

WENDY'S

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



OFFERING MEMORANDUM



1504 Calumet Ave
Valparaiso, IN 46383

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Newly Remodeled Property
- ✓ Located In A Dense Retail Corridor | Many National Tenants Nearby
- ✓ Populous Surrounding Area | 50,000 Individuals within a Five-Mile Radius
- ✓ Several Academic Institutions In Two Mile Radius of the Property | Valparaiso University Enrolls Over 4,000 Students
- ✓ Compelling Real Estate Fundamentals | Located Just 40 Miles Outside Chicago | Third Largest City in the U.S.

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: \$1,809,524 | CAP RATE: 5.25% | RENT: \$95,000

THE OFFERING

Purchase Price	\$1,809,524
CAP Rate	5.25%
Annual Rent	\$95,000

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	1504 Calumet Ave
City, State ZIP	Valparaiso, IN 46383
Building Size (SF)	3,241
Lot Size (Acres)	+/- 0.48
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	\$95,000	\$7,917	-
Year 2	\$95,000	\$7,917	-
Year 3	\$96,188	\$8,016	1.25%
Year 4	\$97,390	\$8,116	1.25%
Year 5	\$98,607	\$8,217	1.25%
Year 6	\$99,840	\$8,320	1.25%
Year 7	\$101,088	\$8,424	1.25%
Year 8	\$102,351	\$8,529	1.25%
Year 9	\$103,631	\$8,636	1.25%
Year 10	\$104,926	\$8,744	1.25%
Year 11	\$106,238	\$8,853	1.25%
Year 12	\$107,566	\$8,964	1.25%
Year 13	\$108,910	\$9,076	1.25%
Year 14	\$110,272	\$9,189	1.25%
Year 15	\$111,650	\$9,304	1.25%
Year 16	\$113,046	\$9,420	1.25%
Year 17	\$114,459	\$9,538	1.25%
Year 18	\$115,890	\$9,657	1.25%
Year 19	\$117,338	\$9,778	1.25%
Year 20	\$118,805	\$9,900	1.25%

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 1504 Calumet Ave in Valparaiso, IN. The property consists of 3,241 square feet of building space and is situated on approximately 0.48 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.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%

