u>	<u>23,774</u>
Total Current Assets	<u>1,151,397</u>	<u>1,311,307</u>
Property and Equipment, net of accumulated depreciation - (Notes 1D and 2)	<u>1,149,952</u>	<u>1,303,868</u>
Others Assets:		
Technical assistance fees, net of accumulated amortization of \$4,515 in 2020 and \$3,258 in 2019 (Note 1F)	19,235	20,492
Goodwill, net of accumulated amortization of \$1,396,524 in 2020 and \$1,272,823 in 2019 - (Note 1E)	458,991	582,692
Deposits	<u>7,565</u>	<u>7,565</u>
Total Other Assets	<u>485,791</u>	<u>610,749</u>
TOTAL ASSETS	<u>\$ 2,787,140</u>	<u>\$ 3,225,924</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
	<u>2020</u>	<u>2019</u>
Current Liabilities		
Current maturities of long-term debt - (Note 3)	\$ 115,464	\$ 140,563
Accounts Payable, accrued expenses, and taxes payable - (Note 1L)	<u>1,125,592</u>	<u>1,059,125</u>
Total Current Liabilities	<u>1,241,056</u>	<u>1,199,689</u>
Long-term liabilities:		
Long-term debt, less current maturities - (Note 3)	<u>899,018</u>	<u>1,355,145</u>
Total Long-term liabilities	<u>899,018</u>	<u>1,355,145</u>
Total Liabilities	2,140,074	2,554,833
Commitments & Contingencies - (Notes 3, 4, 5 and 7)	-	-
Members' Equity - (Notes 1A, 5 and 6B)	<u>647,066</u>	<u>671,091</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>\$ 2,787,140</u>	<u>\$ 3,225,924</u>

See independent accountants' review report and notes to the financial statements.

Wendcharles II, LLC
Statements of Revenues and Expenses - Income Tax Basis
For the Years Ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Sales - net	\$ 17,936,138	\$ 17,086,139
Cost of Sales - net	<u>5,157,815</u>	<u>5,169,914</u>
Gross Profit	<u>12,778,323</u>	<u>11,916,225</u>
Labor Expenses	5,590,505	5,361,494
Store Operating and Occupancy Expenses	2,598,765	2,467,306
General and Administrative Expenses	1,056,465	911,150
Advertising Expenses - (Note 1K and 4A)	822,357	804,081
Royalty Expense - (Note 4A)	717,446	683,445
Depreciation & Amortization - (Notes 1D, 1E and 1F)	973,667	697,387
Interest Expense - (Note 3)	<u>183,387</u>	<u>331,870</u>
Total Operating Expenses	<u>11,942,592</u>	<u>11,256,733</u>
Operating Income	835,731	659,492
Gain / (Loss) on sale (disposal) of Assets	-	(28,629)
Interest & Other Income - (Note 9)	<u>1,013,094</u>	<u>40,954</u>
Excess (deficiency) of Revenues over expenses (Note 1G)	<u>\$ 1,848,825</u>	<u>\$ 671,817</u>

See independent accountants' review report and notes to the financial statements.

Wendcharles II, LLC
Statement of Changes in Members' Equity (Deficit) - Income Tax Basis
For the Years Ended December 27, 2020 and December 29, 2019

Members' Equity (deficit) December 30, 2018	\$ 767,514
Excess of Revenues over expenses for the year ended December 29, 2019	671,817
Distributions paid to Members	<u>(768,240)</u>
Members' Equity (deficit) December 29, 2019	671,091
Excess of Revenues over expenses for the year ended December 27, 2020	1,848,825
Purchase of Members' interest	(12,500)
Distributions paid to Members	<u>(1,860,350)</u>
Members' Equity (deficit) December 27, 2020	<u>\$ 647,066</u>

See independent accountants' review report and notes to the financial statements.

