

Meritage Hospitality Group Inc.

**Consolidated Financial Report
September 28, 2025 and September 29, 2024**

Consolidated Financial Statements

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Meritage Hospitality Group Inc.

	Consolidated Balance Sheets	
	(in thousands)	
	(unaudited)	
	September 28, 2025	December 29, 2024
Assets		
Current Assets		
Cash	\$ 12,120	\$ 20,849
Receivables	1,682	4,111
Inventories	5,173	5,304
Prepaid expenses	4,053	4,269
Other current assets	1,218	2,433
Total Current Assets	24,246	36,966
Property and Equipment - Net	121,531	156,534
Goodwill	205,239	205,239
Intangible Assets - Net	7,298	7,391
Operating Lease Right-of-Use Assets - Net	400,554	388,748
Other Assets	13,020	15,287
Total Assets *	\$ 771,888	\$ 810,165
Liabilities and Equity		
Current Liabilities		
Trade accounts payable	\$ 23,757	\$ 26,878
Lines of credit	17,122	37,181
Current portion of long-term debt	20,642	21,523
Current portion of operating lease obligations payable	27,664	27,175
Accrued payroll	12,904	14,550
Accrued liabilities	12,973	9,303
Total Current Liabilities	115,062	136,610
Unearned Vendor Allowances	6,893	2,226
Operating Lease Obligations Payable - Net of current portion	379,043	367,647
Other Long-term Liabilities	12,645	14,283
Long-term Debt - Net of current portion and financing costs	134,500	145,005
Deferred Income Taxes	9,108	15,580
Total Liabilities *	\$ 657,251	\$ 681,351
Equity	114,637	128,814
Total Liabilities and Equity	\$ 771,888	\$ 810,165

See notes to consolidated financial statements.

* Total assets of the Variable Interest Entity were \$8,688 and \$26,586 as of September 28, 2025 and December 29, 2024, respectively. Total liabilities were \$5,007 and \$23,333 as of September 28, 2025 and December 29, 2024, respectively. See Note 4 for balance sheet information about the Variable Interest Entity.

Meritage Hospitality Group Inc.

Consolidated Statements of Operations and Comprehensive Loss (in thousands, except per share data)

	Three Months Ended (unaudited)	
	September 28, 2025	September 29, 2024
Food and Beverage Revenue	\$ 154,616	\$ 164,850
Expenses		
Food and beverage	42,842	43,291
Labor and related	53,334	54,216
Occupancy	23,033	23,563
Advertising	6,366	6,657
Franchise fees	6,039	6,396
Other operating	17,123	16,219
Total Operating Expenses	148,737	150,342
General and administrative	6,768	6,205
Preopening, acquisition and closing	1,342	2,888
Depreciation and amortization	4,418	4,848
Total Expenses	161,265	164,283
(Loss) Income from Operations	(6,649)	567
Other Expense (Income)		
Interest	2,749	3,412
Other - Net	2,337	(634)
Total Other Expense	5,086	2,778
Loss Before Income Taxes	(11,735)	(2,211)
Income Tax Benefit	(2,712)	(417)
Net Loss	\$ (9,023)	\$ (1,794)
Net Income (Loss) Attributable to Noncontrolling Interest in Variable Interest Entity	306	(98)
Net Loss Attributable to Controlling Interest	\$ (9,329)	\$ (1,696)
Other Comprehensive Loss - Net of Tax		
Change in interest rate swap valuation	(499)	(2,114)
Comprehensive Loss	\$ (9,828)	\$ (3,810)
Earnings per share		
Basic	\$ (1.48)	\$ (0.34)
Diluted	\$ (1.48)	\$ (0.34)
Basic Weighted Average Shares Outstanding	6,676	6,622
Diluted Weighted Average Shares Outstanding	6,687	6,753

See notes to consolidated financial statements.

Meritage Hospitality Group Inc.

Consolidated Statements of Operations and Comprehensive (Loss) Income (in thousands, except per share data)

	Nine Months Ended (unaudited)	
	September 28, 2025	September 29, 2024
Food and Beverage Revenue	\$ 472,678	\$ 500,059
Expenses		
Food and beverage	126,493	129,532
Labor and related	159,326	160,813
Occupancy	68,025	69,075
Advertising	19,427	20,116
Franchise fees	18,364	19,303
Other operating	50,403	48,622
Total Operating Expenses	442,038	447,461
General and administrative	21,114	22,185
Preopening, acquisition and closing	3,092	4,822
Depreciation and amortization	13,698	14,388
Total Expenses	479,942	488,856
(Loss) Income from Operations	(7,264)	11,203
Other Expense (Income)		
Interest	8,725	9,876
Other - Net	1,909	(2,312)
Total Other Expense	10,634	7,564
(Loss) Income Before Income Taxes	(17,898)	3,639
Income Tax (Benefit) Expense	(4,912)	825
Net (Loss) Income	\$ (12,986)	\$ 2,814
Net Income Attributable to Noncontrolling Interest in Variable Interest Entity	273	67
Net (Loss) Income Attributable to Controlling Interest	\$ (13,259)	\$ 2,747
Other Comprehensive Loss - Net of Tax		
Change in interest rate swap valuation	(2,303)	(2,117)
Comprehensive (Loss) Income	\$ (15,562)	\$ 630
Earnings per share		
Basic	\$ (2.24)	\$ 0.16
Diluted	\$ (2.24)	\$ 0.15
Basic Weighted Average Shares Outstanding	6,663	6,595
Diluted Weighted Average Shares Outstanding	6,695	6,797

See notes to consolidated financial statements.

