

WENDY'S

EXCLUSIVE NET-LEASE OFFERING

Representative Photo



OFFERING MEMORANDUM



1686 S Garfield Ave
Traverse City, MI 49686

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1686 S Garfield Ave
Traverse City, MI 49686

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LOCATION

REAL ESTATE FUNDAMENTALS

- ✓ Dense Retail Corridor | Big Lots, Play It Again Sports, Volvo, Audi, Volkswagen, Sally Beauty Supply, Taco Bell, Papa Johns, Jimmy Johns, Qdoba, 7-Eleven
- ✓ Strong Traffic Counts | S Garfield Ave and W South Airport Rd | Average Daily Traffic Counts of Approximately 37,059 and 16,716, Respectively
- ✓ Large Academic Presence | Northwestern Michigan College is Located Just Over Three-Miles from the Subject Property | Total Enrollment of Approximately 4,000 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: \$2,184,466 | CAP RATE: 5.15% | RENT: \$112,500

THE OFFERING

Purchase Price	\$2,184,466
CAP Rate	5.15%
Annual Rent	\$112,500

PROPERTY DESCRIPTION

Property	Wendy's
Property Address	1686 S Garfield Ave
City, State ZIP	Traverse City, MI 49686
Year Built	2021
Building Size (SF)	2,584 SF
Lot Size (Acres)	0.83
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 1686 S Garfield Ave in Traverse City, MI. The property consists of 2,584 square feet of building space and is situated on approximately 0.83 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 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."

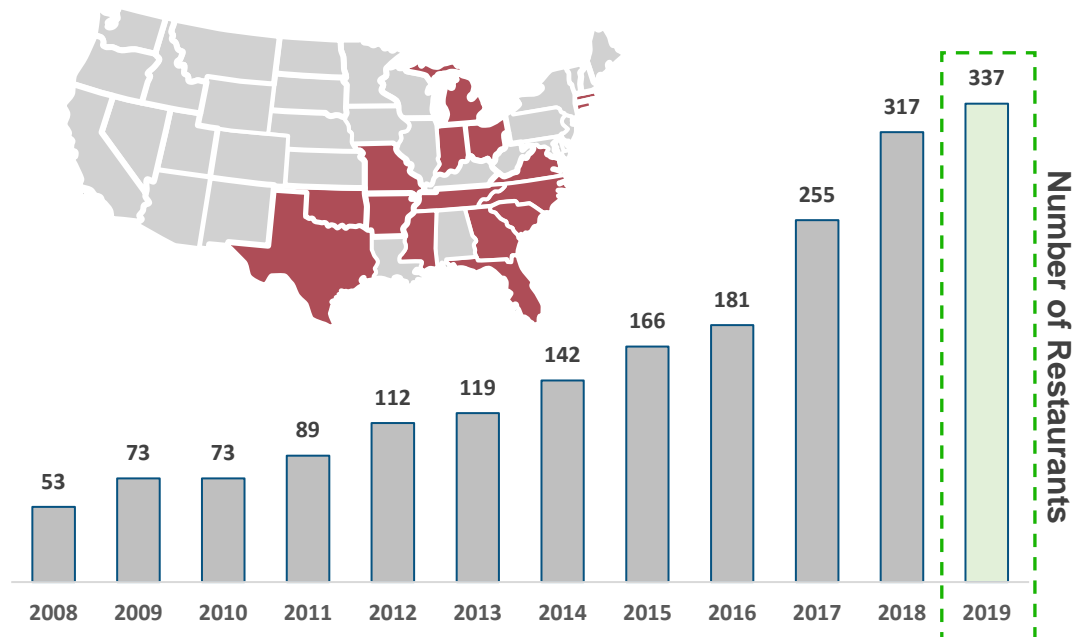


- Robert E. Schermer, Jr. (CEO - Meritage Hospitality Group)





- ✓ 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



- ✓ **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:

