

WENDY'S

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



OFFERING MEMORANDUM



6781 E Shelby Dr
Memphis, TN 38141

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction
- ✓ Memphis is the Cultural and Economic Center of West Tennessee and the Greater Mid-South Region
- ✓ Dense Population | Approximately 165,000 Individuals within a Five-Mile Radius
- ✓ Highly Trafficked Location | East Shelby Drive & Riverdale Road Experience Traffic Counts in Excess of 25,200 and 32,000 Vehicles Per Day
- ✓ Memphis International Airport is Less Than Nine Miles Away | World's 2nd Busiest Airport by Total Annual Cargo Traffic

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: \$2,361,905 | CAP RATE: 5.25% | RENT: \$124,000

THE OFFERING

Purchase Price	\$2,361,905
CAP Rate	5.25%
Annual Rent	\$124,000

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	6781 E Shelby Dr
City, State ZIP	Memphis, TN 38141
Building Size (SF)	2,646 SF
Lot Size (Acres)	0.95
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	\$124,000	\$10,333	-
Year 2	\$124,000	\$10,333	-
Year 3	\$125,550	\$10,463	1.25%
Year 4	\$127,119	\$10,593	1.25%
Year 5	\$128,708	\$10,726	1.25%
Year 6	\$130,317	\$10,860	1.25%
Year 7	\$131,946	\$10,996	1.25%
Year 8	\$133,596	\$11,133	1.25%
Year 9	\$135,265	\$11,272	1.25%
Year 10	\$136,956	\$11,413	1.25%
Year 11	\$138,668	\$11,556	1.25%
Year 12	\$140,402	\$11,700	1.25%
Year 13	\$142,157	\$11,846	1.25%
Year 14	\$143,934	\$11,994	1.25%
Year 15	\$145,733	\$12,144	1.25%
Year 16	\$147,554	\$12,296	1.25%
Year 17	\$149,399	\$12,450	1.25%
Year 18	\$151,266	\$12,606	1.25%
Year 19	\$153,157	\$12,763	1.25%
Year 20	\$155,072	\$12,923	1.25%

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 6781 E Shelby Dr, Memphis, TN. The property consists of 2,646 square feet of building space and is situated on approximately 0.95 acres 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.otcmartets.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%

