Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Financial Report
June 28, 2015 and June 29, 2014

Meritage Hospitality Group Inc. and Subsidiaries

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Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Balance Sheet (unaudited)

	June 28, 2015	December 28, 2014
Assets		
Current Assets		
Cash	$ 6,153,070	$ 5,200,901
Receivables	340,530	237,887
Inventories	1,251,194	1,267,596
Prepaid expenses and other current assets	1,049,594	1,357,816
Total Current Assets	8,794,388	8,064,200
Property and Equipment - Net	40,154,226	39,273,369
Goodwill	30,939,361	25,675,350
Intangible Assets	1,352,426	1,409,403
Deferred Income Taxes	3,306,664	4,104,152
Other Assets		
Notes receivable	548,215	548,215
Long-term investments	4,952,895	4,783,638
Deposits and other assets	2,065,241	1,671,381
Total Assets	**$ 92,113,416**	**$ 85,529,708**
Liabilities and Equity		
Current Liabilities		
Trade accounts payable	$ 6,388,297	$ 6,351,440
Revolving line of credit	4,956,934	4,603,213
Current portion of long-term debt	5,848,156	6,378,332
Accrued liabilities	8,750,875	7,242,834
Total Current Liabilities	25,944,262	24,575,819
Unearned Vendor Allowances	1,928,644	1,002,908
Accrued Rent	2,552,815	2,435,059
Other Long-term Obligations	1,928,979	1,514,199
Long-term Debt - Net of current portion	33,933,697	32,338,004
Deferred Gain - Sale and leaseback transactions	9,852,211	10,632,067
Equity	15,972,808	13,031,652
Total Liabilities and Equity	**$ 92,113,416**	**$ 85,529,708**

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Operations (unaudited)

	Three Months Ended	
	June 28, 2015	June 29, 2014
Food and Beverage Revenue	$ 51,029,015	$ 40,508,749
Costs and Expenses		
Cost of food and beverages	13,576,548	11,821,817
Labor and related expenses	14,482,571	11,700,049
Advertising expenses	2,087,638	1,659,394
Other operating expenses	13,132,071	10,265,976
Total Operating Expenses	43,278,828	35,447,236
General and administrative expenses	3,028,736	2,113,944
Preopening and acquisition expenses	125,899	6,808
Closing and disposition expenses	701,799	25,331
Depreciation and amortization	1,010,491	697,788
Total Costs and Expenses	48,145,753	38,291,107
Income from Operations	2,883,262	2,217,642
Other (Income) Expense		
Interest expense	536,049	497,447
Other (income) expense	(1,264,329)	41,982
Total Other (Income) Expense	(728,280)	539,429
Income Before Income Taxes	3,611,542	1,678,213
Income Tax Expense	1,445,224	468,684
Net Income	**$ 2,166,318**	**$ 1,209,529**

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Operations (unaudited)

	Six Months Ended	
	June 28, 2015	June 29, 2014
Food and Beverage Revenue	$ 97,482,143	$ 75,681,647
Costs and Expenses		
Cost of food and beverages	26,327,596	21,850,905
Labor and related expenses	28,255,197	22,451,931
Advertising expenses	3,996,039	3,097,004
Other operating expenses	25,642,272	19,943,390
Total Operating Expenses	84,221,104	67,343,230
General and administrative expenses	5,475,241	3,736,975
Preopening and acquisition expenses	339,806	213,988
Closing and disposition expenses	706,657	37,609
Depreciation and amortization	2,074,758	1,365,347
Total Costs and Expenses	92,817,566	72,697,149
Income from Operations	4,664,577	2,984,498
Other (Income) Expense		
Interest expense	1,090,166	994,227
Other (income) expense	(1,614,937)	42,403
Total Other (Income) Expense	(524,771)	1,036,630
Income Before Income Taxes	5,189,348	1,947,868
Income Tax Expense	1,946,053	540,233
Net Income	**$ 3,243,295**	**$ 1,407,635**

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Equity (unaudited)

	Controlling Interest						
	Series A Convertible Preferred Stock	Series B Convertible Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Deficit and Members Interest	Noncontrolling Interest	Total
Balance - December 29, 2013	$ 295	$ 7,460	$ 55,471	$ 17,813,608	$ (7,160,958)	$ 52,485	$ 10,768,361
Net income					2,757,654	-	2,757,654
Issuance of 60,371 shares of common stock			604	97,494			98,098
Common dividends				(167,634)			(167,634)
Preferred dividends				(623,368)			(623,368)
Stock option expense				198,541			198,541
Acquisition of non-controlling interest				52,485		(52,485)	-
Balance - December 28, 2014	$ 295	$ 7,460	$ 56,075	$ 17,371,126	$ (4,403,304)	$ -	$ 13,031,652
Net income					3,243,295		3,243,295
Issuance of 23,581 shares of common stock			236	33,705			33,940
Common dividends				(168,816)			(168,816)
Preferred dividends				(311,684)			(311,684)
Stock option expense				144,421			144,421
Balance - June 28, 2015	$ 295	$ 7,460	$ 56,311	$ 17,068,751	$ (1,160,009)	$ -	$ 15,972,808

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Cash Flows (unaudited)

	Six Months Ended	
	June 28, 2015	June 29, 2014
Cash Flows from Operating Activities		
Net Income	$ 3,243,295	$ 1,407,635
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	2,074,758	1,365,347
Deferred income taxes	797,488	(181,733)
Amortization of deferred gain from sale and leaseback transactions	(1,469,575)	(444,043)
Change in fair market value of swap	-	45,161
Compensation paid by issuance of common stock	33,940	42,989
Loss on disposal of intangible assets	-	71,869
Loss on disposal of fixed assets	21,981	24,451
Stock option expense	144,421	57,053
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	(102,643)	409
Inventories	75,437	29,099
Prepaid expenses and other current assets	308,222	354,394
Deposits and other assets	(384,215)	(149,550)
Accounts payable	36,857	(241,347)
Accrued liabilities	1,503,126	(81,092)
Other long-term liabilities	414,780	438,603
Accrued rent	117,756	186,761
Unearned vendor allowances	872,934	834,771
Net cash provided by operating activities	7,688,562	3,760,777
Cash Flows from Investing Activities		
Purchase of property and equipment	(7,618,426)	(3,181,087)
Purchase of intangible assets	-	(67,705)
Change in long term investments	(169,257)	(77,750)
Acquisitions, net	(6,134,351)	-
Net cash used in investing activities	(13,922,034)	(3,326,542)

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Cash Flows (unaudited) Continued

	Six Months Ended	
	June 28, 2015	June 29, 2014
Cash Flows from Financing Activities		
Proceeds from long-term debt	5,000,000	-
Proceeds from revolving line of credit	4,115,836	(693,054)
Proceeds from sale leaseback transactions	6,303,342	7,538,279
Proceeds from capital lease	-	858,608
Principal payments on long-term debt	(2,197,930)	(1,841,806)
Payments on capital lease	(100,302)	(95,281)
Payments on debt related to sale leaseback transactions	(5,398,365)	(4,270,000)
Payments of financing costs	(56,440)	(3,000)
Common stock dividends paid	(168,816)	(83,547)
Preferred stock dividends paid	(311,684)	(311,684)
Net cash provided from financing activities	7,185,641	1,098,515
Net Increase in Cash	952,169	1,532,750
Cash - Beginning of year	5,200,901	3,479,265
Cash - End of period	$ 6,153,070	$ 5,012,015
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	$ 1,093,273	$ 992,212
Income taxes	$ 407,225	$ 143,239
Significant non-cash investing and financing transactions:		
Deferred gain on sale leaseback transactions	$ 689,719	$ 1,016,939

See notes to consolidated financial statements

Note 1 - Consolidation

The consolidated financial statements include the accounts of Meritage Hospitality Group Inc., all of its wholly owned subsidiaries, and its 98.5% owned subsidiary, RDG-MHG, LLC., (“RDG”). RDG is a 15% partner in TRG-Meritage Bahamas, LLC., (“TRG”). All intercompany transactions and balances have been eliminated in consolidation.

Note 2 - Stockholders' Equity

The Company has 5,000,000 authorized shares of $.01 par value per share preferred stock. 200,000 shares are designated as Series A convertible cumulative preferred stock, with 29,520 shares issued and outstanding as of June 28, 2015 and December 28, 2014. 1,350,000 shares are designated as Series B convertible cumulative preferred stock, with 746,000 shares issued and outstanding as of June 28, 2015 and December 28, 2014.

The Company has 30,000,000 authorized shares of $.01 par value per share common stock, with 5,631,104 and 5,607,523 shares issued and outstanding as of June 28, 2015 and December 28, 2014, respectively.

Note 3 - Acquisition of Wendy's Restaurants

The Company acquired nine Wendy’s restaurants in January 2015. All restaurants acquired included the business and equipment. The Company entered into new lease agreements for all newly acquired locations with the restaurants' building owners, and franchise agreements for all locations with the Company's franchisor, The Wendy’s Company. The acquisition was financed with approximately $5,000,000 of new debt, $1,188,000 of cash, and $58,000 of seller credits and closing costs. The transaction resulted in the recording of approximately $5,270,000 of goodwill, $869,000 of equipment, and $59,000 of inventory.

The Company expensed $119,000 of acquisition and preopening costs in 2015 related to the transaction.

Note 4 - Sale Leasebacks

The Company completed three sale and leaseback transactions during the six months ended June 28, 2015. The Company netted proceeds of approximately $6,303,000, and with such proceeds paid down indebtedness of $5,398,000, and deposited $885,000 into the Company's treasury. The Company recorded deferred gains of approximately $690,000. The gains are being amortized over the 20-year lease terms and recorded as a reduction of base rent expense.

Note 5 - Subsequent Event

On July 28, 2015 the Company acquired 15 Wendy's restaurants. The acquisition was financed with approximately $8,360,000 of new debt, $1,100,000 of newly issued Preferred B shares, $227,000 of cash, and $387.000 of seller credits and closing costs.

Meritage Hospitality Group Inc.
Quarterly Report

For Quarterly Period Ended June 28, 2015

The following information provides updates to the Annual Report for Fiscal Year Ended December 28, 2014. Accordingly, this report does not contain all the information required of an issuer for its initial disclosure obligations, and should therefore be reviewed in conjunction with the Annual Report for Fiscal Year Ended December 28, 2014 and any interim reports or updates provided since the fiscal year-end report.

Item 1 Exact name of the issuer and the address of its principal executive offices.

Name of the Company or Issuer:
Meritage Hospitality Group Inc. (the "Company" or "Meritage").

Address of Principal Office:
3310 Eagle Park Drive NE, Suite 205
Grand Rapids, MI 49525
Telephone: 616.776.2600
Facsimile: 616.776.2776
Web: www.meritagehospitality.com

Item 2 Shares outstanding.

Common Shares	6/28/15	12/28/14	12/29/13
Authorized:	30,000,000 shares	30,000,000 shares	30,000,000 shares
Outstanding:	5,631,104 shares	5,607,523 shares	5,547,152 shares
Freely Tradable (public float):	approx. 3,000,000 shs.	approx. 3,000,000 shs.	approx. 3,000,000 shs.
Number of beneficial holders owning at least 100 shares:	approx. 360 holders	approx. 383 holders	approx. 220 holders
Number of record holders:	approx. 95 holders	approx. 100 holders	approx. 110 holders
Preferred A			
Authorized:	200,000 shares	200,000 shares	200,000 shares
Outstanding:	29,520 shares	29,520 shares	29,520 shares
Freely Tradable (public float):	29,520 shares	29,520 shares	29,520 shares
Number of record holders:	2 holders	2 holders	2 holders
Preferred B			
Authorized:	1,350,000 shares	1,350,000 shares	1,350,000 shares
Outstanding:	746,000 shares	746,000 shares	746,000 shares
Freely Tradable (public float):	300,000 shares	300,000 shares	300,000 shares
Number of record holders:	32 holders	38 holders	33 holders

Item 3 Interim financial statements.

See the unaudited consolidated financial report for the quarter ended June 28, 2015 attached at the end of this report. The unaudited consolidated financial statements include the following reports:

(1) balance sheet;
(2) statement of operations;
(3) statement of equity;
(4) statement of cash flows; and
(5) notes to consolidated financial statements.

Item 4 Management's discussion and analysis or plan of operation.

Overview

The Company reported revenues of $51.0 million and $97.5 million in the three and six months ended June 28, 2015 compared to revenues of $40.5 million and $75.7 million for the three and six months ended June 29, 2014, an increase of 26.0% and 28.8%, respectively. The increase in revenues was primarily due to the addition of 23 restaurants in 2014, and the addition of nine restaurants in the first quarter of 2015. Additionally, total Company "same store sales" increased by 0.4% and 1.6% for all restaurants in the three months and six months ended June 28, 2015, respectively.

The Company is committed to its growth strategy and continues to evaluate acquisition opportunities in the Wendy's restaurant system. Since 2009, the Company has acquired 94 Wendy's restaurants through 13 separate transactions.

Results of Operations

Meritage operates in the quick-service and casual dining restaurant industries. The Company has experienced significant growth through its development and acquisition efforts and the launch of its own, self-created concepts, Twisted Rooster, Crooked Goose and Freighters. At June 28, 2015, the Company operated 146 Wendy's quick-service restaurants under franchise agreements with The Wendy's Company and five casual dining restaurants. Of the Wendy's, 47 are located in Michigan, 49 in Florida, 37 in Georgia, two in North Carolina, one in South Carolina, and 10 in Virginia. All five casual dining restaurants are located in Michigan.

A schedule of Company restaurants follows:

	Wendy's	Casual Dining	Total Restaurants
Restaurants as of December 29, 2013	114	5	119
Acquired restaurants	19	-	19
Newly opened restaurants	4	-	4
Restaurants as of December 28, 2014	137	5	142
Acquired restaurants	9	-	9
Restaurants as of June 28, 2015	146	5	151

Results of operations are summarized below.

	Three Months Ended (000's)				Six Months Ended (000's)			
	6/28/2015		6/29/2014		6/28/2015		6/29/2014	
Food and Beverage Revenue	$51,029	100.0%	$40,509	100.0%	$97,482	100.0%	$75,682	100.0%
Costs and Expenses								
Cost of food and beverages	13,577	26.6%	11,822	29.2%	26,328	27.0%	21,851	28.9%
Labor and related expenses	14,483	28.4%	11,700	28.9%	28,255	29.0%	22,452	29.7%
Advertising expenses	2,088	4.1%	1,659	4.1%	3,996	4.1%	3,097	4.1%
Other operating expenses	13,132	25.7%	10,266	25.3%	25,642	26.3%	19,943	26.4%
Total Operating Costs	43,279	84.8%	35,447	87.5%	84,221	86.4%	67,343	89.0%
General & administrative expense	3,029	5.9%	2,114	5.2%	5,475	5.6%	3,737	4.9%
Preopening and acquisition expenses	126	0.2%	7	0.0%	340	0.3%	214	0.3%
Closing and disposition expenses	702	1.4%	25	0.1%	707	0.7%	38	0.1%
Depreciation and amortization	1,010	2.0%	698	1.7%	2,075	2.1%	1,365	1.8%
Total Costs and Expenses	48,146	94.3%	38,291	94.5%	92,818	95.2%	72,697	96.1%
Income from Operations	2,883	5.7%	2,218	5.5%	4,665	4.8%	2,985	3.9%
Other (Income) Expense								
Interest expense	536	1.1%	497	1.2%	1,090	1.1%	994	1.3%
Other Income	(1,264)	-2.5%	42	0.1%	(1,615)	-1.7%	42	0.1%
Total Other (Income) Expense	(728)	-1.4%	539	1.3%	(525)	-0.6%	1,036	1.4%
Income Before Income Taxes	3,612	7.1%	1,679	4.1%	5,189	5.3%	1,948	2.6%
Income Tax Expense	1,445	2.8%	469	1.2%	1,946	2.0%	540	0.7%
Net Income	2,166	4.2%	1,210	3.0%	3,243	3.3%	1,408	1.9%

