Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Financial Report
October 2, 2016 and September 27, 2015

Contents

Consolidated Financials Statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Balance Sheet (unaudited)

	October 2, 2016	January 3, 2016
Assets		
Current Assets		
Cash	$ 9,408,899	$ 6,587,845
Receivables	300,642	428,196
Inventories	1,450,859	1,401,707
Prepaid expenses and other current assets	2,451,288	2,515,490
Total Current Assets	13,611,688	10,933,238
Property and Equipment - Net	54,383,966	49,072,061
Goodwill	48,228,488	38,016,614
Intangible Assets	841,155	880,578
Deferred Income Taxes	1,370,920	2,332,186
Other Assets		
Notes receivable	548,215	548,215
Long-term investments	5,376,954	5,261,724
Deposits and other assets	3,018,288	1,975,441
Total Assets	**$ 127,379,674**	**$ 109,020,057**
Liabilities and Equity		
Current Liabilities		
Trade accounts payable	$ 8,419,162	$ 10,027,501
Revolving line of credit	7,175,987	6,792,864
Current portion of long-term debt	19,887,794	6,586,265
Accrued liabilities	9,885,840	9,512,562
Total Current Liabilities	45,368,783	32,919,192
Unearned Vendor Allowances	1,137,415	565,906
Accrued Rent	2,956,535	2,664,792
Deferred Compensation	2,713,668	1,780,525
Long-term Debt - Net of current portion	40,510,985	40,722,124
Deferred Gain - Sale and leaseback transactions	9,847,176	9,834,161
Equity	24,845,112	20,533,357
Total Liabilities and Equity	**$ 127,379,674**	**$ 109,020,057**

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Operations (unaudited)

	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015
Food and Beverage Revenue	$ 61,721,929	$ 53,328,312
Costs and Expenses		
Cost of food and beverages	16,158,149	14,430,724
Labor and related expenses	18,040,698	15,449,528
Advertising expenses	2,618,448	2,213,949
Other operating expenses	16,260,072	14,064,793
Total Operating Expenses	53,077,367	46,158,994
General and administrative expenses	3,727,409	2,706,516
Preopening and acquisition expenses	493,321	337,756
Closing and disposition expenses	40,623	-
Depreciation and amortization	1,514,857	1,111,920
Total Costs and Expenses	58,853,577	50,315,186
Income from Operations	2,868,352	3,013,126
Other Expense (Income)		
Interest expense	801,740	639,424
Other income	(452,710)	(12,165)
Total Other Expense	349,030	627,259
Income Before Income Taxes	2,519,322	2,385,867
Income Tax Expense	549,935	884,117
Net Income	**$ 1,969,387**	**$ 1,501,750**

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Operations (unaudited)

	Nine Months Ended	
	October 2, 2016	September 27, 2015
Food and Beverage Revenue	$ 174,371,544	$ 150,810,455
Costs and Expenses		
Cost of food and beverages	45,754,111	40,758,320
Labor and related expenses	51,420,303	43,704,725
Advertising expenses	7,363,131	6,209,988
Other operating expenses	45,052,157	39,707,063
Total Operating Expenses	149,589,702	130,380,096
General and administrative expenses	9,908,290	8,181,756
Preopening and acquisition expenses	1,447,441	677,563
Closing and disposition expenses	774,621	706,657
Depreciation and amortization	4,139,952	3,113,285
Total Costs and Expenses	165,860,006	143,059,357
Income from Operations	8,511,538	7,751,098
Other Expense (Income)		
Interest expense	2,277,196	1,802,983
Other income	(300,644)	(1,627,100)
Total Other Expense	1,976,552	175,883
Income Before Income Taxes	6,534,986	7,575,215
Income Tax Expense	1,964,289	2,830,170
Net Income	**$ 4,570,697**	**$ 4,745,045**