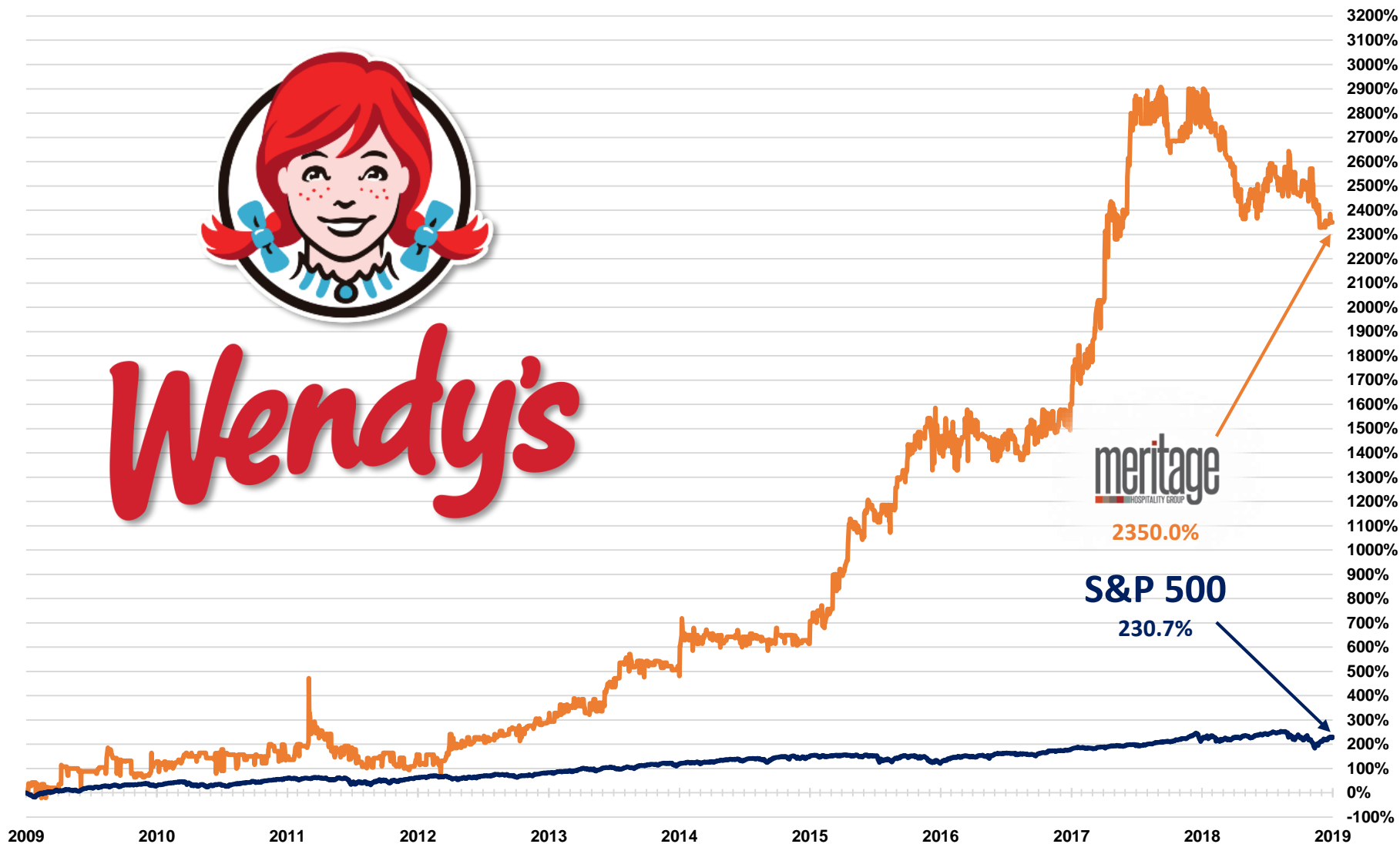
Wendy's



10-Year Historical Performance



Wendy's





Surrounding Area

Wendy's





Location Overview

Wendy's

This Wendy's property is located at 6781 East Shelby Drive in Memphis, Tennessee. Memphis is the largest city on the Mississippi River, second-largest city in Tennessee, as well as the 25th largest city in the United States.

SURROUNDING RETAIL & POINTS OF INTEREST

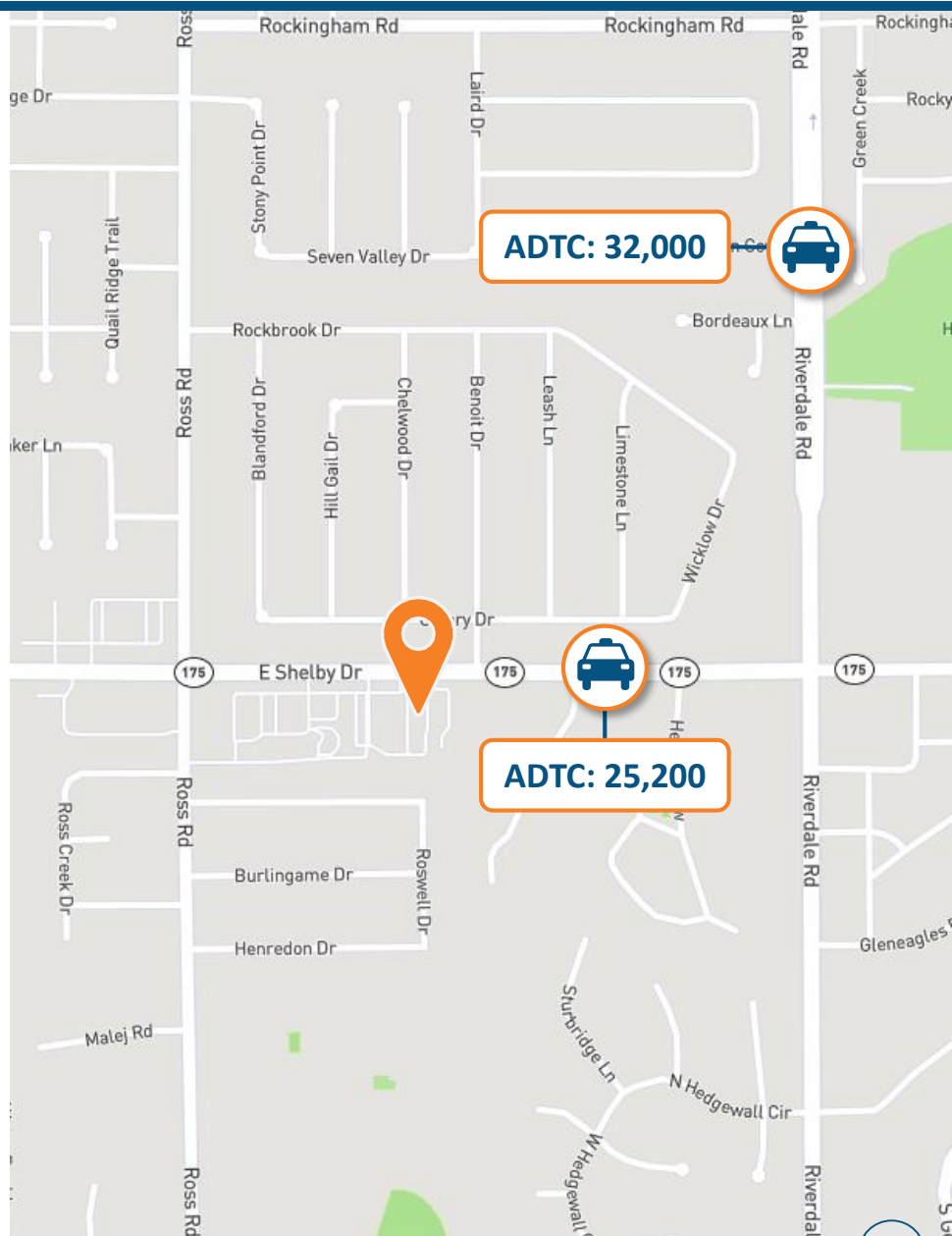
The subject property is well-positioned along East Shelby Drive within a corridor that offers a mix of retailers, shopping centers and schools. There are many major national and local tenants in the surrounding area which include: Walmart, Walgreens, Kroger, Dollar General, Family Dollar, Dollar Tree, McDonald's, Taco Bell, and Burger King among various others. This property is located within close proximity to several academic institutions which include: Southwind High Schools and Ross Elementary School, which have a combined total enrollment exceeding 2,400 students. Additionally, the property is located less than nine-miles away from Memphis International Airport, which is the super hub for FedEx Express which processes approximately 4.2 billion pounds of packages a year.

