

WENDY'S

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



OFFERING MEMORANDUM



6181 U.S. Highway 6
Portage, IN 46368

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Dense Retail Corridor | National Tenants Include: Walmart, Walgreens, Meijer, Aldi, Applebee's, Taco Bell, McDonald's and More
- ✓ Portage is Situated Just 30 Miles Outside of Chicago | International Hub for Finance, Culture, Commerce, Industry, Technology and Telecommunications
- ✓ Strong Demographics | 262,090 Individuals within a Ten-Mile Radius
- ✓ Highly Trafficked Location | U.S. Highway 6 Experiences Traffic Counts in Excess of 29,400 Vehicles Per Day
- ✓ Portage High School | Total Enrollment Exceeding 2,550 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: \$1,857,143 | CAP RATE: 5.25% | RENT: \$97,500

THE OFFERING

Purchase Price	\$1,857,143
CAP Rate	5.25%
Annual Rent	\$97,500

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	6181 U.S. Highway 6
City, State ZIP	Portage, IN 46383
Building Size (SF)	3,638
Lot Size (Acres)	+/- 1.29
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	\$97,500	\$8,125	-
Year 2	\$97,500	\$8,125	-
Year 3	\$98,719	\$8,227	1.25%
Year 4	\$99,953	\$8,329	1.25%
Year 5	\$101,202	\$8,434	1.25%
Year 6	\$102,467	\$8,539	1.25%
Year 7	\$103,748	\$8,646	1.25%
Year 8	\$105,045	\$8,754	1.25%
Year 9	\$106,358	\$8,863	1.25%
Year 10	\$107,687	\$8,974	1.25%
Year 11	\$109,033	\$9,086	1.25%
Year 12	\$110,396	\$9,200	1.25%
Year 13	\$111,776	\$9,315	1.25%
Year 14	\$113,174	\$9,431	1.25%
Year 15	\$114,588	\$9,549	1.25%
Year 16	\$116,021	\$9,668	1.25%
Year 17	\$117,471	\$9,789	1.25%
Year 18	\$118,939	\$9,912	1.25%
Year 19	\$120,426	\$10,035	1.25%
Year 20	\$121,931	\$10,161	1.25%

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 6181 U.S. Highway 6 in Portage, IN. The property consists of 3,638 square feet of building space and is situated on approximately 1.29 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.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%

