

WENDY'S

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



OFFERING MEMORANDUM



2505 S Loop 289
Lubbock, TX 79423

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The information contained in this Marketing Brochure has been obtained from sources we believe to be reliable. However, Marcus & Millichap has not and will not verify any of this information, nor has Marcus & Millichap conducted any investigation regarding these matters. Marcus & Millichap makes no guarantee, warranty or representation whatsoever about the accuracy or completeness of any information provided.

As the Buyer of a net leased property, it is the Buyer's responsibility to independently confirm the accuracy and completeness of all material information before completing any purchase. This Marketing Brochure is not a substitute for your thorough due diligence investigation of this investment opportunity. Marcus & Millichap expressly denies any obligation to conduct a due diligence examination of this Property for Buyer.

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Buyer and Buyer's tax, financial, legal, and construction advisors should conduct a careful, independent investigation of any net leased property to determine to your satisfaction with the suitability of the property for your needs.

Like all real estate investments, this investment carries significant risks. Buyer and Buyer's legal and financial advisors must request and carefully review all legal and financial documents related to the property and tenant. While the tenant's past performance at this or other

locations is an important consideration, it is not a guarantee of future success. Similarly, the lease rate for some properties, including newly-constructed facilities or newly-acquired locations, may be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

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ALL PROPERTY SHOWINGS ARE BY APPOINTMENT ONLY. PLEASE CONSULT YOUR MARCUS & MILLICHAP AGENT FOR MORE DETAILS.

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Brand New Construction | Expected to Open November 2019
- ✓ Robust Population | Over 184,251 Individuals Within a Five-Mile Radius
- ✓ Strong Traffic Counts | S Loop 289 Frontage Rd, S Loop 289, and University Ave | Average Daily Traffic Counts Exceed 17,776, 97,908, and 34,898 Vehicles
- ✓ Texas Tech University | Located Six-Miles From the Subject Property | Total Enrollment Exceeding 29,500 Students

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: \$2,480,000 | CAP RATE: 5.00% | RENT: \$124,000

THE OFFERING

Purchase Price	\$2,480,000
CAP Rate	5.00%
Annual Rent	\$124,000

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	2505 S Loop 289
City, State ZIP	Lubbock, TX 79423
Building Size (SF)	3,227
Lot Size (Acres)	+/- 0.89
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 2505 S Loop 289 in Lubbock, TX. The property consists of 3,227 square feet of building space and is situated on approximately 0.89 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%