Meritage Hospitality Group Inc.

Consolidated Statements of Equity (in thousands)

	Convertible Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Noncontrolling Interest	Total
Balance - December 31, 2023	\$ 15	\$ 65	\$ 33,577	\$ 6,342	\$ 81,144	\$ 897	\$ 122,040
Net income	-	-	-	-	7,801	218	8,019
Issuance of common stock	-	1	121	-	-	-	122
Repurchase of common stock	-	-	(319)	-	-	-	(319)
Common stock dividends	-	-	-	-	(396)	-	(396)
Preferred stock dividends	-	-	-	-	(1,898)	-	(1,898)
Interest rate swap - net of tax	-	-	-	(1,307)	-	-	(1,307)
Company-owned stock	-	-	1,331	-	-	-	1,331
Stock option expense	-	-	1,196	-	-	-	1,196
Contributions	-	-	-	-	-	26	26
Balance - December 29, 2024	\$ 15	\$ 66	\$ 35,906	\$ 5,035	\$ 86,651	\$ 1,141	\$ 128,814
Net (loss) income	-	-	-	-	(13,259)	273	(12,986)
Issuance of common stock	-	1	75	-	-	-	76
Repurchase of common stock	-	-	(61)	-	-	-	(61)
Preferred stock dividends	-	-	-	-	(1,420)	-	(1,420)
Interest rate swap - net of tax	-	-	-	(2,303)	-	-	(2,303)
Company-owned stock	-	-	1,660	-	-	-	1,660
Stock option expense	-	-	980	-	-	-	980
Distributions	-	-	-	-	-	(123)	(123)
Balance - September 28, 2025 (unaudited)	\$ 15	\$ 67	\$ 38,560	\$ 2,732	\$ 71,972	\$ 1,291	\$ 114,637

See notes to consolidated financial statements.

Meritage Hospitality Group Inc.

Consolidated Statements of Cash Flows (in thousands)

	Nine Months Ended (unaudited)	
	September 28, 2025	September 29, 2024
Cash Flows from Operating Activities		
Net (loss) income	\$ (12,986)	\$ 2,814
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation and amortization	13,698	14,388
Amortization of financing costs	560	510
Deferred income taxes	(5,860)	382
Loss on disposal of fixed assets	1,916	2,241
Loss on sale and leaseback transactions (Note 3)	684	301
Change in company-owned stock	1,660	524
Stock option expense	980	918
Gain on loan forgiveness	(46)	(286)
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	2,429	(1,337)
Inventories	131	373
Prepaid expenses	216	581
Other current assets	1,215	(269)
Other assets	(384)	(119)
Trade accounts payable	(4,375)	(3,132)
Accrued payroll	(1,646)	(1,788)
Accrued liabilities	3,749	2,725
Unearned vendor allowances	4,667	2,411
Other long-term liabilities	(1,638)	(895)
Net cash provided by operating activities	<u>4,970</u>	<u>20,342</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(24,019)	(28,174)
Purchase of intangible assets	(240)	(140)
Proceeds from sale of assets	<u>5,194</u>	<u>713</u>
Net cash used in investing activities	<u>(19,065)</u>	<u>(27,601)</u>

See notes to consolidated financial statements.

Meritage Hospitality Group Inc.

Consolidated Statements of Cash Flows (in thousands)

Nine Months Ended (unaudited)	
September 28, 2025	September 29, 2024

Cash Flows from Financing Activities

Proceeds from long-term debt	3,477	7,368
Principal payments on long-term debt	(15,247)	(18,051)
Proceeds from lines of credit	19,787	26,621
Payments on lines of credit	(8,490)	(9,261)
Proceeds from sale and leaseback transactions (Note 3)	38,853	9,271
Payments on lines of credit related to sale and leaseback transactions (Note 3)	(31,356)	(7,912)
Payments on financing costs	(130)	(152)
Repurchase of common stock	(61)	(286)
Proceeds from issuance of common stock	76	95
Common stock dividends paid	-	(396)
Preferred stock dividends paid	(1,420)	(1,424)
Contributions from noncontrolling interest	-	26
Distributions to noncontrolling interest	(123)	-
	<u>5,366</u>	<u>5,899</u>

Net cash provided by financing activities

Net Decrease in Cash

	(8,729)	(1,360)
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Cash - Beginning of period

	<u>20,849</u>	<u>19,434</u>
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Cash - End of period

	<u>\$ 12,120</u>	<u>\$ 18,074</u>
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Supplemental Disclosure of Cash Flow Information

Cash paid for:

Interest	\$ 8,278	\$ 9,456
Income taxes, net of recoveries	\$ (22)	\$ 453

Significant non-cash investing and financing activities:

Non-cash purchases of property	\$ 1,254	\$ 430
Conversion of property and equipment to asset held for sale	\$ 271	\$ 798
Change in fair value of swap - net of tax	\$ (2,303)	\$ (2,117)

See notes to consolidated financial statements.

Meritage Hospitality Group Inc.

Notes to Consolidated Financial Statements (unaudited) (in thousands, except share data)

Note 1 – Nature of Business and Consolidation

Meritage Hospitality Group Inc., Subsidiaries and Affiliate, hereafter referred to as the “Company”, conducts its business in the quick-service and casual dining restaurant industries across 15 states. As of September 28, 2025, the Company operated 375 Wendy’s quick-service restaurants under franchise agreements with its franchisor, Quality Is Our Recipe, LLC, hereafter referred to as “The Wendy’s Company” or “Wendy’s,” and nine independent concept restaurants.

