

WENDY'S

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



OFFERING MEMORANDUM



210 W Walker Drive
Keystone Heights, FL 32656

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All potential buyers are strongly advised to take advantage of their opportunities and obligations to conduct thorough due diligence and seek expert opinions as they may deem necessary, especially given the unpredictable changes resulting from the continuing COVID-19 pandemic. Marcus & Millichap has not been retained to perform, and cannot conduct, due diligence on behalf of any prospective purchaser. Marcus & Millichap's principal expertise is in marketing investment properties and acting as intermediaries between buyers and sellers. Marcus & Millichap and its investment professionals cannot and will not act as lawyers, accountants, contractors, or engineers. All potential buyers are admonished and advised to engage other professionals on legal issues, tax, regulatory, financial, and accounting matters, and for questions involving the property's physical condition or financial outlook. Projections and pro forma financial statements are not guarantees and, given the potential volatility created by COVID-19, all potential buyers should be comfortable with and rely solely on their own projections, analyses, and decision-making.



210 W Walker Drive
Keystone Heights, FL 32656

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Seller will Commit to Reimaging the Location by YE 2024 | Shows Commitment to the Location and Enhances the Underlying Value of the Property
- ✓ Dense Retail Corridor | CVS Pharmacy, Family Dollar, Dollar General, AutoZone, Advance Auto Parts, Walgreens, Dunkin' Donuts, McDonalds, Subway and Many More
- ✓ Located 25 Minutes Outside of Gainesville, FL | Largest City in North Central Florida
- ✓ Strong Academic Presence | Key Stone Heights High School is Located One-Mile from the Subject Property | Total Enrollment of 1,203 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 337+ 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: \$2,775,000 | CAP RATE: 5.00% | RENT: \$138,750

THE OFFERING

| | |
|----------------|-------------|
| Purchase Price | \$2,775,000 |
| CAP Rate | 5.00% |
| Annual Rent | \$138,750 |

PROPERTY DESCRIPTION

| | |
|--------------------|--|
| Property | Wendy's |
| Property Address | 210 W Walker Drive |
| City, State ZIP | Keystone Heights, FL 32656 |
| Year Built | 2004 - Seller will commit to remodel by YE2024 |
| Building Size (SF) | 3,133 |
| Lot Size (Acres) | +/- 1.88 |
| 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 | \$138,750 | \$11,563 | - |
| Year 2 | \$138,750 | \$11,563 | - |
| Year 3 | \$140,484 | \$11,707 | 1.25% |
| Year 4 | \$142,240 | \$11,853 | 1.25% |
| Year 5 | \$144,018 | \$12,002 | 1.25% |
| Year 6 | \$145,819 | \$12,152 | 1.25% |
| Year 7 | \$147,641 | \$12,303 | 1.25% |
| Year 8 | \$149,487 | \$12,457 | 1.25% |
| Year 9 | \$151,356 | \$12,613 | 1.25% |
| Year 10 | \$153,247 | \$12,771 | 1.25% |
| Year 11 | \$155,163 | \$12,930 | 1.25% |
| Year 12 | \$157,103 | \$13,092 | 1.25% |
| Year 13 | \$159,066 | \$13,256 | 1.25% |
| Year 14 | \$161,055 | \$13,421 | 1.25% |
| Year 15 | \$163,068 | \$13,589 | 1.25% |
| Year 16 | \$165,106 | \$13,759 | 1.25% |
| Year 17 | \$167,170 | \$13,931 | 1.25% |
| Year 18 | \$169,260 | \$14,105 | 1.25% |
| Year 19 | \$171,375 | \$14,281 | 1.25% |
| Year 20 | \$173,518 | \$14,460 | 1.25% |

Investment Summary

Marcus & Millichap is pleased to present the exclusive listing for a Wendy's located at 210 W Walker Drive in Keystone Heights, FL. The property consists of 3,133 square feet of building space and is situated on approximately 1.88 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 337 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, 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. As of May 2020, Wendy's and its franchisees employ hundreds of thousands of people across more than 6,800 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, with 337 restaurants 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 a workforce of approximately 11,000 employees. The Company's current public information is available pursuant to SEC Rule 15c2-11 and FINRA Rule 6432 at www.otcm Markets.com, under the stock symbol MHGU, or the Company's website www.meritagehospitality.com.