TRAFFIC COUNTS & DEMOGRAPHICS

This area has very strong demographics, with approximately 82,400 people residing within a three-mile radius and 165,600 people within a five-mile radius of this property. This Wendy's is located on East Shelby Drive which directly intersects with Riverdale Road. These two roads boast significant traffic counts of 25,200 and 32,000 vehicles per day, respectively.

MEMPHIS, TN

Memphis is the birthplace of Rock n' Roll and the home of the Blues. It's also home to the National Civil Rights Museum, Beale Street, the Memphis Rock and Soul Museum, the National Ornamental Metal Museum and Graceland, the second most visited residence in the United States. Memphis still has a vibrant music scene to this day, with live music each night on Beale Street and in most areas of the city. But music is not Memphis' only export; these days, most goods come through Memphis and its transportation and logistics infrastructure. Not only is the airport the second largest cargo airport in the world – a fact attributable to FedEx's "Super Hub" – but Memphis sits at a crossroads of what is called the four R's: Railroads, Runways, Roads, and the Mississippi River. The city is also home to several Fortune 500 companies, including AutoZone, International Paper, and FedEx, as well as St. Jude Children's Research Hospital and the Memphis Grizzlies. Every year, Beale Street and Downtown's Tom Lee Park are transformed into a sea of music, pork and people during the Memphis in May International Festival. This month long celebration draws tens of thousands of visitors every spring and features the world-famous Beale Street Music Festival, World Championship Barbecue Cooking Contest and several international events honoring a different foreign country every year.