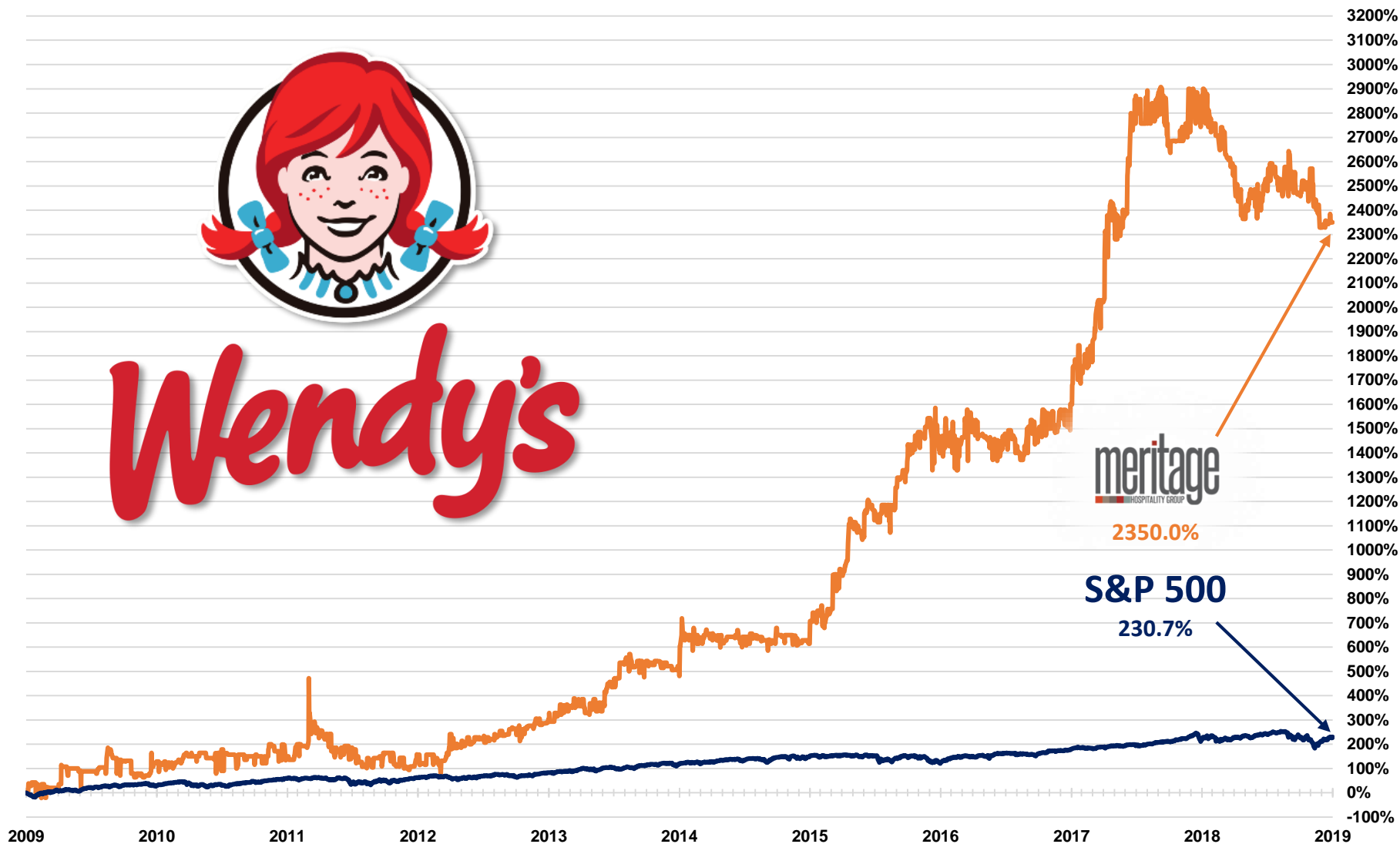
Wendy's



10-Year Historical Performance



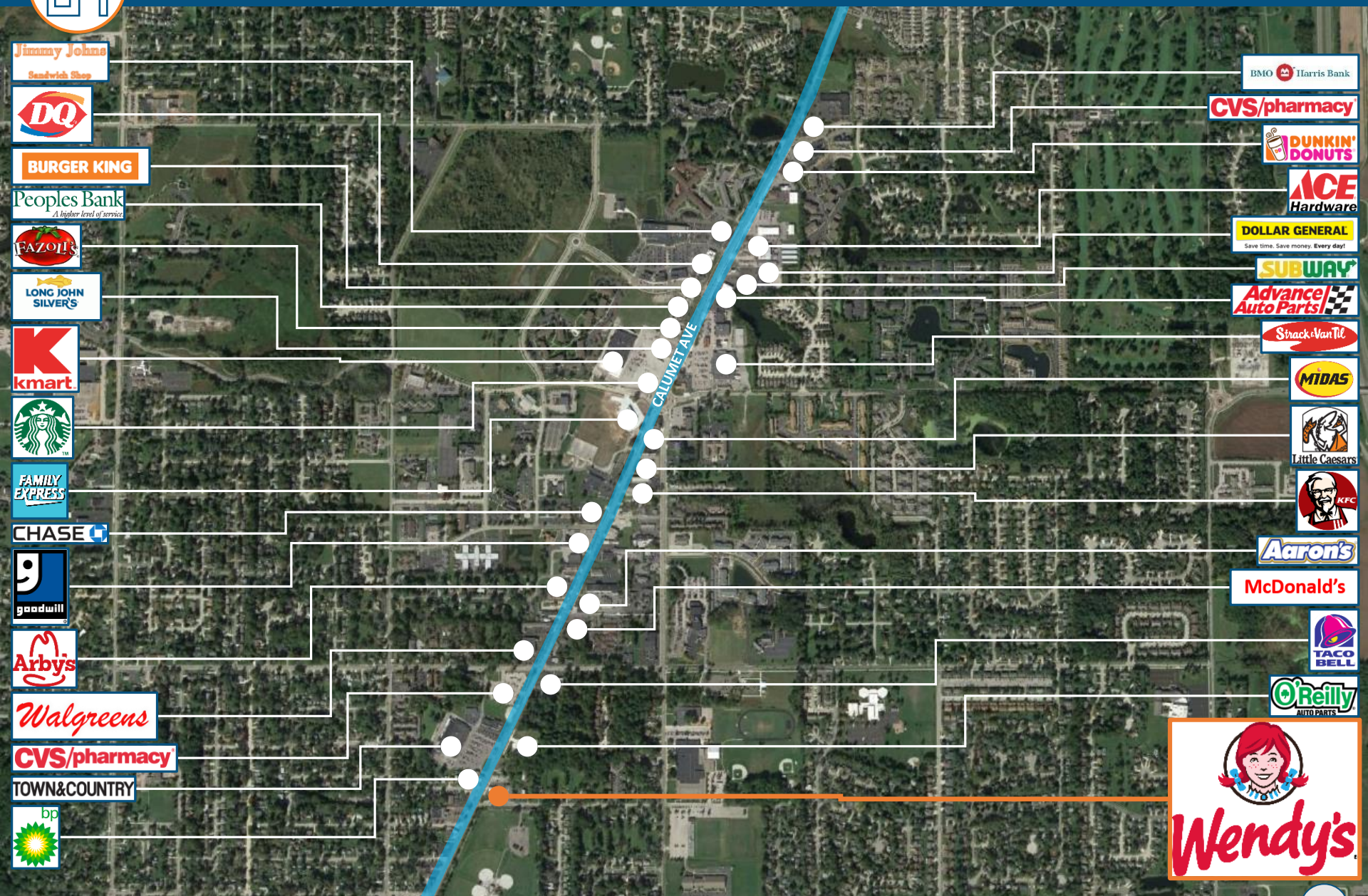
Wendy's





Surrounding Area

Wendy's





Location Overview

This Wendy's property is located at 1504 N Calumet Ave, Valparaiso, Indiana. Valparaiso is a city of about 32,000, attractively situated in a rural setting at the edge of the busy industrial district of Northwest Indiana.

SURROUNDING RETAIL & POINTS OF INTEREST

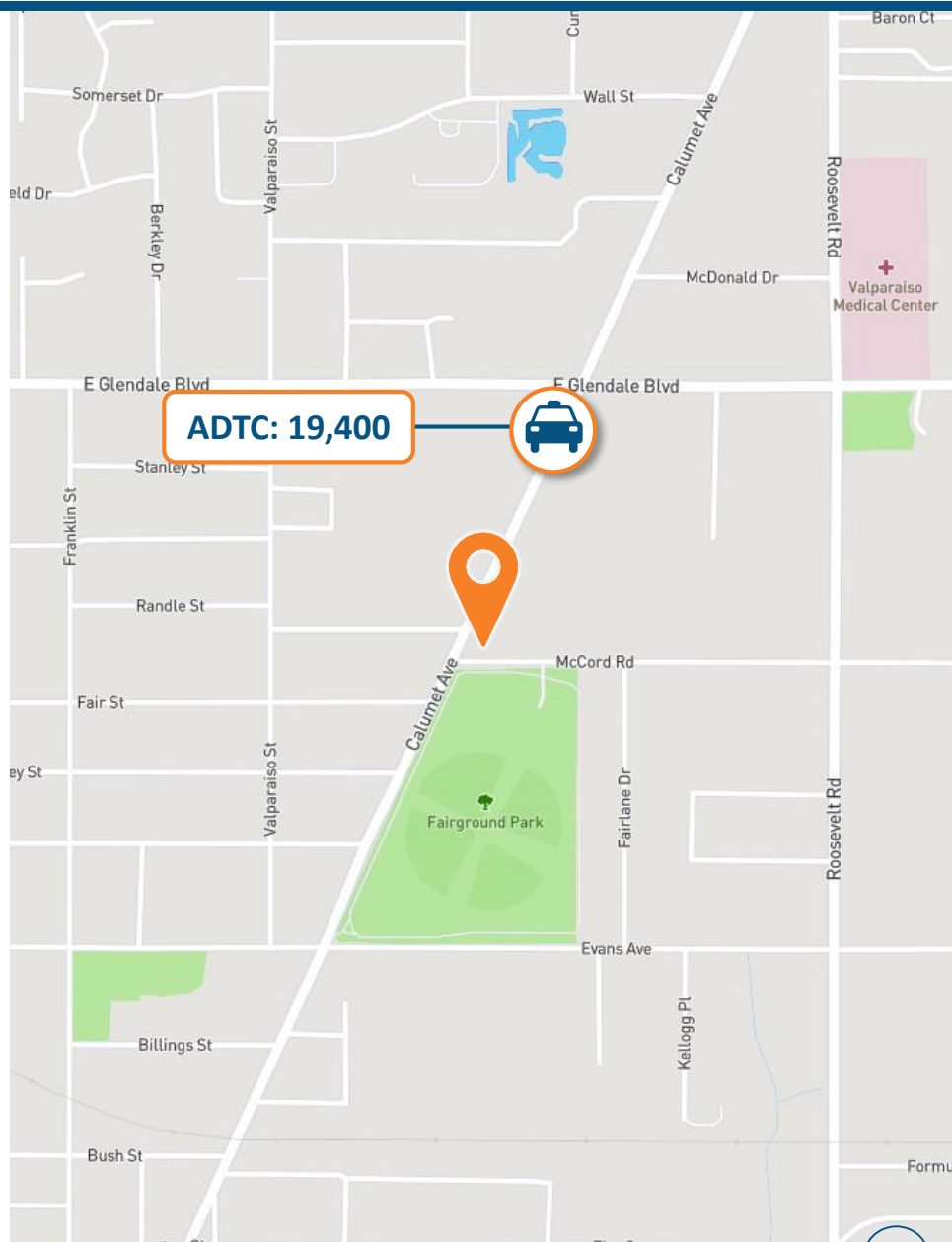
The subject property is well-positioned along Calumet Avenue as it is across the street from Town & Country Super Market and Old Fairground Park. Old Fairground Park has many athletic fields as well as Butterfly Family Pavilion, 5,000-square-foot 4-H building where group conferences, wedding receptions, open houses, showers occur. There are many major national and local tenants in the surrounding area which include: McDonald's, Dunkin' Donuts, Taco Bell, Burger King, Chase Bank, CVS Pharmacy, Walgreens, Starbucks, Kmart, KFC, Dollar General, and Advanced Auto Parts among various others. This property is located within close proximity to Valparaiso Medical Center, a 301-bed facility which employs over 150 physicians representing 50 medical specialties. Additionally, the property is less than two miles away from Valparaiso University, regionally accredited private, Lutheran university which enrolls over 4,000 students.

