



2026

Notice of Annual Meeting
&
Proxy Statement

45 Ottawa Ave SW, Suite 600
Grand Rapids, MI 49503

MERITAGE HOSPITALITY GROUP INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held May 19, 2026

March 23, 2026

Dear Shareholder:

We invite you to attend our Annual Meeting of Shareholders at 9:00 a.m. Eastern Daylight Time on Tuesday, May 19, 2026. The Company is hosting the Annual Meeting virtually via live audio webcast. To attend the Annual Meeting via the Internet, please visit <https://edge.media-server.com/mmc/p/j2zb9n83> (password: meritage2026) and enter the control number which appears under the account number on your Proxy Voting Card. **You will not be able to attend the meeting in person.** The purpose of the Annual Meeting is to elect six directors to serve for a term of one year as well as to approve the management equity incentive plan. You will also hear a report on our operations and have a chance to ask questions.

This document is the formal notice of the Annual Meeting and Proxy Statement. The Proxy Statement tells you more about the procedures for the Annual Meeting, describes how the Board of Directors operates, and provides information about our directors and officers. The Company's financial results and reports can be found on the Company's website at www.meritagehospitality.com under the "Investor Relations" tab, or can be accessed on the OTC Markets website, <http://www.otcmarkets.com/home>, under the symbol MHGU.

Even if you own only a few shares, we want your shares to be represented at the meeting. We urge you to complete, sign, date and return your Proxy Voting Card promptly in the enclosed envelope or vote online via the instructions on your Proxy Voting Card.

Very truly yours,



Robert E. Schermer, Jr.
Chairman of the Board of Directors

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY CARD IN THE ENCLOSED ENVELOPE. PROXIES MAY BE REVOKED BY WRITTEN NOTICE OF REVOCATION, THE SUBMISSION OF A LATER PROXY OR BY ATTENDING THE ANNUAL MEETING VIRTUALLY AND VOTING ONLINE.

MERITAGE HOSPITALITY GROUP INC.
45 Ottawa Ave SW, Suite 600
Grand Rapids, MI 49503
Tel. (616) 776-2600

PROXY STATEMENT

Annual Meeting of Shareholders
May 19, 2026

The Board of Directors of Meritage Hospitality Group Inc. is requesting your Proxy for use at the Annual Meeting of Shareholders on May 19, 2026, and at any continuation, postponement of adjournment thereof, pursuant to the foregoing Notice. The Annual Meeting will be virtually via live audio webcast. You will not be able to attend in person. The approximate mailing date of this Proxy Statement and the accompanying Proxy Card is April 15, 2026.

VOTING AT THE ANNUAL MEETING

General

Shareholders may vote online or by proxy. Proxies given may be revoked at any time by filing with Meritage either a written revocation or a duly executed Proxy Card bearing a later date, or by attending the Annual Meeting virtually and voting online. During the meeting, please visit <https://edge.media-server.com/mmc/p/j2zb9n83> (password: meritage2026) and enter the control number which appears under the account number on the proxy voting card. All shares will be voted as specified on each properly executed Proxy Card. If no choice is specified, the shares will be voted as recommended by the Board of Directors or in the discretion of the named proxies on any other matters voted on at the meeting. Abstentions and shares not voted for any reason, including broker non-votes, will have no effect on the outcome of any vote taken at the Annual Meeting except as may be otherwise described herein.

Please note that brokers may no longer use discretionary authority to vote your shares in the election of directors if they have not received instructions from you. It is therefore important that you provide instructions to your bank or broker if your shares are held by such a bank or broker so that your vote is counted.

If you hold your shares in "street name," you may need to follow additional instructions provided by your broker in order to vote your shares and submit questions during the Annual Meeting. Your broker may require you to obtain a legal proxy which must reflect the number of shares you hold along with your name and email address. The legal proxy must then be submitted to EQ at proxy@equiniti.com, by fax to 718-765-8730, or mailed to:

Equiniti Trust Company, LLC Attn: Proxy Tabulation Department
1110 Centre Pointe Curve Suite 101
Mendota Heights, MN 55120

Your submission to EQ must be labeled as "Legal Proxy" and be received no later than 5:00 p.m. Eastern Time, on May 18, 2026. A confirmation of registration email and 11-digit voter control number from EQ will be issued after registration materials have been received.

As of March 23, 2026, the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting, Meritage had 6,725,882 outstanding common shares. Each share is entitled to one vote. Only shareholders of record at the close of business on March 23, 2026, will be entitled to vote at the Annual Meeting.

Proposal 1 - Election of Directors

Meritage's Bylaws require the Board of Directors consist of not less than five nor more than fifteen directors, with the exact number to be established by the Board of Directors. The Board has established six as the number of directors to be elected at the Annual Meeting. The Board of Directors has nominated for election the following individuals: Chris A. Armbruster, John W. Inwright, Dirk J. Pruis, Michael A. Ruggeri, Gary A. Rose and Robert E. Schermer, Jr. You can find information regarding each of these nominees in the "Management" section under "Directors and Executive Officers." All directors elected at the Annual Meeting will be elected to hold office until the next Annual Meeting or until their successors are duly elected and qualified. Shareholders are not entitled to cumulate their votes in the election of directors. If any nominee should be unable to serve, proxies will be voted for a substitute nominated by the Board of Directors.

The Board recommends a vote FOR the election of each of the nominees for director. The six nominees receiving the highest number of votes cast in the election of directors will be elected.

Proposal 2 – Approval of Management Equity Incentive Plan

The Board believes that stock-based awards are an important element of Meritage’s compensation programs. The Meritage Hospitality Group Inc. 2026 Management Equity Incentive Plan (the “2026 Plan”) promotes the Company’s compensation philosophy and objectives by: (i) providing long-term incentives to those persons with significant responsibility for the success and growth of the Company; (ii) motivating participants to achieve the long-term success and growth of the Company; and (iii) aligning the personal interests of officers, employees, and others in the Company’s long-term growth and profitability with the interests of the Company’s shareholders.

Meritage’s 2017 Management Equity Incentive Plan has a ten-year term and expires next year. As a result, the Board voted to approve and recommend to shareholders that they approve the 2026 Plan.

The 2026 Plan allows the Company the flexibility to grant a variety of stock and stock-based awards, including incentive and non-qualified stock options and stock appreciation rights, granted separately or in tandem with each other, restricted and unrestricted shares, performance awards and other share unit awards. The aggregate number of common shares that may be issued under the 2026 Plan is 1,000,000. The term of the 2026 Plan is ten years.

