

WENDY'S

BRAND NEW 20-YEAR TRIPLE-NET (NNN) SALE LEASEBACK



OFFERING MEMORANDUM



3101 Territory Lane
El Reno, OK 73036

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction | Expected to Open May 2019
- ✓ Suburb of Oklahoma City | Less Than 30 Miles West of Downtown
- ✓ Convenient Access to Interstate 40 | Major Artery Into Oklahoma City and the Only East-West Freeway Through the State (43,000 Vehicles Per Day)
- ✓ Popular Destination for Travelers | Best Western, Motel 6, America's Best Value Inn, Holiday Inn Express, Baymont Inn & Suites, Hampton Inn & Suites, and More | Economy Inn Express Right Next Door

LEASE

LEASE STRUCTURE

- ✓ Brand New 20-Year Sale Leaseback
- ✓ Triple Net (NNN) Lease with Zero Landlord Responsibilities
- ✓ Attractive Rental Increases | Lesser of Change in CPI or One and a Quarter Percent (1.25%) Annually Starting in Year 3
- ✓ Six (6) Tenant Renewal Periods of Five (5) Years Each

TENANT

TENANT / GUARANTOR

- ✓ Meritage Hospitality Group is an Experienced 318 Unit Operator
- ✓ Premier, National Growing Franchise with Operations in 16 States
- ✓ Expansion into Key Markets
- ✓ Proven Track Record with Operational History of Multiple High-Volume Locations throughout the Country
- ✓ Public Company Guarantee (MHGU)
- ✓ Strong Brand Recognition | Wendy's is the World's Number Three Hamburger Chain
- ✓ Founded in 1986



Financial Analysis & Investment Summary *Wendy's*

PURCHASE PRICE: \$2,318,182 | CAP RATE: 5.50% | RENT: \$127,500

THE OFFERING

Purchase Price	\$2,318,182
CAP Rate	5.50%
Annual Rent	\$127,500

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	3101 Territory Lane
City, State ZIP	El Reno, OK 73036
Building Size (SF)	2,164 SF
Lot Size (Acres)	1.00
Type of Ownership	Fee Simple

LEASE SUMMARY

Property Type	Net-Leased Restaurant
Ownership	Public (OTCQX: MHGU)
Tenant / Guarantor	Meritage Hospitality Group
Lease Term	20 Years
Lease Commencement	Day Following Close of Escrow
Lease Expiration	20 Years from Close of Escrow
Lease Term Remaining	20 Years
Lease Type	Triple Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	Six (6), Five (5) Year Option Periods
Rental Increases	Lessor of Change in CPI or 1.25% Annually Starting Year 3

RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation
Year 1	\$127,500	\$10,625	-
Year 2	\$127,500	\$10,625	-
Year 3	\$129,094	\$10,758	1.25%
Year 4	\$130,707	\$10,892	1.25%
Year 5	\$132,341	\$11,028	1.25%
Year 6	\$133,996	\$11,166	1.25%
Year 7	\$135,670	\$11,306	1.25%
Year 8	\$137,366	\$11,447	1.25%
Year 9	\$139,083	\$11,590	1.25%
Year 10	\$140,822	\$11,735	1.25%
Year 11	\$142,582	\$11,882	1.25%
Year 12	\$144,365	\$12,030	1.25%
Year 13	\$146,169	\$12,181	1.25%
Year 14	\$147,996	\$12,333	1.25%
Year 15	\$149,846	\$12,487	1.25%
Year 16	\$151,719	\$12,643	1.25%
Year 17	\$153,616	\$12,801	1.25%
Year 18	\$155,536	\$12,961	1.25%
Year 19	\$157,480	\$13,123	1.25%
Year 20	\$159,449	\$13,287	1.25%

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 3101 Territory Lane, El Reno, OK. The property consists of 2,164 square feet of building space and is situated on approximately 1.00 acre of land.

