

WENDY'S

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



OFFERING MEMORANDUM



19100 Kelly Rd
Detroit, MI 48224

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Extremely Dense Population | Six Miles From Downtown Detroit | 353,000 People in a Five-Mile Radius
- ✓ Highly Trafficked Location | Kelly Road and Moross Road | Average Daily Traffic Counts Exceeding 23,600 and 31,300 Vehicles Per Day
- ✓ Ascension St. John Hospital is Just Two Miles Away | 772-Bed Facility Which Employs Over 1,300 Individuals
- ✓ Less than a Mile South of the Eastland Center, an 80+ Store, Enclosed, Regional Shopping Mall

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: \$2,095,238 | CAP RATE: 5.25% | RENT: \$110,000

THE OFFERING

Purchase Price	\$2,095,238
CAP Rate	5.25%
Annual Rent	\$110,000

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	19100 Kelly Rd
City, State ZIP	Detroit, MI 48224
Building Size (SF)	2,352 SF
Lot Size (Acres)	0.55
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	\$110,000	\$9,167	-
Year 2	\$110,000	\$9,167	-
Year 3	\$111,375	\$9,281	1.25%
Year 4	\$112,767	\$9,397	1.25%
Year 5	\$114,177	\$9,515	1.25%
Year 6	\$115,604	\$9,634	1.25%
Year 7	\$117,049	\$9,754	1.25%
Year 8	\$118,512	\$9,876	1.25%
Year 9	\$119,994	\$9,999	1.25%
Year 10	\$121,493	\$10,124	1.25%
Year 11	\$123,012	\$10,251	1.25%
Year 12	\$124,550	\$10,379	1.25%
Year 13	\$126,107	\$10,509	1.25%
Year 14	\$127,683	\$10,640	1.25%
Year 15	\$129,279	\$10,773	1.25%
Year 16	\$130,895	\$10,908	1.25%
Year 17	\$132,531	\$11,044	1.25%
Year 18	\$134,188	\$11,182	1.25%
Year 19	\$135,865	\$11,322	1.25%
Year 20	\$137,564	\$11,464	1.25%

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 19100 Kelly Rd, Detroit, MI. The property consists of 2,352 square feet of building space and is situated on approximately 0.55 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.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%

