

WENDY'S

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



OFFERING MEMORANDUM



1162 Washington Ave
Holland, MI 49243

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction | Expected to Open December 2019
- ✓ Strong Traffic Counts | South Washington Ave and I-196 | Average Daily Traffic Counts Exceed 28,200 and 22,081 Vehicles
- ✓ Hope College | Located Three-Miles From the Subject Property | Total Enrollment Exceeding 3,000 Students
- ✓ Dense Retail Corridor | Dollar Tree, Walgreens, CVS Pharmacy, Family Fare, Goodwill, Rite Aid, AutoZone Auto Parts, Advanced Auto Part, Valvoline Instant Oil Change, Arby's, McDonalds, Taco Bell, Pizza Hut, Burger King, Starbucks

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: \$2,142,857 | CAP RATE: 5.25% | RENT: \$112,500

THE OFFERING

Purchase Price	\$2,142,857
CAP Rate	5.25%
Annual Rent	\$112,500

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	1162 Washington Ave
City, State ZIP	Holland, MI 49243
Building Size (SF)	2,584
Lot Size (Acres)	+/- 0.93
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	\$112,500	\$9,375	-
Year 2	\$112,500	\$9,375	-
Year 3	\$113,906	\$9,492	1.25%
Year 4	\$115,330	\$9,611	1.25%
Year 5	\$116,772	\$9,731	1.25%
Year 6	\$118,231	\$9,853	1.25%
Year 7	\$119,709	\$9,976	1.25%
Year 8	\$121,206	\$10,100	1.25%
Year 9	\$122,721	\$10,227	1.25%
Year 10	\$124,255	\$10,355	1.25%
Year 11	\$125,808	\$10,484	1.25%
Year 12	\$127,380	\$10,615	1.25%
Year 13	\$128,973	\$10,748	1.25%
Year 14	\$130,585	\$10,882	1.25%
Year 15	\$132,217	\$11,018	1.25%
Year 16	\$133,870	\$11,156	1.25%
Year 17	\$135,543	\$11,295	1.25%
Year 18	\$137,238	\$11,436	1.25%
Year 19	\$138,953	\$11,579	1.25%
Year 20	\$140,690	\$11,724	1.25%

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 1162 Washington Ave in Holland, MI. The property consists of an 2,584 square feet of building space and is situated on approximately 0.93 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.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%