Food and Beverage Revenue

For the three months ended June 28, 2015, revenues increased 26.0% to $51.0 million from $40.5 million in the three months ended June 29, 2014. In the six months ended June 28, 2015, revenues increased 28.8%, to $97.5 million from $75.7 million in the six months ended June 29, 2014.

The Company's Wendy's restaurants reported sales of $47.3 million and $90.3 million in the three and six months ended June 28, 2015, representing increases of 28.5% and 31.5%, respectively, over the same period in the prior year. The most significant contributing factor to the increase was the addition of 23 Wendy's restaurants in 2014, and nine Wendy's restaurants in the first quarter of 2015. The Company's Wendy's restaurants experienced "same store sales" increases of 0.4% in the second quarter of 2015 and 1.5% in the first half of 2015 over prior year's sales.

The Company's casual dining restaurants reported sales of $3.7 million and $7.2 million in the three and six months ended June 28, 2015, a same store sales increase of 0.6% and 2.6%, respectively over prior year's sales.

Cost of Food and Beverages

Food and beverage costs as a percent of revenues were 26.6% and 27.0% in the three and six months ended June 28, 2015 compared to food and beverage costs of 29.2% and 28.9% in the same periods in the prior year. The decrease in cost of food and beverages as a percentage of revenues was due to strategic price increases partially offset by a 14% increase in average beef costs to $2.64 per pound in the three months ended June 28, 2015, from $2.31 for the three months ended June 29, 2014. Comparably, average beef costs increased 25% to $2.65 for the six months ended June 28, 2015, from $2.11 per pound for the six months ended June 29, 2014.

Labor and Related Expenses

Labor and related expenses decreased slightly to 28.4% and 29.0% of revenues for the three and six months ended June 28, 2015 from 28.9% and 29.7% of revenues in the same period in the prior year. The decrease in labor is attributed to increased pricing and more efficient management of hourly labor, partially mitigated by an overall increase in minimum wage.

Other Operating Expenses

Other operating expenses increased as a percentage of revenues to 25.7% in the three months ended June 28, 2015 from 25.3% in the three months ended June 29, 2014. In the six months ended June 28, 2015, other operating expenses decreased slightly to 26.3% from 26.4% in the prior year period. The increase in the second quarter is due to increased rent as a percentage of sales on Wendy's restaurants acquired in August 2014 and January 2015. The increase in year-to-date rent is mitigated by decreased utility costs related to the unseasonably cold winter in the first quarter of 2014. These coupled with increased sales in 2015, and reduced supply expenses resulted in a diluted impact of fixed costs as a percent of revenues.

General and Administrative Expenses

General and administrative expenses increased to 5.9% and 5.6% of revenues in the three and six months ended June 28, 2015, from 5.2% and 4.9% of revenues in the three and six months ended June 29, 2014. The percentage increase is primarily related to accrued bonus compensation for improved performance.

Preopening and Acquisition, & Closing and Disposition Expenses

Preopening and acquisition expenses include costs associated with the acquisition of nine Wendy's restaurants during the first three months of 2015, as well as costs related to new build and reimaged locations under construction and scheduled to open in the third quarter of 2015.

Included in closing and disposition expenses are costs related to the closure of under performing restaurants. We expect these to be an ongoing expense from continuing efforts to improve our overall portfolio.

Interest Expense

The increase in the amount of interest expense was primarily due to financings associated with the net addition of 23 Wendy's restaurants in 2014, and nine restaurants in 2015.

Other Income

Other income was primarily related to gains on a purchase option and real estate transactions completed in the first six months of 2015.

Income Tax Expense

Income tax expense is summarized below.