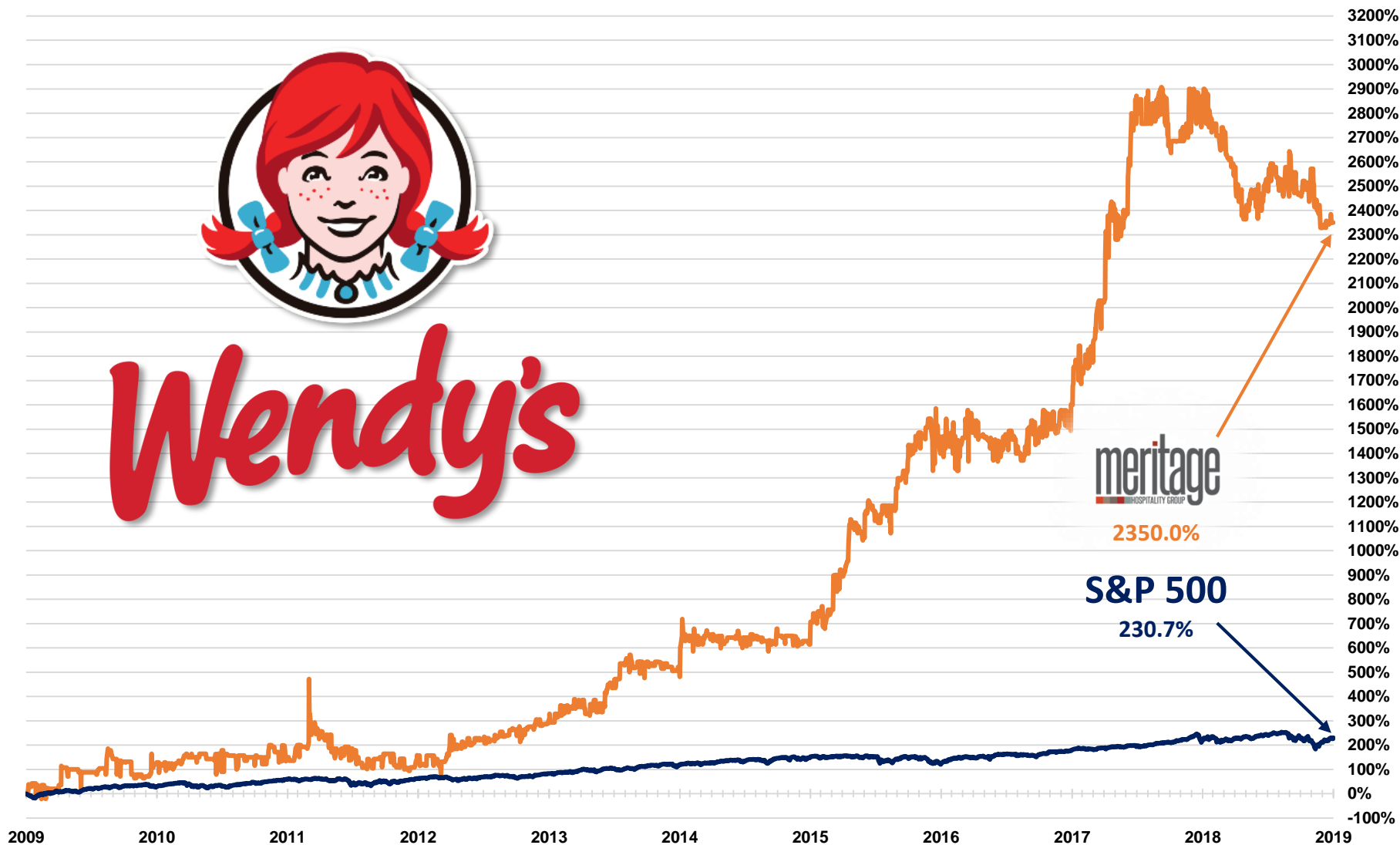
Wendy's



10-Year Historical Performance



Wendy's





Surrounding Area

Wendy's





Location Overview

This Wendy's property is located at 19100 Kelly Road in Detroit, Michigan. Detroit is the most populous city in the State of Michigan, and the center of the third largest metropolitan area in the Midwest.