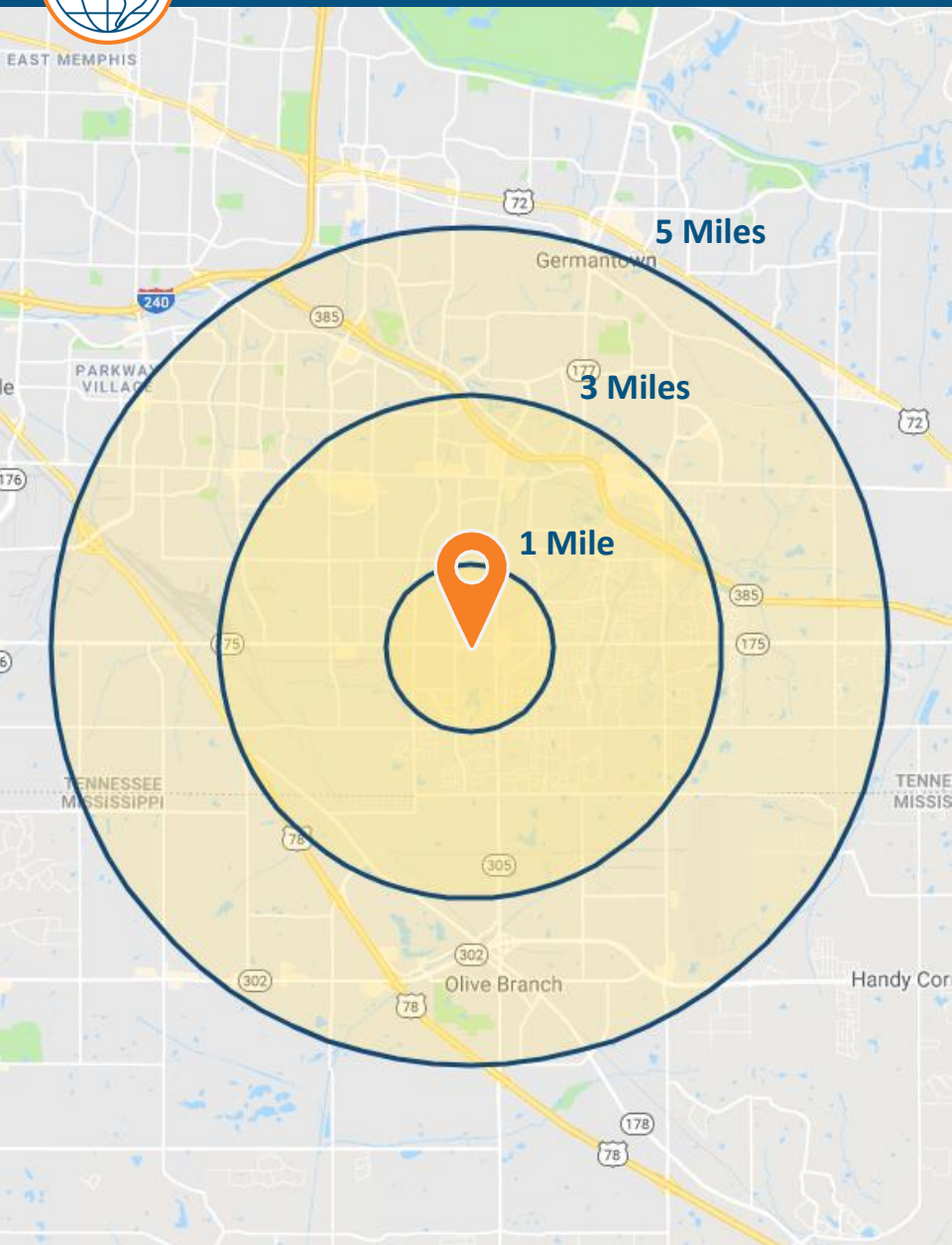
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Demographics



MAJOR EMPLOYERS

Employer	# of Employees
Thomas & Betts International	3,281
Varco Pruden Holding Inc	1,658
All-American Bottling Corp	1,100
Rehab Care Group Management Services Inc	1,000
McClatchy Medical Center	990
Walmart	900
Memphis Distribution Center	800
VBR Holding Corporation	700
Kroger	676
Methodist Le Bonheur Healthcare	660

DEMOGRAPHICS

of Employees based on 5 mile radius

	1 Mile	3 Miles	5 Miles
Population			
2023 Projection	15,361	86,814	174,475
2018 Estimate	14,690	82,481	165,673
2010 Census	14,580	80,379	159,994
2000 Census	14,294	67,879	139,354
Income			
Average	\$65,278	\$65,977	\$75,054
Median	\$55,924	\$52,642	\$55,132
Per Capita	\$21,698	\$23,953	\$27,667
Households			
2023 Projection	5,171	31,930	65,193
2018 Estimate	4,883	29,913	61,029
2010 Census	4,867	29,339	59,336
2000 Census	4,972	25,670	53,344
Employment			
2018 Daytime Population	5,705	64,760	159,706
2018 Unemployment	4.22%	4.14%	3.99%
2018 Median Time Traveled	25 Mins	25 Mins	24 Mins



Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING



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