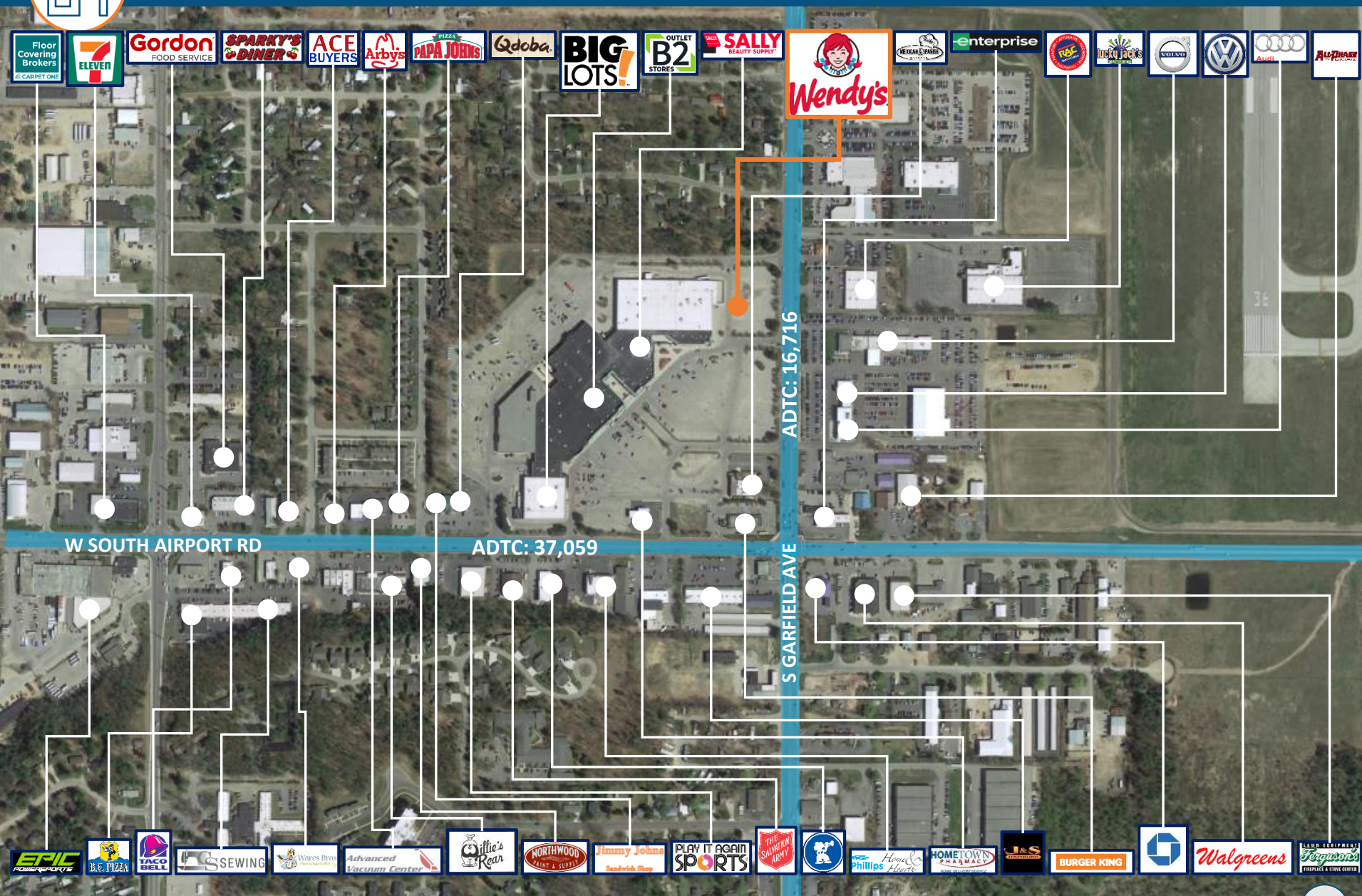
"Our geographical footprint and drive-thru operations have allowed us to continue serving the changing needs of guests as people adapt to local government orders. We are grateful to our employees, delivery drivers and supply-chain operators for continuing to deliver essential restaurant food items."