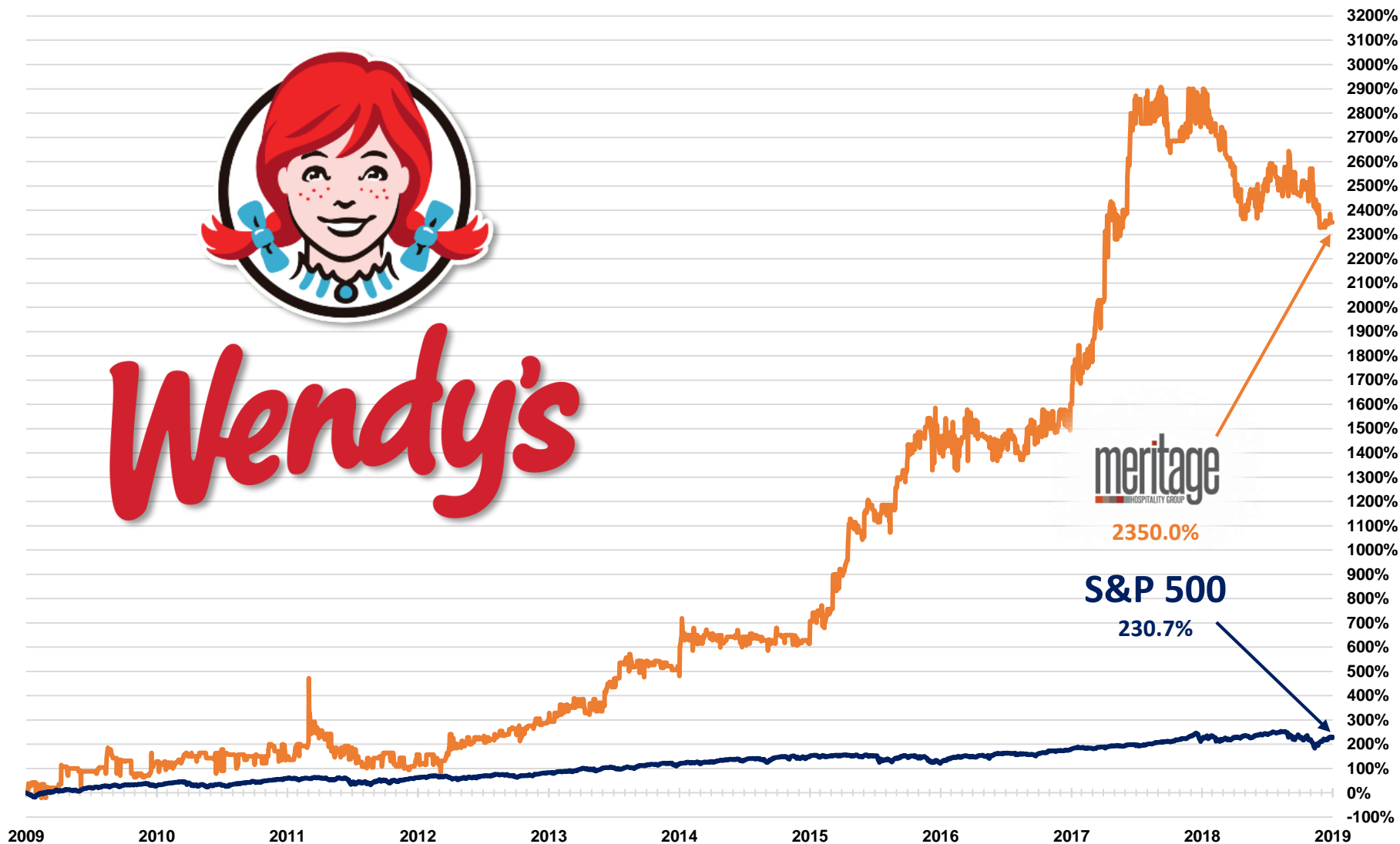
Wendy's



10-Year Historical Performance

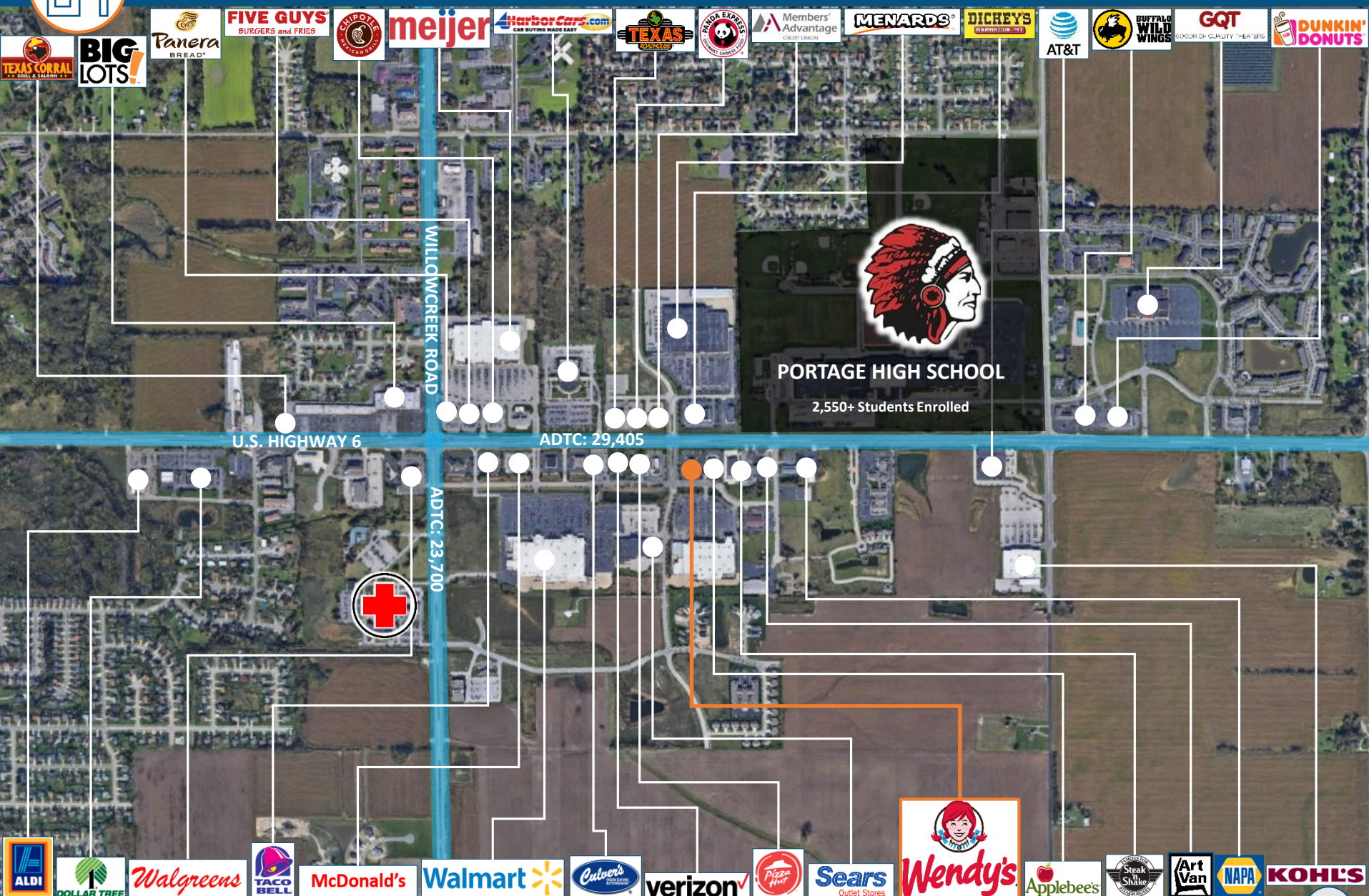


Wendy's





Wendy's



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Location Overview

This Wendy's property is located at 6181 U.S. Highway 6, in Portage, Indiana. Portage is the largest city in Porter County, and the third largest in Northwest Indiana.