See notes to consolidated financial statements

	Series A Convertible Preferred Stock	Series B Convertible Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance - December 28, 2014	$ 295	$ 7,460	$ 56,075	$ 17,371,126	$ (4,403,304)	$ 13,031,652
Net income					7,026,294	7,026,294
Issuance of 110,000 shares of preferred stock		1,100		1,098,900		1,100,000
Issuance of 43,720 shares of common stock			437	51,522		51,959
Common stock dividends				(337,781)		(337,781)
Preferred stock dividends				(657,564)		(657,564)
Stock option expense				318,797		318,797
Balance - January 3, 2016	$ 295	$ 8,560	$ 56,512	$ 17,845,000	$ 2,622,990	$ 20,533,357
Net income					4,570,697	4,570,697
Issuance of 238,655 shares of common stock			2,387	158,209		160,596
Preferred stock converstion		(32)	57	(25)		-
Common stock dividends				(290,228)		(290,228)
Preferred stock dividends				(532,896)		(532,896)
Stock option expense				403,586		403,586
Balance - October 2, 2016	$ 295	$ 8,528	$ 58,956	$ 17,583,646	$ 7,193,687	$ 24,845,112

See notes to consolidated financial statements

Meritage Hospitality Group Inc. and Subsidiaries

Consolidated Statement of Cash Flows (unaudited)

	Nine Months Ended	
	October 2, 2016	September 27, 2015
Cash Flows from Operating Activities		
Net Income	$ 4,570,697	$ 4,745,045
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	4,139,952	3,113,285
Amortization of financing costs	140,006	115,437
Deferred income taxes	961,266	1,414,764
Amortization of deferred gain from sale and leaseback transactions	(673,392)	(646,259)
Recognition of gain on real estate transactions	(282,388)	(1,015,992)
Compensation paid by issuance of common stock	33,971	27,030
Loss on disposal of fixed assets	838,045	45,736
Stock option expense	403,586	231,289
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	127,554	(414,991)
Inventories	61,404	96,496
Prepaid expenses and other current assets	64,202	390,544
Deposits and other assets	(1,021,686)	(264,068)
Accounts payable	(1,608,339)	14,732
Accrued liabilities	259,957	1,431,183
Deferred compensation	933,143	306,727
Accrued rent	291,743	136,509
Unearned vendor allowances	323,260	206,356
Net cash provided by operating activities	9,562,981	9,933,823
Cash Flows from Investing Activities		
Purchase of property and equipment	(14,313,312)	(14,447,453)
Purchase of intangible assets	(69,401)	(67,499)
Change in long term investments	(115,230)	(273,233)
Acquisitions, net	(11,051,149)	(15,724,911)
Net cash used in investing activities	(25,549,092)	(30,513,096)

See notes to consolidated financial statements

Consolidated Statement of Cash Flows (unaudited) Continued

	Nine Months Ended	
	October 2, 2016	September 27, 2015
Cash Flows from Financing Activities		
Proceeds from note receivable	-	249,978
Proceeds from long-term debt	18,324,156	14,680,588
Proceeds from revolving line of credit - net	5,490,186	8,118,371
Proceeds from sale leaseback transactions	6,170,157	10,481,645
Principal payments on long-term debt	(5,148,427)	(4,400,577)
Payments on capital lease	(184,347)	(152,062)
Payments on debt related to sale leaseback transactions	(5,107,063)	(7,251,878)
Payments on financing costs	(40,998)	(111,347)
Proceeds from issuance of common stock	126,625	15,918
Proceeds from issuance of preferred stock	-	1,100,000
Common stock dividends paid	(290,228)	(168,816)
Preferred stock dividends paid	(532,896)	(479,722)
Net cash provided by financing activities	18,807,165	22,082,098
Net Increase in Cash	2,821,054	1,502,825
Cash - Beginning of year	6,587,845	5,200,901
Cash - End of period	$ 9,408,899	$ 6,703,726
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	$ 2,180,329	$ 1,678,150
Income taxes	$ 596,070	$ 687,355
Significant non-cash investing and financing transactions:		
Deferred gain on sale leaseback transactions	$ 968,795	$ 682,153

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 $0.01 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 October 2, 2016 and January 3, 2016. 1,350,000 shares are designated as Series B convertible cumulative preferred stock, with 852,850 shares issued and outstanding as of October 2, 2016 and 856,000 as of January 3, 2016. 1,500,000 shares are designated as Series C convertible cumulative preferred stock, with zero shares issued and outstanding as of October 2, 2016.

The Company has 30,000,000 authorized shares of $0.01 par value per share common stock, with 5,895,554 and 5,651,242 shares issued and outstanding as of October 2, 2016 and January 3, 2016, respectively.

Note 3 - Acquisition of Wendy's Restaurants

The Company acquired eight Wendy's restaurants in June 2016. 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 $4,800,000 of new debt, and $871,000 of cash. The transaction resulted in the recording of approximately $5,463,000 of goodwill, $312,000 of equipment, $50,000 of inventory and $155,000 of liabilities.