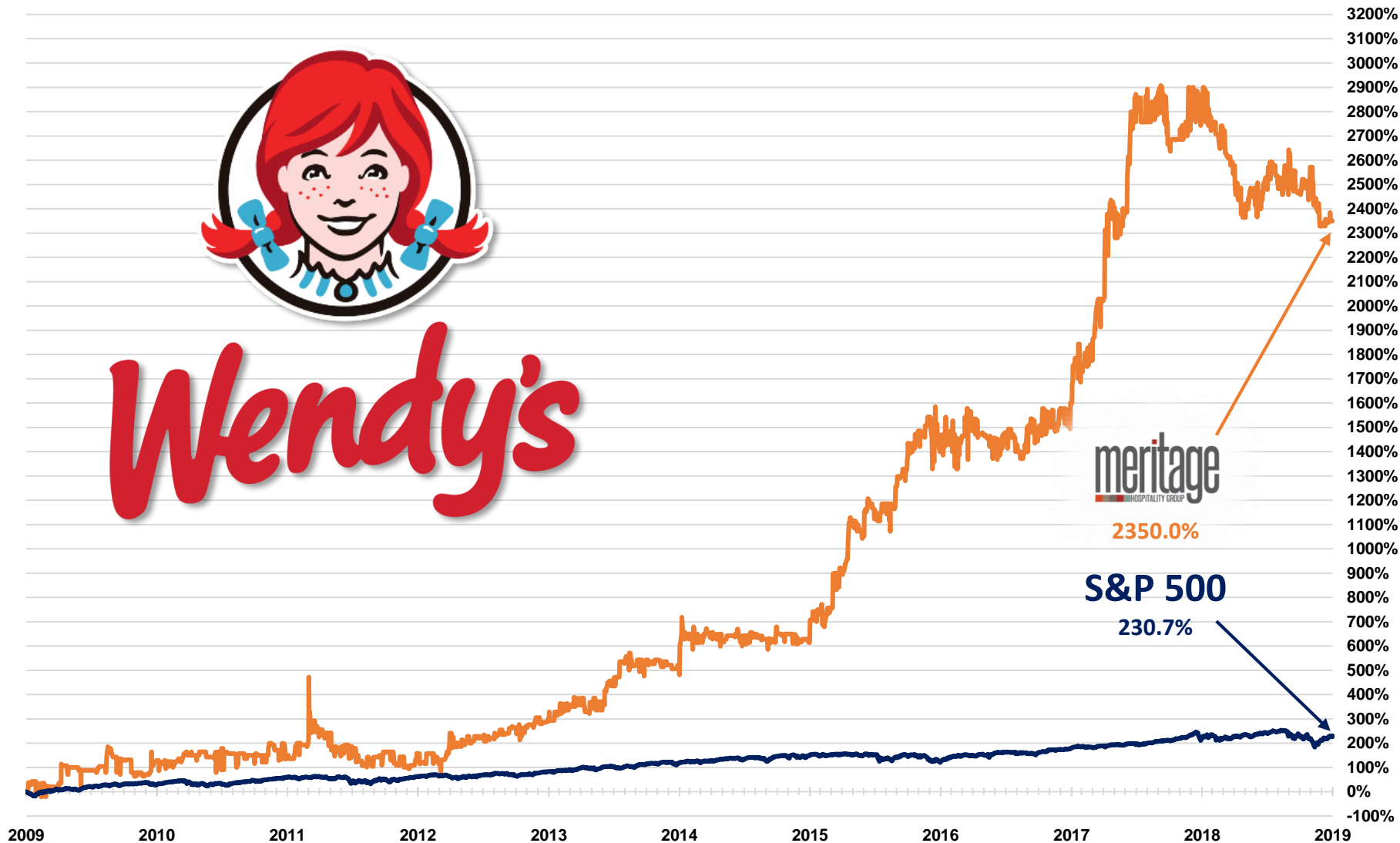
Wendy's



10-Year Historical Performance



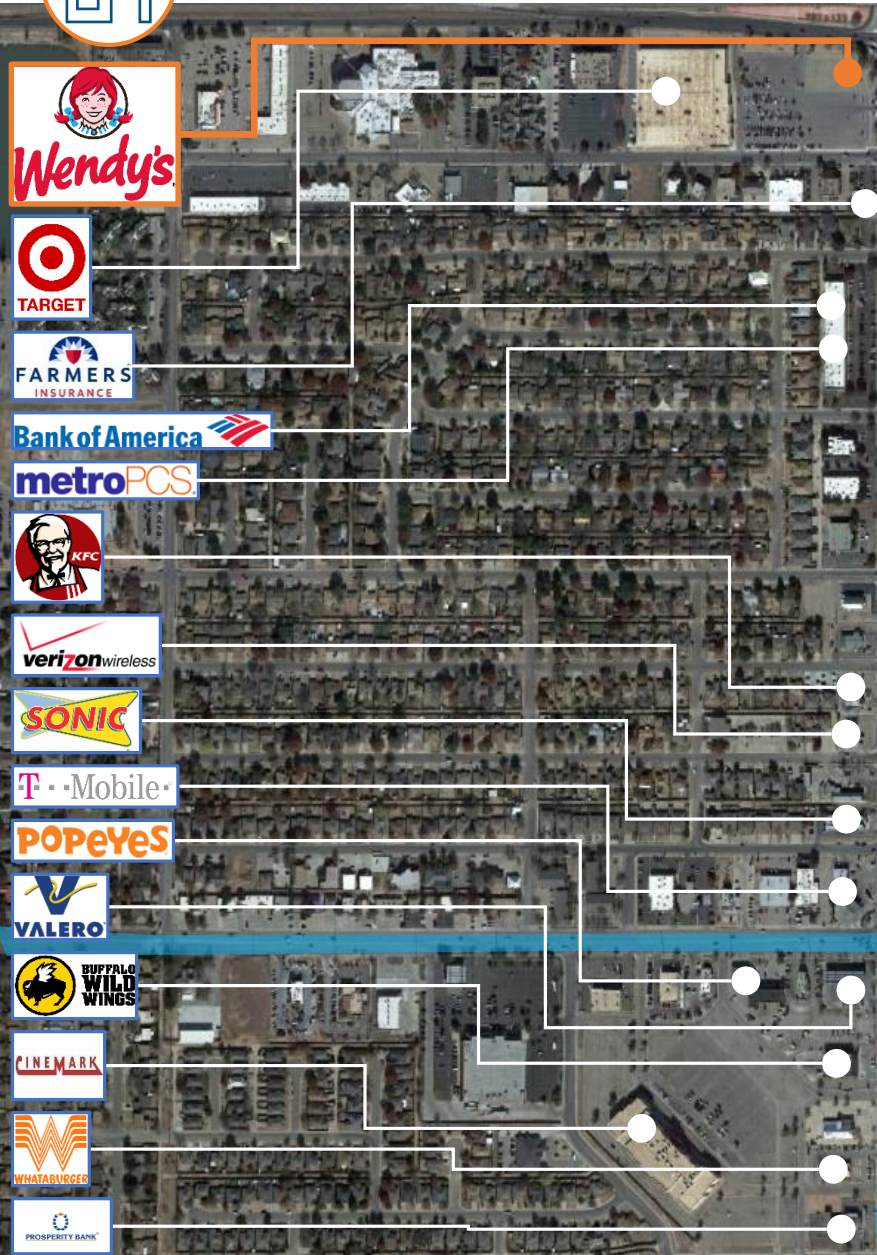
Wendy's



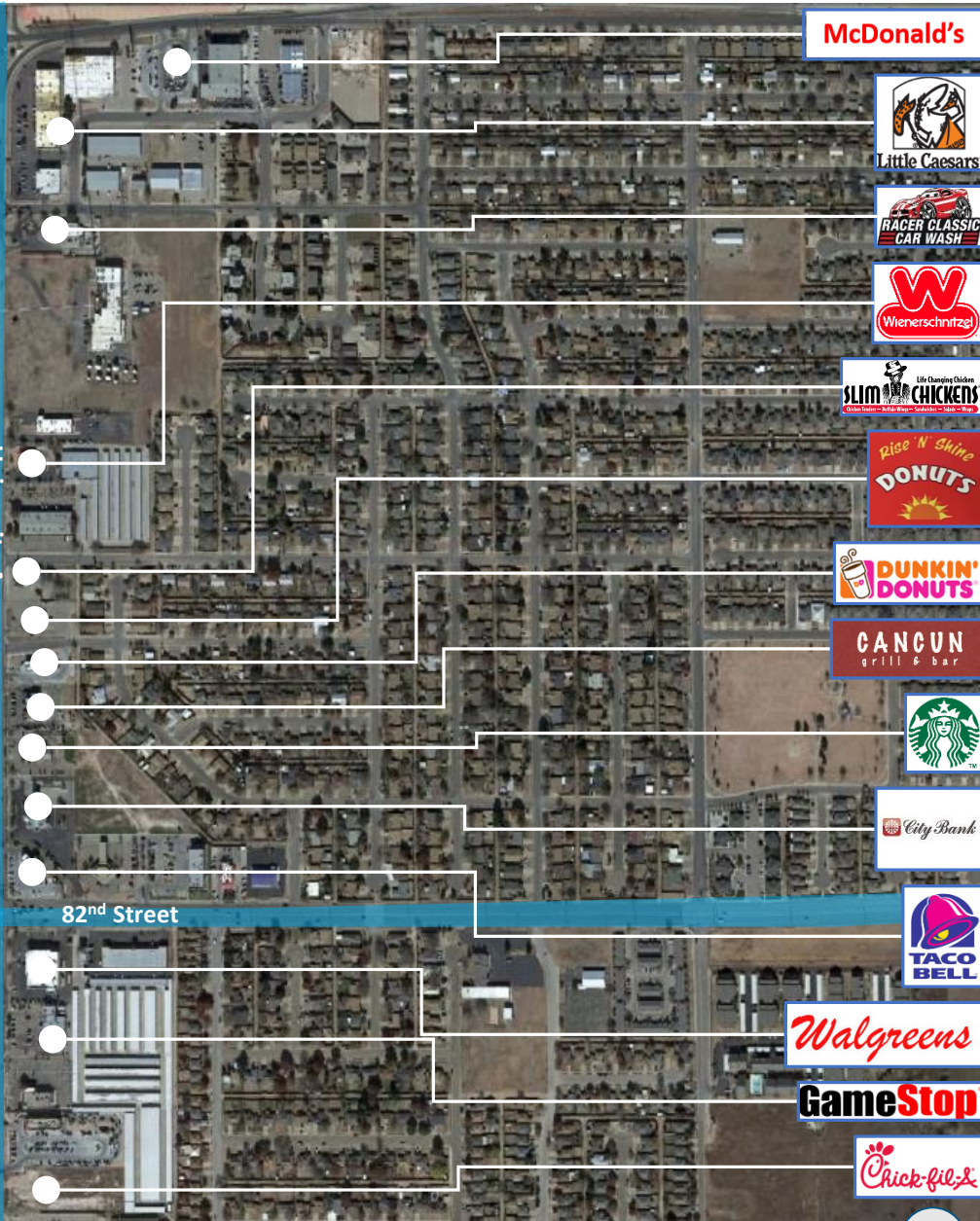


Surrounding Area

Wendy's



University Ave



82nd Street



Location Overview



This Wendy's property is located at 2505 S Loop 289 in Lubbock, TX. Lubbock