

WENDY'S

Subject Property



OFFERING MEMORANDUM



1012 South Broadway
Edmond, Oklahoma 73034

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Dense Retail Corridor | Walmart, Home Depot, Lowe's, CVS, Walgreens, Aldi, Target, McDonald's, Chick-fil-A, Panera, KFC, Popeyes, Taco Bell, Chipotle, and Many More
- ✓ Approximately One Mile from University of Central Oklahoma | 17,200+ Students
- ✓ Strong Traffic Counts | S Broadway Intersects with 15th St | 43,000 and 23,500 Vehicles Per Day, Respectively
- ✓ Approximately Two Miles from OU Medical Center | Newly Renovated 85-Bed Facility
- ✓ Wealthy Suburban Area | Average Household Income Exceeds \$109,000 within Five-Mile Radius

LEASE

LEASE STRUCTURE

- ✓ Nearly 15 Years Remaining on Base Lease Term
- ✓ Attractive 8% Rental Increases Every 5 Years
- ✓ Triple Net (NNN) Lease with Zero Landlord Responsibilities
- ✓ Two (2), Ten (10)-Year Tenant Renewal Option Periods

TENANT

TENANT / GUARANTOR

- ✓ Guaranteed by Meritage Hospitality Group (OTCQX: MHGU)
- ✓ Meritage Hospitality Group is an Experienced 321 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
- ✓ Strong Brand Recognition | Wendy's is the World's Number Three Hamburger Chain
- ✓ Founded in 1986



Financial Analysis & Investment Summary *Wendy's*

PURCHASE PRICE: \$1,827,773 | CAP RATE: 5.75% | RENT: \$105,097

THE OFFERING

Purchase Price	\$1,827,773
CAP Rate	5.75%
Annual Rent	\$105,097

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	1012 S Broadway
City, State ZIP	Edmond, OK 73034
Building Size (SF)	2,706
Lot Size (Acres)	+/- 1.05 Acres
Type of Ownership	Fee Simple
Year Built	1979

LEASE SUMMARY

Property Type	Net-Leased Restaurant
Tenant	Wen Oklahoma LLC
Guarantor	Meritage Hospitality Group
Lease Term	20 Years
Lease Commencement	March 27, 2014
Lease Expiration	March 31, 2034
Lease Term Remaining	14.8 Years
Lease Type	Triple Net (NNN)
Roof & Structure	Tenant Responsible
Options to Renew	8% Every 5 Years
Rental Increases	Two (2), Ten (10)-Year

RENT SCHEDULE

Lease Year(s)	Annual Rent	Monthly Rent	Rent Escalation
Current Rent	\$105,097	\$8,758	-
Year 7	\$105,097	\$8,758	-
Year 8	\$105,097	\$8,758	-
Year 9	\$105,097	\$8,758	-
Year 10	\$105,097	\$8,758	-
Year 11	\$113,505	\$9,459	8.00%
Year 12	\$113,505	\$9,459	-
Year 13	\$113,505	\$9,459	-
Year 14	\$113,505	\$9,459	-
Year 15	\$113,505	\$9,459	-
Year 16	\$122,585	\$10,215	8.00%
Year 17	\$122,585	\$10,215	-
Year 18	\$122,585	\$10,215	-
Year 19	\$122,585	\$10,215	-
Year 20	\$122,585	\$10,215	-

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for the Wendy's located at 1012 S Broadway in Edmond, OK. The property consists of 2,706 square feet of building space and is situated on approximately 1.05 acres of land. There are approximately 14.8 years remaining on the base term of the true triple-net (NNN) lease. The current annual rent is \$105,097 and is subject to 8% rental increases every 5 years, which will continue into each of the two (2), ten (10)-year tenant renewal option periods.

The lease is guaranteed by Meritage Hospitality Group, which is an experienced 321-unit operator and the second-largest franchisee in the Wendy's system. Meritage expects for its fiscal 2019 year to experience sales growth of 10 to 20 percent, Earnings from Operations growth of 10 to 20 percent, Net Earnings growth of 10 to 20 percent, and EBITDA growth of 10 to 20 percent.