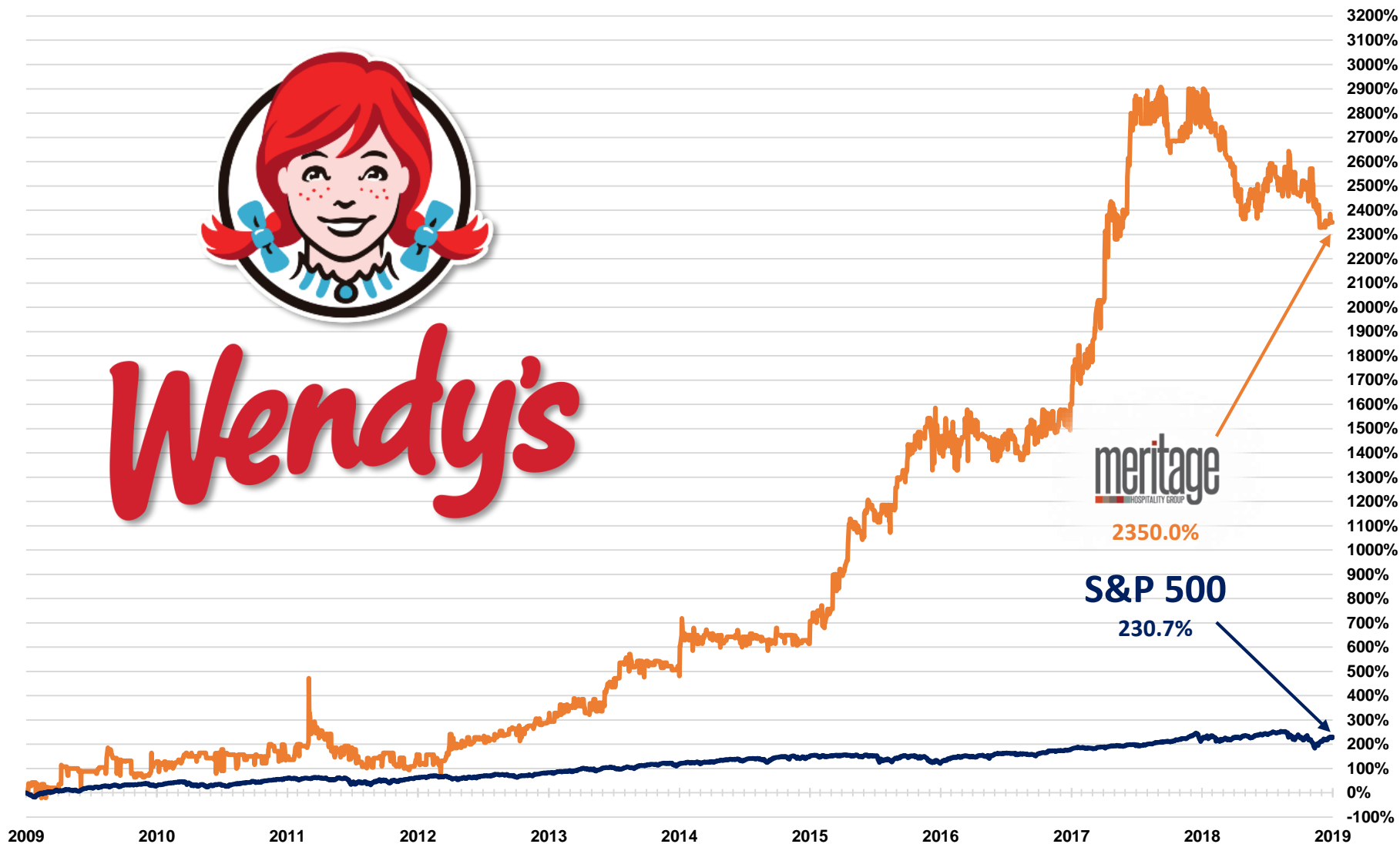
Wendy's



10-Year Historical Performance



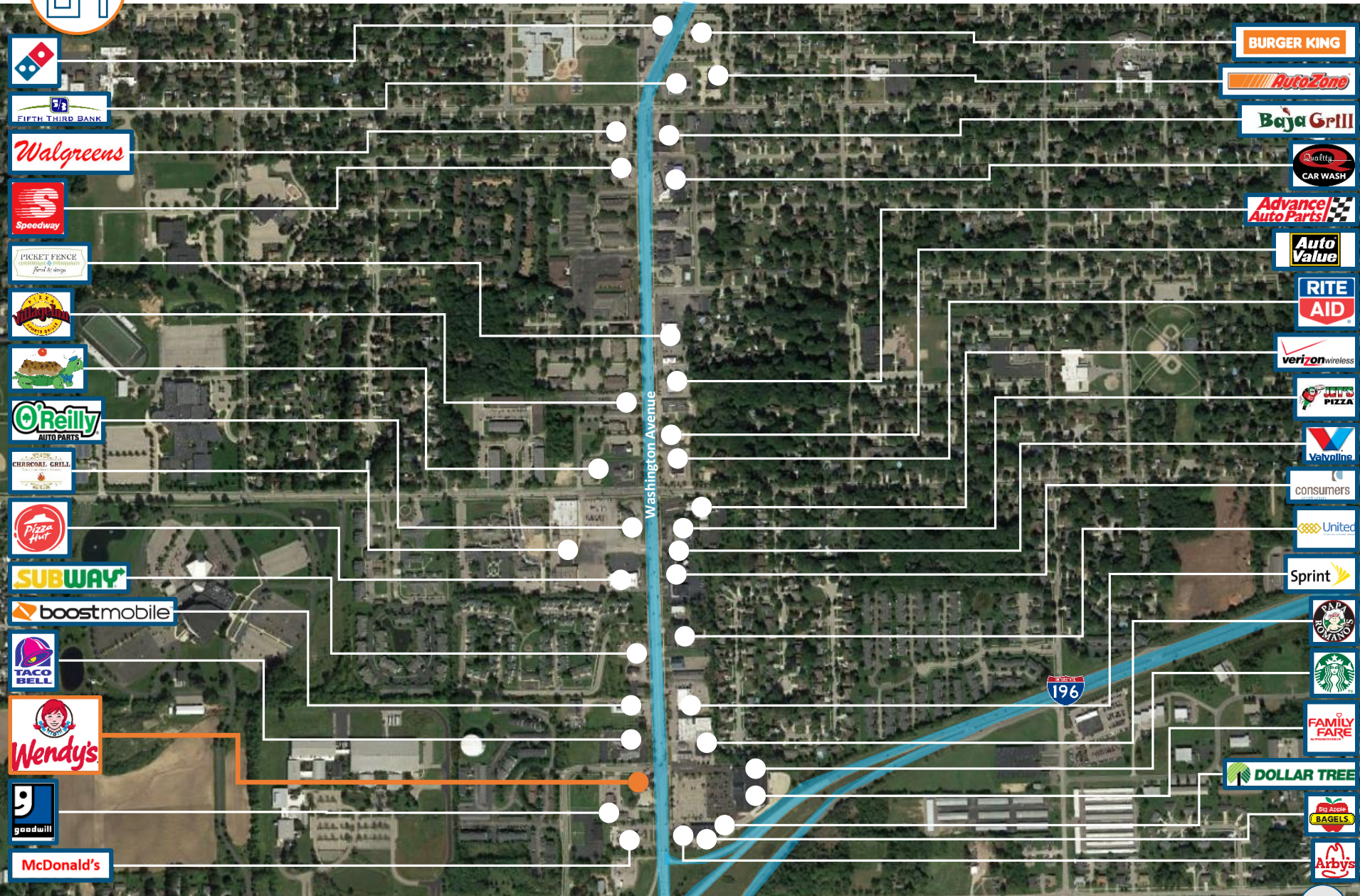
Wendy's





Surrounding Area

Wendy's





Location Overview



This Wendy's property is located at 1162 Washington Ave in Holland, Michigan. Holland is a city in the western region of the Lower Peninsula of the U.S. State of Michigan