SURROUNDING RETAIL & POINTS OF INTEREST

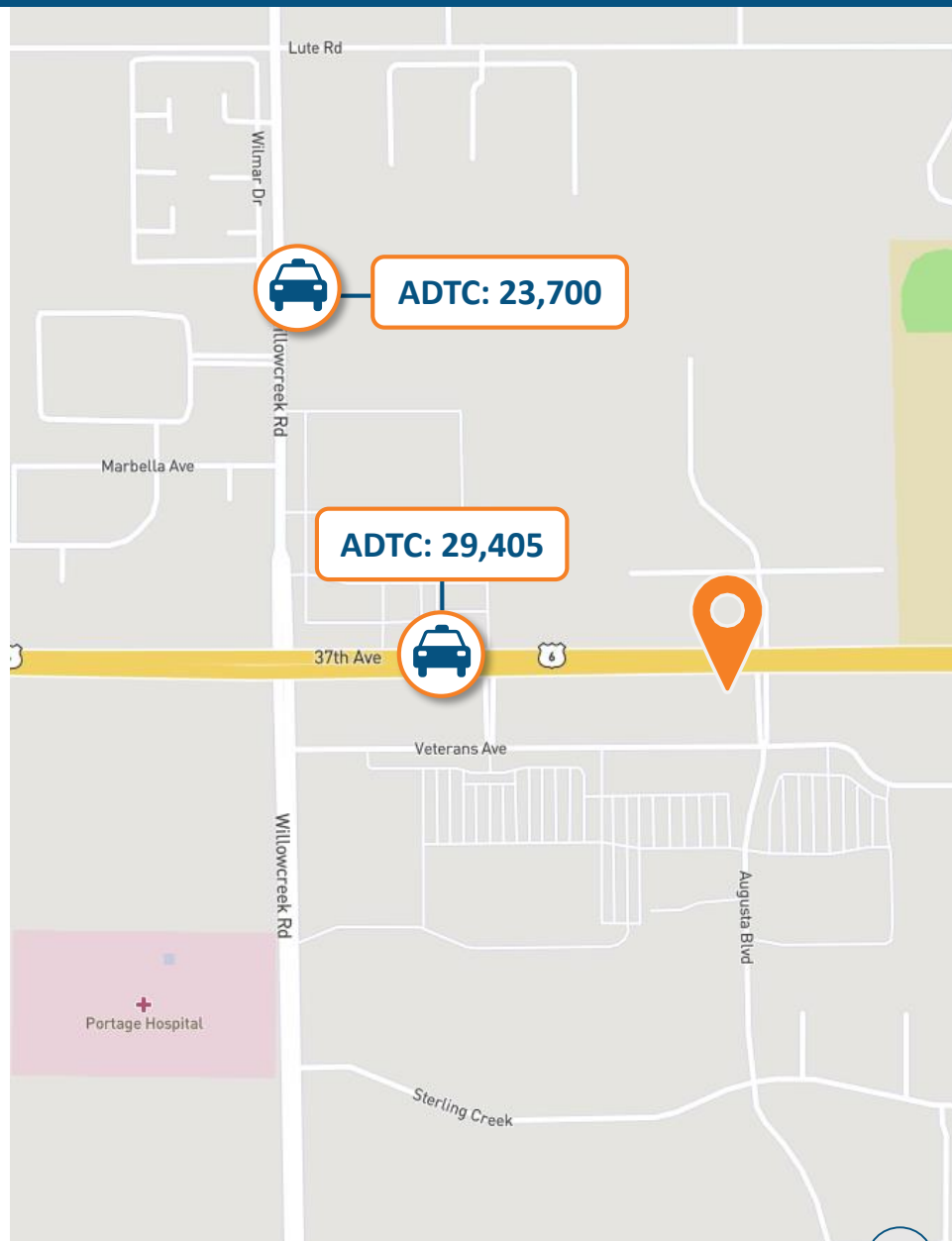
The subject property benefits from being well-positioned in a highly dense retail corridor consisting of national and local tenants, shopping centers, and academic institutions all within close proximity of this property. Major national tenants include: Walmart, Walgreens, Meijer, Kohl's, Aldi, Applebee's, Taco Bell, Buffalo Wild Wing's, McDonald's, as well as many others. This Wendy's property also benefits from being situated within a one-mile radius of several academic institutions. The most notable is Portage High School, which has a total enrollment exceeding 2,550 students. Regency Northwest Indiana – Porter, a 60+ bed, long-term acute care hospital, is located less than a mile from the subject property.