The 2026 Plan will be administered by the Board which shall have the authority to select the eligible employees and advisors to whom awards may be granted and determine all terms and conditions of awards which may be granted.

The 2026 Plan provides limits on the transferability of awards and includes provisions on when awards shall terminate and vest. The Board may amend the 2026 Plan or suspend or terminate it entirely, but the Board may not impair rights of participants without their consent. The Board may not amend the 2026 Plan in a way that would cause incentive stock options to fail to qualify as incentive stock options under the Internal Revenue Code.

This summary of the 2026 Plan does not purport to be complete and is qualified in its entirety by reference to the 2026 Plan document, a copy of which is attached as Annex A. In the event and to the extent that this summary is inconsistent with the 2026 Plan document, the 2026 Plan document shall govern. A discussion of the federal income tax consequences of the 2026 Plan can be provided upon request.

The Board recommends a vote FOR the Meritage Hospitality Group Inc. 2026 Management Equity Incentive Plan. The affirmative vote of a majority of votes cast at the Annual Meeting is required to approve the 2026 Plan.

Other Matters

Any other matters considered at the Annual Meeting which properly come before the meeting (including any continuation, postponement or adjournment of the meeting) require the affirmative vote of a majority of the votes cast.

Voting by Proxy

All Proxy Cards properly signed will, unless a different choice is indicated, be voted “FOR” the election of all nominees for director proposed by the Board of Directors. If any other matters come before the Annual Meeting or any continuation, postponement or adjournment thereof, each proxy will be voted in the discretion of the individuals named as proxies.

Shareholder Proposals

Shareholders who desire to present proposals or board nominations at the 2027 Annual Shareholders’ Meeting must provide written notice to Meritage’s Corporate Secretary no later than February 16, 2027.

MANAGEMENT

Directors and Executive Officers

The table below provides information on the beneficial ownership of Company stock by the Board of Directors, director nominees, officers and principal shareholders as of March 23, 2026, calculated in accordance with Securities Exchange Act Rule 13d-3(d)(1)(i):

Name and Age	Position	Total Shares Beneficially Owned as of March 23, 2026	
		Amount (1)	Percentage
Robert E. Schermer, Jr., 67	Chief Executive Officer, Director	2,650,195	34.5%
Gary A. Rose, 63	President and Chief Operating Officer, Director	1,182,684	15.8%
Tracey A. Smith, 51	Vice President, Chief Financial Officer, Secretary, and Treasurer	204,765	3.0%
Dirk J. Pruis, 65	Director	99,897	1.5%
Chris A. Armbruster, 64	Director	67,238	1.0%
John W. Inwright, 69	Director	37,686	0.6%
Michael A. Ruggieri, 70	Director	3,340	0.0%
Joseph L. Maggini, Sr.	Principal Shareholder (4)	373,084	5.4%
Peter D. Wierenga, 71	Principal Shareholder	552,568	8.1%
Robert E. Schermer, Sr.	Principal Shareholder (3)	597,205	8.3%
Duane F. Kluting	Principal Shareholder (2)	54,289	0.8%
All current directors, executive officers and principal shareholders (11 persons)		5,822,950	60.6%

- (1) Represents beneficial ownership of Company common stock including options presently exercisable or exercisable within 60 days, as well as shares of common stock underlying Series B Convertible Preferred Shares, Series C Convertible Preferred Shares, Series D Convertible Preferred Shares, Series E Convertible Preferred Shares, and Series F Convertible Preferred Shares.
- (2) As Mr. Kluting passed away on March 3, 2025, beneficial ownership is attributed to his estate.
- (3) As Mr. Schermer, Sr. passed away on December 18, 2025, beneficial ownership is attributed to his estate.
- (4) As Mr. Maggini passed away on October 9, 2025, beneficial ownership is attributed to his estate.

Robert E. Schermer, Jr. has been a director of the Company since 1996. Mr. Schermer, Jr. has been Chief Executive Officer of the Company since 1998. He served as President of the Company from October 1998 through May 2016.

Gary A. Rose has been a director of the Company since 2017. Mr. Rose has been President since May 2016 and Chief Operating Officer since 2006. He was Vice President, Chief Financial Officer and Treasurer of the Company from 2005 through May 2016. He was Secretary of the Company from 2008 through May 2017. Mr. Rose is a CPA and spent six years with Deloitte & Touche in Grand Rapids, MI. After leaving Deloitte & Touche, he went to work for Neway Anchorlok International, a transportation manufacturing company, where he worked extensively with a number of private equity owners, including KKR and American Industrial Partners.

Tracey A. Smith has been Vice President, Chief Financial Officer, and Treasurer since May 2016. Mrs. Smith has been Secretary since May 2017. She was Director of Finance from 2012 through May 2016 and Controller from 2008 through 2011. Mrs. Smith previously spent four years with Beene Garter LLP.

Dirk J. Pruis has served as a Director of the Company since 2018. Mr. Pruis began his career as a CPA at Touche Ross. Between 1993 and 2014 he held various leadership positions at Goldman Sachs and its subsidiaries, most recently a Managing Director and Chief of Staff in the Operations Division. Mr. Pruis is currently the Vice President for Finance and CFO at Calvin University as well as an Associate Professor and Director of the Financial Planning Program there.

Chris A. Armbruster has served as Director of the Company since 2020. Mr. Armbruster worked for Taco Bell Corporation from 1991 through 2013 where he held several leadership positions in finance involving acquisitions and divestitures, financial planning and development. He spent the last six years at Taco Bell as Vice President of Development and Franchise Finance. Between 2015 and 2018 he served as Vice President of Development for The Wendy's Company.

John Inwright has served as Director of the Company since November 2022. Mr. Inwright is retired and now serves as a board member and advisor to a variety of businesses. Through 2005, he held several leadership positions at Unified Foodservice Purchase Co-op, a Yum! Brands Co-op. Between 2005 to 2007 he served as Chief Procurement Officer for US Foods, and then as Executive Vice President and General Manager for Nice-Pack Products, Inc, a global expert providing infection control products and prevention methods for the foodservice and healthcare industries from 2007 - 2009. Most recently, he served as President & CEO of Wendy's Quality Supply Chain Co-op until 2021. He also served on the Board of the Dave Thomas Foundation for Adoption for 10 years.

Michael A. Ruggeri has served as a Director of the Company since 2025. Mr. Ruggeri is retired and serves as a board member of Kendell Doors & Hardware as well as an advisor to community and philanthropic institutions. Mr. Ruggeri served as CEO from 1990-2017 and Board member until 2025 at Scott Group Studio, a leading manufacturer of custom carpets and rugs for the aviation, marine and interior design industry. Scott Group Studio is a portfolio company of Keystone Capital, a private equity firm based in Chicago, Illinois.