The tenant will enter into a brand new, 20-year triple-net (NNN) lease with absolutely no landlord responsibilities upon the day following the close of escrow. The lease will call for rental increases that will be the lesser of the change in CPI or 1.25% annually starting in Year 3. The rental increases will continue through the base term and into the six, five-year tenant renewal options. The lease will carry a guaranty from Meritage Hospitality Group, an experienced 318 unit operator and the second largest franchisee in the Wendy's system.



Concept Overview



About Wendy's

Wendy's was founded in 1969 by Dave Thomas in Columbus, Ohio. Dave built his business on the premise, "Quality is our Recipe," which remains the guidepost of the Wendy's system. Wendy's is best known for its made-to-order square hamburgers, using fresh, never frozen beef, freshly-prepared salads with hand-chopped lettuce, and other signature items like chili, baked potatoes and the Frosty dessert. The Wendy's Company (NASDAQ: WEN) is committed to doing the right thing and making a positive difference in the lives of others. This is most visible through the Company's support of the Dave Thomas Foundation for Adoption and its signature Wendy's Wonderful Kids program, which seeks to find every child in the North American foster care system a loving, forever home. Today, Wendy's and its franchisees employ hundreds of thousands of people across more than 6,600 restaurants worldwide with a vision of becoming the world's most thriving and beloved restaurant brand. Currently, Wendy's is the world's number three hamburger chain in terms of locations (only behind McDonald's and Burger King).

About Meritage Hospitality Group

Meritage Hospitality Group is one of the nation's premier restaurant operators, currently with 318 restaurants in operation located in Arkansas, Connecticut, Florida, Georgia, Indiana, Massachusetts, Michigan, Missouri, Mississippi, North Carolina, South Carolina, Ohio, Oklahoma, Tennessee, Texas and Virginia. Meritage is headquartered in Grand Rapids, Michigan, operating with a workforce of approximately 10,000 employees. The Company is the nation's only publicly-traded Wendy's restaurant franchisee and their public filings can be viewed at www.otcmarkets.com, under the stock symbol MHGU, or the Company's website www.meritagehospitality.com.



"Our performance in 2018 was strong, resulting in a record year of profitable growth for the Company on all financial metrics highlighted above. We continued to invest and transform our restaurant business through modernization and new locations, offering guests more conveniences. Importantly, our restaurant operations exceeded expectations for the year, a tribute to our 317 general managers and restaurant operating teams. Results included the incremental impact of 10 new restaurant locations, 14 renovations and the integration of 56 restaurants acquired during the year. Looking ahead to 2019, we are forecasting another year of solid sales and earnings growth, driven by people development, guest count growth and restaurant modernization programs. Operational excellence continues to be our primary focus, utilizing the Company's unique operating platform and restaurant development expertise, while delivering on the Wendy's brand promise of quality, convenience, and value."

- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





Concept Overview

Wendy's

Significant Growth Ahead: Goals for 2021

2021

420 Restaurants



\$700+

Million
Sales

+39%

5-Year Sales
Annual Growth Rate

\$70+

Million
EBITDA

+45%

5-Year EBITDA
Annual Growth Rate

2018 Full-Year Highlights:

- ✓ Sales increased 39.3% to \$435.3 million compared to \$312.6 million last year
- ✓ Earnings from Operations increased 75.9% to \$25.4 million compared to \$14.4 million last year
- ✓ Net Income increased 45.6% to \$13.2 million compared to \$9.0 million last year
- ✓ Consolidated EBITDA (a non-GAAP measure) increased 50.3% to \$39.7 million compared to \$26.4 million last year
- ✓ The Company developed or acquired a net of 62 restaurants during the year, to finish with 317 restaurants in operation across 16 states

2019 Financial Outlook - Strong Growth Ahead:

- ✓ Sales growth of +10 to 20%
- ✓ Earnings from Operations growth of +10% to 20%
- ✓ Net Earnings growth of +10% to 20%
- ✓ EBITDA growth of +10% to 20%