	Three Months Ended (000's)		Six Months Ended (000's)	
	6/28/2015	6/29/2014	6/28/2015	6/29/2014
Federal income tax expense	380	350	683	356
State and local income tax expense	333	119	466	244
Change in deferred tax asset	732	-	797	(60)
Income tax expense	1,445	469	1,946	540

Financial Condition

Management monitors short and long-term cash needs and believes at this time, that with its ongoing operations and current cash balances, the Company has sufficient capital to meet its ongoing obligations. Loan covenants of the Company's various loan agreements include requirements for the maintenance of certain financial ratios. At June 28, 2015, the Company was in compliance with these requirements.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of June 28, 2015.

Item 5 Legal proceedings.

The Company is involved in various routine legal proceedings that are incidental to its business. All of these proceedings arose in the ordinary course of the Company's business and, in the opinion of the Company, any potential liability of the Company with respect to these legal proceedings will not, in the aggregate, be material to the Company's consolidated financial statements. The Company maintains various types of insurance standard to the industry that, subject to deductibles, will insure over many claims and legal proceedings brought against the Company.

Item 6 Defaults upon senior securities.

None.

Item 7 Other information.

None.

Item 8 Exhibits.

None.

Item 9 Certifications.

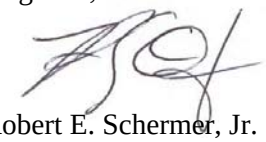
I, Robert E. Schermer, Jr., Chief Executive Officer, certify that:

1. I have reviewed this quarterly disclosure statement of Meritage Hospitality Group Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 5, 2015



Robert E. Schermer, Jr.
Chief Executive Officer

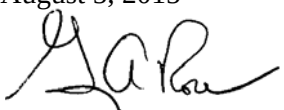
I, Gary A. Rose, Chief Financial Officer, certify that:

1. I have reviewed this quarterly disclosure statement of Meritage Hospitality Group Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 5, 2015



Gary A. Rose
Chief Financial Officer

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report that are not historical facts constitute forward-looking statements. These may be identified by words such as "estimates," "anticipates," "hopes," "projects," "plans," "expects," "believes," "should," and similar expressions, and by the context in which they are used. Such statements are based only upon current expectations of the Company. Any forward-looking statement speaks only as of the date made. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed or implied. Meritage undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which they are made.

Statements concerning expected financial performance, business strategies and action which Meritage intends to pursue to achieve its strategic objectives, constitute forward-looking information. Implementation of these strategies and achievement of such financial performance are subject to numerous conditions, uncertainties and risk factors, which could cause actual performance to differ materially from the forward-looking statements. These include, without limitation: competition; changes in the national or local economy; changes in consumer tastes and eating habits; concerns about the nutritional quality of our restaurant menu items; concerns about consumption of beef or other menu items due to diseases; promotions and price discounting by competitors; severe weather; changes in travel patterns; road construction; demographic trends; the cost of food, labor and energy; the availability and cost of suitable restaurant sites; the ability to finance expansion; interest rates; insurance costs; the availability of adequate managers and hourly-paid employees; directives issued by the franchisor regarding operations and menu pricing; the general reputation of Meritage's and its franchisors' restaurants; the relationship between Meritage and its franchisors; legal claims; and the recurring need for renovation and capital improvements. Meritage is also subject to extensive government regulations relating to, among other things, zoning, public health, sanitation, alcoholic beverage control, environment, food preparation, minimum and overtime wages and tips, employment of minors, citizenship requirements, working conditions, and the operation of its restaurants. Because Meritage's operations are concentrated in certain areas of Michigan, Florida, Georgia, North and South Carolina and Virginia, continued economic decline in these states, or in the local economies where our restaurants are located, could adversely affect our operations. Additionally, with Meritage's expansion into Florida, the Company could be adversely affected by tropical storms or hurricanes. The Company's news releases and public reports are not intended to constitute an offer to sell or a solicitation of an offer to buy any securities of the Company or otherwise engage in a transaction with the Company.