The business address for each member of the Board and management is 45 Ottawa Ave SW, Suite 600, Grand Rapids, MI 49503.

Corporate Governance

Meritage is incorporated in and governed by the laws of the State of Michigan. Meritage's shares of common stock are quoted on the OTCQX (OTC Markets) Premium Tier under the symbol MHGU. Governance is placed in the hands of the Board of Directors who, in turn, elect officers to manage the business operations. The Board oversees the management of Meritage on behalf of the shareholders. Shareholders may communicate with the full Board or individual directors on matters concerning the Company by mail addressed to the attention of the Corporate Secretary. These communications will be forwarded directly to the recipient as long as they relate to the business of the Company.

The Board has established committees to assist it in performing its duties. The Executive Committee possesses, and may exercise, all of the powers of the Board of Directors in the management and control of the business of Meritage to the extent permitted by law. The Executive Committee is comprised of Messrs. Schermer, Jr. (Chairman), Inwright, Armbruster and Rose. The Audit Committee is responsible for appointing and approving the compensation of and overseeing the Company's independent auditors. The Audit Committee operates pursuant to a Charter which sets forth the full responsibilities of the Committee. The Audit Committee is comprised of Messrs. Pruis (Chairman) and Armbruster.

Non-employee directors currently receive a retainer of \$3,470 for attendance at each meeting of the Board of Directors or Executive Committee and \$6,940 for attendance at each Audit Committee meeting. Compensation is paid quarterly in arrears, either in cash or Company common shares, at the election of each director. Compensation paid in common shares is priced at the average fair market value during the five trading days prior to the end of the fiscal quarter. Each non-employee director is also granted an option to purchase 10,000 common shares upon initial election to the Board and another option to purchase 10,000 shares upon each annual election by shareholders. The exercise price is the last closing sale price reported on the date of grant. A director who is also an employee of Meritage is not separately compensated for serving as a director.

Other Matters

Please submit any questions for the Annual Meeting to Tracey Smith at tsmith@mhgi.net by May 6, 2026. If you need more information about the Annual Meeting, please write or call:

Meritage Hospitality Group Inc.
Attn: Corporate Secretary
45 Ottawa Ave SW, Suite 600
Grand Rapids, MI 49503
616-776-2600

For more information about your record holdings, you may contact Meritage's transfer agent, Equiniti Trust Company, LLC at 800-937-5449.

March 23, 2026

By Order of the Board of Directors,



Tracey A. Smith, Corporate Secretary

**MERITAGE HOSPITALITY GROUP INC.
2026 MANAGEMENT EQUITY INCENTIVE PLAN**

ARTICLE 1 – OBJECTIVES

Meritage Hospitality Group Inc. has established this Management Equity Incentive Plan as an incentive to the attraction and retention of dedicated and loyal employees of outstanding ability, to stimulate the efforts of such persons in meeting Meritage Hospitality Group Inc.'s objectives and to encourage ownership of its Common Shares by employees.

ARTICLE 2 – DEFINITIONS

For purposes of this Plan, the following terms shall have the following meanings:

2.1 **"Advisor"** means anyone who provides bona fide advisory or consultation services to the Company other than the offer or sale of securities in a capital-raising transaction.

2.2 **"Affiliate"** means (i) any person or entity that directly or indirectly controls, is controlled by or is under common control with the Company and/or (ii) to the extent provided by the Committee, any person or entity in which the Company has a significant interest. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any person or entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting or other securities, by contract or otherwise.

2.3 **"Award"** means any one or more of the following: (a) Stock Options, (b) Stock Appreciation Rights, free-standing or in tandem with Stock Options, (c) Restricted Stock, (d) performance Shares conditioned upon meeting performance criteria, and (e) other awards based in whole or in part by reference to or otherwise based on Company Shares, or other securities of the Company or any Subsidiary.

2.4 **"Award Agreement"** means a written agreement setting forth the terms of an Award.

2.5 **"Award Date"** or **"Grant Date"** means the date designated by the Committee as the date upon which an Award is granted.

2.6 **"Award Period"** or **"Term"** means the period beginning on an Award Date and ending on the expiration date of such Award.

2.7 **"Board"** means the Board of Directors of the Company; *provided* a member of the Board who is an employee of the Company shall not have any authority to grant Awards to himself or herself and that any such Awards to which such person may be entitled shall be approved solely by disinterested members of the Board.

2.8 **"Change in Control"** means the occurrence of any of the following events:

2.8.1 Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or (ii) Robert E. Schermer, Jr. in his individual capacity, becomes 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;

2.8.2 The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

2.8.3 A change in the composition of the Board occurring within a one-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "**Incumbent Directors**" means directors who either are elected, or nominated for election, to the Board with the affirmative votes of at least a two-thirds of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

2.8.4 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.

Notwithstanding anything herein to the contrary, and only to the extent that an Award is subject to Code Section 409A and payment of the Award pursuant to the application of the definition of "Change in Control" above would cause such Award not to otherwise comply with Code Section 409A, payment of an Award may occur upon a Change in Control only to the extent that the event constitutes a "change in the ownership or effective control" of the Company or a "change in the ownership of a substantial portion of the assets" of the Company under Code Section 409A.

2.9 "**Code**" means the Internal Revenue Code of 1986, as amended, or any successor legislation.

2.10 "**Committee**" means a committee of at least two people as the Board may appoint to administer the Plan or, if no such committee has been appointed by the Board, the Board.

2.11 "**Company**" means Meritage Hospitality Group Inc.

2.12 "**Disability**" means a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code.

2.13 "**Effective Date**" means the date on which the Plan is initially approved by the stockholders of the Company.

2.14 "**Eligible Director**" means a person who is (i) a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and (ii) an "independent director" under the rules of OTC or any other securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted, or a person meeting any similar requirement under any successor rule or regulation.

2.15 "**Eligible Employee**" means anyone, other than one who receives retirement benefits, consulting fees, honorariums, and the like from the Company who performs services for the Company or a Subsidiary, including an officer or director of the Company or a Subsidiary; and is compensated on a regular basis by the Company or a Subsidiary. Directors who are not full-time employees of the Company or a

Subsidiary are not eligible to receive Awards under this Plan. Eligibility under this Plan shall be determined by the Committee.

2.16 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Exchange Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

2.17 "**Fair Market Value**" means the last closing price for a Share on any stock exchange or national trading or quotation system on which such sales are then reported. If the Shares are not so traded or reported, Fair Market Value shall be set under procedures established by the Committee.