SURROUNDING RETAIL & POINTS OF INTEREST

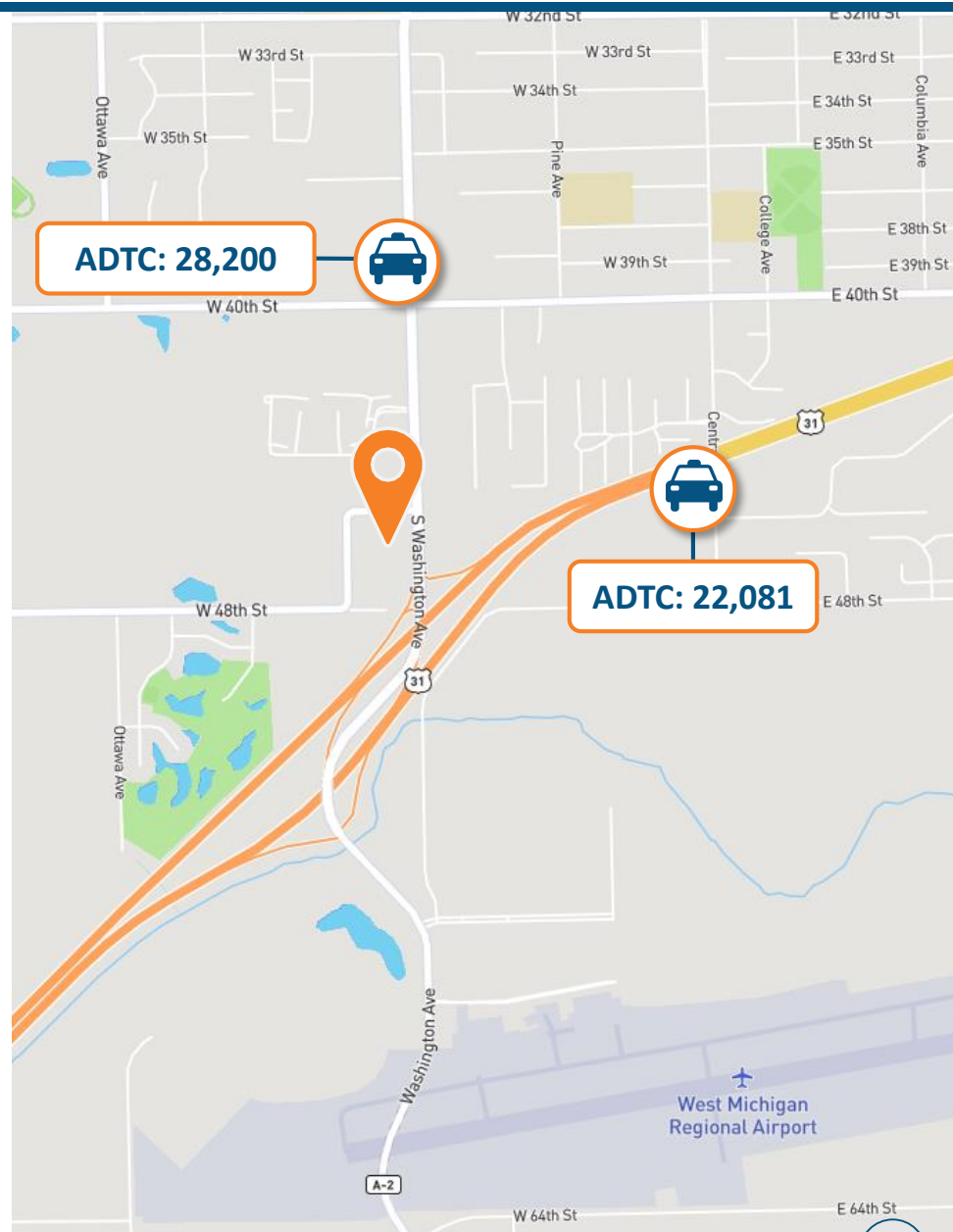
The subject property is well-positioned in the main retail corridor of a mainly residential area. Major national tenants in the surrounding area include: Dollar Tree, Walgreens, CVS Pharmacy, Family Fare Supermarket, Goodwill, Rite Aid, AutoZone Auto Parts, Advanced Auto Part, Valvoline Instant Oil Change, Arby's, McDonalds, Taco Bell, Pizza Hut, Burger King, Domino's Pizza, Subway, Starbucks, as well as many more. The subject property benefits from being within a five-mile radius of several academic institutions. Most notable of these being Hope College, a private liberal arts college, with a total enrollment exceeding 3,083 students.