SURROUNDING RETAIL & POINTS OF INTEREST

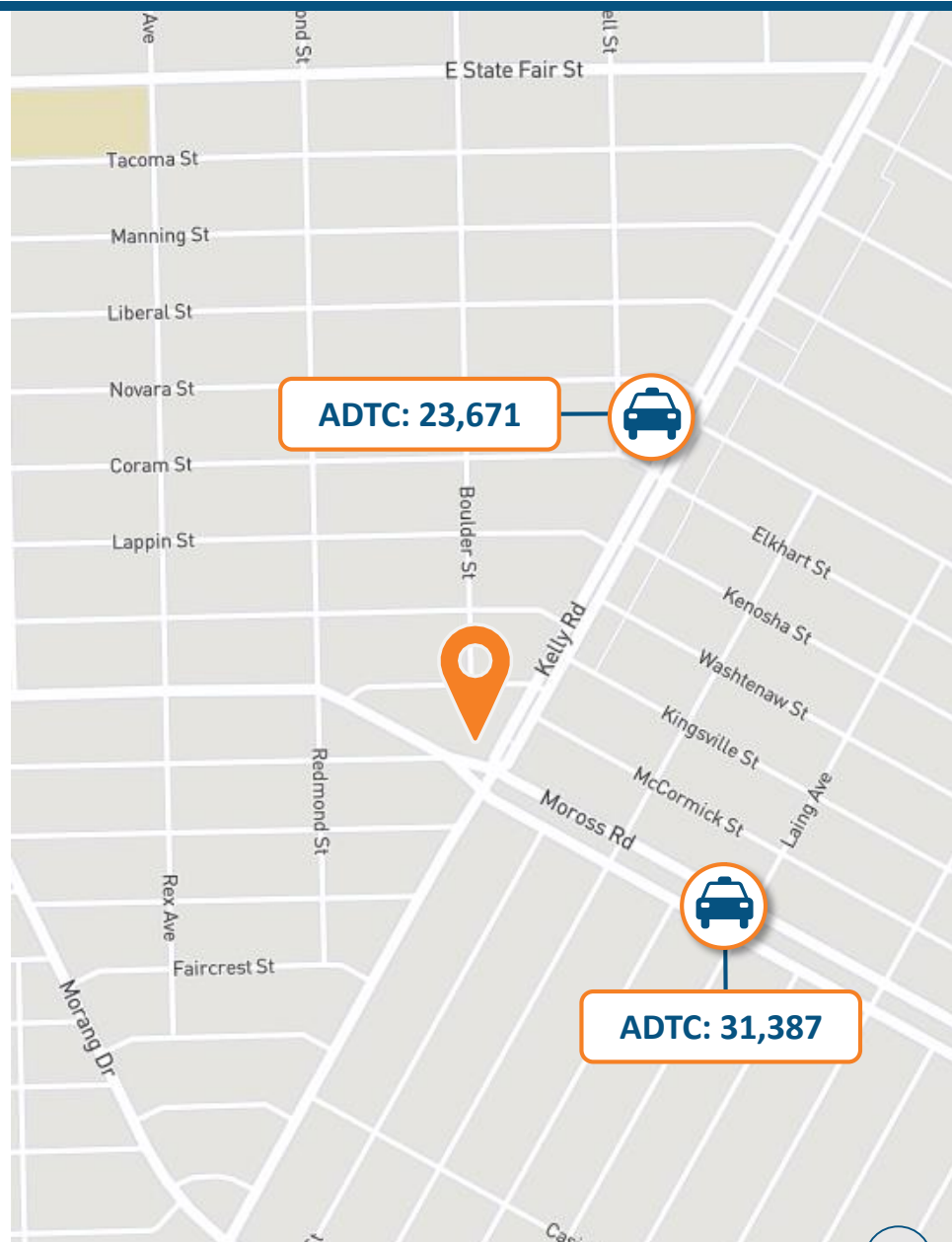
The property is strategically located in a densely-populated residential area along a highly-trafficked thoroughfare with convenient access to downtown Detroit. Located on a hard-corner of a signalized intersection this Wendy's is less than a mile south of Eastland Center, an 80+ store, enclosed, regional shopping mall, and many other major national retailers including McDonald's, Home Depot, AutoZone, Family Dollar, CVS Pharmacy and many more. To the east of the property is the shore of Lake St. Clair, a 430-square mile freshwater lake that lies between the Canadian province of Ontario and Michigan, featuring beautiful beaches, yacht clubs, and recreational activities. There are also several country clubs less than two miles from the subject property, including Lochmoor Club and the Country Club of Detroit where nearby residents can enjoy fine dining, golf, and many other amenities. Additionally, the subject property benefits from being two miles from Ascension St. John Hospital, a 772-bed regional teaching hospital that employs over 1,300 people.

TRAFFIC COUNTS & DEMOGRAPHICS

This area has very strong demographics, with approximately 173,000 people residing within a three-mile radius and 353,000 people within a five-mile radius of the property. This property is ideally situated on Kelly Road, which experiences approximately 23,671 vehicles per day on average. Kelly Road intersects with Moross Road which brings an additional 31,387 vehicles into the immediate area daily.