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 321 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.otcmart.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%

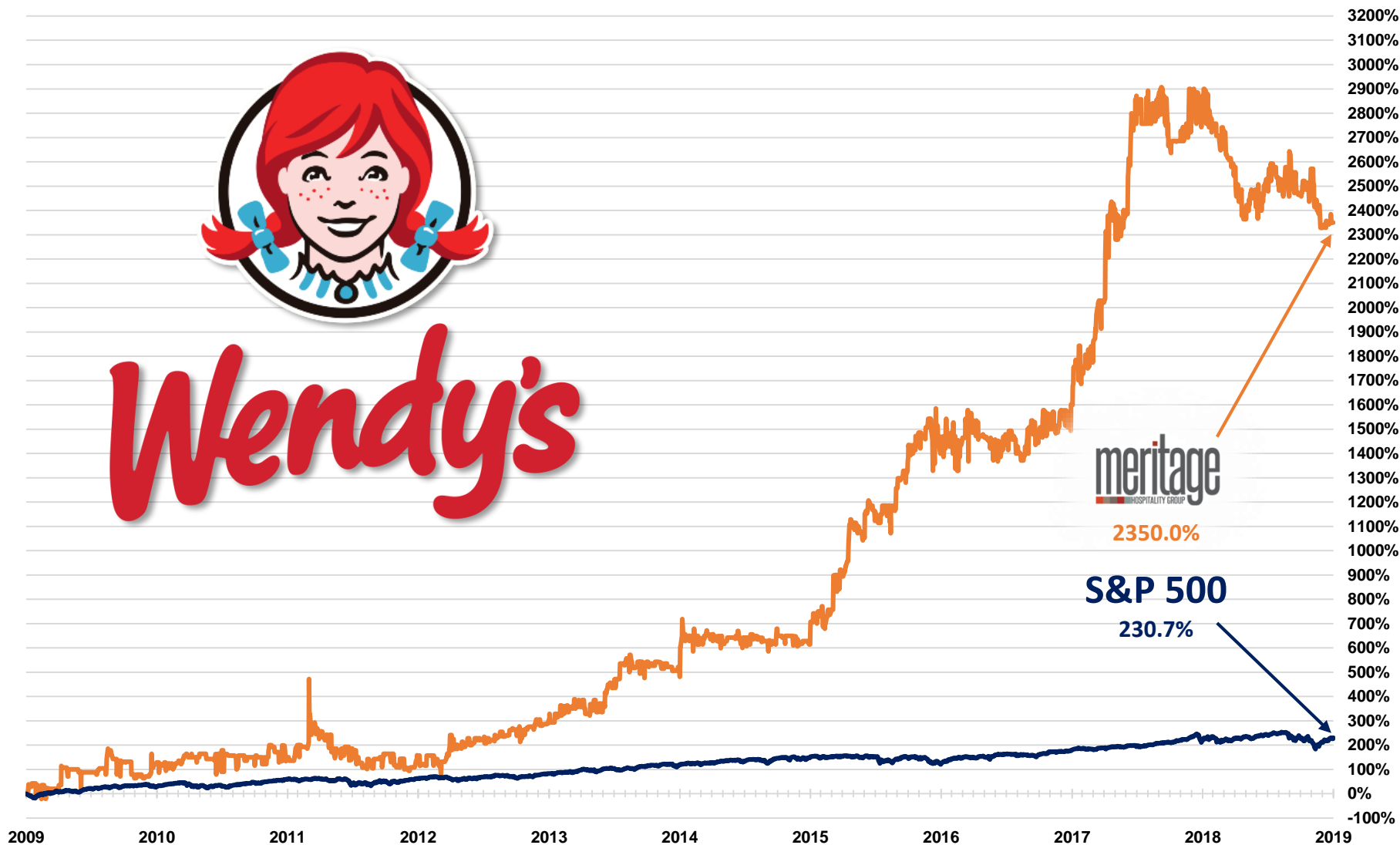
Wendy's



10-Year Historical Performance



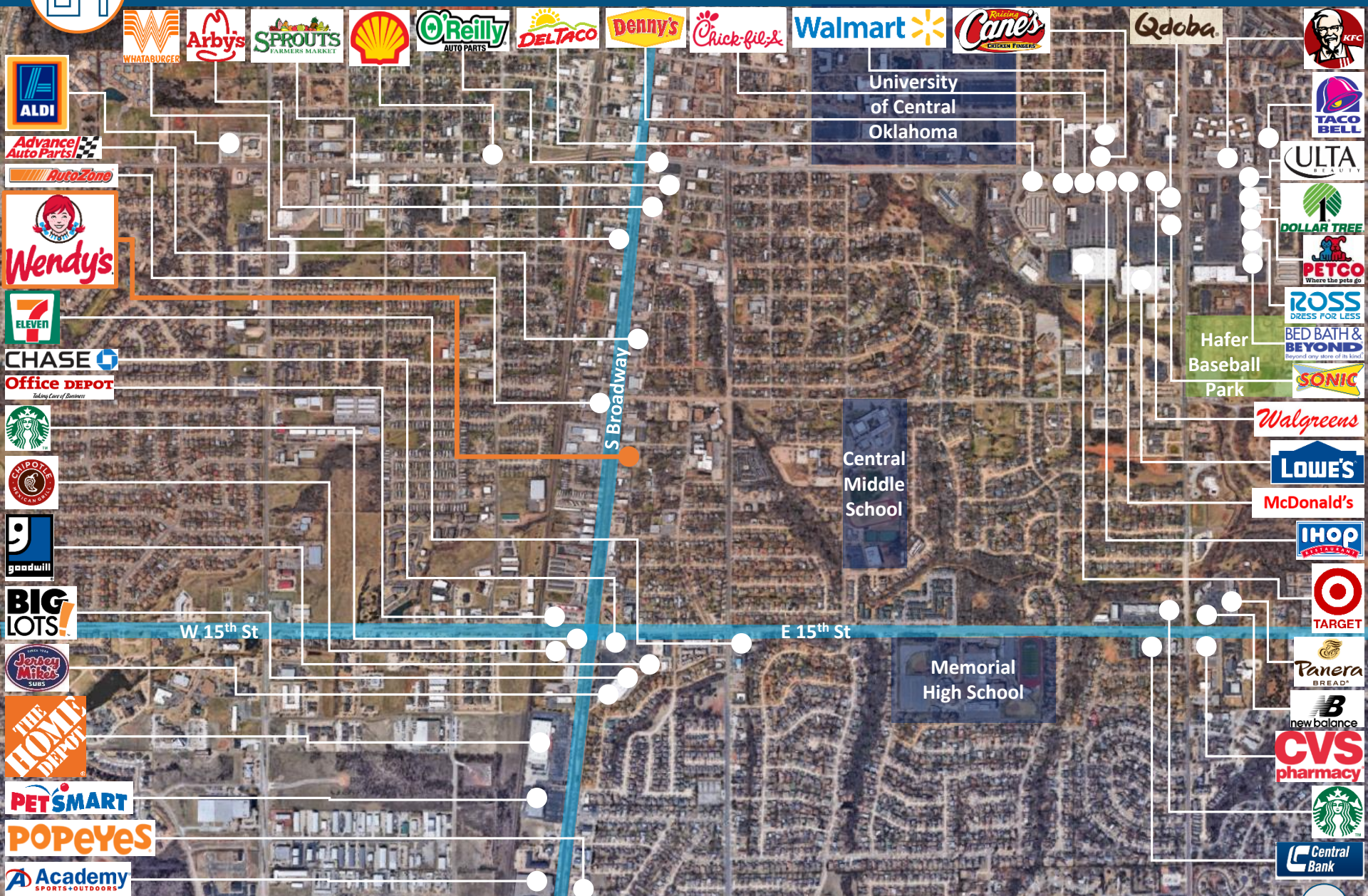
Wendy's





Surrounding Area

Wendy's





Location Overview

This Wendy's property is located at 1012 South Broadway in the heart of Edmond, Oklahoma, just north of the second-busiest intersection in the city (15th and Broadway). Edmond is located just north of Oklahoma City in Oklahoma County and is part of the Oklahoma City metropolitan area. It is among the largest and most affluent cities in the state, and offers low business costs, affordable property, and a strong workforce, which makes establishing a business in the city an easy decision.