TRAFFIC COUNTS & DEMOGRAPHICS

This area has strong demographics, with approximately 35,441 people residing within a three-mile radius and 74,235 people within a five-mile radius of the subject property. This Wendy's benefits from being located on a hard corner of South Washington Ave and W 48th St. South Washington Ave experiences average daily traffic counts of 28,200 vehicles. South Washington Ave intersects with I-196 which brings an additional 22,081 vehicles into the immediate area daily.

HOLLAND, MI

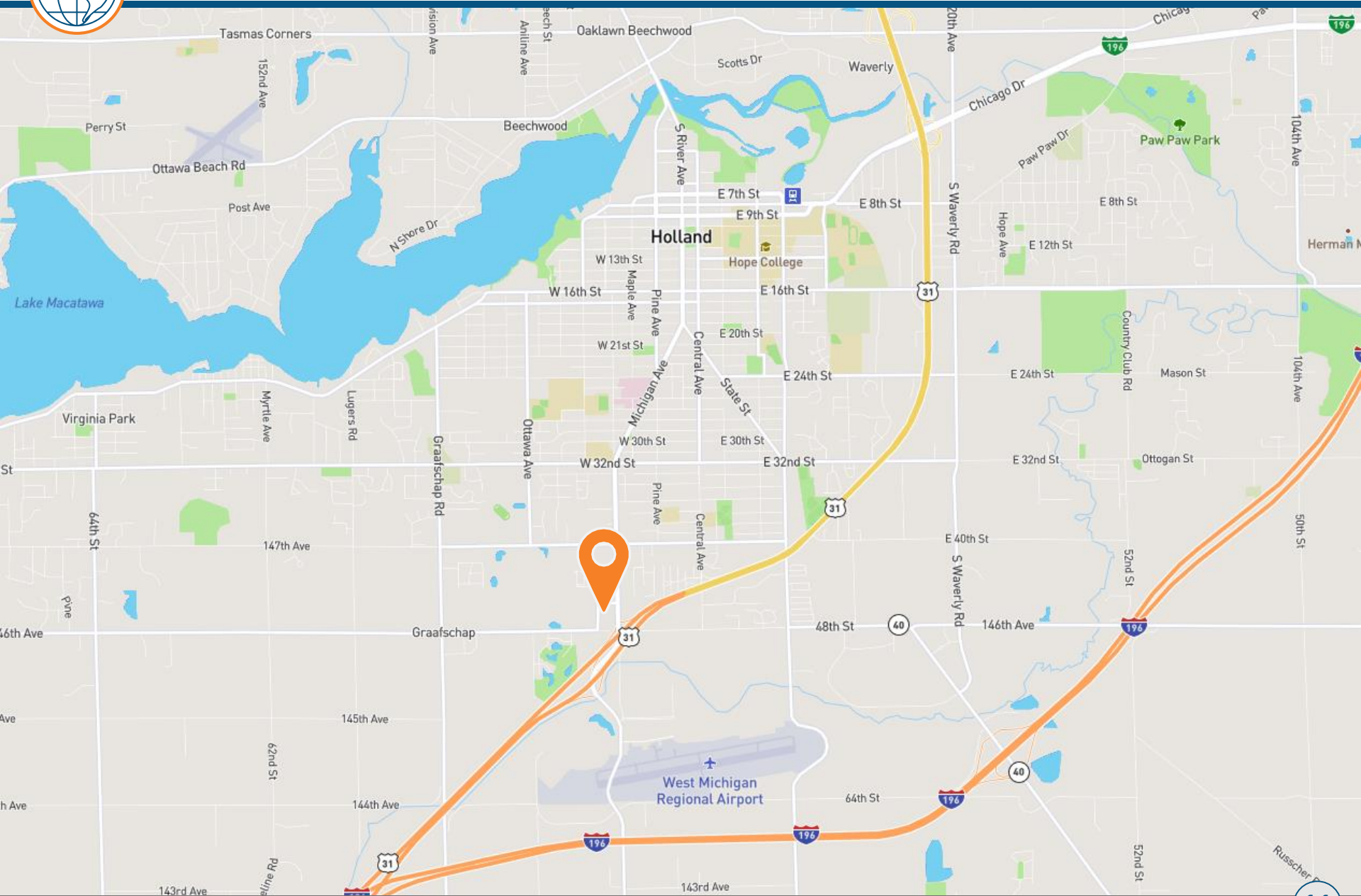
Holland is a city in the western region of the Lower Peninsula of the U.S. State of Michigan. It is situated near the eastern shore of Lake Michigan on Lake Macatawa, which is fed by the Macatawa River. Holland is known for its Tulip Time Festival, over one million tourist visit Holland for this festival annually. It has been ranked as America's third largest town festival and was named Reader's Digest's best small town festival. Holland is located just under 30 miles from Grand Rapids the second-largest city in Michigan and the largest city in West Michigan. A historic furniture-manufacturing center, Grand Rapids is home to five of the world's leading office furniture companies and is nicknamed "Furniture City." Other nicknames include "River City" and more recently, "Beer City." The city and the surrounding communities are economically diverse, based in the health care, information technology, automotive, aviation, and consumer goods manufacturing industries, among others. Headquartered in Grand Rapids, Spectrum Health is West Michigan's largest employer, with 25,600 staff and 1,700 physicians. The area is also known for its automobile and aviation manufacturing industries, with GE Aviation Systems having a location in the city. A number of well-known companies located in the area include Alticor/Amway, Bissell, Highlight Industries, Meijer, MC Sports, Inc., as well as many others. The surrounding area is noted for its fruit production. Due to its proximity to Lake Michigan, the climate is considered prime for apple, peach, and blueberry farming. Grand Rapids' prominent craft beer culture has continued to garner the city national and international recognition in recent years, making it a destination for increasing numbers of tourists. In 2019, CNN Travel named Grand Rapids one of the world's "15 Best Beer Cities." The article made special mention of Founders Brewing Company, Brewery Vivant and the Mitten Brewing Company on the city's West Side.