is the 11th-most populous city in Texas and is the county seat of Lubbock County.

SURROUNDING RETAIL & POINTS OF INTEREST

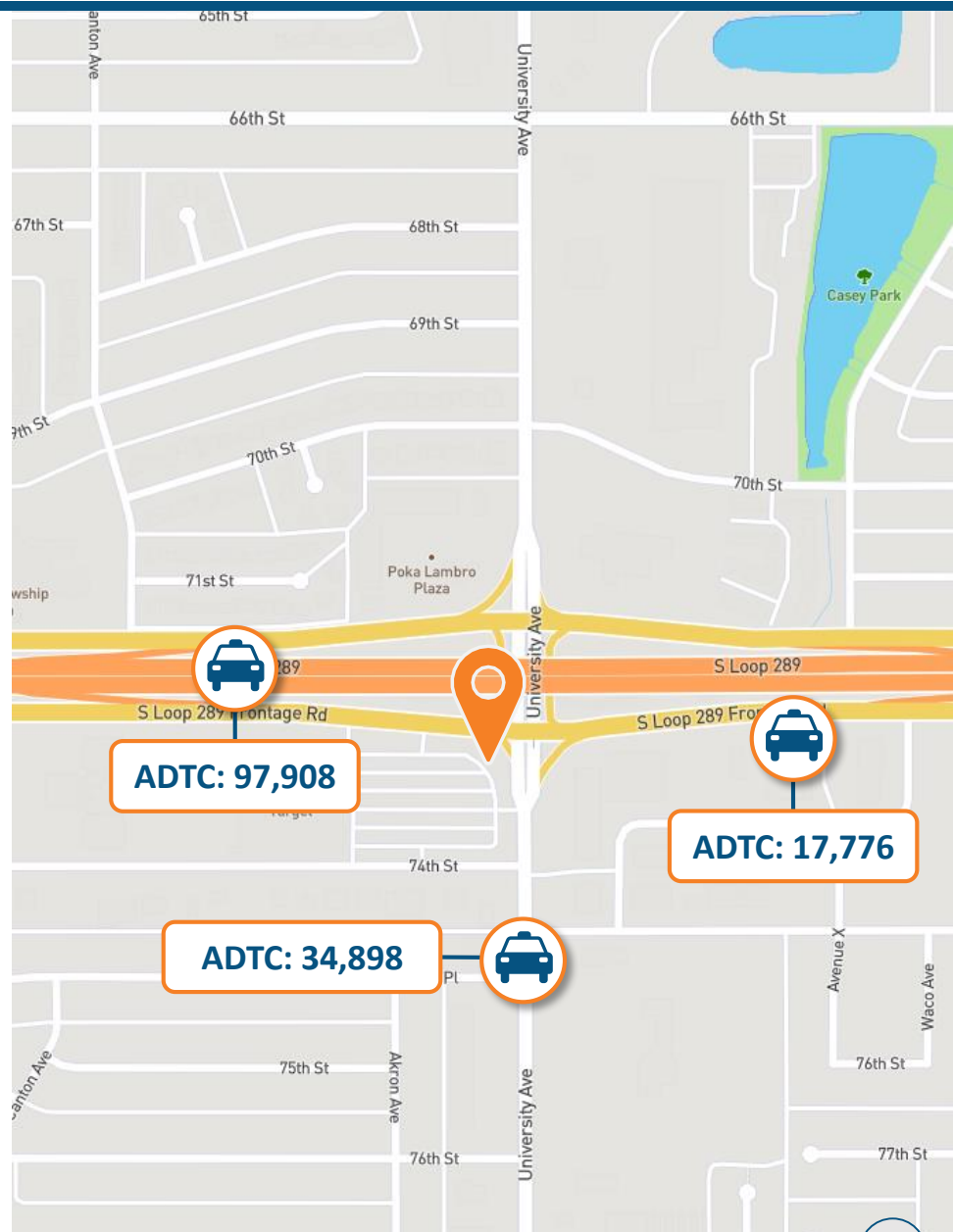
The subject property is well-positioned in the main retail corridor of a mainly residential area. Major national tenants in the surrounding area include: Dollar General, Walgreens, Sherwin-Williams, CVS Pharmacy, Market Street, Starbucks, Firehouse Subs, Slim Chickens, McDonald's, Taco Villa, Pizza Hut, Sonic Drive-In, Nothing Bundt Cakes, as well as several others. The subject Wendy's benefits from being located just under five-miles from Texas Tech University. Texas Tech University is a public research university with a total enrollment exceeding 29,500 students. University Medical Center, a 431-bed level 1 trauma medical and surgical facility is located within six miles of the subject property. Lubbock Preston Smith International Airport serves approximately 600,000 passengers annually and is located within 15 miles of the subject Wendy's.