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



Surrounding Area

Wendy's



Marcus & Millichap



Location Overview

This Wendy's property is located at 1686 S Garfield Ave in Traverse City, MI. Traverse City is the county seat of Grand Traverse County and is the largest city in the Northern Michigan region.

SURROUNDING RETAIL & POINTS OF INTEREST

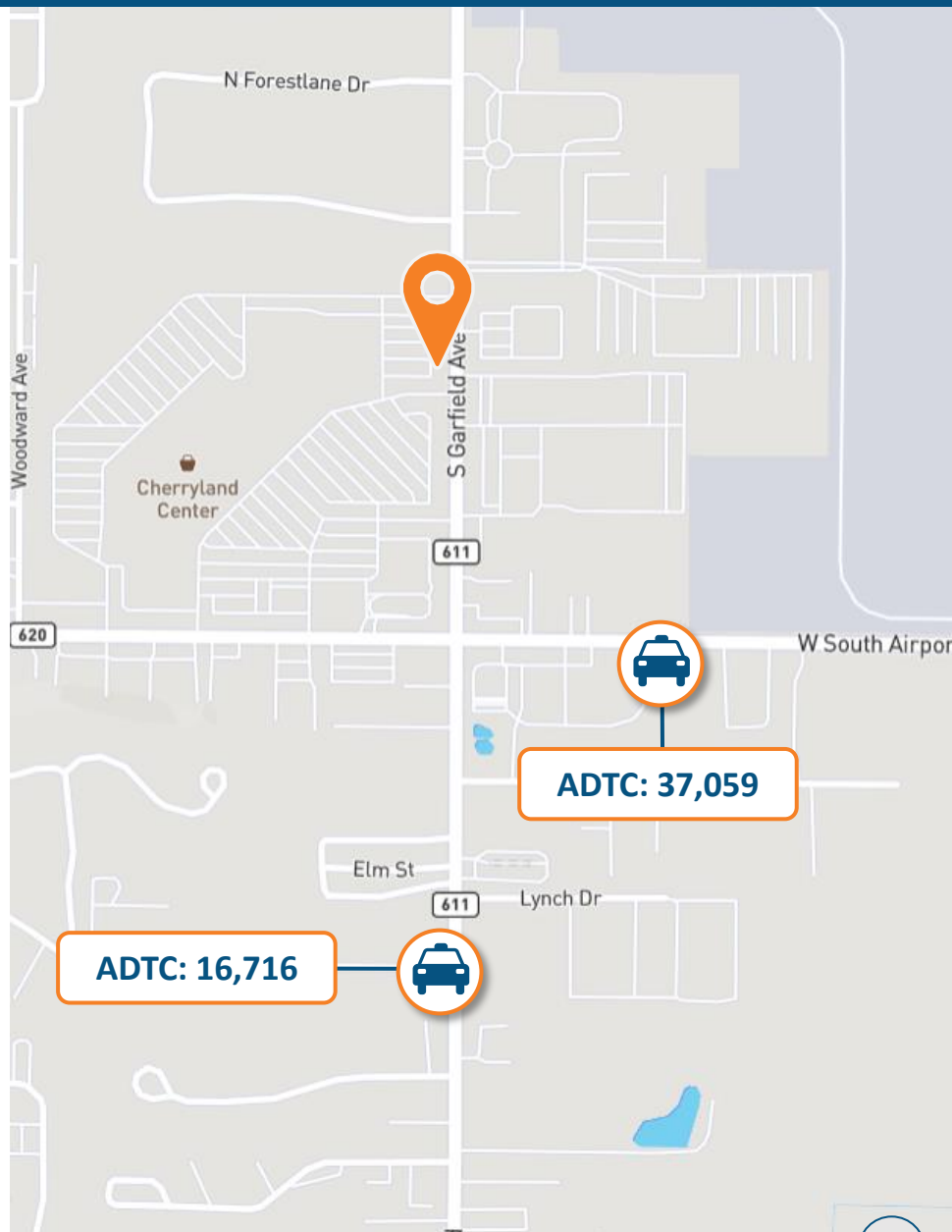
The property is strategically located in a dense retail corridor surrounded by national and local tenants, shopping centers, and car dealerships. Major national tenants in the immediate area include Big Lots, Play It Again Sports, Volvo, Audi, Volkswagen, Sally Beauty Supply, Taco Bell, Papa John's, Jimmy Johns, Qdoba, 7-Eleven, as well as many more. The subject Wendy's benefits from being located within a five-mile radius of several academic institutions. Most notable of these being Northwestern Michigan College. Northwestern Michigan College is a public community college in Traverse City with a total enrollment of 4,000 students.

TRAFFIC COUNTS & DEMOGRAPHICS

The subject Wendy's is located on S Garfield Ave which boasts average daily traffic counts of 16,716 vehicles. S Garfield Ave intersects with W South Airport Road which brings an additional 37,059 vehicles into the immediate area daily. There are approximately 26,386 individuals within a three-mile radius of the subject property and 44,088 individuals within a five-mile radius. The subject property benefits from being located in an affluent community. The average household income within a five-mile radius is \$81,000.

TRAVERSE CITY, MI

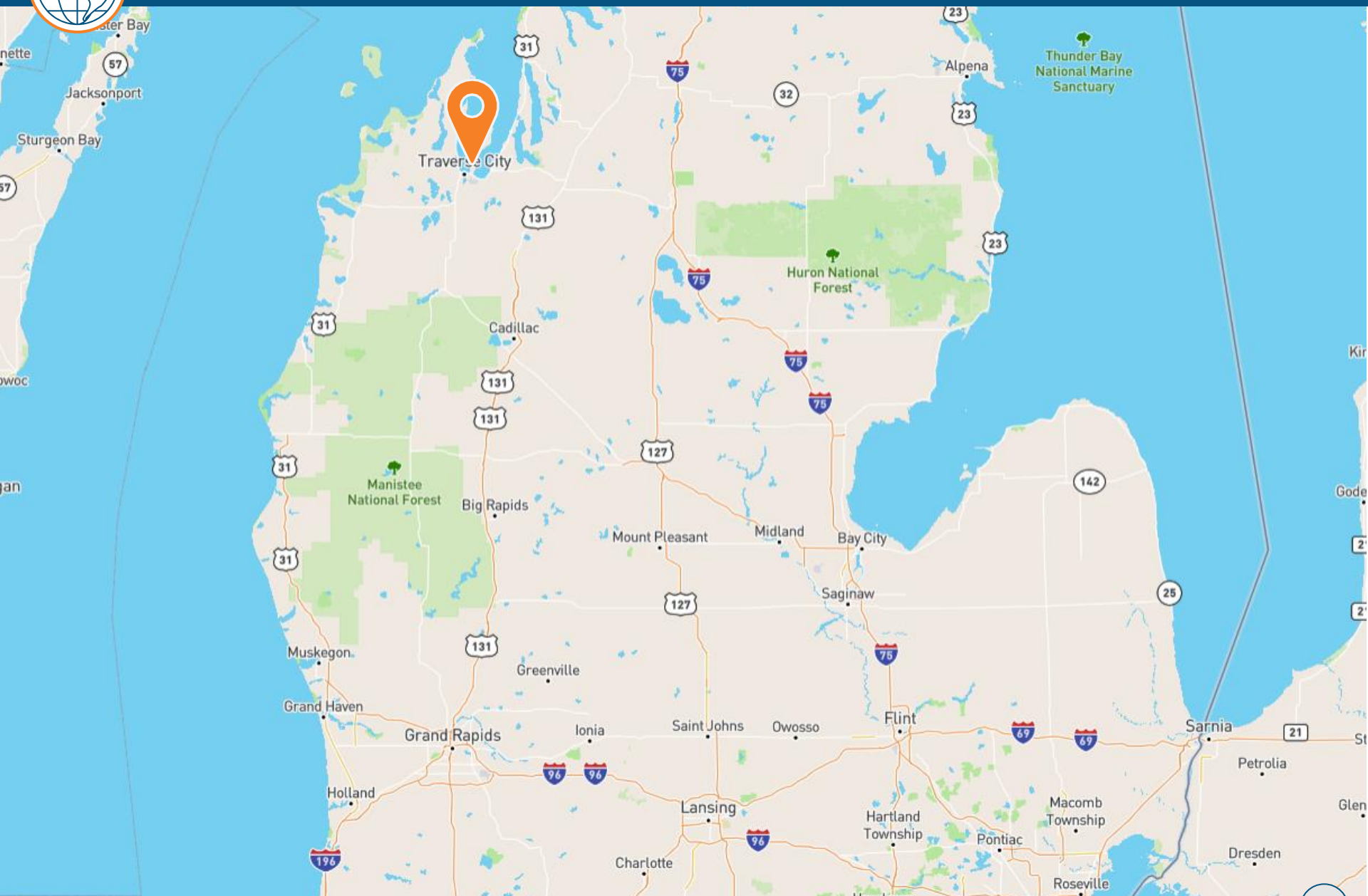
Traverse City is a city in the U.S. state of Michigan. It is the county seat of Grand Traverse County, although a small portion extends into Leelanau County. It is the largest city in the 21-county Northern Michigan region. The Traverse City area is the largest producer of tart cherries in the United States. Near the time of cherry harvest, the city hosts the annual week-long National Cherry Festival in the first full week of July, attracting approximately 500,000 visitors annually. The surrounding countryside also produces grapes and is one of the centers of wine production in the Midwest. Tourism, both summer and winter, is another key industry. Traverse City is home to a number of local businesses including Hagerty Insurance Agency and Munson Medical Center. There is a significant manufacturing presence, as well. In recent years, the city has developed a growing technology industry, with numerous tech start-ups, a startup incubator, podcasts, and breweries. Traverse City's central business district is located along Front Street downtown. Another major shopping district is on US 31 southwest of town, where several big box stores are located, as well as a shopping malls, the Grand Traverse Mall, anchored by Target, JCPenney, Macy's. The Buffalo Ridge Shopping Center is also on US 31 about a mile northwest of the Grand Traverse Mall. Another mall, the Cherryland Center, is located on Garfield Avenue on the south end of town; this mall features Big Lots.