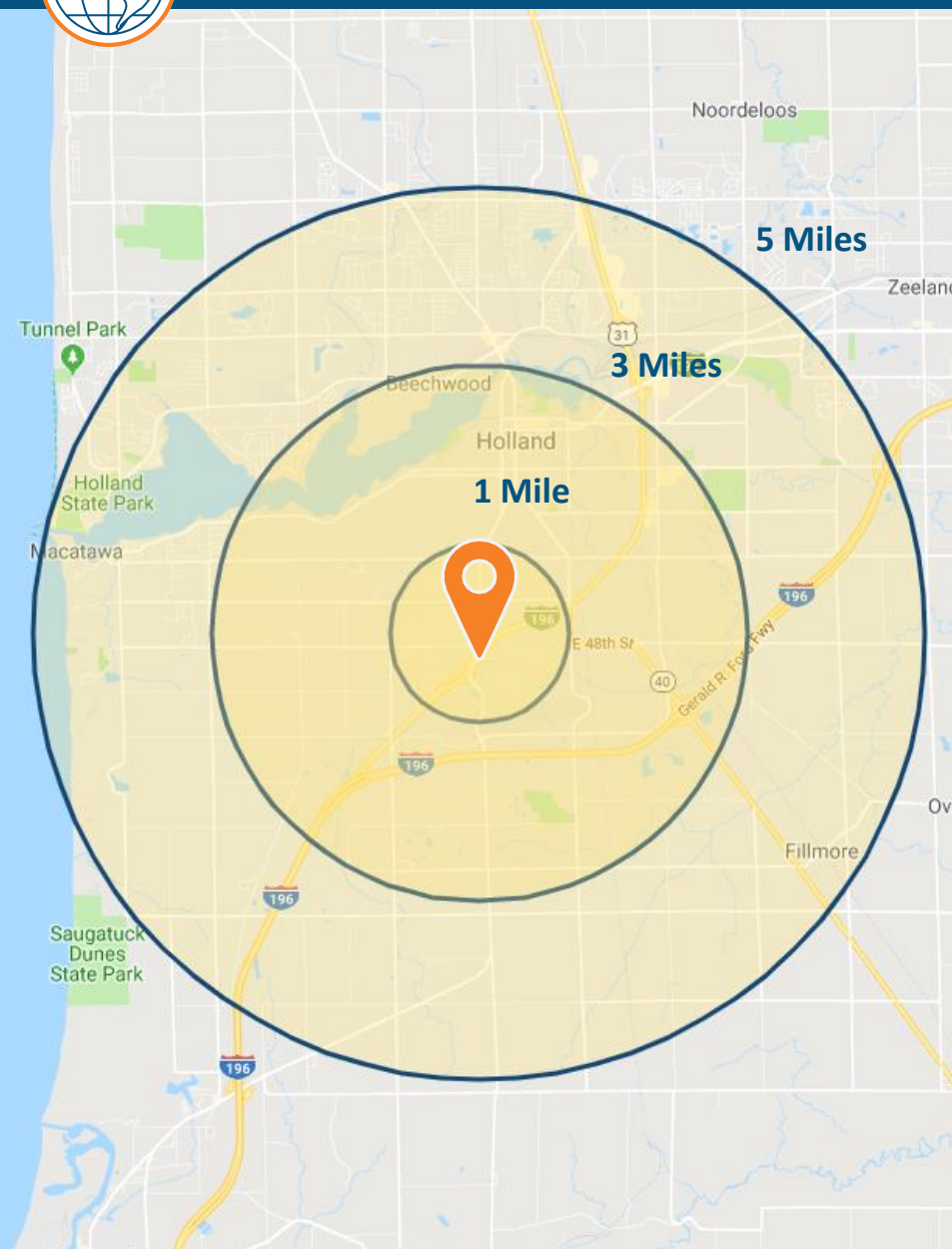
Regional Map

Wendy's





Demographics



MAJOR EMPLOYERS

Employer	# of Employees
Haworth Inc	3,740
Haworth International Ltd	3,000
Holland Hospital	1,425
Tiara Yachts	900
Thermotron Industries Inc	715
Challenge Mfg Company	700
Johnson Controls	559
Thermotron Industries	537
Meijer 047	475
Lakeshore Hlth Prtnrs-Nurology	472
Enviro-Clean Services	321
D & W Fresh Market	300

of Employees based on 5 mile radius

DEMOGRAPHICS

	1 Mile	3 Miles	5 Miles
Population			
2023 Projection	5,582	35,673	76,002
2018 Estimate	5,377	35,441	74,235
2010 Census	5,287	33,935	70,513
2000 Census	4,554	36,013	70,166
Income			
Average	\$65,788	\$71,681	\$79,565
Median	\$48,368	\$54,151	\$60,863
Per Capita	\$27,538	\$27,912	\$30,068
Households			
2023 Projection	2,339	13,558	28,518
2018 Estimate	2,221	13,281	27,541
2010 Census	2,156	12,541	25,816
2000 Census	1,720	12,403	24,604
Employment			
2018 Daytime Population	8,981	54,408	87,204
2018 Unemployment	1.85%	3.64%	3.12%
2018 Median Time Traveled	18 Mins	18 Mins	19 Mins

Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING