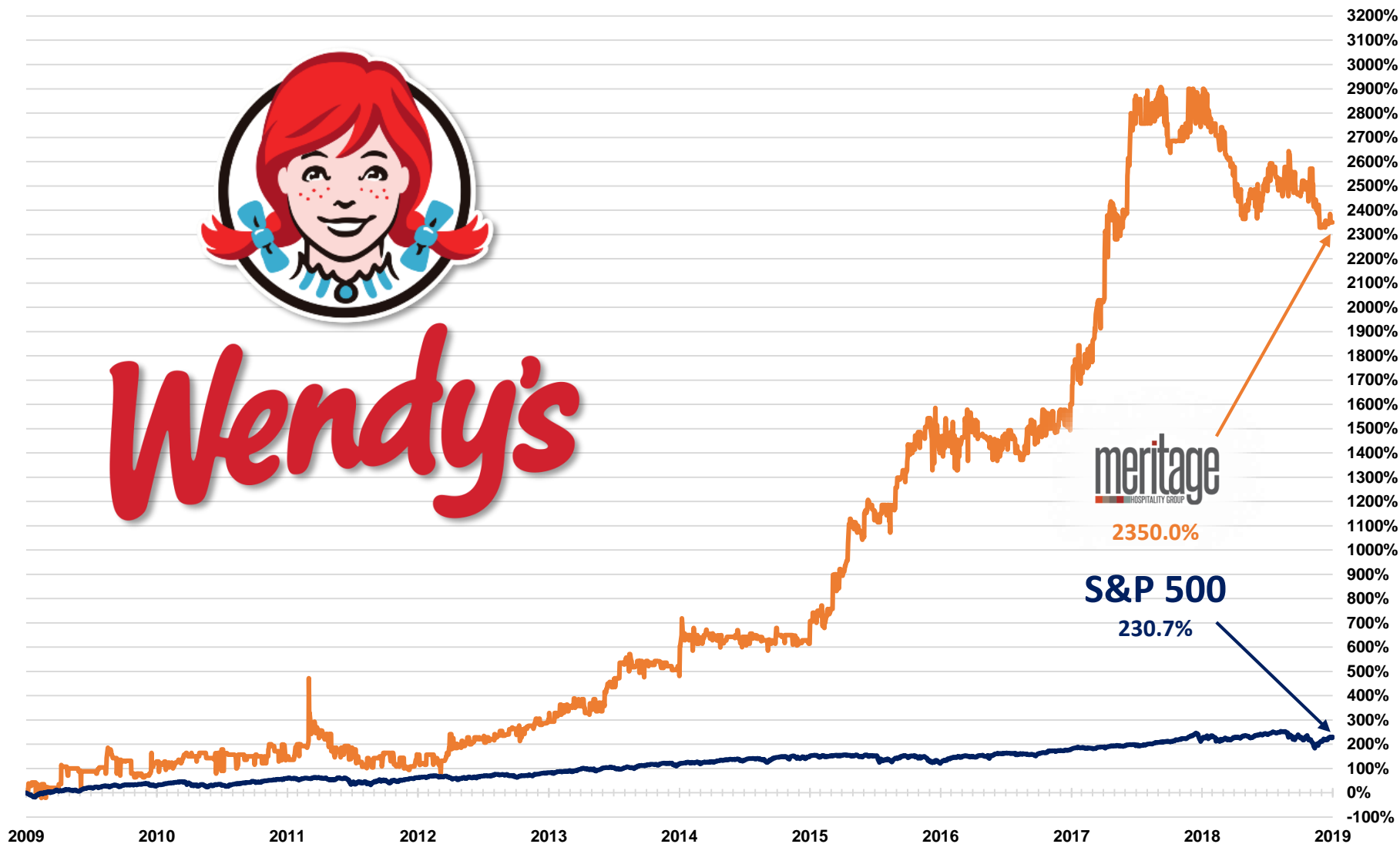
Wendy's



10-Year Historical Performance



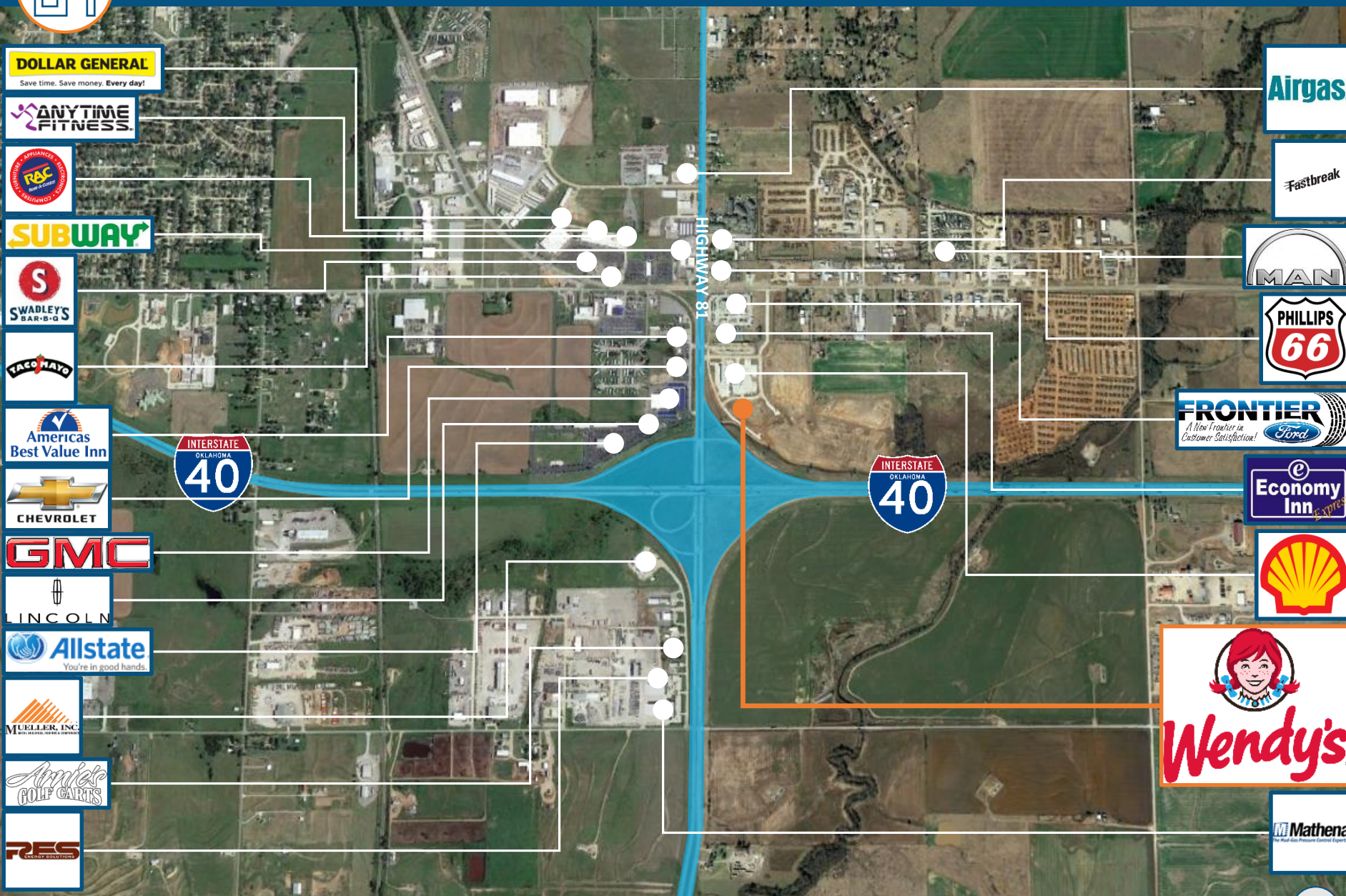
Wendy's





Surrounding Area

Wendy's





Location Overview



This Wendy's property is located at 3301 Territory Lane in El Reno, Oklahoma. Established in 1889, El Reno is located in the heart of Oklahoma, where Interstate 40, Route 66 and the Chisholm Trail all meet. It is a short 25 minute commute to downtown Oklahoma City.