DETROIT, MI

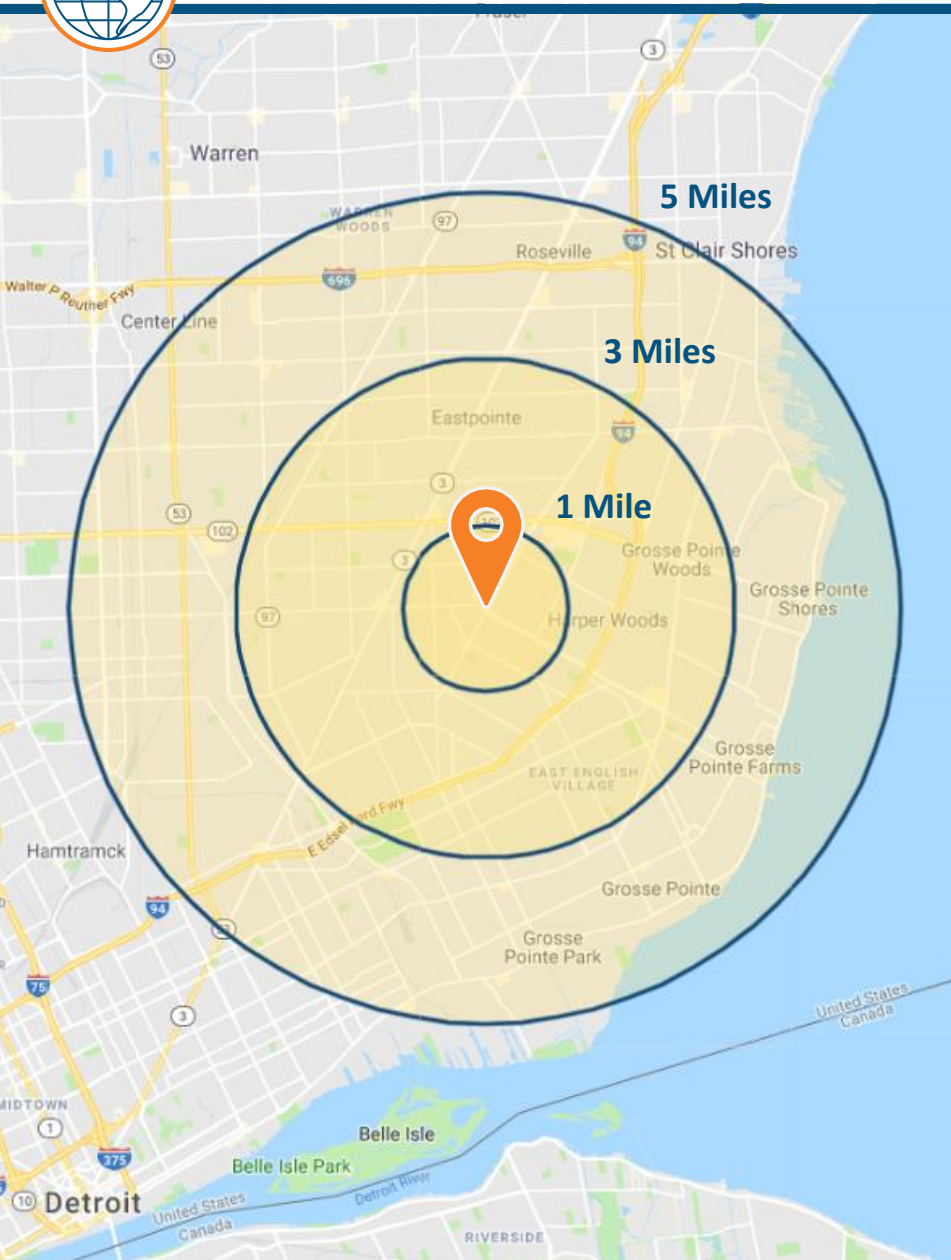
Detroit, also known as the Motor City and Motown, is a global city rich in culture and history. Detroit and the surrounding region constitute a major center of commerce, most notably as home to America's big three automobile companies: General Motors, Ford, and Chrysler. Detroit's most heavily represented sectors are manufacturing, finance, technology, and health care. Detroit is the only U.S. city to have its four major sports teams play within its downtown district. Detroit is home to several institutions of higher learning including Wayne State University, which has over 27,000 students enrolled. In 2014 JPMorgan Chase announced that it was injecting \$100 million into Detroit's economy over the next five years, providing development funding for a variety of projects designed to increase employment. The New York Times listed Detroit as the 9th-best destination in its list of 52 Places to Go in 2017, while travel guide publisher Lonely Planet named Detroit the second-best city in the world to visit in 2018.







Demographics



MAJOR EMPLOYERS

Employer	# of Employees
Trianon Industries Corporation	3,141
Warren Stamping Plant	2,000
Bon Secours Cottage Health Services	1,540
Mount Elliott Tool and Die	1,500
St Basil the Great Catholic Church	1,126
Central Transport	1,003
Universal Dedicated Inc	969
Beaumont Health	783
Kroger	709
Chrysler-Jefferson Assembly Plant	670
Warren Truck Assembly Plant	670
PJAX Transport	662

of Employees based on 5 mile radius

DEMOGRAPHICS

	1 Mile	3 Miles	5 Miles
Population			
2018 Estimate	24,163	172,999	353,031
Income			
Average	\$46,659	\$55,331	\$64,351
Median	\$37,594	\$41,874	\$43,797
Per Capita	\$15,345	\$19,829	\$24,332
Households			
2018 Estimate	7,929	61,807	132,712
Employment			
2018 Daytime Population	14,868	116,907	278,074
2018 Unemployment	7.50%	7.21%	7.05%
2018 Median Time Traveled	29 Mins	29 Mins	28 Mins

Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING



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