2.18 "**Incentive Option**" means any Stock Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code or any successor provision.

2.19 "**Mature Shares**" means Company Shares that an Eligible Employee or Advisor has owned for at least six months.

2.20 "**OTC**" shall mean OTC Pink, OTCQB, or OTCQX, as applicable.

2.21 "**Non-Tandem SAR**" means a Stock Appreciation Right granted without reference to a Stock Option.

2.22 "**Non-Qualified Option**" means any Stock Option that is not an Incentive Stock Option.

2.23 "**Officer**" means an officer of the Company duly appointed by the Board.

2.24 "**Other Stock Unit Awards**" shall have the meaning set forth in Section 10.1 hereof.

2.25 "**Plan**" means this 2026 Meritage Hospitality Group Inc. Management Equity Incentive Plan as it may be amended.

2.26 "**Reference Option**" shall have the meaning set forth in Section 7.1 hereof.

2.27 "**Option Price**" or "**Exercise Price**" means the price per Share at which Common Stock may be purchased upon the exercise of an Option or an Award.

2.28 "**Participant**" means a person to whom an Award has been made pursuant to this Plan.

2.29 "**Replacement Option**" means a Non-Qualified Option granted pursuant to Subsection 6.3, upon the exercise of a Stock Option granted pursuant to this Plan where the Option Price is paid with previously owned Shares.

2.30 "**Restricted Stock**" means Shares issued pursuant to a Restricted Stock Award which are subject to the restrictions set forth in the related Award Agreement.

2.31 "**Restricted Stock Award**" means an award of a fixed number of Shares to a Participant which is subject to forfeiture provisions and other conditions set forth in the Award Agreement.

2.32 "**Retirement**" means any termination of employment (other than by death or Disability) by an employee who is at least 65 years of age, or, in the case of an officer of the Company or the President of any of its subsidiaries, at least 55 years of age.

2.33 **"Share"** means one share of the Company's Common Stock.

2.34 **"Stock Appreciation Right"** or **"SAR"** means the right to receive, for each unit of the SAR, cash and/or Shares equal in value to the excess of the Fair Market Value of one Share on the date of exercise of the SAR over the reference price per Share established on the date the SAR was granted.

2.35 **"Stock Option"** or **"Option"** means the right to purchase Shares of Common Stock, including a Replacement Option, granted pursuant to Article 6.

2.36 **"Subsidiary"** means any corporation, partnership, joint venture, or other entity of which the Company owns or controls, directly or indirectly, 25% or more of the outstanding voting stock, or comparable equity participation and voting power, or which the Company otherwise controls, by contract or any other means. However, when the term "Subsidiary" is used in the context of an Award of an Incentive Option, the applicable percentage shall be 50%. "Control" means the power to direct or cause the direction of the management and policies of a corporation or other entity.

2.37 **"Tandem SAR"** shall mean a Stock Appreciation Right granted with reference to a Stock Option.

2.38 **"Transfer"** means alienation, attachment, sale, assignment, pledge, encumbrance, charge or other disposition; and the terms "Transferred" or "Transferable" have corresponding meanings.

ARTICLE 3 – ADMINISTRATION

3.1 **The Committee.** This Plan shall be administered and interpreted by the Committee. To the extent required to comply with the provisions of Rule 16b-3 promulgated under the Exchange Act (if the Board is not acting as the Committee under the Plan), it is intended that each member of the Committee shall, at the time he or she takes any action with respect to an Award under the Plan, be an Eligible Director. However, the fact that a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award granted by the Committee that is otherwise validly granted under the Plan.

3.2 **Awards.** The Committee is authorized to grant (i) Stock Options; (ii) Stock Appreciation Rights, in tandem with Stock Options or free-standing; (iii) Restricted Stock; (iv) performance Shares conditioned upon meeting performance criteria; and (v) other awards based in whole or in part by reference to or otherwise based on Company Shares, or other securities of the Company or any Subsidiaries. In particular, the Committee shall have the authority to:

3.2.1 select the Eligible Employees and Advisors to whom Awards may be granted;

3.2.2 determine the types and combinations of Awards to be granted;

3.2.3 determine the number of Shares or monetary units which may be subject to each Award;

3.2.4 determine the time when Awards are to be granted and any conditions that must be satisfied before an Award is granted;

3.2.5 establish objectives and conditions for earning an Award;

3.2.6 determine all other terms and conditions, not inconsistent with the terms of the Plan and any operative employment or other agreement, of any Award granted under the Plan, and determine the appropriate Award Agreement evidencing the Award;

3.2.7 determine whether the terms, conditions, and objectives for earning an Award have been met;

3.2.8 make factual determinations with respect to the Plan and any Awards and otherwise supervise the administration of the Plan;

3.2.9 determine the terms and conditions, not inconsistent with the terms of this Plan, of any Award, including, but not limited to, the term, price, exercisability, method of exercise, any restriction or limitation on transfer, any vesting schedule or acceleration, or any forfeiture provisions or waiver, regarding any Award, and the related Shares, based on such factors as the Committee shall determine;

3.2.10 modify or waive any restrictions or limitations contained in, and grant extensions to the terms of or accelerate the vestings of, any outstanding Award, other than Performance Awards, as long as such modifications, waivers, extensions or accelerations are not inconsistent with the terms of this Plan, but no such changes shall impair the rights of any Participant without his or her consent; and

3.2.11 make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

3.3 Guidelines. The Committee is authorized to adopt, alter and repeal administrative rules, guidelines and practices governing this Plan and perform all acts, including the delegation of its administrative responsibilities, as it deems advisable; to construe and interpret the terms and provisions of this Plan and any Award issued under this Plan; and to otherwise supervise the administration of this Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any related Award Agreement in the manner and to the extent it deems necessary to carry this Plan into effect.

3.4 Delegation of Authority. The Committee may delegate its authority to Officers of the Company and its administrative duties to Officers or employees of the Company except with respect to persons who are Senior Officers of the Company as defined by the Board. Any such allocation or delegation may be revoked by the Committee at any time. When the Committee delegates its authority hereunder to one or more Officers of the Company, it shall specify the total number of Awards that the Officer or Officers may award and the terms on which any Awards may be offered or sold. In no event shall the Committee authorize any Officer to designate such Officer as a recipient of any Awards.

3.5 Decisions Final. Any action, decision, interpretation or determination by or at the direction of the Committee concerning the application or administration of this Plan shall be final and binding upon all persons and need not be uniform with respect to its determination of recipients, amount, timing, form, terms or provisions.