TRAFFIC COUNTS & DEMOGRAPHICS

This area has very strong demographics, with approximately 50,000 people residing within a five-mile radius and 168,000 people within a ten-mile radius of this property. This Wendy's is located on Calumet Avenue which feeds directly into the center of Valparaiso and boasts significant traffic counts of 19,400.

CHICAGO, IL

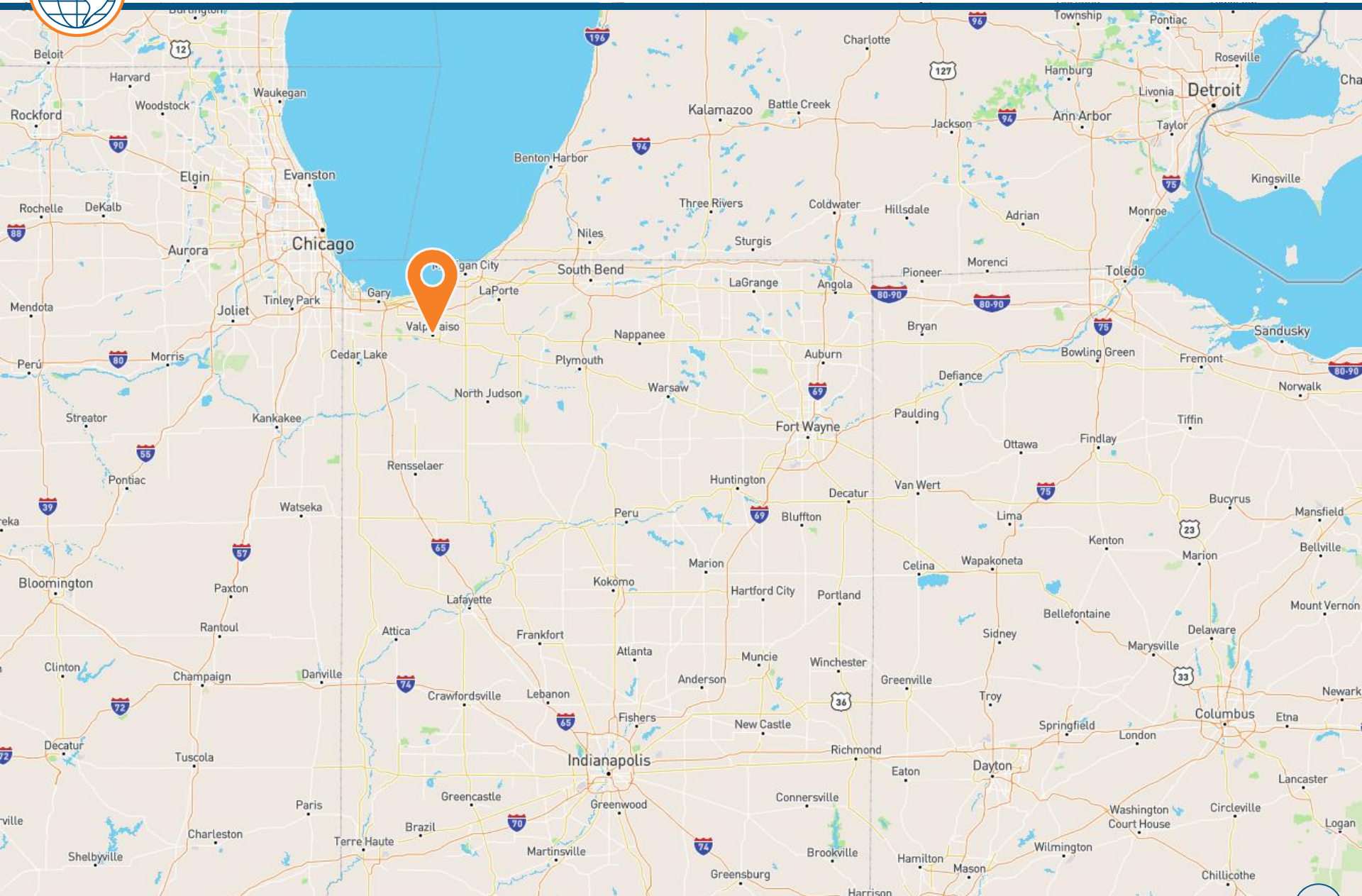
Valparaiso is a city and the county seat of Porter County, Indiana, United States. It is located approximately 40 miles from Chicago. Chicago is the third most populous city in the United States and the county seat of Cook County. Located where the Chicago River meets Lake Michigan, Chicago is known as the "Windy City" due to the weather caused by the nearby bodies of water. Chicago has the second largest business district in the nation as well as having its most balanced economy. Multiple Dow 30 companies are based in the Chicago Metropolitan Area, such as Boeing, Sears, Kraft, and McDonald's. Every year, over 50 million people visit the city. With two-time World Series winners the Chicago Cubs, the six-time Stanley Cup winning Chicago Blackhawks, and six-time NBA championship winning Chicago Bulls, the city has a tradition of excellence in all sports. Chicago is also home to several universities such as Northwestern University, University of Chicago, the Art Institute of Chicago, Depaul University, and several others with a combined total enrollment of over 60,000 students. Positioned along Lake Michigan, Chicago is an international hub for finance, commerce, industry, technology, telecommunications, and transportation. O'Hare International Airport is one of the busiest airports in the world, and the region also has the largest number of U.S. highways and railroad freight.





Regional Map

Wendy's





Demographics



MAJOR EMPLOYERS

Employer	# of Employees
Porter Memorial Hospital	1,270
Valparaiso University	973
Walmart	950
Porter Health Services Inc	598
McGill Manufacturing Co Inc	510
Life Care Centers of Willows	486
Job Source	450
Wendy's	430
Urschel Laboratories Inc	415
McDonald's	404
Special Education Division	400
Porter Regional Hospital	383

of Employees based on 10 mile radius

DEMOGRAPHICS

Population

	3 Miles	5 Miles	10 Miles
2023 Projection	43,917	62,015	164,564
2018 Estimate	41,877	58,341	156,071
2010 Census	40,302	55,838	151,413
2000 Census	36,201	47,802	130,285

Income

Average	\$88,223	\$95,134	\$89,331
Median	\$66,032	\$73,075	\$72,434
Per Capita	\$35,933	\$37,652	\$33,680

Households

2023 Projection	17,649	24,363	61,765
2018 Estimate	16,687	22,726	58,010
2010 Census	15,919	21,585	55,806
2000 Census	14,001	18,162	47,513

Employment

2018 Daytime Population	50,318	61,116	136,726
2018 Unemployment	4.72%	4.52%	5.04%
2018 Median Time Traveled	26 Mins	27 Mins	29 Mins



Marcus & Millichap

EXCLUSIVE NET LEASE OFFERING



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