SURROUNDING RETAIL & POINTS OF INTEREST

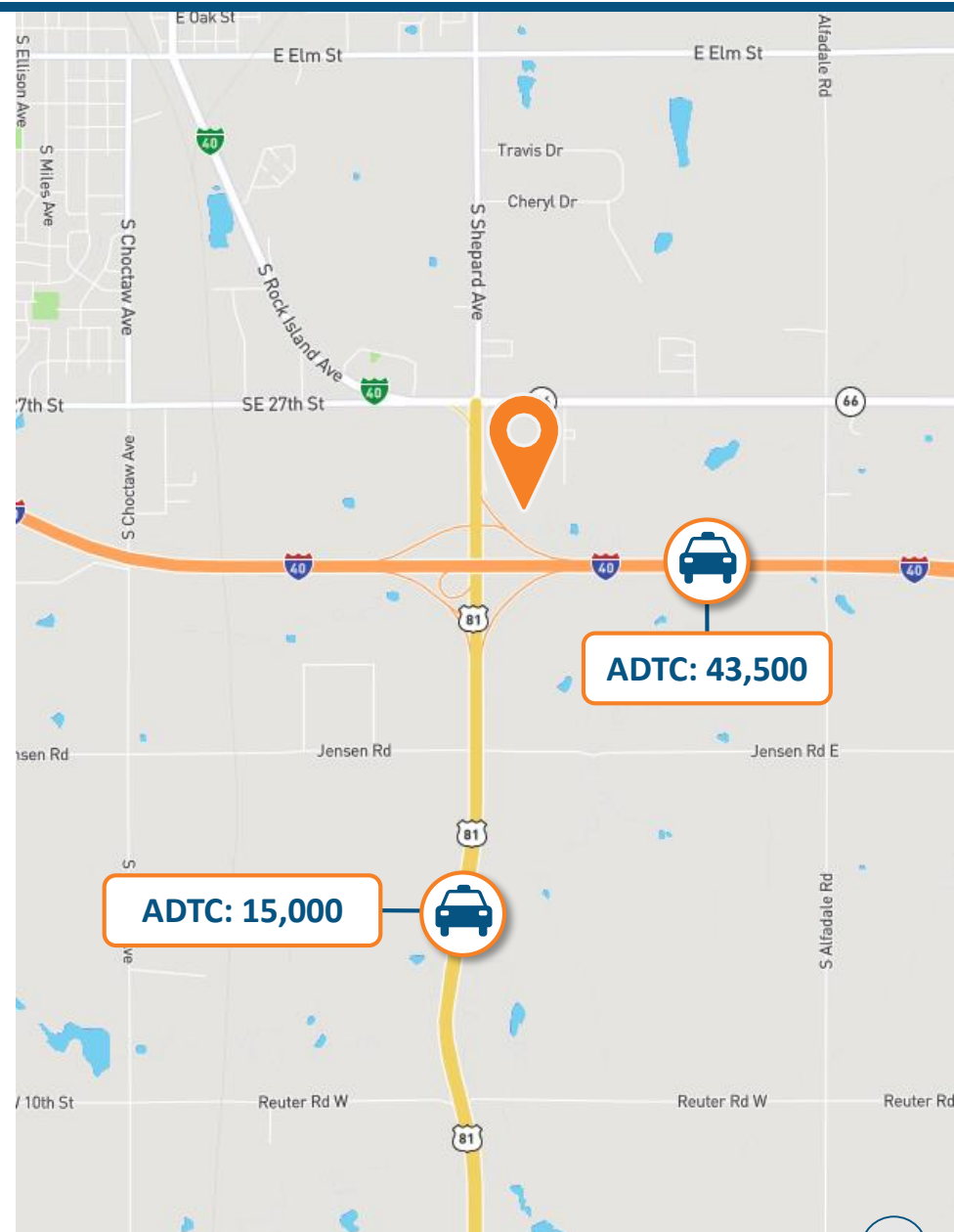
The subject property is well-positioned along Territory Lane as one of the first restaurants travelers will see as they come off Interstate 40, which is less than a quarter mile south of the property. There are many major national and local tenants in the surrounding area which include: Shell, Subway, Phillips 66, Allstate Chevrolet, Anytime Fitness, and Taco Mayo among various others. The site is also located less than three miles from El Reno Regional Airport, a two runway facility with about 68 operations daily, and it is about 20 miles from Will Rogers World Airport, which is the busiest airport in the state of Oklahoma handled over 4 million passengers in 2018. This property is located within close proximity to several academic institutions which include: Redlands Community College, Etta Dale High School, and Rose Witcher Elementary School (combined enrollment of almost 3,000 students).