SURROUNDING RETAIL & POINTS OF INTEREST

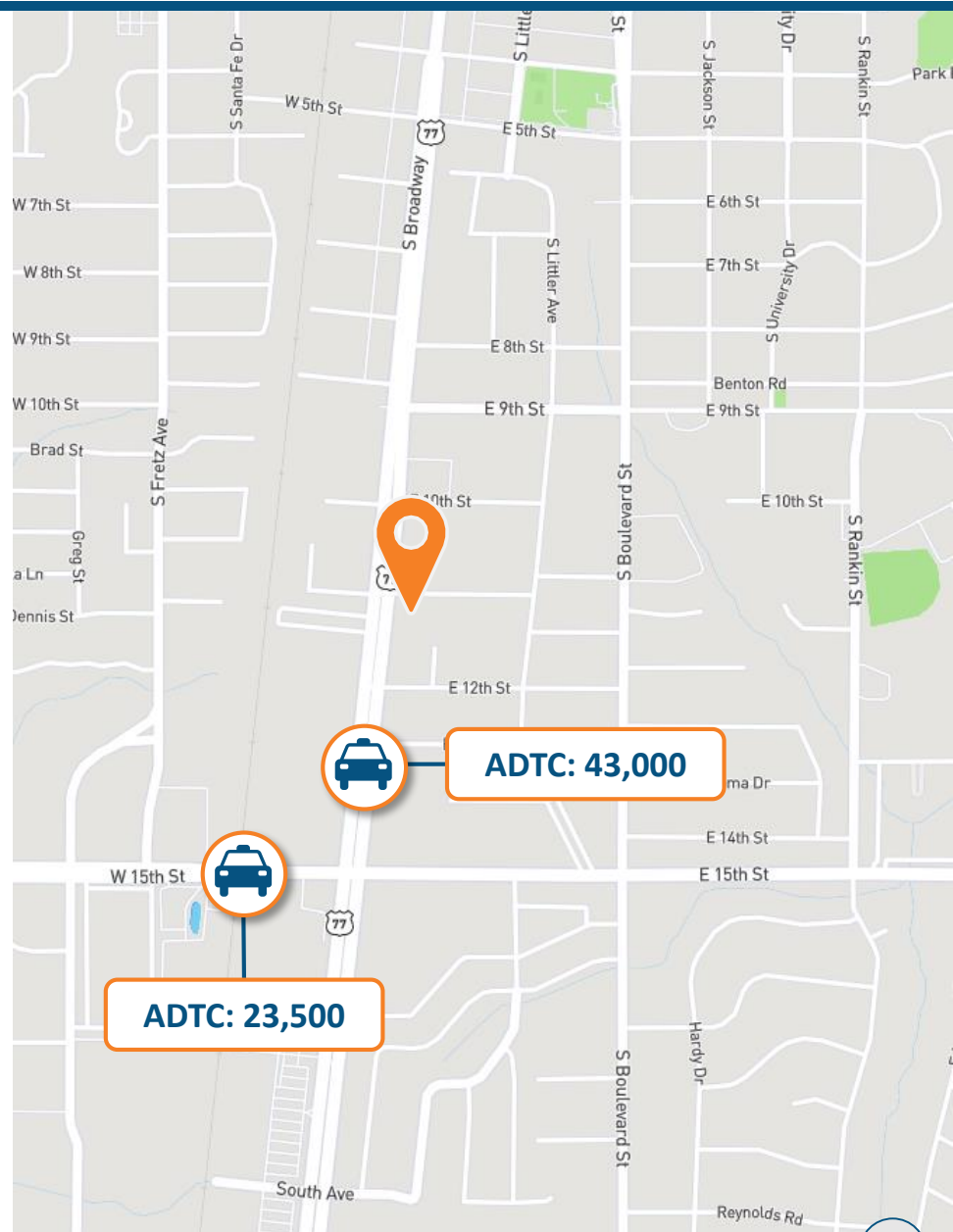
The subject property benefits from excellent signage and visibility along one of the busiest roadways and retail corridors in Edmond. Major national tenants in the immediate area include: Walmart, Home Depot, Lowe's, CVS, Walgreens, Aldi, Target, McDonald's, Chick-fil-A, Panera, KFC, Popeyes, Taco Bell, Chipotle, in addition to many others. The University of Central Oklahoma is approximately one mile north of this Wendy's and boasts a significant enrollment in excess of 17,200 students. This Wendy's also lies in the heart of Edmond's public-school district, which includes: Memorial High School, Santa Fe High School, Will Rogers Elementary, Central Middle School, Edmond North High School and John Ross Elementary, all within a three-mile radius of the property. Together, these schools boast a total combined enrollment exceeding 9,350 students. The OU Medical Center, a newly renovated 85-bed facility, is less than two miles northeast of this property. Kickingbird Golf Club, an 18-hole championship course, is approximately three miles north of the property. This is the oldest golf course in Edmond and one of Oklahoma's premier public courses.