Excerpt from Meritage Hospitality Group Press Release Dated February 24, 2020:

"Our operations and development performance in 2019 represented significant milestones in our 5-year growth plan, finishing the year strong with 337 restaurants in operation. Despite minor development delays and non-cash impacts to reported net earnings, we were pleased with fiscal 2019 results of achieving 12.2% EBITDA growth while developing and renovating a record number of new locations. We continue to transform our restaurant portfolio through the development of new locations and renovation of existing locations, offering both guests and employees more conveniences. Looking ahead to 2020, we are forecasting a transformative year, with robust sales growth of approximately \$100 million that includes the rollout of breakfast in our Wendy's restaurants, new restaurant development, modernizations and the continued development of our new Morning Belle breakfast, brunch and lunch restaurant concept. Operational excellence continues to be our inspiration, leveraging the Company's best-in-class 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

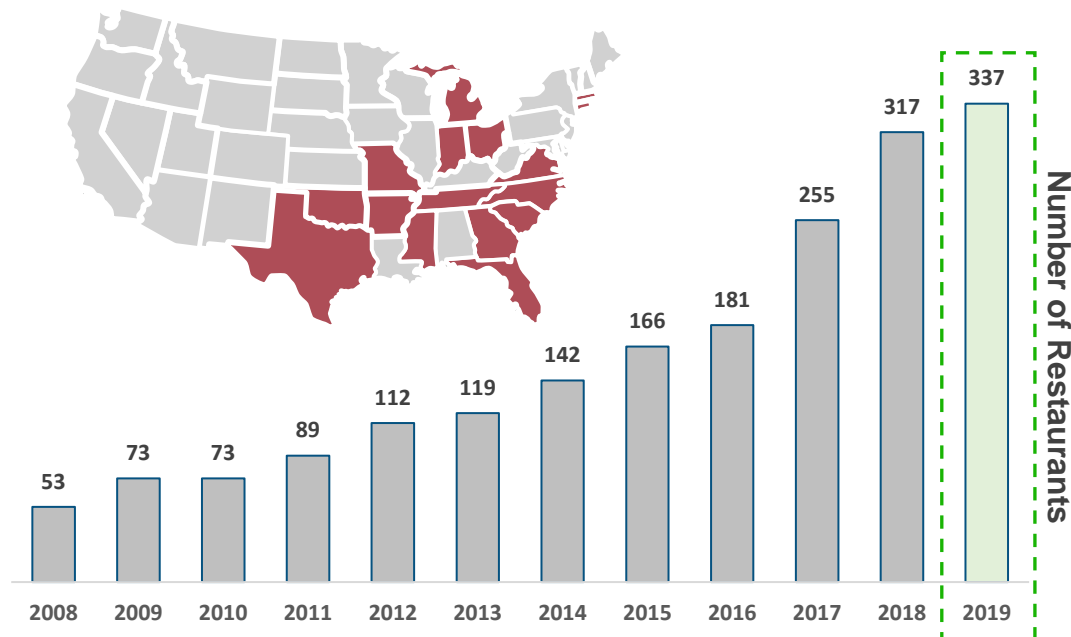
2019 Full-Year Highlights:

- ✓ Sales increased 7.4% to \$467.5 million compared to \$435.3 million last year
- ✓ Consolidated EBITDA (a non-GAAP measure) increased 12.2% to \$44.6 million compared to \$39.7 million last year
- ✓ The Company developed or acquired a net of 20 restaurants during the year, to finish with 337 restaurants in operation across 16 states
- ✓ Common stock dividends increased 60% to \$0.24 per share compared to \$0.15 last year



Looking Ahead: Resilient Business Model:

- ✓ Speed, convenience and affordability have been differentiators in quick service restaurant operations in past times of economic stress
- ✓ Wendy's restaurants are built for off premise sales, with approximately 70% of normal sales generated through the restaurant drive-thru, which remain open and operating
- ✓ The Wendy's system offers digital and delivery options for additional off-premise sales
- ✓ Lower gas prices decrease supply delivery costs and increase consumer disposable income
- ✓ Low interest rates provide efficient capital for future growth opportunities



Excerpt from Meritage Hospitality Group Press Release Dated April 16, 2020:

"Our geographical footprint and drive-thru operations have allowed us to continue serving the changing needs of guests as people adapt to local government orders. We are grateful to our employees, delivery drivers and supply-chain operators for continuing to deliver essential restaurant food items."

- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)



Surrounding Area

Wendy's



Marcus & Millichap



Location Overview

This Wendy's property is located 210 W Walker Drive in Keystone Heights, FL. Keystone Heights is a city located in southwestern Clay County and is just under twenty-five miles from Gainesville.

SURROUNDING RETAIL & POINTS OF INTEREST

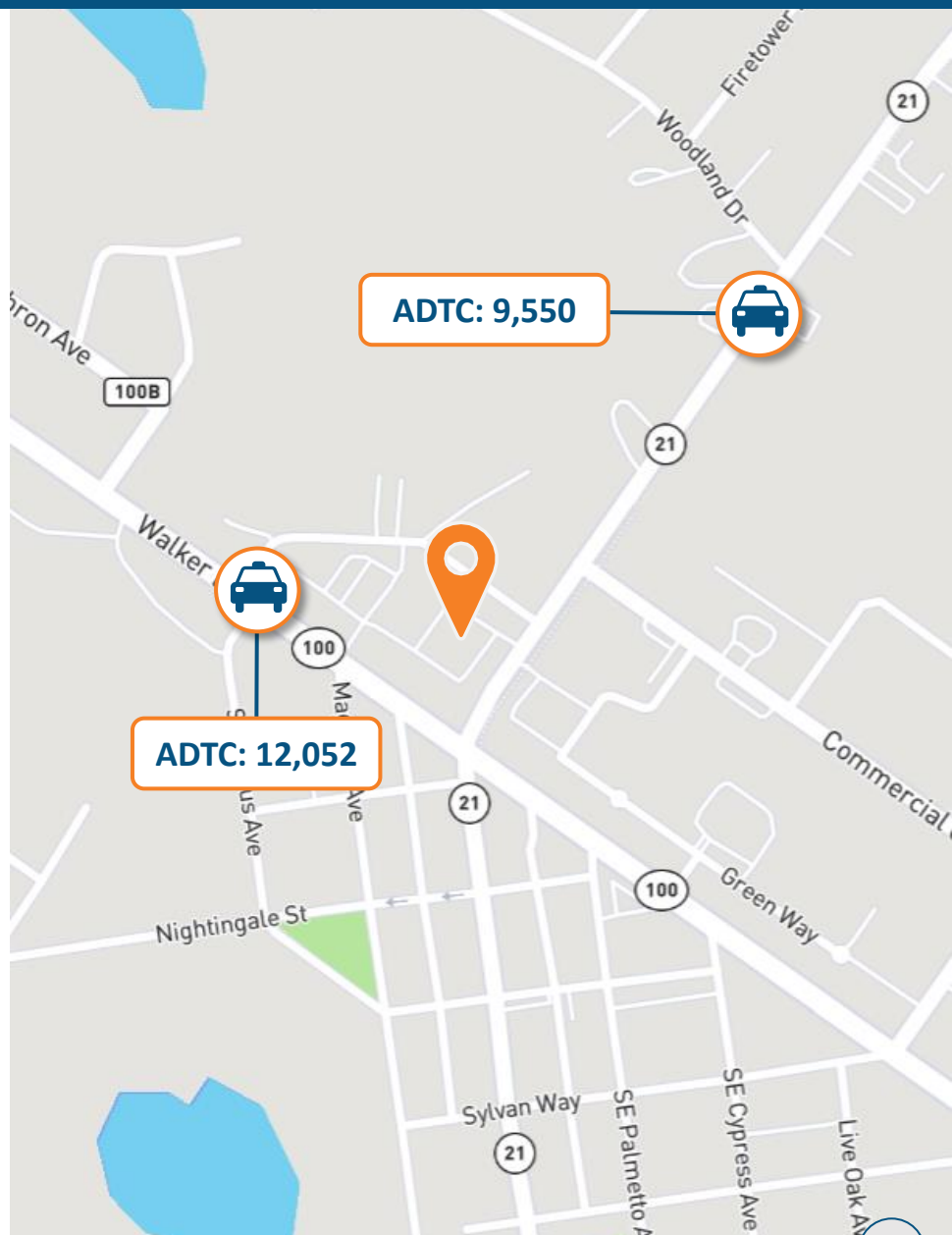
The subject property is well positioned with premium frontage on Walker Drive surrounded by national and local retailers. Major national tenants in the surrounding area include CVS Pharmacy, Family Dollar, Dollar General, AutoZone, Advance Auto Parts, Walgreens, Dunkin' Donuts, McDonalds, Subway and many more. The subject Wendy's benefits from being located within a five-mile radius of several academic institutions. Most notable of these being Keystone Heights High School, located just one-mile from the subject property with a total enrollment of 1,203 individuals.