Wendcharles II, LLC
 Statements of Cash Flows - Income Tax Basis
 For the Years Ended December 27, 2020 and December 29, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows for Operating Activities:		
Excess (deficiency) of revenues over expenses	\$ 1,848,825	\$ 671,817
Adjustments to reconcile net Cash Provided by Operating Activities		
Depreciation / Amortization	973,667	697,387
(Gain) / Loss on (sale) / disposal of assets	-	28,629
Increase (decrease) in cash attributed to changes in Assets & Liabilities		
Decrease (Increase) in inventories	6,174	(4,209)
Decrease (Increase) in prepaid expenses & other current assets	(23,644)	(24,563)
Increase (Decrease) in accounts payable & accrued expenses and taxes	66,467	(163,211)
Total Adjustments	<u>1,022,664</u>	<u>534,033</u>
Net Cash Provided by Operating Activities	<u>2,871,489</u>	<u>1,205,850</u>
Cash Flows from Investing Activities:		
Capital Expenditures, tangible & intangible	<u>(694,793)</u>	<u>(935,142)</u>
Net Cash Provided by (used in) Investing Activities	<u>(694,793)</u>	<u>(935,142)</u>
Cash Flows from Financing Activities:		
Redemption of members' interest	(12,500)	-
Repayments of note payable	(481,226)	(414,162)
Proceeds from Long Term Debt	-	800,000
Members' distributions	<u>(1,860,350)</u>	<u>(768,240)</u>
Net Cash Provided by (used in) Financing Activities	<u>(2,354,076)</u>	<u>(382,402)</u>
Net Increase (Decrease) in Cash	(177,380)	(111,694)
Cash, beginning of Year	<u>1,190,208</u>	<u>1,301,902</u>
Cash, End of Year	<u>\$ 1,012,828</u>	<u>\$ 1,190,208</u>
Supplemental Information:		
Interest Paid During the Year	\$ 185,794	\$ 342,722

See independent accountants' review report and notes to the financial statements.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies

(A) The Company:

Wendcharles I, LLC was formed on June 24, 2008 pursuant to the South Carolina Code of Laws to acquire, own and operate six existing Wendy's Old Fashioned Hamburger Restaurants in the Charleston, South Carolina metropolitan area. As part of the same overall transaction, another South Carolina limited liability company, Wendcharles I, LLC, affiliated with the Company by certain common management and ownership interests, acquired eleven other existing Wendy's Old Fashioned Hamburger Restaurants in and proximate to North Charleston. The restaurants were all acquired from one unrelated seller for an aggregate purchase price of \$5,760,000, less net adjustments to the Company of approximately \$14,000. The Company's recorded goodwill in the amount of approximately \$4,060,000. The purchase price was financed principally by a \$3,500,000 loan from Bank of America, with the balance provided by capital contributions of the members. The acquisition closed and restaurant operations commenced on September 16, 2008.

The leases for the six leasehold estates, all in South Carolina, were assigned to the Company from different lessors. Two locations each are in Goose Creek and Summerville and one is in North Charleston and Moncks Corner as follows: Goose Creek: 101 Red Bank Road; and 601 St. James Avenue; Summerville: 740 North Main Street; and 10012 Dorchester Road; North Charleston: 7440 Northwoods Boulevard; and Moncks Corner: 515 North Highway 52.

The Company is to continue in perpetuity, except is to be dissolved as a result of the sale of all business operations or the sale of all or substantially all of its assets, in each of such cases upon the receipt of the consideration, or upon the occurrence of certain events as set for in the operating agreement. (See Note 5B)

On December 26, 2011 the Company purchased the assets for a restaurant located at Sam Rittenberg Boulevard in Charleston, North Carolina from Wendcharles I, LLC, a related party. The Company also assumed the lease for the property.

In 2013 the Company purchased the assets for a restaurant located at 4892 Ashley Phosphate Road in North Charleston, North Carolina from Wendcharles I, LLC, a related party. The Company also assumed the lease for the property.

The Company currently operates eight restaurants, all of which are leased. (See Note 4B)

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(B) Income Tax Basis of Accounting:

The accompanying financial statements have been prepared on the same basis of accounting used for the Company's federal income tax return, another comprehensive basis of accounting, differing in certain respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in accordance with generally accepted accounting principles.

The federal income tax basis differs from GAAP primarily from depreciation of property and equipment is computed on recovery periods used for federal income tax purposes, including accelerated methods that provide bonus depreciation and special expensing elections, rather than the estimated useful lives of individual assets.

(C) Inventories:

Inventories represent food and supplies and are stated at cost.

(D) Property, Equipment & Depreciation:

Property and equipment are stated at cost. Depreciation is provided by application of the straight-line method over useful lives as follows:

Land Improvements	15	Years
Leasehold Improvements	15 to 39	Years
Restaurant equipment	5 to 7	Years

If it had qualifying property placed in service during the year, the Company has taken additional depreciation deductions in accordance with the federal government's enactment of the Tax Cuts and Jobs Act of 2018, and the Coronavirus Aid, Relief, and Economic Security Act of 2020.

(E) Goodwill:

Goodwill, representing the excess of the purchase price over the fair value of the assets acquired, is amortized over fifteen years.

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(F) Technical Assistance Fees

The Company capitalized the technical assistance fees paid to Wendy's International. These fees are amortized over fifteen years.