ARTICLE 4 - SHARES SUBJECT TO PLAN

4.1 Shares. Subject to adjustment as provided in Subsection 4.2, the number of Shares which may be issued under this Plan shall not exceed Two Million (2,000,000) Shares. All of the available Shares may, but need not, be issued pursuant to the exercise of Incentive Stock Options. If any Award granted

under this Plan shall expire, be settled in cash, terminate, or be canceled for any reason without an issuance of Shares being made, the number of unacquired Shares subject to such Award shall again be available for future grants. Any Shares tendered by an Eligible Employee or Advisor or withheld as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award or repurchased by the Company with Option proceeds shall not be added back to the number of Shares available for issuance under the Plan. The Committee may make such other determinations regarding the counting of Shares issued pursuant to this Plan as it deems necessary or advisable, provided that such determinations shall be permitted by law. Shares underlying a canceled Option shall be counted against the maximum number of shares for which Options may be granted to an employee. The repricing of an Option shall be treated as a cancellation of the Option and the grant of a new Option. All certificates for Shares issued pursuant to this Plan shall contain the following restrictive legends:

THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED, SOLD, TRANSFERRED, OR OTHERWISE ASSIGNED UNTIL THE EXPIRATION OF THE ONE YEAR PERIOD BEGINNING ON THE DATE OF ORIGINAL ISSUANCE BY MERITAGE HOSPITALITY GROUP INC. THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SHARES UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE LAWS OR (B) AN OPINION OF COUNSEL FOR THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

4.2 Adjustment Provisions.

4.2.1 If the Company shall at any time change the number of issued Shares without new consideration to the Company by stock dividend, split, combination, recapitalization, reorganization, exchange of shares, liquidation or other change in corporate structure affecting the Shares or make a distribution of cash or property which has a substantial impact on the value of issued Shares, the total number of Shares reserved for issuance under the Plan shall be appropriately adjusted and the number of Shares covered by each outstanding Award and the reference price or Fair Market Value for each outstanding Award shall be adjusted so that the aggregate consideration payable to the Company and the value of each such Award shall not be changed.

4.2.2 The Committee may authorize the issuance, continuation or assumption of Awards or provide for other equitable adjustments after changes in the Shares resulting from any merger, consolidation, sale of assets, acquisition of property or stock, recapitalization, reorganization, liquidation, or similar occurrence in which the Company is the continuing or surviving corporation, upon such terms and conditions as it may deem equitable and appropriate.

4.3 Change in Control. All outstanding Awards shall become immediately exercisable in full if a Change in Control of the Company occurs.

ARTICLE 5 - DURATION OF PLAN

The Plan is effective as of the Effective Date. The expiration date of the Plan, on and after which date no Awards may be granted hereunder, shall be the tenth anniversary of the Effective Date, unless terminated sooner by the Board pursuant to Article 14; *provided, however*, that such expiration shall not affect Awards then outstanding, and the terms and conditions of the Plan shall continue to apply to such Awards.

ARTICLE 6 - STOCK OPTIONS

6.1 Grants. Stock Options may be granted alone or in addition to other Awards granted under this Plan. Each Option granted shall be designated as either a Non-Qualified Option or an Incentive Option and in each case such Option may or may not include Stock Appreciation Rights. One or more Stock Options and/or Stock Appreciation Rights may be granted to any Eligible Employee or Advisor, except that (i) no person shall receive during any 12-month period Non-Qualified Stock Options covering more than One Hundred Thousand (100,000) Shares, and (ii) only Non-Qualified Options may be granted to Advisors.

6.2 Incentive Options. Incentive Stock Options may be granted only to Eligible Employees. Any option designated by the Committee as an Incentive Stock Option will be subject to the general provisions applicable to all Options granted under the Plan plus the following specific provisions:

6.2.1 If an Incentive Stock Option is granted to a person who owns, directly or indirectly, stock representing more than 10% of (i) the total combined voting power of all classes of stock of the Company and its Subsidiaries, or (ii) a corporation that owns 50% or more of the total combined voting power of all classes of stock of the Company, then

6.2.1.1 the Option Price must equal at least 110% of the Fair Market Value on the date of grant; and

6.2.1.2 the term of the Option shall not be greater than five years from the date of grant.

6.2.2 The aggregate Fair Market Value of Shares, determined at the date of grant, with respect to which Incentive Stock Options that may be exercised for the first time by any individual during any calendar year under this Plan or any other plan maintained by the Company and its Subsidiaries shall not exceed \$100,000. To the extent that the aggregate fair market value of Shares with respect to which Incentive Options are exercisable for the first time by any individual during any calendar year, under all plans of the Company and its Subsidiaries, exceeds \$100,000 (according to the order in which they were granted) or otherwise does not comply with the rules governing Incentive Stock Options, such Options shall be treated as Nonqualified Options.

6.2.3 Qualification under the Code. Notwithstanding anything in this Plan to the contrary, no term of this Plan relating to Incentive Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code, or, without the consent of the Participants affected, to disqualify any Incentive Option under Section 422 of the Code.

6.3 Replacement Options. The Committee may provide either at the time of grant or subsequently that an Option shall include the right to acquire a Replacement Option upon the exercise of such Option, in whole or in part, prior to an Eligible Employee's termination of employment if the payment of the Option Price is paid in Shares. In addition to any other terms and conditions the Committee deems appropriate, the Replacement Option shall be subject to the following terms:

6.3.1 the number of Shares subject to the Replacement Option shall not exceed the number of whole Shares used to satisfy the Option Price of the original Option and the number of whole Shares, if any, withheld by the Company as payment for withholding taxes in accordance with Subsection 15.3;

6.3.2 the Replacement Option Grant Date will be the date of the exercise of the original Option;

6.3.3 the Option Price per share shall be the Fair Market Value of a Share on the Replacement Option Grant Date;

6.3.4 the Replacement Option shall be exercisable no earlier than one year after the Replacement Option Grant Date; and

6.3.5 the Term of the Replacement Option will not extend beyond the Term of the original Option.

The Committee may, without the consent of the Eligible Employee, rescind the right to receive a Replacement Option at any time prior to an Option being exercised.

6.4 Terms of Options. Except as otherwise required by Subsections 6.2 and 6.3, Options granted under this Plan shall be subject to the following terms and conditions and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem desirable:

6.4.1 Option Price. The Option Price shall be determined by the Committee at the time of grant, except that no Option may be granted for an Option Price less than 100% of Fair Market Value on the Grant Date.

6.4.2 Option Term. The Option Term shall be fixed by the Committee, but no Option shall be exercisable more than ten years after its Award Date.

6.4.3 Exercisability. A Stock Option shall be exercisable at such time or times and subject to such terms and conditions as shall be specified in the Award Agreement, *provided, however,* that an Option may not be exercised as to less than One Hundred (100) Shares at any one time or the total number available for exercise at that time.

6.4.4 Method of Exercise. Stock Options may be exercised in whole or in part at any time during the Option Term by giving written notice of exercise to the Company's Secretary specifying the number of Shares to be purchased. Such notice shall be accompanied by paying in full of the Option Price consisting of: (1) cash; (2) check; (3) promissory note, to the extent permitted by law, (4) Mature Shares, *provided* that such Mature Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and *provided further* that accepting such Mature Shares will not result in any adverse accounting consequences to the Company, as the Committee determines in its sole discretion; (5) consideration received by the Company under cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise, (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by law and approved by the Committee, or (8) any combination of the foregoing methods of payment.

Further, upon exercise of a Stock Option, an optionee may elect to receive common shares of the Company equal in value to "X," calculated as follows:

$$X = Y * (A-B) / A$$

(the resulting number shall be rounded to the nearest whole number of shares)

Where Y = the aggregate number of common shares receivable under the Stock Option or, if only a portion of the Stock Option is being exercised, the number of common shares for which the Stock Option is being exercised (at the date of such calculation)

A = Market Price of one Share of Common Stock (at the date of such calculation)

B = Exercise Price of the Stock Option

For purposes of this formula, "Market Price" shall mean the average price for the five days prior to the date of the option exercise at which the Shares of Common Stock have traded on the OTCQX market or, if no sale took place on such date, the last date on which a sale took place.

6.4.5 Transferability of Options. Stock Options shall be Transferable as provided in Article 11.

6.4.6 Termination. Stock Options shall terminate in accordance with Article 12.

6.4.7 Buyout and Settlement Provisions. The Committee may at any time offer to buy out an Option previously granted, based on such terms and conditions as the Committee shall establish. The Committee may also substitute new Stock Options for previously granted Stock Options having higher Option Prices than the new Stock Options being substituted therefor.

ARTICLE 7 - STOCK APPRECIATION RIGHTS

7.1 Grant. A Stock Appreciation Right may be granted either with or without reference to all or any part of a Stock Option. If the Reference Option is a Non-Qualified Option, a Tandem SAR may be granted at or after the date of the Reference Option; if the Reference Option is an Incentive Option, the Grant Date of a Tandem SAR must be the same as the Grant Date of the Reference Option. Any SAR shall have such terms and conditions, not inconsistent with this Plan, as are established by the Committee in connection with the Award.

7.2 Term. A Tandem SAR shall terminate and no longer be exercisable upon the termination of its Reference Option. A Non-Tandem SAR may have a term no longer than 20 years from its Grant Date.

7.3 Exercise. A Tandem SAR may only be exercisable at the times and, in whole or in part, to the extent that its Reference Option is exercisable. The exercise of a Tandem SAR shall automatically result in the surrender of the applicable portion of its Reference Option. A Non-Tandem SAR shall be exercisable in whole or in part as provided in its Award Agreement. Written notice of any exercise must be given in the form prescribed by the Committee.

7.4 Payment. For purposes of payment of an SAR, the reference price per Share shall be the Option Price of the Reference Option in the case of a Tandem SAR and shall be the Fair Market Value of a Share on the Grant Date in the case of a Non-Tandem SAR. The Committee shall determine the form of payment.

7.5 Substitution of SARs for Non-Qualified Options. The Committee shall have the authority in its sole discretion to substitute SARs settled in Shares (or settled in Shares or cash in the sole discretion of the Committee) for outstanding Non-Qualified Options, *provided* that (i) the substitution shall not

otherwise result in a modification of the terms of any such Non-Qualified Option, (ii) the number of Shares underlying the substituted SARs shall be the same as the number of Shares underlying such Non-Qualified Options and (iii) the exercise price of the substituted SARs shall be equal to the exercise price of such Non-Qualified Options; *provided, however*, that if, in the opinion of the Company's independent public auditors, the foregoing provision creates adverse accounting consequences for the Company, such provision shall be considered null and void.

7.6 Transferability and Termination. Stock Appreciation Rights shall be Transferable as provided in Article 11 and shall terminate in accordance with Article 12.

ARTICLE 8 - RESTRICTED AND UNRESTRICTED STOCK AWARDS

8.1 Grants of Restricted Stock Awards. The Committee may, in its discretion, grant one or more Restricted Stock Awards to any Eligible Employee or Advisor. Each Restricted Stock Award shall specify the number of Shares to be issued to the Participant, the date of such issuance, the price, if any, to be paid for such Shares by the Participant and the restrictions imposed on such Shares. The Committee may grant Awards of Restricted Stock subject to the attainment of specified performance goals, continued employment or such other limitations or restrictions as the Committee may determine.

8.2 Terms and Conditions of Restricted Awards. Restricted Stock Awards shall be subject to the following provisions:

8.2.1 Issuance of Shares. Shares of Restricted Stock may be issued immediately upon grant or upon vesting as determined by the Committee.

8.2.2 Stock Powers and Custody. If Shares of Restricted Stock are issued immediately upon grant, the Committee may require the Participant to deliver a stock power, endorsed in blank, relating to the Restricted Stock covered by such an Award. The Committee may also require that the certificates evidencing Restricted Stock be held in custody by the Company until the restrictions on them shall have lapsed.

8.2.3 Shareholder Rights. Unless otherwise determined by the Committee at the time of grant, Participants receiving Restricted Stock Awards shall not be entitled to dividend or voting rights for the Restricted Shares until they are fully vested.

8.2.4 Termination of Employment. Upon termination of employment during the restricted period, all Restricted Stock shall be forfeited, subject to such exceptions, if any, as are authorized by the Committee, as to termination of employment, Retirement, Disability, death or special circumstances.

8.3 Unrestricted Stock Awards. The Committee may make awards of unrestricted Shares to key Eligible Employees and Advisors in recognition of outstanding achievements or contributions by such employees and advisors. Unrestricted Shares issued on a bonus basis may be issued for no cash consideration. Each certificate for unrestricted Shares shall be registered in the name of the Participant and delivered to the Participant.

ARTICLE 9 - PERFORMANCE AWARDS

9.1 Performance Awards.

9.1.1 Grant. The Committee may, in its discretion, grant Performance Awards to Eligible Employees and Advisors. A Performance Award shall consist of the right to receive either Shares or cash of an equivalent value, or a combination of both, at the end of a specified Performance Period (defined below) or a fixed dollar amount payable in cash or Shares, or a combination of both, at the end of a specified Performance Period. The Committee shall determine the Eligible Employees and Advisors to whom and the time or times at which Performance Awards shall be granted, the number of Shares or the amount of cash to be awarded to any person, the duration of the period during which, and the conditions under which, a Participant's Performance Award will vest, and the other terms and conditions of the Performance Award in addition to those set forth in Subsection 9.1.4.