The Company previously operated seven Taco John’s quick-service restaurants under franchise agreements with franchisor, Taco John’s International, Inc., hereafter referred to as “Taco John’s”, until September 2024 when the Company permanently closed its locations and exited the franchise system. Effective November 2024, all development and franchise agreements with Taco John’s were terminated.

Principles of Consolidation - The consolidated financial statements include the accounts of Meritage Hospitality Group Inc., its wholly owned subsidiaries, and its affiliate variable interest entity (“VIE”), Restaurant Holdings, LLC (“Restaurant Holdings”), for which the Company is the primary beneficiary. The VIE is consolidated because the Company has the power to direct activities that impact the VIE’s economic performance, as well as the right to receive benefits or the obligation to absorb losses from the VIE.

Earnings from Restaurant Holdings are reported as a noncontrolling interest in the accompanying consolidated statements of operations. All intercompany transactions and balances between the Company, its subsidiaries, and Restaurant Holdings have been eliminated in consolidation.

Fiscal Period – The Company operates on a 52/53-week fiscal year ending on the Sunday closest to December 31 of each year. The three months ended September 28, 2025 and September 29, 2024 both include 13 weeks. The nine months ended September 28, 2025 and September 29, 2024 both include 39 weeks.

Note 2 – Leases

The Company has operating lease agreements for unowned restaurants, the corporate office, and certain equipment. Land and building leases used in operations have remaining lease terms ranging from one to 20 years, some of which include options to renew for up to 50 years.

On the consolidated balance sheets, operating leases are included in operating lease right-of-use (“ROU”) assets, operating lease obligations payable, and current portion of operating lease obligations payable.

Upon commencement date, operating lease ROU assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term. The Company's lease terms may include options to extend or terminate the lease. The present value of future minimum lease payments includes these options only when it is reasonably certain such options will be exercised.

Meritage Hospitality Group Inc.

Notes to Consolidated Financial Statements (unaudited) (in thousands, except share data)

The Company's leases do not provide an implicit rate. In determining present value of future minimum lease payments, the Company utilized an incremental borrowing rate congruent with its primary lending agreement, which is the rate for a fully collateralized, amortizing loan with the same term as the lease. The weighted average effective discount rates were 5.4% and 5.2% as of September 28, 2025 and December 29, 2024, respectively.

Base rent expense includes non-lease components such as taxes, insurance, and maintenance when required under the lease agreements and is classified as occupancy expense in the consolidated statements of operations. The Company elected the practical expedient to not separate non-lease components from the lease components to which they relate. For certain equipment leases, the Company applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

Variable rent expense components are expensed as incurred and represent rent escalators of which the majority are contingent upon changes in the Consumer Price Index. Variable rent expense also includes percentage rentals which represent additional rent due under certain leases for which the Company is required to pay a percentage of sales in excess of minimum prescribed amounts.

Rent expense from operating leases was recognized as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2025	September 29, 2024	September 28, 2025	September 29, 2024
Operating lease costs:				
Fixed base lease expense				
- real estate	\$ 11,630	\$ 11,420	\$ 34,359	\$ 34,099
Fixed base lease expense				
- equipment	557	543	1,651	1,620
Variable lease expense	450	404	1,334	1,170
Total	<u>\$ 12,637</u>	<u>\$ 12,367</u>	<u>\$ 37,344</u>	<u>\$ 36,889</u>

Supplemental cash flow information related to operating leases was as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2025	September 29, 2024	September 28, 2025	September 29, 2024
Cash paid for amounts included in the measurement of lease liabilities	\$ 12,125	\$ 11,897	\$ 35,865	\$ 35,517
Right-of-use assets obtained in exchange for lease obligations	\$ 20,628	\$ 8,450	\$ 40,176	\$ 13,024

There were no significant changes to future payments due under operating leases as of September 28, 2025 when compared to December 29, 2024, and the weighted-average remaining lease terms for operating leases were approximately 13 and 14 years as of September 28, 2025 and December 29, 2024, respectively.

Meritage Hospitality Group Inc.

Notes to Consolidated Financial Statements (unaudited) (in thousands, except share data)

Note 3 – Sale and Leasebacks

The Company completed 17 sale and leaseback transactions for the nine months ended September 28, 2025, and four sale and leaseback transactions for the nine months ended September 29, 2024. Through these transactions, the Company netted proceeds of \$38,853 and \$9,271, paid down indebtedness of \$31,356 and \$7,912, and recorded a net loss of \$684 and \$301 for the nine months ended September 28, 2025 and September 29, 2024, respectively. Resulting losses were recorded in other income on the consolidated statements of operations.

Note 4 – Information About Variable Interest Entity

Restaurant Holdings was formed to provide a source of capital to fund and facilitate real estate transactions where the Company has potential economic benefits in future sale and leaseback transactions. Upon acquisition of real estate, Restaurant Holdings leases such real estate to the Company and utilizes rent revenue to pay the interest expense on its bank debt. This variable interest entity ("VIE") is owned by related parties and not directly by the Company.

Restaurant Holdings leverages a revolving credit facility with a bank other than the Company's senior lender that allows for borrowings up to \$35,000 less the outstanding balance on the entity's term note payable of \$1,688. The facility is secured by its interest in the associated real estate, personal guarantees of owners, and a commercial guarantee of the Company for a certain property through December 31, 2025.