TRAFFIC COUNTS & DEMOGRAPHICS

The subject Wendy's is situated on Walker Drive which boasts average daily traffic counts of 12,502 vehicles per day. Walker Drive intersects with State Road 21 which brings an additional 9,550 vehicles into the immediate area daily. There are approximately 16,542 individuals residing within a five-mile radius of the subject property and 31,025 individuals within a ten-mile radius.

GAINESVILLE, FL

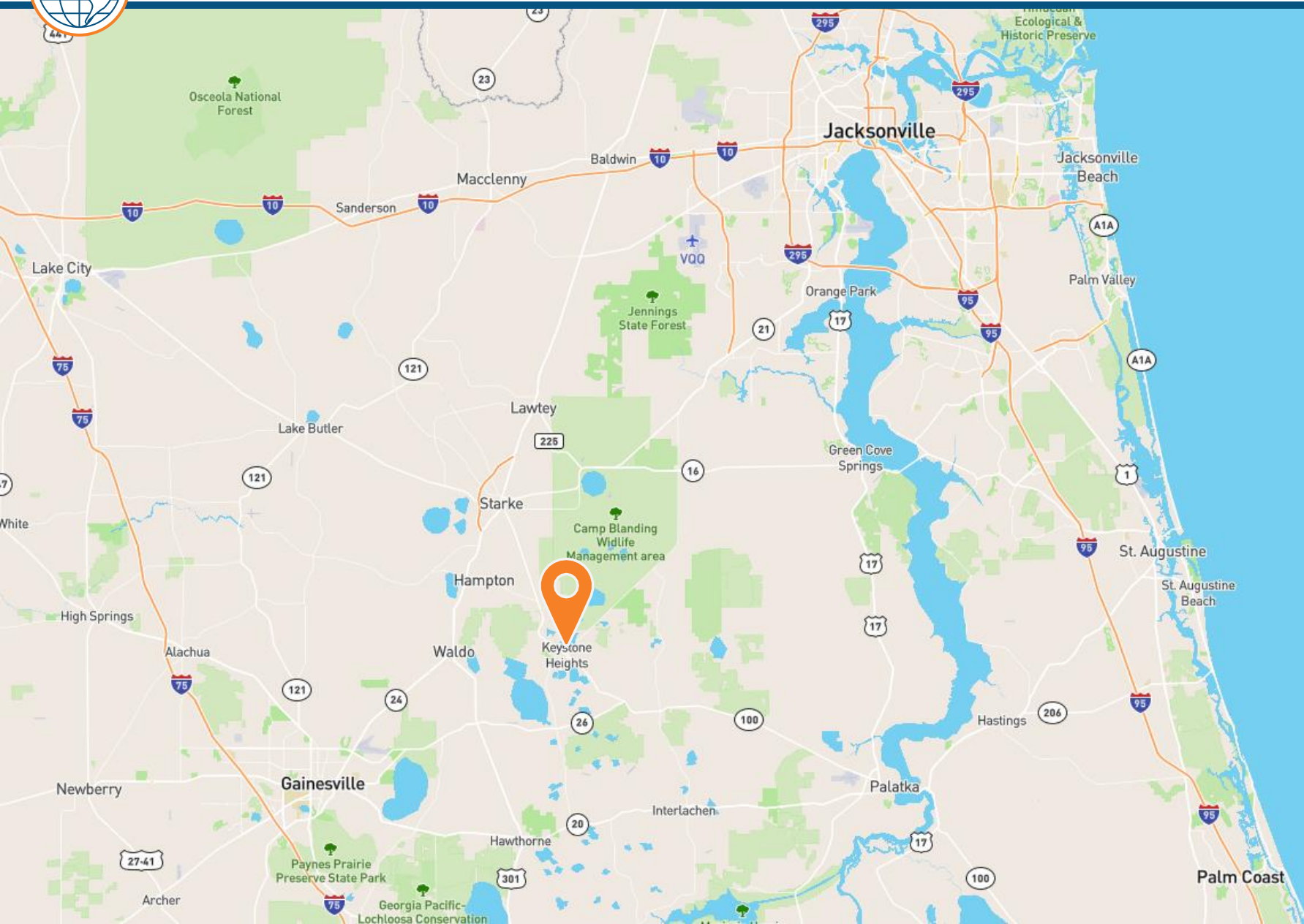
Gainesville is the county seat of, and the largest city in, Alachua County, Florida, and is both the principal city of the Gainesville, Florida, metropolitan statistical area and the largest city in North Central Florida. In 2019 the US Census Bureau estimated Gainesville's population at 133,997, a 7.6% increase from 2010, and the metropolitan statistical area's population at 288,212. The Gainesville urban area is served by Alachua County Public Schools, which has 75 different institutions in the county, most in the Gainesville area. Gainesville is also home to the University of Florida and Santa Fe College. The University of Florida, the fifth-largest public university campus by enrollment in the United States, is a major financial boost to the community, and UF athletic events, including SEC football games, create hundreds of thousands of dollars in additional revenue. According to a 2019 study by the university's Institute of Food and Agricultural Sciences, the university contributed \$16.9 billion to Florida's economy and was responsible for over 130,000 jobs in the 2017–18 fiscal year. The college town atmosphere in Gainesville has yielded many shopping, dining and entertainment nightspots. The city features several public parks, lakes, walking trails and Ichetucknee Springs State Park, and the economy is led by sectors like education, tourism and transportation. Residents also have great access to healthcare, led by Shands HealthCare and North Florida Regional Medical Center.