9.1.2 Criteria for Award. The Committee may condition the grant or vesting of a Performance Award upon the attainment of specific levels of performance of the Company (and/or one or more Affiliates, divisions or operational units, or any combination of the foregoing) and may include, but shall not be limited to, the following: (i) net earnings or net income (before or after taxes); (ii) basic or diluted earnings per share (before or after taxes); (iii) net revenue or net revenue growth; (iv) gross revenue, gross revenue growth; (v) gross profit or gross profit growth; (vi) net operating profit (before or after taxes); (vii) return measures (including, but not limited to, stockholder return, return on investment, assets (including net assets), capital, invested capital, equity, or sales); (viii) cash flow measures (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital); (ix) earnings before or after taxes, interest, depreciation or amortization; (x) gross or operating margins; (xi) productivity ratios; (xii) share price (including, but not limited to, growth measures and total stockholder return); (xiii) expense targets; (xiv) operating efficiency; (xv) objective measures of customer satisfaction; (xvi) working capital targets; (xvii) measures of economic value added; (xviii) inventory control; (xix) enterprise value; (xx) sales; (xxi) stockholder return; (xxii); client retention; (xxiii) competitive market metrics; (xxiv) employee retention; (xxv) timely completion of new product rollouts; (xxvi) timely launch of new facilities; (xxvii) objective measures of personal targets, goals or completion of projects (including, but not limited to, succession and hiring projects, completion of specific acquisitions, reorganizations or other corporate transactions, expansions of specific business operations and meeting divisional or project budgets); (xxviii) any other objective or subjective criteria, including individual performance criteria, as determined by the Committee; or (xxix) any combination of the foregoing.

9.1.3 Modification of Criteria. The Committee may alter the Performance Award criteria or modify the calculation of any criteria without obtaining stockholder approval to reflect any event that would reasonably be expected to affect or alter such Performance Award criteria, including, but not limited to: (i) asset write-downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (iv) any reorganization and restructuring programs; (v) nonrecurring items; (vi) acquisitions or divestitures; (vii) any other specific unusual or infrequently occurring events, or objectively determinable category thereof; (viii) foreign exchange gains and losses; (ix) a change in the Company's fiscal year; or (x) any other event as determined by the Committee.

9.1.4 Terms and Conditions of Performance Awards. Performance Awards shall be subject to the following terms and conditions:

9.1.5 Dividends. Unless otherwise determined by the Committee at the time of the grant of the Award, amounts equal to dividends declared during the Performance Period with respect to any Shares covered by a Performance Award will not be paid to the Participant.

9.1.6 Payment. Subject to the provisions of the Award Agreement and this Plan, at the expiration of the Performance Period, share certificates, cash or both as the Committee may determine shall be delivered to the Participant, or his or her legal representative or guardian, in a number or an amount equal to the vested portion of the Performance Award.

9.1.7 Transferability. Performance Awards shall be Transferable as provided in Article 11.

9.1.8 Termination of Employment or Advisory Relationship. Subject to the applicable provisions of the Award Agreement and this Plan, upon termination of a Participant's employment or advisory relationship with the Company or a Subsidiary for any reason during the Performance Period for a given Award, the Performance Award in question will vest or be forfeited in accordance with the terms and conditions established by the Committee.

ARTICLE 10 - OTHER STOCK UNIT AWARDS

10.1 The Committee is authorized to grant to employees of the Company and its Affiliates, either alone or in addition to other Awards granted under the Plan, Awards of Common Shares or other securities of the Company or any Subsidiary of the Company and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Common Shares or other securities of the Company or any subsidiary of the Company, including, without limitation, restricted stock units, ("Other Stock Unit Awards"). Other Stock Unit Awards may be paid in cash, Common Shares, other property or in a combination thereof, as the Committee shall determine.

10.2 The Committee shall determine the employees to whom Other Stock Unit Awards are to be made, the times at which such Awards are to be made, the number of Shares to be granted pursuant to such Awards and all other conditions of such Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient. The recipient shall not be permitted to sell, assign, transfer, pledge, or otherwise encumber the Common Shares or other securities prior to the later of the date on which the Common Shares or other securities are issued, or the date on which any applicable restrictions, performance or deferral period lapses. Common Shares (including securities convertible into Common Shares) and other securities granted pursuant to Other Stock Unit Awards may be issued for no cash consideration or for such minimum consideration as may be required by applicable law. Common Shares (including securities convertible into Common Shares) and other securities purchased pursuant to purchase rights granted pursuant to Other Stock Unit Awards may be purchased for such consideration as the Committee shall determine, which price shall not be less than the fair market value of such Common Shares or other securities on the date of grant, unless the Committee otherwise elects.

ARTICLE 11 - TRANSFERABILITY OF AWARDS

Awards and the benefits payable under this Plan shall not be Transferable by the Participant during his or her lifetime and may not be assigned, exchanged, pledged, transferred or otherwise encumbered or disposed of except by a domestic relations order pursuant to Section 414(p)(1)(B) of the Code, or by will or the laws of descent and distribution. Awards shall be exercisable during a Participant's lifetime only as set forth in the preceding sentence by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative.

Notwithstanding the above, the Committee may, with respect to particular Awards, other than Incentive Stock Options, establish or modify the terms of the Awards to allow the Awards to be transferred at the request of the grantee of the Awards to trusts established by the grantee or as to which the grantee is a grantor or to family members of the grantee or otherwise for personal and tax planning purposes of the grantee. If the Committee allows such transfer, such Options shall not be exercisable for six months following the action of the Committee.

ARTICLE 12 - TERMINATION OF AWARDS

12.1 Termination of Awards. All Awards issued under this Plan shall terminate as follows:

12.1.1 At Expiration of Term. During any period of continuous employment or business relationship with the Company or a Subsidiary, an Award will be terminated only if it is fully exercised or if it has expired by its terms or by the terms of this Plan. For these purposes, any leave of absence approved by the Company shall not be deemed to be a termination of employment.

