Meritage Hospitality Group Inc.
Quarterly Report

For Quarterly Period Ended September 27, 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	9/27/15	12/28/14	12/29/13
Authorized:	30,000,000 shares	30,000,000 shares	30,000,000 shares
Outstanding:	5,632,137 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:	856,000 shares	746,000 shares	746,000 shares
Freely Tradable (public float):	300,000 shares	300,000 shares	300,000 shares
Number of record holders:	37 holders	38 holders	33 holders

Item 3 Interim financial statements.

See the unaudited consolidated financial report for the quarter ended September 27, 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 $53.3 million and $150.8 million in the three and nine months ended September 27, 2015, compared to revenues of $40.7 million and $116.4 million for the three and nine months ended September 28, 2014, an increase of 31.1% and 29.6%, respectively. The year to date increase in revenues was primarily due to the net addition of 25 restaurants during 2015, and the addition of 23 restaurants in 2014. Additionally, total Company "same store sales" increased by 3.5% and 2.2% for all restaurants in the three months and nine months ended September 27, 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 109 Wendy's restaurants through 14 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 September 27, 2015, the Company operated 162 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, 38 in Georgia, two in North Carolina, one in South Carolina, 10 in Virginia, and 15 in Ohio. 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	24	-	24
Newly opened restaurants	2	-	2
Closed restaurants	-1	-	-1
Restaurants as of September 27, 2015	162	5	167

Results of operations are summarized below.

	Three Months Ended (000's)				Nine Months Ended (000's)			
	9/27/2015		9/28/2014		9/27/2015		9/28/2014	
Food and Beverage Revenue	$53,328	100.0%	$40,670	100.0%	$150,810	100.0%	$116,351	100.0%
Costs and Expenses								
Cost of food and beverages	14,431	27.1%	11,986	29.5%	40,758	27.0%	33,837	29.1%
Labor and related expenses	15,450	29.0%	12,352	30.4%	43,705	29.0%	34,804	29.9%
Advertising expenses	2,214	4.2%	1,712	4.2%	6,210	4.1%	4,809	4.1%
Other operating expenses	14,065	26.4%	10,948	26.9%	39,707	26.3%	30,891	26.6%
Total Operating Costs	46,159	86.6%	36,998	91.0%	130,380	86.5%	104,341	89.7%
General & administrative expense	2,707	5.1%	1,522	3.7%	8,182	5.4%	5,259	4.5%
Preopening and acquisition expenses	338	0.6%	352	0.9%	678	0.4%	566	0.5%
Closing and disposition expenses	-	0.0%	17	0.0%	706	0.5%	55	0.0%
Depreciation and amortization	1,154	2.2%	711	1.7%	3,229	2.1%	2,076	1.8%
Total Costs and Expenses	50,357	94.4%	39,600	97.4%	143,175	94.9%	112,298	96.5%
Income from Operations	2,971	5.6%	1,069	2.6%	7,636	5.1%	4,054	3.5%
Other (Income) Expense								
Interest expense	597	1.1%	438	1.1%	1,688	1.1%	1,433	1.2%
Other Income	(12)	0.0%	(503)	-1.2%	(1,627)	-1.1%	(461)	-0.4%
Total Other (Income) Expense	585	1.1%	(65)	-0.2%	60	0.0%	972	0.8%
Income Before Income Taxes	2,386	4.5%	1,134	2.8%	7,575	5.0%	3,082	2.6%
Income Tax Expense	884	1.7%	341	0.8%	2,830	1.9%	881	0.8%
Net Income	1,502	2.8%	794	2.0%	4,745	3.1%	2,201	1.9%

Food and Beverage Revenue

For the three months ended September 27, 2015, revenues increased 31.1%, to $53.3 million from $40.7 million. In the nine months ended September 27, 2015, revenues increased 29.6%, to $150.8 million from $116.4 million.

The Company's Wendy's restaurants reported sales of $49.6 million and $140.0 million in the three and nine months ended September 27, 2015, an increase of 34.2% and 32.4%, respectively, over the same period in the prior year. The most significant contributing factor to the year to date increase was the addition of 23 Wendy's restaurants in 2014, and 25 restaurants in 2015. The Company's Wendy's restaurants experienced a "same store sales" increase of 3.8% in the third quarter of 2015, and an increase of 2.3% in the first nine months of 2015 over prior year's sales.