The Company acquired 10 Wendy's restaurants in August 2016. 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 $5,292,000 of new debt, and $88,000 of cash. The transaction resulted in the recording of approximately $4,677,000 of goodwill, $778,000 of equipment and leasehold improvements, $60,000 of inventory and $207,000 of liabilities.

The Company expensed $299,000 of acquisition and preopening costs in 2016 related to these transactions.

Note 4 - Sale Leasebacks

The Company completed three sale and leaseback transactions during the nine months ended October 2, 2016. The Company netted proceeds of approximately $6,170,000, and with such proceeds paid down indebtedness of $5,107,000, and deposited $1,048,000 into the Company's treasury. The Company recorded deferred gains of approximately $969,000. The gains are being amortized over the 20-year lease terms and recorded as a reduction of base rent expense.

Note 5 - 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 as well as reimage a portion of the Wendy's restaurants acquired since 2014 by December 31, 2021. As of October 2, 2016, the Company has remaining estimated capital improvements of $8,304,000 toward these efforts.

Note 6 - New Accounting Principles

As of January 3, 2016, the Company adopted ASU 2015-3, "Interest-Imputation of Interest: Simplifying the presentation of Debt Issuance Costs", that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts and ASU 2015-15 that supplements these requirements by allowing an entity to defer and present debt issue costs related to a line of credit arrangement as an asset and subsequently amortize the costs over the term of the agreement. The new presentation requirements have been applied retrospectively and amounts reported in the balance sheet have been restated by reducing intangible assets and long-term debt by $403,000 and $540,000 as of October 2, 2016 and September 27, 2015, respectively.

The new guidance does not affect how the debt issuance costs are accounted for after initial recognition, and these amounts continue to be amortized over the term of the related debt. As a part of adopting the new standard, amortization of debt issuance costs is now reported as a component of interest expense; previously these amounts were reported as a part of amortization expense. The statement of operations has also been restated to report $50,000 and $42,000 of amortization of debt issuance costs as a component of interest expense for the three months ended October 2, 2016 and September 27, 2015, respectively, and $140,000 and $115,000 for the nine months ended October 2, 2016 and September 27, 2015, respectively.

Note 7 - Reclassification

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

Note 8 - Subsequent Event

On October 20, 2016, the Company closed on a five year $97,000,000 credit facility with a bank. The credit facility includes $66,000,000 of existing debt that was refinanced, as well as flexible development lines of credit for continued reimaging and expansion. The credit facility has a variable interest rate ranging from LIBOR plus 2.25 percent to LIBOR plus 2.75 percent, and expires on November 2021. Subsequently, within 120 days of close, the Company is required to enter into an interest rate swap agreement for a minimum of approximately $26,500,000 of the total credit facility. Substantially all property and equipment owned by the Company is pledged as collateral for the Company's long-term debt and revolving lines of credit.

Meritage Hospitality Group Inc.
Quarterly Report

For Quarterly Period Ended October 2, 2016

The following information provides updates to the Annual Report for Fiscal Year Ended January 3, 2016. 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 January 3, 2016, 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:
45 Ottawa Ave SW, Suite 600
Grand Rapids, MI 49503
Telephone: 616.776.2600
Facsimile: 616.776.2776
Web: www.meritagehospitality.com

Item 2 Shares outstanding.

Common Shares	10/02/16	01/03/16	12/28/14
Authorized:	30,000,000 shares	30,000,000 shares	30,000,000 shares
Outstanding:	5,895,554 shares	5,651,242 shares	5,607,523 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. 491 holders	approx. 360 holders	approx. 383 holders
Number of record holders:	approx. 91 holders	approx. 95 holders	approx. 100 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:	852,850 shares	856,000 shares	746,000 shares
Freely Tradable (public float):	300,000 shares	300,000 shares	300,000 shares
Number of record holders:	38 holders	39 holders	38 holders
Preferred C			
Authorized:	1,500,000 shares	0 shares	0 shares

Item 3 Interim financial statements.

