



2017

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 16, 2017**

April 12, 2017

Dear Shareholder:

We invite you to attend our Annual Meeting of Shareholders at 8:30 a.m. Eastern Daylight Time on Tuesday, May 16, 2017, at Meritage Hospitality Group Inc. Corporate Office located at 45 Ottawa Avenue SW, Suite 600, Grand Rapids, MI 49503. The purposes of the Annual Meeting are:

1. To elect seven directors to serve for a term of one year;
2. To amend Company Bylaws to provide that shares entitled to cast one third (1/3) of the votes at a meeting shall constitute a quorum at the meeting;
3. To approve the Meritage Hospitality Group Inc. 2017 Management Equity Incentive Plan; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

At the meeting, you will also hear a report on our operations and have a chance to meet our directors and executives.

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 operate, and provides information about our Directors and Officers. The Company's annual and quarterly financial results and reports can be found on the Company's website at [www.meritagehospitality.com](http://www.meritagehospitality.com) under the "Investor Information" 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. I urge you to complete, sign, date and return your Proxy Card promptly in the enclosed envelope.

Very truly yours,



Robert E. Schermer, Sr.  
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 AND VOTING IN PERSON.**

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

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### **PROXY STATEMENT**

Annual Meeting of Shareholders  
May 16, 2017

The Board of Directors of Meritage Hospitality Group Inc. is requesting your Proxy for use at the Annual Meeting of Shareholders on May 16, 2017, and at any postponement or adjournment thereof, pursuant to the foregoing Notice. The approximate mailing date of this Proxy Statement and the accompanying Proxy Card is April 12, 2017.

### **VOTING AT THE ANNUAL MEETING**

#### **General**

Shareholders may vote in person 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 appearing at the Annual Meeting and voting in person. 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 otherwise described herein.

Please note, due to changes in rules governing how banks and brokers vote your shares, 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 in the election of directors is counted.

As of March 21, 2017, the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting, Meritage had 6,029,910 outstanding common shares. Each share is entitled to one vote. Only shareholders of record at the close of business on March 21, 2017, 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 15 directors, with the exact number to be established by the Board of Directors. The Board has established seven as the number of directors to be elected at the Annual Meeting. The Board of Directors has nominated for election or reelection the following individuals: James P. Bishop, Duane F. Kluting, Joseph L. Maggini, Gary A. Rose, Robert E. Schermer, Sr., Robert E. Schermer, Jr., and Peter D. Wierenga. You can find information regarding each of these nominees below under “Management – Directors and Executive Officers.” All directors elected at the Annual Meeting will be elected to hold office until the next Annual Meeting. 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 seven nominees receiving the highest number of votes cast in the election of the directors will be elected.**

## **Proposal 2 – Amendment of Bylaws**

Article II Section 7 of Meritage’s Bylaws currently provides that unless a greater or lesser quorum is provided in the articles of incorporation, in a bylaw adopted by the shareholders, or in the Michigan Business Corporation Act (the “Act”), shares entitled to cast a majority of the votes at a meeting shall constitute a quorum at the meeting. We are asking shareholders to amend Article II Section 7 to decrease the quorum requirement from a majority threshold to a one third threshold. This amendment will allow us to conduct shareholder meetings more easily and respond to the lower voter turnout we have experienced in recent years. Specifically, we are asking shareholders to replace the first sentence of Article II Section 7 with the following: “Unless a greater or lesser quorum is provided in the articles of incorporation, in a bylaw adopted by the shareholders, or in the Act, shares entitled to cast one third (1/3) of the votes at a meeting shall constitute a quorum at the meeting.”

**The Board recommends a vote FOR the amendment of Article II Section 7 to decrease the quorum requirement from a majority threshold to a one third threshold. The affirmative vote of a majority of all shares entitled to vote is required to approve this amendment.**

## **Proposal 3 – Approval of the Meritage Hospitality Group Inc. 2017 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. 2017 Management

Equity Incentive Plan (the “2017 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 2008 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 2017 Plan.

The 2017 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 2017 Plan is 1,000,000. The term of the 2017 Plan is ten years.

The 2017 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 2017 Plan provides limits on the transferability of awards and includes provisions on when awards shall terminate and vest. The Board may amend the 2017 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 2017 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 2017 Plan does not purport to be complete and is qualified in its entirety by reference to the 2017 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 2017 Plan document, the 2017 Plan document shall govern. A discussion of the federal income tax consequences of the 2017 Plan can be provided upon request.

**The Board recommends a vote FOR the Meritage Hospitality Group Inc. 2017 Management Equity Incentive Plan. The affirmative vote of a majority of votes cast at the Annual Meeting is required to approve the 2017 Plan.**

## **Other Matters**

Any other matters considered at the Annual Meeting which properly come before the meeting (including any 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, "FOR" Proposal 2 and "FOR" Proposal 3. If any other matters come before the Annual Meeting or any postponement or adjournments thereof, each proxy will be voted in the discretion of the individual named as proxy.

## **Shareholder Proposals**

Shareholders who desire to present proposals or board nominations at the 2017 Annual Shareholders' Meeting must provide written notice to Meritage's Corporate Secretary no later than April 25, 2017.