The Company's casual dining restaurants reported sales of $3.7 million and $10.9 million in the three and nine months ended September 27, 2015, a same store sales decrease of 0.1% and increase of 1.7% respectively over prior year's sales.

Cost of Food and Beverages

Food and beverage costs as a percentage of revenue were 27.1% and 27.0% in the three and nine months ended September 27, 2015, respectively, compared to food and beverage costs of 29.5% and 29.1% in the same periods in the prior year. The decrease in cost of food and beverage as a percentage of revenues was due to strategic price increases which were partially offset by a 9% increase in average beef costs to $2.51 per pound in the three months ended September 27, 2015, from $2.29 for the three months ended September 28, 2014. Comparably, average beef costs increased 19% to $2.59 for the nine months ended September 27, 2015 from $2.17 per pound for the nine months ended September 28, 2014.

Labor and Related Expenses

Labor and related expenses decreased to 29.0% of revenues for the three and nine months ended September 27, 2015, from 30.4% and 29.9% for the same period in the prior year. The decrease in labor as a percentage of sales 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 as a percentage of revenues decreased to 26.4% in the three months ended September 27, 2015 from 26.9% in the three months ended September 28, 2014. The decrease is related to increased sales in 2015, resulting in a diluted impact of fixed costs as a percentage of sales. Other operating expenses as a percentage of revenues for the nine months ended September 27, 2015 remained consistent when compared to the same period in the prior year.

General and Administrative Expenses

General and administrative expenses increased to 5.1% and 5.5% of revenues in the three and nine months ended September 27, 2015, respectively, from 3.7% and 4.5% of revenues in the three and nine months ended September 28, 2014. The percentage increase is primarily related to bonus compensation for improved performance.

Preopening and Acquisition, & Closing and Disposition Expenses

Preopening and acquisition expenses include costs associated with the acquisition of 24 Wendy's restaurants during the first nine months of 2015, as well as costs related to new build and reimage locations under construction.

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 25 restaurants in 2015.

Other Income

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

Income Tax Expense

Income tax expense is summarized below.

	Three Months Ended (000's)		Nine Months Ended (000's)	
	9/27/2015	9/28/2014	9/27/2015	9/28/2014
Federal income tax expense	145	299	828	655
State and local income tax expense	122	102	587	311
Change in deferred tax asset	617	(60)	1,415	(85)
Income tax expense	884	341	2,830	881

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 September 27, 2015, the Company was in compliance with these requirements.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of September 27, 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.

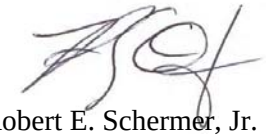
I, Robert E. Schermer, Jr., Chief Executive Officer, certify that:

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.

November 4, 2015



Robert E. Schermer, Jr.
Chief Executive Officer

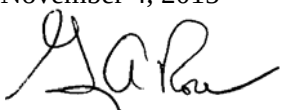
I, Gary A. Rose, Chief Financial Officer, certify that:

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.

November 4, 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 Carolina, South Carolina, Virginia and Ohio, significant economic changes 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.

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Financial Report
September 27, 2015 and September 28, 2014

Meritage Hospitality Group Inc. and Subsidiaries

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Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Balance Sheet (unaudited)