See the unaudited consolidated financial report for the quarter ended October 2, 2016 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 $61.7 million and $174.4 million in the three and nine months ended October 2, 2016, compared to revenues of $53.3 million and $150.8 million for the three and nine months ended September 27, 2015, an increase of 15.7% and 15.6%, respectively. The increase in revenues was primarily the result of acquiring 24 Wendy's restaurants in 2015, and to a lesser extent, a result of 18 Wendy's restaurants acquired between June and August 2016, as well as the opening of the Company's new casual dining restaurant, Wheelhouse Kitchen & Cocktails, in May 2016. Additionally, total Company "same store sales" (i.e., food and beverage revenue for stores in full operation on a per period basis for both fiscal years) increased by 2.0% and 2.9% for all restaurants in the three months and nine months ended October 2, 2016, respectively.

The Company expects to continue to evaluate acquisition opportunities in the Wendy's and casual dining restaurant segments. Since 2009, the Company has acquired 127 Wendy's restaurants through 16 separate transactions.

Results of Operations

Meritage operates in the quick-service and casual dining restaurant industries. The Company has experienced significant growth through its acquisition efforts and the launch of its own independent concepts, Twisted Rooster, Crooked Goose, Freighters Eatery & Taproom, and Wheelhouse Kitchen & Cocktails. At October 2, 2016, the Company operated 177 Wendy's quick-service restaurants under franchise agreements with The Wendy's Company and six casual dining restaurants. Of the Wendy's restaurants, 46 are located in Michigan, 49 in Florida, 36 in Georgia, two in North Carolina, one in South Carolina, 10 in Virginia, 15 in Ohio and 18 in Oklahoma. All six casual dining restaurants are located in Michigan.

A schedule of Company restaurants follows:

	Wendy's	Casual Dining	Total Restaurants
Restaurants as of December 28, 2014	137	5	142
Acquired restaurants	24	-	24
Newly opened restaurants	2	-	2
Closed restaurants	-2	-	-2
Restaurants as of January 3, 2016	161	5	166
Acquired restaurants	18	-	18
Newly opened restaurants	1	1	2
Closed restaurants	-3	-	-3
Restaurants as of October 2, 2016	177	6	183

Results of operations are summarized below.

	Three Months Ended (000's)				Nine Months Ended (000's)			
	10/2/2016		9/27/2015		10/2/2016		9/27/2015	
	$	%	$	%	$	%	$	%
Food and Beverage Revenue	61,722	100	53,328	100	174372	100	150,810	100
Costs and Expenses								
Cost of food and beverages	16,158	26.2	14,431	27.1	45,754	26.2	40,758	27
Labor and related expenses	18,041	29.2	15,450	29	51,420	29.5	43,705	29
Advertising expenses	2,618	4.2	2,214	4.2	7,363	4.2	6,210	4.1
Other operating expenses	16,260	26.3	14,065	26.4	45,052	25.8	39,707	26.3
Total Operating Costs	53,077	86	46,159	86.6	149,590	85.8	130,380	86.5
General & administrative expense	3,727	6	2,707	5.1	9,908	5.7	8,182	5.4
Preopening and acquisition expenses	493	0.8	338	0.6	1,447	0.8	678	0.4
Closing and disposition expenses	41	0.1	-	0	775	0.4	706	0.5
Depreciation and amortization	1,515	2.5	1,112	2.1	4,140	2.4	3,113	2.1
Total Costs and Expenses	58,854	95.4	50,315	94.4	165,860	95.1	143,059	94.9
Income from Operations	2,868	4.6	3,013	5.6	8,512	4.9	7,751	5.1
Other Expense (Income)								
Interest expense	802	1.3	639	1.2	2,277	1.3	1,803	1.2
Other Income	(453)	-0.7	(12)	0	(301)	-0.2	(1,627)	-1.1
Total Other Expense	349	0.6	627	1.2	1,977	1.1	176	0.1
Income Before Income Taxes	2,519	4.1	2,386	4.5	6,535	3.7	7,575	5
Income Tax Expense	550	0.9	884	1.7	1,964	1.1	2,830	1.9
Net Income	1,969	3.2	1,502	2.8	4,571	2.6	4,745	3.1

Food and Beverage Revenue

For the three months ended October 2, 2016, revenues increased 15.7%, to $61.7 million from $53.3 million in the three months ended September 27, 2015. In the nine months ended October 2, 2016, revenues increased 15.6%, to $174.4 million from $150.8 million in the nine months ended September 27, 2015.