(G) Income Taxes:

The Company was organized as a limited liability company under the laws of South Carolina and is not subject to any federal income tax. Instead, each member is required to report on his federal and applicable state income tax return his distributive share of all items of income, gain, loss, deduction, credit and tax preference of the Company for any taxable year, whether or not any actual cash distribution has been or will be made to such member.

The Company's tax returns are subject to examination by the Federal and State taxing authorities. The tax laws, rules and regulations governing these returns are complex, technical and subject to varying interpretations. If an examination required the Company to make adjustments, the profit or loss is allocated to the shareholders would be adjusted accordingly. Management believes the Company is no longer subject to tax examinations for the years prior to 2017.

Although income tax rules are used to determine the timing of the reporting revenues and expenses, non-taxable revenues and non-deductible expenses are included in the determination of net income in the accompanying financial statements.

(H) Fiscal Year:

The Company's annual accounting period is a fiscal year ending on the last Sunday of December.

(I) Cash:

The Company maintains its cash in various banks. The accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation, to a maximum of \$250,000. At any time during the year, the cash balance may exceed \$250,000.

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 1 - Summary of Significant Accounting Policies - (Continued)

(J) Use of Estimates:

The preparation of financial statements in conformity with the income tax accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(K) Advertising:

The Company expenses all advertising costs when incurred.

(L) Sales Tax:

The Company collects sales tax and remits to the state of South Carolina. The liability is reflected in taxes payable on the balance sheet.

Note 2 - Property and Equipment

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land Improvements	\$ 603,989	\$ 551,128
Leasehold Improvements	2,909,184	2,523,260
Restaurant & Office Equipment	<u>2,759,786</u>	<u>2,503,767</u>
Total	6,272,959	5,578,155
Less: Accumulated Depreciation	<u>5,123,007</u>	<u>4,274,287</u>
Property & Equipment, Net	<u>\$ 1,149,952</u>	<u>\$ 1,303,868</u>

Note 3 - Long-Term Debt

In August and September 2012 the Company borrowed two \$180,000 notes from Wendcapital LLC and transferred in 2018 to Wendcapital V, LLC, both related parties, for renovations. Each note has a repayment term of \$1,757 per month which includes interest at 6%. Each loan matures on August 1, 2024. Additional interest may be charged if certain performance based sales are realized. The loan was repaid in 2019. (See Note 6C)

In April 2014 the Company borrowed \$180,000 from Wendcapital II, LLC and transferred to Wendcapital V, LLC, both related parties. Repayment terms are \$1,998 per month which includes interest at a rate of 6% for 120 months. Additional interest may be charged if certain sales performance goals are met. The loan was repaid in 2019. (See Note 6C)

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 3 - Long-Term Debt - (Continued)

On Mar 1, 2017 the Company borrowed 500,000 from Wendcapital III, LLC a related party. Repayment terms are \$5,551 per month which includes interest at a rate of 6% for 120 months. Additional interest may be charged if certain sales performance goals are met. (See Note 6C)

The future principal payments are as follows:

2021	\$	47,106
2022		50,012
2023		53,096
2024		56,371
2025		59,848
Thereafter		80,026
	\$	<u>346,459</u>

On October 1, 2017 the Company borrowed \$400,000 from Wendcapital IV, LLC a related party. Repayment terms are \$4,441 per month which includes interest at a rate of 6% for 120 months. Additional interest may be charged if certain sales performance goals are met. (See Note 6C)

The future principal payments are as follows:

2021	\$	36,392
2022		38,636
2023		41,020
2024		43,550
2025		46,236
Thereafter		92,298
	\$	<u>298,132</u>

On January 1, 2019 the Company borrowed \$400,000 from Wendcapital IV, LLC a related party. Repayment terms were \$4,441 per month which includes interest at a rate of 6% for 120 months. Additional interest may be charged if certain sales performance goals are met. The loan was repaid in 2020. (See Note 6C)

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 3 - Long-Term Debt - (Continued)

On December 1, 2019 the Company borrowed \$400,000 from Wendcapital IV, LLC a related party. Repayment terms are \$4,441 per month which includes interest at a rate of 6% for 120 months. Additional interest may be charged if certain sales performance goals are met. (See Note 6C)

The future principal payments are as follows:

2021	\$	31,966
2022		33,938
2023		36,031
2024		38,253
2025		40,612
Thereafter		189,092
	\$	<u>369,891</u>

Note 4 - Commitments and Contingencies

(A) Franchise Agreement Commitments:

The Company is the franchisee for the eight Wendy's restaurants it owns and operates. The franchise agreements obligate the Company to pay to Wendy's International a monthly royalty fee equal to 4% of the gross monthly sales of each restaurant, or \$250, whichever is greater. The Company must also pay to Wendy's National Advertising Program 3.5% of the gross sales less certain credits and spend not less than .5% of the gross sales of each restaurant for local and regional advertising.