	September 27, 2015	December 28, 2014
Assets		
Current Assets		
Cash	$ 6,703,726	$ 5,200,901
Receivables	652,878	237,887
Inventories	1,334,982	1,267,596
Prepaid expenses and other current assets	967,272	1,357,816
Total Current Assets	9,658,858	8,064,200
Property and Equipment - Net	43,973,138	39,273,369
Goodwill	38,016,614	25,675,350
Intangible Assets	1,434,591	1,409,403
Deferred Income Taxes	2,689,388	4,104,152
Other Assets		
Notes receivable	798,237	548,215
Long-term investments	5,056,871	4,783,638
Deposits and other assets	1,927,464	1,671,381
Total Assets	**$ 103,555,161**	**$ 85,529,708**
Liabilities and Equity		
Current Liabilities		
Trade accounts payable	$ 6,366,172	$ 6,351,440
Revolving line of credit	7,105,956	4,603,213
Current portion of long-term debt	6,834,729	6,378,332
Accrued liabilities	8,866,464	7,242,834
Total Current Liabilities	29,173,321	24,575,819
Unearned Vendor Allowances	1,461,675	1,002,908
Accrued Rent	2,571,568	2,435,059
Other Long-term Obligations	1,820,926	1,514,199
Long-term Debt - Net of current portion	40,373,306	32,338,004
Deferred Gain - Sale and leaseback transactions	9,651,969	10,632,067
Equity	18,502,396	13,031,652
Total Liabilities and Equity	**$ 103,555,161**	**$ 85,529,708**

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Operations (unaudited)

	Three Months Ended	
	September 27, 2015	September 28 2014
Food and Beverage Revenue	$ 53,328,312	$ 40,669,562
Costs and Expenses		
Cost of food and beverages	14,430,724	11,986,198
Labor and related expenses	15,449,528	12,351,792
Advertising expenses	2,213,949	1,711,855
Other operating expenses	14,064,793	10,948,002
Total Operating Expenses	46,158,994	36,997,847
General and administrative expenses	2,706,516	1,522,165
Preopening and acquisition expenses	337,756	351,750
Closing and disposition expenses	-	17,334
Depreciation and amortization	1,153,964	711,096
Total Costs and Expenses	50,357,230	39,600,192
Income from Operations	2,971,082	1,069,370
Other (Income) Expense		
Interest expense	597,380	438,295
Other income	(12,165)	(503,157)
Total Other (Income) Expense	585,215	(64,862)
Income Before Income Taxes	2,385,867	1,134,232
Income Tax Expense	884,117	340,502
Net Income	**$ 1,501,750**	**$ 793,730**

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Operations (unaudited)

	Nine Months Ended	
	September 27, 2015	September 28 2014
Food and Beverage Revenue	$ 150,810,455	$ 116,351,209
Costs and Expenses		
Cost of food and beverages	40,758,320	33,837,103
Labor and related expenses	43,704,725	34,803,724
Advertising expenses	6,209,988	4,808,859
Other operating expenses	39,707,063	30,891,391
Total Operating Expenses	130,380,096	104,341,077
General and administrative expenses	8,181,756	5,259,140
Preopening and acquisition expenses	677,563	565,738
Closing and disposition expenses	706,657	54,943
Depreciation and amortization	3,228,722	2,076,444
Total Costs and Expenses	143,174,794	112,297,342
Income from Operations	7,635,661	4,053,867
Other (Income) Expense		
Interest expense	1,687,546	1,432,523
Other income	(1,627,100)	(460,755)
Total Other Expense	60,446	971,768
Income Before Income Taxes	7,575,215	3,082,099
Income Tax Expense	2,830,170	880,735
Net Income	**$ 4,745,045**	**$ 2,201,364**

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 Earnings 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					4,745,045	-	4,745,045
Issuance of 110,000 shares of preferred stock		1,100		1,098,900			1,100,000
Issuance of 24,615 shares of common stock			246	42,702			42,948
Common dividends				(168,816)			(168,816)
Preferred dividends				(479,722)			(479,722)
Stock option expense				231,289			231,289
Balance - September 27, 2015	$ 295	$ 8,560	$ 56,321	$ 18,095,479	$ 341,741	$ -	$ 18,502,396

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Cash Flows (unaudited)