TRAFFIC COUNTS & DEMOGRAPHICS

This area features very strong demographics with more than 85,500 individuals residing within a three-mile radius and nearly 150,000 individuals within a five-mile radius. Within the immediate one-mile radius surrounding the subject property is an affluent population with an average household income exceeding \$70,000. This property benefits from excellent signage and high visibility along South Broadway, which experiences an average traffic count of approximately 43,000 vehicles per day. South Broadway intersects with 15th Street which brings an additional 23,500 vehicles to the immediate area per day.

EDMOND, OK

Edmond borders the northern boundary of Oklahoma City, the capital and largest city in Oklahoma. Three major highways connect Edmond to downtown Oklahoma City: U.S. Route 77 (the Broadway Extension), which runs through the center of Edmond, and Interstate 35, which runs along the eastern side of the city. Edmond is home to a thriving health care industry that has created an economic impact of more than \$375 million since 2010. Major health care providers in the area include: INTEGRIS Health Edmond, Mercy Edmond I-35, OU Medical Center Edmond and Summit Medical Center. Recently, Edmond partnered with a private developer for the construction of a six-story, 158-room Hilton Garden Inn and 20,000-square-foot Edmond Conference Center on the northwest corner of I-35 and Covell. Edmond has invested in land, construction of the conference center, water, sewer, electric and road improvements. This will enable several hundred acres of commercial development to take place around this project as well as on the southwest and northeast corners of this intersection.