12.1.2 Death, Disability or Retirement. If a Participant's employment by the Company or a Subsidiary terminates by reason of death, Disability or Retirement, or in the case of an advisory relationship, if such business relationship terminates by reason of death or Disability, any Award held by such Participant, unless otherwise determined by the Committee at grant, shall be fully vested and may thereafter be exercised by the Participant or by the Participant's beneficiary or legal representative, for a period of one year following termination of employment, in the case of death or Disability, and 90 days in the case of Retirement, or such longer period as the Committee may specify at or after grant in all cases other than Incentive Options, or until the expiration of the stated term of such Award, whichever period is shorter.

12.1.3 Termination for Cause. Awards shall terminate immediately if employment is terminated for cause. Cause is defined as including, but not limited to, theft of or intentional damage to Company property, the use of illegal drugs, the commission of a criminal act, or willful violation of Company policy prohibiting employees from trading Shares for personal gain based on knowledge of the Company's activities or results when such information is not available to the general public.

12.1.4 Employment and Noncompetition Agreements. If an individual holding an Award violates any term of any written employment or noncompetition agreement between the Company and the individual, all existing Awards held by such Employee will terminate.

12.1.5 Other. Except as provided above (in this Section 12.1), or unless otherwise determined by the Committee at or after grant, if a Participant's employment by, or business relationship with, the Company or a Subsidiary terminates for any reason other than death, as provided above, the Award will terminate on the earlier to occur of the stated expiration date or 60 days after termination of the employment or business relationship. If a Participant dies during the 60 day period following the termination of the employment or business relationship, any unexercised Award held by the Participant, or transferred by the Participant in accordance with Article 11, shall be exercisable, to the full extent that such Award was exercisable at the time of death, for a period of one year after the date of death of the Participant or until the expiration of the stated term of the Award, whichever occurs first.

12.2 Acceleration of Vesting and Extension of Exercise Period Upon Termination.

12.2.1 Notwithstanding anything contained in this Article 12, upon the termination of employment of a Participant for reasons other than those provided in Sections 12.1.3 and 12.1.4, the Committee may, in its sole discretion, accelerate the vesting of all or part of any Awards held by such terminated Participant, or transferred by the Participant in accordance with Article 11, so that such Awards are fully or partially exercisable as of the date of termination, and may also extend the permitted exercise period of such Awards for up to five years from the date of termination, but in no event longer than the original expiration date of such Award.

12.2.2 Except as provided in Subsection 4.2, in no event will the continuation of the exercisability of an Award beyond the date of termination of employment allow the Eligible Employee, or his or her beneficiaries or heirs, to accrue additional rights under the Plan, or to purchase more Shares through the exercise of an Award than could have been purchased on the date that employment was terminated.

ARTICLE 13 – DEFERRALS

The Committee may permit recipients of Awards to defer the distribution of all or part of any Award in accordance with such terms and conditions as the Committee shall establish.

ARTICLE 14 - TERMINATION OR AMENDMENT OF PLAN

Notwithstanding any other provisions hereof to the contrary, the Committee may assume responsibilities otherwise assigned to the Committee and may at any time, amend, in whole or in part, any provisions of this Plan, or suspend or terminate it entirely; provided, however, that, unless otherwise required by law, the rights of a Participant with respect to any Awards granted prior to such amendment, suspension or termination may not be impaired without the consent of such Participant. No amendment shall cause the Plan or any Award granted under the Plan to cause any Incentive Stock Option to fail to qualify as an Incentive Stock Option as defined by Section 422 of the Code.

ARTICLE 15 - GENERAL PROVISIONS

15.1 No Right to Continued Employment or Business Relationship. Neither the establishment of the Plan nor the granting of any Award hereunder shall confer upon any Participant any right to continue in the employ of, or in any business relationship with, the Company or any Subsidiary, or interfere in any way with the right of the Company or any Subsidiary to terminate such employment or business relationship at any time.

15.2 Other Plans. The value of, or income arising from, any Awards issued under this Plan shall not be treated as compensation for purposes of any pension, profit sharing, life insurance, disability or other retirement or welfare benefit plan now maintained or hereafter adopted by the Company or any Subsidiary, unless such plan specifically provides to the contrary.

15.3 Withholding of Taxes. The Company shall have the right to deduct from all Awards paid in cash to a Participant any taxes required by law to be withheld with respect to such Awards. Applicable withholding taxes arising with respect to Awards paid in Shares to a Participant may be satisfied by the Company retaining Shares having a Fair Market Value on the date the tax is to be determined that is: (i) equal to the amount of such statutory minimum applicable withholding tax (rounded, if necessary, to the next lowest whole number of Shares); or (ii) if the Participant requests in writing and the Company so agrees, such other amount in excess of the statutory minimum applicable withholding tax that will not cause

adverse accounting consequences to the Company and is otherwise permitted under applicable withholding rules promulgated by the Internal Revenue Service or other applicable governmental entity; provided, however, that, subject to any restrictions or limitations that the Company deems appropriate and except as may be provided otherwise in an Award Agreement, a Participant may elect to satisfy such statutory minimum applicable withholding tax through cash or cash proceeds.

15.4 Reimbursement of Taxes. The Committee may provide in its discretion that the Company may reimburse a Participant for federal, state, local and foreign tax obligations incurred as a result of the grant or exercise of an Award issued under this Plan.

15.5 Governing Law. This Plan and actions taken in connection with it shall be governed by the laws of Michigan, without regard to the principles of conflict of laws.

15.6 Liability. No member of the Board, the Committee or any employee or agent of the Company (each such person, an “**Indemnifiable Person**”) shall be liable for any action taken or omitted to be taken or any determination made with respect to the Plan or any Award hereunder (unless constituting bad faith, fraud or a willful criminal act or omission). Each Indemnifiable Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys’ fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken or determination made under the Plan or any Award Agreement and against and from any and all amounts paid by such Indemnifiable Person with the Company’s approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person; *provided* that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company’s choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions or determinations of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person’s bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law.

15.7 Code Section 409A Compliance. Each Award granted under the Plan is intended to be either exempt from or in compliance with the requirements of Code Section 409A and any regulations or guidance that may be adopted thereunder, including any transition relief available under applicable guidance. The Plan may be amended or interpreted by the Committee as it determines appropriate in accordance with Code Section 409A in order for the Plan and Awards to comply with Code Section 409A. If a Participant is a “specified employee” as defined in Code Section 409A at the time of the Participant’s separation from service with the Company, then solely to the extent necessary to avoid the imposition of any additional tax under Code Section 409A, the commencement of any payments or benefits under an Award shall be deferred until the date that is six months following the Participant’s separation from service (or such other period as required to comply with Code Section 409A). Notwithstanding the foregoing, the Company does not guarantee that Awards under the Plan will comply with Code Section 409A and the Committee is under no obligation to make any changes to Awards to cause such compliance.