TRAFFIC COUNTS & DEMOGRAPHICS

This area has strong demographics, with approximately 19,000 people residing within a five-mile radius and 27,000 people within a ten-mile radius of this property. This Wendy's fronts Highway 81 which feeds directly from Interstate 40. These two roads boast significant traffic counts of 15,000 and 43,500 vehicles per day, respectively.

OKLAHOMA CITY, OK

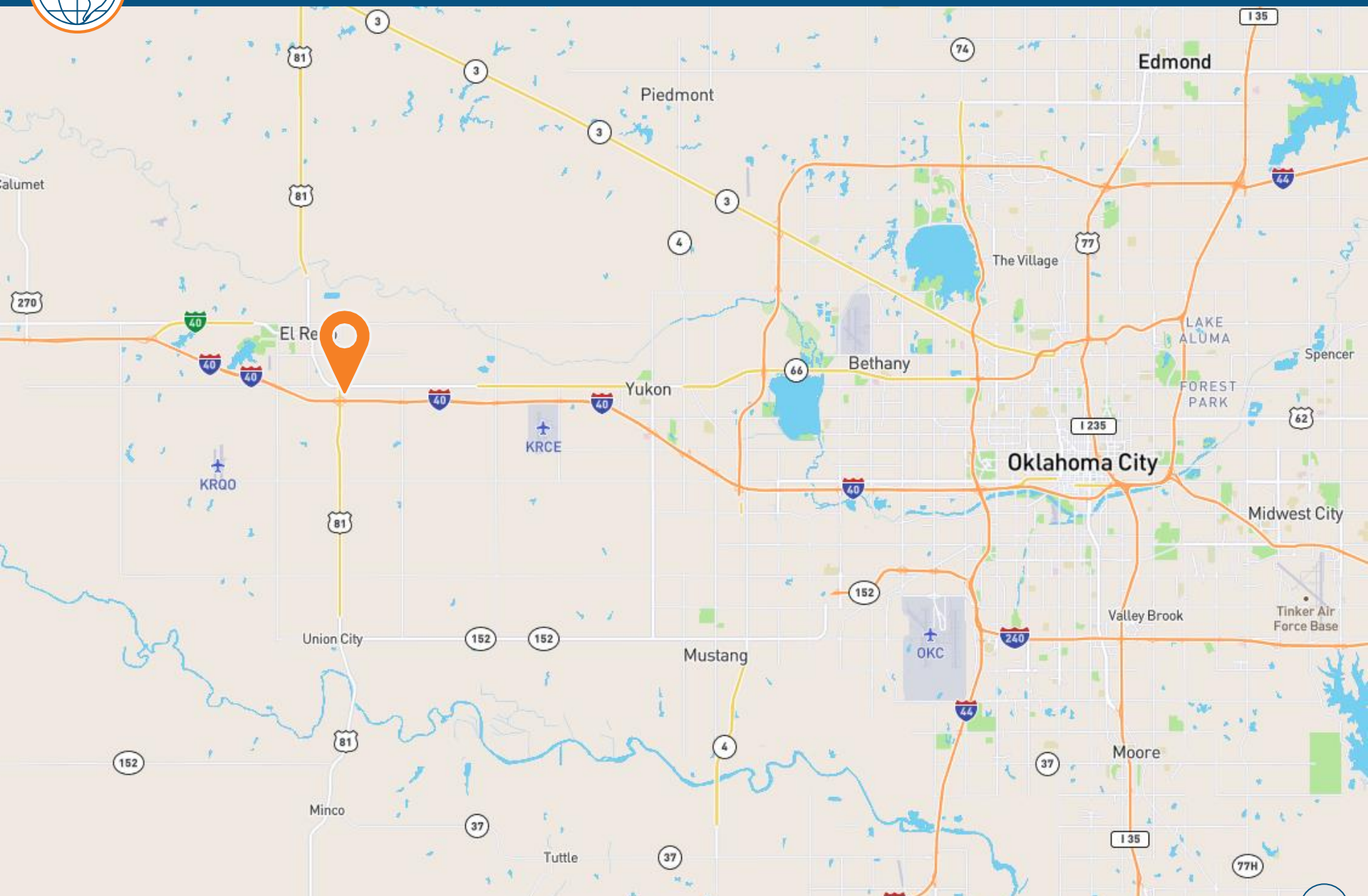
Oklahoma City is the capital of Oklahoma, its largest city and the county seat of Oklahoma County. The Oklahoma City MSA is the 44th most populous statistical area in the United States and the largest in the region outside of Texas. Oklahoma City lies along one of the primary corridors into Texas and Mexico, and is a three-hour drive from the Dallas-Fort Worth metropolitan area. Oklahoma City features one of the largest livestock markets in the world, however, oil, natural gas, petroleum products and related industries drive the economy due to its location in the middle of an active oil field – in fact, oil derricks dot the capitol grounds itself. Not surprisingly, two of the largest employers are Fortune 500 companies Chesapeake Energy Corporation (NYSE: CHK) and Devon Energy Corporation (NYSE: DVN). Yet as the city and MSA continue to grow and diversify, other sectors including information technology, services, healthcare and administration have drawn investments from other major entities. Sonic Drive-In, Hobby Lobby and Love's Travel Stops & Country Stores have corporate headquarters in Oklahoma City and the FAA, OGE Energy Corporation, AT&T, Dell, Hertz, UPS, Farmers Insurance Group, Coca-Cola, Boeing and Johnson Controls, among others, have significant operations there. Moreover, the Oklahoma City MSA is home to both Tinker Air Force Base and the University of Oklahoma. Tinker AFB currently employs over 27,000 military, civilian and contract personnel staffing major Department of Defense, Air Force and Navy missions that provide depot maintenance, product support, services and supply chain management and information support for 31 weapon systems, 10 commands, 93 Air Force bases and 46 foreign nations. The University of Oklahoma is the largest educational institution in Oklahoma currently serving over 30,000 students and employing nearly 12,000 full and part-time faculty and staff.