Included in the consolidated balance sheets as of September 28, 2025 and December 29, 2024 are the following amounts related to Restaurant Holdings, before eliminating entries:

	(unaudited) September 28, 2025	December 29, 2024
Assets:		
Current assets	\$ 1,146	\$ 1,296
Property and equipment - net	1,397	19,206
Other assets	798	798
Investment in MHGI preferred stock	5,000	5,000
Investment in MHGI common stock	347	286
Total Assets	<u>\$ 8,688</u>	<u>\$ 26,586</u>
Liabilities:		
Current liabilities	\$ 612	\$ 5,165
Current portion of long-term debt	1,690	1,875
Revolving line of credit	2,117	15,692
Long-term debt	588	601
Total Liabilities	<u>5,007</u>	<u>23,333</u>
Equity - Noncontrolling interest	<u>3,681</u>	<u>3,253</u>
Total Liabilities and Equity	<u>\$ 8,688</u>	<u>\$ 26,586</u>

Meritage Hospitality Group Inc.

Notes to Consolidated Financial Statements (unaudited) (in thousands, except share data)

Note 5 – Commitments and Contingencies

The Company is involved in certain legal proceedings which the Company believes will be incidental to its business. Any potential liability of the Company with respect to these legal actions or an individual claim, in the aggregate, is not expected to be material to the consolidated financial statements. The Company maintains various types of insurance standard to the industry that would cover most liabilities incurred by actions brought against the Company.

As part of the Company's ongoing franchise relationship with The Wendy's Company, the Company entered into agreements which contain certain restaurant reimagining and development requirements, as well as agreed-upon improvements to acquired facilities. Through these agreements, the Company committed to develop 52 new restaurants by November 30, 2025 and to reimagine 100% of its portfolio by December 31, 2028. Pursuant to these agreements, the Company is entitled to receive significant economic incentives which include discounted royalty and national marketing fees. As of September 28, 2025, the Company has completed 42 of the new restaurant development commitments and has reimaged approximately 76% of its portfolio. Based on current costs, the Company estimates it will invest approximately \$98,000 to fulfill the remaining commitments. As of the date of this report, the Company is in discussions with its franchisor to amend its remaining restaurant reimagining and development requirements.

Effective July 2025, the Company entered into a Development Agreement with an additional restaurant brand. Subject to certain terms and conditions, the Company committed to build 15 new restaurants by April 30, 2031 and estimates it will invest approximately \$34,170 in the 15-store roll-out.

Note 6 – Notes Payable

The Company entered into its Third Amended and Restated Credit Agreement (the "Credit Agreement") with its primary lender in 2021. The associated credit facility currently allows for borrowings up to \$251,400, has a maturity date of April 2027 and requires the Company to maintain certain financial covenants. The outstanding principal balance as of September 28, 2025 was approximately \$150 million.

On September 19, 2025, the Company received a notice of event of default (the "Notice") from its primary lender, City National Bank, as administrative agent for the lenders (the "Lenders") party to the Company's Third Amended and Restated Credit Agreement. By the Notice, the Lenders have taken the position that the borrowers were in default under certain terms of the Credit Agreement for failing to maintain certain covenants and failing to pay obligations as they become due, including to the Company's franchisor. Subsequent to the reporting period, effective November 14, 2025 the Company entered into a waiver and forbearance agreement with its lender. Under the terms of the agreement, and subject to potential further mutually agreeable extensions, the Lenders have agreed to temporarily forbear from pursuing remedies related to the existing defaults under the Company's Credit Agreement through January 8, 2026. As the Lenders have not taken any action to demand payment, the Company has chosen

Meritage Hospitality Group Inc.

Notes to Consolidated Financial Statements (unaudited) (in thousands, except share data)

not to reclassify its outstanding debt as a current liability. See Note 8 – Going Concern and Note 10 – Subsequent Events for additional information.

Note 7 – Equity

The Company has 5,000,000 authorized shares of \$0.01 par value preferred stock. As of September 28, 2025 and December 29, 2024, preferred stock was designated as follows:

	September 28, 2025	December 29, 2024
Preferred B:		
Authorized:	1,350,000	1,350,000
Outstanding:	802,500	805,400
Treasury:	3,467	3,467
Preferred C:		
Authorized:	200,000	200,000
Outstanding:	160,360	160,360
Preferred D:		
Authorized:	600,000	600,000
Outstanding:	310,293	310,293
Preferred E:		
Authorized:	800,000	800,000
Outstanding:	124,744	128,744
Preferred F:		
Authorized:	1,000,000	1,000,000
Outstanding:	130,606	130,606

The Company's preferred stock ranks senior to the Company's common stock with respect to payment of dividends and distributions upon liquidation or dissolution.

The Company has 30,000,000 authorized shares of \$0.01 par value common stock, with 6,661,279 and 6,627,989 shares issued and outstanding as of September 28, 2025 and December 29, 2024, respectively. There were 605,250 treasury shares as of September 28, 2025 and December 29, 2024. The common shares of the Company are quoted on the OTC Markets under the symbol "MHGU."

Note 8 – Going Concern

The accompanying financial statements have been prepared on a going concern basis. The Company has incurred ongoing losses from operations for the three and nine months ended September 28, 2025 which resulted in negative cash flows causing the Company to be unable to meet certain obligations when due within one year of the date of this report. These conditions raise substantial doubt about its ability to continue as a going concern.

Management is actively pursuing plans to mitigate these conditions which include engaging with its primary lender to restructure credit agreements, as well as partnering

Meritage Hospitality Group Inc.

