



December 8, 2015

Dear Meritage Shareholder:

I thought it would be useful to provide an overview of the Company and our “dividend growth commensurate with earning growth” philosophy as it has developed over the last number of years.

At the core of our business strategy has been a financial underwriting discipline focused on “profitable growth” through acquisitions and new restaurant development. Back in 2010 we announced a five year business plan to increase our restaurant count from 73 to 150 by 2015. We accomplished this and then some.

Looking over the past five year period from a common shareholders perspective, we have seen our stock appreciate approximately +560% as of this writing, which is not bad for a small publically traded restaurant company approaching a quarter billion in sales.

During 2016 we will be updating our next five year growth plan through 2020.

We plan to continue identifying and evaluating restaurant opportunities where we believe we can add value using our operations acumen, information & accounting systems and people development expertise to achieve profitable growth.

Today, Meritage is functioning at the highest level of sales and profitability ever. This is partly due to our low turnover in the leadership team, and the fact that most of us have worked together for more than five years, and many of us for substantially longer. I am most proud of our friendly, open, hard-working and family-oriented culture that has contributed greatly to our success. We have worked hard to preserve this culture as the organization has grown. Long term, I believe our performance-based (at-risk) employee compensation and family-oriented culture are likely to be key competitive advantages for the company in attracting and retaining talent.

I hope you find these principles useful in understanding what to expect from us going forward.

Thank you for your continued interest in Meritage.

Robert E Schermer, Jr.  
CEO  
Meritage Hospitality Group Inc.