## MANAGEMENT

### Directors and Executive Officers

Board of Director and Officers beneficial ownership percentages as of January 1, 2017 represented per Exchange Act Rule 13d-3(d)(1)(i) are as follows:

| Name and Age   | Position   | Total Shares Beneficially Owned as of March 21, 2017 |            |
|--|--|--|------------|
|  |  | Amount   | Percentage |
| Robert E. Schermer, Sr., 81                              | Chairman of the Board of Directors                           | 1,355,090  | 20.9%      |
| Robert E. Schermer, Jr., 58                              | Chief Executive Officer & President                          | 1,919,814  | 29.0%      |
| Gary A. Rose, 54   | President, Secretary, Chief Operating Officer, and Treasurer | 592,252  | 9.2%       |
| Tracey A. Smith, 42                                      | Vice President and Chief Financial Officer                   | 67,221   | 1.1%       |
| James P. Bishop, 76                                      | Director   | 195,612  | 3.2%       |
| Duane F. Kluting, 67                                     | Director   | 118,936  | 1.9%       |
| Joseph L. Maggini, 77                                    | Director   | 709,213  | 11.2%      |
| Peter D. Wierenga, 62                                    | Director   | 467,287  | 7.6%       |
| All current directors and executive officers (8 persons) |  | 5,425,425  | 66.7%      |

(1) Represents beneficial ownership of Company stock including commons shares, options presently exercisable or exercisable within 60 days, shares underlying Series B Convertible Preferred Shares, and shares underlying Series C Convertible Preferred Shares.

Robert E. Schermer, Sr. has been Chairman of the Board of Directors since 1996. Mr. Schermer is currently retired. From 1990 through 2005, he was Senior Vice President and a Managing Director of Robert W. Baird & Co. Incorporated, an investment banking and securities brokerage firm headquartered in Milwaukee, WI. Mr. Schermer's business address is 45 Ottawa Ave SW, Suite 600, Grand Rapids, MI 49503.

Robert E. Schermer, Jr. has been a Director of the Company since 1996. He has been Chief Executive Officer of the Company since 1998. Mr. Schermer served as President of the Company from October 1998 through May 2016. Mr. Schermer's business address is 45 Ottawa Ave SW, Suite 600, Grand Rapids, MI 49503.

Gary A. Rose has been President since May 2016, Chief Operating Officer since 2006, and Secretary since 2008. He was Vice President, Chief Financial Officer and Treasurer of the Company from 2005 through May 2016. Mr. Rose is a CPA and spent six years

with Deloitte & Touche in Grand Rapids, MI. Mr. Rose's business address is 45 Ottawa Ave SW, Suite 600, Grand Rapids, MI 49503.

Tracey A. Smith has been Vice President, Chief Financial Officer, and Treasurer since May 2016. She was Director of Finance from 2012 through May 2016 and Controller from 2008 through 2011. Mrs. Smith's business address is 45 Ottawa SW, Suite 600, Grand Rapids, MI 49503.

James P. Bishop has been a Director of the Company since 1998. He is a CPA-retired, and a retired consultant with Seber Tans PLC accounting firm in Kalamazoo, Michigan. Prior to that, Mr. Bishop was the President and majority owner of the Bishop, Flipse & Meyer, P.C. accounting firm in Kalamazoo, Michigan, where he was employed since 1973. Mr. Bishop's business address 3291 Springbrook Ave., Kalamazoo, MI 49004.

Duane F. Kluting has been a Director of the Company since 2005. Mr. Kluting is currently retired. From 1992 through 2003, Mr. Kluting served as Vice President, Chief Financial Officer and Corporate Secretary of X-Rite, Incorporated, a developer and manufacturer of color measurement instrumentation and software used in graphic arts, retail and industrial applications. Mr. Kluting's business address is 2525 Keyton Ct NW, Grand Rapids, MI 49504.

Joseph L. Maggini has been a Director of the Company since 1996. Mr. Maggini is the President and Chairman of the Board of Magic Steel Corporation, a steel service center located in Grand Rapids, Michigan since founding the company in 1974. Mr. Maggini's business address is 4242 Clay Street SW, Grand Rapids, MI 49548.

Peter D. Wierenga has served as a Director of the Company since 2010. He was the Vice President and Director of Godwin Plumbing, Inc., a plumbing and mechanical contractor, from 1987 through 2015. Concurrently, Mr. Wierenga has also been the President and Director of Godwin Hardware Stores, a retail hardware company, since 1988. Mr. Wierenga was a co-founder and currently serves as Vice President of Millennia Technology, Inc., a leader in VOIP telephony. Mr. Wierenga also serves as Chairman of the Board of FirsTime Design Limited, a Wisconsin manufacturer of wholesale clocks.

### **Corporate Governance**

Meritage is a Michigan corporation and, as such, is governed by the laws of the State of Michigan. Meritage's common shares 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.

The Board has established various 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, Sr. (Chairman), Schermer Jr., Maggini and Wierenga. The Audit Committee is responsible for appointing, approving the compensation of, and overseeing the Company's independent auditors. The Committee operates pursuant to a Charter which sets forth the full responsibilities of the Committee. The Audit Committee is comprised of Messrs. Bishop (Chairman) and Kluting.

Non-employee directors receive a retainer of \$2,000 for attendance at each meeting of the Board of Directors or Executive Committee and \$4,000 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**

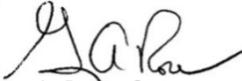
Meritage is not aware of any other matters to be presented at the Annual Meeting other than those specified in the Notice. If you have questions or need more information about the Annual Meeting, please write or call:

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 American Stock Transfer & Trust Company, LLC, at 800-937-5449.

April 12, 2017

By Order of the Board of Directors,

  
Gary A. Rose, Corporate Secretary

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