Property Photo

Wendy's





Surrounding Area Photos

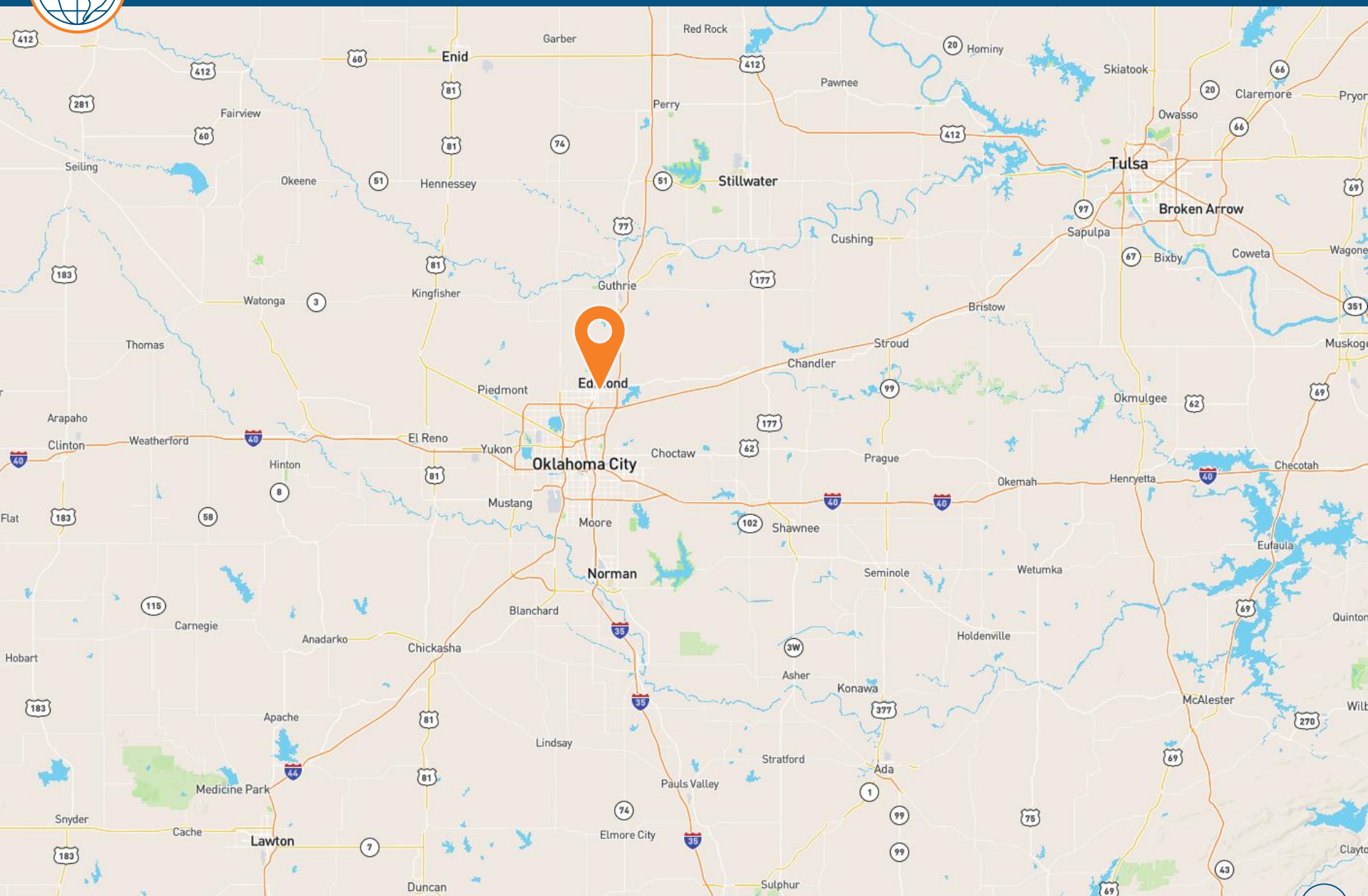
Wendy's





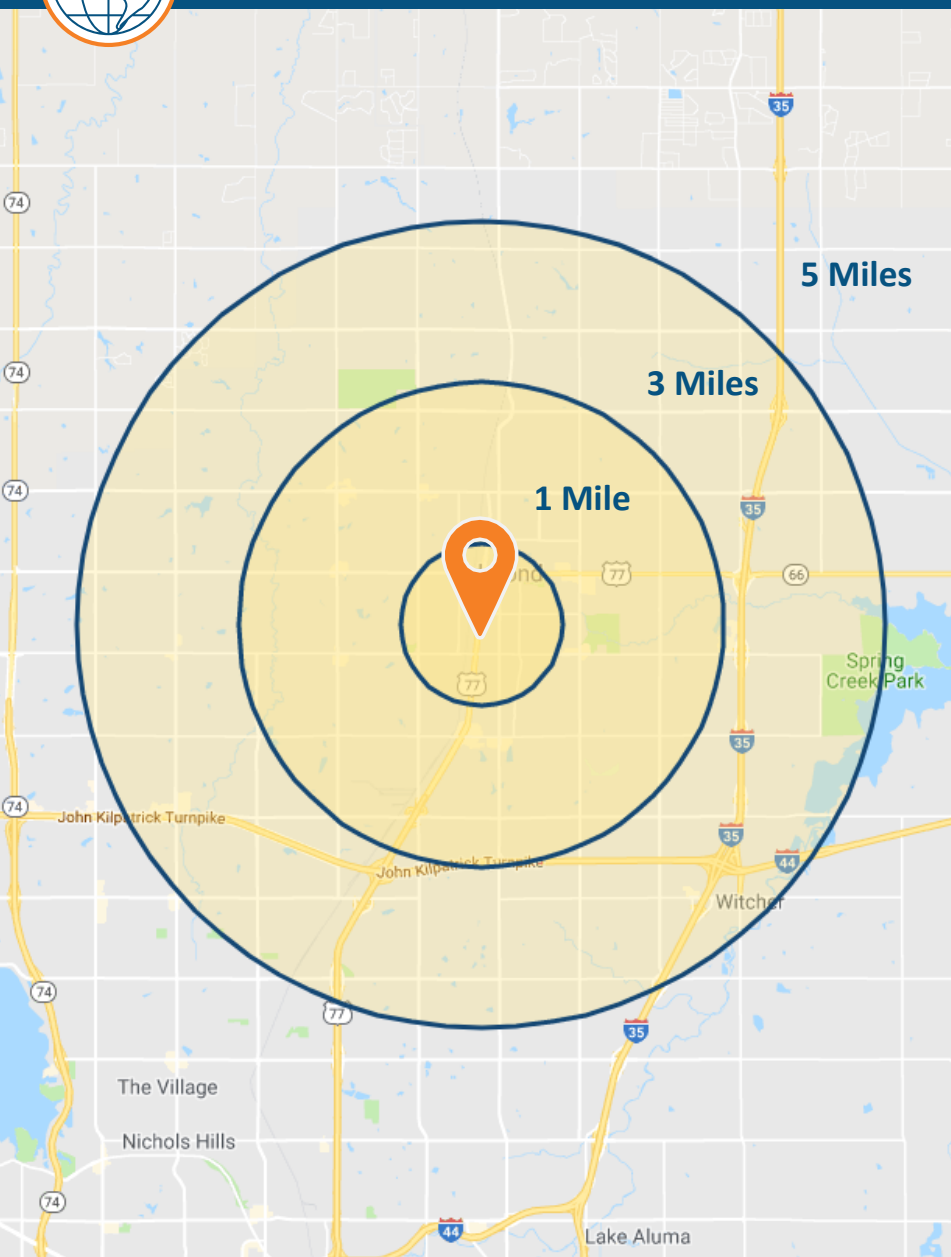
Regional Map

Wendy's





Demographics



MAJOR EMPLOYERS

Employer	# of Employees
University Central Oklahoma	1,700
Seagate Technology LLC	1,500
Walmart	1,250
Center of Excellence	680
Lowes	633
Stars Restaurants LLC	550
Webex Incorporated	550
West Corporation	550
SRM Incorporated	490
Target	400
HealthBack of OKC	399
Globe Marketing Services Incorporated	350

of Employees based on 5-mile radius

DEMOGRAPHICS

	1 Mile	3 Miles	5 Miles
Population			
2023 Projection	10,481	91,243	164,169
2018 Estimate	10,298	85,876	149,454
2010 Census	9,859	76,968	125,791
2000 Census	9,969	68,255	94,955
Income			
Average	\$70,932	\$96,636	\$109,380
Median	\$51,732	\$70,061	\$77,923
Per Capita	\$30,655	\$38,720	\$42,983
Households			
2023 Projection	4,513	36,879	65,005
2018 Estimate	4,402	34,153	58,456
2010 Census	4,178	30,406	49,072
2000 Census	4,182	25,113	35,399
Employment			
2018 Daytime Population	19,932	96,875	140,955
2018 Unemployment	3.91%	2.75%	2.34%
2018 Median Time Traveled	21 Mins	22 Mins	22 Mins

Marcus & Millichap

EXCLUSIVE NET LEASED OFFERING



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