Notes to Consolidated Financial Statements (unaudited) (in thousands, except share data)

with its franchisor for certain fee relief, amending restaurant reimaging and development requirements, and engaging in portfolio optimization initiatives. Other initiatives include, but are not limited to, controlling operational costs to improve gross margin, administrative cost reductions, renegotiating certain vendor and contract terms, liquidating certain real estate assets, and seeking additional capital to improve liquidity. While management believes these plans, if successfully implemented, will provide the necessary liquidity to meet the Company's obligations as they become due, they are partially dependent on factors outside the Company's control, and therefore may not alleviate the substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may result from the outcome of this uncertainty.

Note 9 – Reclassification

Certain 2024 amounts have been reclassified to conform with the 2025 presentation.

Note 10 – Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events through and including November 17, 2025, the date the consolidated financial statements were issued.

On October 17, 2025, the Company received a notice of event of default from its primary lender, City National Bank, as administrative agent for the lenders party to the Company's Third Amended and Restated Credit Agreement. By the Notice, the Lenders identified the Company's failure to make October principal payments as an event of default. Subsequent to the reporting period, effective November 14, 2025, the Company entered into a waiver and forbearance agreement with the Lenders. Under the terms of the agreement, and subject to potential further mutually agreeable extensions, the Lenders have agreed to temporarily forbear from pursuing remedies related to the existing defaults under the Company's Credit Agreement through January 8, 2026. As the Lenders have not taken any action to demand payment, the Company has chosen not to reclassify its outstanding debt as a current liability.

On October 24, 2025, the Company received a notice of event of default from its franchisor, Quality Is Our Recipe, LLC. By the Notice, the Company is in default under certain terms of its Franchise Agreements for failing to remit payments when due. Subsequent to the reporting period, effective November 14, 2025, the Company entered into a letter of agreement with its franchisor whereby the franchisor has conditionally agreed not to take any action to cancel and terminate the Franchise Agreements. See Note 6 – Notes Payable and Note 8 – Going Concern for additional information.

Meritage Hospitality Group Inc.

Incorporated in Michigan
45 Ottawa Ave SW, Suite 600
Grand Rapids, MI 49503

Telephone: 616.776.2600
Corporate Website: www.meritagehospitality.com
Company Email: rschermer@mhgi.net

SIC Code: 5812

Quarterly Report

For the period ending September 28, 2025
(the "Reporting Period")

The number of shares outstanding of our Common Stock is 6,661,279 as of September 28, 2025.

The number of shares outstanding of our Common Stock was 6,627,989 as of December 29, 2024.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a Change in Control⁴ of the company has occurred over this reporting period:

Yes: No:

⁴ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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: 616.328.6925
Web: www.meritagehospitality.com

Item 2 Shares outstanding.

<u>Common Shares</u>	<u>09/28/25</u>	<u>12/29/24</u>	<u>12/31/23</u>
Authorized:	30,000,000 shares	30,000,000 shares	30,000,000 shares
Outstanding:	6,661,279 shares	6,627,989 shares	6,517,965 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. 620	approx. 625	approx. 655
Number of record holders:	approx. 60	approx. 60	approx. 56
 <u>Preferred B</u>			
Authorized:	1,350,000 shares	1,350,000 shares	1,350,000 shares
Outstanding:	802,500 shares	805,400 shares	805,400 shares
Freely Tradable (public float):	300,000 shares	300,000 shares	300,000 shares
Number of record holders:	17 holders	18 holders	18 holders
 <u>Preferred C</u>			
Authorized:	200,000 shares	200,000 shares	200,000 shares
Outstanding:	160,360 shares	160,360 shares	160,360 shares
Number of record holders:	7 holders	7 holders	7 holders
 <u>Preferred D</u>			
Authorized:	600,000 shares	600,000 shares	600,000 shares
Outstanding:	310,293 shares	310,293 shares	310,293 shares
Number of record holders:	24 holders	24 holders	24 holders
 <u>Preferred E</u>			
Authorized:	800,000 shares	800,000 shares	800,000 shares
Outstanding:	124,744 shares	128,744 shares	128,744 shares
Number of record holders:	11 holders	13 holders	13 holders
 <u>Preferred F</u>			
Authorized:	1,000,000 shares	1,000,000 shares	1,000,000 shares
Outstanding:	130,606 shares	130,606 shares	130,606 shares
Number of record holders:	7 holders	7 holders	7 holders

Item 3 Interim financial statements.

See the unaudited consolidated financial report for the quarter ended September 28, 2025 attached to this report. The unaudited consolidated financial statements include the following reports:

- (1) balance sheets;
- (2) statements of operations and comprehensive (loss) income;
- (3) statements of equity;
- (4) statements of cash flows; and
- (5) notes to consolidated financial statements.

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

Overview

Meritage operated a total of 384 quick-service and casual dining restaurants as of September 28, 2025. Of this total, the Company operated 375 Wendy's quick-service restaurants under franchise agreements its franchisor, Quality Is Our Recipe, LLC, hereafter referred to as "The Wendy's Company" or "Wendy's". Of the Wendy's restaurants, eight are located in Arkansas, 32 in Connecticut, 58 in Florida, 49 in Georgia, 13 in Indiana, 13 in Massachusetts, 58 in Michigan, eight in Mississippi, four in Missouri, 22 in North Carolina, 15 in Ohio, 29 in Oklahoma, 34 in Tennessee, 17 in Texas, and 15 in Virginia.