(B) Minimum Operating Lease Commitments:

The lease for the restaurant located at 101 Red Bank road in Goose Creek has a primary term that expires on May 31, 2039 and includes four five-year renewal options. The annual rent for the lease is \$106,000 through May 31, 2024.

The lease for the restaurant located at 740 North Main Street in Summerville had a primary term that expires on April 30, 2039. The current annual rent is \$96,000 through April 30, 2024.

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Notes 4 - Commitments and Contingencies - (Continued)

(B) Minimum Operating Lease Commitments: (Continued)

The lease for the restaurant located at 10012 Dorchester Road in Summerville had a primary term that expired on April 30, 1995. The current term expires on April 30, 2025 and has two five-year renewal options. The current annual rent for the lease is \$68,000 through April 30, 2025. At that time and on each five year anniversary thereafter, annual rent will be increased by the previous year's annual rent multiplied by 8%. In addition the Company is required to pay percentage rent equal to 6% of gross sales in excess of base rent.

The lease for the restaurant located at 7440 Northwoods Blvd in North Charleston has a primary term that expires on November 30, 2030 and includes one ten year renewal options. The current annual rent for the lease is \$135,869 through November 30, 2025. At that time and on each five year anniversary thereafter, annual rent will be increased by the previous year's annual rent multiplied by 5%. In addition the Company is required to pay percentage rent equal to 6% of gross sales in excess of base rent.

The lease for the restaurant located at 601 St. James Avenue in Goose Creek has a primary term that expires on March 31, 2025 and includes two five-year renewal options. The current annual rent for the lease is \$116,662 through March 31, 2021. At that time and on each April 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The lease for the restaurant located at 515 North Highway 52 in Moncks Corner has a primary term that expires on November 30, 2025 and includes two five-year renewal options. The current annual rent for the lease is \$143,001 through November 30, 2021. On each December 1 thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1.5%.

The lease for the restaurant located at 1721 Sam Rittenberg Boulevard in Charleston has a primary term that expires on December 30, 2040. The annual rent is \$166,848. In addition the Company is required to pay percentage rent equal to 7% of gross sales over \$2,085,600.

The lease for the restaurant located at 4906 Ashley Phosphate Road in North Charleston has a primary term that expires on March 31, 2025 and includes two five year renewal options. The current annual rent is \$110,374 through April 1, 2021. At that time and every one year anniversary thereafter, annual rent will be increased by the previous year's annual rent multiplied by 1%.

The Company is required to pay all realty taxes, insurance, routine maintenance and common charges for the above leases.

Rent expense was \$1,038,569 in 2020 and \$1,003,445 in 2019 including percentage rent of \$188,168 in 2020 and \$177,971 in 2019.

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Notes 4 - Commitments and Contingencies - (Continued)

(B) Minimum Operating Lease Commitments: - (Continued)

Future annual minimum rentals are as follows:

2021	\$	942,754
2022		947,169
2023		951,639
2024		964,493
2025		740,614
Thereafter		<u>6,297,733</u>
	\$	<u>10,844,402</u>

(C) Financial and Operational Advisory Services Agreement:

The Company entered into a financial and operational advisory services agreement with its two managing members. The agreement provides for these individuals to consult and advise the Company on applicable financial and/or operational matters and if required by the Company's debt, lease or franchise agreements, to which they are signatories, to remain ready, willing and able to maintain such status for the benefit of the Company, except where such guarantees are not needed; and remain able to provide such additional personal guarantees as, within their sole discretion, may reasonably be necessary to maintain the business of the Company. The initial term was for three years and is automatically renewable annually thereafter, as long as the Company remains in business. The agreement also provides for the reimbursement of reasonable expenses incurred by the individuals in fulfilling their duties. (See Note 6A).

Financial and operating advisory services fees totaled \$169,200 in 2020 and \$133,200 in 2019.

Note 5 - Capitalization and Operating Agreement

(A) Capitalization:

The Company's initial capitalization consisted of 800 unites, of which 42 and 32 were sold to two managing members at \$100 per unit, or \$7,400 in the aggregate, and 64 units were sold to the third managing member at \$156 per unit, or \$10,000 in the aggregate. Of the remaining 646 unites, 83 were sold at \$100 per unit, or \$8,300 in the aggregate, and 579 units were sold at per unit contributions of \$2,300 totaling \$1,331,700. All contributions totaled \$1,357,400. (See Note 5B)

In March of 2013 the Company issued 795 additional units, of which 731 were sold to the members at \$2,000 per unit, or \$1,462,000 in the aggregate. 64 units were issued to its' President at no cost.