TRAFFIC COUNTS & DEMOGRAPHICS

This area has strong demographics, with approximately 90,005 people residing within a three-mile radius and 184,251 people within a five-mile radius of the subject property. This Wendy's benefits from excellent frontage along S Loop 289 Frontage Road which experiences average daily traffic counts of 17,776 vehicles. S Loop 289 Frontage Road runs parallel to S Loop 289 and intersects with University Ave which brings an additional 97,98 and 34,898 vehicles into the immediate area daily.

LUBBOCK, TX

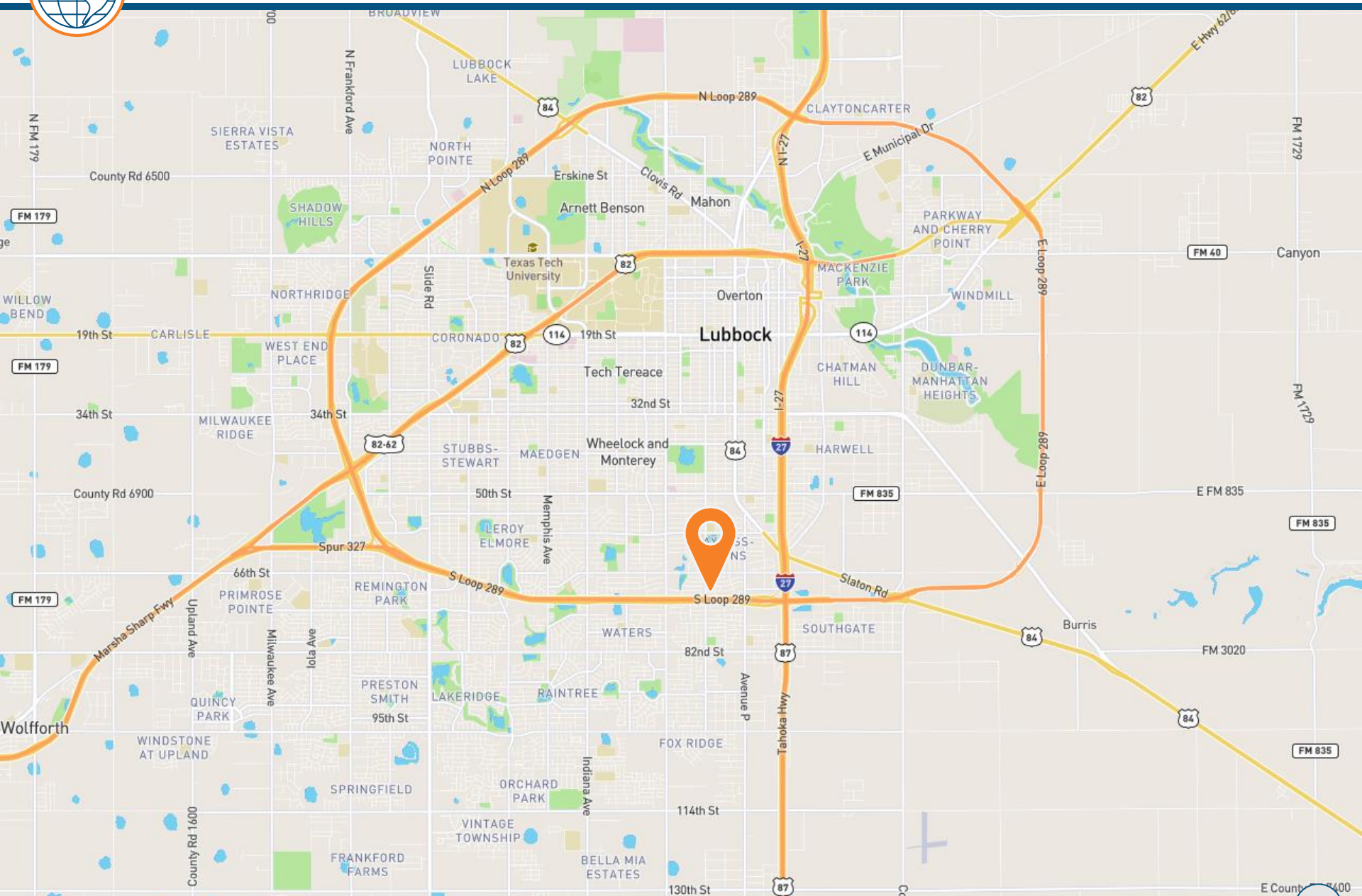
Lubbock is a city in and the county seat of Lubbock County. With a population of 260,279 in 2019, the city is the 11th-most populous city in Texas and the 81st-most populous in the United States. The city is in the northwestern part of the state, a region known historically and geographically as the Llano Estacado, and ecologically is part of the southern end of the High Plains, lying at the economic center of the Lubbock metropolitan area. Lubbock's nickname, "Hub City," derives from it being the economic, educational, and health-care hub of the multi-county region, north of the Permian Basin and south of the Texas Panhandle, commonly called the South Plains. The area is the largest contiguous cotton-cotton growing region in the world. CNNMoney.com selected Lubbock as the 12th-best place to start a small business. CNN mention the city's traditional business atmosphere: low rent for commercial space, central location, and cooperative city government. Lubbock is home to Texas Tech University, the sixth-largest college in Texas. Lubbock High School has been recognized for three consecutive years by Newsweek as one of the top high schools in the United States, based in part on its IB program. Lubbock is the birthplace of rock and roll legend Buddy Holly, and features a cultural center for him. Located within the Texas High Plains, an eight-million-acre region that produces 80% of the state's wine grapes. Five wineries, including the most award-winning in Texas (Llana Estacado Winery), are based near Lubbock, providing a significant draw for wine lovers.





Regional Map

Wendy's



Marcus & Millichap



Employer

Texas Tech University	5,168
Texas State of Northeast Mntnc	5,057
Covenant Health System	4,012
Ttuhsc	3,723
Health Sciences Center	2,000
UNIVERSITY MEDICAL CENTER	1,900
Texas Roadhouse	1,532
Ttu College of Arts SC	1,494
City of Lubbock	1,372
Alamosa Holdings Inc	1,300
Covenant Childrens Hospital	1,200
Texas Tech Health Science Ctr	1,000

of Employees based on 5 mile radius

DEMOGRAPHICS

Population

Population	1 Mile	3 Miles	5 Miles
2023 Projection	16,777	92,910	188,988
2018 Estimate	15,741	90,005	184,251
2010 Census	15,246	85,967	170,690
2000 Census	12,344	77,507	156,047

Income

Average	\$54,947	\$70,779	\$71,090
Median	\$46,518	\$50,810	\$48,591
Per Capita	\$21,199	\$28,549	\$28,400

Households

2023 Projection	6,502	37,636	74,170
2018 Estimate	6,060	36,116	71,766
2010 Census	5,781	34,045	65,840
2000 Census	4,937	31,210	61,303

Employment

2018 Daytime Population	12,401	90,385	248,198
2018 Unemployment	2.46%	2.91%	3.49%
2018 Median Time Traveled	16 Mins	17 Mins	17 Mins

Information About Brokerage Services



Information About Brokerage Services

Texas law requires all real estate license holders to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.