TRAFFIC COUNTS & DEMOGRAPHICS

This area has very strong demographics, with approximately 83,115 people residing within a five-mile radius and 262,090 people within a ten-mile radius of this property. This Wendy's is located on U.S. Highway 6, which intersects with Willowcreek Road. These two roads boast significant traffic counts of 29,405 and 23,700 vehicles per day, respectively.

Portage, IN

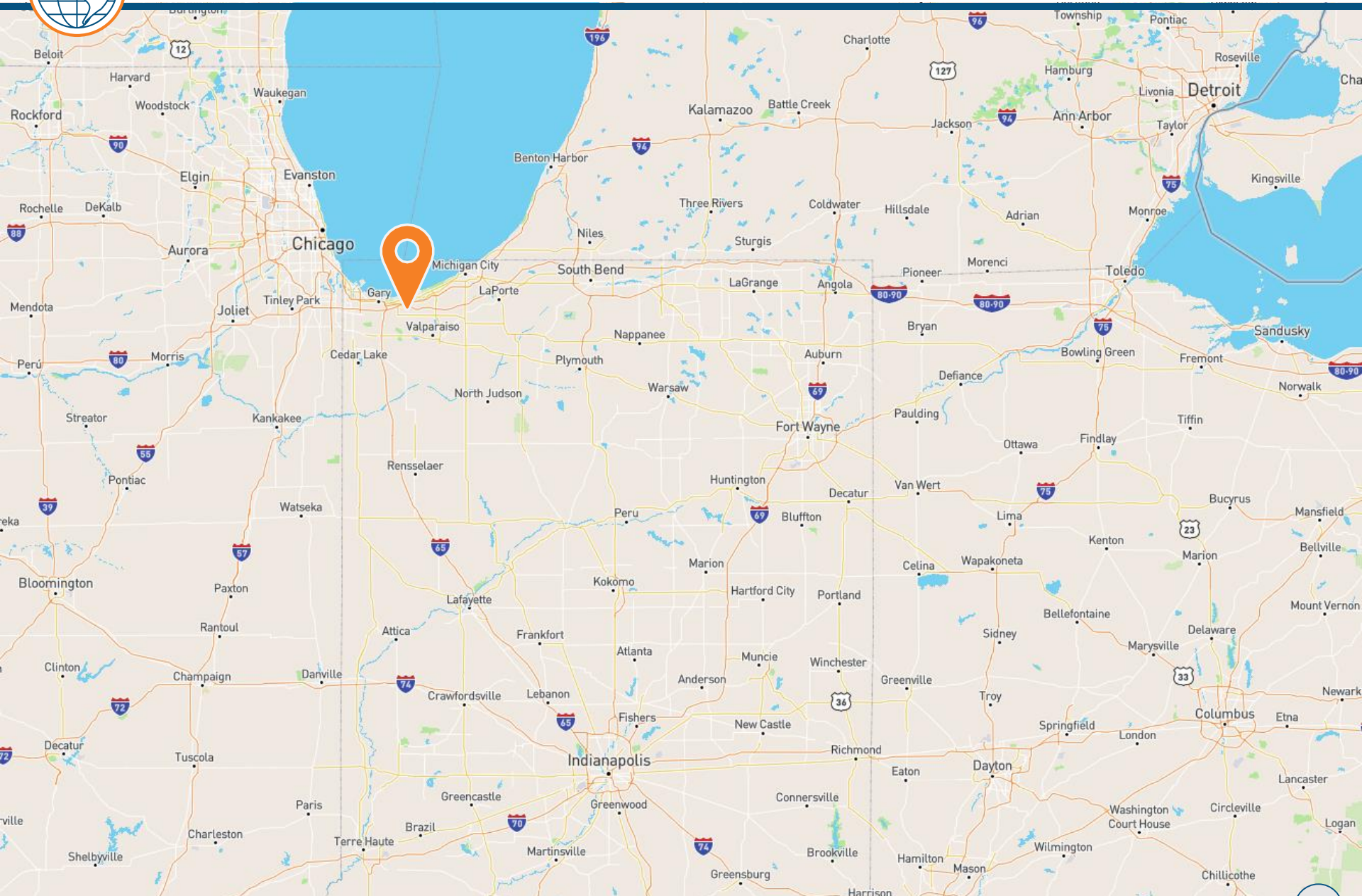
Portage is the largest city in Porter County, and the third largest in Northwest Indiana. The economy of Portage, IN is specialized in Arts, Entertainment, Recreation; Manufacturing; and Utilities, which employ respectively. The largest industries in Portage, IN are Manufacturing (3,340), Healthcare & Social Assistance (2,402), and Retail trade (1,773). Portage is situated just 30 miles southeast of the bustling city of Chicago, IL. Chicago is the most populous city in Illinois, as well as the third most populous city in the United States. With an estimated population of 2,716,450, it is the most populous city in the Midwest. Chicago is an international hub for finance, culture, commerce, industry, technology, telecommunications, and transportation. It is the site of the creation of the first standardized futures contracts at the Chicago Board of Trade, which today is the largest and most diverse derivatives market globally, generating 20% of all volume in commodities and financial futures. O'Hare International Airport is the one of the busiest airports in the world, and the region also has the largest number of U.S. highways and greatest amount of railroad freight. Chicago's 58 million domestic and international visitors in 2018, made it the second most visited city in the nation, behind New York City's approximate 65 million visitors.





Regional Map

Wendy's





Demographics



MAJOR EMPLOYERS

Employer	# of Employees
Nisource Corporate Services Co	1,700
Citizens Service Desk	1,500
Walmart	1,450
West Side High School	1,300
Porter Memorial Hospital	1,270
Celebration Station Properties	1,100
Celebration Station	1,000
Valparaiso University	973
McDonalds	879
Ivy Tech Northwest	828
G D Leasing of Indiana Inc	800

of Employees based on 10 mile radius

DEMOGRAPHICS

	3 Miles	5 Miles	10 Miles
Population			
2023 Projection	46,264	85,606	266,807
2018 Estimate	44,725	83,115	262,093
2010 Census	44,136	82,152	259,367
2000 Census	39,872	76,042	256,957
Income			
Average	\$70,296	\$71,671	\$73,983
Median	\$61,515	\$60,077	\$57,277
Per Capita	\$26,103	\$27,254	\$28,640
Households			
2022 Projection	17,337	32,801	103,918
2017 Estimate	16,564	31,542	100,788
2010 Census	16,237	31,033	99,392
2000 Census	14,500	28,514	96,496
Employment			
2017 Daytime Population	31,703	64,391	240,230
2017 Unemployment	5.46%	5.91%	6.25%
2017 Median Time Traveled	29 Mins	29 Mins	29 Mins

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EXCLUSIVE NET LEASE OFFERING



IN BROKER OF RECORD:

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