The Company has committed significant capital resources to the Wendy's brand initiatives, including a commitment to build 52 new restaurants by November 30, 2025 under a development agreement with Wendy's. As of September 28, 2025, the Company has completed 42 of the new restaurant commitments. Additionally, since 2009, the Company has acquired 295 Wendy's restaurants through 28 separate transactions making it one of the largest franchisees in the Wendy's system.

The Company additionally operated nine independent restaurants under its two concepts, Morning Belle and Blue Porch Bar & Grill. All nine restaurants are located in Michigan.

The Company previously operated seven Taco John's quick-service restaurants under franchise agreements with Taco John's International, Inc. until September 2024 when the Company closed all seven of its locations and exited the Taco John's system. Effective November 2024, all development and franchise agreements with Taco John's were terminated.

Effective July 2025, the Company entered into a Development Agreement with an additional restaurant brand. Subject to certain terms and conditions, the Company committed to build 15 new restaurants by April 30, 2031.

A schedule of Company restaurants is as follows:

	<u>Wendy's</u>	<u>Independent Concepts</u>	<u>Taco John's</u>	<u>Total Restaurants</u>
Restaurants as of December 31, 2023	376	6	6	388
Newly opened restaurants	5	-	1	6
Closed restaurants	(4)	(1)	(7)	(12)
Sold restaurants	(3)	-	-	(3)
Restaurants as of December 29, 2024	374	5	-	379
Newly opened restaurants	3	4	-	7
Closed restaurants	(2)	-	-	(2)
Restaurants as of September 28, 2025	375	9	-	384

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Results of Operations

Results of operations are summarized as follows:

	Three Months Ended (in thousands)				Nine Months Ended (in thousands)			
	September 28, 2025		September 29, 2024		September 28, 2025		September 29, 2024	
Food and Beverage Revenue	\$ 154,616	100.0%	\$ 164,850	100.0%	\$ 472,678	100.0%	\$ 500,059	100.0%
Expenses								
Food and beverage	42,842	27.7%	43,291	26.3%	126,493	26.8%	129,532	25.9%
Labor and related	53,334	34.5%	54,216	32.9%	159,326	33.7%	160,813	32.2%
Occupancy	23,033	14.9%	23,563	14.3%	68,025	14.4%	69,075	13.8%
Advertising	6,366	4.1%	6,657	4.0%	19,427	4.1%	20,116	4.0%
Franchise fees	6,039	3.9%	6,396	3.9%	18,364	3.9%	19,303	3.9%
Other operating	17,123	11.1%	16,219	9.8%	50,403	10.7%	48,622	9.7%
Total Operating Expenses	148,737	96.2%	150,342	91.2%	442,038	93.6%	447,461	89.5%
General and administrative	6,768	4.4%	6,205	3.8%	21,114	4.5%	22,185	4.4%
Preopening, acquisition and closing	1,342	0.9%	2,888	1.8%	3,092	0.7%	4,822	1.0%
Depreciation and amortization	4,418	2.9%	4,848	2.9%	13,698	2.9%	14,388	2.9%
Total Expenses	161,265	104.4%	164,283	99.7%	479,942	101.7%	488,856	97.8%
(Loss) Income from Operations	(6,649)	(4.4%)	567	0.3%	(7,264)	(1.7%)	11,203	2.2%
Other Expense (Income)								
Interest	2,749	1.8%	3,412	2.1%	8,725	1.8%	9,876	2.0%
Other - Net	2,337	1.5%	(634)	(0.4%)	1,909	0.4%	(2,312)	(0.5%)
Total Other Expense	5,086	3.3%	2,778	1.7%	10,634	2.2%	7,564	1.5%
(Loss) Income Before Income Taxes	(11,735)	(7.7%)	(2,211)	(1.4%)	(17,898)	(3.9%)	3,639	0.7%
Income Tax (Benefit) Expense	(2,712)	(1.8%)	(417)	(0.3%)	(4,912)	(1.0%)	825	0.2%
Net (Loss) Income	\$ (9,023)	(5.9%)	\$ (1,794)	(1.1%)	\$ (12,986)	(2.9%)	\$ 2,814	0.5%
Net Income (Loss) Attributable to Noncontrolling Interest in Variable Interest Entity	306	0.2%	(98)	(0.1%)	273	0.1%	67	0.0%
Net (Loss) Income Attributable to Controlling Interest	\$ (9,329)	(6.1%)	\$ (1,696)	(1.0%)	\$ (13,259)	(3.0%)	\$ 2,747	0.5%
Other Comprehensive Loss - Net of Tax								
Change in interest rate swap valuation	(499)	(0.3%)	(2,114)	(1.3%)	(2,303)	(0.5%)	(2,117)	(0.4%)
Comprehensive (Loss) Income	\$ (9,828)	(6.4%)	\$ (3,810)	(2.3%)	\$ (15,562)	(3.5%)	\$ 630	0.1%

Food and Beverage Revenue

The Company reported revenue of \$154.6 and \$472.7 million for the three and nine months ended September 28, 2025, representing a decrease of 6.2% and 5.5% over prior year's sales of \$164.9 and \$500.1 million for the three and nine months ended September 29, 2024. 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) decreased 6.1% and 5.0% for the three and nine months ended September 28, 2025, when compared to the same period in the prior year.