TYPES OF REAL ESTATE LICENSE HOLDERS:

- A **BROKER** is responsible for all brokerage activities, including acts performed by sales agents sponsored by the broker.
- A **SALES AGENT** must be sponsored by a broker and works with clients on behalf of the broker.

A BROKER'S MINIMUM DUTIES REQUIRED BY LAW (A client is the person or party that the broker represents):

- Put the interests of the client above all others, including the broker's own interests;
- Inform the client of any material information about the property or transaction received by the broker;
- Answer the client's questions and present any offer to or counter-offer from the client; and
- Treat all parties to a real estate transaction honestly and fairly.

A LICENSE HOLDER CAN REPRESENT A PARTY IN A REAL ESTATE TRANSACTION:

AS AGENT FOR OWNER (SELLER/LANDLORD): The broker becomes the property owner's agent through an agreement with the owner, usually in a written listing to sell or property management agreement. An owner's agent must perform the broker's minimum duties above and must inform the owner of any material information about the property or transaction known by the agent, including information disclosed to the agent or subagent by the buyer or buyer's agent.

AS AGENT FOR BUYER/TENANT: The broker becomes the buyer/tenant's agent by agreeing to represent the buyer, usually through a written representation agreement. A buyer's agent must perform the broker's minimum duties above and must inform the buyer of any material information about the property or transaction known by the agent, including information disclosed to the agent by the seller or seller's agent.

AS AGENT FOR BOTH - INTERMEDIARY: To act as an intermediary between the parties the broker must first obtain the written agreement of *each party* to the transaction. The written agreement must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. A broker who acts as an intermediary:

- Must treat all parties to the transaction impartially and fairly;
- May, with the parties' written consent, appoint a different license holder associated with the broker to each party (owner and buyer) to communicate with, provide opinions and advice to, and carry out the instructions of each party to the transaction.
- Must not, unless specifically authorized in writing to do so by the party, disclose:
 - that the owner will accept a price less than the written asking price;
 - that the buyer/tenant will pay a price greater than the price submitted in a written offer; and
 - any confidential information or any other information that a party specifically instructs the broker in writing not to disclose, unless required to do so by law.

AS SUBAGENT: A license holder acts as a subagent when aiding a buyer in a transaction without an agreement to represent the buyer. A subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first.

TO AVOID DISPUTES, ALL AGREEMENTS BETWEEN YOU AND A BROKER SHOULD BE IN WRITING AND CLEARLY ESTABLISH:

- The broker's duties and responsibilities to you, and your obligations under the representation agreement.
- Who will pay the broker for services provided to you, when payment will be made and how the payment will be calculated.

LICENSE HOLDER CONTACT INFORMATION: This notice is being provided for information purposes. It does not create an obligation for you to use the broker's services. Please acknowledge receipt of this notice below and retain a copy for your records.

Marcus & Millichap	9002994		972.755.5200
Licensed Broker / Broker Firm Name or Primary Assumed Business Name	License No.	Email	Phone
Tim Speck	432723	Tim.Speck@marcusmillichap.com	972.755.5200
Designated Broker of Firm	License No.	Email	Phone
Licensed Supervisor of Sales Agent/ Associate	License No.	Email	Phone
Sales Agent/Associate's Name	License No.	Email	Phone

Buyer/Tenant/Seller/Landlord Initials

Date

Regulated by the Texas Real Estate Commission

Information available at www.trec.texas.gov

IABS 1-0



Wendy's

TX Broker of Record:

Timothy Speck
 Marcus & Millichap
 5001 Spring Valley Road, Suite 100W
 Dallas, TX 75244
 Tel: 972-755-5200
 Fax: 972-755-5210
 License: 432723



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EXCLUSIVE NET LEASE OFFERING



TX BROKER OF RECORD:

Tim Speck
Marcus & Millichap
Lic # 9002994