The Company's Wendy's restaurants reported sales of $57.8 million and $163.8 million in the three and nine months ended October 2, 2016, representing increases of 16.4% and 17.0%, respectively, over the same period in the prior year. The most significant contributing factor to the increase was the acquisition of 24 Wendy's restaurants in 2015, and to a lesser extent, 18 Wendy's restaurants in 2016. The Company's Wendy's restaurants experienced a "same store sales" increase of 3.0% in the third quarter of 2016, and an increase of 3.9% in the first nine months of 2016 over prior year's sales.

The Company's casual dining restaurants reported sales of $3.9 million and $10.6 million in the three and nine months ended October 2, 2016, a same store sales decrease of 10.1% and 9.9% respectively over prior year's sales, reflecting an overall national downward trend in the casual dining segment, as well as increased competitive intrusion.

Cost of Food and Beverages

Food and beverage costs as a percentage of revenue was 26.2% for the three and nine months ended October 2, 2016, compared to food and beverage costs of 27.1% and 27.0% in the same periods in the prior year. The decrease in cost of food and beverage as a percentage of revenues was due to market level strategic price increases, coupled with a 25.9% decrease in average beef costs to $1.92 per pound in the three months ended October 2, 2016, from $2.59 for the three months ended September 27, 2015. Comparably, average beef costs decreased 23.1% to $1.93 for the nine months ended October 2, 2016 from $2.51 per pound for the nine months ended September 27, 2015.

Labor and Related Expenses

Labor and related expenses as a percentage of revenue was 29.2% and 29.5% for the three and nine months ended October 2, 2016, compared to labor and related expenses of 29.0% in the three and nine months ended September 27, 2015. The increase in labor is primarily attributed to the overall increase in minimum wage, combined with additional labor required for Wendy's value meal promotion, "Four-for-Four", which offered four items for four dollars.

Other Operating Expenses

Other operating expenses as a percentage of revenues decreased to 26.3% and 25.8% in the three and nine months ended October 2, 2016, respectively, from 26.4% and 26.3% in the three and nine months ended September 27, 2015. The decrease is primarily related to increased sales in 2016, resulting in a dilutive impact of fixed costs as a percentage of sales.

General and Administrative Expenses

General and administrative expenses increased to 6.0% and 5.7% of revenues in the three and nine months ended October 2, 2016, respectively, from 5.1% and 5.4% of revenues in the three and nine months ended September 27, 2015. The percentage increase is primarily related to incentive compensation for improved performance, as well as an increase in overhead labor resulting from organizational growth.

Preopening and Acquisition Expenses

Preopening and acquisition expenses for the nine months ended October 2, 2016 include costs associated with the acquisition of 18 Wendy's restaurants in the second and third quarter of 2016, numerous reimaging efforts, and the opening of a newly built Wendy's restaurant. Preopen and acquisition expenses for the nine months ended September 27, 2015 were primarily related to the acquisition of 24 Wendy's restaurants.

Closing and Disposition Expenses

Closing and disposition expenses represent actual and estimated costs related to the closure of under-performing restaurants. Closing and disposition expenses are expected to be an ongoing expense from continuing efforts to improve our overall restaurant portfolio.

Interest Expense

The increase in the amount of interest expense was primarily due to financings associated with the acquisition of 18 Wendy's restaurants in 2016, as well as 24 Wendy's restaurants in 2015.

Other Income

Other income was primarily related to gains on a real estate transactions completed in the first nine months of 2016.

Income Tax Expense

Income tax expense is summarized below.

	Three Months Ended (000's)		Nine Months Ended (000's)	
	10/2/2016	9/27/2015	10/2/2016	9/27/2015
Federal income tax expense	75	145	608	828
State and local income tax expense	108	122	395	587
Change in deferred tax asset	367	617	961	1,415
Income tax expense	550	884	1,964	2,830

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. Subsequent to the end of the quarter, the company refinanced existing debt and obtained flexible development lines of credit to be used for continued reimaging and expansion. Loan covenants of the Company's various loan agreements include requirements for the maintenance of certain financial ratios. At October 2, 2016, the Company was in compliance with these requirements.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of October 2, 2016.

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 policies that are standard to the industry that, subject to deductibles, are designed to cover 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 11, 2016

Robert E. Schermer, Jr.
Chief Executive Officer

I, Tracey A. Smith, 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 11, 2016

Tracey A. Smith
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; credit card fraud; 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, Virginia, Ohio and Oklahoma, 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 and Oklahoma, the Company could be adversely affected by tropical storms, hurricanes, or tornadoes. 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.