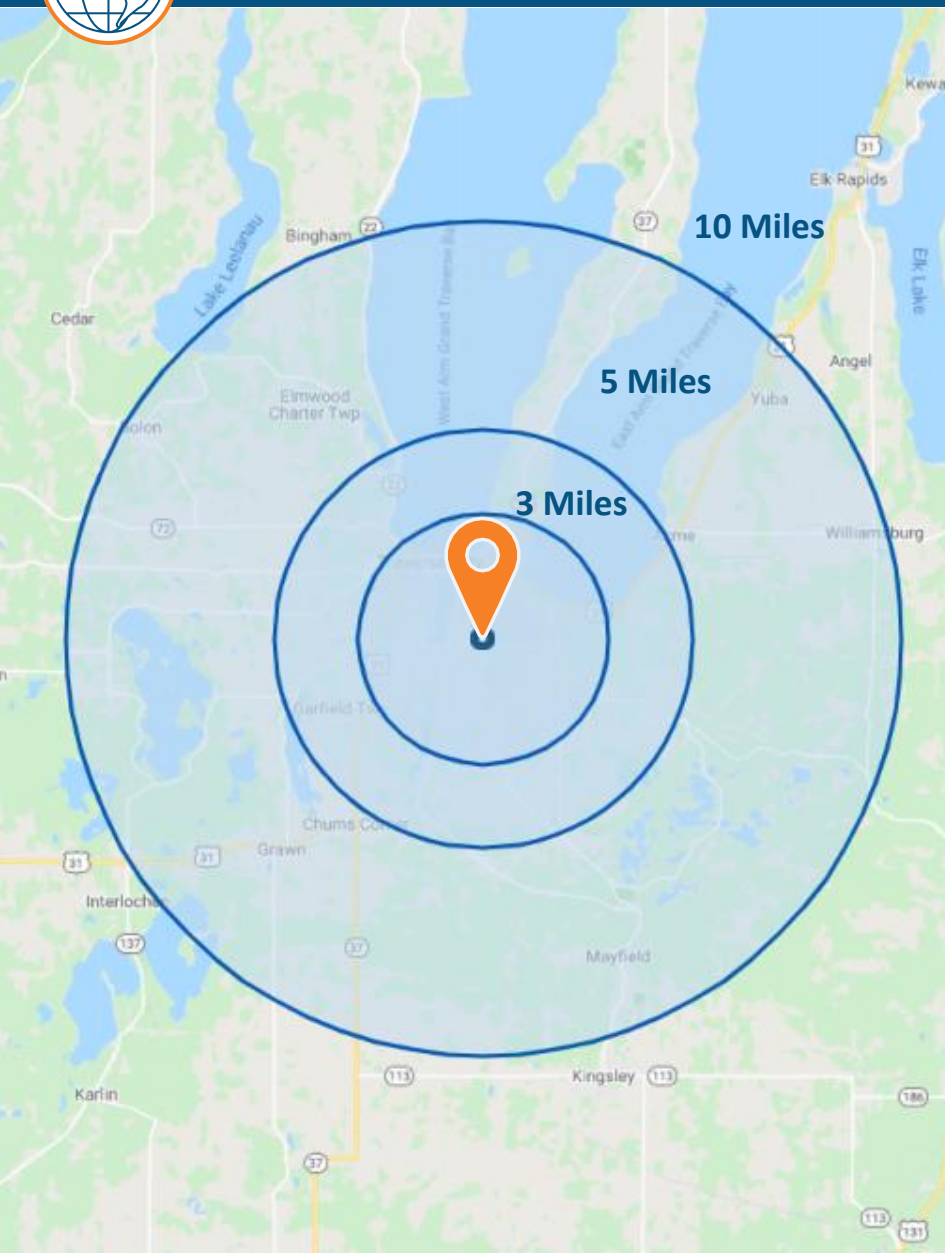
Regional Map

Wendy's





Demographics



3 Miles 5 Miles 10 Miles

Population Trends:

2010 Population	24,897	43,277	75,034
2020 Population	26,386	44,088	78,252
2025 Population Projection	27,235	45,183	80,476
Growth 2010 - 2020	0.60%	0.20%	0.40%
Growth 2020 - 2025	0.60%	0.50%	0.60%

Population by Race (2020):

White	24,746	41,701	74,538
Black	152	196	269
American Indian/Alaskan Native	508	689	1,092
Asian	255	448	712
Hawaiian & Pacific Islander	8	23	36
Two or More Races	717	1,033	1,606
Hispanic Origin	847	1,279	2,268

Household Trends:

2010 Households	11,631	19,099	31,408
2020 Households	12,455	19,704	33,063
2025 Household Projection	12,853	20,201	33,994
Growth 2010 - 2020	0.80%	0.70%	0.80%
Growth 2020 - 2025	0.60%	0.50%	0.60%
Owner Occupied	7,208	13,018	24,870
Renter Occupied	5,645	7,183	9,124

Average Household Income (2020):

\$73,196 \$81,310 \$86,019

Households by Household Income (2020):

<\$25,000	2,922	3,924	5,318
\$25,000 - \$50,000	3,060	4,264	6,893
\$50,000 - \$75,000	2,217	3,502	6,386
\$75,000 - \$100,000	1,512	2,718	4,760
\$100,000 - \$125,000	1,141	2,177	4,039
\$125,000 - \$150,000	525	948	1,787
\$150,000 - \$200,000	431	955	1,658
\$200,000+	649	1,214	2,221

Median Household Income (2020):

\$52,760 \$62,073 \$66,971

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