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 5 - Capitalization and Operating Agreement - (Continued)

(B) Operating Agreement:

All purchasers of membership interests are parties to the Company's operating agreement which provides for the capitalization and operation of the Company, distributions to members and transfers of interests. Members' consents representing 75% of all membership interests are required for the following actions: Change in the operating agreement; voluntary dissolution; sale or exchange of substantially all assets; merger or consolidation; incurrence of debt or refinancing other than in the ordinary course of business or in connection with entering new or unrelated businesses; and removal of a manager, for cause. Members are not required to make up negative capital accounts. Distributions either from cash flow generated by operations or capital transactions (as defined) other than capital contributions are made at the sole discretion of the managers, acting unanimously. Managers are elected by the members. Outside liens against membership interests are prohibited. For permitted transfers of membership interests, book value is equal to assets less liabilities using the income tax method/accrual basis of accounting.

Members wishing to sell their interests shall submit their request in writing, together with appropriate documentation setting forth the terms of such sale, to the managing members, who within thirty days and at their sole discretion, shall approve or disapprove of such sale. If not approved, the managing members within fourteen additional days may elect to have the Company purchase the offered units at the stated terms. Such action by the managing members is to be by simple majority. If the managing members determine that the offered interests are not to be redeemed by the Company, then the interests shall be offered to the remaining members of the Company, pro-rata at the same offered terms, who will have 14 additional days to purchase the offered shares. If the interests are not purchased by the members, then they may be sold to the third-party purchaser at the offered terms, but the purchaser must become bound by the terms of the operating agreement. Membership interests may also be transferred to family members or trusts or by reason of death or incompetence.

In the event of a termination of a member's interest by death, retirement, resignation, expulsion, bankruptcy, incompetence, or in the case of a member that is not a natural person - dissolution, the Company must be dissolved unless it is continued by the consent of all the remaining members. Non-consenting members are deemed to offer and authorized representatives or trustees of deceased or bankrupt members may offer the applicable membership interest, first to the Company, and then to the consenting (continuing) members. In such case, the offered interests must be purchased by either the Company or one or more of the consenting members. Such purchases, unless made by the Company, are to be made pro-rata to the existing interests of purchasing members, unless they agree otherwise or there is only one purchasing member.

In any event, all offered interest of non-consenting members or by the estate, trustee, etc. of deceased or bankrupt members, etc. must be purchased by the Company or one or more consenting members or the Company must be dissolved and liquidated.

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 6 - Related Party Transactions

(A) Financial and Operational Advisory Services:

The Company paid two of its three managing members and a third individual a total of \$169,200 in 2020 and \$133,200 in 2019 pursuant to a financial and operational advisory services agreement. (See Note 4C)

(B) Redemption of Membership Interest:

In March 2009 the Company redeemed one member's .13% membership interest for \$500.

In January 2010 the Company redeemed one member's .13% membership interest for \$1,500.

In December 2011 the Company redeemed one member's .13% membership interest for \$1,500.

In March 2013 the Company redeemed one members .13% membership interest for \$3,300.

In April 2013 the Company redeemed one member's .13% membership interest for \$2,000.

In April 2014 the Company redeemed one member's .13% membership interest for \$2,500.

In April 2015 the Company redeemed one member's .13% membership interest for \$8,000.

In August 2016 the Company redeemed one member's .13% membership interest for \$8,000.

(C) Long Term Debt:

The Company, Wendcapital, LLC, WendCapital II, LLC, Wendcapital III, LLC, Wendcapital IV and Wendcapital V, LLC have certain common equity interests; however, they are not under common control.

Note 7 - Pension Plan

The Company maintains a qualified cash or deferred compensation plan under section 401(k) of the Internal Revenue Code for all full-time employees meeting certain service requirements. Under the plan, employees may elect to defer their salary, subject to Internal Revenue Service limits. A discretionary matching contribution may be made by the Company and added to each participant's account. Company contributions for the plan amounted to \$395 for 2020 and \$81 for 2019.

See independent accountants' review report.

Wendcharles II, LLC
Notes to the Financial Statements
December 27, 2020 and December 29, 2019

Note 8 - Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued, as reflected on the independent accountant's review report.

Note 9 - CARES Act

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law. This allowed for the Company to receive financial aid in the form of a Paycheck Protection Program (PPP) loan from the U.S Small Business Administration. The Company received \$985,345 in the form of a PPP loan which was forgiven.

See independent accountants' review report.