The Company's Wendy's restaurants reported sales of \$152.6 and \$467.4 million for the three and nine months ended September 28, 2025, a decrease of 6.3% and 5.2% over the prior year's sales of \$162.9 and \$493.1 million for the three and nine months ended September 29, 2024. The Company's Wendy's restaurants experienced a "same store sales" decrease of 6.2% and 5.1% for the three and nine months ended September 28, 2025 when compared to the same period in the prior year. The decrease represents a general decline in transactions due to waning consumer sentiment throughout the Wendy's system and QSR industry, as well as the impact of significant weather conditions across all the Company's markets in the first quarter of 2025.

The Company's independent concept restaurants reported sales of \$2.0 and \$5.3 million for the three and nine months ended September 28, 2025, representing an increase of 70.7% and 51.7% from prior year sales of \$1.2 and \$3.5 million for the three and nine months ended September 29, 2024. The increase is partially due to the opening of four new restaurants in the third quarter of 2025. Independent concept restaurants experienced a "same store sales" increase of 12.3% and 14.8% for the three and nine months ended September 28, 2025 when compared to the same period in the prior year.

In September 2024, the Company closed all seven of its Taco John's locations. The Company exited the franchise system effective November 2024, when all development and franchise agreements with Taco John's were terminated. The Company's Taco John's restaurants reported sales of \$0.8 and \$3.5 million for the three and nine months ended September 29, 2024.

Cost of Food and Beverage

The cost of food and beverage increased to 27.7% and 26.8% of revenue for the three and nine months ended September 28, 2025 from 26.3% and 25.9% for the three and nine months ended September 29, 2024. The increase represents a shift in product mix toward value items with reduced margin, as well as an increase of 26.6% and 16.2% in the average cost of beef for the three and nine months ended September 28, 2025 when compared to the same periods in the prior year.

Labor and Related Expenses

Labor and related expenses increased to 34.5% and 33.7% of revenue for the three and nine months ended September 28, 2025 from 32.9% and 32.2% of revenue for the three and nine months ended September 29, 2024. The increase primarily represents the negative impact of maintaining minimum staffing levels during periods of reduced transactions.

Occupancy Expenses

Occupancy expenses increased to 14.9% and 14.4% of revenue for the three and nine months ended September 28, 2025 from 14.3% and 13.8% of revenue for the three and nine months ended September 29, 2024. The increase as a percent of revenue reflects the negative impact

of certain fixed costs, such as rent and property taxes, on reduced sales when compared to the prior year.

Other Operating Expenses

Other operating expenses increased to 11.1% and 10.7% of revenue for the three and nine months ended September 28, 2025 from 9.8% and 9.7% of revenue for the three and nine months ended September 29, 2024. The increase as a percent of revenue primarily represents the negative impact of coupons associated with certain Wendy’s national discounting promotions, such as “\$3 Son of a Baconator”. Other operating expenses are summarized as follows:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 28, 2025	September 29, 2024	September 28, 2025	September 29, 2024
Cleaning supplies	\$ 1,443	\$ 1,396	\$ 4,128	\$ 4,170
Discounts and premiums	2,832	1,983	8,434	6,393
E-pay fees	2,658	2,703	7,957	8,079
Paper costs	4,170	4,584	12,407	13,155
Repair and maintenance - equipment	2,630	2,523	7,380	7,150
Technology	1,451	1,216	4,160	3,693
Other operating	1,939	1,814	5,937	5,982
Total other operating expense	<u>\$ 17,123</u>	<u>\$ 16,219</u>	<u>\$ 50,403</u>	<u>\$ 48,622</u>

General and Administrative Expenses

General and administrative expenses increased to 4.4% and 4.5% of revenue for the three and nine months ended September 28, 2025 from 3.8% and 4.4% of revenue for the three and nine months ended September 29, 2024. The increase reflects the impact of certain fixed costs on reduced sales when compared to the prior year, offset by administrative cost reduction initiatives.

Preopening, Acquisition and Closing Expenses

Preopening and acquisition expenses generally represent costs associated with opening new locations, concepts, or product lines in addition to restaurant reimagining and acquisitions.

Closing expenses generally represent actual and estimated costs related to the closure of under-performing restaurants which are subject to standard approvals by the franchisor, The Wendy’s Company. These strategic closures are expected to be ongoing in a continued effort to position the Company’s portfolio for stronger earnings growth going forward. Closing expenses in the current year also include residual disposition costs related to the permanent closure of the Company’s seven Taco John’s locations in 2024.

Depreciation and Amortization

Depreciation and amortization as a percent of revenue remained consistent for both the three and nine months ended September 28, 2025 when compared to the same periods in the prior year.

Interest Expense

The decrease in interest expense reflects a decline in the Company's effective interest rate on its variable debt over the prior year, as well as the favorable impact of the Company's current swap agreements, which were entered into to proactively mitigate the financial impact of interest rate fluctuations.

Other Income

Other income generally represents the net gain or loss on real estate transactions completed throughout the year as well as stock option expense. The Company's real estate transactions in the current year resulted in a higher net loss when compared to the prior year. Additionally, the prior year's net loss on real estate transactions was offset by rebate income included in and exclusive to the prior year.