	Nine Months Ended	
	September 27, 2015	September 28 2014
Cash Flows from Operating Activities		
Net Income	$ 4,745,045	$ 2,201,364
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	3,228,722	2,076,444
Deferred income taxes	1,414,764	163,267
Amortization of deferred gain from sale and leaseback transactions	(1,662,251)	(668,068)
Change in fair market value of swap	-	45,161
Compensation paid by issuance of common stock	42,948	89,093
Loss on disposal of intangible assets	-	182,807
Loss on disposal of fixed assets	45,736	26,162
Stock option expense	231,289	87,052
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	(414,991)	177,190
Inventories	96,496	13,743
Prepaid expenses and other current assets	390,544	418,546
Deposits and other assets	(264,068)	(204,560)
Accounts payable	14,732	977,781
Accrued liabilities	1,431,183	(1,027,326)
Other long-term liabilities	306,727	171,363
Accrued rent	136,509	454,605
Unearned vendor allowances	206,356	277,590
Net cash provided by operating activities	9,949,741	5,462,214
Cash Flows from Investing Activities		
Purchase of property and equipment	(14,447,453)	(7,066,566)
Purchase of intangible assets	(67,499)	(67,705)
Change in long term investments	(273,233)	-
Acquisitions, net	(15,724,911)	(7,991,414)
Net cash used in investing activities	(30,513,096)	(15,125,685)

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Cash Flows Continued (unaudited) Continued

	Nine Months Ended	
	September 27, 2015	September 28 2014
Cash Flows from Financing Activities		
Proceeds from note receivable	249,978	-
Proceeds from long-term debt	14,680,588	15,780,250
Proceeds from sale leaseback transactions	10,481,645	7,538,279
Proceeds (repayments) from revolving line of credit - net	8,118,371	1,884,255
Principal payments on long-term debt	(4,400,577)	(9,580,013)
Payments on debt related to sale leaseback transactions	(7,251,878)	(4,270,000)
Proceeds (payment) on capital lease - net	(152,062)	715,821
Payments on financing costs	(111,347)	(234,619)
Proceeds from issuance of preferred stock	1,100,000	-
Common stock dividends paid	(168,816)	(83,547)
Preferred stock dividends paid	(479,722)	(467,526)
Net cash provided from financing activities	22,066,180	11,282,900
Net Increase in Cash	1,502,825	1,619,429
Cash - Beginning of year	5,200,901	3,479,265
Cash - End of period	$ 6,703,726	$ 5,098,694
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	$ 1,678,150	$ 1,411,271
Income taxes	$ 687,355	$ 307,049
Significant non-cash investing and financing transactions:		
Deferred gain on sale leaseback transactions	$ 682,153	$ 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 September 27, 2015 and December 28, 2014. 1,350,000 shares are designated as Series B convertible cumulative preferred stock, with 856,000 and 746,000 shares issued and outstanding as of September 27, 2015 and December 28, 2014, respectively.

The Company has 30,000,000 authorized shares of $.01 par value per share common stock, with 5,632,137 and 5,607,523 shares issued and outstanding as of September 27, 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 and $1,141,000 of cash. 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 these transactions.

The Company acquired 15 Wendy’s restaurants in July 2015. The restaurants acquired included the business and equipment, and two of the stores also included buildings. 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 $8,360,000 of new debt, $1,100,000 of newly issued Preferred B shares, and $215,000 of cash. The transactions resulted in the recording of approximately $7,077,000 of goodwill, $2,046,000 of equipment, $250,000 of buildings, a $500,000 note receivable, and $105,000 of inventory.

The Company expensed $123,000 of acquisition and preopening costs in 2015 related to these transactions.

Note 4 - Sale Leasebacks

The Company completed five sale and leaseback transactions during the nine months ended September 27, 2015. The Company netted proceeds of approximately $10,482,000, and with such proceeds paid down indebtedness of $8,231,000, and deposited $2,185,000 into the Company's treasury. The Company recorded deferred gains of approximately $682,000. The gains are being amortized over the 20-year lease terms and recorded as a reduction of base rent expense.

Note 5 - Revolving Line of Credit

The Company has one revolving line of credit agreement with a bank that currently allows for borrowings up to $10,000,000, which was increased during 2015 from the previous borrowing limit of $5,100,000 at December 28, 2014.

Note 6 - Commitments and Contingencies

As part of the Company's ongoing franchise relationship with the Wendy's Company, the Company is required to complete certain agreed upon improvements to facilities amounting to approximately $951,000. Additionally, the Company is required to complete Image Activations ("IA's"), (defined as a refresh or remodel) at 22 of the Wendy's restaurants acquired during 2014 and 2015, and expects to incur approximately $7,750,000 million in capital improvements by December 31, 2021, related to these IA's.