Regional Map

Wendy's





Demographics

Wendy's



| | 3 Miles | 5 Miles | 10 Miles |
|-----------------------------|-----------|-----------|-----------|
| POPULATION | | | |
| 2025 Projection | 11,076 | 17,351 | 32,366 |
| 2020 Estimate | 10,618 | 16,542 | 31,025 |
| 2010 Census | 9,567 | 14,803 | 28,159 |
| 2000 Census | 8,686 | 13,064 | 25,154 |
| INCOME | | | |
| Average | \$70,054 | \$69,474 | \$65,462 |
| Median | \$51,799 | \$51,174 | \$49,412 |
| Per Capita | \$28,415 | \$28,652 | \$26,654 |
| HOUSEHOLDS | | | |
| 2025 Projection | 4,529 | 7,211 | 13,284 |
| 2020 Estimate | 4,307 | 6,822 | 12,626 |
| 2010 Census | 3,878 | 6,095 | 11,413 |
| 2000 Census | 3,469 | 5,307 | 9,999 |
| HOUSING | | | |
| 2020 | \$166,075 | \$159,929 | \$144,949 |
| EMPLOYMENT | | | |
| 2020 Daytime Population | 8,452 | 12,253 | 21,550 |
| 2020 Unemployment | 3.44% | 3.89% | 4.28% |
| 2020 Median Time Traveled | 36 Mins | 37 Mins | 37 Mins |
| RACE & ETHNICITY | | | |
| White | 93.25% | 92.55% | 90.12% |
| Native American | 0.09% | 0.09% | 0.08% |
| African American | 2.54% | 3.27% | 5.51% |
| Asian/Pacific Islander | 0.59% | 0.57% | 0.52% |

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