Income Tax (Benefit) Expense

Income tax (benefit) expense is summarized as follows:

	Three Months Ended (in thousands)		Nine Months Ended (in thousands)	
	September 28, 2025	September 29, 2024	September 28, 2025	September 29, 2024
Federal income tax expense (benefit)	\$ 538	\$ (24)	\$ 43	\$ 423
State and local income tax expense (benefit)	168	(631)	175	20
Change in deferred income taxes	(3,418)	238	(5,130)	382
Income tax (benefit) expense	<u>\$ (2,712)</u>	<u>\$ (417)</u>	<u>\$ (4,912)</u>	<u>\$ 825</u>

Financial Condition

Recent trends exhibit a continued decline in transactions across the QSR industry as consumers grapple with economic uncertainty and an increasingly competitive restaurant environment. The Company is cautious of this elevated uncertainty but encouraged by changes in Wendy's senior leadership team and the recent launch of their strategic plan, "Project Fresh". Wendy's "Project Fresh" is designed to focus on brand revitalization, system optimization, and operational excellence aimed to improve the overall performance of the business. To mitigate the financial impact of declining transactions, management is actively pursuing plans to control costs and is engaged with its bank and franchisor on adjusted contractual requirements, including a forbearance agreement. Loan covenants of the Company's various loan agreements include requirements for the maintenance of certain financial ratios. As of the date of this report, the Company was not in compliance with certain adjusted covenants. See Item 6 – Defaults upon senior securities for additional information.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as of September 28, 2025.

Item 5 Legal proceedings.

The Company is involved in certain legal proceedings which the Company believes will be incidental to its business. Any potential liabilities of the Company with respect to these legal actions or an individual claim, in the aggregate, are not expected to be material to the consolidated financial statements. The Company maintains various types of insurance standard to the industry that would cover most liabilities incurred by actions brought against the Company.

Item 6 Defaults upon senior securities.

On September 19, 2025, the Company received a notice of event of default from City National Bank, as administrative agent for the lenders (the "Lenders") party to the Company's Third Amended and Restated Credit Agreement. The Lenders identified the Company's failure to maintain liquidity covenants, failure to pay obligations as they become due, including to Company's franchisor, and for closure of one location in Georgia as events of default. Lenders delivered a second notice of default on October 24, 2025 identifying failure to make October principal payments. As of September 28, 2025, the Company estimates that its financial obligations under the Credit Agreement are approximately \$150 million. Subsequent to the reporting period, effective November 14, 2025, the Company entered into a waiver and forbearance agreement with its lender. Under the terms of the agreement, and subject to potential further mutually agreeable extensions, the Lenders have agreed to temporarily forbear from pursuing remedies related to the existing defaults under the Company's credit facility through January 8, 2026. The forbearance period provides the Company time to work collaboratively with its Lenders while focusing on enhancing financial performance and shareholder value while renegotiating certain terms of the facility.

Subsequent to the reporting period, on October 24, 2025, the Company received a notice of event of default from its franchisor, Quality Is Our Recipe, LLC. By the Notice, the Company is in default under certain terms of its Franchise Agreements for failing to remit payments when due. Effective November 14, 2025, the Company entered into a letter of agreement with its franchisor. Under the terms of the agreement, the franchisor has conditionally agreed to not to take any action to cancel and terminate the Franchise Agreements. The agreement provides the Company time to work collaboratively with its franchisor while focusing on optimizing operational performance.

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 17, 2025



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 17, 2025



Tracey A. Smith
Chief Financial Officer

FORWARD-LOOKING STATEMENTS

Certain statements contained in reports we submit to the OTC that are not historical facts constitute forward-looking statements. These statements may be identified by words such as "estimates," "anticipates," "hopes," "projects," "plans," "expects," "believes," "should," "would," "optimistic," "endeavor," and similar expressions (including the negative versions) and by the context in which they are used. Such statements are based only upon Meritage's current expectations. 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 that 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 actions which Meritage intends to pursue to achieve its strategic objectives constitute forward-looking statements. Implementation of strategies and achievement of 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: risks associated with our ability to continue as a going concern; risks associated with the level of our indebtedness and our ability to regain compliance with covenants in our debt and franchise agreements for which we have received notices of events of default, including modifications and, as necessary, to refinance or seek further modification of such agreements; our ability to raise capital as may be needed to improve our liquidity position; competition; changes in the national or local economy; trends involving a general decline in consumer transactions across the QSR industry due to economic uncertainty or otherwise; changes in consumer preferences, tastes and eating habits; concerns about the nutritional quality of our restaurant menu items; concerns about the nutritional quality of our restaurant menu items; economic uncertainty, recessions, disruptions to or reductions in business operations, liquidity, prospects or supply chains due to pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases, its variants and developments related to these types of events; concerns about the consumption of beef or other menu items due to diseases or other food safety issues, including, without limitation, E. coli bacteria; promotions and price discounting by competitors; atypical or severe weather and natural disasters including, without limitation, tropical storms, hurricanes, or tornadoes; changes in travel patterns; road construction; demographic trends; failure to manage social media trends; inflation, including related increases in the cost of food, labor and energy; supply chain interruptions; 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; risks associated with leasing real property; directives issued by the franchisor regarding operations, menu pricing, advertised pricing, national marketing, advertising, digital programs, and capital commitments; the general reputation of Meritage's and its franchisors' restaurants; the relationships between Meritage and its franchisors; legal claims and proceedings, including claims that may result in judgments against Meritage requiring the payment of damages or other financial obligations; security, including cyber security and information technology security; credit card fraud; Meritage's ability to consummate acquisitions or, if consummated, to successfully integrate acquired businesses into Meritage's operations; Meritage's execution of growth initiatives; the recurring need for restaurant renovation and capital improvements; 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, other labor and employment matters, and the operation of its restaurants; economic changes in the state and local economies where our restaurants are located including, without limitation, Arkansas, Connecticut, Florida, Georgia, Indiana, Massachusetts, Michigan, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, Tennessee, Texas, and Virginia.