Regional Map

Wendy's





Demographics



MAJOR EMPLOYERS

Employer	# of Employees
Walmart	750
Joe Cooper Ford of Yukon	600
Great Plains	509
Unicor	499
Nabors Industries	400
Universal Pressure Pumping Inc	350
INTEGRIS	300
Redlands Community College	300
County of Canadian	239
Cheyenne and Arapaho Tribes	220
Key Energy Services Inc	216
Mercy Hospital El Reno	200

of Employees based on 10 mile radius

DEMOGRAPHICS

	3 Miles	5 Miles	10 Miles
Population			
2023 Projection	15,500	18,990	27,012
2018 Estimate	15,474	19,022	26,561
2010 Census	13,827	17,076	23,477
2000 Census	13,953	16,226	21,441
Income			
Average	\$58,064	\$60,160	\$70,870
Median	\$43,654	\$44,982	\$53,454
Per Capita	\$22,702	\$22,121	\$25,703
Households			
2023 Projection	6,011	6,773	9,630
2018 Estimate	5,900	6,653	9,302
2010 Census	5,316	5,986	8,245
2000 Census	5,210	5,762	7,619
Employment			
2018 Daytime Population	14,905	18,329	25,251
2018 Unemployment	5.22%	4.85%	4.22%
2018 Median Time Traveled	22 Mins	22 Mins	24 Mins

Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING



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